

Mizuho Saudi Arabia Company
(A CLOSED SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS

31 DECEMBER 2012

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
MIZUHO SAUDI ARABIA COMPANY (A CLOSED SAUDI JOINT STOCK COMPANY)**

Audit Scope

We have audited the accompanying balance sheet of Mizuho Saudi Arabia Company - a Closed Saudi Joint Stock Company (the "Company") as at 31 December 2012 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion

In our opinion, the financial statements taken as a whole:

- i) present fairly, in all material respects, the financial position of the company as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia;
- ii) comply with the requirements of the Regulations for Companies and the company's bye-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young


Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366



Riyadh: 1 Rabi Thani 1434H
(11 February 2013)

Mizuho Saudi Arabia Company
(A Closed Saudi Joint Stock Company)

BALANCE SHEET

At 31 December 2012

	<i>Notes</i>	2012 SR	2011 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	53,842,520	53,513,459
Prepayments and other receivables	4	1,474,971	1,653,251
TOTAL CURRENT ASSETS		<u>55,317,491</u>	<u>55,166,710</u>
NON CURRENT ASSET			
Property and equipment	5	2,143,760	2,865,306
TOTAL ASSETS		<u>57,461,251</u>	<u>58,032,016</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITY			
Accruals and other payables	7	1,880,820	2,092,325
NON CURRENT LIABILITY			
Employees' terminal benefits		303,731	267,918
TOTAL LIABILITIES		<u>2,184,551</u>	<u>2,360,243</u>
SHAREHOLDERS' EQUITY			
Share capital	9	75,000,000	75,000,000
Accumulated losses		(19,723,300)	(19,328,227)
TOTAL SHAREHOLDERS' EQUITY		<u>55,276,700</u>	<u>55,671,773</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>57,461,251</u>	<u>58,032,016</u>

The attached notes 1 to 15 form part of these financial statements.

Mizuho Saudi Arabia Company
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STATEMENT OF INCOME

For the year ended 31 December 2012

	<i>Notes</i>	2012 SR	2011 SR
INCOME			
Advisory revenue	6	8,246,948	8,248,048
Special commission income		371,969	299,006
Brokerage fees, net		-	2,946
Corporate finance income		1,309,539	205,267
Total income		<u>9,928,456</u>	<u>8,755,267</u>
EXPENSES			
General and administration expenses	11	(9,602,209)	(11,801,969)
Depreciation	5	(721,546)	(721,546)
Foreign exchange gain (loss)		226	(129)
Total expenses		<u>(10,323,529)</u>	<u>(12,523,644)</u>
NET LOSS FOR THE YEAR		<u>(395,073)</u>	<u>(3,768,377)</u>
Loss per share		<u>(0.05)</u>	<u>(0.50)</u>

The attached notes 1 to 15 form part of these financial statements.

Mizuho Saudi Arabia Company
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STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 SR	2011 SR
OPERATING ACTIVITIES			
Net loss for the year		(395,073)	(3,768,377)
Adjustments for:			
Depreciation		721,546	721,546
Employees' terminal benefits, net		35,813	116,519
		<u>362,286</u>	<u>(2,930,312)</u>
Changes in operating assets and liabilities:			
Trade receivables		-	5,970
Prepayments and other receivables		178,280	97,573
Accruals and other payables		(211,505)	(447,183)
Due to related party		-	(67,770)
		<u>329,061</u>	<u>(3,341,722)</u>
Net cash generated from (used in) operating activities		<u>329,061</u>	<u>(3,341,722)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		329,061	(3,341,722)
Cash and cash equivalents at the beginning of the year		<u>53,513,459</u>	<u>56,855,181</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	<u>53,842,520</u>	<u>53,513,459</u>
<i>Supplementary cash flow information</i>			
Special commission income received		<u>352,547</u>	<u>275,617</u>

The attached notes 1 to 15 form part of these financial statements.

Mizuho Saudi Arabia Company
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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance at 31 December 2010	75,000,000	(15,559,850)	59,440,150
Net loss for the year	-	(3,768,377)	(3,768,377)
Balance at 31 December 2011	75,000,000	(19,328,227)	55,671,773
Net loss for the year	-	(395,073)	(395,073)
Balance at 31 December 2012	<u>75,000,000</u>	<u>(19,723,300)</u>	<u>55,276,700</u>

The attached notes 1 to 15 form part of these financial statements.

Mizuho Saudi Arabia Company
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

1 ACTIVITIES

Mizuho Saudi Arabia Company (the "Company") is a Saudi joint stock company incorporated based on Ministerial Resolution number 51 dated 20 Safar 1430 H (corresponding to 15 February 2009). The company is registered with the Capital Market Authority ("CMA") under license numbered 11158-30. It operates in the Kingdom of Saudi Arabia under commercial registration number 1010263572 dated 6 Rabi Awal 1430H (corresponding to 3 March 2009). Further the company has also obtained a license from the Saudi Arabian General Investment Authority (license number 1398/1 dated 23 Dhul Hijjah 1429H) (corresponding to 21 December 2008).

The Company is solely authorised to conduct the activities of arranging and advising in securities business.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on property and equipment on a straight line basis over the estimated useful lives of the assets.

Expenditure on repairs and maintenance is charged to the statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Income tax

Income tax is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of income.

Revenue recognition

Revenue is recognised in the statement of income as set out below:

Special commission income

Special commission income is accrued on an effective yield basis.

Arranging and advisory income

Arranging and advisory service fees are accrued on a time proportion basis, as the services are rendered.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Mizuho Saudi Arabia Company
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accruals and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consists of cash and bank balances and short term deposits with an original maturity of three months or less when acquired.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

3 CASH AND CASH EQUIVALENTS

	2012 SR	2011 SR
Time deposits with an original maturity of less than three months	48,000,000	48,000,000
Cash at bank	5,792,520	5,461,186
Cash in hand	50,000	52,273
	<u>53,842,520</u>	<u>53,513,459</u>

The effective commission rate on time deposits as at 31 December 2012 was 1.15% (2011: 0.59%).

4 PREPAYMENTS AND OTHER RECEIVABLES

	2012 SR	2011 SR
Prepayments	1,104,111	1,274,364
Accrued income	267,140	257,667
Deposits with others	103,720	121,220
	<u>1,474,971</u>	<u>1,653,251</u>

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NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

5 PROPERTY AND EQUIPMENT

The estimated useful lives of assets for calculation of depreciation are as follows:

Leasehold improvements	10 years	Furniture and fixtures	5 years
Computer hardware and software	5 years	Vehicles	5 years

	<i>Leasehold improvements SR</i>	<i>Furniture and fixtures SR</i>	<i>Computer hardware and software SR</i>	<i>Vehicles SR</i>	<i>Total 2012 SR</i>	<i>Total 2011 SR</i>
Cost						
At the beginning of the year	1,583,099	316,221	2,002,664	528,000	4,429,984	4,429,984
At end of the year	<u>1,583,099</u>	<u>316,221</u>	<u>2,002,664</u>	<u>528,000</u>	<u>4,429,984</u>	<u>4,429,984</u>
Depreciation:						
At beginning of the year	343,005	137,028	885,221	199,424	1,564,678	843,132
Charge for the year	158,310	63,244	394,392	105,600	721,546	721,546
At end of the year	<u>501,315</u>	<u>200,272</u>	<u>1,279,613</u>	<u>305,024</u>	<u>2,286,224</u>	<u>1,564,678</u>
Net book value:						
At 31 December 2012	<u>1,081,784</u>	<u>115,949</u>	<u>723,051</u>	<u>222,976</u>	<u>2,143,760</u>	
At 31 December 2011	<u>1,240,094</u>	<u>179,193</u>	<u>1,117,443</u>	<u>328,576</u>		<u>2,865,306</u>

6 RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the period:

<i>Related party</i>	<i>Nature of transactions</i>	<i>2012 SR</i>	<i>2011 SR</i>
Affiliates	Information technology ("IT") support costs	679,434	815,080
Shareholder	Advisory income	8,246,948	8,248,048
	Expenses and salaries paid on behalf of the Company	2,006,369	3,751,596
	Expenses incurred on behalf of the shareholders	-	150,375
		<u> </u>	<u> </u>

Certain employees have been seconded to the company from a shareholder. Related costs are included above.

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NOTES TO THE FINANCIAL STATEMENTS
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7 ACCRUALS AND OTHER PAYABLES

	2012 SR	2011 SR
Accrued expenses	1,223,845	1,319,003
Advance payment	480,993	541,186
Other payables	175,982	232,136
	<u>1,880,820</u>	<u>2,092,325</u>

8 INCOME TAX

No provision for income tax has been made during the year due to the taxable losses incurred. The Company has not received its assessments from Department of Zakat and Income Tax yet for the years since inception of the Company.

9 SHARE CAPITAL

The authorised, issued and paid up share capital consists of 7.5 million shares of SR 10 each.

10 STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income after deducting losses brought forward in each year until it has built up a reserve equal to one half of the capital. The Company has not recorded any transfer for the year due to the losses incurred.

11 GENERAL AND ADMINISTRATION EXPENSES

	2012 SR	2011 SR
Employee benefits	5,994,402	6,487,837
IT and information	1,086,603	1,322,854
Rent	872,640	872,640
Professional fees	522,319	798,527
Travelling and meetings	356,013	342,162
Insurance	19,360	267,461
Advertising	6,500	26,936
Withholding taxes	382,438	1,313,553
Other	361,934	369,999
	<u>9,602,209</u>	<u>11,801,969</u>

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The company's financial assets consist of cash and cash equivalents. Its financial liabilities consist of accrued expenses and other payables.

The fair values of financial instruments are not materially different from their carrying values.

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13 RISK MANAGEMENT

Special commission rate risk

The company is subject to special commission rate risk on its interest bearing assets, which primarily comprise of bank deposit.

The following table demonstrates the sensitivity of the income to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the income is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2012.

There is no impact on the Company's equity.

	Increase/decrease in basis points	Effect on income for the year/ period SR
2012		
Saudi Riyal	+/- 10	48,000
2011		
Saudi Riyal	+/- 10	48,000

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. Time deposits are placed with a single counterparty. With respect to credit risk arising from other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. As the company has minimal operations, the company is not exposed to significant liquidity risk. Deposits are generally placed for short periods to manage the Company's liquidity requirements. All liabilities on the company's balance sheet, other than end of service benefits, are contractually payable on a current basis.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company is not subject to fluctuations in foreign exchange rates in the normal course of its business, except for its payables denominated in Japanese Yen. The company did not undertake significant transactions in currencies other than Saudi Riyals and Japanese Yen during the year.

14 SEGMENT INFORMATION

The company operates solely in the Kingdom of Saudi Arabia and effectively has only two operating segments – Advising and Arranging. Advising is responsible for market research and issuance of reports for informational benefit of investors. Arranging is responsible for strategic advisory to clients on transactions including merger and acquisitions and raising capital (both equity and debt). Segment wise information is however not currently tracked by the Company due to the minimal level of operations.

15 APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements have been approved by the Board of Directors of the company on 1 Rabi Thani 1434H (corresponding to 11 February 2013).