

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

FINANCIAL STATEMENTS

31 DECEMBER 2013



Building a better
working world

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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 2013 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 2013 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 by-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: 4 Rabi Thani 1435H
(4 February 2014)

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

BALANCE SHEET

At 31 December 2013

	<i>Note</i>	2013 SR	2012 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	53,226,616	53,842,520
Prepayments and other receivables	4	1,975,125	1,474,971
TOTAL CURRENT ASSETS		<u>55,201,741</u>	<u>55,317,491</u>
NON-CURRENT ASSET			
Property and equipment	5	1,439,711	2,143,760
TOTAL ASSETS		<u>56,641,452</u>	<u>57,461,251</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITY			
Accruals and other payables	7	941,169	1,880,820
Income tax payable	8	116,706	-
TOTAL CURRENT LIABILITIES		<u>1,057,875</u>	<u>1,880,820</u>
NON-CURRENT LIABILITY			
Employees' terminal benefits		484,639	303,731
TOTAL LIABILITIES		<u>1,542,514</u>	<u>2,184,551</u>
SHAREHOLDERS' EQUITY			
Share capital	9	75,000,000	75,000,000
Accumulated losses		(19,901,062)	(19,723,300)
TOTAL SHAREHOLDERS' EQUITY		<u>55,098,938</u>	<u>55,276,700</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>56,641,452</u>	<u>57,461,251</u>

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

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

STATEMENT OF INCOME

For the year ended 31 December 2013

	<i>Notes</i>	2013 SR	2012 SR
INCOME			
Advisory revenue	6	8,246,755	8,246,948
Special commission income		459,067	371,969
Corporate finance income		1,060,490	1,309,539
TOTAL INCOME		<u>9,766,312</u>	<u>9,928,456</u>
EXPENSES			
General and administration expenses	11	(9,104,893)	(9,601,983)
Depreciation	5	(722,475)	(721,546)
TOTAL EXPENSES		<u>(9,827,368)</u>	<u>(10,323,529)</u>
LOSS BEFORE INCOME TAX FROM MAIN OPERATIONS		(61,056)	(395,073)
Income tax	8	(116,706)	-
NET LOSS FOR THE YEAR		<u>(177,762)</u>	<u>(395,073)</u>
Loss per share		<u>(0.024)</u>	<u>(0.052)</u>

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

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 SR	2012 SR
OPERATING ACTIVITIES			
Loss before income tax		(61,056)	(395,073)
Adjustments for:			
Depreciation	5	722,475	721,546
Employees' terminal benefits, net		180,908	35,813
		<u>842,327</u>	<u>362,286</u>
Changes in operating assets and liabilities:			
Prepayments and other receivables		(500,154)	178,280
Accruals and other payables		(2,991,437)	(2,217,874)
		<u>(2,649,264)</u>	<u>(1,677,308)</u>
Net cash used in operating activities		<u>(2,649,264)</u>	<u>(1,677,308)</u>
INVESTING ACTIVITY			
Purchase of property and equipment	5	(18,426)	-
		<u>(18,426)</u>	<u>-</u>
Net cash used in investing activity		<u>(18,426)</u>	<u>-</u>
FINANCING ACTIVITIES			
Expenses paid on behalf of the company		2,145,536	2,006,369
Expenses paid on behalf of the shareholders		(93,750)	-
		<u>2,051,786</u>	<u>2,006,369</u>
Net cash from financing activities		<u>2,051,786</u>	<u>2,006,369</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(615,904)	329,061
Cash and cash equivalents at the beginning of the year		<u>53,842,520</u>	<u>53,513,459</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	<u><u>53,226,616</u></u>	<u><u>53,842,520</u></u>
<i>Supplementary cash flow information</i>			
Special commission income received		<u>375,067</u>	<u>352,547</u>

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

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2013

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
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	75,000,000	(19,723,300)	55,276,700
Net loss for the year	-	(177,762)	(177,762)
Balance at 31 December 2013	75,000,000	(19,901,062)	55,098,938

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 (continued)

31 December 2013

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.

Deferred tax assets are recognized for all temporary differences at current rates of taxation. The carrying amount of any deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the near future to allow all or part of the deferred tax asset to be utilized. The deferred tax 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.

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 (continued)

31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

	2013 SR	2012 SR
Time deposits with an original maturity of less than three months	48,000,000	48,000,000
Cash at bank	5,169,642	5,792,520
Cash in hand	56,974	50,000
	<u>53,226,616</u>	<u>53,842,520</u>

The effective commission rate on time deposits as at 31 December 2013 was 0.93% (2012: 0.80%).

4 PREPAYMENTS AND OTHER RECEIVABLES

	2013 SR	2012 SR
Prepayments	1,148,347	1,104,111
Accrued income	713,190	267,140
Deposits with others	109,498	103,720
Others	4,090	-
	<u>1,975,125</u>	<u>1,474,971</u>

Deposits with others are due from unrelated counterparties. Accrued income of SR 278,440 (2012: SR 206,140) is due from affiliates/shareholders and an amount of SR 434,750 (2012: SR 61,000) is due from other counterparties.

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

Mizuho Saudi Arabia Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

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</i> SR	<i>Furniture and fixtures</i> SR	<i>Computer hardware and software</i> SR	<i>Vehicles</i> SR	<i>Total 2013</i> SR	<i>Total 2012</i> SR
Cost						
At the beginning of the year	1,583,099	316,221	2,002,664	528,000	4,429,984	4,429,984
Additions	-	-	18,426	-	18,426	-
At end of the year	<u>1,583,099</u>	<u>316,221</u>	<u>2,021,090</u>	<u>528,000</u>	<u>4,448,410</u>	<u>4,429,984</u>
Depreciation:						
At beginning of the year	501,315	200,272	1,279,613	305,024	2,286,224	1,564,678
Charge for the year	158,310	63,244	395,321	105,600	722,475	721,546
At end of the year	<u>659,625</u>	<u>263,516</u>	<u>1,674,934</u>	<u>410,624</u>	<u>3,008,699</u>	<u>2,286,224</u>
Net book value:						
At 31 December 2013	<u>923,474</u>	<u>52,705</u>	<u>346,156</u>	<u>117,376</u>	<u>1,439,711</u>	
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>

6 RELATED PARTY TRANSACTIONS

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

<i>Related party</i>	<i>Nature of transactions</i>	<i>2013</i> SR	<i>2012</i> SR
Affiliates	Information technology ("IT") support costs	418,582	679,434
Shareholder	Advisory income	8,246,755	8,246,948
	Corporate finance income	71,300	-
	Expenses and salaries paid on behalf of the Company	2,145,536	2,006,369
	Expenses incurred on behalf of the shareholders	93,750	-

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

7 ACCRUALS AND OTHER PAYABLES

	<i>2013</i> SR	<i>2012</i> SR
Unearned revenue	480,993	480,993
Accrued expenses	328,874	1,223,845
Other payables	131,302	175,982
	<u>941,169</u>	<u>1,880,820</u>

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

Mizuho Saudi Arabia Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

8 INCOME TAX

Charge for the year

Income tax charge consists of the current year provision of SR 116,706 (2012: nil) based on 20% of the adjusted taxable profit.

Differences between the financial loss and taxable profit are mainly due to provisions, which are disallowed for tax purposes.

Status of assessment

The Company has filed its income tax returns with the Department of Zakat and Income Tax ("DZIT") for the years ended up to 31 December 2012. No assessment has been raised by the DZIT as yet.

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

	2013 SR	2012 SR
Employees' costs	6,192,078	6,033,882
Rent	872,640	872,640
IT and information	667,651	1,086,603
Professional fees	412,262	522,319
Withholding taxes	382,192	382,438
Travelling and meetings	299,184	356,013
Insurance	14,999	19,360
Advertising	6,750	6,500
Other	257,137	322,228
	<u>9,104,893</u>	<u>9,601,983</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 (continued)

31 December 2013

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company does not carry any financial instruments at fair value.

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 2013.

There is no impact on the Company's equity.

	<i>Increase/decrease in basis points</i>	<i>Effect on income for the year SR</i>
2013		
Saudi Riyal	+/- 10	48,000
2012		
Saudi Riyal	+/- 10	48,000

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 (continued)

31 December 2013

13 RISK MANAGEMENT (continued)

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 and other receivables, 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.

The maximum credit risk as at the year end is as follows:

	2013 SR	2012 SR
Bank balances	53,169,642	53,792,520
Accrued income	713,190	267,140
Deposits and others	113,588	103,720
	<u>53,996,420</u>	<u>54,163,380</u>

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 operative 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 4 Rabi Thani 1435H (corresponding to 4 February 2014).

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