

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

FINANCIAL STATEMENTS

31 DECEMBER 2015



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

Audit Scope

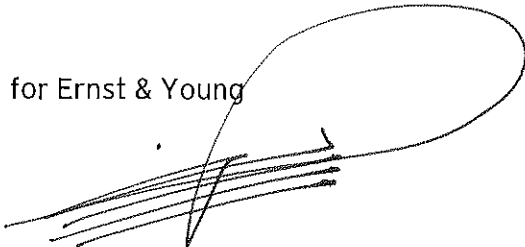
We have audited the accompanying balance sheet of Mizuho Saudi Arabia Company - a Closed Saudi Joint Stock Company (the "Company") as at 31 December 2015 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility 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.

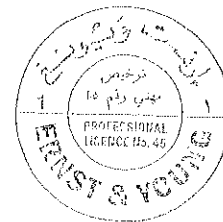
Unqualified opinion

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 2015 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


Waleed G. Tawfiq
Certified Public Accountant
Registration No. 437



Riyadh: 3 Rajab 1437H
(10 April 2016)

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

BALANCE SHEET

At 31 December 2015

	<i>Note</i>	2015 SR	2014 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	51,906,130	49,365,575
Receivables, prepayments and others	4	1,401,133	2,204,424
Deferred tax asset	8(c)	-	124,210
TOTAL CURRENT ASSETS		53,307,263	51,694,209
NON-CURRENT ASSET			
Property and equipment	5	748,531	790,752
TOTAL ASSETS		54,055,794	52,484,961
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accruals and other payables	7	1,723,933	790,465
Income tax	8(b)	127,945	-
Deferred tax liability	8(c)	89,190	-
TOTAL CURRENT LIABILITIES		1,941,068	790,465
NON-CURRENT LIABILITY			
Employees' terminal benefits		461,801	647,177
TOTAL LIABILITIES		2,402,869	1,437,642
SHAREHOLDERS' EQUITY			
Share capital	9	75,000,000	75,000,000
Accumulated losses		(23,347,075)	(23,952,681)
TOTAL SHAREHOLDERS' EQUITY		51,652,925	51,047,319
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		54,055,794	52,484,961

The attached notes 1 to 16 form part of these financial statements.

Mizuho Saudi Arabia Company
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STATEMENT OF INCOME

For the year ended 31 December 2015

	<i>Note</i>	2015 SR	2014 SR
INCOME			
Advisory revenue	6	9,099,055	8,953,723
Special commission income		289,263	362,667
TOTAL INCOME		9,388,318	9,316,390
EXPENSES			
General and administration expenses	11	(8,237,871)	(12,806,411)
Depreciation	5	(192,564)	(648,959)
Foreign exchange loss		(10,932)	(36,849)
TOTAL EXPENSES		(8,441,367)	(13,492,219)
INCOME (LOSS) FROM MAIN OPERATIONS		946,951	(4,175,829)
Income tax	8(a)	(341,345)	124,210
NET INCOME (LOSS) FOR THE YEAR		605,606	(4,051,619)
<i>Earning per share:</i>			
Attributable to income (loss) from main operation	14	0.12	(0.55)
Attributable to net income (loss) for the year	14	0.08	(0.54)

The attached notes 1 to 16 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 2015

	Note	2015 SR	2014 SR
OPERATING ACTIVITIES			
Income (loss) before income tax		946,951	(4,175,829)
Adjustments for:			
Depreciation	5	192,564	648,959
Employees' terminal benefits, net		(185,376)	162,538
		<u>954,139</u>	<u>(3,364,332)</u>
Changes in operating assets and liabilities:			
Receivables, prepayments and others		803,291	(229,299)
Accruals and other payables		(679,383)	(2,394,247)
		<u>1,078,047</u>	<u>(5,987,878)</u>
Cash from (used in) operating activities		1,078,047	(5,987,878)
Income tax paid	8	-	(116,706)
Net cash from (used in) operating activities		1,078,047	(6,104,584)
INVESTING ACTIVITY			
Purchase of property and equipment	5	(150,343)	-
Net cash used in investing activity		(150,343)	-
FINANCING ACTIVITIES			
Expenses paid on behalf of the company	6	1,612,851	2,243,543
Net cash from financing activities		1,612,851	2,243,543
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,540,555	(3,861,041)
Cash and cash equivalents at the beginning of the year	3	49,365,575	53,226,616
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	51,906,130	49,365,575
<i>Supplementary cash flow information</i>			
Special commission income received		199,702	264,667

The attached notes 1 to 16 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 2015

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance at 31 December 2013	75,000,000	(19,901,062)	55,098,938
Net loss for the year	-	(4,051,619)	(4,051,619)
Balance at 31 December 2014	75,000,000	(23,952,681)	51,047,319
Net Income for the year	-	605,606	605,606
Balance at 31 December 2015	75,000,000	(23,347,075)	51,652,925

The attached notes 1 to 16 form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1 ACTIVITIES

Mizuho Saudi Arabia Company (the "Company") is a Saudi joint stock company incorporated based on Ministerial Resolution numbered 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 numbered 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 numbered 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. Additional amounts, if any, that may become due on finalisation of an assessment are recorded in the year in which the assessment is finalised.

Deferred tax assets are recognised 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 utilised. 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.

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

31 December 2015

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.

Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

3 CASH AND CASH EQUIVALENTS

	2015 SR	2014 SR
Cash at bank	51,862,380	1,312,348
Cash in hand	43,750	53,227
Time deposits with an original maturity of less than three months	-	48,000,000
	<u>51,906,130</u>	<u>49,365,575</u>

Included in cash at bank, a time deposit balance amounting to SR 49,556,925. The effective commission rate on time deposits as at 31 December 2015 was 0.7% (2014: 0.7%).

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

31 December 2015

4 RECEIVABLES, PREPAYMENTS AND OTHERS

	2015 SR	2014 SR
Prepayments	610,502	1,482,747
Accounts receivable	337,500	150,000
Due from shareholder (refer to note (a) below)	206,057	414,508
Deposits with others (refer to note (b) below)	125,080	125,080
Accrued income	117,905	28,000
Others	4,089	4,089
	<u>1,401,133</u>	<u>2,204,424</u>

(a) Amount due from a shareholder represents fees for advisory services performed during the year.

(b) Deposits with others are due from unrelated counterparties.

There are no amounts past due as of 31 December 2015 and 2014.

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</i> 2015 SR	<i>Total</i> 2014 SR
Cost:						
At the beginning of the year	1,583,099	316,221	2,021,090	528,000	4,448,410	4,448,410
Additions	-	-	150,343	-	150,343	-
At end of the year	<u>1,583,099</u>	<u>316,221</u>	<u>2,171,433</u>	<u>528,000</u>	<u>4,598,753</u>	<u>4,448,410</u>
Depreciation:						
At beginning of the year	817,934	316,221	2,007,279	516,224	3,657,658	3,008,699
Charge for the year	158,310	-	22,478	11,776	192,564	648,959
At end of the year	<u>976,244</u>	<u>316,221</u>	<u>2,029,757</u>	<u>528,000</u>	<u>3,850,222</u>	<u>3,657,658</u>
Net book value:						
At 31 December 2015	<u>606,855</u>	<u>-</u>	<u>141,676</u>	<u>-</u>	<u>748,531</u>	
At 31 December 2014	<u>765,165</u>	<u>-</u>	<u>13,811</u>	<u>11,776</u>		<u>790,752</u>

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

31 December 2015

6 RELATED PARTY TRANSACTIONS

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

<i>Related party</i>	<i>Nature of transaction</i>	2015 SR	2014 SR
Affiliates	Information technology ("IT") support costs	343,037	1,197,201
Shareholder	Advisory income	8,349,285	8,487,534
	Expenses and salaries paid on behalf of the Company	1,612,851	2,243,543

Certain employees have been seconded to the Company from a shareholder. Related costs are included above. Balances due from a shareholder is presented in note 4.

7 ACCRUALS AND OTHER PAYABLES

	2015 SR	2014 SR
Accrued expenses	1,161,645	155,922
Unearned revenue	480,993	481,186
Other payables	81,295	153,357
	<u>1,723,933</u>	<u>790,465</u>

8 INCOME TAX

a) Charge for the year

Income tax charge consists of:

	2015 SR	2014 SR
Current year provision	127,945	-
Deferred tax adjustments for the year (see note (8c))	213,400	(124,210)
Income tax charge for the year	<u>341,345</u>	<u>(124,210)</u>

The current year provision is based on 20% of the adjusted taxable profit. Differences between the financial and taxable profit are mainly due to provisions and certain expenses, which are disallowed for tax purposes.

b) Movements in income tax provision during the year

	2015 SR	2014 SR
Provided during the year	127,945	-
At end of the year	<u>127,945</u>	<u>-</u>

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

31 December 2015

8 INCOME TAX (continued)

c) Deferred tax

The Company has recognised deferred tax at the balance sheet date, in respect of timing differences due to disallowance of employees' terminal benefits and difference in basis of depreciation calculated at effective income tax rate of 20%.

Movement in deferred tax (liability) asset during the year:

	2015 SR	2014 SR
At the beginning of the year	124,210	-
Adjustment during the year	(213,400)	124,210
At end of the year	<u>(89,190)</u>	<u>124,210</u>

d) Status of assessments

The Company has filed its income tax declarations with the Department of Zakat and Income Tax ("DZIT") for all the periods ended up to 31 December 2014. 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

	2015 SR	2014 SR
Employees' costs	5,503,523	8,472,624
Rent	727,200	812,040
Travel	533,128	639,841
IT and communication	486,583	1,497,794
Professional fees	412,175	448,895
Withholding taxes	225,264	602,199
Insurance	17,267	14,674
Advertising	13,000	6,500
Other	319,731	311,844
	<u>8,237,871</u>	<u>12,806,411</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

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. Fair value of financial instruments carried at amortised cost approximate their carrying value and would qualify for level 3 disclosure.

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 special commission, with all other variables held constant. The sensitivity of the income is the effect of the assumed changes in special commission rates on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2015.

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>
2015		
Saudi Riyal	+/- 10	49,557
2014		
Saudi Riyal	+/- 10	48,000

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

31 December 2015

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:

	2015 SR	2014 SR
Bank balances	51,862,380	49,312,348
Accrued income	661,462	442,508
Deposits and others	129,169	129,169
	<u>52,653,011</u>	<u>49,884,025</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 Earnings per share

Basic earnings per share from main operations is calculated by dividing income from main operations for the period by the weighted average of number of shares outstanding during the period.

Basic earnings per share from net income is calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period.

15 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.

16 APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements have been approved by the Board of Directors of the company on 3 Rajab 1437 H (corresponding to 10 April 2016).