

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

FINANCIAL STATEMENTS

31 DECEMBER 2016

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

Audit Scope

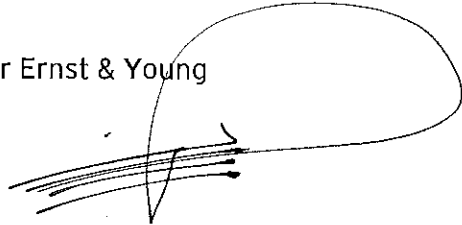
We have audited the accompanying balance sheet of Mizuho Saudi Arabia Company - a Closed Saudi Joint Stock Company (the "Company") as at 31 December 2016 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the 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.

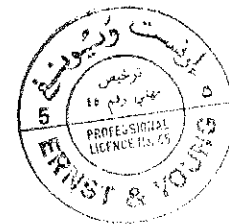
Unqualified opinion

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 2016 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: 13 Jumada al thani 1438 H
(12 March 2017)

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

BALANCE SHEET

At 31 December 2016

	<i>Note</i>	2016 SR	2015 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	53,961,135	51,906,130
Receivables, prepayments and others	4	2,105,482	1,401,133
TOTAL CURRENT ASSETS		<u>56,066,617</u>	<u>53,307,263</u>
NON-CURRENT ASSET			
Property and equipment	5	548,950	748,531
TOTAL ASSETS		<u>56,615,567</u>	<u>54,055,794</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accruals and other payables	7	1,080,464	1,723,933
Income tax	8(b)	534,552	127,945
Deferred tax liability	8(c)	43,145	89,190
TOTAL CURRENT LIABILITIES		<u>1,658,161</u>	<u>1,941,068</u>
NON-CURRENT LIABILITY			
Employees' terminal benefits		694,093	461,801
TOTAL LIABILITIES		<u>2,352,254</u>	<u>2,402,869</u>
SHAREHOLDERS' EQUITY			
Share capital	9	75,000,000	75,000,000
Accumulated losses		(20,736,687)	(23,347,075)
TOTAL SHAREHOLDERS' EQUITY		<u>54,263,313</u>	<u>51,652,925</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>56,615,567</u>	<u>54,055,794</u>

The attached notes 1 to 16 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 2016

	<i>Note</i>	2016	2015
		SR	SR
INCOME			
Advisory revenue	6	10,022,829	9,099,055
Special commission income		869,857	289,263
TOTAL INCOME		<u>10,892,686</u>	<u>9,388,318</u>
EXPENSES			
General and administration expenses	11	(7,607,929)	(8,248,803)
Depreciation	5	(199,581)	(192,564)
TOTAL EXPENSES		<u>(7,807,510)</u>	<u>(8,441,367)</u>
INCOME FROM MAIN OPERATIONS		3,085,176	946,951
Income tax	8(a)	(474,788)	(341,345)
NET INCOME FOR THE YEAR		<u>2,610,388</u>	<u>605,606</u>
<i>Earning per share:</i>			
Attributable to income from main operation		<u>0.41</u>	<u>0.12</u>
Attributable to net income for the year		<u>0.35</u>	<u>0.08</u>

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 2016

	Note	2016 SR	2015 SR
OPERATING ACTIVITIES			
Income before income tax		3,085,176	946,951
Adjustments for:			
Depreciation		199,581	192,564
Employees' terminal benefits, net	5	232,292	(185,376)
		<u>3,517,049</u>	<u>954,139</u>
Changes in operating assets and liabilities:			
Receivables, prepayments and others		(704,349)	803,291
Accruals and other payables		(1,810,395)	(679,383)
		<u>1,002,305</u>	<u>1,078,047</u>
Cash from operating activities		1,002,305	1,078,047
Income tax paid	8	(114,226)	-
Net cash from operating activities		<u>888,079</u>	<u>1,078,047</u>
INVESTING ACTIVITY			
Purchase of property and equipment	5	-	(150,343)
Net cash used in investing activity		<u>-</u>	<u>(150,343)</u>
FINANCING ACTIVITIES			
Expenses paid on behalf of the company	6	1,166,926	1,612,851
Net cash from financing activities		<u>1,166,926</u>	<u>1,612,851</u>
INCREASE IN CASH AND CASH EQUIVALENTS		2,055,005	2,540,555
Cash and cash equivalents at the beginning of the year	3	51,906,130	49,365,575
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	<u><u>53,961,135</u></u>	<u><u>51,906,130</u></u>
<i>Supplementary cash flow information</i>			
Special commission income received		<u><u>828,262</u></u>	<u><u>199,702</u></u>

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 2016

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
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
Net Income for the year	-	2,610,388	2,610,388
Balance at 31 December 2016	75,000,000	(20,736,687)	54,263,313

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 2016

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 liabilities and 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 2016

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

	2016 SR	2015 SR
Time deposit with a local bank (refer to note (a) below)	45,000,000	49,556,925
Cash at bank	8,942,344	2,305,455
Cash in hand	18,791	43,750
	<u>53,961,135</u>	<u>51,906,130</u>

- (a) Time deposit balance amounting to SR 45,000,000 (2015: SR 49,556,925) with an original maturity of three months or less when acquired.
The effective commission rate on time deposits as at 31 December 2016 was 2.2% (2015: 0.7%).

Mizuho Saudi Arabia Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2016

4 RECEIVABLES, PREPAYMENTS AND OTHERS

	2016 SR	2015 SR
Accounts receivable	1,166,867	337,500
Prepayments	473,838	610,502
Due from shareholder (refer to note (a) below)	206,057	206,057
Accrued income	159,500	117,905
Deposits with others (refer to note (b) below)	99,220	125,080
Others	-	4,089
	<u>2,105,482</u>	<u>1,401,133</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 2016 and 2015.

5 PROPERTY AND EQUIPMENT

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

	10 years	Furniture and fixtures	5 years			
	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 2016 SR</i>	<i>Total 2015 SR</i>
Cost:						
At the beginning of the year	1,583,099	316,221	2,171,433	528,000	4,598,753	4,448,410
Additions	-	-	-	-	-	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>4,598,753</u>
Depreciation:						
At beginning of the year	976,244	316,221	2,029,757	528,000	3,850,222	3,657,658
Charge for the year	158,310	-	41,271	-	199,581	192,564
At end of the year	<u>1,134,554</u>	<u>316,221</u>	<u>2,071,028</u>	<u>528,000</u>	<u>4,049,803</u>	<u>3,850,222</u>
Net book value:						
At 31 December 2016	<u>448,545</u>	<u>-</u>	<u>100,405</u>	<u>-</u>	<u>548,950</u>	
At 31 December 2015	<u>606,855</u>	<u>-</u>	<u>141,676</u>	<u>-</u>		<u>748,531</u>

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

31 December 2016

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>	2016 SR	2015 SR
Affiliates	Information technology ("IT") support costs	-	343,037
	Website cost	96,851	-
Shareholder	Advisory income	8,241,356	8,349,285
	Expenses and salaries paid on behalf of the Company	1,166,926	1,612,851

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

	2016 SR	2015 SR
Accrued expenses	506,539	1,161,645
Unearned revenue	480,673	480,993
Other payables	93,252	81,295
	<u>1,080,464</u>	<u>1,723,933</u>

8 INCOME TAX

a) Charge for the year

Income tax charge consists of:

	2016 SR	2015 SR
Current year provision	520,833	127,945
Deferred tax adjustments for the year (see note (8c))	(46,045)	213,400
Income tax charge for the year	<u>474,788</u>	<u>341,345</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

	2016 SR	2015 SR
At the beginning of the year	127,945	-
Provided during the year	520,833	127,945
Payment during the year	(114,226)	-
At end of the year	<u>534,552</u>	<u>127,945</u>

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

31 December 2016

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 during the year:

	2016 SR	2015 SR
At the beginning of the year	(89,190)	124,210
Adjustment during the year	46,045	(213,400)
At end of the year	<u>(43,145)</u>	<u>(89,190)</u>

d) Status of assessments

The Company has filed its income tax declarations with the General Authority of Zakat and Tax ("GAZT") for the years ended up to 31 December 2015. No assessment has been raised by the GAZT 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

	2016 SR	2015 SR
Employees' costs	4,625,180	5,503,523
Rent	681,750	727,200
Professional fees	591,579	412,175
Travel	583,475	533,128
IT and communication	237,500	486,583
Withholding taxes	216,831	225,264
Insurance	14,134	17,267
Advertising	6,500	13,000
Other	650,980	330,663
	<u>7,607,929</u>	<u>8,248,803</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

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 2016.

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>
2016		
Saudi Riyal	+/- 10	45,000
2015		
Saudi Riyal	+/- 10	49,557

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

31 December 2016

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:

	2016	2015
	SR	SR
Bank balances	53,942,344	51,862,380
Accounts receivables	1,166,867	337,500
Due from shareholder	206,057	206,057
Accrued income	159,500	117,905
Deposits and others	99,220	129,169
	<u>55,573,988</u>	<u>52,653,011</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 13 Jumada al thani 1438 H (corresponding to 12 March 2017).