

MIZUHO SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Financial Statements and
Independent Auditor's Report
For the year ended
31 December 2023

MIZUHO SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
For the year ended 31 December 2023

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KPMG Professional Services

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Mizuho Saudi Arabia Company

Opinion

We have audited the financial statements of **Mizuho Saudi Arabia Company** (the "Company"), which comprise the Statement of Financial Position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report

To the Shareholders of Mizuho Saudi Arabia Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Mizuho Saudi Arabia Company** (the "Company").

KPMG Professional Services

Hani Hamzah A. Bedairi

License No: 460

Riyadh: 31 March 2024

Corresponding to: 21 Ramadan 1445H



MIZUHO SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Statement of Financial Position
As at 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

| | <u>Notes</u> | <u>2023</u> <u>SR</u> | <u>2022</u> <u>SR</u> |
|--|--------------|--------------------------|--------------------------|
| <u>ASSETS</u> | | | |
| Non-current assets | | | |
| Right-of-use assets | 5 | 1,194,616 | 1,949,002 |
| Property and equipment | 6 | 4,320 | 7,080 |
| Deferred tax assets | 7 | 308,834 | 326,455 |
| Total non-current assets | | <u>1,507,770</u> | <u>2,282,537</u> |
| Current assets | | | |
| Prepayments and other assets | 8 | 471,637 | 395,279 |
| Term deposits | 9 | 72,921,525 | 65,511,625 |
| Cash and cash equivalents | 10 | 2,632,755 | 5,091,236 |
| Total current assets | | <u>76,025,917</u> | <u>70,998,140</u> |
| Total assets | | <u>77,533,687</u> | <u>73,280,677</u> |
| <u>SHAREHOLDERS' EQUITY AND LIABILITIES</u> | | | |
| Shareholders' equity | | | |
| Share capital | 11 | 75,000,000 | 75,000,000 |
| Accumulated losses | | (2,211,160) | (6,672,311) |
| Actuarial valuation reserve | 12 | 1,026,797 | 986,933 |
| Total shareholders' equity | | <u>73,815,637</u> | <u>69,314,622</u> |
| Non-current liabilities | | | |
| Employees' defined benefit liabilities | 12 | 88,477 | 101,303 |
| Non-current portion of lease liability | 5 | - | 818,610 |
| Total non-current liabilities | | <u>88,477</u> | <u>919,913</u> |
| Current liabilities | | | |
| Accrued expenses and other payables | 13 | 2,571,293 | 2,026,720 |
| Current portion of lease liability | 5 | 818,608 | 779,737 |
| Contract liabilities | 14 | 239,672 | 239,685 |
| Total current liabilities | | <u>3,629,573</u> | <u>3,046,142</u> |
| Total liabilities | | <u>3,718,050</u> | <u>3,966,055</u> |
| Total shareholders' equity and liabilities | | <u>77,533,687</u> | <u>73,280,677</u> |

The accompanying notes from 1 to 24 form an integral part of these financial statements.



MIZUHO SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

| | <u>Notes</u> | <u>2023</u> <u>SR</u> | <u>2022</u> <u>SR</u> |
|--|--------------|--------------------------|--------------------------|
| Advisory revenue | | 7,784,616 | 10,065,141 |
| Secondment revenue | | 73,500 | 73,500 |
| Total revenue | | 7,858,116 | 10,138,641 |
| Salaries and employee related expenses | 15 | (4,405,834) | (5,211,518) |
| Depreciation and amortization | 6 | (2,760) | (27,300) |
| Depreciation of right-of-use assets | 5 | (754,386) | (754,386) |
| Other expenses | 16 | (1,175,652) | (1,210,480) |
| Total expenses | | (6,338,632) | (7,203,684) |
| Special commission income | | 3,814,383 | 1,084,694 |
| Interest expenses | 5 | (62,627) | (99,755) |
| Profit before tax | | 5,271,240 | 3,919,896 |
| Income tax expenses | 7 | (810,089) | (611,611) |
| Profit for the year | | 4,461,151 | 3,308,285 |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurement gain on defined benefit liabilities | 12 | 39,864 | 143,863 |
| Total comprehensive income for the year | | 4,501,015 | 3,452,148 |

The accompanying notes from 1 to 24 form an integral part of these financial statements.

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MIZUHO SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Statement of Changes in Shareholders' Equity
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

| | Share capital <u>SR</u> | Accumulated losses <u>SR</u> | Actuarial valuation reserve (Note 10) <u>SR</u> | Total <u>SR</u> |
|----------------------------|--|---|--|----------------------------------|
| As at 1 January 2022 | 75,000,000 | (9,980,596) | 843,070 | 65,862,474 |
| Profit for the year | - | 3,308,285 | - | 3,308,285 |
| Other comprehensive income | - | - | 143,863 | 143,863 |
| Total comprehensive income | - | 3,308,285 | 143,863 | 3,452,148 |
| As at 31 December 2022 | 75,000,000 | (6,672,311) | 986,933 | 69,314,622 |
| Profit for the year | - | 4,461,151 | - | 4,461,151 |
| Other comprehensive income | - | - | 39,864 | 39,864 |
| Total comprehensive income | - | 4,461,151 | 39,864 | 4,501,015 |
| As at 31 December 2023 | 75,000,000 | (2,211,160) | 1,026,797 | 73,815,637 |

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The accompanying notes from 1 to 24 form an integral part of these financial statements.

MIZUHO SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Statement of Cash Flows
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

| | Notes | 2023 SR | 2022 SR |
|---|-------|--------------------|--------------------|
| OPERATING ACTIVITIES | | | |
| Profit before tax | | 5,271,240 | 3,919,896 |
| Adjustments to reconcile loss before tax to net cash flows: | | | |
| Depreciation of right-of-use assets | 5 | 754,386 | 754,386 |
| Depreciation of property and equipment | 6 | 2,760 | 27,300 |
| Lease interest expense | 5 | 62,627 | 99,755 |
| Provision for employees' defined benefit liabilities | 12 | 59,566 | 104,427 |
| Special commission income | | <u>(3,814,383)</u> | <u>(1,084,694)</u> |
| Operating cash flows before movements in working capital | | 2,336,196 | 3,821,070 |
| Movements in working capital | | | |
| Prepayments and other assets | | (63,857) | (21,564) |
| Accrued expenses and other payables | | 353,754 | (372,152) |
| Contract liability | | <u>(13)</u> | <u>8</u> |
| | | 2,626,080 | 3,427,362 |
| Special commission income received | | 3,391,983 | 650,196 |
| Payment of interest portion of lease liabilities | 5 | (135,115) | (135,115) |
| Payment of employees' defined benefit liabilities | 12 | (32,528) | (79,695) |
| Income tax paid | 7 | <u>(601,650)</u> | <u>-</u> |
| Net cash used from operating activities | | <u>5,248,770</u> | <u>3,862,748</u> |
| INVESTING ACTIVITIES | | | |
| Placement in term deposit | | (221,000,000) | (135,000,000) |
| Encashment of term deposit | | <u>214,000,000</u> | <u>130,000,000</u> |
| Net cash used in investing activities | | <u>(7,000,000)</u> | <u>(5,000,000)</u> |
| FINANCING ACTIVITY | | | |
| Payment of principal portion of lease liabilities | 5 | <u>(707,251)</u> | <u>(707,251)</u> |
| Net cash used in financing activity | | <u>(707,251)</u> | <u>(707,251)</u> |
| Decrease in cash and cash equivalents | | (2,458,481) | (1,844,503) |
| Cash and cash equivalents at the beginning of the year | 10 | <u>5,091,236</u> | <u>6,935,739</u> |
| Cash and cash equivalents at the end of the year | 10 | <u>2,632,755</u> | <u>5,091,236</u> |
| Non-cash flow information: | | | |
| Remeasurement gain on defined benefit liabilities | 12 | 39,864 | 143,863 |

The accompanying notes from 1 to 24 form an integral part of these financial statements.



MIZUHO SAUDI ARABIA COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the Financial Statements Flows

For the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

1. INCORPORATION AND ACTIVITIES

Mizuho Saudi Arabia Company (the “Company”) is a Saudi closed joint stock company incorporated based on Ministerial Resolution number 51 dated 20 Safar 1430H (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 registered office is located at North lobby 1st floor, Al Faisaliah Tower, King Fahad Road, Riyadh 11544, KSA.

The Company is solely authorized by CMA to conduct the activities of arranging and advising in securities business. The Company is owned 85% by Mizuho Bank Limited (“the Ultimate Parent Company”) and 15% by Mizuho Securities Co. Limited.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with in accordance with the International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and the By-laws of the Company.

2.2 Use of Judgments and estimates

The preparation of the financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2.3 Basis of measurement, presentation and functional currency

These financial statements have been prepared on a going concern basis under historical cost basis except for the measurement of the employees' defined benefit that is determined at the present value of future liabilities using the expected unit credit method. These financial statements are presented in Saudi Riyal (“SR”), which is the Company’s functional and presentation currency, and all values are rounded to the nearest SR, except when otherwise indicated.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company has consistently applied the accounting policies set out below to all periods presented in these financial statements, except if mentioned otherwise.

In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed herein.

MIZUHO SAUDI ARABIA COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the Financial Statements Flows

For the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

3.1 *New standards, interpretations and amendments adopted by the Company*

Following standard, interpretation or amendment are effective from the current year and are adopted by the Company, however, these does not have any significant impact on the financial statements of the year:

| <u>Standards / Amendments</u> | <u>Description</u> | <u>Effective from periods beginning on or after the following date</u> |
|---|--|--|
| Amendments to IAS 1, Practice statement 2 and IAS 8 | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. | Annual periods beginning on or after 1 January 2023. |
| Amendment to IAS 12 | Deferred tax related to assets and liabilities arising from a single transaction: These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. International tax reform - pillar two model rules - These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. | Annual periods beginning on or after 1 January 2023. |
| IFRS 17, 'Insurance contracts', as amended in December 2021 | This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. | Annual periods beginning on or after 1 January 2023. |

3.2 *Accounting standards issued but not yet effective*

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning after 1 January 2024 are listed below. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements.

| <u>Standard, interpretation, amendments</u> | <u>Description</u> | <u>Effective date</u> |
|--|--|---|
| Amendment to IFRS 16, Leases on sale and leaseback | These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. | Deferred until accounting periods starting not earlier than 1 January 2024. |

MIZUHO SAUDI ARABIA COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the Financial Statements Flows

For the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

3.2 Accounting standards issued but not yet effective (continued)

| <u>Standard, interpretation, amendments</u> | <u>Description</u> | <u>Effective date</u> |
|---|---|---|
| Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements | These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. | 1 January 2024. |
| Amendment to IAS 1 – Non-current liabilities with covenants | These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. | 1 January 2024. |
| IFRS S1, 'General requirements for disclosure of sustainability-related financial information | This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain. | 1 January 2024 subject to the endorsement by SOCPA. |
| IFRS S2, 'Climate-related disclosures' | This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. | 1 January 2024 subject to endorsement by SOCPA |

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Company in the preparation of these financial statements, which are consistent with those used in the preparation of the annual financial statements for the year 31 December 2022:

Fair value measurement

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 by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or a liability, if market participants act in their economic best interest.

MIZUHO SAUDI ARABIA COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the Financial Statements Flows

For the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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 at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (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 fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of an asset or a liability and level of the fair value hierarchy as explained above.

Revenue from contracts with customers / related parties

Advisory fees

The Company is in the business of conducting the activities of arranging and advising in securities business. Revenue from contracts with customers is recognised overtime when the services are delivered to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has concluded that it is the principal in its revenue arrangements.

When the Company satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Other income is recognised when earned.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

MIZUHO SAUDI ARABIA COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the Financial Statements Flows

For the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in statement of comprehensive income ("OCI") or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and the Company intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

MIZUHO SAUDI ARABIA COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the Financial Statements Flows

For the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, effective from the date when it was available for use.

The Company applies the following annual rates of depreciation to its property and equipment:

| | |
|------------------------|-----|
| Leasehold improvements | 10% |
| Furniture and fixtures | 20% |
| Computer hardware | 20% |
| Motor vehicles | 20% |

An item of property and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Buildings are depreciated over the lease term of 5 years.

MIZUHO SAUDI ARABIA COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the Financial Statements Flows

For the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) that depend on a rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Interest-bearing liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Term deposits

Term deposits consist of deposits with a local bank with a maturity of more than three months from the date of the acquisition.

Impairment

For receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. These balances are assessed to have low credit risk as they are held with reputable and high credit rating institutions and hence the impact of expected credit loss is negligible.

Statutory reserve

In accordance with Company's by-laws, 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 30% of the capital. The Company has not recorded any transfer for the year due to the losses incurred.

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5 LEASES

The Company has lease contracts for buildings used for office and employees' accommodation. The Company has used a lease term of 5 years as leases of buildings generally have lease terms of 5 years. The Company is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

| | Right of use assets Building SR |
|----------------------------|--|
| As at 1 January 2022 | 2,703,388 |
| Depreciation expense | <u>(754,386)</u> |
| At 31 December 2022 | 1,949,002 |
| Depreciation expense | <u>(754,386)</u> |
| At 31 December 2023 | <u>1,194,616</u> |

Set out below are the carrying amounts of lease liabilities (included under interest-bearing liabilities) and the movements during the year:

| | Lease Liability SR |
|---|-------------------------------|
| As at 1 January 2022 | 2,340,958 |
| Accretion of interest | 99,755 |
| Payment of principal portion of lease liabilities | (707,251) |
| Payment of interest portion of lease liabilities | <u>(135,115)</u> |
| At 31 December 2022 | 1,598,347 |
| Accretion of interest | 62,627 |
| Payment of principal portion of lease liabilities | (707,251) |
| Payment of interest portion of lease liabilities | <u>(135,115)</u> |
| At 31 December 2023 | <u>818,608</u> |
| Current | 818,608 |
| Non-Current | <u>-</u> |

The following are the amounts recognized in profit or loss:

| | 2023 SR | 2022 SR |
|---|-----------------------|--------------------|
| Depreciation expense of right-of-use assets | 754,386 | 754,386 |
| Interest expense on lease liabilities | 62,627 | 99,755 |
| Total | <u>817,013</u> | <u>854,141</u> |

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6. PROPERTY AND EQUIPMENT

Reconciliation of carrying amount:

| | Leasehold improvements <u>SR</u> | Furniture and fixtures <u>SR</u> | Computer hardware <u>SR</u> | Vehicles <u>SR</u> | Total <u>SR</u> |
|----------------------------|---|---|--|-------------------------------|----------------------------|
| Cost: | | | | | |
| At 1 January 2023 | 1,583,099 | 312,482 | 446,234 | 225,550 | 2,567,365 |
| Additions | - | - | - | - | - |
| Disposals | - | (24,785) | - | - | (24,785) |
| At 31 December 2023 | 1,583,099 | 287,697 | 446,234 | 225,550 | 2,542,580 |
| Depreciation: | | | | | |
| At 1 January 2023 | 1,583,099 | 312,482 | 439,154 | 225,550 | 2,560,285 |
| Charge for the year | - | - | 2,760 | - | 2,760 |
| Disposals | - | (24,785) | - | - | (24,785) |
| At 31 December 2023 | 1,583,099 | 287,697 | 441,914 | 225,550 | 2,538,260 |
| Net book value: | | | | | |
| At 31 December 2023 | - | - | 4,320 | - | 4,320 |

| | Leasehold improvements <u>SR</u> | Furniture and fixtures <u>SR</u> | Computer hardware <u>SR</u> | Vehicles <u>SR</u> | Total <u>SR</u> |
|----------------------------|---|---|--|-------------------------------|----------------------------|
| Cost: | | | | | |
| At 1 January 2022 | 1,583,099 | 312,482 | 446,233 | 225,550 | 2,567,365 |
| Disposals | - | - | - | - | - |
| At 31 December 2022 | 1,583,099 | 312,482 | 446,233 | 225,550 | 2,567,365 |
| Depreciation: | | | | | |
| At 1 January 2022 | 1,583,099 | 312,400 | 434,343 | 203,143 | 2,532,985 |
| Charge for the year | - | 82 | 4,811 | 22,407 | 27,300 |
| Disposals | - | - | - | - | - |
| At 31 December 2022 | 1,583,099 | 312,482 | 439,154 | 225,550 | 2,560,285 |
| Net book value: | | | | | |
| At 31 December 2022 | - | - | 7,079 | - | 7,079 |

7. TAXATION

7.1 Income Tax

| | 2023 <u>SR</u> | 2022 <u>SR</u> |
|---|---------------------------|-------------------|
| Current taxation-current year | 792,468 | 601,650 |
| Deferred tax adjustment for the year (see note (7.2)) | 17,621 | 9,961 |
| | 810,089 | 611,611 |

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.

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7. TAXATION (CONTINUED)**7.1 Income Tax (continued)**

The movement in income tax payable is as follows:

| | 2023 | 2022 |
|----------------------------------|-----------------------|----------------|
| | <u>SR</u> | <u>SR</u> |
| Balance at beginning of the year | 611,611 | - |
| Charged to profit or loss | 810,089 | 611,611 |
| Paid during the year | (601,650) | - |
| Balance at end of the year | <u>820,050</u> | <u>611,611</u> |

Reconciliation of tax expense and the accounting profit multiplied by KSA's domestic tax rate for 2022 and 2023:

| | 2023 | 2022 |
|---|-------------------------|------------------|
| | <u>SR</u> | <u>SR</u> |
| Accounting gain / (loss) before income tax | 5,271,240 | 3,919,896 |
| Add: Non-deductible expenses for tax purposes | 977,263 | 1,098,782 |
| Less: Utilisation of previously unrecognised tax losses | (965,381) | (1,002,751) |
| Less: Claims | (1,320,780) | (1,007,676) |
| Adjusted (loss) profit for Income Tax Calculation | <u>3,962,342</u> | <u>3,008,251</u> |
| Income tax expense at 20% reported in the statement of profit or loss | 792,468 | 601,650 |

7.2 Deferred Tax

The Company has recognized deferred tax at the reporting date, in respect of timing differences due to disallowance of the employee's defined benefit and differences in the basis of depreciation calculated at an income tax rate of 20%.

Movement in deferred tax asset during the year is:

| | 2023 | 2022 |
|--------------------------------------|-----------------------|----------------|
| | <u>SR</u> | <u>SR</u> |
| At the beginning of the year | 326,455 | 336,416 |
| Adjustment made during the year | (17,621) | (9,961) |
| At the end of the year | <u>308,834</u> | <u>326,455</u> |
| Comprising of: | | |
| Accelerated depreciation | 141,466 | 164,495 |
| Employee defined benefit liabilities | 167,368 | 161,960 |
| | <u>308,834</u> | <u>326,455</u> |

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

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7. TAXATION (CONTINUED)**7.2 Deferred Tax (continued)**

The Company has SR 12,741,467 (2022: SR 15,089,044) of tax losses carried forward and actuarial gains or loss. These losses relate to prior years' results.

If the Company was able to recognize all unrecognized deferred tax assets, profit and equity would have increased by SR 2,753,653 (2022: SR 3,159,509).

Status of assessments

The Company has filed its tax declarations with the Zakat, Tax and Customs Authority ("ZATCA") up to the year ended 31 December 2022. No assessment has been raised by the ZATCA as yet.

8. PREPAYMENTS AND OTHER ASSETS

| | 2023 | 2022 |
|-------------------|-----------------------|----------------|
| | <u>SR</u> | <u>SR</u> |
| Prepayments | 344,908 | 208,785 |
| Security deposits | 80,315 | 80,315 |
| Other receivables | 46,414 | 106,179 |
| | <u>471,637</u> | <u>395,279</u> |

9. TERM DEPOSITS

| | 2023 | 2022 |
|---------------------------------|--------------------------|-------------------|
| | <u>SR</u> | <u>SR</u> |
| Term deposits with a local bank | 72,000,000 | 65,000,000 |
| Accrued income on term deposit | 921,525 | 511,625 |
| | <u>72,921,525</u> | <u>65,511,625</u> |

At 31 December 2023, the Company has term deposits amounting to SR 72,000,000 (2022: SR 65,000,000) with a local bank having credit rating of A1 (2022: A1) by Moody's. The average effective commission rate on term deposits as at 31 December 2023 is 6.0% (2022: 3.64%) which will mature during April 2024.

10. CASH AND CASH EQUIVALENTS

| | 2023 | 2022 |
|--------------|-------------------------|------------------|
| | <u>SR</u> | <u>SR</u> |
| Cash at bank | 2,632,225 | 5,088,647 |
| Cash in hand | 530 | 2,589 |
| | <u>2,632,755</u> | <u>5,091,236</u> |

The bank balances are carried at a local bank having credit rating of A1 (2022: A1) by Moody's.

11. SHARE CAPITAL

The authorized, issued and paid-up share capital consists of 7.5 million shares (2022: 7.5 million shares) of SR 10 each.

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12. EMPLOYEES' DEFINED BENEFIT LIABILITIES

| | 2023 | 2022 |
|---------------------------------------|----------------------|----------------|
| | <u>SR</u> | <u>SR</u> |
| Balance at the beginning of the year | 101,303 | 220,434 |
| Current service cost | 54,596 | 98,031 |
| Interest cost | 4,970 | 6,396 |
| Actuarial gain | (39,864) | (143,863) |
| Benefits paid | (32,528) | (79,695) |
| Balance at the end of the year | <u>88,477</u> | <u>101,303</u> |

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

| | 2023 | 2022 |
|--------------------------|------------------|-----------|
| | <u>SR</u> | <u>SR</u> |
| Discount rate | 5.35% | 4.90% |
| Rate of salary increases | 2.5% | 2.5% |

All movements in the employee defined benefit liabilities are recognized in profit or loss except for the actuarial gain (loss), which is recognized in other comprehensive income.

Movements in actuarial gains recognized in OCI are as follows:

| | 2023 | 2022 |
|---|-------------------------|----------------|
| | <u>SR</u> | <u>SR</u> |
| At the beginning of the year | 986,933 | 843,070 |
| Remeasurement gain – effect of experience adjustments | 39,864 | 143,863 |
| At the end of the year | <u>1,026,797</u> | <u>986,933</u> |

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

| | 2023 | 2022 |
|---|------------------|-----------|
| | <u>SR</u> | <u>SR</u> |
| Increase in discount rate of 1% | (75,426) | (84,743) |
| Decrease in discount rate of 1% | 104,625 | 122,073 |
| Increase in rate of salary increase of 1% | 104,947 | 122,388 |
| Decrease in rate of salary increase of 1% | (74,982) | (84,249) |

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12. EMPLOYEES' DEFINED BENEFIT LIABILITIES (CONTINUED)

The following are the expected payments to the defined benefit in future years:

| | 2023 | 2022 |
|---------------------------|-----------------------|----------------|
| | <u>SR</u> | <u>SR</u> |
| Within the next 12 months | 1,646 | 1,430 |
| Between 2 and 5 years | 26,157 | 32,510 |
| Beyond 5 years | <u>101,242</u> | <u>160,400</u> |

13. ACCRUED EXPENSES AND OTHER PAYABLES

| | 2023 | 2022 |
|--|-------------------------|------------------|
| | <u>SR</u> | <u>SR</u> |
| Accrued expenses | 1,756,264 | 1,380,194 |
| Tax payable | 792,468 | 601,650 |
| Other payables | <u>22,561</u> | <u>44,876</u> |
| | <u>2,571,293</u> | <u>2,026,720</u> |
| Analyzed between: | | |
| Current liabilities | 2,571,293 | 2,026,720 |
| Non-Current Liabilities | - | - |
| Current accrued expenses and other payables | <u>2,571,293</u> | <u>2,026,720</u> |

14. CONTRACT LIABILITIES

| | 2023 | 2022 |
|-----------------------------------|-----------------------|----------------|
| | <u>SR</u> | <u>SR</u> |
| Contract liabilities | | |
| Current | <u>239,672</u> | <u>239,685</u> |
| Total contract liabilities | <u>239,672</u> | <u>239,685</u> |

A contract liability is recognized if a payment is received, or a payment is due (whichever is earlier) from a customer before the Company transfers the related services. Contract liabilities are recognized as revenue when the Company performs under the contract. Revenue earned from the contract during the year is SR 958,694 (2022: SR 958,694).

15. SALARIES AND EMPLOYEE RELATED EXPENSES

| | 2023 | 2022 |
|--|-------------------------|------------------|
| | <u>SR</u> | <u>SR</u> |
| Salaries and employment related benefits | 2,964,530 | 3,956,608 |
| Employees' bonus | 1,312,500 | 1,125,000 |
| Employees' end of service benefits | 59,566 | 104,427 |
| Other staff expenses | <u>69,238</u> | <u>25,483</u> |
| | <u>4,405,834</u> | <u>5,211,518</u> |

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16. OTHER EXPENSES

| | 2023 | 2022 |
|------------------------------|-------------------------|------------------|
| | <u>SR</u> | <u>SR</u> |
| Professional fees | 447,113 | 474,245 |
| Information technology | 357,369 | 281,001 |
| Membership fee | 109,144 | 114,068 |
| Withholding tax | 84,280 | 83,581 |
| Travelling and related costs | 46,388 | 117,261 |
| Other | 131,358 | 140,324 |
| | <u>1,175,652</u> | <u>1,210,480</u> |

17. INTANGIBLE ASSETS

The Company has Intangible assets, which include computer software used by the Company and are accounted for on a straight-line basis with an annual amortization rate of 20%. As of 31 December 2023 and 2022, intangible assets were fully amortized.

18. FINANCIAL INSTRUMENTS AND FAIR VALUE

| | <i>31 December 2023</i> | |
|---------------------------|---------------------------|--------------------------|
| | <i>Carrying value</i> | <i>Fair value</i> |
| | <i>SAR</i> | <i>SAR</i> |
| <i>Financial assets</i> | | |
| Cash and cash equivalents | 2,632,755 | 2,632,755 |
| Term deposits | 72,921,525 | 72,921,525 |
| | <u>75,554,280</u> | <u>75,554,280</u> |

| | <i>31 December 2022</i> | |
|---------------------------|---------------------------|---------------------------|
| | <i>Carrying value</i> | <i>Carrying Value</i> |
| | <i>SAR</i> | <i>SAR</i> |
| <i>Financial assets</i> | | |
| Cash and cash equivalents | 5,091,236 | 5,091,236 |
| Term deposits | 65,511,625 | 65,511,625 |
| | <u>70,602,861</u> | <u>70,602,861</u> |

The carrying value of all financial assets and liabilities reflected in the financial statements approximates their fair value due to their short term in nature. An active market for these instruments is not available and the Company intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities and accordingly these are considered as Level 3 financial assets except for Cash and cash equivalents which are classified under level 1. There have been no transfers to and from Level 3 during the year.

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19. RELATED PARTY INFORMATION

The following are the details of the significant transactions with related parties during the year:

| Related party | Relationship | Nature of transaction | 2023 <u>SR</u> | 2022 <u>SR</u> |
|----------------------------------|--------------------------|---|---------------------------------|---------------------------------|
| | | Advisory revenue * | 6,825,921 | 8,965,829 |
| Mizuho Bank Limited | Shareholder | Expenses and salaries paid on behalf of the Company | (501,770) | (501,132) |
| | | IT Fees | (10,701) | (14,329) |
| Mizuho Securities Co Limited | Shareholder | Advisory revenue | 958,694 | 958,694 |
| Mizuho Gulf Capital Partners Ltd | Fellow Subsidiary | Secondment revenue | 73,500 | 73,500 |
| Key management personnel | Key management personnel | Short-term employees' benefits | (748,380) | (1,223,914) |

* The Company entered into a Service Level Agreement ("SLA") with the Mizuho Bank Limited whereby it pays the Company an agreed consideration for advisory services computed based on expected cost plus 10% less revenue earned from Mizuho Securities and Company's own licensed activities.

The following balances arose as a result of transactions with related parties:

| Related party | Relationship | Nature of transaction | 2023 <u>SR</u> | 2022 <u>SR</u> |
|----------------------------------|---------------------|--------------------------------------|---------------------------------|---------------------------------|
| Mizuho Securities Co Limited | Shareholder | Contract liabilities | (239,672) | (239,685) |
| Mizuho Bank Limited | Shareholder | Other payable (IT fees) | (9,452) | (10,595) |
| Mizuho Gulf Capital Partners Ltd | Fellow Subsidiary | Other receivable (Director services) | 12,500 | 12,500 |

20. CONTINGENT LIABILITIES

The Company had no contingent liabilities in existence at the reporting date.

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**21.1 Financial Assets**

| | 2023 <u>SR</u> | 2022 <u>SR</u> |
|---------------------------------------|---------------------------------|---------------------------------|
| Instruments at amortised cost: | | |
| Cash and cash equivalents | 2,632,755 | 5,091,236 |
| Term deposits | 72,921,525 | 65,511,625 |
| Security deposits | 80,315 | 80,315 |
| Other assets | 46,414 | 106,179 |
| | <u>75,681,009</u> | <u>70,789,355</u> |

Management has conducted a review as required by IFRS 9. Based on such assessment, there is no need for any significant impairment against the carrying values of cash and cash equivalents and term deposits.

All above financial assets are expected to be settled within one year from the reporting date. Therefore, carrying amount approximates the fair value as at the reporting date.

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21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

21.2 Financial Instruments Risk Management Objectives and Policies

The Company's financial liabilities comprise other payables and lease liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's financial assets include cash and cash equivalents, term deposits, security deposits and other assets. The Company is exposed to market risk and credit risk. The Company's management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to two types of risk: interest rate risk, and currency risk. Financial instruments affected by market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's lease liabilities. The Company does not have any exposure to movements in interest rates on its lease liability at the current or prior reporting date. Consequently, no interest rate sensitivity analysis has been presented.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its cash at bank, deposits with banks and accrued income.

The table below shows the Company's maximum exposure to credit risk for components of the statement of financial position.

| | 2023 | 2022 |
|---------------------------------|--------------------------|-------------------|
| | <u>SR</u> | <u>SR</u> |
| Term deposits with a local bank | 72,921,525 | 65,511,625 |
| Cash at bank | 2,632,225 | 5,088,647 |
| Security deposits | 80,315 | 80,315 |
| Other assets | 46,414 | 106,179 |
| | <u>75,680,479</u> | <u>70,786,766</u> |

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21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**21.2 Financial Instruments Risk Management Objectives and Policies (continued)****Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

| 31 December 2023 | Within 3 months <u>SR</u> | 3 months to 1 year <u>SR</u> | 1 to 5 years <u>SR</u> | More than 5 years <u>SR</u> | Total <u>SR</u> |
|----------------------------------|--|---|---------------------------------------|--|----------------------------|
| Lease liabilities | - | 818,609 | - | - | 818,609 |
| Accounts payable and accruals | 1,778,824 | - | - | - | 1,778,824 |
| | 1,778,824 | 818,609 | - | - | 2,597,433 |
| <u>31 December 2022</u> | <u>Within 3 months <u>SR</u></u> | <u>3 months to 1 year <u>SR</u></u> | <u>1 to 5 years <u>SR</u></u> | <u>More than 5 years <u>SR</u></u> | <u>Total <u>SR</u></u> |
| Lease liabilities | - | 779,737 | 818,610 | - | 1,598,347 |
| Accounts payable and accruals | 1,425,070 | - | - | - | 1,425,070 |
| | 1,425,070 | 779,737 | 818,610 | - | 3,023,417 |

22. SUBSEQUENT EVENTS

There were no subsequent events after the statement of financial position date which require adjustments to / or disclosure in the financial statements.

23. COMPARATIVES FIGURES

Accrued income on term deposit prior year figure have been reclassified from prepayments and other assets to term deposits to conform with current year presentation, which is not material in nature to the financial statements.

24. APPROVALS OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized to issue by the Board of Directors on 24 March 2024 (corresponding to 14 Ramadan 1445 H).