

**MIZUHO SAUDI ARABIA COMPANY
(A SAUDI CLOSED JOINT STOCK
COMPANY)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Opinion

We have audited the financial statements of Mizuho Saudi Arabia Company – a Saudi Closed Joint Stock Company - (the “Company”), which comprise of the statement of financial position as at 31 December 2020, and statement of profit or loss and other comprehensive income, statement of changes in shareholders’ equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

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 professional code of conduct and ethics 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies’ Law and Company’s Bylaws, 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.

The management is responsible for overseeing the Company’s financial reporting process.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIZUHO SAUDI ARABIA COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY) – (continued)**


Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism 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 management 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.

for Ernst & Young



Rashid S. AlRashoud
Certified Public Accountant
License No 366

Riyadh: 17 Sha'aban 1442H
(30 March 2021)



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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>Note s</i>	<i>SR</i>	<i>SR</i>
ASSETS			
Non-current assets			
Right-of-use assets	14	3,457,774	1,328,375
Property and equipment	6	86,359	126,705
Intangible assets	7	67,386	104,150
Deferred tax assets	16	298,201	285,226
Total non-current assets		3,909,720	1,844,456
Current assets			
Term Deposit	10	-	50,000,000
Prepayments and other assets	8	425,675	960,613
Cash and cash equivalents	9	68,330,833	19,274,590
Total current assets		68,756,508	70,235,203
TOTAL ASSETS		72,666,228	72,079,659
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	75,000,000	75,000,000
Accumulated losses		(8,100,426)	(7,164,816)
Actuarial valuation reserve	11	833,239	768,578
Total shareholders' equity		67,732,813	68,603,762
Non-current liability			
Employee defined benefit liabilities	11	157,934	93,646
Lease liability – noncurrent portion	14	2,340,955	-
		2,498,889	93,646
Current liabilities			
Trade and other payables	12	1,487,994	901,229
Lease liability – current portion	14	707,246	843,407
Contract liabilities	13	239,286	285,393
Income tax payable	16	-	1,352,222
Total current liabilities		2,434,526	3,382,251
TOTAL LIABILITIES		4,933,415	3,475,897
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		72,666,228	72,079,659

The accompanying notes from 1 to 21 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 2020

	<i>Notes</i>	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Advisory revenue		<u>6,876,561</u>	<u>16,113,478</u>
TOTAL REVENUE		<u>6,876,561</u>	<u>16,113,478</u>
General and administrative expenses	15	(7,447,189)	(7,447,001)
Depreciation and amortization		(90,908)	(253,328)
Depreciation of right-of-use assets	14	<u>(773,261)</u>	<u>(817,102)</u>
TOTAL EXPENSES		<u>(8,311,358)</u>	<u>(8,517,431)</u>
Special commission income		662,583	1,480,972
Interest expense (leases)	14	(144,499)	(65,731)
Other income		<u>-</u>	<u>47,050</u>
(Loss) / profit before tax		<u>(916,713)</u>	<u>9,058,338</u>
Income tax expenses	16	<u>(18,897)</u>	<u>(1,471,098)</u>
(Loss) / Profit for the year		<u>(935,610)</u>	<u>7,587,240</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement gain on defined benefit liabilities	11	64,661	381,991
Total comprehensive (loss) income for the year		<u>(870,949)</u>	<u>7,969,231</u>

The accompanying notes from 1 to 21 form an integral part of these financial statements

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020

	Share capital SR	Accumulated losses SR	Actuarial valuation reserve (note 11) SR	Total SR
As at 1 January 2020	75,000,000	(7,164,816)	768,578	68,603,762
Loss for the year	-	(935,610)	-	(935,610)
Other comprehensive income	-	-	64,661	64,661
Total comprehensive loss	-	(935,610)	64,661	(870,949)
As at 31 December 2020	75,000,000	(8,100,426)	833,239	67,732,813
As at 1 January 2019	75,000,000	(14,752,056)	386,587	60,634,531
Profit for the year	-	7,587,240	-	7,587,240
Other comprehensive income	-	-	381,991	381,991
Total comprehensive income	-	7,587,240	381,991	7,969,231
As at 31 December 2019	75,000,000	(7,164,816)	768,578	68,603,762

The accompanying notes from 1 to 21 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 2020

	<i>Notes</i>	2020 SR	2019 SR
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before tax		(916,713)	9,058,338
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of right-of-use assets	14	773,261	817,102
Depreciation of property and equipment	6	54,144	216,570
Amortization of intangible assets	7	36,764	36,758
Interest expense (leases)	14	144,499	65,731
Gain on disposal of property and equipment		-	(10,000)
Employee defined benefit liabilities, net	11	128,949	(165,194)
Special commission income		(662,583)	(1,480,972)
Operating cash flows before movements in working capital		(441,679)	8,538,333
Movements in working capital			
Increase in prepayments and other assets		(93,535)	(37,416)
Increase (Decrease) in accrued expenses and other payables		586,765	(2,766,261)
(Decrease) increase in contract liability		(46,107)	212
		5,444	5,734,868
Special commission income received		1,291,056	1,555,277
Payment of interest portion of lease liabilities	14	(46,569)	(47,993)
Income tax paid	16	(1,384,094)	(871,394)
Net cash (used in) generated from operating activities		(134,163)	6,370,758
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment	6	-	10,000
Addition of property and equipment		(13,798)	-
Movement in term deposit, net	10	50,000,000	5,000,000
Net cash used in investing activities		49,986,202	5,010,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	14	(795,796)	(820,127)
Net cash used in financing activities		(795,796)	(820,127)
Increase in cash and cash equivalents		49,056,243	10,560,631
Cash and cash equivalents at the beginning of the year	9	19,274,590	8,713,959
Cash and cash equivalents at the end of the year	9	68,330,833	19,274,590
Non-cash flow information			
Right of use assets		2,902,660	2,145,477
Lease liability		2,902,660	1,645,796
Remeasurement gain on defined benefit liabilities	11	64,661	381,991

The accompanying notes from 1 to 21 form an integral part of these financial statements

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 1430 H (corresponding to 15 February 2009). The Company is registered with the Capital Market Authority (“CMA”) under license numbered 11158-30. It operates in the Kingdom of Saudi Arabia under commercial registration number 1010263572 dated 6 Rabi Awal 1430H (corresponding to 3 March 2009). Further the Company has also obtained a license from the Saudi Arabian General Investment Authority (license number 1398/1 dated 23 Dhul Hijjah 1429H) (corresponding to 21 December 2008). The registered office is located at North lobby 1st floor, Al Faisaliah Tower, King Fahad Road, Riyadh 11544, KSA.

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

The financial statements were authorised for issue in accordance with a resolution of the directors on 17 Sha’aban 1442H (corresponding to 30 March 2021).

2. BASIS OF PREPARATION

2.1 *Statement of compliance*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred as “IFRS as endorsed in KSA”).

2.2 *Judgments and estimates*

The preparation of the financial statements in conformity with the IFRS as endorsed in KSA requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies as discussed in note (5).

2.3 *Basis of measurement, presentation and functional currency*

These financial statements have been prepared on a 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.

2.4 *New and amended standards and interpretations*

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the company.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the company.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

2 BASIS OF PREPARATION (CONTINUED)

2.4 New and amended standards and interpretations (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the company.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the company.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing these financial statements.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized 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 FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

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 recognised is derecognised 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 derecognised.

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.

Mizuho Saudi Arabia Company
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NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

The Company applies an annual rate of amortization of 20% to its computers' software and accounted for on a straight-line basis.

An intangible asset is derecognized on disposal (i.e., at the date the recipient obtains control), or when no future economic benefits are expected from use or disposal. Any gain or loss arising upon 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 and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss and other comprehensive income.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets

Subsequent measurement

For the purpose of subsequent measurement, all Company's financial assets are classified at amortised cost.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to or the amortised cost of the financial instrument. The (EIR) (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the (EIR).

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of 90 days 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 6 months from the date of the acquisition.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

For trade 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. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, net of directly attributable transaction costs. At 31 December 2020, all Company's financial liabilities are classified at amortised cost.

Subsequent measurement

After initial recognition, interest-bearing liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

Other payable and lease liabilities

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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 30% of the capital. The Company has not recorded any transfer for the year due to the losses incurred.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has not made any judgements apart from those involving estimation, which has the most significant effect on the amounts recognised in the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Economic useful lives of property and equipment

The useful lives of property and equipment are estimated based on the economic lives of the property and equipment and on the collective assessment of industry practice and experience with similar assets. The estimated useful lives of the property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in any of the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AAA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Taxes

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.

The Company has SR 13,936,587 (2019: SR 13,503,234) of tax losses carried forward and actuarial gains or loss. These losses relate to prior years' results.

If the Company was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by SR 2,787,317 .

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Company does not enter into financing transactions hence no, therefore, it estimates the IBR using the IBR of the parent company that is obtained from the centralized treasury which is adjusted for the company's specific and country's specific risk premium.

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NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

6. PROPERTY AND EQUIPMENT

	<i>Leasehold improvements SR</i>	<i>Furniture and fixtures SR</i>	<i>Computer hardware SR</i>	<i>Vehicles SR</i>	<i>Total SR</i>
Cost:					
At 1 January 2019	1,583,099	321,021	1,059,230	408,550	3,371,900
Disposals	-	-	-	(20,000)	(20,000)
At 31 December 2019	1,583,099	321,021	1,059,230	388,550	3,351,900
Additions	-	-	13,798	-	13,798
Disposals	-	(8,539)	(626,794)	(163,000)	(798,333)
At 31 December 2020	1,583,099	312,482	446,234	225,550	2,567,365
Depreciation:					
At 1 January 2019	1,451,174	318,060	1,008,726	250,665	3,028,625
Charge for the year	131,925	960	38,575	45,110	216,570
Disposals	-	-	-	(20,000)	(20,000)
At 31 December 2019	1,583,099	319,020	1,047,301	275,775	3,225,195
Charge for the year	-	960	8,000	45,184	54,144
Disposals	-	(8,539)	(626,794)	(163,000)	(798,333)
At 31 December 2020	1,583,099	311,441	428,507	157,959	2,481,006
Net book value:					
At 31 December 2020	-	1,041	17,727	67,591	86,359
At 31 December 2019	-	2,001	11,929	112,775	126,705

7. INTANGIBLE ASSETS

	<i>software SR</i>
Cost:	
At 1 January 2019	1,268,127
At 31 December 2019	1,268,127
Disposal	(1,084,334)
At 31 December 2020	183,793
Amortization:	
At 1 January 2019	1,127,219
Amortization for the year	36,758
At 31 December 2019	1,163,977
Amortization for the year	36,764
Disposal	(1,084,334)
At 31 December 2020	116,407
Net book value:	
At 31 December 2020	67,386
At 31 December 2019	104,150

Mizuho Saudi Arabia Company
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NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

8. PREPAYMENTS AND OTHER ASSETS

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Accrued income	-	628,473
Prepayments	298,351	159,239
Deposits with others	90,315	90,315
Other assets	37,009	82,586
Recoverable within one year	425,675	960,613

9. CASH AND CASH EQUIVELANTS

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Cash at bank & cash in hand	68,330,833	19,274,590
	68,330,833	19,274,590

10. TERM DEPOSITS

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Term deposits with a local bank	-	50,000,000
	-	50,000,000

At 31 December 2019, the Company had term deposits amounting to SR 50,000,000. The effective commission rate on term deposits as at 31 December 2019 was 2.5% which matured during the year ended 31 December 2020.

11. EMPLOYEE DEFINED BENEFIT LIABILITIES

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Balance at the beginning of the year	93,646	640,831
Current service cost	130,689	242,140
Interest cost	3,907	27,056
Actuarial gain	(64,661)	(381,991)
Benefit paid by the employer	(5,647)	(434,390)
Balance at the end of the year	157,934	93,646

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:

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Discount rate	3.35%	3.85%
Withdrawal	5.00%	5.00%
Rate of salary increases	2.5%	5.00%

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.

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NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

11. EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)

Movements in actuarial gains recognised in OCI are as follows:

	2020 SR	2019 SR
At the beginning of the year	768,578	386,587
Remeasurement (loss) – effect of changes in financial assumptions	-	(163,669)
Remeasurement gain – effect of experience adjustments	64,661	545,660
At the end of the year	833,239	768,578

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.

	2020 SR	2019 SR
Increase in discount rate of 1%	(25,545)	(17,576)
Decrease in discount rate of 1%	32,309	23,267
Increase in rate of salary increase of 1%	32,256	22,726
Decrease in rate of salary increase of 1%	(25,958)	(17,554)

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

	2020 SR	2019 SR
Within the next 12 months	1,285	498
Between 2 and 5 years	41,615	20,421
Beyond 5 years	352,145	299,287

12. ACCRUED EXPENSES AND OTHER PAYABLES

	2020 SR	2019 SR
Accrued expenses	1,437,817	891,714
Other payables	50,177	9,515
	1,487,994	901,229
Analyzed between:		
Current Liabilities	1,487,994	901,229
Non-Current Liabilities	-	-
Current accrued expenses and other payables	1,487,994	901,229

Terms and conditions of the above financial liabilities:

- Other payables are non-interest bearing and have a term of three months.

Mizuho Saudi Arabia Company
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NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

13. CONTRACT LIABILITIES

	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
Contract liabilities		
Current	239,286	285,393
Total contract liabilities	239,286	285,393

A contract liability is recognised 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 recognised as revenue when the Company performs under the contract.

14. LEASES

The Company has lease contracts for buildings used for office and employees' accommodation. 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 recognised and the movements during the year:

	<i>Right of use assets - Building SR</i>
As at 1 January 2019:	2,145,477
Depreciation expense	(817,102)
At 31 December 2019	1,328,375
Additions	2,902,660
Depreciation expense	(773,261)
At 31 December 2020	3,457,774

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

	<i>Lease liability SR</i>
As at 1 January 2019	1,645,796
Accretion of interest	65,731
Payment of principal portion of lease liabilities	(820,127)
Payment of interest portion of lease liabilities	(47,993)
At 31 December 2019	843,407
Additions	2,902,660
Accretion of interest	144,499
Payment of principal portion of lease liabilities	(795,796)
Payment of interest portion of lease liabilities	(46,569)
At 31 December 2020	3,048,201
Current	707,246
Non-Current	2,340,955

The following are the amounts recognised in profit or loss:

	<i>2020</i>	<i>2019</i>
Depreciation expense of right-of-use assets	773,261	817,102
Interest expense on lease liabilities	144,499	65,731
Total	917,760	882,833

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NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

15. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Employees benefits	5,023,713	5,584,526
Professional fees	1,465,269	952,175
Information technology	348,319	218,783
Withholding Tax	225,424	88,279
Travelling and related costs	50,052	266,579
Other	334,412	336,659
	<u>7,447,189</u>	<u>7,447,001</u>

16. TAXATION

16.1 Income Tax

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Current taxation-current year	-	1,352,222
Tax adjustment for prior years	31,872	117,907
Deferred tax adjustment for the year (see note (16.2))	(12,975)	969
	<u>18,897</u>	<u>1,471,098</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.

The movement in income tax payable is as follows:

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Balance at beginning of the year	1,352,222	753,487
Charged to profit or loss	31,872	1,470,129
Paid during the year	(1,384,094)	(871,394)
Balance at end of the year	-	1,352,222

Reconciliation of tax expense and the accounting profit multiplied by KSA's domestic tax rate for 2019 and 2020:

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Accounting profit before income tax	(916,713)	9,058,338
Add: Non-deductible expenses for tax purposes	1,381,019	390,866
Less: Utilisation of previously unrecognised tax losses	-	(2,253,703)
Less: Claims	(1,015,441)	(434,390)
Adjusted (loss) profit for Income Tax Calculation	(551,134)	6,761,111
Income tax expense at 20% reported in the statement of profit or loss	-	1,352,222

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NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

16. TAXATION (continued)

16.2 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

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
At the beginning of the year	285,226	286,195
Adjustment made during the year	12,975	(969)
At the end of the year	298,201	285,226

Comprising of:

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Accelerated depreciation	155,653	168,468
Employee defined benefit liabilities	142,548	116,758
	298,201	285,226

Status of assessments

The Company has filed its tax declarations with the General Authority for Zakat and Tax (GAZT) up to the year ended 31 December 2019. No assessment has been raised by the GAZT as yet.

17. RELATED PARTY INFORMATION

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

<i>Related party</i>	<i>Nature of transaction</i>	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Shareholder	Advisory income	6,596,672	15,942,670
	Expenses and salaries paid on behalf of the Company	1,249,384	907,210

Compensation paid to key management personnel as short-term benefits during the year amounted to SR 176,168 (2019: SR 2,047,033).

18. SHARE CAPITAL

The authorized, issued and paid up share capital consists of 7.5 million shares (2019: 7.5 million shares) of SR 10 each.

19. CONTINGENT LIABILITIES

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

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NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

20.1 FINANCIAL ASSETS

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Debt instruments at amortised cost:		
Cash and cash equivalents	68,330,833	19,274,590
Term deposits	-	50,000,000
Accrued income	-	628,473
	68,330,833	69,903,063

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

20.2 FAIR VALUES

At 31 December 2020, the fair values of Company's financial assets and financial liabilities approximate the carrying value. These are all categorized within Level 2 of the fair value hierarchy.

20.3 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 at bank and accrued income. 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.

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Cash at bank and cash in hand	68,330,833	19,274,590
Term deposits with a local bank	-	50,000,000
Accrued income	-	628,473
Deposits with others	90,315	90,315
Other assets	37,009	82,586
	68,458,157	70,235,203

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NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (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 summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

31 December 2020	<i>Within 3 months</i> SR	<i>3 months to 1 year</i> SR	<i>1 to 5 years</i> SR	<i>More than 5 years</i> SR	Total SR
Lease liabilities	-	842,365	2,527,095	-	3,369,460
Other payables	50,177	-	-	-	50,177
	<u>50,177</u>	<u>842,365</u>	<u>2,527,095</u>	<u>-</u>	<u>3,419,637</u>

31 December 2019	<i>Within 3 months</i> SR	<i>3 months to 1 year</i> SR	<i>1 to 5 years</i> SR	<i>More than 5 years</i> SR	Total SR
Lease liabilities	-	868,120	-	-	868,120
Other payables	9,515	-	-	-	9,515
	<u>9,515</u>	<u>868,120</u>	<u>-</u>	<u>-</u>	<u>877,635</u>

21. IMPACT OF COVID-19 AND ON COMPANY AND OPERATION

During March 2020, the World Health Organization ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including KSA. Governments all over the world took steps to contain the spread of virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdown and curfews.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the management has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

As of the date of preparation of the financial statements for the year ended 31 December 2020, the management has not identified any significant impact on Company's operations and financial results from the COVID-19 outbreak. These developments could impact our future financial results, cashflows and financial condition and the management will continue to assess the nature and extent of the impact on its business and financial results.