

**Abdullah Abdul Mohsin Al-Khodari Sons Company
(A Saudi Joint Stock Company)**

FINANCIAL STATEMENTS

31 DECEMBER 2010

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Scope of audit:

We have audited the accompanying balance sheet of Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company) ("the company") as at 31 December 2010 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the company's board of directors and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

In our opinion, the financial statements taken as a whole present fairly, in all material respects, the financial position of the company as at 31 December 2010 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

10 Rabi' Awal 1432H
13 February 2011

Alkhobar

Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company)

BALANCE SHEET

As At 31 December 2010

	Note	2010 SR	2009 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	71,010,619	32,610,231
Accounts receivable and prepayments	5	686,991,223	534,060,722
Value of work executed in excess of billings	6	567,552,170	299,492,364
Amounts due from related parties	7	9,254,704	39,317,534
Inventories	8	37,474,855	19,694,922
Assets held for sale		6,571,344	11,734,437
TOTAL CURRENT ASSETS		1,378,854,915	936,910,210
NON-CURRENT ASSETS			
Investments in subsidiaries	9	4,209,000	4,209,000
Mobilisation costs	10	9,528,818	7,074,743
Property, equipment and vehicles	11	433,782,495	501,561,671
TOTAL NON-CURRENT ASSETS		447,520,313	512,845,414
TOTAL ASSETS		1,826,375,228	1,449,755,624
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	12	436,591,690	248,284,522
Billings in excess of the value of work executed	13	-	1,263,601
Amounts due to related parties	7	5,307,235	2,699,190
Provision for foreseeable losses		-	13,991
Provision for zakat	14	10,606,100	5,199,563
Short term loans	15	10,812,639	32,324,106
Current portion of term loans	16	229,709,693	120,127,129
Dividends payable		99,403	-
TOTAL CURRENT LIABILITIES		693,126,760	409,912,102
NON-CURRENT LIABILITIES			
Term loans	16	511,319,363	502,658,514
Employees' terminal benefits		30,023,097	27,139,595
Loan from an affiliate	7	3,750,000	3,750,000
TOTAL NON-CURRENT LIABILITIES		545,092,460	533,548,109
TOTAL LIABILITIES		1,238,219,220	943,460,211
SHAREHOLDERS' EQUITY			
Share capital	17	425,000,000	400,000,000
Statutory reserve		21,791,060	10,522,759
Proposed dividends	18	-	95,000,000
Retained earnings		141,364,948	772,654
TOTAL SHAREHOLDERS' EQUITY		588,156,008	506,295,413
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,826,375,228	1,449,755,624

CEO
Fawwaz Alkhodari



CFO
Dhirendra Gautam



The attached notes 1 to 29 form part of these financial statements.

Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company)

STATEMENT OF INCOME

Year ended 31 December 2010

	Note	2010 SR	2009 SR
Revenues	26	1,073,949,872	1,048,083,239
Direct costs		(784,893,514)	(752,985,527)
GROSS PROFIT	26	289,056,358	295,097,712
EXPENSES			
Selling and marketing	19	(13,274,071)	(13,093,201)
General and administration	20	(45,431,604)	(45,597,293)
INCOME FROM MAIN OPERATIONS		230,350,683	236,407,218
Other income	21	12,402,064	7,321,323
Financial charges		(13,993,400)	(20,887,055)
INCOME BEFORE ZAKAT		228,759,347	222,841,486
Zakat	14	(10,848,752)	(5,790,864)
NET INCOME FOR THE YEAR		217,910,595	217,050,622
Earnings per share (from main operations)	25	5.42	5.56
Earnings per share (from net income)	25	5.13	5.11
Weighted average number of shares outstanding	17 & 25	42,500,000	42,500,000

CEO
Fawwaz Al-Khodari



CFO
Dhirendra Gautam



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Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	2010 SR	2009 SR
OPERATING ACTIVITIES		
Income before zakat	228,759,347	222,841,486
Adjustments for:		
Provision for foreseeable losses	(13,991)	(12,937,259)
Depreciation	111,081,091	113,601,703
Amortisation of mobilisation cost	3,083,765	1,869,916
Provision for doubtful debts	2,200,000	5,386,139
Provision for employees' terminal benefits, net	2,883,502	3,704,723
Commission income	(149,427)	(332,640)
Financial charges	13,993,400	20,887,055
	361,837,687	355,021,123
Changes in operating assets and liabilities:		
Receivables	(125,067,671)	(104,342,266)
Inventories	(17,779,933)	7,001,375
Value of work executed in excess of billings	(268,059,806)	(142,108,747)
Payables	190,915,213	50,230,606
Billings in excess of the value of work executed	(1,263,601)	(7,588,699)
Cash from operations	140,581,889	158,213,392
Financial charges paid	(13,993,400)	(20,887,055)
Zakat paid	(5,442,215)	(6,733,037)
Net cash from operating activities	121,146,274	130,593,300
INVESTING ACTIVITIES		
Purchase of equipment and vehicles	(89,392,173)	(59,141,840)
Movement in assets held for sale, net	51,253,351	67,238,004
Commission income	149,427	332,640
Mobilisation costs incurred	(5,537,840)	-
Net cash (used in) from investing activities	(43,527,235)	8,428,804
FINANCING ACTIVITIES		
Movement in short and long term loans	96,731,946	17,264,057
Movement in shareholders' current accounts	-	(48,577,284)
Dividends paid	(135,950,597)	(108,500,000)
Net cash used in financing activities	(39,218,651)	(139,813,227)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,400,388	(791,123)
Cash and cash equivalents at the beginning of the year	32,610,231	33,401,354
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4 71,010,619	32,610,231

CEO

Fawwaz AlKhodari



CFO

Dhirendra Gautam



The attached notes 1 to 29 form part of these financial statements.

Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2010

	Share capital SR	Statutory reserve SR	Proposed dividends SR	Retained earnings SR	Total SR
Balance at 31 December 2008	300,000,000	-	-	47,744,791	347,744,791
Net income for the year	-	-	-	217,050,622	217,050,622
Transferred to statutory reserve	-	21,705,062	-	(21,705,062)	-
Increase in share capital	100,000,000	(11,182,303)	-	(88,817,697)	-
Dividends (note 18)	-	-	-	(58,500,000)	(58,500,000)
Proposed dividends (note 18)	-	-	95,000,000	(95,000,000)	-
Balance at 31 December 2009	400,000,000	10,522,759	95,000,000	772,654	506,295,413
Net income for the year	-	-	-	217,910,595	217,910,595
Transferred to retained earnings	-	-	(14,200,000)	14,200,000	-
Increase in share capital	25,000,000	(10,522,759)	-	(14,477,241)	-
Transferred to statutory reserve	-	21,791,060	-	(21,791,060)	-
Dividends (note 18)	-	-	(80,800,000)	(55,250,000)	(136,050,000)
Balance at 31 December 2010	425,000,000	21,791,060	-	141,364,948	588,156,008

CEO
Fawwaz AlKhodari

CFO
Dhirendra Gautam

At 31 December 2010

1 ACTIVITIES

Late Sheikh Abdullah Abdul Mohsin Al-Khodari founded a sole proprietorship in the Kingdom of Saudi Arabia in 1966 as general contracting. It was converted to a Saudi limited partnership under the name of Abdullah Abdul Mohsin Al-Khodari Sons Company on 25 Rajab 1412H corresponding to 30 January 1992. It was again converted into a Saudi Closed Joint Stock Company in accordance with Ministerial Resolution Number 152/Q dated 16 Jumad Awal 1430H (corresponding to 11 May 2009).

On 27 June 2010, Capital Market Authority accepted the application of the management of the company for initial public offering of 12.75 million shares at Saudi Riyal 48 per share with the subscription date from 4 to 10 October 2010. From 23 October 2010, the shares of the company have been listed at Saudi stock exchange.

The company is registered in Saudi Arabia under Commercial Registration number 2050022550.

The company is engaged in the following activities:

- General contracting works related to construction, renovation and demolition, roads, water and sewage system works, mechanical works, marine works, dams and well drilling.
- Maintenance and operation of roads and tunnels, irrigation sewage and dams, airports, power plants–sewage systems, training and educational centers, playgrounds, provisional and permanent exhibitions.
- Janitorial services, municipality works, commercial and residential building cleaning – landscaping, park cleaning and maintenance, disposal of wastes–cleaning of petroleum tanks and pipes.
- Air conditioning and refrigeration works.
- Travel and tourism.
- Cargo haulage.
- Publicity and advertisement.
- Management and operation of hospitals and health centers.
- Training centers.
- Management of hazardous industrial wastes.
- Manufacturing of waste squeezing equipment for vehicles, water and diesel tanks, waste containers, different trailers, cement tanks, concrete moulds, arms for cranes, chassis, water boilers, pressure systems, heat exchangers, cement mixers, chinaware, electric bulbs and paraffin wax.
- Wholesale and retail trade of building materials, electric items, iron and steel, copper, lead, aluminum, hardware, medical and surgical equipment, hospital requirements, communication systems, cameras and accessories, electronic calculators, safety equipment, watches, glasses, industrial tools and equipment, road construction equipment, sewage treatment equipment, industrial cleaning equipment, industrial equipment control systems, cement factory equipment, gypsum factory equipment, textile machines, heat exchangers, truck mounted cement mixers, axle fans, tunnel ventilation equipment, sound proof systems, agricultural machines, vehicles and spare parts, decoration items, chemical materials for industrial works, industrial equipment, chemical materials for sewage treatment, oils collection, treatment and burning of gases resulting from waste burial, indirect fans, emergency ventilation, engineering, fans, industrial jet, complete air tunnels, examination platforms, boilers and pressure regulators, petrochemical parts and equipment, acoustic cleaners, industrial blowers, gypsum machines, electrical and thermal probes, equipment for industry/roads/construction, generators and turbines, stoves, stacks and rust removal machines.
- Construction, operation and maintenance of power plants, electrical utilities, desalination plants, sewerage treatment plants, petrochemical factories, gas and oil refineries, cement factories, industrial facilities.
- Industrial work contracts related to construction of factories, extension of oil and gas pipelines and petrochemical works.
- Commercial services related to brokerage other than exchange and real estate works.
- Commercial agencies, after registration of each agency with the ministry of commerce.
- Operation and maintenance of electrical and electronic systems and computers.
- Import and export services, marketing for others, cooked and uncooked food services, inspection interview services, packaging and shipment.
- Maintenance and repair of cars.
- Wholesale and retail trading/renting of light and heavy equipment.
- Water works, sewerage, maintenance, landscaping and cleaning contracts.

At 31 December 2010

2 BASIS OF PREPARATION

The company's bye-laws require the preparation of the financial statements for the first fiscal period of the company after conversion, which covers the period from the date of the Ministerial resolution dated 11 May 2009 announcing the approval of the conversion of the company from a limited liability to a joint stock company to 31 December 2010.

Management believes that in substance the company continued its operations with the same commercial registration and would be more appropriate to prepare the financial statements for the current year from 1 January to 31 December 2010 (2009: from 1 January to 31 December 2009).

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Property, equipment and vehicles/depreciation

Property, equipment and vehicles are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. Capital work in progress is not depreciated. The cost of property, equipment and vehicles is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property, equipment and vehicles are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditures for repair and maintenance are charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Investments

Investments in subsidiaries are accounted for under equity method.

Assets held for sale

Property, equipment and vehicles are classified as assets held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Property, equipment and vehicles once classified as held for sale are not depreciated.

Mobilisation costs

Direct costs incurred to commence new contracts are deferred and amortised over the period of related contracts.