

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

FINANCIAL STATEMENTS

31 DECEMBER 2013

**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 2013 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 in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial 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:

- 1) present fairly, in all material respects, the financial position of the company as at 31 December 2013 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.
- 2) comply with the requirements of the Regulations for Companies and the company's bye-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young



Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

23 Rabi' II 1435H
23 February 2014

Alkhobar

BALANCE SHEET

As At 31 December 2013

	Note	2013 SR	2012 SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash		188,317,987	128,318,768
Accounts receivable	3	746,029,372	586,622,272
Advances, prepayments and other current assets	4	290,913,423	219,773,846
Value of work executed in excess of billings	5	1,166,391,909	1,137,348,221
Amounts due from related parties	6	32,318,457	29,009,165
Inventories	7	100,155,837	83,441,618
Assets held for sale		22,913,847	23,121,233
TOTAL CURRENT ASSETS		2,547,040,832	2,207,635,123
NON-CURRENT ASSETS			
Investments in subsidiaries	8	4,209,000	4,209,000
Mobilisation costs	9	27,802,414	8,273,895
Property, equipment and vehicles	10	567,591,664	485,427,424
TOTAL NON-CURRENT ASSETS		599,603,078	497,910,319
TOTAL ASSETS		3,146,643,910	2,705,545,442
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		136,689,394	178,523,604
Accrued expenses		190,368,969	195,885,783
Advances from customers		259,202,191	285,872,252
Billings in excess of the value of work executed	11	1,908,983	4,854,761
Amounts due to related parties	6	1,010,014	1,032,329
Provision for zakat	12	7,274,165	9,637,876
Short term loans	13	70,991,346	118,690,844
Current portion of term loans	14	539,390,855	512,583,915
Dividends payable		1,663,647	1,663,647
TOTAL CURRENT LIABILITIES		1,208,499,564	1,308,745,011
NON-CURRENT LIABILITIES			
Term loans	14	843,372,276	437,646,750
Advances from customers		214,228,045	129,348,576
Employees' terminal benefits	15	65,206,073	52,228,328
Loan from an affiliate	6	3,750,000	3,750,000
TOTAL NON-CURRENT LIABILITIES		1,126,556,394	622,973,654
TOTAL LIABILITIES		2,335,055,958	1,931,718,665
SHAREHOLDERS' EQUITY			
Share capital	16	531,250,000	531,250,000
Statutory reserve		57,535,505	51,103,137
Retained earnings		222,802,447	191,473,640
TOTAL SHAREHOLDERS' EQUITY		811,587,952	773,826,777
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,146,643,910	2,705,545,442
		3,146,643,910	2,705,545,442


Kailash Sadangi
Chief Financial Officer


Fawwaz Al-Khodari
Chief Executive Officer

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF INCOME
Year Ended 31 December 2013

	<i>Note</i>	<i>2013</i> <i>SR</i>	<i>2012</i> <i>SR</i>
Revenues	25	1,530,322,297	1,523,815,101
Direct costs		(1,339,987,468)	(1,298,326,840)
GROSS PROFIT	25	190,334,829	225,488,261
EXPENSES			
Selling and marketing	19	(14,451,089)	(21,100,647)
General and administration	20	(78,424,912)	(68,185,446)
INCOME FROM MAIN OPERATIONS		97,458,828	136,202,168
Other income	21	2,433,014	33,466,023
Financial charges		(33,897,330)	(25,462,561)
INCOME BEFORE ZAKAT		65,994,512	144,205,630
Zakat	12	(1,670,837)	(9,203,747)
NET INCOME FOR THE YEAR		64,323,675	135,001,883
Earnings per share (from main operations)	24	1.83	2.56
Earnings per share (from net income)	24	1.21	2.54
Weighted average number of shares outstanding	16	53,125,000	53,125,000

Kailash Sadangi
Chief Financial Officer

Fawwaz Al-Khodari
Chief Executive Officer

STATEMENT OF CASH FLOWS

Year Ended 31 December 2013

	<i>Note</i>	<i>2013</i> <i>SR</i>	<i>2012</i> <i>SR</i>
OPERATING ACTIVITIES			
Income before zakat		65,994,512	144,205,630
Adjustments for:			
Depreciation	10	138,484,952	129,957,034
Amortisation of mobilisation cost	9	6,747,566	8,136,026
Provision for employees' terminal benefits	15	19,806,635	24,130,601
Financial charges		33,897,330	25,462,561
		264,930,995	331,891,852
Changes in operating assets and liabilities:			
Receivables		(162,716,392)	(80,903,420)
Advances, prepayments and other current assets		(71,139,777)	(36,600,526)
Inventories		(16,714,219)	(10,796,289)
Value of work executed in excess of billings		(29,043,688)	(209,826,489)
Payables		(41,856,525)	87,876,052
Accruals and other current liabilities		(4,316,613)	32,589,272
Advances from customers		58,209,408	(39,510,423)
Billings in excess of the value of work executed		(2,945,779)	2,931,348
Cash (used in) from operations		(5,592,590)	77,651,377
Financial charges paid		(33,897,330)	(25,462,561)
Zakat paid	12	(4,034,548)	(5,170,924)
Employees' terminal benefits paid	15	(6,828,890)	(7,209,942)
Net cash (used in) from operating activities		(50,353,358)	39,807,950
INVESTING ACTIVITIES			
Purchase of property, equipment and vehicles	10	(221,149,820)	(110,948,026)
Movement in assets held for sale, net		708,014	19,320,701
Mobilisation costs incurred	9	(26,276,085)	(11,186,011)
Net cash used in investing activities		(246,717,891)	(102,813,336)
FINANCING ACTIVITIES			
Movement in short and long term loans		384,832,968	133,901,413
Dividends paid	17	(26,562,500)	(20,166,734)
Directors' remuneration paid	18	(1,200,000)	(1,200,000)
Net cash from financing activities		357,070,468	112,534,679
INCREASE IN BANK BALANCES AND CASH		59,999,219	49,529,293
Bank balances and cash at the beginning of the year		128,318,768	78,789,475
BANK BALANCES AND CASH AT THE END OF THE YEAR		188,317,987	128,318,768


Kailash Sadangi
 Chief Financial Officer


Fawwaz Al-Khodari
 Chief Executive Officer

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year Ended 31 December 2013

	<i>Share capital</i> SR	<i>Statutory reserve</i> SR	<i>Retained earnings</i> SR	<i>Total</i> SR
Balance at 31 December 2011	425,000,000	37,602,949	197,471,945	660,074,894
Net income for the year	-	-	135,001,883	135,001,883
Increase in share capital (note 16)	106,250,000	-	(106,250,000)	-
Transferred to statutory reserve	-	13,500,188	(13,500,188)	-
Dividends (note 17)	-	-	(21,250,000)	(21,250,000)
Balance at 31 December 2012	531,250,000	51,103,137	191,473,640	773,826,777
Net income for the year	-	-	64,323,675	64,323,675
Transferred to statutory reserve	-	6,432,368	(6,432,368)	-
Dividends (note 17)	-	-	(26,562,500)	(26,562,500)
Balance at 31 December 2013	531,250,000	57,535,505	222,802,447	811,587,952

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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/hiring of light and heavy equipment.
- Water works, sewerage, maintenance, landscaping and cleaning contracts.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Use of estimates

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

Inventories

Inventories are stated at the lower of cost and market value. Cost is determined using purchase cost on a weighted average basis.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Accounts payable and accruals

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

Provisions

Provisions are recognised when the company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Statutory Reserve

As required by Saudi Arabian Regulations of the Companies, 10% of the net income for the year has been transferred to the statutory reserve. The company may resolve to discontinue such transfers when the reserve totals 50% of the capital. The reserve is not available for distribution.

Employees' terminal benefits

Provision is made for amounts payable according to company's policy applicable to employees' accumulated periods of service at the balance sheet date.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of income. Additional amounts, if any, that become due on finalisation of assessment are accounted for in the year in which assessment is finalised.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Segmental reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Earnings per share

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

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

Revenue recognition

Sales revenue represents the invoiced value of goods supplied and services rendered by the company during the year. Services performed but not billed at the balance sheet date are classified as "accrued income".

Revenue on long term construction contracts, where the outcome can be reliably estimated, is recognised under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The value of work completed but not billed at the balance sheet date is classified as "value of work executed in excess of billings" under current assets. Amounts billed in excess of work completed at the balance sheet date is classified as "billings in excess of the value of work executed" under current liabilities. Profit is not recognised on a contract until the management believes that the outcome of that contract can be assessed with reasonable certainty. In the case of loss making contracts full provision is made for estimated future losses.

Operating leases

Operating lease payments are recognised as an expense in the statement of income on a straight line basis over the lease term.

Expenses

Selling and marketing expenses are those that relate to project bidding costs and advertising as well as allowance for doubtful debts. All other expenses other than direct costs and financial charges are classified as general and administration expenses.

Fair values

The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2013

3 ACCOUNTS RECEIVABLE

	2013 SR	2012 SR
Accounts receivable	629,536,054	482,762,850
Retentions receivable	116,493,318	103,859,422
	<u>746,029,372</u>	<u>586,622,272</u>

4 ADVANCES, PREPAYMENTS AND OTHER CURRENT ASSETS

	2013 SR	2012 SR
Advances to suppliers and subcontractors	256,414,686	197,406,628
Prepaid expenses	25,218,338	16,900,331
Loan to employees	7,343,978	2,926,589
Margin against letters of guarantee	1,089,088	1,389,336
Other receivables	847,333	1,150,962
	<u>290,913,423</u>	<u>219,773,846</u>

5 VALUE OF WORK EXECUTED IN EXCESS OF BILLINGS

	2013 SR	2012 SR
Value of work executed	5,257,541,069	4,173,202,473
Less: progress billings received or receivable	(4,091,149,160)	(3,035,854,252)
	<u>1,166,391,909</u>	<u>1,137,348,221</u>

6 RELATED PARTY TRANSACTIONS

Related parties represents major shareholders, directors and key management personnel of the Group and entities controlled or significantly influences by such parties. Following is the listed of related parties of the Group:

<i>Name of related party</i>	<i>Nature of relationship</i>
Al Khodari Investement Holding Company	Affiliate
Al Khodari Sons Company	Affiliate
Al Khodari Jazeera	Affiliate
Al Khodari Heavy Industries	Affiliate
Al Khodari Industrial Trading and Services	Affiliate
Al Khodari Travel and Toursim Agency	Affiliate

Transactions with related parties during the year are as follows:

	2013 SR	2012 SR
Purchases, services and sub-contracting	(10,274,986)	(22,239,685)
Equipment and manpower rental	-	708,240
Air tickets	(14,591,821)	(13,376,699)
Expenses recharged to affiliate	2,228,457	4,238,811

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2013

6 RELATED PARTY TRANSACTIONS (continued)

The company paid SR 0.86 million (2012: SR 1.5 million) to certain directors as salary and other benefits in their capacity as executives of the company.

The company has a non-commission bearing loan from an affiliate with no fixed repayment date. Loan from an affiliate is classified under non-current liabilities in balance sheet.

Pricing policies and terms of these transactions are approved by the company's management.

The break down of amounts due from and to related parties is as follows:

a) Amounts due from related parties

	<i>2013</i>	<i>2012</i>
	<i>SR</i>	<i>SR</i>
Al Khodari Investement Holding Company	11,236,861	10,866,048
Al Khodari Jazeera	7,681,520	7,819,618
Hamon D'Hondt Middle East Co. Ltd.	6,974,842	5,133,067
Other affiliates	6,425,234	5,190,432
	<u>32,318,457</u>	<u>29,009,165</u>

b) Amounts due to related parties

	<i>2013</i>	<i>2012</i>
	<i>SR</i>	<i>SR</i>
HERTZ Equipment Rental	544,040	675,724
Al Khodari Industrial Trading and Services	394,507	341,900
Other affiliates	71,467	14,705
	<u>1,010,014</u>	<u>1,032,329</u>

Amounts due from and due to related parties are disclosed in the balance sheet under current assets and current liabilities respectively.

7 INVENTORIES

	<i>2013</i>	<i>2012</i>
	<i>SR</i>	<i>SR</i>
Materials	100,055,766	83,286,362
Spare parts and consumables	100,071	155,256
	<u>100,155,837</u>	<u>83,441,618</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2013

8 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries comprise the following:

	<i>Effective percentage of holding</i>	<i>2013 SR</i>	<i>2012 SR</i>
Al Khodari International Company Limited, Dubai	100	459,000	459,000
Al Khodari International Group for Contracting L.L.C, Kuwait	100	3,750,000	3,750,000
		4,209,000	4,209,000

Pursuant to the agreements between the company and other partners of the subsidiaries, the company holds effectively 100% interest in the subsidiaries.

The investments in subsidiaries are not consolidated in these financial statements as the subsidiaries have no business during the year or are considered immaterial in relation to the financial statements taken as a whole.

9 MOBILISATION COSTS

	<i>2013 SR</i>	<i>2012 SR</i>
Costs:		
At the beginning of the year	25,668,510	14,482,499
Addition during the year	26,276,085	11,186,011
At the end of the year	51,944,595	25,668,510
Amortisation:		
At the beginning of the year	(17,394,615)	(9,258,589)
Amortisation during the year	(6,747,566)	(8,136,026)
At the end of the year	(24,142,181)	(17,394,615)
Net carrying value	27,802,414	8,273,895

The company incurred mobilisation costs on certain long term contracts. Such costs are amortised over the period of the related contracts.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2013

10 PROPERTY, EQUIPMENT AND VEHICLES

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

Buildings, portables and hangers	4 - 20 years
Machinery, equipment and tools	4 - 10 years
Construction vehicles	4 - 6.67 years
Office equipment and furniture	4 - 6.67 years

	Buildings, portables and hangers	Machinery, equipment and tools	Construction vehicles	Office equipment and furniture	Capital work in progress	Total 2013	Total 2012
	SR	SR	SR	SR	SR	SR	SR
Cost:							
At the beginning of the year	67,089,315	540,172,053	402,793,938	50,309,094	61,479,943	1,121,844,343	1,077,788,386
Additions	7,000	-	-	34,375	221,108,445	221,149,820	110,948,026
Transfers	13,646,364	94,380,075	83,810,975	5,540,224	(197,377,638)	-	(66,892,069)
Disposals	(880,632)	(610,886)	(471,200)	-	-	(1,962,718)	-
At the end of the year	79,862,047	633,941,242	486,133,713	55,883,693	85,210,750	1,341,031,445	1,121,844,343
Depreciation:							
At the beginning of the year	41,797,472	308,229,196	245,878,448	40,511,803	-	636,416,919	558,423,650
Charge for the year	8,360,939	62,861,886	62,508,712	4,753,415	-	138,484,952	129,957,034
Disposals	(880,632)	(247,701)	(333,757)	-	-	(1,462,090)	(51,963,765)
At the end of the year	49,277,779	370,843,381	308,053,403	45,265,218	-	773,439,781	636,416,919
Net book amounts:							
At 31 December 2013	30,584,268	263,097,861	178,080,310	10,618,475	85,210,750	567,591,664	
At 31 December 2012	25,291,843	231,942,857	156,915,490	9,797,291	61,479,943		485,427,424

Capital work in progress mainly represents equipments and motor vehicles under process for registration and insurance.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2013

11 BILLINGS IN EXCESS OF THE VALUE OF WORK EXECUTED

	2013 SR	2012 SR
Progress billings received or receivable	171,027,368	28,962,881
Less: value of work executed	(169,118,385)	(24,108,120)
	<u>1,908,983</u>	<u>4,854,761</u>

12 ZAKAT

Charge for the year

The zakat charge for the year consists of:

	2013 SR	2012 SR
Provision for the year	1,670,837	9,203,747
Charge for the year	<u>1,670,837</u>	<u>9,203,747</u>

The provision is based on the following:

	2013 SR	2012 SR
Equity	593,315,159	639,908,160
Opening provisions and other adjustments	73,647,362	66,202,917
Book value of long term assets and investments (net of related financing)	(634,415,810)	(507,796,628)
	<u>32,546,711</u>	<u>198,314,449</u>
Zakatable profit for the year	34,286,768	169,835,424
Zakat base	<u>66,833,479</u>	<u>368,149,873</u>

The differences between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable income.

Movement in provision

The movement in the zakat provision was as follows:

	2013 SR	2012 SR
At the beginning of the year	9,637,876	5,605,053
Provided during the year	1,670,837	9,203,747
Payments during the year	(4,034,548)	(5,170,924)
At the end of the year	<u>7,274,165</u>	<u>9,637,876</u>

Status of assessments

Zakat assessments have been agreed with the Department of Zakat and Income Tax (DZIT) upto 2006. The assessments for the years 2007 to 2012 have not yet been raised.

13 SHORT TERM LOANS

Short term loans bear commission at the commercial rates and are secured against assignment of proceeds from certain contracts, general assets of the company and promissory notes. During 2010, the facilities were converted to Islamic short term loan facilities.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2013

14 TERM LOANS

During the year 2010, term loans were converted into Tawarruq and Morabaha loans. The loans comprise of project financing repayable upon collection, revolving loans and project financing repayable in fixed periodical installment. These loans are secured against general assets of the company and promissory notes. The project financing loans are additionally covered against assignment of proceeds of the related projects. These loans carry commission at commercial rates. The company is required to comply with certain covenants under certain loan agreements. The position of term loans is as follows:

	2013 SR	2012 SR
Project financing loans repayable upon collection (note (a) below)	889,837,275	301,979,628
Revolving loans (note (b) below)	159,684,482	199,907,802
Project financing loans repayable in periodical installments (note (c) below)	333,241,374	448,343,235
	<u>1,382,763,131</u>	<u>950,230,665</u>
Less: Current portion	<u>(539,390,855)</u>	<u>(512,583,915)</u>
	<u>843,372,276</u>	<u>437,646,750</u>

- a) These loans were obtained from various commercial banks and are repayable, based on a percentage ranging from 35% to 65%, out of expected proceeds from the contracts. Accordingly, the current portion includes such loans based on company's estimates of the proceeds expected from future billings.
- b) These loans were drawn up for short term which the management, in view of their working capital requirements, intends to renew for a further period extended beyond 31 December 2014.
- c) These loans are repayable in various fixed periodical installments with last installment due in 2016.

15 EMPLOYEES' TERMINAL BENEFITS

	2013 SR	2012 SR
At the beginning of the year	52,228,328	35,307,669
Charge for the year	19,806,635	24,130,601
Payments made during the year	(6,828,890)	(7,209,942)
At the end of the year	<u>65,206,073</u>	<u>52,228,328</u>

16 SHARE CAPITAL

Share capital is divided into 53,125,000 shares (2012: 53,125,000 shares) of SR 10 each.

During 2012, the Board of Directors of the company, at its meeting held on 8 Rabi II 1433H corresponding to 1 March 2012, recommended to increase the company's share capital by 25% by way of capitalizing a part of the retained earnings through the issuance of one bonus share for every four shares held by the shareholders. As a result, the share capital of the company was increased from SR 425 million to SR 531.25 million. Legal formalities in this regard were completed during 2012.

17 DIVIDENDS

During the year, the company paid dividends of SR 0.5 per share totaling SR 26.56 million (31 December 2012: SR 21.25 million) as resolved by the board of directors and subsequently approved in annual general assembly.

The Board of Directors in their meeting held on 23 February 2014, proposed to distribute dividends of SR 26,562,500 (SR 0.5 per share) for the year ended 31 December 2013. The proposed dividends are subject to the approval of the shareholders at their Annual General Assembly Meeting.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2013

18 DIRECTORS' REMUNERATION

Under Company's bye-laws, the members of board of directors are entitled to a remuneration of 10% of the net profits to the maximum of SR 200,000 per board member, after the distribution of the minimum amount of dividends.

The Company paid directors' remuneration of SR 1.2 million during 2013 (2012: SR 1.2 million) approved by the shareholders in the General Assembly.

Subsequent to year end and after proposing of dividends of SR 5% of the current year net income, the board of directors has proposed remuneration of SR 1.2 million (2012: SR 1.2 million) to Board of directors. This remuneration will be paid after general assembly approval (2012: same).

19 SELLING AND MARKETING EXPENSES

	<i>2013</i>	<i>2012</i>
	<i>SR</i>	<i>SR</i>
Bidding	14,250,000	20,949,010
Advertising	201,089	151,637
	<u>14,451,089</u>	<u>21,100,647</u>

20 GENERAL AND ADMINISTRATION EXPENSES

	<i>2013</i>	<i>2012</i>
	<i>SR</i>	<i>SR</i>
Employee costs	54,917,495	45,815,755
Depreciation	6,762,590	5,944,726
Bonus	3,721,974	3,119,855
Donations	2,632,030	3,636,603
Rent	4,310,537	4,334,375
Professional fees	2,625,716	1,410,973
Other	3,454,570	3,923,159
	<u>78,424,912</u>	<u>68,185,446</u>

21 OTHER INCOME

	<i>2013</i>	<i>2012</i>
	<i>SR</i>	<i>SR</i>
Gains on sale of property, equipment and vehicles	2,277,583	27,563,240
Miscellaneous	155,431	5,041,077
Claims recovered	-	861,706
	<u>2,433,014</u>	<u>33,466,023</u>

22 CONTINGENT LIABILITIES

The company's bankers have issued performance guarantees, on behalf of the company, amounting to SR 544.15 million (2012: SR 437.98 million).

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2013

23 OPERATING LEASE COMMITMENTS

	<i>2013</i>	<i>2012</i>
	<i>SR</i>	<i>SR</i>
Operating lease rentals recognised as expense	<u>15,808,175</u>	<u>20,297,052</u>

The company enters into operating lease arrangements for renting motor vehicles, equipments and housing premises. Leases are negotiated for an average period of one year and rentals are fixed for an average period of one year.

24 EARNINGS PER SHARE

Earnings per share have been calculated based on the weighted average number of shares during the year of 53.125 million shares (31 December 2012: 53.125 million shares).

25 SEGMENTAL INFORMATION

Consistent with the company's internal reporting process, business segments have been approved by management in respect of the company's activities. Transactions between the business segments are reported at cost. The company's revenue, gross profit and net assets by business segment, are as follows:

	<i>Contracting</i>	<i>Trading</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
	31 December 2013		
Revenues	1,519,210,626	11,111,671	1,530,322,297
Gross profit	187,576,470	2,758,359	190,334,829
Net assets	810,819,352	768,600	811,587,952
	31 December 2012		
Revenues	1,518,570,244	5,244,857	1,523,815,101
Gross profit	224,109,720	1,378,541	225,488,261
Net assets	763,387,286	10,439,491	773,826,777

All of the company's operating assets and principal markets of activity, are located in the Kingdom of Saudi Arabia.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2013

26 RISK MANAGEMENT

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The company is exposed to commission rate risk on its commission bearing liabilities. To manage the commission rate risk on the loans, the company monitors market commission rate movements and its cost of funding on a regular basis.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. A substantial portion of the company's business is with government authorities. The company seeks to manage its credit risk with respect to customers by monitoring outstanding receivables. Its largest 5 customers account for 40% of the trade receivable balances at the balance sheet date (2012: 33%).

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The company manages its liquidity risk by ensuring bank facilities are available. The company's terms of services and sales require amounts to be paid within 45 to 90 days of the date of billings. Trade payables are normally settled within 30 to 180 days of the date of billings.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company undertakes its transactions mainly in Saudi Riyal and United States Dollars. As Saudi Riyals are pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, investments, receivable and amounts due from related parties. Financial liabilities consist of short term loans, dividends payable, term loans, amounts due to related parties, payables and loan from an affiliate.

The fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

28 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.