

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

**INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

30 SEPTEMBER 2013

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

Scope of limited review:

We have reviewed the accompanying interim balance sheet of Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company) as at 30 September 2013, the related interim statement of income for the three and nine months period ended on 30 September 2013 and the interim statement of cash flows for the nine months period ended on 30 September 2013. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our review was limited and was conducted in accordance with Saudi Organisation of Certified Public Accountants (SOCPA) standard on interim financial information. The limited review consists principally of analytical procedures applied to financial data and inquiries of the Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion on limited review:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for these to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Abdulaziz Saud Alshubalbi
Certified Public Accountant
Registration No.339

23 Dhul-Hijjah 1434H
28 October 2013

Alkhobar



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

INTERIM BALANCE SHEET (UNAUDITED)

As At 30 September 2013

	30 September 2013	30 September 2012
Note	SR	SR
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	171,786,745	74,584,174
Accounts receivable and prepayments	769,448,750	632,261,122
Advances to suppliers	292,219,833	187,182,476
Value of work executed in excess of billings	1,207,104,346	1,099,863,112
Amounts due from related parties	31,089,344	21,852,877
Inventories	94,891,190	93,810,853
Assets held for sale	23,305,056	29,309,500
TOTAL CURRENT ASSETS	2,589,845,264	2,138,864,114
NON-CURRENT ASSETS		
Investments in subsidiaries	4,416,640	4,416,640
Mobilisation costs	22,327,011	7,081,406
Property, equipment and vehicles	548,849,052	499,022,147
TOTAL NON-CURRENT ASSETS	575,592,703	510,520,193
TOTAL ASSETS	3,165,437,967	2,649,384,307
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accruals	632,834,194	358,767,906
Advances from customers	155,075,494	329,049,096
Billings in excess of the value of work executed	-	2,736,767
Amounts due to related parties	945,300	1,543,003
Provision for zakat	7,056,961	3,228,176
Short term loans	38,495,364	134,009,207
Current portion of term loans	415,101,137	498,492,634
Dividends payable	1,663,647	1,890,948
TOTAL CURRENT LIABILITIES	1,251,172,097	1,329,717,737
NON-CURRENT LIABILITIES		
Term loans	720,371,552	452,683,740
Advances from customers	326,094,650	67,535,545
Employees' terminal benefits	62,132,678	48,688,953
Loan from an affiliate	3,750,000	3,750,000
TOTAL NON-CURRENT LIABILITIES	1,112,348,880	572,658,238
TOTAL LIABILITIES	2,363,520,977	1,902,375,975
SHAREHOLDERS' EQUITY		
Share capital	4 531,250,000	531,250,000
Statutory reserve	56,688,408	48,421,293
Retained earnings	213,978,582	167,337,039
TOTAL SHAREHOLDERS' EQUITY	801,916,990	747,008,332
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,165,437,967	2,649,384,307


Kailash Sadangi
Chief Financial Officer


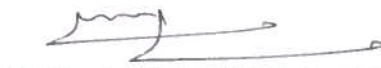

Fawwaz Al-Khodari
Chief Executive Officer

The attached notes 1 to 7 form part of these interim financial statements.

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

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the three and nine months period ended 30 September 2013

		<i>3 months period from 1 July to 30 September 2013</i>	<i>3 months period from 1 July to 30 September 2012</i>	<i>9 months period from 1 January to 30 September 2013</i>	<i>9 months period from 1 January to 30 September 2012</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Revenues	7	386,569,098	343,743,993	1,142,654,143	1,150,834,100
Direct costs		(340,793,425)	(296,792,085)	(994,870,942)	(963,839,147)
GROSS PROFIT	7	45,775,673	46,951,908	147,783,201	186,994,953
EXPENSES					
Selling and marketing		(4,885,758)	(3,264,631)	(13,109,512)	(15,525,296)
General and administration		(21,159,717)	(15,525,296)	(58,618,502)	(49,258,921)
INCOME FROM MAIN OPERATIONS		19,730,198	28,161,981	76,055,187	122,210,736
Other income, net		401,335	744,723	1,468,617	5,876,999
Financial charges		(7,607,706)	(6,451,853)	(20,217,458)	(17,110,250)
INCOME BEFORE ZAKAT		12,523,827	22,454,851	57,306,346	110,977,485
Zakat		(334,145)	(563,567)	(1,453,633)	(2,794,047)
NET INCOME FOR THE PERIOD		12,189,682	21,891,284	55,852,713	108,183,438
Earnings per share (from main operations)		0.37	0.53	1.43	2.30
Earnings per share (from net income)		0.23	0.41	1.05	2.04
Weighted average number of shares outstanding	4	53,125,000	53,125,000	53,125,000	53,125,000
					
		Kajilash Sadangi Chief Financial Officer		Fawwaz Al-Khodari Chief Executive Officer	

The attached notes 1 to 7 form part of these interim financial statements.

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

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine months period ended 30 September 2013

	<i>9 months period from 1 January to 30 September 2013</i>	<i>9 months period from 1 January to 30 September 2012</i>
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Income before zakat	57,306,346	110,977,485
Adjustments for:		
Depreciation	102,084,113	96,935,857
Amortisation of mobilisation cost	4,087,331	7,373,598
Provision for employees' terminal benefits, net	9,904,350	13,381,284
Financial charges	20,217,458	17,110,250
	<u>193,599,598</u>	<u>245,778,474</u>
Changes in operating assets and liabilities:		
Receivables	(257,560,284)	(123,602,778)
Inventories	(11,449,572)	(21,165,524)
Value of work executed in excess of billings	(69,756,125)	(172,341,380)
Payables	323,087,094	47,298,474
Billings in excess of the value of work	(4,854,761)	813,354
	<u>173,065,950</u>	<u>(23,219,380)</u>
Cash from / (used in) operations	173,065,950	(23,219,380)
Financial charges paid	(20,217,458)	(17,110,250)
Zakat paid	(4,034,548)	(5,170,924)
	<u>148,813,944</u>	<u>(45,500,554)</u>
Net cash from / (used in) operating activities	148,813,944	(45,500,554)
INVESTING ACTIVITIES		
Purchase of equipment and vehicles	(166,006,370)	(78,176,008)
Mobilisation costs incurred	(18,140,447)	(9,231,094)
Movement in assets held for sale, net	316,806	(213,130)
	<u>(183,830,011)</u>	<u>(87,620,232)</u>
Net cash used in investing activities	(183,830,011)	(87,620,232)
FINANCING ACTIVITIES		
Movement in short and long term loans	105,046,544	150,165,485
Dividends paid	(26,562,500)	(21,250,000)
	<u>78,484,044</u>	<u>128,915,485</u>
Net cash from financing activities	78,484,044	128,915,485
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	43,467,977	(4,205,301)
Cash and cash equivalents at the beginning of the period	128,318,768	78,789,475
	<u>171,786,745</u>	<u>74,584,174</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	171,786,745	74,584,174


Kailash Sadangi
Chief Financial Officer


Fawwaz Al-Khodari
Chief Executive Officer

The attached notes 1 to 7 form part of these interim financial statements.

At 30 September 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 and maintenance and installation of fire fighting system.
- Wholesale and retail trading/renting of light and heavy equipment.
- Water works, sewerage, maintenance, landscaping and cleaning contracts.

At 30 September 2013

2 INTERIM PERIOD RESULTS

The company has made all necessary adjustments which are important to present fairly in all material respects the interim financial position and interim results of operations. The interim financial results may not be considered an indicative of the actual results for the whole year.

3 SIGNIFICANT ACCOUNTING POLICIES

The interim 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 interim financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of interim 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 interim 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. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of bank balances and cash in hand and short term deposits that are readily convertible into known amounts of cash and have original maturities of three months or less.

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.

Statutory Reserve

As required by Saudi Arabian Regulations of the Companies, 10% of the net income for the period 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 interim 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 period in which assessment is finalised.

The zakat provision for the interim period is calculated based on the estimated zakat provision for the whole year. The difference between the provision made during the interim period and the actual provision for the period based on detailed zakat calculation for the year is accounted for at year end.

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 interim balance sheet date. All differences are taken to the interim 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 period by the weighted average number of shares outstanding during the period.

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

At 30 September 2013

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Sales revenue represents the invoiced value of goods supplied and services rendered by the company during the period. 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 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 value

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.

4 SHARE CAPITAL

Share capital is divided into 53.125 million shares (30 September 2012: 53.125 million shares) of SR 10 each.

5 DIVIDENDS

During the period, the company paid dividends of SR 0.5 per share totalling SR 26.56 million (30 September 2012: SR 21.25 million) as approved by the shareholders in their general assembly.

6 CONTINGENT LAIBILITY

The companys' bankers have given guarantees on behalf of the company, limited to SR 553.87 million (30 September 2012: SR 414.62 million) mainly in respect of performance gurantees to customers.

Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company)
 NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) - continued
 At 30 September 2013

7 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>SR</i>	<i>Trading</i> <i>SR</i>	<i>Total</i> <i>SR</i>
	30 September 2013		
Revenues	<i>1,133,290,230</i>	<i>9,363,913</i>	<i>1,142,654,143</i>
Gross profit	<i>145,321,961</i>	<i>2,461,240</i>	<i>147,783,201</i>
Net assets	<i>800,935,067</i>	<i>981,923</i>	<i>801,916,990</i>
	30 September 2012		
Revenues	<i>1,146,928,603</i>	<i>3,905,497</i>	<i>1,150,834,100</i>
Gross profit	<i>186,115,306</i>	<i>879,647</i>	<i>186,994,953</i>
Net assets	<i>734,765,418</i>	<i>12,242,914</i>	<i>747,008,332</i>

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