

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

FINANCIAL STATEMENTS

31 DECEMBER 2014

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

Scope of audit:

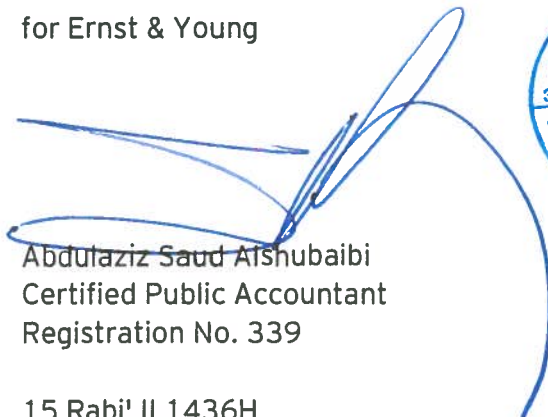
We have audited the accompanying balance sheet of Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company) ("the company") as at 31 December 2014 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements 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 2014 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



15 Rabi' II 1436H
4 February 2015

Alkhobar

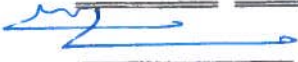
Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company)

BALANCE SHEET

As At 31 December 2014

	Note	2014 SR	2013 SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash		164,702,675	188,317,987
Accounts receivable	3	612,678,572	746,029,372
Advances, prepayments and other current assets	4	212,301,958	298,594,943
Value of work executed in excess of billings	5	1,359,674,280	1,009,850,347
Amounts due from related parties	6	5,378,091	24,813,246
Inventories	7	102,219,222	100,155,837
Assets held for sale	8	19,074,884	22,913,847
TOTAL CURRENT ASSETS		2,476,029,682	2,390,675,579
NON-CURRENT ASSETS			
Investments in subsidiaries	9	4,292,191	4,032,691
Mobilisation costs	10	30,663,180	27,802,414
Long term deposits	25	26,709,607	-
Property, equipment and vehicles	11	583,348,442	567,591,664
TOTAL NON-CURRENT ASSETS		645,013,420	599,426,769
TOTAL ASSETS		3,121,043,102	2,990,102,348
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	12	393,245,088	137,630,384
Accrued expenses and other current liabilities		129,419,180	190,627,979
Advances from customers		102,839,748	102,660,629
Billings in excess of the value of work executed	13	-	1,908,983
Amounts due to related parties	6	5,905,051	1,010,014
Provision for zakat	14	7,318,814	7,274,165
Short term loans	15	62,860,251	70,991,346
Current portion of term loans	16	401,520,716	539,390,855
Dividends payable	19	1,663,647	1,663,647
TOTAL CURRENT LIABILITIES		1,104,772,495	1,053,158,002
NON-CURRENT LIABILITIES			
Term loans	16	899,440,817	843,372,276
Advances from customers		159,646,191	214,228,045
Employees' terminal benefits	17	69,633,919	65,206,073
Loan from an affiliate	6	3,750,000	3,750,000
TOTAL NON-CURRENT LIABILITIES		1,132,470,927	1,126,556,394
TOTAL LIABILITIES		2,237,243,422	2,179,714,396
SHAREHOLDERS' EQUITY			
Share capital	18	531,250,000	531,250,000
Statutory reserve		67,652,928	57,535,505
Retained earnings		284,896,752	221,602,447
TOTAL SHAREHOLDERS' EQUITY		883,799,680	810,387,952
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,121,043,102	2,990,102,348


Kallash Sadangi
Chief Financial Officer


Fawwaz Al-Khodari
Chief Executive Officer

The attached notes 1 to 30 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 2014

	Note	2014 SR	2013 SR
Revenues	27	1,737,304,534	1,530,322,297
Direct costs		(1,584,600,154)	(1,339,987,468)
GROSS PROFIT	27	152,704,380	190,334,829
EXPENSES			
Selling and marketing	21	(16,254,174)	(14,451,089)
General and administration	22	(72,422,604)	(78,424,912)
INCOME FROM MAIN OPERATIONS		64,027,602	97,458,828
Other income, net	23	77,465,217	2,433,014
Financial charges		(37,536,055)	(33,897,330)
INCOME BEFORE ZAKAT		103,956,764	65,994,512
Zakat	14	(2,782,536)	(1,670,837)
NET INCOME FOR THE YEAR		101,174,228	64,323,675
Earnings per share (from main operations)	26	1.21	1.83
Earnings per share (from net income)	26	1.90	1.21
Weighted average number of shares outstanding	18	53,125,000	53,125,000


Kailash Sadangi
Chief Financial Officer


Fawwaz Al-Khodari
Chief Executive Officer

The attached notes 1 to 30 form part of these financial statements.


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

STATEMENT OF CASH FLOWS

Year Ended 31 December 2014

	Note	2014 SR	2013 SR
OPERATING ACTIVITIES			
Income before zakat		103,956,764	65,994,512
Adjustments for:			
Depreciation	11	192,638,000	138,484,952
Amortisation of mobilisation cost	10	13,274,818	6,747,566
Provision for employees' terminal benefits	17	24,257,312	19,806,635
Gain on disposal of assets held for sale	23	(71,194,536)	(2,272,583)
Financial charges		37,536,055	33,897,330
		300,468,413	262,658,412
Changes in operating assets and liabilities:			
Receivables		152,526,455	(162,716,392)
Advances, prepayments and other current assets		86,292,985	(71,139,777)
Inventories		(2,063,385)	(16,714,219)
Value of work executed in excess of billings		(349,823,933)	(29,043,688)
Long term deposits		(26,709,607)	-
Payables		259,309,741	(41,856,525)
Accrued expenses and other current liabilities		(60,008,799)	(4,316,613)
Advances from customers		(54,402,735)	58,209,408
Billings in excess of the value of work executed		(1,908,983)	(2,945,779)
Cash from (used in) operations		303,680,152	(7,865,173)
Financial charges paid		(37,536,055)	(33,897,330)
Zakat paid	14	(2,737,887)	(4,034,548)
Employees' terminal benefits paid	17	(19,829,466)	(6,828,890)
Net cash from (used in) operating activities		243,576,744	(52,625,941)
INVESTING ACTIVITIES			
Purchase of property, equipment and vehicles	11	(338,797,393)	(221,149,820)
Proceeds from disposal of asset held for sale		205,436,114	2,980,597
Mobilisation costs incurred	10	(16,135,584)	(26,276,085)
Net cash used in investing activities		(149,496,863)	(244,445,308)
FINANCING ACTIVITIES			
Movement in short and long term loans		(89,932,693)	384,832,968
Dividends paid	19	(26,562,500)	(26,562,500)
Directors' remuneration paid	20	(1,200,000)	(1,200,000)
Net cash (used in) from financing activities		(117,695,193)	357,070,468
(DECREASE) INCREASE IN BANK BALANCES AND CASH		(23,615,312)	59,999,219
Bank balances and cash at the beginning of the year		188,317,987	128,318,768
BANK BALANCES AND CASH AT THE END OF THE YEAR		164,702,675	188,317,987


Kailash Sadangi
Chief Financial Officer


Fawwaz Al-Khodari
Chief Executive Officer

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year Ended 31 December 2014

	<i>Share capital</i> SR	<i>Statutory reserve</i> SR	<i>Retained earnings</i> SR	<i>Total</i> SR
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 19)	-	-	(26,562,500)	(26,562,500)
Directors' remuneration (note 20)	-	-	(1,200,000)	(1,200,000)
Balance at 31 December 2013	531,250,000	57,535,505	221,602,447	810,387,952
Net income for the year	-	-	101,174,228	101,174,228
Transferred to statutory reserve	-	10,117,423	(10,117,423)	-
Dividends (note 19)	-	-	(26,562,500)	(26,562,500)
Directors' remuneration (note 20)	-	-	(1,200,000)	(1,200,000)
Balance at 31 December 2014	531,250,000	67,652,928	284,896,752	883,799,680

The attached notes 1 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

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 2014

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 on a straight line method.

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 2014

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

Trading revenue

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".

Contracting revenue

The Company principally operates fixed price contracts. If the outcome of such a contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the percentage of completion method of each contract activity at year end.

The outcome of a construction contract can be estimated reliably when:

- (i) the total contract revenue can be measured reliably;
- (ii) it is probable that the economic benefits associated with the contract will flow to the entity;
- (iii) the costs to complete the contract and the stage of completion at the balance sheet date can be measured reliably; and
- (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated cost to complete.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

When the stage of completion is determined by reference to the contract costs incurred up to the reporting date, only those contract costs that reflect work performed are included in costs incurred up to the reporting date. The following costs are excluded from contract costs:

- (i) Contract costs that relate to future activity on the contract, such as costs of materials that have been delivered to a contract site or set aside for use in a contract but not yet installed, used or applied during contract performance, unless the materials have been made especially for the contract.
- (ii) Payments made to subcontractors in advance of work performed under the subcontract.

When an uncertainty arises about the collectability of an amount already included in contract revenue, and already recognized in the statement of income, the uncollectable amount or the amount in respect of which recovery has ceased to be probable is recognized as an expense rather than as an adjustment of the amount of contract revenue.

Revenue from change orders is recognized when

- (i) The change orders have been approved by the customer; and
- (ii) The amount of change order can be measured reliably

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. The amount of such a loss is determined irrespective of:

- (i) Whether or not work has commenced on the contract.
- (ii) The stage of completion of contract activity.
- (iii) The amount of profits expected to arise on other contracts which are not treated as a single construction contract.

Change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate and accordingly accounted for proactively.

Contract costs

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

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 2014

3 ACCOUNTS RECEIVABLE

	2014 SR	2013 SR
Accounts receivable	560,357,544	651,247,643
Less: Provision for doubtful debts	(3,517,098)	(21,711,589)
	<u>556,840,446</u>	<u>629,536,054</u>
Retentions receivable	55,838,126	116,493,318
	<u>612,678,572</u>	<u>746,029,372</u>

At 31 December 2014, the receivable from government authorities represents 94% (2013: 95%) of total accounts and retentions receivable.

As at 31 December 2014, trade receivables at nominal value of SR 3.5 million (2013: SR 21.7 million) were impaired. Movement in the provision for doubtful debts was as follows:

	2014 SR	2013 SR
At the beginning of the year	21,711,589	21,711,589
Charge for the year (note 21)	3,084,472	-
Amounts written off	(21,278,963)	-
At the end of the year	<u>3,517,098</u>	<u>21,711,589</u>

As at 31 December, the ageing of unimpaired accounts receivable is as follows:

	Total SR	1-90 days SR	91-180 days SR	181-365 days SR	Above 1 year SR
At 31 December 2014	556,840,446	254,709,869	55,247,110	58,839,460	188,044,007
At 31 December 2013	629,536,054	354,431,376	64,266,601	60,042,073	150,796,004

4 ADVANCES, PREPAYMENTS AND OTHER CURRENT ASSETS

	2014 SR	2013 SR
Advances to suppliers and subcontractors	158,563,382	256,414,686
Prepaid expenses	27,912,634	25,218,338
Loan to employees	6,915,699	7,343,978
Margin against letters of guarantee	10,719,690	1,089,088
Other current assets	8,190,553	8,528,853
	<u>212,301,958</u>	<u>298,594,943</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2014

5 VALUE OF WORK EXECUTED IN EXCESS OF BILLINGS

	2014 SR	2013 SR
Value of work executed	6,731,208,614	5,257,541,069
Less: progress billings and advances against work executed	(5,371,534,334)	(4,247,690,722)
	<u>1,359,674,280</u>	<u>1,009,850,347</u>

6 RELATED PARTY TRANSACTIONS AND BALANCES

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

<i>Name of related party</i>	<i>Nature of relationship</i>
Al Khodari Investement Holding Company	Parent Company
Al Khodari and Sons Company	Affiliate
Al Khodari Heavy Industries	Affiliate
Al Khodari Industrial Trading and Services	Affiliate
Al Khodari Travel and Toursim Agency	Affiliate
Abdullah Abdul Mohsin Al Khodari Sons and Hertel Company	Affiliate
Al Khodari LV Shipping Company Limited	Affiliate
Hammon D'Hondt Middle East Company Limited	Affiliate
Mace Saudi Arabia Company Limited	Affiliate
Fleet Tracking Technology	Affiliate
Karrena Arabia Company Limited	Affiliate
Abdullah Abdul Mohsin Al Khodari Sons Company, Qatar	Affiliate
Al Khodari International Group for Contracting L.L.C, Kuwait	Affiliate
Al Khodari International, Abu Dhabi	Affiliate

Transactions with related parties during the year are as follows:

	2014 SR	2013 SR
Purchases, services and sub-contracting	(12,010,008)	(10,274,986)
Air tickets	(16,845,925)	(14,591,821)
Expenses recharged to affiliate	1,631,956	2,143,868
Directors' salaries and other benefits (see below)	(860,000)	(860,000)

The company paid salary and other benefits to certain directors 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2014

6 RELATED PARTY TRANSACTIONS AND TRANSACTIONS (continued)

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

a) Amounts due from related parties

	2014 SR	2013 SR
Al Khodari Investement Holding Company	-	11,236,861
AL Khodari Heavy Industries	1,073,740	-
Hamon D'Hondt Middle East Co. Ltd.	197,392	6,974,842
Abdullah Abdul Mohsin Al Khodari Sons and Hertel Company	1,200,996	1,211,871
Other affiliates	2,905,963	5,389,672
	<u>5,378,091</u>	<u>24,813,246</u>

b) Amounts due to related parties

	2014 SR	2013 SR
Al Khodari Investement Holding Company	5,845,274	-
Hertz Equipment Rental	-	544,040
Al Khodari Industrial Trading and Services	-	394,507
Other affiliates	59,777	71,467
	<u>5,905,051</u>	<u>1,010,014</u>

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

7 INVENTORIES

	2014 SR	2013 SR
Consumable materials	102,103,436	100,055,766
Spare parts and consumables	115,786	100,071
	<u>102,219,222</u>	<u>100,155,837</u>

8 ASSETS HELD FOR SALE

	2014 SR	2013 SR
At the beginning of the year	22,913,847	23,121,233
Transfer from property, equipment and vehicles (note 11)	130,402,615	500,628
Disposals	(134,241,578)	(708,014)
At the end of the year	<u>19,074,884</u>	<u>22,913,847</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2014

9 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries comprise the following:

	<i>Percentage of holding</i>		<i>2014</i>	<i>2013</i>
	<i>2014</i>	<i>2013</i>	<i>SR</i>	<i>SR</i>
Abdullah Abdul Mohsin Al Khodari Sons Company, Qatar (note 9.1)	100	100	207,640	207,640
Al Khodari International Group for Contracting L.L.C, Kuwait (note 9.1)	99	100	4,009,500	3,750,000
Al Khodari International, Abu Dhabi (note 9.1)	49	49	75,051	75,051
			<u>4,292,191</u>	<u>4,032,691</u>

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

9.2 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.

10 MOBILISATION COSTS

	<i>2014</i>	<i>2013</i>
	<i>SR</i>	<i>SR</i>
Costs:		
At the beginning of the year	51,944,595	25,668,510
Addition during the year	16,135,584	26,276,085
At the end of the year	<u>68,080,179</u>	<u>51,944,595</u>
Amortisation:		
At the beginning of the year	(24,142,181)	(17,394,615)
Amortisation during the year	(13,274,818)	(6,747,566)
At the end of the year	<u>(37,416,999)</u>	<u>(24,142,181)</u>
Net carrying value	<u>30,663,180</u>	<u>27,802,414</u>

The Company incurred mobilisation costs on certain long term contracts. Such costs are amortised over the period of the related contracts on straight line method.

NOTES TO THE FINANCIAL STATEMENTS-continued

At 31 December 2014

11 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 2014	Total 2013
	SR	SR	SR	SR	SR	SR	SR
Cost:							
At the beginning 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
Additions	52,500	243,296	3,579,550	45,745	334,876,302	338,797,393	221,149,820
Transfers	11,569,918	189,458,713	185,967,805	11,940,659	(398,937,095)	-	-
Transfer to assets held for sale (note 8)	(504,481)	(181,627,324)	(100,927,217)	-	-	(283,059,022)	(1,962,718)
At the end of the year	90,979,984	642,015,927	574,753,851	67,870,097	21,149,957	1,396,769,816	1,341,031,445
Depreciation:							
At the beginning of the year	49,277,779	370,843,381	308,053,403	45,265,218	-	773,439,781	636,416,919
Charge for the year	10,834,071	89,613,090	84,933,693	7,257,146	-	192,638,000	138,484,952
Transfer to assets held for sale (note 8)	(385,304)	(71,276,074)	(80,995,029)	-	-	(152,656,407)	(1,462,090)
At the end of the year	59,726,546	389,180,397	311,992,067	52,522,364	-	813,421,374	773,439,781
Net book amounts:							
At 31 December 2014	31,253,438	252,835,530	262,761,784	15,347,733	21,149,957	583,348,442	
At 31 December 2013	30,584,268	263,097,861	178,080,310	10,618,475	85,210,750		567,591,664

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 2014

12 ACCOUNTS PAYABLE

	2014 SR	2013 SR
Payable to suppliers	322,207,583	97,947,447
Payable to sub contractors	49,674,320	38,741,947
Bills payable	21,363,185	940,990
	<u>393,245,088</u>	<u>137,630,384</u>

13 BILLINGS IN EXCESS OF THE VALUE OF WORK EXECUTED

	2014 SR	2013 SR
Progress billings received or receivable	-	171,027,368
Less: value of work executed	-	(169,118,385)
	<u>-</u>	<u>1,908,983</u>

14 ZAKAT**Charge for the year**

The zakat charge for the year consists of:

	2014 SR	2013 SR
Provision for the year	2,782,536	1,670,837
Charge for the year	<u>2,782,536</u>	<u>1,670,837</u>

The provision is based on the following:

	2014 SR	2013 SR
Equity	786,689,099	593,315,159
Opening provisions and other adjustments	94,800,532	73,647,362
Book value of long term assets and investments (net of related financing)	(854,877,736)	(634,415,810)
	<u>26,611,895</u>	<u>32,546,711</u>
Zakatable profit for the year	84,689,526	34,286,768
Zakat base	<u>111,301,421</u>	<u>66,833,479</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:

	2014 SR	2013 SR
At the beginning of the year	7,274,165	9,637,876
Provided during the year	2,782,536	1,670,837
Payments during the year	(2,737,887)	(4,034,548)
At the end of the year	<u>7,318,814</u>	<u>7,274,165</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2014

14 ZAKAT(continued)

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 2013 have not yet been raised.

Zakat base has been computed based on the company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations and a new zakat regulations is expected to be announced in due course. The assessments to be raised by the Department of Zakat and Income Tax (DZIT) could be different from the assessments filed by the Company.

Pursuant to the initial public offering during 2010, the parent company has agreed to pay on behalf of the company to the DZIT any additional zakat liability, which may arise upon the finalization of zakat assessments for the years 2007 through 2009.

15 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.

16 TERM LOANS

During the year 2010, term loans were converted into Tawarruq and Murabaha loans. The loans comprise of project financing repayable upon collection, revolving loans and project financing repayable in fixed periodical installments. 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:

	2014 SR	2013 SR
Project financing loans repayable upon collection (note (a) below)	814,603,582	889,837,275
Revolving loans (note (b) below)	210,891,536	159,684,482
Project financing loans repayable in periodical installments (note (c) below)	275,466,415	333,241,374
	<u>1,300,961,533</u>	<u>1,382,763,131</u>
Less: Current portion	(401,520,716)	(539,390,855)
	<u>899,440,817</u>	<u>843,372,276</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 2015.
- c) These loans are repayable in various fixed periodical installments with last installment due in 2018.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2014

17 EMPLOYEES' TERMINAL BENEFITS

	<i>2014</i>	<i>2013</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the year	65,206,073	52,228,328
Charge for the year	24,257,312	19,806,635
Payments made during the year	(19,829,466)	(6,828,890)
At the end of the year	<u>69,633,919</u>	<u>65,206,073</u>

18 SHARE CAPITAL

Share capital is divided into 53,125,000 shares (2013: 53,125,000 shares) of SR 10 each.

19 DIVIDENDS PAYABLE

During the year, the company paid dividends of SR 0.5 per share totaling SR 26.56 million (31 December 2013: SR 26.56 million) as resolved by the board of directors and subsequently approved in annual general assembly.

The movement in dividends payable during the year was as follows:

	<i>2014</i>	<i>2013</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the year	1,663,647	1,663,647
Dividends approved during the year	26,562,500	26,562,500
Payments made during the year	(26,562,500)	(26,562,500)
At the end of the year	<u>1,663,647</u>	<u>1,663,647</u>

20 DIRECTORS' REMUNERATION

Under Company's bye-laws, the members of board of directors are entitled to a remuneration of 10% of the net income 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 2014 (2013: SR 1.2 million) approved by the shareholders in the General Assembly.

21 SELLING AND MARKETING EXPENSES

	<i>2014</i>	<i>2013</i>
	<i>SR</i>	<i>SR</i>
Bidding	11,805,580	12,949,334
Bad debt expense (note 3)	3,084,472	-
Advertising	1,259,763	1,182,430
Others	104,359	319,325
	<u>16,254,174</u>	<u>14,451,089</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2014

22 GENERAL AND ADMINISTRATION EXPENSES

	<i>2014</i>	<i>2013</i>
	<i>SR</i>	<i>SR</i>
Employee costs	51,007,871	54,917,495
Depreciation	9,138,374	6,762,590
Bonus	1,252,180	3,721,974
Donations	1,168,488	2,632,030
Rent	2,965,012	4,310,537
Professional fees	890,043	2,625,716
Travel	1,743,602	1,442,615
Insurance	1,152,059	255,881
Other	3,104,975	1,756,074
	<u>72,422,604</u>	<u>78,424,912</u>

23 OTHER INCOME, NET

	<i>2014</i>	<i>2013</i>
	<i>SR</i>	<i>SR</i>
Gains on sale of assets held for sale	71,194,536	2,272,583
Rental income	1,504,800	-
Miscellaneous	4,765,881	160,431
	<u>77,465,217</u>	<u>2,433,014</u>

24 CONTINGENT LIABILITIES

The Company's bankers have issued performance guarantees, on behalf of the company, amounting to SR 542.80 million (2013: SR 544.12 million).

25 OPERATING LEASE COMMITMENTS

The company enters into operating lease arrangements for renting motor vehicles, equipments and housing premises. Leases are negotiated for a period from one to 3 years and rentals are fixed for a period of one to three years.

	<i>2014</i>	<i>2013</i>
	<i>SR</i>	<i>SR</i>
Operating lease rentals recognized as expense	<u>30,314,287</u>	<u>15,808,174</u>

Future rental commitment under operating leases are as follows:

	<i>2014</i>	<i>2013</i>
	<i>SR</i>	<i>SR</i>
Amounts due within one year	25,382,644	-
Amounts due between one and five years	44,450,769	-
	<u>69,833,413</u>	<u>-</u>

The Company has deposited an amount of SR 26.7 million to a leasing company, against lease of equipment under an operating lease agreement. These deposits will be recovered at the end of lease term.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2014

26 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 (2013: 53.125 million shares).

27 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 SR</i>	<i>Trading SR</i>	<i>Total SR</i>
	31 December 2014		
Revenues	1,728,570,517	8,734,017	1,737,304,534
Gross profit	149,301,747	3,402,633	152,704,380
Net assets	879,020,321	4,779,359	883,799,680
	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	809,619,352	768,600	810,387,952

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

28 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.

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'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. The Company is determined for significant growth in its operations and focuses on improvement in collections from its customers, borrowing more funds from commercial banks and other sources to manage its liquidity.

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 Dollar. As Saudi Riyals are pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2014

29 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.

30 COMPARATIVE FIGURES

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