

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

**INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
31 MARCH 2014**

**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) ("the Company") as at 31 March 2014, the related interim statement of income and cash flows for the three months period ended on 31 March 2014. 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 Alshubaihi
Certified Public Accountant
Registration No.339



17 Jumada II 1435H
17 April 2014

Al-Khobar

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

INTERIM BALANCE SHEET (UNAUDITED)

As At 31 March 2014

	Note	31 March 2014 SR	31 March 2013 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		70,110,341	805,343
Accounts receivable		753,825,824	648,509,156
Advances to suppliers and prepayments		322,514,979	227,921,268
Value of work executed in excess of billings		1,387,641,115	1,149,363,929
Amounts due from related parties		34,459,474	30,298,293
Inventories		88,278,275	94,339,869
Assets held for sale		21,056,310	23,146,406
TOTAL CURRENT ASSETS		2,677,886,318	2,174,384,264
NON-CURRENT ASSETS			
Investments in subsidiaries		4,209,000	4,416,640
Mobilisation costs		32,276,837	12,648,648
Property, equipment and vehicles		644,084,160	515,467,618
TOTAL NON-CURRENT ASSETS		680,569,997	532,532,906
TOTAL ASSETS		3,358,456,315	2,706,917,170
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		329,780,425	261,052,147
Accrued expenses		179,096,643	212,972,143
Advances from customers		282,008,335	212,394,633
Billings in excess of the value of work executed		2,763,107	888,509
Amounts due to related parties		970,377	939,185
Provision for zakat		8,110,751	10,106,708
Short term loans		95,616,090	81,436,066
Current portion of term loans		585,832,310	428,100,988
Dividends payable		1,663,647	1,663,647
TOTAL CURRENT LIABILITIES		1,485,841,685	1,209,554,026
NON-CURRENT LIABILITIES			
Term loans		741,741,082	442,284,595
Advances from customers		218,998,290	205,110,415
Employees' terminal benefits		63,910,456	55,306,918
Loan from an affiliate		3,750,000	3,750,000
TOTAL NON-CURRENT LIABILITIES		1,028,399,828	706,451,928
TOTAL LIABILITIES		2,514,241,513	1,916,005,954
SHAREHOLDERS' EQUITY			
Share capital	4	531,250,000	531,250,000
Statutory reserve		60,798,190	52,931,581
Proposed dividends	5	26,562,500	26,562,500
Retained earnings		225,604,112	180,167,135
TOTAL SHAREHOLDERS' EQUITY		844,214,802	790,911,216
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,358,456,315	2,706,917,170


Kailash Sadangi
Chief Financial Officer


Fawwaz Al-Khodari
Chief Executive Officer

The attached notes 1 to 9 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 months period ended 31 March 2014

	Note	<i>Three months period ended 31 March</i>	
		2014	2013
		SR	SR
Revenues	8	473,860,940	343,515,465
Direct costs		(450,970,464)	(297,751,982)
GROSS PROFIT	8	22,890,476	45,763,483
EXPENSES			
Selling and marketing		(4,696,807)	(5,247,118)
General and administration		(17,176,446)	(16,715,121)
INCOME FROM MAIN OPERATIONS		1,017,223	23,801,244
Other income		41,855,069	531,223
Financial charges		(9,408,856)	(5,579,196)
INCOME BEFORE ZAKAT		33,463,436	18,753,271
Zakat		(836,586)	(468,832)
NET INCOME FOR THE PERIOD		32,626,850	18,284,439
Earnings per share (from main operations)		0.02	0.45
Earnings per share (from net income)		0.61	0.34
Weighted average number of shares outstanding	7	53,125,000	53,125,000


Kailash Sadangi
Chief Financial Officer


Fawwaz Al-Khodari
Chief Executive Officer

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

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the three months period ended 31 March 2014

	<i>Three months period ended 31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Income before zakat	33,463,436	18,753,271
Adjustments for:		
Depreciation	41,698,938	32,117,951
Amortisation of mobilisation cost	2,099,015	666,982
Provision for employees' terminal benefits	443,137	4,783,431
Financial charges	9,408,856	5,579,196
	87,113,382	61,900,831
Changes in operating assets and liabilities:		
Receivables	(9,937,469)	(16,819,479)
Advances, prepayments and other other current assets	(31,601,556)	(54,711,595)
Inventories	11,877,562	(10,898,251)
Value of work executed in excess of billings	(221,249,206)	(12,015,708)
Payables	193,051,394	91,670,509
Accrued expenses	(11,272,325)	(4,200,971)
Advances from customers	27,576,389	13,136,441
Billings in excess of the value of work executed	854,124	(3,966,252)
Cash from operations	46,412,295	64,095,525
Financial charges paid	(9,408,856)	(5,579,196)
Employee terminal benefits paid	(1,738,754)	(1,704,841)
Net cash from operating activities	35,264,685	56,811,488
INVESTING ACTIVITIES		
Purchase of equipment and vehicles	(131,413,131)	(62,210,851)
Movement in assets held for sale, net	15,079,233	27,533
Mobilisation costs incurred	(6,573,438)	(5,041,735)
Net cash used in investing activities	(122,907,336)	(67,225,053)
FINANCING ACTIVITY		
Movement in short and long term loans	(30,564,995)	(117,099,860)
Net cash used in financing activity	(30,564,995)	(117,099,860)
DECREASE IN CASH AND CASH EQUIVALENTS	(118,207,646)	(127,513,425)
Cash and cash equivalents at the beginning of the period	188,317,987	128,318,768
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	70,110,341	805,343


Kailash Sadangi
Chief Financial Officer


Fawwaz Al-Khodari
Chief Executive Officer

At 31 March 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, 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
- Maintenance and repair of cars.
- Wholesale and retail trading/renting of light and heavy equipment.
- Water works, sewerage, maintenance, landscaping and cleaning contracts.

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. Following are the estimated useful lives of the assets for the calculation of depreciation:

Buildings, potables 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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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 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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Trading activities

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".

Construction activities

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 except for operating 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 (31 March 2013: 53.125 million shares) of SR 10 each.

5 PROPOSED DIVIDENDS

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) (31 March 2013: SR 26,562,500) for the year ended 31 December 2013. The proposed dividends are subject to the approval of the shareholders at their Annual General Assembly Meeting.

6 CONTINGENT LIABILITY

The Company's banker has given guarantees on behalf of the Company limited to SR 568 million (31 March 2013: SR 466 million) mainly in respect of performance guarantees to a customer and payment guarantees to suppliers.

7 EARNINGS PER SHARE

In view of the capitalisation of retained earnings to increase the share capital of the company, the calculation of earnings per share for all periods presented has been adjusted retrospectively.

Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company)
 NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) - continued
 At 31 March 2014

8 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>
	<i>31 March 2014</i>		
Revenues	471,671,619	2,189,321	473,860,940
Gross profit	21,925,949	964,527	22,890,476
Net assets	843,794,722	420,080	844,214,802
	<i>31 March 2013</i>		
Revenues	342,164,808	1,350,657	343,515,465
Gross profit	45,574,230	189,253	45,763,483
Net assets	788,916,404	1,994,812	790,911,216

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

9 COMPARATIVE FIGURES

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