

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

**INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)  
31 DECEMBER 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 ("the company") as at 31 December 2014, the related interim statements of income for the three months period and year ended 31 December 2014 and the interim statement of cash flows for the year ended 31 December 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:**

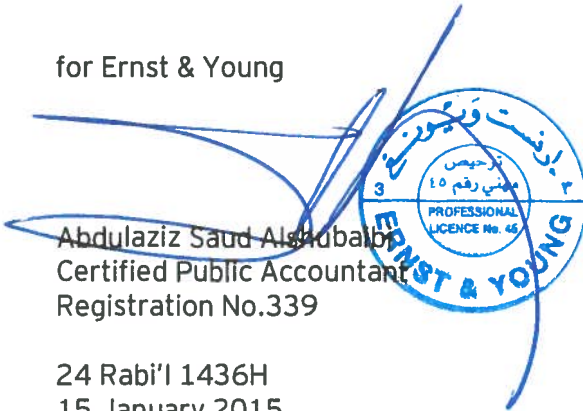
Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for these to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Abdulaziz Saud Alghubal  
Certified Public Accountant  
Registration No.339

24 Rabi'l 1436H  
15 January 2015

Al-Khobar



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

INTERIM BALANCE SHEET (UNAUDITED)

As At 31 December 2014

	31 December 2014	31 December 2013
Note	SR (Unaudited)	SR (Audited)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	151,549,168	188,317,987
Accounts receivable	625,192,087	746,029,372
Advances to suppliers, prepayments and other current assets	209,705,909	290,913,423
Value of work executed in excess of billings	1,359,674,280	1,009,850,347
Amounts due from related parties	15,760,952	32,318,457
Inventories	102,219,222	100,155,837
Assets held for sale	19,074,884	22,913,847
<b>TOTAL CURRENT ASSETS</b>	<b>2,483,176,502</b>	<b>2,390,499,270</b>
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	4,217,140	4,209,000
Mobilisation costs	30,663,180	27,802,414
Long term deposits	26,709,607	-
Property, equipment and vehicles	583,348,442	567,591,664
<b>TOTAL NON-CURRENT ASSETS</b>	<b>644,938,369</b>	<b>599,603,078</b>
<b>TOTAL ASSETS</b>	<b>3,128,114,871</b>	<b>2,990,102,348</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	398,049,409	136,689,394
Accrued expenses and other current liabilities	129,419,180	190,368,969
Advances from customers	102,839,748	102,660,629
Billings in excess of the value of work executed	-	1,908,983
Amounts due to related parties	8,528,741	1,010,014
Provision for zakat	7,318,814	7,274,165
Short term loans	62,860,251	70,991,346
Current portion of term loans	401,520,716	539,390,855
Dividends payable	1,663,647	1,663,647
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,112,200,506</b>	<b>1,051,958,002</b>
<b>NON-CURRENT LIABILITIES</b>		
Term loans	899,084,575	843,372,276
Employees' terminal benefits	69,633,919	65,206,073
Advances from customers	159,646,191	214,228,045
Loan from an affiliate	3,750,000	3,750,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,132,114,685</b>	<b>1,126,556,394</b>
<b>TOTAL LIABILITIES</b>	<b>2,244,315,191</b>	<b>2,178,514,396</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	531,250,000	531,250,000
Statutory reserve	67,652,928	57,535,505
Retained earnings	284,896,752	222,802,447
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>883,799,680</b>	<b>811,587,952</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,128,114,871</b>	<b>2,990,102,348</b>

  
 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 months period and year ended 31 December 2014

	Note	<i>3 months period from 1 October to 31 December</i>		<i>12 months period from 1 January to 31 December</i>	
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
		<i>SR</i> <i>(Unaudited)</i>	<i>SR</i> <i>(Audited)</i>	<i>SR</i> <i>(Unaudited)</i>	<i>SR</i> <i>(Audited)</i>
Revenues	6	449,501,113	387,668,154	1,737,304,534	1,530,322,297
Direct costs		(400,389,308)	(345,116,526)	(1,584,600,154)	(1,339,987,468)
<b>GROSS PROFIT</b>	6	<b>49,111,805</b>	<b>42,551,628</b>	<b>152,704,380</b>	<b>190,334,829</b>
<b>EXPENSES</b>					
Selling and marketing		(5,034,546)	(1,341,577)	(16,254,174)	(14,451,089)
General and administration		(21,927,528)	(19,806,410)	(72,422,604)	(78,424,912)
<b>INCOME FROM MAIN OPERATIONS</b>		<b>22,149,731</b>	<b>21,403,641</b>	<b>64,027,602</b>	<b>97,458,828</b>
Other income, net		32,658,921	964,397	77,465,217	2,433,014
Financial charges		(7,811,850)	(13,679,872)	(37,536,055)	(33,897,330)
<b>INCOME BEFORE ZAKAT</b>		<b>46,996,802</b>	<b>8,688,166</b>	<b>103,956,764</b>	<b>65,994,512</b>
Zakat		(1,361,414)	(217,204)	(2,782,536)	(1,670,837)
<b>NET INCOME FOR THE PERIOD/YEAR</b>		<b>45,635,388</b>	<b>8,470,962</b>	<b>101,174,228</b>	<b>64,323,675</b>
Earnings per share (from main operations)		<b>0.42</b>	0.40	<b>1.21</b>	1.83
Earnings per share (from net income)		<b>0.86</b>	0.16	<b>1.90</b>	1.21
Weighted average number of shares outstanding	3	<b>53,125,000</b>	53,125,000	<b>53,125,000</b>	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 year ended 31 December 2014

	<i>12 months period from 1 January to 31 December</i>	
	<i>2014</i>	<i>2013</i>
	<b>SR</b> <b>(Unaudited)</b>	<b>SR</b> <b>(Audited)</b>
<b>OPERATING ACTIVITIES</b>		
Income before zakat	103,956,764	65,994,512
Adjustments for:		
Depreciation	192,638,000	138,484,952
Amortisation of mobilisation cost	13,274,818	6,747,566
Provision for employees' terminal benefits	24,257,313	19,806,635
Gain on disposal of assets held for sale	(71,194,536)	-
Financial charges	37,536,055	33,897,330
	<u>300,468,414</u>	<u>264,930,995</u>
Changes in operating assets and liabilities:		
Receivables	137,386,650	(162,716,392)
Advances to suppliers, prepayments and other current assets	81,207,514	(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	268,878,742	(41,856,525)
Accrued expenses and other current liabilities	(62,149,790)	(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)
	<u>290,882,887</u>	<u>(5,592,590)</u>
Cash from/(used in) operations		
Financial charges paid	(37,536,055)	(33,897,330)
Zakat paid	(2,737,887)	(4,034,548)
Employees' terminal benefits paid	(19,829,466)	(6,828,890)
	<u>230,779,479</u>	<u>(50,353,358)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, equipment and vehicles	(338,797,393)	(220,441,806)
Proceeds from disposal of assets held for sale	205,436,114	-
Mobilisation cost incurred	(16,135,584)	(26,276,085)
	<u>(149,496,863)</u>	<u>(246,717,891)</u>
Net cash used in investing activities		
<b>FINANCING ACTIVITIES</b>		
Movement in short and long term	(90,288,935)	384,832,968
Dividends paid	(26,562,500)	(26,562,500)
Directors' remuneration paid	(1,200,000)	(1,200,000)
	<u>(118,051,435)</u>	<u>357,070,468</u>
Net cash (used in)/from financing activities		
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(36,768,819)</b>	<b>59,999,219</b>
Cash and cash equivalents at the beginning of the year	<u>188,317,987</u>	<u>128,318,768</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>151,549,168</u></b>	<b><u>188,317,987</u></b>

  
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 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 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 31 December 2014

## 2 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 estimated useful lives of the asset in the calculation of depreciation are as follows:

Building and portables	20 years
Machinery and equipment	6-25 years
Motor vehicle	4 years
Office furniture and equipment	8-10 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.

### *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.

At 31 December 2014

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *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.

### *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.

### *Revenue recognition*

#### *Trading revenue*

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".

#### *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.



At 31 December 2014

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Revenue recognition (continued)*

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.

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.

The value of work executed 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 executed at the balance sheet date is classified as "billing in excess of value of work executed" are classified under current liabilities.

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 reliability

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 according 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 interim 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 except for 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.

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

At 31 December 2014

**3 SHARE CAPITAL**

Share capital is divided into 53.125 million shares (31 December 2013: 53.125 million shares) of SR 10 each.

**4 CONTINGENT LAIBILITY**

The company's bankers have given guarantees on behalf of the company, limited to SR 563.2 million (31 December 2013: SR 544.15 million) mainly in respect of performance guarantees to customers.

**5 DIVIDENDS**

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 approved by the shareholders in their general assembly.

**6 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 December 2014</i>		
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
	<i>31 December 2013</i>		
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

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

**7 COMPARATIVE FIGURES**

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