

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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<b>INDEX</b>	<b>PAGE</b>
Auditors' report	1
Balance sheet	2
Statement of income	3
Statement of cash flows	4
Statement of changes in stockholders' equity	5
Notes to the financial statements	6 – 17

## **AUDITORS' REPORT**

To the stockholders  
Mohammad Al Mojil Group Company  
(A Saudi joint stock company)  
Dammam, Saudi Arabia

### **Scope of Review**

We have reviewed the accompanying balance sheet of Mohammad Al Mojil Group Company, (a Saudi joint stock company) as of December 31, 2010, and the related statements of income and changes in stockholders' equity and cash flows for year then ended, and notes 1 to 30 which form an integral part of these financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Unqualified Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the article of the Company as these relate to the preparation and presentation of these financial statements.

Deloitte & Touche  
Bakr Abulkhair & Co.

Nasser A. Al Sagga  
License No. 322  
14 Safar, 1432  
January 18, 2011

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**BALANCE SHEET**  
**AS OF DECEMBER 31, 2010**

	Note	2010 SR	2009 SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	3	46,066,457	41,344,452
Accounts receivable	4,16	547,212,317	524,887,633
Revenue recognized in excess of billings	5,7	918,723,558	1,012,998,008
Claims receivable	7	-	153,000,000
Inventories	8	84,161,754	31,320,790
Advances to suppliers		31,145,983	20,271,095
Prepaid expenses and other assets	9	51,207,628	37,449,690
<b>Total current assets</b>		<b>1,678,517,697</b>	<b>1,821,271,668</b>
<b>Non-current assets</b>			
Retentions receivable	6	170,302,326	125,870,278
Property and equipment	10	1,095,048,988	1,196,336,678
Deferred charges	11	-	558,705
<b>Total non-current assets</b>		<b>1,265,351,314</b>	<b>1,322,765,661</b>
<b>TOTAL ASSETS</b>		<b>2,943,869,011</b>	<b>3,144,037,329</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term murabaha facilities	12	490,000,000	450,000,000
Accounts payable		372,716,373	386,069,511
Advances from customers		109,141,078	135,452,566
Billings in excess of revenue earned	13	1,540,865	71,378,858
Accrued expenses and other liabilities	14	273,786,220	167,545,971
Due to related parties, net	17	11,474,823	2,749,333
<b>Total current liabilities</b>		<b>1,258,659,359</b>	<b>1,213,196,239</b>
<b>Non-current liabilities</b>			
Long-term murabaha facilities	18	25,000,000	-
End-of-Service indemnities		93,859,161	91,259,185
<b>Total non-current liabilities</b>		<b>118,859,161</b>	<b>91,259,185</b>
<b>Stockholders' equity</b>			
Share capital	19	1,250,000,000	1,250,000,000
Statutory reserve	20	119,659,081	119,659,081
Retained earnings		196,691,410	469,922,824
<b>Total stockholders' equity</b>		<b>1,566,350,491</b>	<b>1,839,581,905</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>2,943,869,011</b>	<b>3,144,037,329</b>

The accompanying notes form an integral part of these interim financial statements

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Note	2010 SR	2009 SR
Contracts revenue	16	<b>1,731,092,776</b>	2,216,391,175
Cost of revenue		<b>(1,372,080,217)</b>	(1,711,653,061)
Depreciation and amortization	10,11	<b>(164,659,015)</b>	(160,698,995)
<b>Gross profit</b>		<b>194,353,544</b>	344,039,119
General and administrative expenses	22	<b>(110,255,961)</b>	(119,187,197)
<b>Operating income</b>		<b>84,097,583</b>	224,851,922
Murabaha facilities charges	12	<b>(11,045,646)</b>	(15,276,109)
Other income , net		<b>1,627,500</b>	1,932,502
		<b>74,679,437</b>	211,508,315
Impairment of claims receivable and revenue recognized in excess of billings	7	<b>(235,870,813)</b>	(154,460,483)
Zakat	15	<b>(18,290,038)</b>	(16,720,209)
<b>NET (LOSS) INCOME</b>		<b>(179,481,414)</b>	40,327,623
<b>(Loss) Earnings per share:</b>	25		
- From continuing main operations		<b>(1.45)</b>	0.31
- From net (loss) income		<b>(1.44)</b>	0.32

The accompanying notes form an integral part of these interim financial statements

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 SR	2009 SR
<b>OPERATING ACTIVITIES</b>		
(Loss) Income before zakat	(161,191,376)	57,047,832
Adjustments:		
Impairment of claims receivable and revenue recognized in excess of billings	235,870,813	154,460,483
Depreciation	164,100,310	159,716,779
Amortization	558,705	982,216
(Gain) loss on sale/disposal of property and equipment	(62,513)	213,594
End-of-service indemnities	12,598,893	4,219,387
Murabaha facilities charges	11,045,646	15,276,109
Changes in operating assets and liabilities:		
Accounts and retentions receivable and revenue recognized in excess of billings	(55,353,095)	46,344,099
Claims receivable	-	198,248,517
Inventories	(52,840,964)	(765,800)
Advances to suppliers	(10,874,888)	189,993,723
Prepaid expenses and other assets	(13,757,938)	30,437,239
Accounts payable and billings in excess of revenue earned	(83,191,131)	(85,591,485)
Advances from customers	(26,311,488)	(389,781,555)
Accrued expenses and other liabilities	107,614,502	(61,864,219)
Due to related parties, net	8,725,490	(44,155,336)
Cash from operations	136,930,966	274,781,583
Zakat paid	(20,382,561)	(17,567,367)
End-of-service indemnities paid	(9,998,917)	(2,559,161)
Murabaha facilities charges paid	(10,327,376)	(14,888,106)
<b>Net cash from operating activities</b>	<b>96,222,112</b>	<b>239,766,949</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(63,255,789)	(132,098,839)
Proceeds from sale of property and equipment	505,682	654,418
<b>Net cash used in investing activities</b>	<b>(62,750,107)</b>	<b>(131,444,421)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from short-term murabaha facilities	1,690,000,000	1,250,000,000
Proceeds from long-term murabaha facilities	25,000,000	-
Repayment of short term murabaha facilities	(1,650,000,000)	(1,300,000,000)
Dividends paid	(93,750,000)	(100,000,000)
Board of directors' remuneration	-	(2,662,000)
<b>Net cash used in financing activities</b>	<b>(28,750,000)</b>	<b>(152,662,000)</b>
<b>Net change in cash and cash equivalents</b>	<b>4,722,005</b>	<b>(44,339,472)</b>
Cash and cash equivalents, January 1	41,344,452	85,683,924
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>46,066,457</b>	<b>41,344,452</b>

The accompanying notes form an integral part of these interim financial statements

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2009		1,000,000,000	115,626,319	786,289,963	1,901,916,282
Increase in share capital through transfer from retained earnings	19	250,000,000	-	(250,000,000)	-
Net income for 2009		-	-	40,327,623	40,327,623
Transferred to statutory reserve	20	-	4,032,762	(4,032,762)	-
Dividends	21	-	-	(100,000,000)	(100,000,000)
Board of directors' remuneration	21	-	-	(2,662,000)	(2,662,000)
December 31, 2009		1,250,000,000	119,659,081	469,922,824	1,839,581,905
Net loss for 2010		-	-	(179,481,414)	(179,481,414)
Dividends		-	-	(93,750,000)	(93,750,000)
December 31, 2010		<b>1,250,000,000</b>	<b>119,659,081</b>	<b>196,691,410</b>	<b>1,566,350,491</b>

The accompanying notes form an integral part of these interim financial statements

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**1. ORGANIZATION AND ACTIVITIES**

Mohammad Al Mojil Group Company (“the Company”), is a Saudi joint stock company, registered in the Kingdom of Saudi Arabia, Dammam under the commercial registration No. 2050003174 dated 3 Jumada’ II, 1394 (June 24, 1974).

The Company, in accordance with its commercial registration, is engaged in general building contracting, including construction, demolition, renovation, and repair, maintenance and operation, electrical and mechanical contracting, marine works, road construction, water and sewerage works, fabrication works, painting and coating of buildings and industrial works, (oil pipes extension and cutting), excavation works and environment works, marine and oil pollution control and cleaning shores by using oil and gas technologies.

The Company has two branches, a branch in Khafji registered under the commercial registration No. 2057003000 dated 3 Jumada’ II, 1428 (June 18, 2007) and another newly formed branch in Abu Dhabi, UAE under the commercial license number 1173047 dated October 28, 2009, engaged in all kinds of building projects contracting, main roads and streets contracting and related works thereof, main sewerage networks contracting works, foundations drilling and electromechanical works project contracting.

The results of operations, assets and liabilities of these branches are included in the accompanying financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in compliance with the accounting standard issued by the Saudi Organization for Certified Public Accountants (SOCPA). The following is a summary of significant accounting policies applied by the Company:

**Accounting convention**

The financial statements, expressed in Saudi Riyals, are prepared under the historical cost convention using the accruals basis of accounting and going concern assumption.

**Critical accounting judgments and key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, which includes cost to complete the contract, percentage of work completed by the sub-contractors and allowance for doubtful receivables.

Considerable judgment by management is required in the estimation of cost to complete the contracts, percentage of work completed by the subcontractors as well as impairment of receivables. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and the actual results may differ from management estimates resulting in future changes in contracts revenue, accruals and such allowances.

**Revenue recognition**

Revenue on long-term contracts, where the outcome can be estimated reliably, is recognized 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.



**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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When the current estimate of total contract costs and revenues indicate a loss, provision is made for the entire loss on the contract irrespective of the amount of work done. When the outcome of a contract cannot be estimated reliably, revenue should be recognized only to the extent of contract costs incurred that is probable will be recoverable and contract costs should be recognized as an expense in the period in which they are incurred. This method is often referred to as the zero profit method.

Revenue recognized in excess of billings included in the current assets represents the costs incurred plus recognized profits (less recognized losses) to date that exceed the progress billings as of the balance sheet date. These amounts of revenue are billed in the subsequent period. Billings in excess of revenue earned included in current liabilities represent the progress billings that exceed costs incurred plus recognized profit (less recognized losses) to date.

Claims are recognized when the negotiations with the customers have reached an advanced stage such that it is probable that the customer will accept the claim and the claim amount can be measured reliably.

Rental income and other associated activities is recognized when services are rendered in conformity with the contract period and agreed upon services. Other income is recognized when earned.

**Expenses**

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

**Cash and cash equivalents**

Cash and cash equivalents include cash, demand deposits, and high liquid investments with original maturities of three months or less.

**Inventories**

Inventories comprise of spare parts and material supplies and are stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Appropriate provision is made for obsolete and slow moving inventories, if required.

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation, except land and capital work-in-progress which are stated at cost. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided on the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life and the remaining term of the lease. The estimated rates of depreciation of the principal classes of these property and equipment are as follows:

Buildings and fabrication plants	5%	with a 10% salvage value
Leasehold improvements	The shorter of the lease period and the estimated useful life	
Vessels	5%	with a 10% salvage value
Machinery, tools and equipment	6.7% – 33%	with a 10% salvage value
Motor vehicles	20%	with a 10% salvage value
Office equipment	20%	
Furniture and fixtures	20% – 33%	

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**Impairment**

The Company periodically reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately in the interim statement of income. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately in the interim statement of income.

**Deferred charges**

Deferred charges represent deferred dry-docking costs of vessels and are amortized over a period of 5 years from the date of completion of the dry-docking.

**Foreign currency translation**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the interim balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim statement of income.

**End-of-service indemnities**

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the interim financial statements based on the employees' length of service.

**Zakat**

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The zakat charge is computed on the zakat base. Any difference between the estimate and the actual is recorded when the final assessment is approved, at which time the provision is cleared.

**Leasing**

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

**3. CASH AND CASH EQUIVALENTS**

	<b>2010</b>	2009
	<b>SR</b>	SR
Cash on hand	<b>3,446,600</b>	2,434,704
Bank balances	<b>42,619,857</b>	38,909,748
	<b>46,066,457</b>	41,344,452

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**4. ACCOUNTS RECEIVABLE**

	<b>2010</b>	2009
	<b>SR</b>	SR
Contracts receivable	<b>529,011,947</b>	514,944,296
Retentions receivable - current portion (note 6)	<b>18,200,370</b>	9,943,337
	<b>547,212,317</b>	524,887,633

**5. REVENUE RECOGNIZED IN EXCESS OF BILLINGS**

	<b>2010</b>	2009
	<b>SR</b>	SR
Costs incurred plus recognized profits to date	<b>6,084,615,008</b>	5,370,260,310
Less: progress billings	<b>(5,083,020,637)</b>	(4,357,262,302)
Impairment of carrying value (note 7)	<b>(82,870,813)</b>	-
	<b>918,723,558</b>	1,012,998,008

**6. RETENTIONS RECEIVABLE**

	<b>2010</b>	2009
	<b>SR</b>	SR
Retentions receivable	<b>188,502,696</b>	135,813,615
Less: current portion (note 4)	<b>(18,200,370)</b>	(9,943,337)
Non-current portion	<b>170,302,326</b>	125,870,278

**7. CLAIMS RECEIVABLE**

The Company had recognized claims receivable amounting to SR 630.7 million in the contracts revenue for the previous periods out of an aggregate amount of claims receivable of SR 894.7 million presented to the owners of certain ongoing projects as of December 31, 2008. During the year ended December 31, 2009, part of these claims amounting to SR 323.2 million was settled in favor of the Company. Additionally, the Company's management had impaired (written-off) uncollected claims receivable amounting to SR 154.5 million and included in the statement of income for the year ended December 31, 2009.

Based on the current datum of negotiations and final settlements with the projects' owners, the Company and during the fourth quarter of the current year has reviewed the relevant realizable value of its claims receivable and revenue recognized in excess of billings ("unbilled revenue") as of December 31, 2010, amounting to SR 153 million and SR 82.9 million (note 5), respectively. This has resulted a board resolution to impair the carrying value of these claims receivable and unbilled revenue by an aggregate amount of SR 235.9 million and included in the statement of income for the year ended December 31, 2010.

Despite of such resolution, the Company will not spare efforts to collect any portion of these claims receivable and unbilled revenue in the subsequent periods, which will have a direct and positive impact, when recovered, on the statements of income and cash flows.

**MOHAMMAD AL MOJIL GROUP COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**8. INVENTORIES**

	<b>2010</b>	2009
	<b>SR</b>	SR
Spare parts at warehouse	<b>76,411,293</b>	29,392,944
Marine vessels spare parts	<b>7,576,454</b>	1,095,366
Other	<b>174,007</b>	832,480
	<b>84,161,754</b>	31,320,790

**9. PREPAID EXPENSES AND OTHER ASSETS**

	<b>2010</b>	2009
	<b>SR</b>	SR
Prepaid expenses	<b>35,767,315</b>	20,225,032
Employee' receivables	<b>14,759,518</b>	12,490,038
Due from Human Recourse Development Fund for hiring and training employees	<b>589,472</b>	4,410,888
Others	<b>91,323</b>	323,732
	<b>51,207,628</b>	37,449,690

**MOHAMMAD AL MOJIL GROUP COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**10. PROPERTY AND EQUIPMENT**

	Land	Buildings , fabrication plants & leasehold improvements	Vessels	Machinery, equipment & tools	Vehicles	Office equipment	Furniture & fixtures	Capital work- in-progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR
<b>Cost</b>									
January 1, 2010	87,446,508	397,448,865	253,621,007	894,479,275	108,724,931	22,187,316	31,749,362	7,439,716	1,803,096,980
Additions	-	<b>13,647,540</b>	-	<b>17,245,316</b>	<b>455,529</b>	<b>4,941,358</b>	<b>7,715,326</b>	<b>19,250,720</b>	<b>63,255,789</b>
Transfers	-	<b>180,613</b>	-	-	-	<b>4,341,414</b>	-	<b>(4,522,027)</b>	-
Disposals	-	<b>(25,200)</b>	-	-	<b>(890,918)</b>	<b>(2,160,751)</b>	<b>(2,560)</b>	-	<b>(3,079,429)</b>
December 31, 2010	<b>87,446,508</b>	<b>411,251,818</b>	<b>253,621,007</b>	<b>911,724,591</b>	<b>108,289,542</b>	<b>29,309,337</b>	<b>39,462,128</b>	<b>22,168,409</b>	<b>1,863,273,340</b>
<b>Accumulated depreciation</b>									
January 1, 2010	-	86,591,139	100,470,074	339,769,719	56,106,941	8,761,972	15,060,457	-	606,760,302
Charge for year	-	<b>21,461,609</b>	<b>24,272,611</b>	<b>91,037,806</b>	<b>16,630,568</b>	<b>5,203,874</b>	<b>5,493,842</b>	-	<b>164,100,310</b>
Disposals	-	<b>(4,157)</b>	-	-	<b>(512,776)</b>	<b>(2,118,520)</b>	<b>(807)</b>	-	<b>(2,636,260)</b>
December 31, 2010	-	<b>108,048,591</b>	<b>124,742,685</b>	<b>430,807,525</b>	<b>72,224,733</b>	<b>11,847,326</b>	<b>20,553,492</b>	-	<b>768,224,352</b>
<b>Net book value</b>									
December 31, 2010	<b>87,446,508</b>	<b>303,203,227</b>	<b>128,878,322</b>	<b>480,917,066</b>	<b>36,064,809</b>	<b>17,462,011</b>	<b>18,908,636</b>	<b>22,168,409</b>	<b>1,095,048,988</b>
December 31, 2009	87,446,508	310,857,726	153,150,933	554,709,556	52,617,990	13,425,344	16,688,905	7,439,716	1,196,336,678

As of December 31, 2010, capital work-in-progress includes advances paid amounted to SR 22.2 million towards purchase of three new vessels worth of SR 73.9 million to support the Company's operations and offshore projects.

Marine vessels are used for the Company's activities related to offshore projects.

Certain property and equipment are constructed on leased land from the Government of Kingdom of Saudi Arabian at a nominal rent.

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**11. DEFERED CHARGES**

Deferred charges which represent periodic dry-docking as of December 31 are comprised of the following:

	<b>2010</b>	2009
	<b>SR</b>	SR
<b>Cost</b>		
Balance, January 1,	<b>6,089,933</b>	6,089,933
Balance, December 31,	<b>6,089,933</b>	6,089,933
<b>Accumulated amortization</b>		
Balance, January 1,	<b>(5,531,228)</b>	(4,549,012)
Charge for the year	<b>(558,705)</b>	(982,216)
Balance, December 31,	<b>(6,089,933)</b>	(5,531,228)
<b>Net book value</b>	<b>-</b>	558,705

**12. SHORT TERM MURABAHA FACILITIES**

The Company has short-term Murabaha facilities of SR 1.14 billion (2009 - SR 1.14 billion) from local commercial banks to finance the Company's working capital requirements. These facilities are secured by promissory notes and assignment of certain projects' proceeds in the favor of these banks. The outstanding balance of the short-term Murabaha facilities referred to above is SR 490 million (2009 - SR 450 million) as of December 31, 2010. The Murabaha facilities charges are calculated on the basis of SIBOR plus an agreed margin.

**13. BILLINGS IN EXCESS OF REVENUE EARNED**

	<b>2010</b>	2009
	<b>SR</b>	SR
Progress billings	<b>146,145,168</b>	1,023,942,327
Less: costs incurred plus recognized profits to date	<b>(144,604,303)</b>	(952,563,469)
	<b>1,540,865</b>	71,378,858

**14. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>2010</b>	2009
	<b>SR</b>	SR
Accrued project purchases	<b>170,641,165</b>	65,790,720
Accrued project expenses	<b>55,903,089</b>	50,029,610
Zakat payable (note 15)	<b>15,242,477</b>	17,335,000
Accrued employees' vacation and air ticket expenses	<b>30,218,318</b>	33,327,740
Accrued Murabaha facilities charges	<b>1,781,171</b>	1,062,901
	<b>273,786,220</b>	167,545,971

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**15. ZAKAT**

a) The principal elements of the zakat base are as follows:

	<b>2010</b>	2009
	<b>SR</b>	SR
Share capital	<b>1,250,000,000</b>	1,000,000,000
Statutory reserve	<b>119,659,081</b>	115,626,319
Retained earnings	<b>376,172,824</b>	686,289,963
(Loss) income before zakat	<b>(161,191,376)</b>	57,047,832
End-of-service indemnities	<b>93,859,161</b>	91,259,185
Property and equipment	<b>(1,095,048,988)</b>	(1,196,336,678)
Deferred charges	-	(558,705)
Spare parts	<b>(76,411,293)</b>	(29,392,944)

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

b) The movement in zakat provision is as follows:

	<b>2010</b>	2009
	<b>SR</b>	SR
January 1	<b>17,335,000</b>	18,182,158
Provision for year	<b>18,290,038</b>	16,720,209
Payments during year	<b>(20,382,561)</b>	(17,567,367)
December 31	<b>15,242,477</b>	17,335,000

c) Zakat position

The Company has submitted its financial statements and zakat returns up-to 2007 and for the period from November 10, 2007 up-to December 31, 2009 to the DZIT and obtained the final zakat assessment up-to December 31, 2006.

The Company's final zakat assessments for the years from 2007, 2008 and 2009 have not yet been finalized as these are under review by the DZIT.

**16. TRANSACTIONS WITH MAJOR CUSTOMERS**

Revenue from five major customers amounted to approximately SR 1.2 billion, which represents 69% of the Company's revenue for the year ended December 31, 2010 (2009 - SR 1.4 billion from five major customers which represented 64% of revenue). As of December 31, 2010, contracts and retentions receivable balances for those customers amounted to approximately SR 226.1 million (2009 - SR 331.5 million).

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**17. RELATED PARTIES TRANSACTIONS**

During the year, the Company transacted with the following related parties. The terms of those billings and charges are similar to ordinary trade receivables and payables:

	<b>2010</b>	2009
	<b>SR</b>	SR
January 1	<b>17,335,000</b>	18,182,158
Provision for year	<b>18,290,038</b>	16,720,209
Payments during year	<b>(20,382,561)</b>	(17,567,367)
December 31	<b>15,242,477</b>	17,335,000

<b>Name</b>	<b>Relationship</b>
Mohammad Al Mojil and Partners Supply & Services Co.	Affiliate
Mohammad Al-Mojil and Partners Travel & Tourism Agency Co.	Affiliate

The significant transactions and the related amounts for the year ended December 31, 2010 are as follows:

	<b>2010</b>	2009
	<b>SR</b>	SR
Purchases of material and projects supplies	<b>25,330,358</b>	41,453,421
Purchases of air tickets	<b>44,274,5558</b>	47,893,551

Due to (from) related parties net, as of December 31, are comprised of the following:

	<b>2010</b>	2009
	<b>SR</b>	SR
Mohammad Al Mojil and Partners Supply & Services Co.	<b>10,757,334</b>	2,836,021
Mohammad Al Mojil and Partners Travel & Tourism Agency Co.	<b>(717,489)</b>	(86,688)
	<b>11,474,823</b>	2,749,333

**18. LONG TERM MURABAHA FACILITIES**

The Company has entered into a long-term Murabaha facility agreement with a local commercial bank for letters of credit, advance payments to the suppliers of the new vessels in the amount of SR 180 million to finance purchasing of six vessels in to support the Company's offshore projects and operations. During the year, the Company obtained SR 25 million through Murabaha sale agreement, and is repayable in 23 equal quarterly installments, commencing March 31, 2011 and the last installment will be due on September 30, 2016. These facilities are secured by promissory notes and assignment of marine service project's proceeds in the favor of this bank. The facilities carry Murabaha facilities charges at SIBOR plus agreed margin. As of December 31, 2010, the outstanding balance amounted to SR 25 million (2009 - nil).



**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**19. SHARE CAPITAL**

The paid-up share capital of the Company as of December 31, 2010, amounting to SR 1.25 billion, is divided into 125 million shares of SR 10 each.

The Extraordinary General Assembly, in their meeting held on 2 Jumada' II, 1430 (May 26, 2009) approved to increase the Company's share capital from SR 1 billion to SR 1.25 billion by a transfer of SR 250 million from retained earnings through issuance of 25 million bonus shares, one bonus share for each four outstanding shares.

**20. STATUTORY RESERVE**

In accordance with Regulations for Companies in Saudi Arabia and the Company's articles of association, the Company has established a statutory reserve by the appropriation of 10% of the annual net income until the reserve equals 50% of the share capital. No reserve has been made for the year ended December 31, 2010 due to the losses incurred by the Company during the year. This reserve is not available for dividend distribution.

**21. DIVIDENDS AND BOARD OF DIRECTORS RENUMERATIONS**

The Company's Board of Directors in their meeting held on 23 Rabi' II, 1431 (April 8, 2010) recommended to distribute cash dividends to the stockholders of SR 93.75 million, the equivalent of 75 Halallas per each outstanding share at December 31, 2009. The General Assembly, in their meeting held on 15 Jumada' II, 1431 (May 29, 2010), approved the Board of Directors' recommendation (2009 - SR 100 million, the equivalent of SR 1 per each outstanding share at December 31, 2008).

The Company's Board of Directors in their meeting held on 6 Muharram, 1431 (December 23, 2009) recommended to distribute remuneration to the Board of Directors members for SR 1.41 million for the year ended December 31, 2009.

**22. GENERAL & ADMINISTRATIVE EXPENSES**

	<b>2010</b>	<b>2009</b>
	<b>SR</b>	<b>SR</b>
Salaries and benefits	<b>78,876,022</b>	92,359,302
Rent	<b>10,356,334</b>	10,846,241
Professional and consultancy fees	<b>3,964,375</b>	3,486,614
Maintenance and support of automated system expenses	<b>3,252,790</b>	196,133
Repairs and maintenance	<b>3,608,302</b>	2,226,489
Transportation and business travel	<b>3,128,199</b>	2,539,768
Communications	<b>2,210,605</b>	2,432,609
Stationary and printing	<b>1,185,405</b>	2,077,293
Utilities	<b>799,413</b>	646,673
Insurance	<b>61,364</b>	159,068
Others	<b>2,813,152</b>	2,217,007
	<b>110,255,961</b>	119,187,197

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**23. OPERATING LEASE ARRANGEMENTS**

	<b>2010</b>	2009
	<b>SR</b>	SR
Payments under operating leases recognized as an expense during the year	<b>3,179,760</b>	3,903,999

Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	<b>2010</b>	2009
	<b>SR</b>	SR
2010	-	4,602,045
2011	<b>4,347,184</b>	4,347,184
2012	<b>3,964,183</b>	3,964,183
2013	<b>1,100,580</b>	1,100,580
2014	<b>829,067</b>	829,067
Later than five years	<b>4,662,352</b>	4,662,352
Net minimum lease payments	<b>14,903,366</b>	19,505,411

Operating lease payments represent rentals payable by the Company for certain leased land. Leases are negotiated for an average term ranging between two to twenty years and rentals are fixed over the lease period.

**24. COMMITMENTS AND CONTINGENT LIABILITIES**

At December 31, the Company had the following commitments and contingent liabilities:

	<b>2010</b>	2009
	<b>SR</b>	SR
Letters of credit	<b>44,217,338</b>	7,493,708
Letters of guarantee	<b>1,183,736,257</b>	1,545,680,912

At December 31, 2010, the Company had future capital commitments amounted to SR 30.5 million (2009 - SR 63.3 million). These capital expenditures are related to the purchase of machinery and equipment to support the Company's operations and projects.

**25. (LOSS) EARNINGS PER SHARE**

(Loss) earnings per share from net (loss) income for is calculated by dividing net (loss) income for the year by the weighted average number of shares. Earnings per share (EPS) from continuing main operations is calculated by dividing operating income, less Murabaha facilities charges, impairment of claims receivable and revenue recognized in excess of billings and zakat, by the weighted average number of shares. EPS from continuing other operations, which primarily comprised of other income, amounted to SR 0.013 for the year ended December 31, 2010 (2009 - SR 0.015).

The (loss) earnings per share above is calculated on the basis of weighted average number of outstanding shares amounting to 125 million shares as of December 31, 2010 and 2009.

**MOHAMMAD AL MOJIL GROUP COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**26. INTERIM RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**

	For the three month period ended	
	December 31,	
	<b>2010</b>	2009
	<b>SR</b>	SR
	<b>Un-audited</b>	Un-audited
Contracts revenue	<b>557,359,702</b>	441,085,788
Cost of revenue	<b>(461,061,083)</b>	(318,705,617)
Depreciation and amortization	<b>(43,055,280)</b>	(41,687,007)
<b>Gross profit</b>	<b>53,243,339</b>	80,693,164
General and administrative expenses	<b>(31,090,817)</b>	(31,395,073)
<b>Operating income</b>	<b>22,152,522</b>	49,198,091
Murabaha facilities charges	<b>(2,910,238)</b>	(12,512,143)
Other income (expenses), net	<b>502,306</b>	1,399,964
	<b>19,744,590</b>	43,373,652
Impairment of claims receivable and revenue recognized in excess of billings	<b>(235,870,813)</b>	(33,292,483)
Zakat	<b>962,313</b>	(4,185,000)
<b>NET (LOSS) INCOME</b>	<b>(215,163,910)</b>	9,489,180
<b>(Loss) earnings per share (EPS):</b>		
- From continuing main operations	<b>(1.73)</b>	0.07
- From net (loss) income for the period	<b>(1.72)</b>	0.08
- From other operations	<b>0.004</b>	0.004

(Loss) earnings per share from net (loss) income for the above period is calculated in accordance with (loss) earnings per share stated at note 25.

**27. SEGMENTAL INFORMATION**

The Company has one operational segment engaged in contracting activities and currently carries out its activities in the Kingdom of Saudi Arabia.

**28. FAIR VALUES**

The fair values of the Group's financial assets and liabilities approximate their carrying amounts.

**29. COMPARATIVE FIGURES**

Certain figures for 2009 have been reclassified to conform to the presentation in the current year.

**30. ADOPTION OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 14 Safar 1432 (18 January 2011).