

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

FINANCIAL STATEMENTS

31 DECEMBER 2010

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

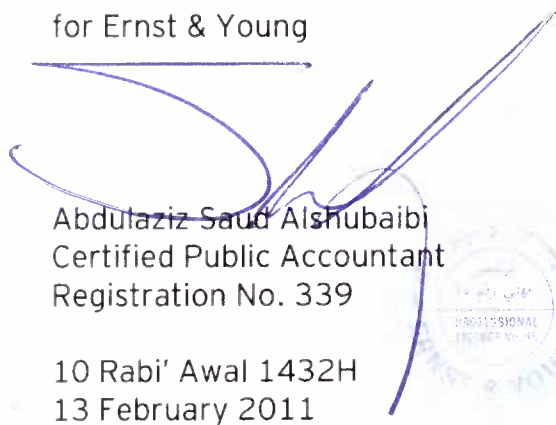
Scope of audit:

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 2010 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 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 present fairly, in all material respects, the financial position of the company as at 31 December 2010 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.

for Ernst & Young



Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

10 Rabi' Awal 1432H
13 February 2011

Alkhobar

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

BALANCE SHEET

As At 31 December 2010

	Note	2010 SR	2009 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	71,010,619	32,610,231
Accounts receivable and prepayments	5	686,991,223	534,060,722
Value of work executed in excess of billings	6	567,552,170	299,492,364
Amounts due from related parties	7	9,254,704	39,317,534
Inventories	8	37,474,855	19,694,922
Assets held for sale		6,571,344	11,734,437
TOTAL CURRENT ASSETS		1,378,854,915	936,910,210
NON-CURRENT ASSETS			
Investments in subsidiaries	9	4,209,000	4,209,000
Mobilisation costs	10	9,528,818	7,074,743
Property, equipment and vehicles	11	433,782,495	501,561,671
TOTAL NON-CURRENT ASSETS		447,520,313	512,845,414
TOTAL ASSETS		1,826,375,228	1,449,755,624
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	12	436,591,690	248,284,522
Billings in excess of the value of work executed	13	-	1,263,601
Amounts due to related parties	7	5,307,235	2,699,190
Provision for foreseeable losses		-	13,991
Provision for zakat	14	10,606,100	5,199,563
Short term loans	15	10,812,639	32,324,106
Current portion of term loans	16	229,709,693	120,127,129
Dividends payable		99,403	-
TOTAL CURRENT LIABILITIES		693,126,760	409,912,102
NON-CURRENT LIABILITIES			
Term loans	16	511,319,363	502,658,514
Employees' terminal benefits		30,023,097	27,139,595
Loan from an affiliate	7	3,750,000	3,750,000
TOTAL NON-CURRENT LIABILITIES		545,092,460	533,548,109
TOTAL LIABILITIES		1,238,219,220	943,460,211
SHAREHOLDERS' EQUITY			
Share capital	17	425,000,000	400,000,000
Statutory reserve		21,791,060	10,522,759
Proposed dividends	18	-	95,000,000
Retained earnings		141,364,948	772,654
TOTAL SHAREHOLDERS' EQUITY		588,156,008	506,295,413
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,826,375,228	1,449,755,624

CEO
Fawwaz AlKhodari

CFO
Dhirendra Gautam

The attached notes 1 to 29 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 2010

	Note	2010 SR	2009 SR
Revenues	26	1,073,949,872	1,048,083,239
Direct costs		(784,893,514)	(752,985,527)
GROSS PROFIT	26	289,056,358	295,097,712
EXPENSES			
Selling and marketing	19	(13,274,071)	(13,093,201)
General and administration	20	(45,431,604)	(45,597,293)
INCOME FROM MAIN OPERATIONS		230,350,683	236,407,218
Other income	21	12,402,064	7,321,323
Financial charges		(13,993,400)	(20,887,055)
INCOME BEFORE ZAKAT		228,759,347	222,841,486
Zakat	14	(10,848,752)	(5,790,864)
NET INCOME FOR THE YEAR		217,910,595	217,050,622
Earnings per share (from main operations)	25	5.42	5.56
Earnings per share (from net income)	25	5.13	5.11
Weighted average number of shares outstanding	17 & 25	42,500,000	42,500,000

CEO
Fawwaz Al-Khodari



CFO
Dhirendra Gautam



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

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	2010 SR	2009 SR
OPERATING ACTIVITIES			
Income before zakat		228,759,347	222,841,486
Adjustments for:			
Provision for foreseeable losses		(13,991)	(12,937,259)
Depreciation		111,081,091	113,601,703
Amortisation of mobilisation cost		3,083,765	1,869,916
Provision for doubtful debts		2,200,000	5,386,139
Provision for employees' terminal benefits, net		2,883,502	3,704,723
Commission income		(149,427)	(332,640)
Financial charges		13,993,400	20,887,055
		361,837,687	355,021,123
Changes in operating assets and liabilities:			
Receivables		(125,067,671)	(104,342,266)
Inventories		(17,779,933)	7,001,375
Value of work executed in excess of billings		(268,059,806)	(142,108,747)
Payables		190,915,213	50,230,606
Billings in excess of the value of work executed		(1,263,601)	(7,588,699)
Cash from operations		140,581,889	158,213,392
Financial charges paid		(13,993,400)	(20,887,055)
Zakat paid		(5,442,215)	(6,733,037)
Net cash from operating activities		121,146,274	130,593,300
INVESTING ACTIVITIES			
Purchase of equipment and vehicles		(89,392,173)	(59,141,840)
Movement in assets held for sale, net		51,253,351	67,238,004
Commission income		149,427	332,640
Mobilisation costs incurred		(5,537,840)	-
Net cash (used in) from investing activities		(43,527,235)	8,428,804
FINANCING ACTIVITIES			
Movement in short and long term loans		96,731,946	17,264,057
Movement in shareholders' current accounts		-	(48,577,284)
Dividends paid		(135,950,597)	(108,500,000)
Net cash used in financing activities		(39,218,651)	(139,813,227)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		38,400,388	(791,123)
Cash and cash equivalents at the beginning of the year		32,610,231	33,401,354
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	71,010,619	32,610,231

CEO

Fawwaz Al-Khodari



CFO

Dhirendra Gautam



The attached notes 1 to 29 form part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2010

	Share capital SR	Statutory reserve SR	Proposed dividends SR	Retained earnings SR	Total SR
Balance at 31 December 2008	300,000,000	-	-	47,744,791	347,744,791
Net income for the year	-	-	-	217,050,622	217,050,622
Transferred to statutory reserve	-	21,705,062	-	(21,705,062)	-
Increase in share capital	100,000,000	(11,182,303)	-	(88,817,697)	-
Dividends (note 18)	-	-	-	(58,500,000)	(58,500,000)
Proposed dividends (note 18)	-	-	95,000,000	(95,000,000)	-
Balance at 31 December 2009	400,000,000	10,522,759	95,000,000	772,654	506,295,413
Net income for the year	-	-	-	217,910,595	217,910,595
Transferred to retained earnings	-	-	(14,200,000)	14,200,000	-
Increase in share capital	25,000,000	(10,522,759)	-	(14,477,241)	-
Transferred to statutory reserve	-	21,791,060	-	(21,791,060)	-
Dividends (note 18)	-	-	(80,800,000)	(55,250,000)	(136,050,000)
Balance at 31 December 2010	425,000,000	21,791,060	-	141,364,948	588,156,008

CEO
Fawwaz AlKhodari

CFO
Dhirendra Gautam

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

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/renting of light and heavy equipment.
- Water works, sewerage, maintenance, landscaping and cleaning contracts.

At 31 December 2010

2 BASIS OF PREPARATION

The company's bye-laws require the preparation of the financial statements for the first fiscal period of the company after conversion, which covers the period from the date of the Ministerial resolution dated 11 May 2009 announcing the approval of the conversion of the company from a limited liability to a joint stock company to 31 December 2010.

Management believes that in substance the company continued its operations with the same commercial registration and would be more appropriate to prepare the financial statements for the current year from 1 January to 31 December 2010 (2009: from 1 January to 31 December 2009).

3 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 modified to include the measurement at fair value of derivative financial instruments.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

The company uses commission rate cap to hedge risks associated with commission rate fluctuations on loans. These are included in the balance sheet at fair value and the resultant gain or loss is recognized in the statement of changes in Shareholders' equity. The fair values of commission rate cap contracts are included in accounts receivable and prepayments in the case of favourable fair values and in accounts payable and accruals in the case of unfavourable fair values.

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of hedging instruments are taken directly to the statement of income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. Amounts taken to equity are then transferred to the statement of income in the period that the hedged transaction affects the statement of income. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of income.

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

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".

Commission income is recognised when ticket is sold to customer.

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 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2010

4 CASH AND CASH EQUIVALENTS

	<i>2010</i> <i>SR</i>	<i>2009</i> <i>SR</i>
Bank balances and cash	68,189,455	29,792,035
Short term deposits	2,821,164	2,818,196
	<u>71,010,619</u>	<u>32,610,231</u>

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2010</i> <i>SR</i>	<i>2009</i> <i>SR</i>
Trade accounts receivable	510,420,918	371,779,253
Retentions receivable	81,347,685	73,819,230
Loan to employees	2,790,401	3,054,700
Advances to suppliers and subcontractors	74,834,272	56,844,048
Prepaid expenses	15,878,247	14,943,005
Margin against letters of guarantee	1,428,047	2,759,397
Other receivables	291,653	10,861,089
	<u>686,991,223</u>	<u>534,060,722</u>

6 VALUE OF WORK EXECUTED IN EXCESS OF BILLINGS

	<i>2010</i> <i>SR</i>	<i>2009</i> <i>SR</i>
Value of work executed	2,540,963,358	2,325,041,935
Less: progress billings received or receivable	(1,973,411,188)	(2,025,549,571)
	<u>567,552,170</u>	<u>299,492,364</u>

7 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. shareholders, subsidiaries, affiliates, directors and senior management of the company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the company's management.

Transactions with related parties included in the statement of income are as follows:

	<i>2010</i> <i>SR</i>	<i>2009</i> <i>SR</i>
Purchases	5,096,243	-
Bonus	-	6,602,893
Equipment and vehicles rental income	(1,761,930)	-
Commission (note 21)	(149,427)	(332,640)

The company has a non commission bearing loan from a related party with no fixed repayment date. Amounts due from and due to related parties are disclosed in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2010

8 INVENTORIES

	2010	2009
	SR	SR
Materials	37,350,047	19,597,698
Spare parts and consumables	124,808	97,224
	<u>37,474,855</u>	<u>19,694,922</u>

9 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries comprise the following:

	<i>Percentage of holding</i>	2010	2009
		SR	SR
Costs:			
Al-Khodari International Company Limited	100	153,000	153,000
Al-Khodari International Contracting Company Limited	100	306,000	306,000
Al-Khodari International Group for Contracting L.L.C	100	3,750,000	3,750,000
		<u>4,209,000</u>	<u>4,209,000</u>

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

The investments in subsidiaries are not consolidated in these financial statements as the subsidiaries have no business during the period or are considered immaterial in relation to the financial statements taken as a whole.

10 MOBILISATION COSTS

	2010	2009
	SR	SR
Costs:		
At the beginning of the year	8,944,659	8,944,659
Addition during the year	5,537,840	-
At the end of the year	<u>14,482,499</u>	<u>8,944,659</u>
Amortisation:		
At the beginning of the year	(1,869,916)	-
Amortisation during the year	(3,083,765)	(1,869,916)
At the end of the year	<u>(4,953,681)</u>	<u>(1,869,916)</u>
	<u>9,528,818</u>	<u>7,074,743</u>

The company incurred mobilisation costs on certain long term contracts. Such costs is amortised over the period of the related contracts.

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

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2010

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
Motor vehicles	4 - 6.67 years
Office equipment and furniture	4 - 6.67 years

	<i>Buildings, portables and hangers</i>	<i>Machinery, equipment and tools</i>	<i>Motor Vehicles</i>	<i>Office equipment and furniture</i>	<i>Capital work in progress</i>	<i>Total 2010</i>	<i>Total 2009</i>
	SR	SR	SR	SR	SR	SR	SR
Cost:							
At the beginning of the year	35,419,717	494,517,460	364,503,998	36,026,991	26,001,453	956,469,619	1,076,996,604
Additions	-	1,570,120	4,017,222	17,834	83,786,997	89,392,173	59,141,840
Disposals	(29,650)	(52,999,060)	(80,886,032)	-	-	(133,914,742)	(179,668,825)
Transfers	14,040,567	44,085,662	29,162,130	5,225,087	(92,513,446)	-	-
At the end of the year	49,430,634	487,174,182	316,797,318	41,269,912	17,275,004	911,947,050	956,469,619
Depreciation:							
At the beginning of the year	25,855,122	208,760,552	191,450,216	28,842,058	-	454,907,948	448,975,738
Charge for the year	3,741,812	52,489,309	51,402,344	3,447,626	-	111,081,091	113,601,703
Disposals	(7,553)	(29,198,381)	(58,618,550)	-	-	(87,824,484)	(107,669,493)
At the end of the year	29,589,381	232,051,480	184,234,010	32,289,684	-	478,164,555	454,907,948
Net book amounts:							
At 31 December 2010	19,841,253	255,122,702	132,563,308	8,980,228	17,275,004	433,782,495	
At 31 December 2009	9,564,595	285,756,908	173,053,782	7,184,933	26,001,453		501,561,671

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 2010

12 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2010</i>	<i>2009</i>
	<i>SR</i>	<i>SR</i>
Trade accounts payable	59,986,005	39,854,803
Advances from customers	256,804,231	124,068,301
Accrued expenses	110,467,172	64,789,122
Other payables	9,334,282	19,572,296
	<u>436,591,690</u>	<u>248,284,522</u>

13 BILLINGS IN EXCESS OF THE VALUE OF WORK EXECUTED

	<i>2010</i>	<i>2009</i>
	<i>SR</i>	<i>SR</i>
Progress billings received or receivable	-	320,440,897
Less: value of work executed	-	(319,177,296)
	<u>-</u>	<u>1,263,601</u>

14 ZAKAT**Charge for the year**

The zakat charge for the year consists of:

	<i>2010</i>	<i>2009</i>
	<i>SR</i>	<i>SR</i>
Provision for the year	10,848,752	5,790,864
Charge for the year	<u>10,848,752</u>	<u>5,790,864</u>

The provision is based on the following:

	<i>2010</i>	<i>2009</i>
	<i>SR</i>	<i>SR</i>
Equity	400,000,000	300,000,000
Opening provision and other adjustments	61,386,519	64,106,281
Book value of long term assets and investments (net of related financing)	(322,330,551)	(497,353,922)
	<u>139,055,968</u>	<u>(133,247,641)</u>
Zakatable income for the year	<u>294,433,444</u>	<u>217,061,789</u>
Zakat base	<u>433,489,412</u>	<u>217,061,789</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2010

14 ZAKAT (continued)

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:

	2010	2009
	SR	SR
At the beginning of the year	5,199,563	6,141,736
Provided during the year	10,848,752	5,790,864
Payments during the year	(5,442,215)	(6,733,037)
At the end of the year	10,606,100	5,199,563

Status of assessments

Zakat assessments have been agreed with the Department of Zakat and Income Tax (DZIT) upto 2004. The assessments for the years 2005 to 2009 have not yet been raised.

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, promissory notes and personal guarantees of certain shareholders. During the year, the facilities were converted to Islamic short term loan facilities.

16 TERM LOANS

During the year 2010, term loans were converted into Tawarruq and Morabaha loans. The loans comprise of project financing repayable upon collection, revolving loans and project financing repayable in fixed periodical installment. These loans are secured against general assets of the company, promissory notes and personal guarantees of the certain shareholders. 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:

	2010	2009
	SR	SR
Project financing loans repayable upon collection (note (a) below)	256,730,560	363,849,065
Revolving loans (note (b) below)	85,500,000	132,500,000
Project financing loans repayable in periodical installments (note (c) below)	398,798,496	126,436,578
	741,029,056	622,785,643
Less: Current portion	(229,709,693)	(120,127,129)
	511,319,363	502,658,514

- a) The loans were obtain from one of the 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 2011.
- c) These loans are repayable in various fixed periodical installments with last installment due in 2015.

NOTES TO THE FINANCIAL STATEMENTS - continued

At 31 December 2010

17 SHARE CAPITAL

Share capital is divided into 42,500,000 shares (2009: 40,000,000 shares) of SR 10 each.

During the year ended 31 December 2009, shareholders of the company resolved to increase the share capital of the company from SR 300 million to SR 400 million by utilizing retained earnings of SR 88.8 million and statutory reserve of SR 11.2 million. Also, during 2010, the shareholders resolved to further increase the share capital of the company from SR 400 million to SR 425 million by utilizing statutory reserve of SR 10.5 million and retained earnings of SR 14.5 million.

18 PROPOSED DIVIDENDS

During the year, the company paid interim dividends of SR 1.3 per share totalling SR 55.25 million as resolved by the board of directors.

Subsequent to the year ended 31 December 2010, the board of directors have proposed dividends of SR 1 per share totalling SR 42.5 million for the approval of the shareholders in their general assembly meeting.

For the year ended 31 December 2009, the board of directors proposed dividend of SR 2.375 per share totaling SR 95 million, however, during 2010, the board revised its approval and reduced the dividend to SR 2.02 per share totalling SR 80.8 million.

19 SELLING AND MARKETING EXPENSES

	2010	2009
	SR	SR
Bidding	9,022,614	5,427,684
Provision for doubtful debts	2,200,000	5,386,139
Advertising	2,051,457	1,231,859
Other	-	1,047,519
	13,274,071	13,093,201

20 GENERAL AND ADMINISTRATION EXPENSES

	2010	2009
	SR	SR
Employee costs	26,341,958	25,479,161
Depreciation	1,950,110	2,037,985
Bonus	2,034,896	2,577,689
Donations	4,071,260	3,279,742
Rent	2,225,681	1,906,058
Travel	750,158	1,623,369
Professional fees	1,147,507	1,729,974
Customs and other governmental	428,233	592,906
Other	6,481,801	6,370,409
	45,431,604	45,597,293

21 OTHER INCOME

	2010	2009
	SR	SR
Commission from affiliates (note 7)	149,427	332,640
Claims recovered	6,701,013	-
Miscellaneous	5,551,624	6,988,683
	12,402,064	7,321,323

22 CONTINGENT LIABILITIES

The company's bankers have issued performance guarantees, on behalf of the company, amounting to SR 335.96 million (2009: SR 279.92 million).

23 DERIVATIVE FINANCIAL INSTRUMENTS

To hedge the variability in commission rates on certain term loans, the company has entered into an Commission Rate Cap (CRC) with a commercial bank effective from 7 August 2006 with an expiry date of 8 August 2009. This CRC require the company to pay a fixed rate of commission averaging 4% in exchange for floating rate commission payments based on the Saudi Inter Bank Offer Rates (SIBOR). The agreed notional amount of the CRC is SR Nil (2009: SR 50 million). Gains or losses arising from change in commission rate at each settlement date as well as change in fair value of hedging instrument have been taken to statement of income .

24 OPERATING LEASE COMMITMENTS

	2010 SR	2009 SR
Operating lease rentals recognised as expense	<u>10,902,116</u>	<u>8,928,564</u>

The company enters into operating lease arrangements for renting motor vehicles, equipments and housing premises. Leases are negotiated for an average period of one year and rentals are fixed for an average period of one year.

25 EARNINGS PER SHARE

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

26 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:

	Contracting SR	Trading SR	Total SR
	<u>31 December 2010</u>		
Revenues	937,363,077	136,586,795	1,073,949,872
Gross profit	221,919,361	67,136,997	289,056,358
Net assets	572,784,664	15,371,344	588,156,008
	<u>31 December 2009</u>		
Revenues	913,505,687	134,577,552	1,048,083,239
Gross profit	233,097,445	62,000,267	295,097,712
Net assets	482,665,239	23,630,174	506,295,413

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