

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

**INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

31 DECEMBER 2012

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

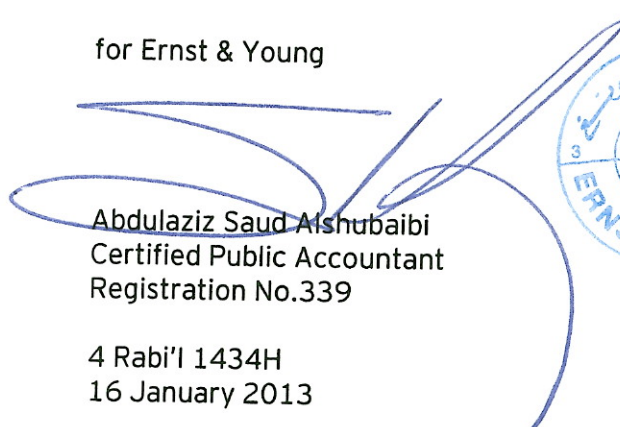
Scope of limited review:

We have reviewed the accompanying interim balance sheet of Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company) "the company" as at 31 December 2012, the related interim statements of income for the three and twelve months periods ended on 31 December 2012 and the interim statements of cash flows for the twelve months period ended on 31 December 2012. 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 Alshubaibi
Certified Public Accountant
Registration No.339

4 Rabi'I 1434H
16 January 2013

Al-Khobar



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

INTERIM BALANCE SHEET (UNAUDITED)

As At 31 December 2012

	<i>31 December 2012</i>	<i>31 December 2011</i>
<i>Note</i>	<i>SR</i>	<i>SR</i>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	149,965,865	78,789,475
Accounts receivable and prepayments	586,394,411	545,471,338
Advances to suppliers	197,406,628	149,061,155
Value of work executed in excess of billings	1,137,348,221	927,521,732
Amounts due from related parties	22,080,429	23,161,204
Inventories	83,441,618	72,645,329
Assets held for sale	23,121,233	27,513,630
TOTAL CURRENT ASSETS	2,199,758,405	1,824,163,863
NON-CURRENT ASSETS		
Investments in subsidiaries	4,571,331	4,416,640
Mobilisation costs	8,273,895	5,223,910
Property, equipment and vehicles	485,427,424	519,364,736
TOTAL NON-CURRENT ASSETS	498,272,650	529,005,286
TOTAL ASSETS	2,698,031,055	2,353,169,149
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accruals	374,161,120	254,532,660
Advances from customers	285,872,253	392,224,671
Billings in excess of the value of work executed	4,854,761	1,923,413
Amounts due to related parties	250,730	1,643,732
Provision for zakat	3,919,226	5,605,053
Short term loans	118,690,844	31,375,861
Current portion of term loans	512,583,915	496,120,237
Dividends payable	1,663,647	580,381
TOTAL CURRENT LIABILITIES	1,301,996,496	1,184,006,008
NON-CURRENT LIABILITIES		
Term loans	437,646,750	407,523,998
Advances from customers	129,348,575	62,506,580
Employees' terminal benefits	52,228,328	35,307,669
Loan from an affiliate	3,750,000	3,750,000
TOTAL NON-CURRENT LIABILITIES	622,973,653	509,088,247
TOTAL LIABILITIES	1,924,970,149	1,693,094,255
SHAREHOLDERS' EQUITY		
Share capital	3 531,250,000	425,000,000
Statutory reserve	51,146,550	37,602,949
Retained earnings	190,664,356	197,471,945
TOTAL SHAREHOLDERS' EQUITY	773,060,906	660,074,894
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,698,031,055	2,353,169,149

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 and twelve months period ended 31 December 2012

		<i>3 months period from 1 October to 31 December 2012</i>	<i>3 months period from 1 October to 31 December 2011</i>	<i>12 months period from 1 January to 31 December 2012</i>	<i>12 months period from 1 January to 31 December 2011</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Revenues	5	372,981,001	360,297,789	1,523,815,101	1,146,462,937
Direct costs	5	(334,487,693)	(292,192,965)	(1,298,326,840)	(908,848,467)
GROSS PROFIT		38,493,308	68,104,824	225,488,261	237,614,470
EXPENSES					
Selling and marketing		(5,575,351)	(4,589,531)	(21,100,647)	(17,121,916)
General and administration		(18,926,525)	(19,287,039)	(68,185,446)	(64,529,242)
INCOME FROM MAIN OPERATIONS		13,991,432	44,228,254	136,202,168	155,963,312
Other income		22,304,503	16,214,676	28,181,502	20,880,834
Financial charges		(8,352,311)	(4,532,732)	(25,462,561)	(14,611,967)
INCOME BEFORE ZAKAT		27,943,624	55,910,198	138,921,109	162,232,179
Zakat		(691,050)	(1,455,243)	(3,485,097)	(4,113,293)
NET INCOME FOR THE PERIOD		27,252,574	54,454,955	135,436,012	158,118,886
Earnings per share (from main operations)		0.26	0.83	2.56	2.94
Earnings per share (from net income)		0.51	1.03	2.55	2.98
Weighted average number of shares outstanding		53,125,000	53,125,000	53,125,000	53,125,000

Kailash Sadangi
Chief Financial Officer

Fawwaz Al-Khodari
Chief Executive

Abdullah Abdul Mohsin Al-Khodari Sons Company (A Saudi Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the twelve months period ended 31 December 2012

	<i>12 months period from 1 January to 31 December 2012 SR</i>	<i>12 months period from 1 January to 31 December 2011 SR</i>
OPERATING ACTIVITIES		
Income before zakat	138,921,109	162,232,179
Adjustments for:		
Depreciation	129,957,034	113,841,040
Amortisation of mobilisation cost	8,136,026	4,304,908
Provision for employees' terminal benefits, net	16,920,659	5,284,572
Financial charges	25,462,561	14,611,967
	<u>319,397,389</u>	<u>300,274,666</u>
Changes in operating assets and liabilities:		
Receivables	(88,187,771)	(21,447,770)
Inventories	(10,796,289)	(35,170,474)
Value of work executed in excess of billings	(209,826,489)	(359,969,562)
Payables	117,035,458	397,334,020
Advances from customers	(39,510,423)	(129,525,302)
Billings in excess of the value of work executed	2,931,348	1,923,413
Cash from operations	<u>91,043,223</u>	<u>153,418,991</u>
Financial charges paid	(25,462,561)	(14,611,967)
Zakat paid	(5,170,924)	(9,114,340)
Net cash from operating activities	<u>60,409,738</u>	<u>129,692,684</u>
INVESTING ACTIVITIES		
Purchase of equipment and vehicles	(110,932,435)	(219,733,326)
Movement in assets held for sale, net	19,305,110	(632,241)
Investment in a subsidiary	(154,691)	(207,640)
Mobilisation cost incurred	(11,186,011)	-
Net cash used in investing activities	<u>(102,968,027)</u>	<u>(220,573,207)</u>
FINANCING ACTIVITIES		
Movement in short and long term loans	133,901,413	183,178,401
Dividends paid	(20,166,734)	(84,519,022)
Net cash from financing activities	<u>113,734,679</u>	<u>98,659,379</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>71,176,390</u>	<u>7,778,856</u>
Cash and cash equivalents at the beginning of the period	<u>78,789,475</u>	<u>71,010,619</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>149,965,865</u></u>	<u><u>78,789,475</u></u>

Kailash Sadang
Chief Financial Officer

Fawwaz Al-Khodari
Chief Executive Officer

The attached notes 1 to 7 form part of these interim financial statements.

1 ACTIVITIES

Late Sheikh Abdullah Abdul Mohsin Al-Khodari founded a sole proprietorship in the Kingdom of Saudi Arabia in 1966 as general contracting. It was converted to a Saudi limited partnership under the name of Abdullah Abdul Mohsin Al-Khodari Sons Company on 25 Rajab 1412H corresponding to 30 January 1992. It was again converted into a Saudi Closed Joint Stock Company in accordance with Ministerial Resolution Number 152/Q dated 16 Jumad Awal 1430H (corresponding to 11 May 2009).

On 27 June 2010, Capital Market Authority accepted the application of the management of the company for initial public offering of 12.75 million shares at Saudi Riyal 48 per share with the subscription date from 4 to 10 October 2010. From 23 October 2010, the shares of the company have been listed at Saudi stock exchange.

The company is registered in Saudi Arabia under Commercial Registration number 2050022550.

The company is engaged in the following activities:

- General contracting works related to construction, renovation and demolition, roads, water and sewage system works, mechanical works, marine works, dams and well drilling.
- Maintenance and operation of roads and tunnels, irrigation sewage and dams, airports, power plants–sewage systems, training and educational centers, playgrounds, provisional and permanent exhibitions.
- Janitorial services, municipality works, commercial and residential building cleaning – landscaping, park cleaning and maintenance, disposal of wastes–cleaning of petroleum tanks and pipes.
- Air conditioning and refrigeration works.
- Travel and tourism.
- Cargo haulage.
- Publicity and advertisement.
- Management and operation of hospitals and health centers.
- Training centers.
- Management of hazardous industrial wastes.
- Manufacturing of waste squeezing equipment for vehicles, water and diesel tanks, waste containers, different trailers, cement tanks, concrete moulds, arms for cranes, chassis, water boilers, pressure systems, heat exchangers, cement mixers, chinaware, electric bulbs and paraffin wax.
- Wholesale and retail trade of building materials, electric items, iron and steel, copper, lead, aluminum, hardware, medical and surgical equipment, hospital requirements, communication systems, cameras and accessories, electronic calculators, safety equipment, watches, glasses, industrial tools and equipment, road construction equipment, sewage treatment equipment, industrial cleaning equipment, industrial equipment control systems, cement factory equipment, gypsum factory equipment, textile machines, heat exchangers, truck mounted cement mixers, axle fans, tunnel ventilation equipment, sound proof systems, agricultural machines, vehicles and spare parts, decoration items, chemical materials for industrial works, industrial equipment, chemical materials for sewage treatment, oils collection, treatment and burning of gases resulting from waste burial, indirect fans, emergency ventilation, engineering, fans, industrial jet, complete air tunnels, pressure regulators, petrochemical parts and equipment, acoustic cleaners, industrial blowers, gypsum machines, electrical and thermal probes, equipment for industry/roads/construction, generators and turbines, stoves, stacks and rust removal machines.
- Construction, operation and maintenance of power plants, electrical utilities, desalination plants, sewerage treatment plants, petrochemical factories, gas and oil refineries, cement factories, industrial facilities.
- Industrial work contracts related to construction of factories, extension of oil and gas pipelines and petrochemical works.
- Commercial services related to brokerage other than exchange and real estate works.
- Commercial agencies, after registration of each agency with the ministry of commerce.
- Operation and maintenance of electrical and electronic systems and computers.
- Import and export services, marketing for others, cooked and uncooked food services, inspection interview 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.

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 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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".

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.

At 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

3 SHARE CAPITAL

Share capital is divided into 53.125 million shares (31 December 2011: 42.5 million shares) of SR 10 each.

During the period, the Board of Directors of the company, at its meeting held on 8 Rabi II 1433 H corresponding to 1 March 2012, recommended to increase the company's share capital by 25% by way of capitalizing a part of the retained earnings through the issuance of one bonus share for every four shares held by the shareholders. As a result, the share capital of the company has been increased from SR 425 million to SR 531.25 million. Legal formalities in this regard have been completed during the period ended 31 December 2012.

4 CONTINGENT LAIBILITY

The company's bankers have given guarantees on behalf of the company, limited to SR 437.98 million (December 2011: SR 394.54 million) mainly in respect of performance guarantees to customers.

5 DIVIDENDS

During the period, the company paid dividends of SR 0.5 per share totalling SR 21.25 million (31 December 2011: SR 85 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 2012</i>		
Revenues	1,518,570,244	5,244,857	1,523,815,101
Gross profit	224,109,720	1,378,541	225,488,261
Net assets	762,621,415	10,439,491	773,060,906
	<i>31 December 2011</i>		
Revenues	1,128,142,956	18,319,981	1,146,462,937
Gross profit	233,312,149	4,302,321	237,614,470
Net assets	632,561,264	27,513,630	660,074,894

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 period.