

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**
FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2016
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT

MOHAMMAD AL MOJIL GROUP COMPANY (A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
All amounts are expressed in millions of Saudi Riyals

INDEX	Page
Independent auditor's review report	-
Consolidated interim balance sheet	1
Consolidated interimstatement of income	2
Consolidated interimstatement of cash flows	3
Consolidated interimstatement of changes in shareholders' equity	4
Notes to the condensed consolidated interim financial statements	5 -18



Audit - Consultants - Zakat & Tax

Al-Bassam & Al-Nemer
Allied Accountants

Review report on the Condensed Consolidated Interim Financial Statements
The Shareholders

Mohammad Al Mojil Group Company
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Scope of review:

We have reviewed the accompanying condensed consolidated interim balance sheet of **Mohammad Al Mojil Group Company** [the "Company"] and its subsidiary (collectively referred as " the Group"), as at **30 June 2016** and the related consolidated interim statements of income, the consolidated interim statement of cash flows and consolidated interim changes in shareholders' equity for the six months period then ended and the condensed notes 1 to 21, which form an integral part of these condensed consolidated interim financial statements . These condensed consolidated 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 responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Except for what is mentioned in "Scope limitation paragraphs" below, we conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards in the Kingdom of Saudi Arabia, 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.

Basis for Disclaimer Conclusion:

Going concern assumption

As described in Note 2 (e), the condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate into the foreseeable future. The Company has incurred losses for the period amounting to SR 40.9 million, and has accumulated losses as at **30 June 2016** amounting to SR 3,616.9 million, which is equivalent to 289% of the Company's share capital. As a result, the Company has total shareholders' deficit of SR 2,366.9 million as at **30 June, 2016**. In addition, the Company's shares have been suspended from trading on Saudi Stock Exchange (Tadawul).

The continuation of the Company's operations is dependent on the support of the creditors and the continuous discussions with its lending banks regarding the appropriate solutions to restructure the Company financially. However, these discussions have ceased to exist between the banks and Company's management. The continuity of the Company is also dependent on its continuing ability to secure profitable business, dispose of assets held for sale and to maintain its focus on recovery of claims and receivables and on general cost reductions.

Independent Auditor's Report- (Continued)**Basis for Disclaimer Conclusion (Continued)**

The validity of going concern assumption is now in doubt because of the Company's current financial position. Due to continuing uncertainty about the outcome of the Company's projects and the process by which the Company would cease to be a going concern, it is not practicable to determine, at this time, the impact of preparing these financial statements on the basis other than as a going concern.

These conditions, along with other matters as set forth in Note 2(e), indicate the existence of multiple material uncertainties that casts significant doubts about the Company's ability to continue as going concern. The accompanying consolidated financial statements do not include any adjustments that may be necessary as a result of these uncertainties.

Scope limitations

The company is maintaining accounts with 10 banks and has obtained loans and facilities from 7 of these, out of which 7 banks have not provided the company with statement of their related account for the period ended 30 June 2016. Therefore, we were unable to satisfy ourselves with regards to completeness of bank related facilities and loans as well as the existence of the related bank account.

Certain limitations were faced by the company's management in making critical accounting estimate, as stated in Note 2(d), to the financial statements due to presence of inherent uncertainties arising from financial condition of the company. Therefore, assumptions or basis on which certain accounting estimates were based could not be ascertained for reasonableness and appropriateness. Furthermore, in the absence of positive cash flows it is impossible for the Company's management to properly assess the estimated time and cost to complete existing projects. Accordingly, it is not possible for us to satisfy ourselves with the reliability of the Company's estimation process, specifically, with regards to the estimated gross costs to complete these projects, percentages of completion, revenue and net provision against contract costs recognition, gross expected losses estimation and billing process.

Provision for accrued vacation amounting to SR 13.9 million was reversed as other income by the management during year ended 31 December 2014 and SR 6.7 million in the year ended 31 December 2015, on the grounds that such amount is not payable as per the requirements of the Saudi Labour Law. Moreover, no accrual for employee vacation pay has been made during the year ended 31 December 2015 and period ended 30 June 2016. We were not provided with any working or basis for accrued vacation pay. In the absence of such working, we were unable to assess the impact of not providing for vacation pay on the financial statements. We were also not provided with professional legal advisor's confirmation if such amount of accrual reversed in prior year or practice for not providing for accrued vacation pay in the current period and prior years is in compliance with the Saudi Labour laws.

As an additional note, we draw attention to Note 15 and 16, which were not updated for the purposes of disclosing the Company's Contingent assets and disputed amounts respectively as at **30 June 2016**. This note is considered of a significant importance given the circumstances the Company is going through.

Independent Auditor's Report- (Continued)**Disclaimer of Conclusion**

Due to the possible material adjustment that might affect the condensed consolidated interim financial statements as described in the basis of disclaimer conclusion paragraph above relating to the significant doubt about the Company's ability to continue as a going concern and scope limitations, we were not able to complete the limited review of the condensed consolidated interim financial statements then and did not reach any conclusion about it.

Emphasis of Matter

On 20 June 2016 The Company announced resignation of its Board of Directors effective 19 June 2016. Consequently, on 29 June 2016, CMA Announced the formation of an interim committee to supervise the management of the Company and to summon the general assembly to convene in order to elect a new Board of Directors.

For and On behalf of:
**PKF AI BASSAM & AI Nemer
Allied Accountants**



Ibrahim Ahmed Al Bassam
Certified Public Accountant
License No. 337



Al-Khobar
31 July 2016
Corresponding to:
26 Shawal 1437 H

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

CONSOLIDATED INTERIM BALANCE SHEET (Unaudited)

AS AT 30 JUNE 2016

All amounts are expressed in millions of Saudi Riyals

	<u>Note</u>	30 June 2016	31 December 2015	30 June 2015
		(Unaudited)	(Audited)	(Unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents	5	24.7	23.2	23.2
Accounts receivable, net	16	35.3	40.8	61.8
Revenues recognized in excess of billings (Unbilled revenue), net	16	33.6	78.7	345.6
Inventories, net		44.0	46.0	47.5
Assets classified as held for sale	6	0.7	0.7	21.9
Advances to suppliers, net		16.2	16.8	19.7
Prepayments and other current assets		36.0	29.8	19.7
Due from related parties	9	0.4	-	-
Total current assets		190.9	236.0	539.4
Non-current assets:				
Retentions receivable, net	16	52.8	53.5	114.9
Property, plant and equipment		290.6	317.5	356.4
Total non-current Assets		343.4	371.0	471.3
TOTAL ASSETS		534.3	607.0	1,010.7
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Bank overdraft		267.6	265.2	232.8
Short-term Murabaha facilities	8	1,244.1	1,244.1	1,197.3
Current portion of long-term Murabaha facilities	10	201.4	202.2	202.2
Accounts payable		463.1	465.4	476.1
Advances from customers, net	16	3.0	3.9	167.9
Provision against contract costs	4	143.0	184.7	300.6
Accrued expenses and other current liabilities		341.0	313.2	384.8
Due to related parties, net	9	29.2	40.8	37.4
Total current liabilities		2,692.4	2,719.5	2,999.1
Non-current liabilities:				
Subordinated loan	9	100.0	100.0	100.0
Employees' end of service benefits		108.8	113.5	113.5
Total non-current liabilities		208.8	213.5	213.5
TOTAL LIABILITIES		2,901.2	2,933.0	3,212.6
Shareholders' equity				
Share capital	12	1,250.0	1,250.0	1,250.0
Accumulated losses		(3,616.9)	(3,576.0)	(3,451.9)
Total shareholders' equity		(2,366.9)	(2,326.0)	(2,201.9)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		534.3	607.0	1,010.7

The condensed consolidated interim financial statements appearing on pages (1) to (18) were approved by the Interim Committee on 31 July 2016 and have been signed on its behalf:


 CHIEF FINANCIAL OFFICER


 CHIEF EXECUTIVE OFFICER


 HEAD OF THE INTERIM COMMITTEE

The accompanying notes (1) through (21) form an integral part of these condensed consolidated interim financial statements

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

CONSOLIDATED INTERIM STATEMENT OF INCOME (Unaudited)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

All amounts are expressed in millions of Saudi Riyals

	Note	For the three month period ended		For the six month period ended	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Contract revenue		7.4	25.0	13.8	88.4
Cost of revenue		(9.4)	(34.8)	(21.3)	(143.5)
Provision against contract costs, net	4	-	(26.7)	-	(52.5)
Depreciation		(13.4)	(15.7)	(27.0)	(31.7)
Gross Loss		(15.4)	(52.2)	(34.5)	(139.3)
General and administrative expenses	17	(10.6)	(11.2)	(24.9)	(29.3)
Impairment reversal /(impairment loss) of accounts and retentions receivable and unbilled revenue		-	(14.8)	42.4	(14.8)
(Other impairments)/ reversal		(6.0)	-	(6.0)	0.1
Operating loss		(32.0)	(78.2)	(23.0)	(183.3)
Murabaha facilities charges		(10.3)	(10.0)	(19.1)	(15.9)
Other income, net		0.8	6.7	1.7	7.2
Loss before Zakat		(41.5)	(81.5)	(40.4)	(192.0)
Zakat		(0.5)	(0.5)	(0.5)	(0.5)
Net loss		(42.0)	(82.0)	(40.9)	(192.5)
Loss per share (LPS) for the period	17	(0.34)	(0.66)	(0.33)	(1.54)

The condensed consolidated interim financial statements appearing on pages (1) to (18) were approved by the Interim Committee on 31 July 2016 and have been signed on its behalf:


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


HEAD OF THE INTERIM COMMITTEE

The accompanying notes (1) through (21) form an integral part of these condensed consolidated interim financial statements.

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Unaudited)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

All amounts are expressed in millions of Saudi Riyals

	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
Cash Flows from Operating Activities:		
Loss for the period before Zakat	(40.4)	(192.0)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Impairment loss /(impairment reversal) of accounts and retentions receivable and unbilled revenue	(42.4)	14.8
Net movement in provision against contract costs	(41.7)	4.9
Depreciation	27.0	31.7
Impairment losses	6.0	-
Loss on sale of assets	-	0.4
End of service benefit provision	(4.7)	(13.3)
Murabaha facilities charges	19.1	15.9
Changes in working capital:		
Accounts and retentions receivable and unbilled revenue	87.6	249.0
Inventories	2.0	(1.6)
Advances to suppliers	0.6	18.0
Prepayments and other current assets	(6.2)	13.9
Accounts payables	(2.3)	(1.3)
Advances from customers	(0.9)	(231.1)
Accrued expenses and other liabilities	8.7	43.4
Due to related parties, net	(12.0)	6.3
Murabaha facilities expenses paid	-	(0.8)
Zakat paid	(0.5)	(0.5)
End of service benefit paid	-	(0.6)
Net Cash used in from operating activities	(0.1)	(42.9)
Cash Flows from Investing Activities:		
Proceeds from sales of property and equipment	-	0.5
Net cash generated by investing activities	-	0.5
Cash flows from Financing Activities		
Bank overdraft	8, 10	2.4
Proceeds from short-term Murabaha facilities		(0.8)
Transfer to overdraft/roll forward of short term Murabaha finance	8	-
Transfer to overdraft/roll forward of long term Murabaha finance	10	-
Net Cash generated from financing activities		1.6
Net movement in cash and cash equivalents	1.5	6.8
Cash and cash equivalents at beginning of the period	23.2	16.4
Cash and cash equivalents at end of the period	24.7	23.2
Non Cash Transactions:		
Accounts payable settled and offset against accounts receivable	0.3	3.8

The condensed consolidated interim financial statements appearing on pages (1) to (18) were approved by the Interim Committee on 31 July 2016 and have been signed on its behalf:


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


HEAD OF THE INTERIM COMMITTEE

The accompanying notes (1) through (21) form an integral part of these condensed consolidated interim financial statements.

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

All amounts are expressed in millions of Saudi Riyals

	Share Capital	(Accumulated Losses)	Total
1 January 2015	1,250.0	(3,259.4)	(2,009.4)
Net loss for 2015	-	(316.6)	(316.6)
31 December 2015	1,250.0	(3,576.0)	(2,326.0)
Net loss for the period	-	(40.9)	(40.9)
30 June 2016	1,250.0	(3,616.9)	(2,366.9)

The condensed consolidated interim financial statements appearing on pages (1) to (18) were approved by the Interim Committee on 31 July 2016 and have been signed on its behalf:


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


HEAD OF THE INTERIM COMMITTEE

The accompanying notes (1) through (21) form an integral part of these condensed consolidated interim financial statements.

1. ORGANIZATION AND PRINCIPAL 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, 1394H (corresponding to 24 June, 1974).

The Company has two branches, a branch in Khafji registered under the commercial registration no. 2057003000 dated 3 Jumada II, 1428H (corresponding to 18 June, 2007) and a branch in Abu Dhabi, UAE under the commercial license number 1173047 dated 28 October 2009, engaged in various building projects, main roads and streets contracting and related works thereof, main sewerage networks contracting works, foundations filling and electromechanical works project contracting. The results of operations, assets and liabilities for these branches are included in the accompanying condensed consolidated interim financial statements.

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, roads 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 a 100% (direct and indirect) shareholding in Gulf Elite General Contracting Company ("the subsidiary"), a Saudi limited liability company registered in the Kingdom of Saudi Arabia, Dammam, under the commercial registration No. 2050047126 dated 8DhulQa'idah 1425H (corresponding to 20 December 2004). The subsidiary is engaged in general contracting (maintenance, demolition, renovation and construction), maintenance, finishing and cleaning of residential, commercial, medical, educational and office buildings, maintenance and operation of industrial facilities, executing electrical and mechanical works, lighting and networks in addition to extensions, water, sewerage, and roads infrastructure works. The company and its subsidiary are hereinafter referred to as the "Group".

The subsidiary has contributed SR 25.1 million of the Group's revenue and a net profit of SR 0.2 million of the Group's consolidated net loss for the six month period ended 30 June 2016.

The Company has a 51% shareholding in Skills Development Institution for Training ("SDIT"), a Saudi limited liability company registered in the Kingdom of Saudi Arabia, Dammam, under the Commercial registration no. 2050077698, dated 21 Ramadan 1432, (corresponding to 21 August 2011). SDIT, which was previously recorded as Saudi National Training Institute for Development, was established with the intention of launching and managing educational and vocational training centers and other commercial services, but did not trade and was not consolidated into the Group's results. In 2013, it was agreed to begin the process of dissolving SDIT, in consultation with the counterparty.

The Company has a 49% shareholding in National Holding & Al Mojil LLC ("NHM"), a limited liability company registered in Abu Dhabi on 28 June 2011 under commercial registration no. CN-1200444. NHM's principal activities include engineering, construction and electromechanical services within the oil and gas, petrochemical and other sectors. NHM has absorbed the activities previously carried on by the Company's Abu Dhabi branch. This investment is accounted for using the equity method.

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying condensed consolidated interim financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis, using the accrual basis of accounting and the going concern concept.

(c) Functional and presentation currency

The condensed consolidated interim financial statements are presented in millions of Saudi Arabian Riyal, which is the functional currency of the Group.

(d) Use of estimates and judgement

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In particular, information about significant areas of estimated uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

Note 4- Provision against contract costs Note 14-Commitments and contingent liabilities

Note 15 - Contingent assets Note 16 - Disputed amounts

Note 19 - Financial instruments and risk management

(e) Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet the mandatory repayment terms of the banking facilities and all its other obligations in the normal course of business. At 31 December 2015, the Company had accumulated losses of SR 3,576.0 million and experienced a further loss of SR 40.9 million for the six months ended 30 June 2016. The Company's current liabilities exceeded its current assets by SR 2,501.5 million as of 30 June 2016 and total liabilities exceeded total assets by SR 2,366.9 million as at that date.

In compliance with Article 148 of the Companies' Regulations, which became applicable when accumulated losses exceeded 75% of the share capital, the Company held an Extraordinary General Assembly meeting on 5 November 2012 to consider whether the Company shall continue to operate or to be dissolved before the expiry of the term specified in its by-laws. The shareholders voted in favour of continuing the operation by a unanimous margin and also gave support to the recovery plan that was presented at the meeting.

The Company continues to operate with the cooperation of its lenders, staff, customers and suppliers. There is no assurance that this support will continue.

As stated in the recovery plan approved by the Extraordinary General Assembly, the Company is implementing an action plan to mitigate its risk profile arising from projects obtained in prior financial periods and to obtain new business which does not carry the same risk and financial exposure. While the Company has signed a number of these low risk agreements in 2013, it cannot guarantee that all risks from earlier contracts have been eliminated. In addition, the Company continues to take all appropriate actions under the recovery plan, including collection of overdue entitlements and outstanding claims and implementation of a programme to sell certain assets. However, there can be no certainty regarding the amounts that will be generated by these actions or the timing of their receipt.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

All amounts are expressed in millions of Saudi Riyals

2. BASIS OF PREPARATION (Continued)

(e) Going concern (continued)

The Company is engaged in ongoing discussions with its lenders regarding the most appropriate solution to the restructuring of the Company. The outcome of these discussions is yet to be determined.

These financial statements have been prepared on a going concern basis, on the assumption that the Company will continue to receive the support of its lenders, staff, customers and suppliers and in particular, that the negotiations with lenders on the financial restructuring will reach a satisfactory result which will allow the Company to continue to trade for the foreseeable future.

The validity of this assumption is now in doubt due to the Company's current cash position and the fact that the negotiations have been ongoing for some time and have not resulted in a satisfactory conclusion. Due to continuing uncertainty about the outcome of the Company's projects and the process by which the Company would cease to be a going concern, it is not practicable to determine, at this time, the impact of preparing these financial statements on the basis other than as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

(a) Basis of consolidation

These condensed consolidated interim financial statements include the interim financial statements of the Company and its subsidiary set forth in Note 1 above. Associates are accounted for using the equity method. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiary and those arising between the subsidiaries, if any, are eliminated in preparing these consolidated interim financial statements. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

(b) Revenue recognition

Fixed price contracts

The Company has entered into fixed price contracts in which the contractor agrees to a fixed contract price.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Normal profitable contracts

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 percentage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The outcome of a construction contract can be estimated reliably when:

- (i) The total contract revenue can be measured reliably;
- (ii) It is probable that the economic benefits associated with the contract will flow to the entity;
- (iii) The costs to complete the contract and the stage of completion can be measured reliably;
- (iv) The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

In applying the percentage of completion method, revenue recognized corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete. Uncertified revenue is recognized in the Income Statement by debiting the relevant unbilled revenue account.

Contract revenue

Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they can be reliably measured.

Contract costs

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise:

- (i) Site labour costs (including site supervision);
- (ii) Costs of materials used in construction;
- (iii) Depreciation of equipment used on the contract;
- (iv) Costs of design and technical assistance that is directly related to the contract.

Loss making projects

When the current estimate of total contract costs and revenues indicate an expected loss during the life of the project, provision is made for the entire expected loss on the contract irrespective of the stage of completion. Such provision for loss is utilized over the life of project so that zero loss is recognized when physical work is completed in subsequent years.

Uncertainty regarding outcome of contract

When the outcome of a contract cannot be estimated reliably, the zero profit method is used, whereby:

- (i) Revenue is recognized only to the extent of contract costs incurred, the recovery of which is probable;
- (ii) Contract costs are recognized as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Unbilled revenue

Revenue recognized in excess of billings (unbilled revenue) included in current assets represents the costs incurred plus recognized profits (less recognized losses) that exceed certified progress billings as at the balance sheet date. These amounts are subsequently billed, and transferred to accounts receivable, when certified by the customer. 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.

Unbilled revenue (Loss making projects)

In the case of loss making projects, revenue is recognized equal to the level of costs incurred irrespective of the stage of physical completion of the project.

Claims

Claims are recognized when negotiations with the customer 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.

Cost plus contracts

The Company has entered into cost plus contracts in which the contractor is reimbursed for allowable or otherwise defined costs. Revenue is recognized on a contractual cost plus profit basis, calculated on the amount of resources used by the customer during the year.

Rental and other income

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

(c) *Expenses*

All expenses, excluding cost of revenue and financial charges are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and general and administrative expenses, when required, are made on a consistent basis.

(d) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Company without any restrictions.

(e) *Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Appropriate provision is made for obsolete and slow moving inventories if required.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments in associate and unconsolidated subsidiary

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investee) and are initially recognized at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the Company's share of income and expenses and equity movement of the equity accounted investees from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate. The Company determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired, and if required, makes appropriate provision. All profits and losses resulting from trading between an associate and the Company or its subsidiary are recognised only to the extent of the unrelated investors' interests in the associate. The Company's share of profits or losses of the investee companies is credited or charged to the consolidated interim Statement of Income.

(g) Goodwill

Goodwill represents the excess cost of investments over the fair value of the net assets acquired in a business combination. The Company applies the acquisition method to account for business combinations. Costs of acquisition are expensed as incurred.

Goodwill is tested annually for impairment, or more frequently if appropriate, and is carried at cost net of accumulated impairment losses. Impairment losses on goodwill are not reversed once recorded

Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. If the cost of the acquired investment is less than its fair value as of the acquisition date, such difference is adjusted by reducing the fair values of the non-current assets of the acquired investee in proportion with their book values.

(h) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the qualified assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the consolidated interim statement of income when incurred.

Depreciation is charged to the income statement on a straight-line basis (except as noted) over the estimated useful lives of individual items of property and equipment.

MOHAMMAD AL MOJIL GROUP COMPANY(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
All amounts are expressed in millions of Saudi Riyals

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated depreciation rates of the assets are as follow:

	<u>Percentage</u>
Building and fabrication plants	5% with a 10% residual value
Leasehold improvements	Over the lease period
Vessels	5% with a 10% residual value
Machinery, tools and equipment	6.7% - 33% with a 10% residual value
Scaffolding	20% reducing balance
Motor vehicles	20% with a 10% residual value
Office equipment	20%
Furniture and fixtures	20% - 33%

(i) Impairment of assets

Financial assets and property, plant and equipment are reviewed for impairment at each year end and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Where financial assets and property, plant and equipment have been impaired and, due to subsequent changed circumstances, part or all of the impairment is considered to be no longer required, the excess is reversed in the current period.

(j) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortized or depreciated, unless in continuing use.

Non-current assets held for sale that cease to be classified as held for sale are valued at the carrying amount before the assets were classified as held for sale, adjusted for any depreciation, impairment or revaluation that would have been recognised had the asset not been classified as held for sale.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

All amounts are expressed in millions of Saudi Riyals

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Foreign currency translation

Transactions denominated in foreign currencies are translated to the functional currencies of the Group at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currencies of the Group at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the consolidated interim statement of income.

(l) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi labour law, are accrued and charged to the consolidated interim statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

(m) Zakat

The Company and its subsidiary are subject to Zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT").

(n) Operating leases

Payments under operating leases are recognized in the consolidated interim statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

4. PROVISION AGAINST CONTRACT COSTS, NET

The movement in provision against contract costs is as follows:

	For the six month period ended 30 June 2016	For the year ended 31 Dec. 2015	For the six month period ended 30 June 2015
Opening balance	184.7	295.7	295.7
Additions during the period	-	52.5	52.5
Reversals during the period	-	(9.0)	-
Less: Utilized during the period	(41.7)	(154.5)	(47.6)
Ending balance	143.0	184.7	300.6
Charged to Income Statement	-	43.5	52.5

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	<u>30 June 2016</u>	<u>31 December 2015</u>	<u>30 June 2015</u>
Cash in hand	1.6	0.4	1.6
Cash at bank in current accounts	23.1	22.8	21.6
	<u>24.7</u>	<u>23.2</u>	<u>23.2</u>

It was agreed with the Company's lenders in July 2012 that access to funds is subject to approval by the lenders. Pending resolution of certain matters, the lenders are currently withholding such approval in respect of funds in certain bank accounts included in Cash and Cash equivalents.

6. ASSETS CLASSIFIED AS HELD FOR SALE

As part of the Company's restructuring plans, certain assets (disposal group) are classified as assets held for sale as at 30 June 2016 following the commitment of the Company's management, in September 2012, to a plan to sell part of the assets. With the sale of the Company's marine services division, sales of the disposal group have been effectively completed. At 30 June 2016 the disposal group comprised net assets of SR 0.7 million (31 December 2015: SR 0.7 million; 30 June 2015: 21.9 million).

7. MAJOR CLIENTS

Revenues from major clients amounted to SR 9.5 million, which represents 69.0% of the Company's revenue for the period ended 30 June 2016 (SR 59.1 million, which represents 95.3% for the period ended 30 June 2015). In addition, the accounts and retentions receivable amount from these clients amounted to SR 65.6 million as of 30 June 2016 (31 December 2015: SR 62.6 million; 30 June 2015: SR 97.4 million).

8. SHORT TERM MURABAHA FACILITIES

The Company obtained facilities of SR 196 million in July 2012 as part of a facility agreement with lenders. Total short-term Murabaha facilities amounting to SR 1.3 billion (SR 1.3 billion as at 31 December 2014) were granted by local commercial banks to finance the Company's working capital requirements. These facilities are secured against a pledge of certain fixed assets and performance bonds, corporate guarantees from the company and its subsidiary, the issuance of promissory notes, personal guarantees from the major shareholder and assignment of project proceeds in favour of these banks. The outstanding balance is SR 1,244.1 million as of 30 June 2016 (31 December 2015: SR 1,244.1 million; 30 June 2015: SR 1,197.3 million). Murabaha facilities' charges are calculated on the basis of SIBOR plus an agreed margin.

The movements shown in the Consolidated Interim Statement of Cash Flows for short term Murabaha facilities reflect the periodic roll-over of these facilities.

The movements shown during the six months ended 30 June 2016 in the facilities, are due to the fact that some of the amounts were transferred to overdraft facility due to delay in roll forward of certain facilities related to a bank. This movement does not show repayment of any facility.

MOHAMMAD AL MOJIL GROUP COMPANY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
All amounts are expressed in millions of Saudi Riyals

9. RELATED PARTIES TRANSACTIONS AND RESULTING BALANCES

The significant transactions and the related amounts for the six months ended 30 June 2016 and 2015 are:

Name of Entity	Relationship
Al Mojil Investment Limited	Affiliate
Mohammad al Mojil and Partners Supply & Services Co.	Affiliate
Mohammad al Mojil and Partners Travel & Tourism Agency Co.	Affiliate
National Holdings & Al Mojil LLC	Associated company
Skills Development Institution for Training	Subsidiary

During the period, the Company undertook the following transactions with related parties on mutually agreed terms:

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Purchases of material and projects supplies	-	-
Purchases of air tickets	(0.1)	(1.0)

Amounts due from related parties are included in Prepayments and other current assets and comprise:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2015 (Unaudited)
National Holdings & Al Mojil LLC	-	-	1.4

Due to related parties comprise the following:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2015 (Unaudited)
Mohammad al Mojil and Partners Supply & Services Co.	28.2	28.2	28.5
Mohammad al Mojil and Partners Travel & Tourism Agency Co.	1.0	1.1	1.0
Al Mojil Investment Limited	-	11.5	7.9
	29.2	40.8	37.4
Subordinated loan - Al Mojil Investment Limited	100.0	100.0	100.0

The subordinated loan does not bear any finance charges, has no repayment terms and does not attract any security.

Due from related party comprise the following:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2015 (Unaudited)
Al Mojil Investment Limited	0.4	-	-

10. LONG-TERM MURABAHA FACILITIES

The Company had entered into a long-term Murabaha facility agreement with a local commercial bank, for letters of credit and advance payments to the suppliers of shipping vessels, amounting to SR 180 million to finance the purchase of six vessels to support the Company's offshore projects and operations. Draw down arrangements through a Murabaha sale agreement, were availed by the company and repayable in 23 equal quarterly instalments, commencing on 31 March 2011, and the last instalment would be due on 30 September 2016. These facilities are secured by promissory notes and the assignment of the projects' proceeds in the favour of this bank. As at 30 June 2016, the outstanding balance amounted to SR 157.7 million (31 December 2015: SR 158.5 million; 30 June 2015: SR 158.5 million).

During 2011, the Company entered into a long term Murabaha facility agreement with a local bank amounting to SR 42 million to finance the acquisition of the subsidiary detailed in note 1. This facility required that the Company maintains certain financial ratios in addition to other financial covenants. The outstanding balance as of 30 June 2016 amounted to SR 37.8 million (31 December 2015: SR 37.8 million; 30 June 2015: SR 37.8 million).

During the prior year ended 31 December 2014 amount of SR 37.8 million was transferred by bank from Long term loans to overdraft since the amount was not roll forwarded by the bank

During 2011, the Company had also entered into a long term Murabaha facility agreement with a local bank amounting to SR 50 million to finance one of its ongoing projects. These facilities are secured by the assignment of the proceeds of certain ongoing projects in the favour of this bank. The outstanding balance as of 30 June 2016, amounted to SR 43.7 million (31 December 2015: SR 43.7 million; 30 June 2015: SR 43.7 million) and was repayable in 15 equal monthly instalments commencing 31 January 2013 and the last instalment was due on 31 March 2014. Owing to prolongation of the project program, the Company has sought to defer commencement of repayment.

The facilities mentioned above carry Murabaha facilities' charges at SIBOR plus an agreed margin.

Due to the non-compliance with certain covenants in relation to the above facilities, the long-term portion has been reclassified as current liabilities as at 30 June 2016.

11. GENERAL AND ADMINSTRATIVE EXPENSES

	For the six month period ended 30 June 2016 (Unaudited)	For the six month period ended 30 June 2015 (Unaudited)
Employee salaries and related benefits	11.9	16.2
Rent	2.1	2.1
Professional and consultancy fees	5.1	6.8
Information and communication costs	0.4	0.1
Business travel and transportation	0.0	0.1
Financial charges	4.5	1.4
Other	0.9	2.6
	<u>24.9</u>	<u>29.3</u>

12. SHARE CAPITAL

The paid-up share capital of the company as of 30 June 2016, 31 December 2015 and 30 June 2015, amounted to SR 1.25 billion and is divided into 125 million shares of SR 10 each.

13. STATUTORY RESERVE

In accordance with the 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. This reserve is not available for dividend distribution.

The Board of Directors in their meeting held on 17 December 2011, resolved to absorb part of the accumulated losses as of 31 December 2011 through the statutory reserve which amounted to SR 119.7 million as of 31 December 2010. This resolution has already been presented and approved in the general assembly.

14. COMMITMENTS AND CONTINGENT LIABILITIES

The Company had the following contingent liabilities:

	<u>30 June 2016</u>	<u>31 December 2015</u>	<u>30 June 2015</u>
Letters of Guarantee	143.5	143.5	155.2

The Company has no future capital commitments at 30 June 2016, 31 December 2015 or 30 June 2015.

The Company recognises the possibility of significant legal proceedings, both in respect of its efforts to recover amounts due to it and also in respect of claims against it by third parties. Reasonable provision has been made in respect of amounts due to the Company which may not be ultimately recoverable and for all losses that may be incurred, however the impact of legal proceedings cannot be predicted.

15. CONTINGENT ASSETS

The Company has a number of claims and other legal actions, arising from contracts that have been completed or terminated, which it intends to vigorously pursue through legal actions, arbitration and other means, as appropriate, on a case by case basis. The estimated gross value of these claims and other legal actions is approximately SR 1.2 billion. The Company has been advised by its legal advisors that there is a high probability of success in these cases and by its specialist technical advisors that there is a high probability that, after allowing for recovery costs, back charges, counter claims and liquidated damages, a significant percentage of the gross amount will be recovered as a result of such actions over a period of years. However, an estimate of the financial effect of these probable net cash inflows as at the balance sheet date is not practicable.

16. DISPUTED AMOUNTS

Accounts and retentions receivable, unbilled revenue and advances from customers include disputed amounts in excess of SR 300 million in respect of work done under completed or terminated contracts, which were fully provisioned as at the balance sheet date, as they are subject to arbitration or other legal actions, the outcome of which is uncertain.

17. LOSS PER SHARE (LPS)

Losses per share for the period have been computed by dividing the net (loss) for each period by the weighted-average number of ordinary shares outstanding during the periods ended 30 June 2015, and 30 June 2014, totalling to 125 million shares.

18. SEGMENT INFORMATION

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

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable, investments, short-term Murabaha facilities, accounts payable, other liabilities, and long-term debt.

Credit risk

Is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The accounts and retentions receivable balance from the major clients amounted to SR 97.3 million, which represents 55.1% of total receivables as of 30 June 2015. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Trade and other accounts receivable are mainly due from local customers and related parties and are stated at their estimated realizable values.

Fair value and cash flow interest rate risks

Are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's interest rate risk arises mainly from bank debts, which are at floating rates of interest. All deposits and debts are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant.

Currency risk

Is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi riyal and United States dollar. Other transactions in foreign currencies are not material. Currency risk is managed on regular basis.

Liquidity risk

Is the risk that an enterprise will encounter difficulty in meeting the obligations associated with its financial assets. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments.

As a result of arrangements put in place in July 2012, access to funds is subject to approval by lenders.

Fair value

Is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. As the accompanying financial statements are prepared under the historical cost method, except for the revaluation of the available-for-sale and trade securities at fair value through equity, differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

20. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior period balances to be consistent with the current period presentations.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 26 Shawwal 1437H, corresponding to 31 July 2016.