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

FINANCIAL STATEMENTS

31 DECEMBER 2011

ERNST & YOUNG

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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 2011 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 in accordance with the provisions of Article 123 of the Regulations for Companies 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:

1) present fairly, in all material respects, the financial position of the company as at 31 December 2011 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.

2) comply with the requirements of the Regulations for Companies and the company's bye-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

ارنست ويونغ
ترخيص
مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG

23 Rabi' I 1433H
15 February 2012

Alkhobar

BALANCE SHEET
As At 31 December 2011

	Note	2011 SR	2010 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	78,789,475	71,010,619
Accounts receivable and prepayments	5	694,532,493	686,991,223
Value of work executed in excess of billings	6	927,521,732	567,552,170
Amounts due from related parties	7	23,161,204	9,254,704
Inventories	8	72,645,329	37,474,855
Assets held for sale		27,513,630	6,571,344
TOTAL CURRENT ASSETS		1,824,163,863	1,378,854,915
NON-CURRENT ASSETS			
Investments in subsidiaries	9	4,416,640	4,209,000
Mobilisation costs	10	5,223,910	9,528,818
Property, equipment and vehicles	11	519,364,736	433,782,495
TOTAL NON-CURRENT ASSETS		529,005,286	447,520,313
TOTAL ASSETS		2,353,169,149	1,826,375,228
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	12	254,532,660	179,787,459
Advances from customers		392,224,671	64,772,349
Billings in excess of the value of work executed	13	1,923,413	-
Amounts due to related parties	7	1,643,732	5,307,235
Provision for zakat	14	5,605,053	10,606,100
Short term loans	15	31,375,861	10,812,639
Current portion of term loans	16	496,120,237	229,709,693
Dividends payable		580,381	99,403
TOTAL CURRENT LIABILITIES		1,184,006,008	501,094,878
NON-CURRENT LIABILITIES			
Term loans	16	407,523,998	511,319,363
Advances from customers		62,506,580	192,031,882
Employees' terminal benefits		35,307,669	30,023,097
Loan from an affiliate	7	3,750,000	3,750,000
TOTAL NON-CURRENT LIABILITIES		509,088,247	737,124,342
TOTAL LIABILITIES		1,693,094,255	1,238,219,220
SHAREHOLDERS' EQUITY			
Share capital	17	425,000,000	425,000,000
Statutory reserve		37,602,949	21,791,060
Retained earnings		197,471,945	141,364,948
TOTAL SHAREHOLDERS' EQUITY		660,074,894	588,156,008
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,353,169,149	1,826,375,228

Authorised Board Member & CEO
Fawwaz Al-Khodari

CFO
Dhirendra Gautam

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF INCOME

Year Ended 31 December 2011

	Note	*2011* *SR*	*2010* *SR*
Revenues	24	**1,189,459,452**	1,073,949,872
Direct costs		**(932,758,526)**	(784,893,514)
GROSS PROFIT	24	**256,700,926**	289,056,358
EXPENSES			
Selling and marketing	19	**(17,121,916)**	(13,274,071)
General and administration	20	**(64,529,242)**	(45,431,604)
INCOME FROM MAIN OPERATIONS		**175,049,768**	230,350,683
Other income	21	**1,794,378**	12,402,064
Financial charges		**(14,611,967)**	(13,993,400)
INCOME BEFORE ZAKAT		**162,232,179**	228,759,347
Zakat	14	**(4,113,293)**	(10,848,752)
NET INCOME FOR THE YEAR		**158,118,886**	217,910,595
Earnings per share (from main operations)		**4.12**	5.42
Earnings per share (from net income)		**3.72**	5.13
Weighted average number of shares outstanding	17	**42,500,000**	42,500,000

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year Ended 31 December 2011

	Note	2011 SR	2010 SR
OPERATING ACTIVITIES			
Income before zakat		**162,232,179**	228,759,347
Adjustments for:			
Provision for foreseeable losses		**-**	(13,991)
Depreciation		**113,841,041**	111,081,091
Amortisation of mobilisation cost		**4,304,908**	3,083,765
Provision for doubtful debts		**-**	2,200,000
Provision for employees' terminal benefits, net		**5,284,572**	2,883,502
Commission income		**(7,361)**	(149,427)
Financial charges		**14,611,967**	13,993,400
		300,267,306	361,837,687
Changes in operating assets and liabilities:			
Receivables		**(21,447,770)**	(125,067,671)
Inventories		**(35,170,474)**	(17,779,933)
Value of work executed in excess of billings		**(359,969,562)**	(268,059,806)
Payables		**267,808,718**	190,915,213
Billings in excess of the value of work executed		**1,923,413**	(1,263,601)
Cash from operations		**153,411,631**	140,581,889
Financial charges paid		**(14,611,967)**	(13,993,400)
Zakat paid		**(9,114,340)**	(5,442,215)
Net cash from operating activities		**129,685,324**	121,146,274
INVESTING ACTIVITIES			
Purchase of equipment and vehicles		**(219,733,326)**	(89,392,173)
Movement in assets held for sale, net		**(632,242)**	51,253,351
Investment in a subsidiary		**(207,640)**	-
Commission income		**7,361**	149,427
Mobilisation costs incurred		**-**	(5,537,840)
Net cash used in investing activities		**(220,565,847)**	(43,527,235)
FINANCING ACTIVITIES			
Movement in short and long term loans		**183,178,401**	96,731,946
Dividends paid		**(84,519,022)**	(135,950,597)
Net cash from (used in) financing activities		**98,659,379**	(39,218,651)
INCREASE IN CASH AND CASH EQUIVALENTS		**7,778,856**	38,400,388
Cash and cash equivalents at the beginning of the year		**71,010,619**	32,610,231
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	**78,789,475**	71,010,619

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year Ended 31 December 2011

	Share capital *SR*	*Statutory reserve* *SR*	*Proposed dividends* *SR*	*Retained earnings* *SR*	*Total* *SR*
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
Net income for the year	-	-	-	158,118,886	158,118,886
Transferred to statutory reserve	-	15,811,889	-	(15,811,889)	-
Dividends (note 18)	-	-	-	(85,000,000)	(85,000,000)
Directors' remuneration	-	-	-	(1,200,000)	(1,200,000)
Balance at 31 December 2011	**425,000,000**	**37,602,949**	-	**197,471,945**	**660,074,894**

The attached notes 1 to 27 form part of these 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, 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/hiring of light and heavy equipment.
- Water works, sewerage, maintenance, landscaping and cleaning contracts.

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 previous year from 1 January to 31 December 2010.

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.

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.

Inventories
Inventories are stated at the lower of cost and market value. Cost is determined using purchase cost on a weighted average basis.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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".

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 relate to project bidding costs and advertising as well as allowance for doubtful debts. All other expenses other than direct costs and financial charges are classified as general and administration expenses.

Fair values

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.

4 CASH AND CASH EQUIVALENTS

	2011 SR	*2010 SR*
Bank balances and cash	**78,789,475**	68,189,455
Short term deposits	**-**	2,821,164
	78,789,475	71,010,619

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011 SR	*2010 SR*
Trade accounts receivable	**422,533,802**	510,420,918
Retentions receivable	**88,372,488**	81,347,685
Loan to employees	**242,799**	2,790,401
Advances to suppliers and subcontractors	**166,710,625**	74,834,272
Prepaid expenses	**10,996,008**	15,878,247
Margin against letters of guarantee	**4,648,303**	1,428,047
Other receivables	**1,028,468**	291,653
	694,532,493	686,991,223

6 VALUE OF WORK EXECUTED IN EXCESS OF BILLINGS

	2011 *SR*	*2010* *SR*
Value of work executed	**2,849,924,408**	2,540,963,358
Less: progress billings received or receivable	**(1,922,402,676)**	(1,973,411,188)
	927,521,732	567,552,170

7 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, key personnel of the company, and entities controlled, jointly controlled or significantly influenced by such parties. 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:

	2011 *SR*	*2010* *SR*
Purchases, services and sub-contracting	**30,125,530**	5,096,243
Equipment and manpower rental	**663,979**	-
Air tickets	**8,636,346**	-
Equipment and vehicles rental income	**-**	(1,761,930)
Expenses recharged to affiliates	**(3,201,400)**	-

The company also paid SR 1.7 million (2010: SR 1.5 million) to certain directors as salary and other benefits in their capacity as executives of the company.

During the year, the company accrued directors' remuneration amounted to SR 1.2 million.

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.

8 INVENTORIES

	2011 *SR*	*2010* *SR*
Materials	**72,503,179**	37,350,047
Spare parts and consumables	**142,150**	124,808
	72,645,329	37,474,855

9 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries comprise the following:

	Effective percentage of holding	*2011 SR*	*2010 SR*
Cost:			
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
Abdullah Abdul Mohsin Al-Khodari Sons Company, Qatar	**100**	**207,640**	-
		4,416,640	4,209,000

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 year or are considered immaterial in relation to the financial statements taken as a whole.

10 MOBILISATION COSTS

	2011 SR	*2010 SR*
Costs:		
At the beginning of the year	**14,482,499**	8,944,659
Addition during the year	-	5,537,840
At the end of the year	**14,482,499**	14,482,499
Amortisation:		
At the beginning of the year	**(4,953,681)**	(1,869,916)
Amortisation during the year	**(4,304,908)**	(3,083,765)
At the end of the year	**(9,258,589)**	(4,953,681)
At the end of the year	**5,223,910**	9,528,818

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

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

	Buildings, portables and hangers SR	*Machinery, equipment and tools SR*	*Motor vehicles SR*	*Office equipment and furniture SR*	*Capital work in progress SR*	***Total 2011 SR***	*Total 2010 SR*
Cost:							
At the beginning of the year	49,430,634	487,174,182	316,797,318	41,269,912	17,275,004	**911,947,050**	956,469,619
Additions	16,200	1,222,192	2,137,782	24,515	216,332,637	**219,733,326**	89,392,173
Disposals	-	(33,719,845)	(20,172,145)	-	-	**(53,891,990)**	(133,914,742)
Transfers	9,015,191	88,864,875	92,584,350	4,321,223	(194,785,639)	**-**	-
At the end of the year	58,462,025	543,541,404	391,347,305	45,615,650	38,822,002	**1,077,788,386**	911,947,050
Depreciation:							
At the beginning of the year	29,589,381	232,051,480	184,234,010	32,289,684	-	**478,164,555**	454,907,948
Charge for the year	5,435,503	56,106,372	48,461,569	3,837,597	-	**113,841,041**	111,081,091
Disposals	-	(18,665,693)	(14,916,253)	-	-	**(33,581,946)**	(87,824,484)
At the end of the year	35,024,884	269,492,159	217,779,326	36,127,281	-	**558,423,650**	478,164,555
Net book amounts:							
At 31 December 2011	**23,437,141**	**274,049,245**	**173,567,979**	**9,488,369**	**38,822,002**	**519,364,736**	
At 31 December 2010	19,841,253	255,122,702	132,563,308	8,980,228	17,275,004		433,782,495

Capital work in progress mainly represents equipments and motor vehicles under process for registration and insurance.

12 ACCOUNTS PAYABLE AND ACCRUALS

	2011 *SR*	*2010* *SR*
Trade accounts payable	**83,673,157**	59,986,005
Accrued expenses	**164,497,101**	110,467,172
Other payables	**6,362,402**	9,334,282
	254,532,660	179,787,459

13 BILLINGS IN EXCESS OF THE VALUE OF WORK EXECUTED

	2011 *SR*	*2010* *SR*
Progress billings received or receivable	**35,161,088**	-
Less: value of work executed	**(33,237,675)**	-
	1,923,413	-

14 ZAKAT

Charge for the year

The zakat charge for the year consists of:

	2011 *SR*	*2010* *SR*
Provision for the year	**4,113,293**	10,848,752
Charge for the year	**4,113,293**	10,848,752

The provision is based on the following:

	2011 *SR*	*2010* *SR*
Equity	**503,636,986**	400,000,000
Opening provisions and other adjustments	**62,515,739**	61,386,519
Book value of long term assets and investments (net of related financing)	**(538,525,371)**	(322,330,551)
	27,627,354	139,055,968
Zakatable profit for the year	**179,199,442**	294,433,444
Zakat base	**206,826,796**	433,489,412

The differences between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable income.

14 ZAKAT (continued)

Movement in provision

The movement in the zakat provision was as follows:

	2011 *SR*	*2010* *SR*
At the beginning of the year	**10,606,100**	5,199,563
Provided during the year	**4,113,293**	10,848,752
Payments during the year	**(9,114,340)**	(5,442,215)
At the end of the year	**5,605,053**	10,606,100

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 2010 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 and promissory notes. During 2010, 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 and promissory notes. 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:

	2011 *SR*	*2010* *SR*
Project financing loans repayable upon collection (note (a) below)	**207,733,759**	256,730,560
Revolving loans (note (b) below)	**95,000,000**	85,500,000
Project financing loans repayable in periodical installments (note (c) below)	**600,910,476**	398,798,496
	903,644,235	741,029,056
Less: Current portion	**(496,120,237)**	(229,709,693)
	407,523,998	511,319,363

a) These loans were obtained 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 2012.

c) These loans are repayable in various fixed periodical installments with last installment due in 2015.

17 SHARE CAPITAL

Share capital is divided into 42,500,000 shares (2010: 42,500,000 shares) of SR 10 each.

During the year ended 31 December 2010, the shareholders resolved to 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 DIVIDENDS

During the year, the company paid dividends of SR 2 per share totaling SR 85 million as resolved by the board of directors and subsequently approved in annual general assembly.

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 totaling SR 80.8 million. The company paid dividends of SR 2.02 per share totaling SR 80.8 million during 2010.

19 SELLING AND MARKETING EXPENSES

	2011 SR	*2010 SR*
Bidding	**15,316,542**	9,022,614
Provision for doubtful debts	**-**	2,200,000
Advertising	**1,805,374**	2,051,457
	17,121,916	13,274,071

20 GENERAL AND ADMINISTRATION EXPENSES

	2011 SR	*2010 SR*
Employee costs	**45,152,973**	26,341,958
Depreciation	**5,094,251**	1,950,110
Bonus	**2,318,120**	2,034,896
Donations	**3,735,520**	4,071,260
Rent	**2,485,100**	2,225,681
Professional fees	**2,983,311**	1,147,507
Travel	**914,068**	750,158
Customs and other governmental costs	**292,690**	428,233
Other	**1,553,209**	6,481,801
	64,529,242	45,431,604

21 OTHER INCOME

	2011 SR	*2010 SR*
Claims recovered	**-**	6,701,013
Miscellaneous	**1,794,378**	5,701,051
	1,794,378	12,402,064

22 CONTINGENT LIABILITIES

The company's bankers have issued performance guarantees, on behalf of the company, amounting to SR 394.54 million (2010: SR 335.96 million).

23 OPERATING LEASE COMMITMENTS

	2011 *SR*	*2010* *SR*
Operating lease rentals recognised as expense	**17,362,479**	10,902,116

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

...ases are negotiated for an average period of one year and rentals are fixed for an average p... riod of one year.

24 SEGMENTAL INFORMATION

Consistent with the company's internal reporting process, business segments have been approved by man... gement in respect of the company's activities. Transactions between the business segments are reported at c... st. The company's revenue, gross profit and net assets by business segment, are as follows:

	Contracting *SR*	*Trading* *SR*	*Total* *SR*
	31 December 2011		
Revenues	1,128,142,956	61,316,496	1,189,...59,452
Gross profit	233,312,149	23,388,777	256,...00,926
Net assets	632,561,264	27,513,630	660,...74,894
	31 December 2010		
Revenues	937,363,077	136,586,795	1,073,...49,872
Gross profit	221,919,361	67,136,997	289,...56,358
Net assets	572,784,664	15,371,344	588,...56,008

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

25 RISK MANAGEMENT

Commission rate risk
Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The company is exposed to commission rate risk on its commission bearing liabilities (short term deposits, short term loans and term loans). To manage the commission rate risk on the loans, the company monitors market commission rate movements and its cost of funding on a regular basis.

Credit risk
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. A substantial portion of the company's business is with government authorities. The company seeks to manage its credit risk with respect to customers by monitoring outstanding receivables. Its largest 5 customers account for 50% of the trade receivable balances at the balance sheet date (2010: 61%).

Liquidity risk
Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The company manages its liquidity risk by ensuring bank facilities and shareholders' contributions are available. The company's terms of sales require amounts to be paid within 45 to 90 days of the date of rendering services/sale. Trade payables are normally settled within 30 to 180 days of the date of services received/purchase.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company undertakes its transactions mainly in Saudi Riyal and United States Dollars. As Saudi Riyals are pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalent, investments, receivable and amounts due from related parties. Financial liabilities consist of short term loans, dividends payable, term loans, amounts due to related parties, payables, loan from an affiliate and advances from customers.

The fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

27 COMPARATIVE FIGURES

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