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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2012

WITH
INDEPENDENT AUDITORS' REPORT

MOHAMMAD AL MOJIL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
Expressed in Millions of Saudi Riyals

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of **Mohammad Al Mojil Group Company** and its subsidiaries ("the Company") which comprise the consolidated balance sheet as at December 31, 2012 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes (1) through (34) which form an integral part of the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with article 123 of the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Going concern assumption

As described in Note 2(e), the consolidated 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 experienced a loss for the year amounting to SR1,327.6 million and has accumulated losses as at 31 December 2012 amounting to SR2,229.7 million, which exceeds 75% of the Company's capital. In addition, the current liabilities exceed its current assets by SR1,541.6 million. As a result the Company has a total shareholders' deficit of SR979.7 million as at 31 December 2012. In addition the Company's shares have been suspended from trading on the Tadawal.

The continuation of the Company's operations is dependent on the support from the lenders and discussions are currently being held with its banks regarding the appropriate solution to a restructuring of the Company. The continuity of the Company is also dependant on its ability to secure profitable future contracts, successful disposal of assets, increased focus on claims recovery, cost reductions and the acceleration of receivables recovery.

KPMG Al Fozan & Al Sadhan, a partnership registered in Saudi Arabia and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Basis for Disclaimer of Opinion (Continued)

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

Disclaimer of Opinion

Because of the significance of the matters escribed in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

For KPMG Al Fozan & Al Sadhan

Tareq Abdulrahman Al Sadhan
License No: 352

Al Khobar, 27 February 2013
Corresponding to: Rabi Thani 17, 1434H

MOHAMMAD AL MOJIL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2012
Expressed in Millions of Saudi Riyals

	Note	As at December 31, 2012	As at December 31, 2011 Restated
ASSETS			
Current assets:			
Cash and cash equivalents	7	**58.1**	235.8
Accounts Receivable, net	8	**238.0**	403.1
Revenues recognized in excess of billings (Unbilled revenues)	10	**478.6**	877.4
Inventories, net	13	**207.5**	189.9
Assets classified as held for sale	14	**313.7**	-
Advances to suppliers, net		**66.2**	91.3
Prepayments and other current assets	15	**46.7**	44.8
Total current assets		**1,408.8**	1,842.3
Non-current assets:			
Retentions receivables	11	**141.6**	149.9
Investments in associate and unconsolidated subsidiaries		**11.0**	13.0
Goodwill		-	6.6
Property, plant and equipment	16	**635.9**	1,132.5
Total non-current assets		**788.5**	1,302.0
TOTAL ASSETS		**2,197.3**	3,144.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank overdraft		**37.9**	-
Short-term Murabaha facilities	17	**1,506.4**	1,163.3
Current portion of long-term Murabaha facilities	18	**252.1**	42.0
Accounts payables		**638.2**	400.0
Advances from customers		**70.1**	181.8
Billings in excess of revenues earned		-	16.6
Provision against contract costs	4	**216.9**	270.9
Accrued expenses and other current liabilities	19	**207.6**	415.1
Due to related parties	20	**21.2**	28.5
Total current liabilities		**2,950.4**	2,518.2
Non-current liabilities:			
Long-term Murabaha facilities	18	-	163.3
Subordinated loan	20	**100.0**	-
Employees' end of service benefits	21	**126.6**	114.9
Total non-current liabilities		**226.6**	278.2
Total liabilities		**3,177.0**	2,796.4
Shareholders' equity			
Share capital	23	**1,250.0**	1,250.0
Statutory reserve	24	-	-
Accumulated losses		**(2,229.7)**	(902.1)
Total shareholders' equity		**(979.7)**	347.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,197.3**	3,144.3

The consolidated financial statements appearing on pages (1) to (23) were approved by the Board of Directors on 9 Rabi Al Thani 1434H, corresponding to February 19, 2013 and have been signed on its behalf:

GENERAL MANAGER FINANCE　　CEO　　BOARD DIRECTOR

The accompanying notes (1) through (34) form an integral part of these consolidated financial statements.

MOHAMMAD AL MOJIL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
Expressed in Millions of Saudi Riyals

	Note	**December 31, 2012**	December 31, 2011 Restated
Contracts revenue		**1,443.7**	1,575.7
Cost of revenues		**(1,456.6)**	(1,807.9)
Provision against contract costs, net	4	**(211.1)**	(270.9)
(Loss)/Profit on Manifa Saipem project	5	**(355.2)**	9.9
Depreciation and amortization		**(149.2)**	(168.4)
Gross (loss)		**(728.4)**	(661.6)
General and administrative expenses	30	**(118.1)**	(101.1)
Impairment losses	14	**(135.1)**	-
Impairment of accounts and retentions receivable and unbilled revenue	12	**(308.2)**	(347.8)
Write off of goodwill		**(6.6)**	-
Operating (loss)		**(1,296.4)**	(1,110.5)
Share of losses of equity accounted investees		**(2.8)**	-
Murabaha facilities charges		**(39.5)**	(23.8)
Other income, net		**11.7**	10.7
Operating (loss) before Zakat		**(1,327.0)**	(1,123.6)
Zakat	22	**(0.6)**	(1.1)
Net (loss)		**(1,327.6)**	**(1,124.7)**
(Losses) per share (LPS):			
From net (loss) for the year	28	**(10.62)**	(9.00)

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GENERAL MANAGER FINANCE CEO BOARD DIRECTOR

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MOHAMMAD AL MOJIL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
Expressed in Millions of Saudi Riyals

Cash Flows from Operating Activities:	**December 31, 2012**	December 31, 2011 Restated
(Loss) for the year before Zakat	**(1,327.0)**	(1,123.6)
Adjustments to reconcile net loss to net cash used in operating activities:		
Company's share of associate losses	**2.8**	-
Impairment of accounts & retentions receivable and unbilled revenue	**308.2**	347. 8
Net movement in provision against contract costs	**(54.0)**	270.9
Depreciation	**149.2**	168.4
Impairment losses	**135.1**	-
Gain on sales of property and equipments	**(7.4)**	-
Write off of goodwill	**6.6**	-
End of service benefit provision	**33.3**	30.5
Murabaha facilities charges	**39.5**	23.8
Changes in working capital:		
Accounts, retention receivables and revenues recognized in excess of billings	**264.0**	(22.2)
Inventories	**(17.6)**	(95.2)
Advances to suppliers	**25.1**	(56.3)
Prepayments and other current assets	**(1.8)**	11.5
Accounts payables and billings in excess of revenues earned	**221.7**	(21.7)
Advances from customers	**(111.7)**	63.0
Accrued expenses and other liabilities	**(209.6)**	122.5
Due to related parties, net	**(7.3)**	17.0
Murabaha facilities expenses paid	**(37.9)**	(19.9)
Zakat paid	**(0.9)**	(16.1)
End of service benefit paid	**(21.6)**	(12.6)
Net Cash (used in) operating activities	**(611.3)**	(312.2)
Cash Flows from Investing Activities:		
Acquisition of investments in associate and unconsolidated subsidies	-	(13.0)
Acquisition of property and equipment	**(144.5)**	(187.8)
Proceeds from sales of property and equipment	**50.4**	0.3
Net cash used to acquire a subsidiary (note 1)	-	(41.1)
Net cash (used in) investing activities	**(94.1)**	(241.6)
Cash flows from financing activities		
Bank overdraft	**37.9**	-
Subordinated loan	**100.0**	-
Proceeds from short-term Murabaha facilities	**7,373.4**	2,664.2
Proceeds from long-term Murabaha facilities	**348.2**	227.0
Repayments of short-term Murabaha facilities	**(7,030.4)**	(2,006.4)
Repayment of long-term Murabaha facilities	**(301.4)**	(47.5)
Dividends paid	-	(93.8)
Net cash provided by financing activities	**527.7**	743.5
Net movement in cash and cash equivalents	**(177.7)**	189.7
Cash and cash equivalents at beginning of the year	**235.8**	46.1
Cash and cash equivalents at end of year	**58.1**	235.8

The consolidated financial statements appearing on pages (1) to (23) were approved by the Board of Directors on 9 Rabi Al Thani 1434H, corresponding to February 19, 2013 and have been signed on its behalf:

GENERAL MANAGER FINANCE | CEO | BOARD DIRECTOR

The accompanying notes (1) through (34) form an integral part of these consolidated financial statements.

MOHAMMAD AL MOJIL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012
Expressed in Saudi Arabian Riyals

	Share Capital	**Statutory Reserve**	**(Accumulated losses)/retained earnings**	**Total**
January 1, 2011	1,250.0	119.7	196.7	1,566.4
Net loss for 2011 -- as previously reported	-	-	(959.4)	(959.4)
Prior year adjustments (Note 6)	-	-	(165.3)	(165.3)
Statutory reserve transferred to absorb part of the accumulated losses	-	(119.7)	119.7	-
Dividends paid (Note 25)	-	-	(93.8)	(93.8)
December 31, 2011 (Restated)	1,250.0	-	(902.1)	347.9
Net loss for the year	-	-	**(1,327.6)**	**(1,327.6)**
December 31, 2012	**1,250.0**	-	**(2,229.7)**	**(979.7)**

The consolidated financial statements appearing on pages (1) to (23) were approved by the Board of Directors on 9 Rabi Al Thani 1434H, corresponding to February 19, 2013 and have been signed on its behalf:

GENERAL MANAGER FINANCE   CEO   BOARD DIRECTOR

The accompanying notes (1) through (34) form an integral part of these consolidated financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

(a) General

Mohammad Al Mojil Group Company ("the Company") is a Saudi joint stock company registered in the Kingdom of Saudi Arabia, Dammam under the commercial registrations No. 2050003174 dated 3 Jamada II, 1394H (corresponding to 24 September, 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 October 28, 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 consolidated 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.

In 2011, the company has established the Saudi National Development Training Institute Company – under formation, a Saudi limited liability company, with a share capital amounting to SR 1.5 millions and owned 51% by the company.

(b) Acquisition of Gulf Elite

During 2011, the company acquired 100% (direct and indirect shares) of the outstanding shares of Gulf Elite General Contracting Company (a Saudi limited liability company) ("the subsidiary") for which legal formalities were completed.

The total consideration amounted to SR 46 million and was fully paid during the second quarter of 2011. Based on the share purchase agreement signed by the Company and the former owners of the subsidiary, the acquisition of the subsidiary includes all assets, liabilities, results of operations, trade name and the present and future trademarks effective January 1, 2011. Accordingly, the subsidiary's results were included fully from that date. The net assets of the acquired subsidiary amounted to SR 39.4 million and have been recognized at fair value.

The subsidiary has contributed SR 226.9 million of the group's revenues and with a net loss of SR 76.7 million of the group's net loss for the year ended December 31, 2012.

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 roads works. The company and its subsidiary are hereinafter referred to as "the Group".

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts, are recognized in the financial statements.

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 10 - Construction contracts
Note 27 - Contingent liabilities
Note 31 - Financial instruments

(e) Going concern

The consolidated 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. The Company has experienced a loss for the year ended December 31, 2012 amounting to SR 1,327.6 million. The Company's current liabilities exceeded its current assets by SR 1,541.6 million as of December 31, 2012 and additionally total liabilities exceed total assets by SR 979.7 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 November 5, 2012 to consider whether the Company shall continue to operate or to be dissolved before the expiry of the term specified in its bylaws. The shareholders voted unanimously in favour of continuing operations and also gave support to the recovery plan that was presented at the meeting.

2. BASIS OF PREPARATION (Continued)

(e) Going concern

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 early 2013, it cannot guarantee that all risk from earlier contracts has 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.

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

Significant events during the quarter ended December 31, 2012 which significantly impact the Company's position include:

- The termination of a major contract by a customer.
- A rescheduling of the repayment terms of short term facilities granted by lenders earlier in 2012 requiring repayment in the first quarter of 2013.
- The non-completion of proposed asset sales.
- Ongoing liquidity problems and resulting further delays in payments to suppliers.

The provisions booked in the year ended December 31, 2012 reflect the significant material uncertainties being experienced by the Company as it reduces its risk profile on existing projects and disposes of assets. These uncertainties, together with the absence of agreement on the financial restructuring plan with lenders, cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

These consolidated financial statements include the 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 financial statements. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

(b) Revenue recognition

Revenue on long-term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The percentage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract.

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

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

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

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

(c) Expenses

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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 per cent 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 decision. 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's share of profits or losses of the investee companies is credited or charged to the consolidated 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. Goodwill is tested annually for impairment 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 equipments

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 qualifying 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 statement of income when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipments (Continued)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of individual item of property and equipment.
The estimated depreciation rates of the assets are as follow:

	Percentage
Building and fabrication plants	5% with a 10% salvage value
Leasehold improvements	Over the lease period
Vessels	5% with a 10% salvage value
Machinery, tools and equipment	6.7% - 33% with a 10% salvage value
Motor vehicles	20% with a 10% salvage value
Office equipment	20%
Furniture and fixtures	20% - 33%

(i) Impairment of assets

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.

(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. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

(k) Deferred Charges

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

(l) 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 consolidated 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 statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employees' end of service benefits
Employees' end of service benefits, calculated in accordance with Saudi labour law, are accrued and charged to the consolidated 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 consolidated balance sheet date.

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

(o) Operating leases
Payments under operating leases are recognized in the 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

The movement in provision against contract costs for the year ended December 31 is as follows:

	For the year ended	
	December 31, 2012	December 31, 2011
Opening Balance	**270.9**	-
Additions during the year	**334.2**	270.9
Reversed during the year	**(123.1)**	-
Add: Net effect	**211.1**	270.9
Less: Utilized during the year	**(265.1)**	-
Balance, December 31	**216.9**	270.9

During the year, the Company provided SR 334.2 million against anticipated increases in the cost of projects. Due to actions taken to reduce the costs of completion of projects, including converting a certain lump sum contract into cost plus basis and securing an approval for certain change orders, the amount of SR 123.1 was reversed.

5. MANIFA SAIPEM PROJECT LOSSES

During July 2012, the independent review of Manifa Saipem Project identified significant risk with regards to the said project. The company has re-negotiated the contract with its client in order to prevent any future financial exposure to additional losses, by changing from a lump sum basis to a cost plus basis.

However, as part of the review and the change in contract scope, additional losses have been identified totalling to SR 355.2 million, which have been fully provided for as at December 31, 2012.

6. PRIOR YEAR ADJUSTMENTS

In the year ended 31 December 2012, management have identified the following prior year adjustments:

	2011
Project claims (Note 6.1)	(150.0)
Gulf Elite (Note 6.2)	(15.3)
Total prior year adjustments	(165.3)
Net loss for the year ended December 31, 2011, as previously stated	(959.4)
Net loss for the year ended December 31, 2011, as restated	**(1,124.7)**

6.1 Project claims – SR 150.0 million

This amount was recognised as a reduction to the contracted estimated costs to complete as at December 31, 2011, and hence reduced the estimated contract losses at that date by SR 150 million. The amount represents what management expected to be able to claim under the contract, after a review by an external third party. However, management are now of the view that an error was made as at 31 December 2011 and this amount should not have been recognised in the estimated costs to completion, as claim negotiations were not reached an advanced stage such that it is probable that the customer will accept the claim and the claim amount can be measured reliably to justify recovery of the amount. This is a requirement of the accounting standards and company's accounting policy.

The loss previously recorded for the year ended December 31, 2011, was SR 959.4 million. The adjustment, as described above, would have increased the loss to SR 1,109.4 million. Accordingly, (LPS) previously calculated was SR (7.6) per share would have increased to SR (8.8) per share.

Provision against the contract costs would have increased by SR 150 million to SR 261 million (previously SR 111 million) and accordingly total liabilities and shareholders' equity would also have reduced by this amount. The accumulated losses previously recorded for the year ended December 31, 2011, was SR 736.8 million and have now increased to SR 886.8 million. The effect of the above restatement on those consolidated financial statements is summarised below:

	Effect on 2011
(Increase) in Provision against contract costs	(150.0)
(Increase) in Net loss	(150.0)
Increase) in Provision against the contract costs	(150.0)
(Decrease) in equity	(150.0)

6.2 Gulf Elite – SR 15.3 million

The following prior year adjustments related to the financial statements of the Company's subsidiary, Gulf Elite ("the subsidiary"):

(a) Unbilled revenue – SR 5.4 million

This amount was recognised as at 31 December 2011. Management are of the view that an error was made as at 31 December 2011 because insufficient evidence existed to justify the recoverability of the balance. Therefore this amount has been de-recognised as at 31 December 2011.

The profit previously recorded for this project for the year ended 31 December 2011 was SR 5.4 million. The adjustment, as described above, would have decreased the revenue/profit by SR 5.4 million for the year ended 31 December 2011.

6. PRIOR YEAR ADJUSTMENTS (continued)

Unbilled revenue would have reduced by SR 5.4 million to SR 36.0 million as at 31 December 2011 (previously SR 41.4 million) and accordingly total assets would have also reduced by the same amount to SR 120.0 million (previously SR 125.4 million).

(b) Provision against the anticipated increase in projects costs – SR 9.9 million

This amount was not recognised as estimated costs to complete as at 31 December 2011 and hence reduced the estimated contract losses at that date by SR9.9 million. The amount represents what management expected to be able to claim under the contract. However, management are now of the view that an error was made as at 31 December 2011 and this amount should have been recognised in the estimated costs to complete, as claim negotiations were not at an advanced enough stage with the customer to justify recovery of the amount. This is a requirement of the accounting standards.

The adjustment, as described above, would have decreased the profit for this project by SR 9.9 million and provision against the contract costs would have increased by SR 9.9 million (previously nil).

The effect of the restatement on the subsidiary's financial statements, as well as the consolidated financial statements, is summarised below:

	Effect on 2011
(Increase) in Impairment expense of unbilled revenue	(5.4)
(Increase) in Provision against contract costs	(9.9)
(Increase) in Net loss	(15.3)
(Decrease) in unbilled revenue	(5.4)
(Increase) in Provision against contract costs	(9.9)
(Decrease) in equity	(15.3)

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, comprise of the following:

	2012	2011
Cash in hand	**4.1**	4.5
Cash at bank on current accounts	**54.0**	231.3
	58.1	235.8

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

8. ACCOUNTS RECEIVABLES, NET

Trade receivables at December 31 comprise the following:

	2012	2011
Contract receivables	**405.3**	424.9
Retention receivables – current portion	**32.1**	17.5
Impairment of book value (Note 12)	**(199.4)**	(39.3)
	238.0	403.1

As of December 31, 2012, contracts receivable included overdue amounts of SR 19.3 million (2011: SR 120 million) related to projects completed in prior years.

9. MAJOR CLIENTS

Revenues from five major clients amounted to almost SR 1.2 billion, which represents 83% from the company's revenue of the year ended December 31, 2012 (circa SR 1.3 billion, which represents 63% for the year ended December 31, 2011). In addition, the contract receivable balance and the retention receivables amount for these clients amounted to almost SR 236.8 million as of December 31, 2012 (circa SR 221 million as at December 31, 2011).

10. REVENUE RECOGNIZED IN EXCESS OF BILLINGS

	2012	2011
Costs incurred plus recognized profits to date	**4,372.4**	7,579.7
Less: Progress billings	**(3,740.5)**	(6,404.3)
Impairment/ write off of book value (Note 12)	**(153.3)**	(298.0)
	478.6	877.4

11. RETENTIONS RECEIVABLE

	2012	2011
Retentions receivable	**206.1**	177.9
Less: Current portion	**(32.1)**	(17.5)
Impairment of book value (Note 12)	**(32.4)**	(10.5)
	141.6	149.9

As of December 31, 2012, retentions receivable – noncurrent portion, included overdue amounts of SR 29.3 million (2011: SR 13.7 million) related to projects completed in prior years. The management is confident that there is no need for provisions for these amounts at the current time until the final settlements have been signed with the owners of those projects.

12. IMPAIRMENT OF ACCOUNTS AND RETENTIONS RECEIVABLE AND UNBILLED REVENUE

The movement in amounts provided in respect of impairment of accounts and retentions receivable and unbilled revenue is as follows:

	2012	2011
Balance, January 1	**49.8**	-
Additions during the year	**308.2**	347.8
Write off during the year	-	(298)
Balance, December 31	**358.0**	49.8
Accounts Receivable (Note 8)	**199.4**	39.3
Revenue recognized in excess of billing (Note 10)	**153.3**	-
Retentions Receivable (Note11)	**32.4**	10.5
Included in advances to customers	**(27.1)**	-
	358.0	49.8

13. INVENTORIES, NET

Inventories at December 31 comprise the following:

	2012	2011
Raw materials and spare parts at warehouses	**216.0**	182.2
Marine vessels spare parts	**7.3**	7.5
Others	**0.1**	0.2
Less: Provision for obsolete materials	**(15.9)**	-
	207.5	189.9

14. 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 December 31, 2012 following the commitment of the Company's management, in September 2012, to a plan to sell part of the assets. Efforts to sell the disposal group have commenced, and a sale is expected by April 2013. At December 31, 2012 the disposal group comprised net assets of SR 313.7 million.

Impairment losses for the year of SR135.1 million include an amount of SR 119.8 million on the re-measurement of the potential disposals of property, plant and equipment, to the lower of its carrying amount and its fair value less cost of sales, has been recognized in the consolidated statement of income.

15. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets at December 31 comprise the following:

	2012	2011
Prepaid expenses	**26.7**	22.3
Employee receivables	**13.6**	15.9
Others	**6.4**	6.6
	46.7	44.8

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings, fabrication plants & leasehold improvements	Vessels	Machinery, equipment & tools	Vehicles	Office equipment	Furniture & fixtures	Capital work in progress	Total
Cost									
At January 1, 2012	91.1	422.3	271.1	997.1	124.7	34.1	38.8	104.8	2,084.0
Additions	-	14.7	25.0	24.4	4.4	2.6	0.3	73.1	144.5
Disposals	(38.9)	(2.1)	-	(13.8)	(12.1)	(3.5)	-	-	(70.4)
Transfer to assets for resale	-	(140.0)	(378.5)	(122.0)	-	-	-	(89.5)	(730.0)
Other transfers	-	-	82.4	10.0	(10.0)	-	0.1	(82.5)	-
Balance at December 31, 2012	**52.2**	**294.9**	-	**895.7**	**107.0**	**33.2**	**39.2**	**5.9**	**1,428.1**
Accumulated depreciation									
At January 1, 2012	-	131.8	145.9	536.7	92.0	18.1	27.0	-	951.5
Charge for the year	-	21.9	14.6	91.1	10.5	5.8	5.3	-	149.2
Impairment losses	-	-	-	15.3	-	-	-	-	15.3
Disposals	-	(1.9)	-	(11.9)	(10.6)	(2.9)	-	-	(27.3)
Transfer to assets for resale	-	(40.6)	(160.5)	(95.4)	-	-	-	-	(296.5)
Other transfers	-	0.6	-	(0.2)	0.2	-	(0.6)	-	-
Balance at December 31, 2012	-	**111.8**	-	**535.6**	**92.1**	**21.0**	**31.7**	-	**792.2**
Net book value at December 31, 2012	**52.2**	**183.1**	-	**360.1**	**14.9**	**12.2**	**7.5**	**5.9**	**635.9**
Net book value at December 31, 2011	91.1	290.5	125.2	460.4	32.7	16.0	11.8	104.8	1,132.5

Certain building are constructed on land leased from the government of the Kingdom of Saudi Arabia.

17. SHORT TERM MURABAHA FACILITIES

The Company obtained new facilities of SR 196 million in July 2012 as part of a facility agreement with lenders and in addition letters of credit of SR 147 million were refinanced during the year. Total short-term Murabaha facilities amount to SR 1.5 billion (SR 1.8 billion as of December 31, 2011) and were granted by local commercial banks to finance the Company's working capital requirements. These facilities are secured against pledges of certain fixed assets and performance bonds, corporate guarantee from the Company and its subsidiary, the issuance of promissory notes, personal guarantees from the major shareholder and assignment of projects proceeds in favour of these banks. The outstanding balance of short term Murabaha facilities is SR 1.5 billion as of December 31, 2012 (SR 1.2 billion as at December 31, 2011). The Murabaha facilities charges are calculated on the basis of SIBOR plus an agreed margin.

The movements shown in the Consolidated Statement of Cash Flows for short term Murabaha facilities reflect the periodic roll-over of these facilities and the increase in 2012 over 2011 reflects an adjustment in the average term of the facility from three months to 30 days.

18. LONG-TERM MURABAHA FACILITIES

The Company has entered into a long-term Murabaha facility agreement with a local commercial bank, for letters of credit and advance payments to the suppliers of shipping vessels, amounting to SR 180 million to finance the purchase of six vessels which will support the Company's offshore projects and operations. As at December 31, 2012, the company had drawn down a total amount of SR 168.9 million (SR 135.0 million as at December 31, 2011) through a Murabaha sale agreement, which is repayable in 23 equal quarterly instalments, commencing on March 31, 2011, and the last instalment will be due on September 30, 2016. These facilities are secured by promissory notes and the assignment of the marine service project's proceeds in the favour of this bank. As at December 31, 2012, the outstanding balance amounted to SR 160.1 million (SR 113.3 million as at December 31, 2011).

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 requires that the Company maintains certain financial ratios in addition to other financial covenants. The outstanding balance as at December 31, 2012 amounted to SR 42 million (SR 42 million as at December 31, 2011) and is repayable in 12 equal quarterly instalments commencing March 31, 2012 and the last instalment will be due on December 31, 2014.

During 2011, the Company has 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 certain of the Company's ongoing projects in the favour of this bank. The outstanding balance as of December 31, 2012, amounted to SR 50 million (SR 50 million as at December 31, 2011) and is repayable in 15 equal monthly instalments commencing January 31, 2013 and the last instalment will be due on March 31, 2014.

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 December 31, 2012.

19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at December 31 comprise of the following:

	2012	2011
Accrued project purchases	**120.6**	338.5
Accrued project expenses	**51.8**	37.6
Zakat payable (note 22)	**0.9**	1.2
Accrued employees' vacation and air ticket expenses	**27.1**	32.0
Accrued Murabaha facilities charges	**7.2**	5.8
	207.6	415.1

20. RELATED PARTIES TRANSACTIONS AND RESULTING BALANCES

The significant transactions and the related amounts for the years ended December 31, 2012 and 2011 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
Saudi National Development Training Institute Company	Subsidiary

During the year the Company transacted with the following related parties. The terms of those billings and charges are undertaken at mutually agreed terms:

	2012	2011
Subordinate loan *	**100.0**	-
Purchases of material and projects supplies	**18.0**	44.6
Purchases of air tickets	**21.2**	21.3
Training fees	**0.7**	-

Due to related parties as of December 31, are comprised of the following:

	2012	2011
Mohammad al Mojil and Partners Supply & Services Co.	**18.0**	28.0
Mohammad al Mojil and Partners Travel & Tourism Agency Co.	**2.5**	0.5
Saudi National Development Training Institute Company	**0.7**	-
Total due to related parties	**21.2**	28.5
Subordinated loan - Al Mojil Investment Limited *	**100.0**	-

*During the year, Al Mojil Investment Limited granted the company a Subordinate loan which does not bear any finance charges, has no repayment terms and does not attract any security.

21. EMPLOYEES OF SERVICE BENEFITS

	2012	2011
Balance as at January 1	**114.9**	93.9
Balance as at January 1 of the subsidiary	-	3.1
Additions during the year	**33.3**	30.5
Payments during the year	**(21.6)**	(12.6)
Balance as at December 31	**126.6**	114.9

22. ZAKAT

The principal elements of the zakat base are as follows:

	2012	2011
Share capital	**1,250.0**	1,250.0
Statutory reserve	-	119.7
(Accumulated Losses) Retained earnings (as previously stated)	**(736.8)**	196.7
Prior year adjustment	**(165.3)**	-
Loss before zakat	**(1,202.6)**	(958.3)
Employees end-of-service benefits	**93.3**	81.3
Property, plant and equipment	**(936.1)**	(1,117.3)
Spare parts	**(11.1)**	(172.0)

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

The movement in zakat provision is as follows:

	2012	2011
Balance at beginning of the year	**1.2**	16.3
Add: Charge for the year	**0.6**	1.1
Less: Payments during the year	**(0.9)**	(16.2)
Balance at the end of the year	**0.9**	1.2

Status of assessments

The Company has submitted its financial statements and zakat returns up to 2007 and for the period from November 10, 2007 up to December 31, 2011 to the DZIT and obtained the final zakat assessments up-to December 31, 2006. The Company's zakat assessments for the years from 2007 up to 2011 have not yet been finalized and are still under review by the DZIT.

The Subsidiary has submitted and paid its zakat returns up to the year ended December 31, 2011 and has obtained the required zakat certificates and official receipts. The Subsidiary has received the final zakat assessment up to the year 2005. Zakat assessments for the years from 2006 up to 2011 have not yet been finalized and are still under review by the DZIT.

23. SHARE CAPITAL

The paid-up share capital of the company as of December 31, 2012, and December 31, 2011, amounted to SR 1.25 billion and is divided into 125 million shares of SR 10 each.

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

25. DIVIDENDS PAID

The Company's Board of Directors in their meeting held on 7 Jumada I, 1432 (April 11, 2011) recommended to distribute cash dividends to the stockholders of SR 93.75 million from the retained earnings of 2010, the equivalent of 75 Halalahs for each outstanding share as at December 31, 2010. The board also recommended that a bonus to be paid for the members of the board of director amounting to SR 1 million for the year ending December 31, 2010. The General Assembly, in their meeting held on May 30, 2011, approved the Board of Directors' recommendations.

26. OPERATING LEASE

The Company has various operating leases for office space, warehouses and employee accommodation. The leases are for initial period for one year with options to renew the leases after lease periods. Lease payments are either fixed or increase annually to reflect market rentals. Rental expenses for the year ended December 31, 2012 amounted to SR 5.0 million (December 31, 2011: SR 5.1 million).

At December 31, the Company's obligations under ongoing operating leases are payable as follows:

	2012	2011
Within one year	**4.4**	5.3
Between two and five years	**2.9**	8.6
More than five years	**0.2**	4.3
	7.5	18.2

27. COMMITMENTS AND CONTINGENCIES

At December 31, the Company has the following contingencies:

	2012	2011
Letters of Credit	**91.0**	201.5
Letters of Guarantee	**848.7**	1,250.5

At December 31, 2012, the Company had future capital commitments amounting to SR 5.8 million. These capital expenditures are related to purchase of vessels to support the Company's operations.

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.

After the signing, on January 30, 2013, of the consolidated interim financial statements for the three month period and year ended December 31, 2012, a bank formally informed the Company that it had paid an amount of SR 45.0 million to a beneficiary in respect of advance payment bonds and performance bonds issued by the bank to the beneficiary on behalf of the Company (see Note 33).

28. LOSSES PER SHARE (LPS)

Losses per share for the year have been computed by dividing the net (loss) for each year by the weighted-average number of ordinary shares outstanding during the years ended December 31, 2012, and December 31, 2011, totalling to 125 million shares.

29. SEGMENT INFORMATION

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

30. GENERAL AND ADMINSTRATIVE EXPENSES

	2012	2011
Employee salaries and related benefits	**57.8**	66.9
Rent	**11.3**	10.9
Professional and consultancy fees	**27.1**	6.9
Software licenses and maintenance	**6.5**	4.1
Business trips and transportation	**3.9**	2.2
Stationary and Printing	**0.7**	0.9
Communication expenses	**1.2**	3.4
Other	**9.6**	5.8
	118.1	101.1

31. 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 borrowings, 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. Accounts receivable balance and the retentions receivable from five major clients amounted to almost SR 236.8 million, which represents 62% from the total receivables as of December 31, 2012 (see note 9) . 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 Group's financial position and cash flows. The Group's interest rate risk arise mainly from short term bank deposits and bank debts and long term 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 Group 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 Group'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 raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

As a result of arrangements put in place with the Company's lenders in July 2012, access to funds is subject to approval by the 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 consolidated 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 Group's financial assets and liabilities are not materially different from their carrying values.

32. COMPARATIVE FIGURES

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

33. SIGNIFICANT EVENTS

A number of significant events have occurred since the consolidated interim financial statements for the three month period and year ended December 31, 2012 were signed on 30th January 2013. These have resulted in material adjustments to the consolidated financial statements for the year ended on December 31, 2012:

(a) Payment of bonds – SR 45.0 million
On 18th February 2013, a bank formally informed the Company that it had paid an amount of SR 45.0 million to PSA 2000 Saudi Arabia Limited ("the beneficiary") in respect of advance payment bonds and performance bonds issued by the bank to the beneficiary on behalf of the Company. The related contract had been prematurely terminated in December 2012 and appropriate provisions were made in the interim financial statements. The Company disputes the underlying basis for and amount paid in respect of the bonds. The Company attempted to secure an injunction against both the bank and the beneficiary to prevent payment being made but this could not be executed in time. The Company has now commenced arbitration to recover the amount paid as well as other sums due to the Company in respect from unpaid invoices. The company fully expects to recover this money through arbitration but has decided to provide for the potential liability until such time the arbitration has been concluded.

(b) Non-availability of working capital to complete project – SR 63.4 million
The Company has engaged in a programme of re-negotiating fixed price contracts previously entered into. In the case of one of the remaining fixed price contracts, negotiations to ensure the availability of the working capital required to complete the project have not progressed as expected. The Company is therefore seeking alternative solutions to resolve the problem and based on this uncertainty, has decided to provide SR 63.4 million in respect of unbilled revenue for this contract until a solution has been both identified and executed.

(c) Non-availability of working capital resulting in project delay– SR 10.0 million
The non-availability of working capital has continued to restrict the Company's ability to pay sub-contractors on a specific project and potentially delays project completion. The Company has therefore decided to make a further provision for contract costs of SR 10 million, representing approximate operational costs of extending project completion by a period of two months.

33. SIGNIFICANT EVENTS (continued)

The impact of these and other adjustments on the net loss for the year ended December 31, 2012 is as follows:

	Effect on 2012
Payment of bonds	(45.0)
Non-availability of working capital to complete project	(63.4)
Non-availability of working capital resulting in project delay	(10.0)
Prior year adjustment – Gulf Elite	15.3
Write off of Goodwill	(6.6)
Other Adjustments	(15.0)
	(124.7)
Net (loss) per Consolidated Interim Financial Statements	(1,202.9)
Net (loss) for the year	**(1,327.6)**

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 9 Rabi Al Thani 1434H, corresponding to February 19, 2013.