

**ABDULLAH ABDUL MOHSIN AL-KHODARI SONS
COMPANY**

(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT FOR THE YEAR
ENDED DECEMBER 31, 2017**

ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Abdullah Abdul Mohsin Al-Khodari Sons Company - Joint Stock Company
Al-Khobar -Kingdom of Saudi Arabia

Qualified Report on the Audit of Consolidated Financial Statements**Qualified Opinion**

We have audited the consolidated financial statements of Abdullah Abdul Mohsin Al-Khodari Sons Company (a Saudi Joint Stock Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for qualified opinion

As of December 31, 2017, the contracts in progress were SR 1.39 billion (2016: SR 1.35 billion) and trade and other receivables were SR 592.97 million (2016: SR 631.23 million) out of which SR 1.01 billion and SR 305 million respectively are outstanding more than one year. As required by the International Financial Reporting Standards, the management has carried out an exercise to assess the impairment of the said contract assets as of December 31, 2017 but no additional impairment was booked based on the said exercise. Moreover, the assumptions and information used in the said impairment exercise were based on management's own judgments and we were not provided with detailed workings substantiated with proper evidence to support these. In the absence of a detailed and proper impairment exercise, we were unable to determine whether any adjustment for credit loss provision was required to be made against these contract assets.

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty relating to going concern

Without further qualifying our opinion, we draw attention to Note 2.4 to the consolidated financial statements which indicates that the Group has incurred a gross loss of SR 43.7 million (2016: SR 24.9 million) and net loss of SR 101.4 million (2016: SR 119.3 million). During the year 2017, the Group's revenue has been decreased significantly by 50%. As of December 31, 2017, the accumulated losses of the Group were SR 14.4 million. As stated in note 2.4, these events or conditions, in addition to the difficulties faced by the Group in the collection of receivables and obtaining the necessary liquidity, along-with the other matters as set forth therein, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters are as follows:

Going concern	
Refer to note 2.4 for the related disclosure.	
Key audit matter	How the matter was addressed in our audit
<p>The Group has incurred a gross loss of SR 43.7 million (2016: SR 24.9 million) and net loss of SR 101.4 million (2016: SR 119.3 million) and revenue of the Group has been decreased drastically by 50% in 2017. As of December 31, 2017, the accumulated losses of the Group were SR 14.4 million.</p> <p>We considered going concern of the Group as a key audit matter due to the significant judgment and key assumptions involved in the management's assumption of its ability to continue as a going concern.</p>	<p>Our audit procedures to assess the appropriateness of the Group's ability to continue as a going concern included the following:</p> <ul style="list-style-type: none"> - Identify and analysis of indicators of possible going concern issues relevant to Group; - Obtained management future forecasts and verified by assessing the reasonableness of the assumptions in respect of estimated future cash flows, growth and performed a sensitivity analysis on these key assumptions; - Analysed the key assumptions used in the cash flow forecasts and discussed with the those charged with the governance; - Obtained comfort letters from relevant parties confirming the financial support for the Group; - Discussed the mitigation plans with the management and assessed the reasonableness of such mitigation plans and - Reviewed the disclosures in the consolidated financial statements against the requirements of International Auditing Standards.

First time adoption of International Financial Reporting Standards (IFRS)

Refer to note 2 for the first-time adoption of IFRS and note 6 for related disclosures

Key audit matter

For all periods up to and including the year ended December 31, 2016, the Company prepared and published its financial statements in accordance with generally accepted accounting standards in Kingdom of Saudi Arabia (KSA) issued by SOCPA. With effect from January 01, 2017, the Group is required to prepare and present its consolidated financial statements in accordance with IFRS as endorsed by SOCPA and other pronouncements and standards issued by the SOCPA (IFRS as endorsed in KSA). Accordingly, the Group has prepared its consolidated financial statements for the year ended December 31, 2017 under IFRS as endorsed in KSA including early adoption of *IFRS 9 – Financial Instruments* and *IFRS 15 – Revenue from Contracts with Customers*.

As part of this transition to IFRS as endorsed in KSA, the management, with the assistance of external Consultants, performed a detailed gap analysis to identify differences between previous reporting framework and IFRS as endorsed in KSA, determined the transition adjustments in the light of said gap analysis and relevant requirements of IFRS 1 – First time adoption and assessed the additional disclosures required in the consolidated financial statements. We considered it as a key audit matter as the basis of accounting is fundamental to the presentation and preparation of the consolidated financial statements.

How the matter was addressed in our audit

Our audit procedures included the following:

- considering the process to identify all necessary adjustments as of transition date i.e. January 1, 2016 and on subsequent periods especially where the adjustments required management to exercise judgment;
- evaluating the results of management's analysis and key decisions taken in respect of the transition using our knowledge of the relevant requirements of the IFRS as endorsed in KSA and our understanding of the Group's operations and business;
- assessing the appropriateness of accounting policies adopted and testing samples of adjustments made to respective balances and transactions to bring these in line with the requirement of IFRS as endorsed in KSA;
- evaluating the disclosures made in the annexed consolidated financial statements and ensuring that these are appropriate, accurate and in line with the requirements of IFRS as endorsed in KSA.

<i>Revenue recognition</i>	
Refer to note 25 for the related disclosure.	
Key audit matter	How the matter was addressed in our audit
<p>The Group has early adopted <i>IFRS 15 – Revenue from Contracts with Customers</i> as of January 01, 2017 according to which it recognizes revenue upon the satisfaction of performance obligations attached to the contracts, which occurs when control of the good or service transfers to the customer. For performance obligations satisfied over time, the revenue is recognized by measuring the progress towards complete satisfaction of that performance obligation by applying input method based on costs incurred relative to total estimated costs, and therefore relies on estimates in relation to the final out-turn of costs on each contract. Contingencies may also be included in these estimates of cost to take account of specific risks, or claims against the Group, arising within each contract. Further, estimates are involved in recognizing modifications / variations and claim both on service and construction contracts. Changes to these estimates could give rise to material variances in the amount of revenue and margin recognised.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> considered the financial performance of the selected contracts against budget and historical trends to assess the historical accuracy of judgment in the recognition of claims and variations as well as the final out-turn on contracts and considering whether this information is consistent with the estimates made by the Group; challenged the Group's judgment in respect of cost estimation and the recoverability of contract balances by agreeing contract valuation positions to third party certificates, reviewed contract terms and conditions, interviewed and challenged contract/project managers and reviewed correspondence with customers; inspected contracts for key clauses and assessing whether these key clauses have been appropriately reflected in the amounts recognised in the consolidated financial statements; carried out site visits to certain higher risk and larger value contracts, physically inspected the stage of completion of individual projects and identified areas of complexity through observations and discussion with site personnel; Re-computed the progress towards the completion of projects and agreed with the estimations made by the management for the same.

Impairment of property plant and equipment	
Refer to note 4.7 for the accounting policy and note 7 for related disclosures.	
Key audit matter	How the matter was addressed in our audit
The Property, Plant and Equipment (PPE) constitute 77% of the total non-current assets of the Group as of December 31, 2017. Due to operational losses, the management has tested its PPE for impairment. PPE mainly includes construction equipment and vehicles which are used in a project. Once the project is completed or substantially completed, these assets are disposed of and therefore management considers its fair value less cost of disposal as a benchmark to determine impairment.	We have checked the recent sale transactions and noted that these assets have good market prices and therefore were disposed of with profits showing that their fair values are higher than their carrying values. The cost of disposal in this regard is immaterial. We also inspected a sample of major construction equipment physically and found that these are in good condition.

Borrowings	
Refer to note 20 for the related disclosure.	
Key audit matter	How the matter was addressed in our audit
<p>The Group has third party borrowings as at December 31, 2017 amounted to SR 767 million (2016: SR 880 million) out of which SR 355 million is payable within 1 year (2016: SR580 million). A part of these loans are repayable upon collection of contract proceeds and accordingly, the current portion includes such loans based on Group's best estimates of the proceeds expected from future billings.</p> <p>These loans are subject to compliance with certain loan covenants which include maintenance of certain financial ratios and other conditions.</p> <p>We considered borrowings of the Group as a key audit matter due to the requirements to comply with above mentioned covenants and the significance of the balances appearing the statement of financial position.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - Obtained loan agreements and understand the key terms and loan covenants; - Checked the accuracy of the current and non-current maturity of loans and checked the reasonableness of estimates made thereon; - Obtained and agreed third party confirmation to the balances appearing in the consolidated statement of financial position; - Assessed the compliance with loan covenants and; - Reviewed the disclosures in the consolidated financial statements against IFRS.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged with Governance ("TCWG") for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and pronouncements endorsed by SOCPA and Regulations of Companies requirements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those Charged with Governance, in particular the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

conducted in accordance with ISAs endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the management and Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged With Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged With Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further we confirm that in our opinion the consolidated financial statements comply with requirements of the Regulations for Companies and the Group's By-laws with respect to the preparation and presentation of consolidated financial statements.

For Dr. Mohamed Al-Amri & Co.



Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



Rajab 14, 1439 (H)
March 31, 2018 (G)

ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017
(Expressed in Saudi Riyals)

	Notes	December 31, 2017	December 31, 2016 (Note 6)	January 01, 2016 (Note 6)
ASSETS				
Non-current assets				
Property, plant and equipment	7	190,132,054	314,727,108	446,478,416
Intangible assets	8	1,279,630	1,715,034	2,032,570
Trade and other receivables	9	-	-	30,593,061
Other assets	10	55,891,864	85,405,170	148,753,947
		<u>247,303,548</u>	<u>401,847,312</u>	<u>627,857,994</u>
Current assets				
Inventories	11	49,269,131	60,050,792	69,432,491
Trade and other receivables	9	592,972,135	631,229,267	625,910,752
Contracts in progress	12	1,386,287,616	1,347,149,382	1,408,077,950
Deposits, prepayments and other current assets	13	208,430,087	254,816,976	366,320,193
Cash and cash equivalents	14	35,116,663	73,784,743	112,541,269
		<u>2,272,075,632</u>	<u>2,367,031,160</u>	<u>2,582,282,655</u>
Assets classified as held for sale	15	1,015,864	2,460,075	14,346,136
		<u>2,273,091,496</u>	<u>2,369,491,235</u>	<u>2,596,628,791</u>
TOTAL ASSETS		<u>2,520,395,044</u>	<u>2,771,338,547</u>	<u>3,224,486,785</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	16	557,812,500	557,812,500	531,250,000
Statutory reserve	17	70,988,856	70,988,856	70,988,856
Contribution from a related party	21	24,119,229	15,278,074	15,278,074
Translation reserve	17	(351,902)	(392,753)	(312,786)
Other reserve	17	558,911	558,911	554,548
(Accumulated losses) / retained earnings		<u>(14,392,889)</u>	<u>81,441,463</u>	<u>228,965,635</u>
Equity attributable to owners of the Company		<u>638,734,705</u>	<u>725,687,051</u>	<u>846,724,327</u>
Non-controlling interests		547,612	555,816	579,981
		<u>639,282,317</u>	<u>726,242,867</u>	<u>847,304,308</u>
Non-current liabilities				
Trade and other payables	19	87,064,399	119,949,952	148,195,963
Borrowings	20	411,883,764	300,340,926	646,213,409
Loan from a related party	21	106,158,845	124,621,253	119,721,926
Employees benefit obligations	22	59,054,300	61,003,800	63,287,700
Provisions and other liabilities	23	31,465,115	31,531,954	34,122,111
		<u>695,626,423</u>	<u>637,447,885</u>	<u>1,011,541,109</u>
Current liabilities				
Trade and other payables	19	654,303,096	768,082,084	841,925,705
Borrowings	20	355,497,607	579,596,216	456,091,357
Current portion of loan from a related party	21	129,706,859	-	-
Dividend payable	24	466,597	1,663,647	1,663,647
Provisions and other liabilities	23	45,512,145	58,305,848	65,960,659
		<u>1,185,486,304</u>	<u>1,407,647,795</u>	<u>1,365,641,368</u>
TOTAL EQUITY AND LIABILITIES		<u>2,520,395,044</u>	<u>2,771,338,547</u>	<u>3,224,486,785</u>

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.


Sohail Saeed
Finance Manager


Ali Al-Khodari
Chairman


Fawwaz Al-Khodari
Chief Executive Officer

ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in Saudi Riyals)

	Notes	December 31, 2017	December 31, 2016 (Note 6)
Revenues		519,466,019	1,060,031,299
Cost of revenue		(563,123,785)	(1,084,987,735)
Gross loss		(43,657,766)	(24,956,436)
Selling and distribution expenses	26	(4,593,042)	(6,623,983)
General and administrative expenses	27	(33,826,318)	(47,200,645)
Other income	28	54,603,356	43,536,035
Operating loss		(27,473,770)	(35,245,029)
Finance cost	29	(73,888,061)	(80,084,692)
Finance income	30	2,166,863	2,044,352
Loss before zakat		(99,194,968)	(113,285,369)
Zakat	31	(2,250,000)	(6,055,316)
Net loss for the year		(101,444,968)	(119,340,685)
Other comprehensive income / (loss)			
<i>Items that may be reclassified to profit or loss</i>			
Gain / (loss) on translation of foreign operations		40,963	(78,456)
<i>Items that will not be reclassified to profit or loss</i>			
Gain / (loss) on remeasurement of employees benefit obligations	22	5,602,300	(1,642,300)
Other comprehensive income / (loss)		5,643,263	(1,720,756)
Total comprehensive loss for the year		(95,801,705)	(121,061,441)
Net loss attributable to:			
Owners of the Company		(101,436,652)	(119,317,337)
Non-controlling interests		(8,316)	(23,348)
		(101,444,968)	(119,340,685)
Total comprehensive loss attributable to:			
Owners of the Company		(95,793,501)	(121,037,276)
Non-controlling interests		(8,204)	(24,165)
		(95,801,705)	(121,061,441)
Loss per share			
- Basic	18	(1.82)	(2.14)
- Diluted	18	(1.82)	(2.14)

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.


Sohail Saeed
Finance Manager


Ali Al-Khodari
Chairman


Fawwaz Al-Khodari
Chief Executive Officer

ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

(Expressed in Saudi Riyals)

	Share capital	Statutory reserve	Contribution from a related party	Translation reserve	Other reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
At January 01, 2016	531,250,000	70,988,856	15,278,074	(312,786)	554,548	228,965,635	846,724,327	579,981	847,304,308
Loss for the year	-	-	-	-	-	(119,317,337)	(119,317,337)	(23,348)	(119,340,685)
Other comprehensive loss for the year	-	-	-	(79,967)	4,363	(1,644,335)	(1,719,939)	(817)	(1,720,756)
Total comprehensive loss for the year	-	-	-	(79,967)	4,363	(120,961,672)	(121,037,276)	(24,165)	(121,061,441)
Issuance of bonus shares	26,562,500	-	-	-	-	(26,562,500)	-	-	-
At December 31, 2016	557,812,500	70,988,856	15,278,074	(392,753)	558,911	81,441,463	725,687,051	555,816	726,242,867
At January 01, 2017	557,812,500	70,988,856	15,278,074	(392,753)	558,911	81,441,463	725,687,051	555,816	726,242,867
Loss for the year	-	-	-	-	-	(101,436,652)	(101,436,652)	(8,316)	(101,444,968)
Other comprehensive loss for the year	-	-	-	40,851	-	5,602,300	5,643,151	112	5,643,263
Total comprehensive loss for the year	-	-	-	40,851	-	(95,834,352)	(95,793,501)	(8,204)	(95,801,705)
Fair value impact of loan from a related party	-	-	8,841,155	-	-	-	8,841,155	-	8,841,155
At December 31, 2017	557,812,500	70,988,856	24,119,229	(351,902)	558,911	(14,392,889)	638,734,705	547,612	639,282,317

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.


Fawwaz Al-Khodari
Chief Executive Officer


Ali Al-Khodari
Chairman


Fahad Saeed
Finance Manager

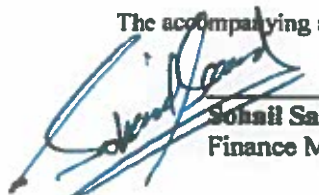
ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Saudi Riyals)

	December 31, 2017	December 31, 2016 (Note 6)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before zakat	(99,194,968)	(113,285,369)
<i>Adjustments for non-cash items to reconcile profit before zakat to net cash flows</i>		
Depreciation	95,349,728	125,619,938
Amortisation of intangible asset	562,772	317,536
Amortisation of mobilisation cost	7,467,768	30,563,144
Provision for employees' benefit obligations	8,202,700	9,539,500
Net finance costs	71,721,198	78,040,340
Gain from disposal of property, plant and equipment	-	(351,503)
Gain from disposal of assets classified as held for sale	(30,804,750)	(13,943,737)
Provision for impairment on trade receivables	-	3,886,868
<i>Working capital adjustments</i>		
Inventories	10,781,661	9,381,699
Trade and other receivables	38,257,132	21,387,677
Contracts in progress	(39,138,234)	60,928,568
Deposits, prepayments and other current assets	68,432,427	144,288,851
Trade and other payables	(149,932,991)	(105,711,083)
Provisions and other liabilities	(11,719,883)	(12,644,287)
Cash (used in) generated from operating activities	(30,014,640)	238,018,142
Finance charges paid during the period	(61,187,942)	(72,535,190)
Zakat paid	(3,391,459)	(3,655,997)
Employees' end of service obligations paid	(6,729,100)	(15,349,400)
Net cash (used in) generated from operating activities	(101,323,141)	146,477,555
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(9,301,536)	(29,297,762)
Proceeds from disposal of property, plant and equipment	-	900,000
Proceeds from disposal of assets classified as held for sale	70,795,823	60,710,434
Acquisition of intangible assets	(127,368)	-
Net cash generated from investing activities	61,366,919	32,312,672
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(223,296,797)	(524,078,120)
Proceeds from borrowings	110,741,026	306,609,823
Loan from a related party	115,000,000	-
Dividend paid	(1,197,050)	-
Net cash generated (used in) financing activities	1,247,179	(217,468,297)
Net change in cash and cash equivalents	(38,709,043)	(38,678,070)
Net foreign currency translation difference	40,963	(78,456)
Cash and cash equivalents at January 01,	73,784,743	112,541,269
Cash and cash equivalents at December 31,	35,116,663	73,784,743

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.


Sohail Saeed
Finance Manager


Ali Al-Khodari
Chairman


Fawwaz Al-Khodari
Chief Executive Officer

ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

(Expressed in Saudi Riyals)

1. GENERAL INFORMATION

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 January 30, 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 May 11, 2009).

On June 27, 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 October 23, 2010, the shares of the Company have been listed at Saudi Stock Exchange. As at September 30, 2017, the share capital of the Company comprises of 55,781,250 shares of SR 10 each.

The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050022550. The head office of the Company is located in Al- Khobar and following are the details of the branches of the Company:

Sr. No.	Commercial Registration Number of Branch	Branch Location	Commercial Registration Expiry Date
1	2055010732	Al-Jubail, Kingdom of Saudi Arabia	19/07/1440H
2	2051022661	Al-Khobar, Kingdom of Saudi Arabia	19/02/1444H
3	2050046483	Al-Dammam, Kingdom of Saudi Arabia	09/06/1440H
4	4700004976	Yanbu, Kingdom of Saudi Arabia	09/06/1440H
5	2051020011	Al-Khobar, Kingdom of Saudi Arabia	09/06/1440H
6	4030091835	Jeddah, Kingdom of Saudi Arabia	09/06/1440H
7	4650023682	Al-Madina Al-Munawara, Kingdom of Saudi Arabia	09/06/1440H
8	2050055132	Al-Dammam, Kingdom of Saudi Arabia	17/05/1439H
9	2051022869	Al-Khobar, Kingdom of Saudi Arabia	13/06/1444H
10	CN-1207723	Abu Dhabi, United Arab Emirates	21/10/2018G
11	EXT-707	Republic of Ghana	21/05/2017G*
12	343067	State of Kuwait	26/09/2018G
13	1010366806	Al-Riyadh, Kingdom of Saudi Arabia	27/04/1444H
14	86824-1	Kingdom of Bahrain	12/09/2018G
15	3450015250	ARAR, Kingdom of Saudi Arabia	02/08/1442H
16	1010461107	Al-Riyadh, Kingdom of Saudi Arabia	02/08/1442H
17	5900034604	Jizan, Kingdom of Saudi Arabia	02/08/1442H
18	4032050375	Taif, Kingdom of Saudi Arabia	02/08/1442H
19	2511024989	Hafr Al-Batin, Kingdom of Saudi Arabia	02/08/1442H

* As at December 31, 2017, CRs of one branch of the Group was expired. The management of the Group is in the process of renewing the expired CR.

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At December 31, 2017, the Company has investments in the following subsidiaries (collectively referred to as “the Group”):

Subsidiary name	Country of incorporation	Principal business Activity	Ownership interest (%)	
			December 31, 2017	December 31, 2016
Abdulla Abdul Mohsin Al Khodari Sons Company, Qatar	Qatar	Construction and Contracting	100%	100%
Al Khodari International group of Contracting L.L.C., Kuwait	Kuwait	Construction and Contracting	99%	99%
Al Khodari International, Abu Dhabi	United Arab Emirates	Construction and Contracting	49%	49%

The Group 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, chasis, 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, aluminium, 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 system, 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/ constructions, generators and turbines, stoves, stacks and rust removal machines.

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- Construction, operation and maintenance of power plants, electrical utilities, desalination plants, sewerage treatment plants, petrochemical factories, gas and oil refineries, cement factories, industrial facilities.
- Industrial work contracts related to construction of factories, extension of oil and gas pipelines and petrochemical works.
- Commercial services related to brokerage other than exchange and real estate works.
- Commercial agencies, after registration of each agency with the ministry of commerce.
- Operation and maintenance of electrical and electronic systems and computers.
- Import and export services, marketing for others, cooked and uncooked food services, inspection interview services, packaging and shipment
- Maintenance and repair of cars.
- Wholesale and retail trading/ renting of light arid heavy equipment.
- Water works, sewerage, maintenance, landscaping and cleaning contracts.

2. BASIS OF PREPARATION

2.1 First-time adoption of International Financial Reporting Standards (“IFRS”)

For all years up to and including the year ended December 31, 2016, the Group prepared its financial statements in accordance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants (SOCPA). These consolidated financial statements for the year ended December 31, 2017 are the first annual consolidated financial statements the Group which has been prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia.

Refer to note 6 for information on the first time adoption of IFRS by the Group.

2.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

2.3 Historical cost convention

These financial statements are prepared under the historical cost convention, except for certain employees benefits in which actuarial present value calculations are used.

The financial statements are presented in Saudi Riyals (SR), which is also the functional currency of the Group.

2.4 Going concern

The Group has incurred a gross loss of 43.7 million (2016: SR 24.9 million) and net loss of SR 101.4 million (2016: SR 119.3 million). As of December 31, 2017, the accumulated losses of the Group were SR 14.4 million. Due to economic slow-down and difficulties in obtaining settlement from customers, the Group is facing problems in paying its suppliers in the normal course of business. Further, there was no major new project commissioned during the year. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. However, the management of the Group is confident that due to steps / measures / mitigation plan explained in the following paragraphs, the going concern assumption is appropriate and as such, these consolidated financial statements have been prepared on a going concern basis.

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The major business of the Group is with the Government which is considered to have no credit risk and therefore, management is expected to recover all of its dues from the Government. Based on the Royal Decree issued in the recent past to accelerate the payments to the private sector, the Government has taken many initiatives to ensure that all the contracts obligations are settled in a time frame stipulated in the contracts. Ministry of Finance has recently reactivated Portal for Contractors and Vendors to expedite payments to contractors and set up of a high level Ministerial Committee to investigate causes of the payment processing delays and raise recommendation to prevent re-occurrence, within 10 days for immediate remedial action. All these positive major steps give management comfort that there will be enormous improvement in the processing of invoices, expediting extensions of projects and change orders and speedier payments. This will have a strong positive impact on cash flows and reduction of unbilled revenue. Subsequent to the year ended December 31, 2017, the Government has approved invoices amounted to SR 189 million which the management expects to recover in second quarter of 2018.

Oil and Gas, Petrochemical and Industrial sectors are industries that the Group has set up departments to focus specifically on opportunities from these sectors. Registration and prequalification have been completed in several of major entities, and bidding opportunities will be started in 2018. The Group also intends to participate in bidding of projects expected to be tendered by the Ministry of Housing in Q3 of 2018. With a large fleet of assets being released for city cleaning projects coming to an end of their contractual periods, a number of these assets are being prepared to be transferred to the commercial arm of Waste Management Services, serving the private sector, which forms part of Group's growth strategy in this field, with far better cash flow model.

The Group has support from its related party which is evidenced from the fact that in last two years, it has given financial support to the Group wherever necessary.

The Group has back to back arrangements with the sub-contractors and banks and thereby the payments to these parties are subject to receipt of funds from the customers.

Subsequent to the year ended December 31, 2017, the Group has successfully signed contracts with a related party, several suppliers and sub-contractors to issue Company's shares against the amount owed to them amounted to SR 367.7 million. However, the legal formalities in this regard are in process. This will result in the improvement of financial ratios and also improves its opportunities in winning business of large size and becomes more attractive to banks when considering providing additional facilities to support the growth strategy.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDEGEMENTS

The preparation of these consolidated financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- (a) Percentage of completion of contracts
- (b) Useful lives and residual value of property, plant and equipment
- (c) Provision for inventory obsolescence and receivables
- (d) Impairment of non-financial assets
- (e) Employees benefits – defined benefit plan

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- (f) Fair value measurements
- (g) Capitalisation of mobilisation cost
- (h) Impairment of financial assets

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended December 31, 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI), even if this results in the non-controlling interests having a deficit balance. All material intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.2 Property, plant and equipment

Recognition and measurement

a) Initial measurement

Cost includes expenditure that is directly attributable to the acquisition of the asset plus cost of dismantling and removing the items and restoring the site on which these are located and borrowing costs.

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When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in consolidated profit or loss.

Capital work in progress is measured at cost.

b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in consolidated profit or loss as incurred.

c) Depreciation

Depreciation is calculated using the straight-line method over their estimated useful lives, and is generally recognised in consolidated profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

	Years
• Buildings	4 - 20
• Construction equipments	4 - 10
• Construction vehicles	4 – 6.67
• Office equipments	4 – 6.67
• Furniture and fixtures	4 – 6.67

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4.3 Intangible assets

Intangible assets comprise softwares which have finite lives and are amortised over the period of its useful life and are tested for impairment whenever there is an indication that the intangible may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at the end of each reporting period. Any changes in the estimated useful life or the expected pattern of consumption of economic benefits are treated as change in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated profit or loss when the asset is derecognised.

4.4 Leased assets

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Generally all leases entered by the Group are operating leases and, the leased assets are not recognised in the Group's financial statements.

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If a lease is classified as a finance leases, then the lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

In case of operating leases, the leased assets are not recognised in the Group's consolidated statement of financial position. Operating lease payments are recognised as an expense in the consolidated profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

4.5 Financial instruments

Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in consolidated profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated profit or loss.

A. Debt instrument

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in consolidated profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

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- **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows
- represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through consolidated OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognised in consolidated profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in consolidated OCI is reclassified from equity to consolidated profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in consolidated profit or loss within other gains/ (losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.

B. Equity instrument

The Group measures all equity investments at fair value. Where the management has elected to present fair value gains and losses on equity investments in consolidated other comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated profit or loss. Dividends from such investments continue to be recognised in consolidated profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial Liabilities

- Financial liabilities are classified, at initial recognition, as financial liabilities through profit or loss, loans and borrowings and payables. Such financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of any directly attributable transaction costs. The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.6 Impairment

i) Financial assets

The Group follows an expected credit loss model for the impairment of financial assets. Expected loss shall be measured and provided either at an amount equal to (a) 12 month expected losses; or (b) lifetime expected losses. If the credit risk of the financial instrument has not increased significantly since inception, then an amount equal to 12 month expected loss is provided. In other cases, life-time credit losses shall be provided. For trade receivables with a significant financing component, a simplified approach is adopted, where by an assessment of increase in credit risk is not performed at each reporting date. Instead, a Group provides for expected losses based on lifetime expected losses.

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ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses are recognised in consolidated profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

4.7 Assets held for sale

The Group classifies non-current assets as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. It is measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, employee benefit assets, or investment property which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognized in consolidated profit or loss. Assets classified as held-for-sale are not depreciated.

4.8 Contract assets

Contracts in progress

Contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. They are measured at costs incurred plus profits recognised to date less progress billings and recognised losses.

In the consolidated statement of financial position, contracts in progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented as contracts in progress. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred revenue.

Mobilization costs

Costs incurred to fulfill a contract, those directly associated to existing or specific anticipated contract and those costs that generate or enhance resources of the entity that will be used to satisfy the performance obligations in the future and those costs that are expected to be recovered are recognised as asset and are amortized over the period of the respective contracts on a proportionate basis of billing. Cost capitalized as mobilization cost is included under deposits, prepayments and other current assets.

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4.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

4.10 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 Group without any restrictions.

4.11 Employees benefit obligations

i) Short-term employees' benefits

Short-term employees benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii) Defined benefit obligations

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

Remeasurement of the net defined benefit liability comprises of actuarial gains and losses which are recognised immediately in consolidated other comprehensive income. The Group determines the net interest expense (income) on the net defined liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expense related to defined benefit plans are recognised in the consolidated profit or loss.

The Group recognizes gains and losses on settlement of a defined benefit plan when the settlement occurs.

4.12. Statutory reserve

As required by the Regulations of the Company and Article of Association of the Company, 10% of the Company's net income for the year is to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

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4.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Decommissioning liability

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the measurement of an existing decommissioning liability that result from changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate applied are added to or deducted from the cost of the asset.

4.14 Revenue recognition

The Group has elected to early adopt IFRS 15 with effect from January 1, 2017. As a result of early adoption, the Group has applied the following accounting policy in the preparation of its consolidated financial statements:

i) Revenue from contracts with customers

At the time of entering into a contract, the Group identifies the performance obligations attached to each contract. For this purpose, the Group evaluates the contractual terms and its customary business practices to identify whether there are distinct performance obligations within each contract. The Group determines the transaction price of each contract, for the purpose of determining the transaction price of each aforementioned performance obligations, as the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Having determined the transaction price of the contract, the Group allocates the transaction price to performance obligations in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

The Group recognises revenue upon the satisfaction of performance obligations attached to contracts, which occurs when control of the good or service transfers to the customer. For performance obligations satisfied over time, the revenue is recognized by measuring the progress towards complete satisfaction of that performance obligation. In measuring the progress towards complete satisfaction of the performance obligation, the Group applies the input method based on the contract cost incurred to date. For performance obligations satisfied at the point in time, the revenue is recognized at the time which the specified performance obligation is satisfied.

ii) Finance income

Finance income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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iii) Other income

Other income that is incidental to the Group's business model is recognized as income as they are earned or accrued. Where the Group collects amounts from customers on behalf of third parties, these are not classified as income. These are shown as receivable/ payable and knocked off as the amounts are recovered from the customer.

4.15 Expenses

Expenses are classified based on their functions. Selling and distribution expenses and general and administrative expenses include indirect costs not specifically part of cost of revenue. Selling and distribution expenses are those arising from the Group's efforts underlying the marketing functions. All other expenses are classified as general and administrative expenses. Allocations of common expenses between cost of revenues, selling and distribution expenses and general and administrative expenses, when required, are made on a consistent basis.

4.16 Finance income and finance cost

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in consolidated profit or loss, using the effective interest method. Dividend income is recognised in consolidated profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in consolidated profit or loss using the effective interest method.

4.17 Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in consolidated profit or loss.

ii. Foreign operations

The assets and liabilities of foreign operations including fair value adjustments arising on acquisition are translated into local currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into local currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in consolidated OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI

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When a foreign operation is disposed off in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to consolidated profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated profit or loss.

4.18 Zakat

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian and GCC countries' subsidiaries is charged to the consolidated profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income tax law.

4.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by dividing the consolidated profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding after adjusting the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees (if any).

4.20 Segment reporting

A business segment is group of assets, operations or entities:

- (i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- (ii) the results of its operations are continuously analyzed by Chief Operating Decision Maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- (iii) for which financial information is discretely available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group has two reportable segments, as described below, which are the Group's strategic business units. The following summary describes the operations in each of the Group's reportable segments:

1. Contracting
2. Servicing / trading

4.21 Dividends

Dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the year in which they are approved by the shareholders.

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5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has decided to early adopt IFRS 9: Financial Instruments and IFRS 15: Revenue from contracts with customers as of January 01, 2017. The impacts of adoption of these IFRSs are described in note 6. However, the Group's management has decided not to choose the early adoption of IFRS 16 Leases which is effective for annual period on or after January 1, 2019.

6. EFFECTS OF TRANSITION TO IFRS

As stated in note 2.1, these are the Group's first annual consolidated financial statements prepared in accordance with IFRS. The accounting policies set out in note 4 have been applied in preparing the consolidated financial statements for the year ended December 31, 2017, the comparative information presented in these consolidated financial statements for the year ended December 31, 2016 and in the preparation of an opening IFRS consolidated statement of financial position at January 01, 2016 (the Group's date of transition).

In preparing its opening IFRS consolidated statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with SOCPA standards. An explanation of how the transition from SOCPA standards to IFRSs has affected the Group's consolidated financial position, consolidated financial performance and consolidated cash flows is set out in the following tables and the notes that accompany the tables.

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6. EXPLANATION OF TRANSITION TO IFRS (continued)

Reconciliation of consolidated financial position

	Notes	SOCPA standards	Effect of transition to IFRS	IFRSs	SOCPA standards	Effect of transition to IFRS	IFRSs
		December 31, 2016			January 01, 2016		
ASSETS							
Property, plant and equipment	A	312,772,569	1,954,539	314,727,108	443,382,984	3,095,432	446,478,416
Intangible assets	A.2	-	1,715,034	1,715,034	-	2,032,570	2,032,570
Trade and other receivables	B	-	-	-	-	30,593,061	30,593,061
Investment in subsidiaries	O	4,292,191	(4,292,191)	-	4,292,191	(4,292,191)	-
Other assets	C	35,687,344	49,717,826	85,405,170	49,897,122	98,856,825	148,753,947
Non-current assets		352,752,104	49,095,208	401,847,312	497,572,297	130,285,697	627,857,994
Inventories	A.3	61,906,038	(1,855,246)	60,050,792	71,273,376	(1,840,885)	69,432,491
Trade and other receivables	B	631,783,807	(554,540)	631,229,267	657,525,485	(31,614,733)	625,910,752
Contracts in progress	C	1,450,735,585	(103,586,203)	1,347,149,382	1,571,892,703	(163,814,753)	1,408,077,950
Deposits, prepayments and other current assets	C, D	212,645,577	42,171,399	254,816,976	325,080,910	41,239,283	366,320,193
Cash and cash equivalents	O	73,128,872	655,871	73,784,743	111,465,043	1,076,226	112,541,269
		2,430,199,879	(63,168,719)	2,367,031,160	2,737,237,517	(154,954,862)	2,582,282,655
Assets classified as held for sale		2,460,075	-	2,460,075	14,346,136	-	14,346,136
Current assets		2,432,659,954	(63,168,719)	2,369,491,235	2,751,583,653	(154,954,862)	2,596,628,791
Total assets		2,785,412,058	(14,073,511)	2,771,338,547	3,249,155,950	(24,669,165)	3,224,486,785

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6. EXPLANATION OF TRANSITION TO IFRS (continued)
Reconciliation of consolidated financial position (continued)

	<i>Notes</i>	<i>SOCPA standards</i>	<i>Effect of transition to IFRS</i>	<i>IFRSs</i>	<i>SOCPA standards</i>	<i>Effect of transition to IFRS</i>	<i>IFRS</i>
		December 31, 2016				January 01, 2016	
Equity							
Share capital		557,812,500	-	557,812,500	531,250,000	-	531,250,000
Statutory reserve		70,988,856	-	70,988,856	70,988,856	-	70,988,856
Contribution from a related party	E	-	15,278,074	15,278,074	-	15,278,074	15,278,074
Translation reserve	O,N	-	(392,753)	(392,753)	-	(312,786)	(312,786)
Other reserve	O	-	558,911	558,911	-	554,548	554,548
Retained earnings		141,414,820	(59,973,357)	81,441,463	287,157,605	(58,191,970)	228,965,635
Equity attributable to owners of the Company		770,216,176	(44,529,125)	725,687,051	889,396,461	(42,672,134)	846,724,327
Non-controlling interests	O	-	555,816	555,816	-	579,981	579,981
Total equity		770,216,176	(43,973,309)	726,242,867	889,396,461	(42,092,153)	847,304,308
Non-current liabilities							
Trade and other payables	H,I	114,971,200	4,978,752	119,949,952	126,885,224	21,310,739	148,195,963
Borrowings	G	316,232,276	(15,891,350)	300,340,926	638,816,460	7,396,949	646,213,409
Loans from related parties	E, F	139,050,000	(14,428,747)	124,621,253	139,050,000	(19,328,074)	119,721,926
Employees benefit obligations	J	57,045,467	3,958,333	61,003,800	66,542,235	(3,254,535)	63,287,700
Provisions and other liabilities	H,K	-	31,531,954	31,531,954	-	34,122,111	34,122,111
		627,298,943	10,148,942	637,447,885	971,293,919	40,247,190	1,011,541,109
Current Liabilities							
Trade and other payables	H,I	773,840,520	(5,758,436)	768,082,084	864,529,139	(22,603,434)	841,925,705
Borrowings	G	565,160,218	14,435,998	579,596,216	465,693,303	(9,601,946)	456,091,357
Dividend payable		1,663,647	-	1,663,647	1,663,647	-	1,663,647
Provisions and other liabilities	H,K	47,232,554	11,073,294	58,305,848	56,579,481	9,381,178	65,960,659
		1,387,896,939	19,750,856	1,407,647,795	1,388,465,570	(22,824,202)	1,365,641,368
Total Liabilities and Equity		2,785,412,058	(14,073,511)	2,771,338,547	3,249,155,950	(24,669,165)	3,224,486,785

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6. EXPLANATION OF TRANSITION TO IFRS (continued)**B. Reconciliation of consolidated statement of profit or loss and other comprehensive income**

	<i>Notes</i>	<i>SOCPA standards</i>	<i>Effect of transition to IFRS</i>	<i>IFRSs</i>
<i>From January 01, 2016 to December 31, 2016</i>				
Revenue	B,C,I,K,L	1,030,330,233	29,701,066	1,060,031,299
Cost of revenue	A,C,J,K,L	(1,082,641,591)	(2,346,144)	(1,084,987,735)
Gross loss		(52,311,358)	27,354,922	(24,956,436)
Selling and marketing expenses		(6,549,185)	(74,798)	(6,623,983)
General and administrative expenses	M	(45,920,729)	(1,279,916)	(47,200,645)
Other income	L	43,614,019	(77,984)	43,536,035
Loss from operations		(61,167,253)	25,922,224	(35,245,029)
Finance cost	A,E,F,G,H	(50,757,716)	(29,326,976)	(80,084,692)
Finance income	B	-	2,044,352	2,044,352
Loss before zakat		(111,924,969)	(1,360,400)	(113,285,369)
Zakat expense		(6,055,316)	-	(6,055,316)
Loss for the year		(117,980,285)	(1,360,400)	(119,340,685)
Other comprehensive loss				
Loss on foreign exchange translation	N	-	(78,456)	(78,456)
Loss on remeasurement of employees benefit obligations	J	-	(1,642,300)	(1,642,300)
Total comprehensive loss		(117,980,285)	(3,081,156)	(121,061,441)

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6. EXPLANATION OF TRANSITION TO IFRS (continued)

C. Reconciliation of equity

	Notes	As at December 31 ,2016	As at January 01,2016
Total equity under SOCPA Standards		770,216,176	889,396,461
Finance cost on advances from customers (net)	I	(36,579,435)	(15,889,461)
Finance cost on retention receivable (net)	B	(3,484,000)	(1,910,688)
Depreciation on decommissioning adjustment	A.1	(2,783,836)	(1,771,388)
Finance cost on decommissioning liability	A.1	(476,715)	(329,809)
Deferred revenue on free service obligation	K	(24,648,014)	(21,671,075)
Warranty provisions	K	(153,371)	(153,371)
Reversal of revenue due to capitalization of mobilization cost (net)	C	(20,275,502)	(20,275,502)
Discounting of interest free loan from a related party	E	10,378,747	15,278,074
Reversal of amortization of upfront processing fee	G	186,310	320,066
Actuarial valuation adjustments of employees benefit obligations	J	(3,958,333)	3,254,535
Revenue adjustment due to IFRS 15 impacts on percentage of completion method due to the increase in amortization of mobilization cost	C	8,152,609	-
Revenue from unwinding of advances from customers	I	23,625,396	-
Reversal of inventory cost due to spare parts capitalization	A.3	136,486	-
Adjustment of mobilization cost	C	3,113,998	-
Reversal of provision for warranty	K	128,757	-
Unwinding of retention receivable	B	2,044,352	-
Depreciation on spare parts	A.3	(586,506)	-
Exchange gain loss	N	273,519	-
Effect of consolidation including NCI	O	932,229	1,056,466
Total Equity under IFRS Standards		726,242,867	847,304,308

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D. Notes to the reconciliations

A. Property, plant and equipment

A.1 De-commission liability

SOCPA standards did not require to recognize initial estimate of de-commissioning liability as a cost of items of property, plant and equipment. IAS 16 requires such liability to be recognized as a cost of property, plant and equipments and accordingly, the cumulative impact on depreciation as of December 31, 2016 is SAR 2,783,836 (January 01, 2016: SAR 1,771,388). The resulting cumulative interest cost on de-commissioning liability as at December 31, 2016 is SAR 476,715 (January 01, 2016: SAR 329,809).

A.2 Intangible assets

Previously, the Group had classified some intangible assets under property, plant and equipment. As required by IAS 38, said intangible assets have been re-classified to intangible assets. The net book value of the intangible assets reclassified as at December 31, 2016 amounted to SAR 1,715,034 (January 01, 2016: SAR 2,032,570).

A.3 Capital spare parts

Under SOCPA standards, the Group accounts for spares as a part of inventory. Under IFRS (IAS 16 - Property, Plant and Equipment) 'Items such as spare parts, stand-by equipment and servicing equipment are recognized as items of property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.' During transition phase, the Group has identified capital spare parts having useful life more than one year which needs to be reclassified from inventory to property, plant and equipment. The cumulative impact of the same would increase the carrying amount of property, plant and equipment by SAR 1,840,885, and SAR 1,405,225 as of January 01, 2016 and December 31, 2016 respectively. The resulting additional depreciation on such spares capitalized has been charged to retained earnings of respective years.

B. Retention receivable

Under SOCPA standards, the retention money is accounted for at its transaction value as there was no discounting of financial assets. Under IFRS (IFRS 9 - Financial Instruments), such financial assets are initially required to measure at fair value and thereafter at amortized cost.

The discounted amount (fair value) of the original retention would be accreted to the ultimate maturity amount (transaction value) by way of recognition of notional interest income using the EIR (Effective Interest Rate) methodology. The cumulative impact of the same reduced the carrying amount of retention receivable and retained earnings by SAR 1,910,688 and SAR 1,439,648 as of January 01, 2016, and December 31, 2016 respectively.

C. Mobilisation cost

Under SOCPA, in case of construction contracts, the mobilization cost was expensed out immediately as and when incurred. Under IFRS (IFRS 15 - Revenue from contracts with customers), an asset should be recognised from the costs incurred to fulfil a contract on the fulfilment of certain conditions. As the conditions of recognising an asset are met, the Group has capitalised these costs as an asset and amortized over the period of the contract.

The recognition of mobilization cost as an asset resulted in a reduction of the overall percentage of completion of the projects by reducing the cost previously charged as direct cost. Simultaneously, resulting in decrease in contracts work in progress and retained earnings. The cumulative effect on retained earnings was SAR 20,275,502 and SAR 11,266,607 as of January 01, 2016 and December 31, 2016. Further, the resulting asset classified under other assets and deposits, prepayments and other current assets are based on the maturity of respective contracts.

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D. Long term deposits

Previously, the Group has recognized the refundable deposits made for entering in to an operating lease at its transaction value as there was no discounting of financial assets under SOCPA standards.

Under IFRS (IFRS 9 - Financial Instruments), such financial assets are initially measured at fair value and subsequently measured at amortized cost. The discounted amount (fair value) of the original deposit would be accreted to the ultimate maturity amount (transaction value) by way of recognition of notional interest income using the Effective Interest Rate (EIR) methodology.

The cumulative impact of the same would reduce the carrying amount of long term deposits and increase the carrying amount of deposits, prepayment and other current assets by SAR 2,160,111, and SAR 974,825 as of January 01, 2016 and December 31, 2016 respectively.

E. Loan from a related party

The Group has determined the fair value of the interest free loan from a related party in accordance with IFRS 9 which is different from the transaction price; therefore the difference between the fair value and transaction value has been treated as an equity contribution from the parent which will be transferred to retained earnings after the loan is repaid.

F. Loan from affiliate

The Group has determined the fair value of the interest free loan from an affiliate in accordance with IFRS 9 which is different from the transaction price; therefore the difference between the fair value and transaction value has been deferred and amortized over the tenure of the loan.

G. Upfront fee on bank loans

Previously, upfront fee paid on bank loans was capitalized and amortized on straight line basis over the tenure of borrowing. Under IFRS 9, at initial recognition, an entity shall measure a financial liability, not at fair value through profit or loss, at its fair value plus or minus transaction costs that are directly attributable to the issue of the financial liability. Accordingly, the Group has deducted the amount of upfront fee from the loan liability it pertains. The carrying amount of the loan is being amortised over the period of the loan using EIR method.

Accordingly, the carrying amount of the loan and prepaid expenses has been reduced by SAR 2,976,221, and SAR 6,147,632 as of January 01, 2016 and December 31, 2016 respectively.

Also, the related loan liability was un-winded with the contra effect on consolidated profit or loss / retained earnings by SAR 771,224, and SAR 3,921,056 for the year ended January 01, 2016 and December 31, 2016 respectively.

H. Retention payable

Previously, the Group was carrying retention payable at its transaction value as there was no concept of discounting the financial liabilities under SOCPA standards. Under IFRS (IFRS 9 - Financial Instruments), financial liabilities shall be measured at fair value on initial recognition.

The discounted amount (fair value) of the original retention would be accreted to the ultimate maturity amount (transaction value) by way of recognition of notional interest expense using the EIR (Effective Interest Rate) methodology.

The cumulative impact of the same reduced the carrying amount of long retention payable and deferred liabilities of SAR 1,829,573 and SAR 896,409 as of January 01, 2016 and December 31, 2016 respectively.

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I. Advance from customers

The Group has received various long term advances from customers for mobilizing resources and initial set-up costs. Previously, the Group was carrying these long term advances from customers at its transaction value as there was no discounting of financial liabilities under SOCPA standards.

Under IFRS 15, in determining the transaction price, an entity shall adjust the promised consideration for the effects of time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. Applying the above guidance, the Group determined that customer advances represents a form of financing from the customers. Therefore, the advance shall be reflected at its fair value and the difference between the transaction price and fair value was deferred and notional income will be earned on the same over the period of the contract.

The impact of the same would decrease retained earnings and increase deferred revenue by SAR 83,976,096 and 20,689,975 as of January 01, 2016, and December 31, 2016 respectively.

Consequently, revenue earned from this will be SAR 68,086,635 and SAR 23,625,396 for the years, January 01, 2016 and December 31, 2016 respectively.

J. Employees benefit obligations

Under SOCPA standards, the Group recorded its liability under employees benefit obligations based on regulatory requirements. In order to determine the liability under IAS 19 – Employee benefits, the Group involved an independent actuary to carry out actuarial valuations of its employees benefit obligations using Projected Unit Credit Method.

Remeasurement component, which is the net of actuarial gains and losses, is recognized immediately in consolidated other comprehensive income whereas service cost and net interest income / expense are charged to consolidated profit or loss.

The cumulative impact on retained earnings arising from the above increased the retained earnings by SAR 3,254,535 as of January 01, 2016, and decreased the retained earnings as of December 31, 2016 by SAR 3,958,333.

K. Free service obligation and warranty provision

The Group provides free maintenance obligations for all its construction contracts for a period of one year after the completion of the project. Previously, the Group accounts for these obligations as an expense upon incurrence. Under IFRS 15 (Revenue from contracts with customers), the Group is required to assess the goods or services explicitly or implicitly promised in a contract and identify as performance obligation each promise to transfer a distinct good or service. Free service obligation meets all the conditions mentioned in the standard to be identified as a separate performance obligation and therefore the Group has allocated the transaction price (contract price) to each performance obligation and revenue has been recognised as and when the performance obligations are satisfied. Accordingly, the Group had deferred its revenue which was already recognised.

The impact of the above would result in the recognition of deferred revenue and the consequent cumulative effect on retained earnings by SAR 21,671,075, and SAR 24,648,014 as of January 01, 2016 and December 31, 2016 respectively.

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Furthermore, on completed projects, the Group has made provision for warranty claim amounting to SAR 153,371 and SAR 24,614 as of January 01, 2016 and December 31, 2016 respectively.

L. Gain / (loss) on sale of assets held for sale

Previously, the gain/ loss on sale of assets held for sale was shown as other income in the consolidated profit or loss. Under IFRS (IAS 16 - Property, Plant and Equipment), if an entity in the normal course of its business routinely sells items of property, plant and equipment that it previously held for rental to others, then it should transfer such items to inventory when they cease to be rented and become held-for-sale. The proceeds from sale of such assets shall be classified as revenue in accordance with IFRS 15. Accordingly, the Group has reclassified such gains / losses from other income to revenue.

The effect of the same would reduce other income and increase revenue by same amount and hence no effect on retained earnings.

M. Directors' remuneration

Under SOCPA standards, director's remuneration has been adjusted against retained earnings in the consolidated statement of changes in equity. Under IFRS, this should be charged to the consolidated profit or loss similar to other expenses.

N. Translation of foreign operations

Under IFRS, the Group consolidated subsidiaries which were not consolidated previously. The impact of currency translation arisen on the consolidation of foreign subsidiaries has been treated under a separate reserve as required by IAS 21.

O. Consolidation of subsidiaries

Under SOCPA, immaterial investments are not considered for consolidation. Under IFRS, they have been consolidated to meet the requirements of IFRS 10 (Consolidated Financial Statements).

E. EXEMPTIONS APPLIED

The Group, as per IFRS 1 First-Time Adoption of International Financial Reporting Standards, has applied following exemption in preparing the IFRS complied consolidated financial statements for the first time.

IFRS 3 "Business Combinations" as endorsed by SOCPA has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS that occurred before January 01, 2016. Accordingly, the Group has adjusted the carrying amounts of the subsidiary's assets and liabilities to the amounts that IFRS would require in the subsidiary's statement of financial position, where necessary and used adjusted carrying values for the consolidation.

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7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction equipments	Construction vehicles	Office equipment	Furniture and fixtures	Capital work in progress	Total
Cost							
Balance at January 1, 2016	94,034,745	555,725,399	516,371,917	19,903,819	49,002,349	81,608	1,235,119,837
Additions	837,536	12,747,878	15,095,339	141,727	556,890	(81,608)	29,297,762
Transfers to assets held for sale	(10,438,436)	(40,247,037)	(62,956,407)	(132,520)	(77,058)	-	(113,851,458)
Balance at December 31, 2016	84,433,845	528,226,240	468,510,849	19,913,026	49,482,181	-	1,150,566,141
Balance at January 1, 2017	84,433,845	528,226,240	468,510,849	19,913,026	49,482,181	-	1,150,566,141
Additions	-	3,116,182	6,161,900	9,479	13,975	-	9,301,536
Transfers to assets held for sale	(662,809)	(57,049,123)	(78,570,770)	-	-	-	(136,282,702)
Balance at December 31, 2017	83,771,036	474,293,299	396,101,979	19,922,505	49,496,156	-	1,023,584,975
Accumulated depreciation							
Balance at January 1, 2016	71,205,389	362,560,371	298,072,952	14,390,904	42,411,805	-	788,641,421
Depreciation	9,206,077	51,303,964	59,276,802	2,445,650	3,387,445	-	125,619,938
Transfers to assets held for sale	(6,621,847)	(35,704,060)	(36,009,246)	(76,340)	(10,833)	-	(78,422,326)
Balance at December 31, 2016	73,789,619	378,160,275	321,340,508	16,760,214	45,788,417	-	835,839,033
Balance at January 1, 2017	73,789,619	378,160,275	321,340,508	16,760,214	45,788,417	-	835,839,033
Depreciation	5,905,158	45,858,529	39,480,010	1,740,017	2,366,014	-	95,349,728
Transfers to assets held for sale	(646,413)	(37,005,453)	(60,083,974)	-	-	-	(97,735,840)
Balance at December 31, 2017	79,048,364	387,013,351	300,736,544	18,500,231	48,154,431	-	833,452,921
Carrying amounts							
At December 31, 2017	4,722,672	87,279,948	95,365,435	1,422,274	1,341,725	-	190,132,054
At December 31, 2016	10,644,226	150,065,965	147,170,341	3,152,812	3,693,764	-	314,727,108
At January 1, 2016	22,829,356	193,165,028	218,298,965	5,512,915	6,590,544	81,608	446,478,416

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7. Property plant and equipment (continued)

7.1 Allocation of depreciation for the year

	Note	December 31, 2017	December 31, 2016
Cost of sales		94,070,017	123,918,938
Selling and distribution expenses	26	67,700	187,384
General and administrative expenses	27	1,212,011	1,513,616
Total		95,349,728	125,619,938

8. INTANGIBLE ASSETS

December 31, 2017

Softwares

Cost:

At the beginning of the year	5,097,335
Additions	127,368
At the end of the year	<u>5,224,703</u>

Accumulated amortization:

At the beginning of the year	3,382,301
Charge for the year	562,772
At the end of the year	<u>3,945,073</u>

Net book value:

As at December 31, 2017	<u><u>1,279,630</u></u>
-------------------------	-------------------------

December 31, 2016

Softwares

Cost:

At the beginning of the year	5,097,335
At the end of the year	<u>5,097,335</u>

Accumulated amortization:

At the beginning of the year	3,064,765
Charge for the year	317,536
At the end of the year	<u>3,382,301</u>

Net book value:

As at December 31, 2016	<u>1,715,034</u>
As at January 1, 2016	<u>2,032,570</u>

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9 TRADE AND OTHER RECEIVABLES

	December 31, 2017	December 31, 2016	January 01, 2016
Trade receivable	538,759,538	552,065,988	603,069,824
Less: Provision for doubtful debts	(2,762,139)	(2,762,139)	(2,256,173)
	535,997,399	549,303,849	600,813,651
Retentions receivable	59,011,136	83,961,818	57,049,811
Less: Provision for doubtful retentions	(2,036,400)	(2,036,400)	(1,359,649)
	56,974,736	81,925,418	55,690,162
Trade and other receivables - net	592,972,135	631,229,267	656,503,813
(Less) current portion of trade and other receivables	(592,972,135)	(631,229,267)	(625,910,752)
Long term portion, of trade and other receivables	-	-	30,593,061

At December 31, 2017, receivable from Government authorities represents 81% (December 31, 2016: 78%, January 01, 2016: 73%) of total trade and other receivables.

As at December 31, 2017, trade receivables of SR 4.8 million (December 31, 2016: SR 4.8 million, January 01, 2016: SR. 3.6 million) were impaired which have been fully provided. Movement in the provision for doubtful debts and retentions was as follows:

	December 31, 2017	December 31, 2016
At the beginning of the year	4,798,539	3,615,822
Charge for the year	-	3,886,868
Amounts written off	-	(2,704,151)
	4,798,539	4,798,539

The ageing analysis is as follows:

	Total	Not yet due	1-90 days	91 – 180 days	181-365 days	Above 1 year
December 31, 2017	592,972,135	114,382	116,515,763	78,462,317	93,178,095	304,701,578
December 31, 2016	631,229,267	63,123,702	192,186,715	51,466,996	105,340,397	219,111,457
January 1, 2016	656,503,813	30,595,815	315,984,645	63,977,209	80,376,119	165,570,025

10. OTHER ASSETS

	December 31, 2017	December 31, 2016	January 1, 2016
Long term portion of mobilisation cost	55,891,864	85,405,170	148,753,947
	55,891,864	85,405,170	148,753,947

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11. INVENTORIES

	December 31, 2017	December 31, 2016	January 1, 2016
Consumable materials	50,559,429	62,622,256	74,457,712
Spare parts	1,331,582	50,416	116,592
	51,891,011	62,672,672	74,574,304
Less: Provision for slow moving and obsolete items	(2,621,880)	(2,621,880)	(5,141,813)
	49,269,131	60,050,792	69,432,491

Movements in the provision for obsolete inventories were as follows:

	December 31, 2017	December 31, 2016
Balance as at January 1	2,621,880	5,141,813
Charge for the year	-	-
Reverse during the year	-	(2,519,933)
Balance as at December 31	2,621,880	2,621,880

12. CONTRACTS IN PROGRESS

	December 31, 2017	December 31, 2016	January 1, 2016
Contract value of projects	7,085,467,518	7,495,925,256	8,070,153,255
Less: Value of un-executed work to date	(2,170,464,465)	(2,321,722,828)	(3,132,963,619)
Value of work executed to date	4,915,003,053	5,174,202,428	4,937,189,636
Less: Progress billings and advances	(3,528,715,437)	(3,827,053,046)	(3,529,111,686)
	1,386,287,616	1,347,149,382	1,408,077,950

The movement in contracts in progress is as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
At the beginning of the year	1,347,149,382	1,408,077,950	1,359,674,280
Value of work executed during the year	514,837,514	1,086,300,987	1,394,899,526
Progress billings and advance adjusted during the year	(475,699,280)	(1,147,229,555)	(1,346,495,856)
At the end of the year	1,386,287,616	1,347,149,382	1,408,077,950

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13. DEPOSITS PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Related parties	35	2,981,894	3,576,742	14,845,235
Prepaid expenses		9,166,493	16,960,142	31,206,655
Advances to vendors		87,690,779	111,624,613	201,128,013
Mobilisation cost		62,565,753	44,643,518	42,522,314
Margin against letters of guarantee		25,647,139	17,859,768	19,230,065
Others		20,378,029	60,152,193	57,387,911
		208,430,087	254,816,976	366,320,193

14. CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016	January 1, 2016
Cash in hand	5,666,448	32,676,039	7,721,238
Bank balances – current accounts	29,450,215	41,108,704	104,820,031
	35,116,663	73,784,743	112,541,269

14.1 Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year. The table below provides details of amounts placed in various currencies.

	December 31, 2017	December 31, 2016	January 1, 2016
AED	594,337	438,923	70,545,981
SAR	32,607,455	71,303,126	37,027,853
EUR	31,691	31,691	37,973
GHS	27,743	31,585	50,944
KWD	91,913	610,334	751,497
LBP	187,760	159,678	31,330
USD	1,369,724	1,005,116	3,888,051
QAR	206,040	204,290	207,640
	35,116,663	73,784,743	112,541,269

15. ASSETS CLASSIFIED AS HELD FOR SALE

	December 31, 2017	December 31, 2016	January 1, 2016
At the beginning of the year	2,460,075	14,346,136	19,074,884
Transfers from property, plant and equipment	38,130,164	34,880,636	98,287,865
Disposals	(39,574,375)	(46,766,697)	(103,016,613)
At the end of the year	1,015,864	2,460,075	14,346,136

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16. SHARE CAPITAL

	December 31, 2017	December 31, 2016	January 1, 2016
Authorized shares of SR 10 each	557,812,500	557,812,500	531,250,000
Number of shares in issue	55,781,250	55,781,250	53,125,000
Ordinary shares capital of SR 10 each	557,812,500	557,812,500	531,250,000
Ordinary shares capital issued and fully paid	557,812,500	557,812,500	531,250,000

No. of shares issued and fully paid

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at the beginning of the year	55,781,250	53,125,000	53,125,000
Bonus shares issued	-	2,656,250	-
Balance at the end of the year	55,781,250	55,781,250	53,125,000

17. RESERVES

Statutory reserve

As required by the Regulations of the Company and Article of Association of the Company, 10% of the Company's net income for the year is to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

Translation reserve

	December 31, 2017	December 31, 2016	January 1, 2016
At the beginning of the year	(392,753)	(312,786)	(312,786)
Other comprehensive income for the year	40,851	(79,967)	-
At the end of the year	(351,902)	(392,753)	(312,786)

Other reserves

This represents statutory reserves and other reserves of subsidiaries.

	December 31, 2017	December 31, 2016	January 1, 2016
At the beginning of the year	558,911	554,548	554,548
Other comprehensive income for the year	-	4,363	-
At the end of the year	558,911	558,911	554,548

18. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	December 31, 2017	December 31, 2016
Loss for the year attributable to the shareholders of the Company	(101,436,652)	(119,317,337)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings	55,781,250	55,781,250
Weighted average number of ordinary shares for the purpose of diluted earnings	55,781,250	55,781,250
Loss per share, based on loss for the year attributable to shareholders of the company		
- Basic	(1.82)	(2.14)
- Diluted	(1.82)	(2.14)

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19. TRADE AND OTHER PAYABLES

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Trade payables		459,921,643	532,285,104	566,918,171
Related parties	35	45,104,093	35,743,343	23,176,745
Accrued expenses		26,607,724	17,935,245	36,023,453
Advances from customers		122,358,433	168,974,345	189,007,084
Other payables		87,375,602	133,093,999	174,996,215
		741,367,495	888,032,036	990,121,668
(Less): non-current portion		(87,064,399)	(119,949,952)	(148,195,963)
Current portion		654,303,096	768,082,084	841,925,705

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 36.

20. BORROWINGS

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Tawarruq and Murabaha loans				
Loans repayable upon collections	20.1 (a)	476,807,295	480,510,659	600,211,728
Revolving loans	20.1 (b)	40,000,000	121,905,290	191,074,614
Loans repayable in periodical installments	20.1 (c)	199,779,311	141,231,081	286,442,469
Total loans		716,586,606	743,647,030	1,077,728,811
Current portion:				
Loans repayable upon collections		212,184,273	357,987,367	238,811,736
Loans repayable in periodical installments		92,518,569	85,318,737	192,703,666
Total – current portion		304,702,842	443,306,104	431,515,402
Short term loans	20.2	50,794,765	136,290,112	24,575,955
Borrowings- current liabilities		355,497,607	579,596,216	456,091,357
Long-term portion				
Loans repayable upon collections		264,623,022	122,523,292	361,399,992
Revolving loans		40,000,000	121,905,290	191,074,614
Loans repayable in periodical installments		107,260,742	55,912,344	93,738,803
Borrowings non-current liabilities		411,883,764	300,340,926	646,213,409

20.1 Term loans

These loans are secured against the assets of the Company and promissory notes.

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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.

- a) These loans were obtained from various commercial banks and are repayable, based on a percentage ranging from 20% to 70% (2016: 25% to 70%), out of expected proceeds from the contracts. Accordingly, the current portion includes such loans based on Company's best 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 December 31, 2018.
- c) These loans are repayable in various fixed periodical installments with last installment due in 2021.

20.2 Short term loans

Short term loans bear commission at the commercial rates and are secured against assignment of proceeds from certain contracts, assets of the Company and promissory notes. During 2010, the facilities were converted to Islamic short term loan facilities.

20.3 The aggregate repayment schedule of long-term borrowings is as follows:

	December 31, 2017	December 31, 2016
-2017	-	443,306,104
-2018	304,702,842	130,327,842
-2019	304,942,935	115,567,935
-2020	85,922,137	41,692,873
Thereafter	21,018,692	12,752,276
	716,586,606	743,647,030

21. LOANS FROM A RELATED PARTY

	December 31, 2017	December 31, 2016	January 01, 2016
Loans from a related party	250,000,000	135,000,000	135,000,000
Present value of loans	235,865,704	124,621,253	119,721,926
Non-current portion	106,158,845	124,621,253	119,721,926
Current portion	129,706,859	-	-

On December 30, 2015, and December 21, 2017 the Company has received two non-commission based loans amounting to SR 135 million (book value) and SR 115 million (book value) from its a related party (Al Khodari Investment Holding Company) for the purpose of funding working capital and capex requirements of the Company. The loans are repayable within a period not exceeding December 31, 2018, and December 31, 2019 respectively. The loans are stated at amortized cost at the balance sheet date. The difference between the Present Value and Book Value of loans has been charged to equity as a contribution from a related party. The loans are secured against a promissory note for an amount equal to the amount of each loan.

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22. EMPLOYEES BENEFIT OBLIGATIONS

The Group operates an unfunded employees' end of service benefits scheme / plan for its permanent employees.

The amount recognized in the Consolidated Statement of financial position is determined as follows:

	December 31, 2017	December 31, 2016	January 01, 2016
Present value of defined benefit obligations	59,054,300	61,003,800	63,287,700
<i>Movement in net defined liability</i>			

The movement in the defined benefit obligation is as follows:

	December 31, 2017	December 31, 2016
Balance at January 1	61,003,800	63,287,700
Included in profit or loss		
Current service cost	8,202,700	9,539,500
Interest cost	2,179,200	1,883,700
Included in other comprehensive income		
Actuarial (gain)/loss arising from:		
- changes in demographic assumptions	-	5,238,800
- financial assumptions	1,956,200	(3,252,200)
- experience adjustments	(7,558,500)	(344,300)
Benefits paid	(6,729,100)	(15,349,400)
Balance at December 31	59,054,300	61,003,800

These expenses are recognised in the following line items in the statement of profit or loss:

	December 31, 2017	December 31, 2016
Direct costs	6,299,580	7,597,945
Selling and marketing	204,136	243,879
General and administration expenses	1,698,984	
		1,697,676
	8,202,700	9,539,500

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	December 31, 2017	December 31, 2016
Discount rate per annum	3.4%	3.90%
Salary increase rate per annum	0-2.5%	0-2.5%
Employees turnover rates:		
- Voluntary	2.68-10.07%	2.68-10.07%
- Involuntary	0.47-1.78%	0.47-1.78%
Retirement age	60 years	60 years

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The sensitivity of end of service benefits to changes in the weighted principal assumptions is as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations		
-Discount rate - 50 basis points	61,190,900	63,704,000
-Discount rate + 50 basis points	57,079,000	58,514,300
-Salary increase rate - 50 basis points	57,053,300	58,865,800
-Salary increase rate + 50 basis points	61,200,300	63,738,800
Weighted average duration of defined benefit obligations (in years)		
-Discount rate - 50 basis points	7.20	8.90
-Discount rate + 50 basis points	6.70	8.20

23. PROVISION AND OTHER LIABILITIES

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Deferred revenue		38,498,833	37,602,054	37,560,536
Employees accruals		23,068,852	36,466,713	48,227,209
Warranty provision		1,577,836	24,614	153,371
Provision for site restoration		4,119,612	4,065,307	3,928,695
Deferred liability		70,881	896,409	1,829,573
Provision for Zakat	31	9,641,246	10,782,705	8,383,386
Total		76,977,260	89,837,802	100,082,770
(Less): non-current portion		(31,465,115)	(31,531,954)	(34,122,111)
Current portion		45,512,145	58,305,848	65,960,659

24. DIVIDEND PAYABLE

	December 31, 2017	December 31, 2016	January 1, 2016
At the beginning of the year	1,663,647	1,663,647	1,663,647
Paid during the year	(1,197,050)	-	-
At the end of the year	466,597	1,663,647	1,663,647

25. OPERATING SEGMENTS

i. Basis for segmentation

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately.

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The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Contracting	Construction of roads, bridges, buildings etc. Includes renovation and demolition, cleaning and operations and maintenance work.
Servicing / trading	Logistics, transportation, equipment rental, water proofing and other supporting activities.

The Group's Chief Executive Officer (CEO), being the Chief Operating Decision Maker (CODM), reviews the internal management reports of each division on a quarterly basis. There are varying levels of integration between the Contracting and Servicing / Trading segments. This integration includes transfers of raw materials and other shared services, respectively. Inter-segment pricing is determined on cost basis.

ii. Information about reportable segments

Information related to each reportable segment is set out below.

	<u>Reportable segments</u>		
<i>For the year ended December 31, 2017</i>	Contracting	Servicing / Trading	Total
Revenues	514,837,514	4,628,505	519,466,019
Segment loss before zakat	(97,278,827)	(1,916,141)	(99,194,968)
<i>As of December 31, 2017</i>	635,290,270	3,992,047	639,282,317
Segment net assets			
<i>For the year ended December 31, 2016</i>	Contracting	Servicing / Trading	Total
Revenues	1,054,873,503	5,157,796	1,060,031,299
Segment loss before zakat	(111,947,306)	(1,338,063)	(113,285,369)
<i>As of December 31, 2016</i>	721,100,098	5,142,769	726,242,867
Segment net assets			
<i>As of January 01, 2016</i>	838,819,369	8,484,939	847,304,308
Segment net assets			

The operations of the group are mainly carried out in the Kingdom of Saudi Arabia.

26. SELLING AND DISTRIBUTION EXPENSES

	Note	December 31, 2017	December 31, 2016
Employees' related costs		2,943,729	3,679,466
Depreciation	7.1	67,700	187,384
Bidding expenses		553,775	1,349,173
Advertisement		467,353	779,505
Others		560,485	628,455
		4,593,042	6,623,983

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27. GENERAL AND ADMINISTRATION EXPENSES

	Note	December 31, 2017	December 31, 2016
Employees' related costs		20,538,713	31,751,584
Depreciation	7.1	1,212,011	1,513,616
Rent		2,018,998	3,455,361
Professional fees		1,412,715	1,255,809
Donations		465,986	2,027,643
Travel		598,199	826,677
Bonus		2,948,000	1,576,687
Others		4,631,696	4,793,268
		<u>33,826,318</u>	<u>47,200,645</u>

28. OTHER INCOME

	Note	December 31, 2017	December 31, 2016
Gain on disposal of assets held for sale		30,804,750	13,943,737
Refund of work permit levy	28.1	22,552,800	23,596,800
Miscellaneous		1,245,806	5,995,498
		<u>54,603,356</u>	<u>43,536,035</u>

- 28.1** In November 2015, the Company has submitted claims for eligible projects to the Government under the Human Resources Development Fund (HRDF) scheme for the refund of increased work permit levy. During the year ended December 31 2017, SR 22.6 million (December 31, 2016 SR. 23.6 million) has been received by the Group in this regard.

29. FINANCE COST

	December 31, 2017	December 31, 2016
Financial liabilities measured at amortised cost – mark-up	37,436,635	38,859,079
Other mark-up	16,792,250	22,263,287
Unwind of discount - net	8,410,354	10,850,989
Bank and other charges	11,248,822	8,111,337
	<u>73,888,061</u>	<u>80,084,692</u>

30. FINANCE INCOME

	December 31, 2017	December 31, 2016
Unwinding of retention receivable	2,166,863	2,044,352
	<u>2,166,863</u>	<u>2,044,352</u>

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31 ZAKAT

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Provision for Zakat	31.1	<u>9,641,246</u>	10,782,705	8,383,386

The principal elements of the zakat base are as follows:

	For the year ended December 31, 2017
Non-current assets	247,303,548
Non-current liabilities	695,626,423
Opening retained earnings	726,242,867
Net loss before zakat	(99,194,968)

The zakat for the year ended December 31, 2016 was based on financial statements for the year ended December 31, 2016 prepared under SOCPA.

A. The movement in zakat provision

The zakat is based on the financial statements of the Company. The movement in Company's zakat provisions is as follows:

	December 31, 2017	December 31, 2016
At beginning of the year	10,782,705	8,383,386
Charged during the year	2,250,000	6,055,316
Paid during the year	(3,391,459)	(3,655,997)
At end of the year	<u>9,641,246</u>	<u>10,782,705</u>

B. STATUS OF ZAKAT ASSESSMENTS

Zakat assessments have been finalized with the General Authority of Zakat and Income Tax ("GAZT") up to year 2006. The GAZT has requested certain information for the years 2007 to 2011 which were duly submitted by the Company.

Pursuant to the initial public offering during 2010, the a related party, on behalf of the Company, has agreed to pay to the GAZT any additional zakat liability which may arise upon the finalization of zakat assessments for the years 2007 through 2009.

In December 2016, the GAZT has conducted a field inspection for the years 2007 to 2015 on the basis of which the GAZT has requested certain additional information from the Company. The Company has submitted the required information to the GAZT.

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32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Total	At amortised cost	Assets at fair value through the profit and loss	Available for sale
<i>Financial assets</i>				
2017:				
Trade and other receivable	592,972,135	592,972,135	-	-
Contracts in progress	1,386,287,616	1,386,287,616	-	-
Deposits, prepayments and other current assets	25,647,139	25,647,139	-	-
Cash and cash equivalents	35,116,663	35,116,663	-	-
	2,040,023,553	2,040,023,553	-	-
2016:				
Trade and other receivables	631,229,267	631,229,267	-	-
Contracts in progress	1,347,149,382	1,347,149,382	-	-
Deposits, prepayments and other current assets	17,859,768	17,859,768	-	-
Cash and cash equivalents	73,784,743	73,784,743	-	-
	2,070,023,160	2,070,023,160	-	-

The Company's exposure to various risks associated with the financial instruments is discussed in note 36. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

	As at December 31	
Financial Liabilities	Total	Liabilities at amortized cost
2017:		
Trade and other payables	741,367,495	741,367,495
Borrowings – Murabaha facilities	716,586,606	716,586,606
Loans from a related party	235,865,704	235,865,704
Provisions and other liabilities	23,068,852	23,068,852
Dividend payable	466,597	466,597
	1,717,355,254	1,717,355,254
2016:		
Trade and other payables	888,032,036	888,032,036
Borrowings – Murabaha facilities	743,647,030	743,647,030
Loans from a related party	124,621,253	124,621,253
Provisions and other liabilities	36,466,713	36,466,713
Dividend payable	1,663,647	1,663,647
	1,794,430,679	1,794,430,679

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33. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2017, December 31, 2016 and January 01, 2016, all of the Group's financial instruments have been carried at amortised cost and the Company does not hold any financial instruments measured at fair value. However, the carrying value of the financial assets and financial liabilities in consolidated statement of financial position approximates to their fair value.

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34. CONVENTIONAL AND NON-CONVENTIONAL FINANCING AND INVESTMENTS

Components of consolidated statement of financial position

	December 31, 2017	December 31, 2016
Cash and cash equivalents –conventional		
Current accounts	29,450,215	41,108,704
	29,450,215	41,108,704
Borrowings		
Murabaha facilities – non conventional	952,452,310	868,268,283
	952,452,310	868,268,283

Components of consolidated statement of profit or loss and other comprehensive income

	December 31, 2017	December 31, 2016
Finance cost – non conventional		
Financial liabilities measured at amortised cost – mark up	37,436,635	38,859,079
Bank and other charges	11,248,822	8,111,337
Other mark-up	16,792,250	22,263,287
Unwind of discount - net	8,410,354	10,850,989
	73,888,061	80,084,692

35. RELATED PARTY TRANSACTIONS AND BALANCES**Significant transaction with related parties was as follows:****Terms and conditions of transactions with related parties**

The transactions with related parties are made at agreed terms. Outstanding balances at the year ended December 31, 2017 are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

a) Transactions with key management personnel

Key management personnel compensation includes the following:

	December 31, 2017	December 31, 2016
Short term employee benefits	860,000	860,000
Post-employment benefits	71,120	71,120

Compensation to Group's key management personnel includes salaries, non-cash benefits, and contributions to post-employment defined benefit plan.

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b) Other related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled or significantly influenced by such parties. Following is the list of major related parties of the Company:

<i>Name of related party</i>	<i>Nature of relationship</i>
Al Khodari Investment Holding Company	Parent
Abdullah Abdul Mohsin Al Khodari Sons Company, Qatar	Subsidiary
Al Khodari International Group for Contracting L.L.C, Kuwait	Subsidiary
Al Khodari International, Abu Dhabi	Subsidiary
Al Khodari and Sons Company	Affiliate
Al Khodari Heavy Industries	Affiliate
Al Khodari Industrial Trading and Services	Affiliate
Al Khodari Travel and Tourism Agency	Affiliate
Abdullah Abdul Mohsin Al Khodari Sons and Hertel Company	Affiliate
Al Khodari LV Shipping Company Limited	Affiliate
Hammon D'Hondt Middle East Company Limited	Affiliate
Mace Saudi Arabia Company Limited	Affiliate
Fleet Tracking Technology	Affiliate
Karrena Arabia Company Limited	Affiliate
Masahaat Al Aqariyah	Affiliate
Madh Real Estate Company	Affiliate
Bahrath Al Dhana Establishment	Affiliate
Fawwaz and Partners Company	Affiliate
Al-Khodari Charity Office	Affiliate
Housing and Construction Real Estate Company	Affiliate
Total Care Saudi Third Party Administrators	Affiliate

Significant transactions with related parties during the year ended December 31 are as follows:

	December 31, 2017	December 31, 2016
Purchases, services and sub-contracting	11,407,560	2,896,700
Services rendered	863,698	-
Sale of assets	-	50,495,260
Air tickets	933,914	1,707,672
Expenses recharged to affiliates	99,719	154,738
Remuneration of board of directors and committees' members	2,948,000	1,386,000

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c) Balances with other related parties

At the end of reporting period, balances with other related parties comprise of the following:

Due from related parties

	December 31, 2017	December 31, 2016	As at January 1, 2016
Abdullah Abdul Mohsin Al Khodari Sons and Hertel Company	1,616,952	1,616,952	1,616,952
Mace Saudi Arabia Company Limited	697,806	1,392,962	1,900,504
Al Khodari Industrial Trading and Services	133,023	132,573	-
Hammon D'Hondt Middle East Company Limited	197,392	197,392	197,392
Al-Khodari Charity Office	130,456	130,456	-
Al Khodari Investment Holding Company	-	-	10,195,723
Other affiliates	206,265	106,407	934,664
	2,981,894	3,576,742	14,845,235

Due to related parties

	December 31, 2017	December 31, 2016	As at January 1, 2016
Al-Khodari Travel and Tourism Agency	15,432,198	13,866,715	13,320,740
AL Khodari Heavy Industries	12,427,438	5,400,694	4,923,034
Al Khodari Investment Holding Company	7,343,198	7,078,770	-
Masahaat Al Aqariyah	6,267,870	6,280,751	-
Fleet Tracking Technology	464,454	1,140,063	855,471
Al Khodari Industrial Trading and Services	-	-	174,500
Al-Khodari and Sons Company	2,789,942	564,149	3,822,525
Housing and Construction Real Estate Company	68,077	1,113,003	-
Other affiliates	310,916	299,198	80,475
	45,104,093	35,743,343	23,176,745

36 FINANCIAL RISK MANAGEMENT**Overview**

Risk management activities are governed Group's Board level. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements

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Risk management framework

The management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management practices are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board oversees how management monitors risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Credit risk concentration

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. This type of risk management activities are governed at Board level.

Trade and other receivables

Receivable balances are monitored on ongoing basis and the Group's exposure to bad debts is not significant as 81% of trade and other receivables is the Government authorities.

Guarantees

The Group monitors its risk to shortage of funds using cash flow forecasting to assess the impacts of operational activities on overall liquidity availability. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of various banks under non conventional arrangements.

Credit risk quality***External rating of cash and cash equivalents******Carrying value as at December 31,*****2017**

	A1	A3	Others	Total
35,116,663	-	-	35,116,663	

2016

	A1	A3	Others	Total
73,784,743	-	-	73,784,743	

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Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted and force majeure events, such as natural disasters.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments;

	December 31			Total
	Within 1 year	Between 1-5 years	More than 5 years	
2017:				
Interest bearing loans and borrowings	355,497,607	411,883,764	-	767,381,371
Loans from a related party	129,706,859	106,158,845	-	235,865,704
Trade and other payable	654,303,096	87,064,399	-	741,367,495
	1,139,507,562	605,107,008	-	1,744,614,570
2016:				
Interest bearing loans and borrowings	579,596,216	300,340,926	-	879,937,142
Loan from a related party	-	124,621,253	-	124,621,253
Trade and other payables	768,082,084	119,949,952	-	888,032,036
	1,347,678,300	544,912,131	-	1,892,590,431

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk at the end of the reporting year was as follows:

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2017:	SAR	AED	USD	KWD	QAR	LBP	Others	Total
Cash and cash equivalents	32,607,455	594,337	1,369,724	91,913	206,040	187,760	59,434	35,116,663
Trade and other receivables	560,070,169	502,096	32,384,985	14,885	-	-	-	592,972,135
Borrowings	(561,398,639)	(4,337,000)	(150,850,967)	-	-	-	-	(716,586,606)
Loan from a related party	(235,865,704)	-	-	-	-	-	-	(235,865,704)
Trade and other payables	(738,994,048)	(474,276)	(1,522,315)	(122,477)	-	-	(254,379)	(741,367,495)
Total net monetary exposure	(943,580,767)	(3,714,843)	(118,618,573)	(15,679)	206,040	187,760	(194,945)	(1,065,731,007)
2016:	SAR	AED	USD	KWD	QAR	LBP	Others	Total
<i>Cash and bank</i>	71,303,126	438,923	1,005,116	610,334	204,290	159,678	63,276	73,784,743
Trade and other receivables	561,335,334	502,392	69,008,824	382,717	-	-	-	631,229,267
Borrowings	(603,729,802)	(5,346,330)	(134,570,898)	-	-	-	-	(743,647,030)
Loan from a related party	(124,621,253)	-	-	-	-	-	-	(124,621,253)
Trade and other Payables	(885,497,975)	(554,093)	(1,287,226)	(121,275)	-	-	(571,467)	(888,032,036)
Total net monetary exposure	(981,210,570)	(4,959,108)	(65,844,184)	871,776	204,290	159,678	(508,191)	(1,051,286,309)

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group monitors the fluctuations in market rates upon significant changes and assess the impact on Group's performance.

Capital management

The primary objective to the Group's capital management is to support its business and maximize shareholders value.

The Board's policy is to maintain an optimum capital base so as to maintain shareholders and creditors confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. The Board of Directors also monitors the level of dividends. The Group's net debt to equity ratio at the end of the reporting year was as follows:

	December 31, 2017	December 31, 2016
Total liabilities	1,881,112,727	2,045,095,680
Less: cash and cash equivalents	(35,116,663)	(73,784,743)
Net debt	1,845,996,064	1,971,310,937
 Total equity	 639,282,317	 726,242,867
Net Debt to equity ratio as of 31 December	2.89	2.71

37. CONTINGENCIES AND COMMITMENTS

(a) The Group's bankers have issued performance guarantees amounting to SR 371 million (December 31, 2016: SR 473 million).

(b) The Group enters into operating lease arrangements for renting motor vehicles, and equipments etc. Leases are negotiated and rentals are fixed for a period from one to 3 years. Future rental commitment under operating leases are as follows:

	December 31, 2017	December 31, 2016	January 01, 2016
Within one year	16,842,221	34,539,586	40,854,144
From one to three years	15,763,847	15,952,800	50,492,386
	32,606,068	50,492,386	91,346,530

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38. SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events, other than the event disclosed in note 1 regarding the conversion of debt to equity, since the year ended 31 December 2017 that would have a material impact on the financial position of the Group as reflected in these financial statements.

39. COMPARATIVE FIGURES

Certain reclassifications were made to the 2016 figures to conform to the current year's presentation.

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Group on March 31, 2018.