

PROSPECTUS

Offer of 12,750,000 ordinary shares representing 30% of the share capital of Abdullah A.M. Al-Khodari Sons Company through an Initial Public Offering at an offer price of SAR 48 per share

ABDULLAH A.M. AL-KHODARI SONS COMPANY

A Saudi Joint Stock Company with Commercial Registration No. 2050022550

In accordance with Ministerial Resolution No. 152/Q dated 16/5/1430H (corresponding to 11 May 2009G)

Offering Period: 25/10/1431H to 2/11/1431H (corresponding: from 4/10/2010G to 10/10/2010G)

Abdullah A. M. Al-Khodari Sons Company was first established under the Commercial Registration No. 146 dated 10/10/1385H (corresponding to 1 February 1966G) as an individual proprietorship establishment to engage in general contracting works. It was then converted into a Saudi limited partnership company under the name of: Abdullah Abdul-Mohsen Al-Khodari Sons Company (hereinafter referred to as "Al-Khodari" or the "Company") under Commercial Registration Number 2050022550 dated 25 Rajab 1412H (corresponding to 30 January 1992G) with a share capital of SAR 10,000,000 divided into 1,000,000 shares with a nominal value of SAR 10 each. The Company was converted into a joint stock company pursuant to Minister of Commerce and Industry Resolution No. 152/Q dated 16/5/1430H (corresponding to 11/5/2009G) with a share capital of SAR 300,000,000 divided into 30,000,000 ordinary shares with a nominal value of SAR 10 each. On 16/11/1430 H (corresponding to 4/11/2009) the Company increased its capital to SAR 400,000,000 divided into 40,000,000 ordinary shares with a nominal value of SAR 10 each. On 10/7/1431H (corresponding to 22/6/2010G) the Company increased its capital to SAR 425,000,000 divided into 42,500,000 ordinary shares with a nominal value of SAR 10 each (the "Shares").

The initial public offering in the shares of the Company (the "Offering") shall be in 12,750,000 ordinary Shares (the "Offer Shares" each "Offer Share") with nominal value of SAR 10 per share, all of which are fully paid. The offer price shall be SAR 48 per share. All Offer Shares represent 30% of the issued share capital of the Company. The offering is directed at, and may be accepted by:

Tranche (A): Institutional investors including a number of institutions (the "Subscribing Institutions") that have been contacted by the Lead Manager after discussions with the Company and the Selling Shareholders and based on predefined criteria set by the Capital Market Authority ("CMA" or the "Authority"). The number of Offer Shares allocated to the Subscribing Institutions is 12,750,000 Shares representing 100% of the total number of Offer Shares. In the event of subscription in the Offer Shares by the individuals defined in Tranche B, the Lead Manager shall have the right, following obtaining approval from CMA, to decrease the number of shares allocated for the Subscribing Institutions down to 6,375,000 shares that represent 50% of the total number of the Offer Shares.

Tranche (B): Individual investors, including Saudi Arabian natural persons who include a Saudi female divorcee or widow having minor children from a marriage to a non-Saudi and she will be entitled to subscribe in her children's names, collectively "Individual Subscribers" and severally "Subscriber". Subscription of a person in the name of his divorcee shall be deemed invalid and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the subscription applicant. A maximum of 6,375,000 shares representing 50% or the total Offer Shares shall be allocated to Individual subscribers, and if they do not subscribe in the entire shares allocated to them, then the Lead Manager shall, following obtaining approval from CMA, decrease the number of shares allocated to the Individual Subscribers so that they shall be consistent with the number of shares they subscribed in.

The Offer Shares are being sold by Abdullah A. M. Al-Khodari Sons Investment Holding Company, Fawzi Abdullah A. Al-Khodari, Jamil Abdullah A. Al-Khodari, Fawwaz Abdullah A. Al-Khodari, Ali Abdullah A. Al-Khodari, Abdul Aziz Abdullah A. Al-Khodari, Naif Abdullah A. Al-Khodari, Mishal Abdullah A. Al-Khodari, Sami Abdullah A. Al-Khodari, Abeer Abdullah A. Al-Khodari, Ghada Abdullah A Al-Khodari, and Fouzia Abdullah A. Al-Khodari (referred to collectively hereinafter as the "Selling Shareholders"), who collectively own 100% of the Shares of the Company prior to the Offering. Upon completion of the Offering, the Selling Shareholders will collectively own 70% of the Company's Shares and will consequently retain a controlling interest in the Company. The net proceeds from the Offering will be distributed to the Selling Shareholders pro-rata to the number of Shares being sold by each Selling Shareholder in the Offering. The Company will not receive any part of the proceeds from the Offering. The Offering is fully underwritten by the underwriters. (Refer to section 16 "Underwriting" herein)

The Offering will commence on 25/10/1431H (corresponding to 4/10/2010G) and will remain open for a period of 7 days including the last day for closing of the subscription, which is the close of business of 2/11/1431H (corresponding to 10/10/2010) (the "Offering Period"). Subscription for Offer Shares can be made through branches of the Receiving Agents (the "Receiving Agents") during the Offering Period. Institutional Investors ("Subscribing Institutions") may

subscribe to the Offering by applying to the Lead Manager during the order book-building process that takes place prior to offering the shares to the Individual Subscribers. There is no maximum number of Offer Shares which can be subscribed for by Institutional Subscribers whereas the maximum number of Offer Shares which can be subscribed for by Individual Subscribers is 500,000.

Each Individual Subscriber must subscribe for a minimum of 10 Offer Shares. The maximum number of Offer Shares which can be subscribed for by each Subscriber is 100,000. The minimum allocation of shares is 10 shares per each Subscriber, and the remaining Offer Shares, if any, shall be allocated pro-rata based on the percentage of shares applied for by each Subscriber to the total shares for which subscription is requested. The Company does not guarantee the minimum allocation in the event that the number of Individual Subscribers exceeds 637,500. If the number of Subscribers exceeds 637,500, the allocation will be determined at the discretion of the CMA. Excess subscription amounts, if any, will be refunded to Subscribers without any charge or withholding by the Lead Manager or Receiving Agents. Notification of the final allotment and refund of subscription amounts, will be made by [9/11/1431H (corresponding to 17/10/2010G)]. (Refer to section 17 "Subscription Terms and Conditions") herein.

Shares of the Company shall be of one class that comprises of the shares of the Selling Shareholders and the Offer Shares, and no shareholder shall be accorded any preferential rights. However, each Offer Share entitles the holder to one vote and each shareholder (the "Shareholder") holding at least 20 Shares has the right to attend and vote at shareholders' general assembly meetings ("General Assembly"). The Offer Shares will be entitled to receive their shares in any dividends accrued and declared by the Company after commencement of the Offering Period and in subsequent fiscal years. (Refer to section 10 "Dividend Distribution Policy") herein.

Prior to their Public Offering, there has been no public market for the Company's Shares in Saudi Arabia or elsewhere. An application has been made by the Company to the CMA for the admission of the Shares to the Official List and all supporting documents requested by the CMA have been supplied, and all relevant approvals pertaining to this Prospectus and required to conduct the Offering have been granted. Trading in the Offer Shares is expected to commence on the Saudi Arabian Stock Exchange soon after final allocation of the Shares and finalizing all relevant regulatory requirements (Refer to section "Key Dates for subscribers" herein). Subsequent to Shares commencing trading, Saudi and Gulf Cooperation Council ("GCC") member states nationals, non-Saudi nationals with valid residence permits (Iqama) in Saudi Arabia, companies, banks and investment funds will be permitted to trade in the Shares. **The "Important Notice" and "Risk Factors" sections in this Prospectus should be considered prior to making an investment decision in the Offer Shares under this Prospectus.**

Financial Advisor and Lead Manager

Co-Underwriters



Receiving Agents



This Prospectus includes information given in compliance with the Listing Rules issued by the Saudi Arabian Capital Market Authority (the "CMA"). The Directors, whose names appear on page (5), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange take no responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 9/10/1431H (corresponding to 18/09/2010G)

Important Notice

This Prospectus contains full detailed information relating to the Company and the Offer Shares. In applying for the Offer Shares, investors will be treated as if they are applying on the basis of the information contained in the Prospectus, copies of which are available for collection from the Lead Manager and Receiving Agents or by visiting both the Company's website (www.alkhodari.com) and the CMA's website (www.cma.org.sa).

GIB Financial Services ("the "Financial Advisor") has been appointed by the Company to act as its financial advisor with respect to the Offering. It has been also appointed as a lead manager ("Lead Manager") and lead underwriter ("lead underwriter"). GIB Financial Services along with Riyadh Capital have been appointed as co-underwriters (jointly "Co-Underwriters" and individually "Co-Underwriter") in relation to the Offer Shares described herein.

The Prospectus includes information given in compliance with the Listing Rules of the Saudi Arabian Capital Market Authority (the "CMA"). The Directors, whose names appear on page (5), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omissions of which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, a substantial portion of the information herein relevant to the industry in which the Company operates are derived from external sources, and while neither the Financial Advisor, the Company nor any of the Company's advisors have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Company and the value of the Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as, a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders or any of their advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information herein, and that the information is with regards to individual objectives, financial situations and needs.

The offering is directed at, and may be accepted only by:

Tranche (A): Institutional investors including a number of institutions that have been contacted by the Institutions Lead Manager ("Institutions Lead Manager") immediately after discussions with the Company and the Selling Shareholders and based on certain predefined criteria set forth by the Capital Market Authority ("CMA" or the "Authority")

Tranche (B): Individual investors, including Saudi Arabian natural persons who include a Saudi female divorcee or widow having minor children from a marriage to a non-Saudi and she will be entitled to subscribe in her children's names

The distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia are expressly prohibited. The Company, the Selling Shareholders and the Financial Advisor require recipients of this Prospectus to become aware of any regulatory restrictions relevant with this offering and sale of the Offer Shares and to observe all such restrictions.

Industry and Market Data

The source of the industry and market information contained in this Prospectus has been provided by IMES Consulting (MENA), a limited liability company registered at the Free Zone ("Market Consultant") dated April 2008. The Market Consultant is an independent consulting firm that was established in London in 1971 as International Marketing & Economic Services provider. Its clients include multinational companies as well as organizations, such as the United Nations and the European Commission. In 2004, the Market Consultant moved its headquarters from London to Dubai Media City. At present, the Market Consultant owns subsidiary businesses in USA, Ireland, Russia, Singapore and Saudi Arabia. It also has clients in South East Asia, China, the Caribbean and elsewhere.

The Market Consultant does not itself, nor do any of its affiliates, shareholders, directors or their relatives, hold any shareholding or interest of any kind in the Company. The Market Consultant has given and not withdrawn its written consent to the publication of its information and statements included in the form and context as they appear in the Prospectus. It is believed that such information, sources and estimates are authentic and the Company exerted reasonable efforts to verify such sources.

Financial Information

The audited financial statements of the Company for the fiscal years ended 31 December 2006, 2007 and 2008 and the notes thereto, as well as the audited financial statements for the fiscal year ended 31 December 2009 and the notes thereto, in addition to the interim audited financial statements for the 6 months ending 30 June 2010 and the notes thereto, which all have been audited by Ernest & Young Chartered Accountants, each of which are incorporated elsewhere in the Prospectus, have been prepared in conformity with the Saudi Organization for Certified Public Accountants ("SOCPA") Generally Accepted Accounting Principles. The Company publishes its financial statements in Saudi Arabian Riyals.

Forecasts and Forward-Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be", or the negative thereof or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company's management with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please see "Risk Factors" section). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove inaccurate or incorrect, actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary prospectus to the CMA if at any time after the Prospectus has been approved by the CMA and before admission to the Official List, the Company becomes aware that (1) there has been a significant change in material information contained in the Prospectus or any document required by the Listing Rules, or (2) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

Members of the Board of Directors

Current members of the Board of Directors (6 directors)

Name	Title
Fawwaz Abdullah A. M. Al-Khodari	Chairman of the Board of Directors (Executive Director)
Jamil Abdullah A. M. Al-Khodari	Executive Director
Ali Abdullah A. M. Al-Khodari	Executive Director
Naif Abdullah A. M. Al-Khodari	Non-Executive Director
Abdulaziz Abdullah A. M. Al-Khodari	Non-Executive Director
Sami Abdullah A. M. Al-Khodari	Non-Executive Director

Proposed Board of Director (6 directors)

Name	Title
Ali Abdullah A. Al-Khodari	Chairman of the Board of Directors (Non-Executive Director)
Fawwaz Abdullah A. Al-Khodari	Executive Director and Chief Executive Officer
Jamil Abdullah A. Al-Khodari	Executive Director and Chief Operating Officer
Naif Abdullah A. Al-Khodari	Non-Executive Director
Dr. Ibrahim Abdullah I. Al-Mutrif	Independent Director
<i>To be nominated later</i>	Independent Director

The appointment of the proposed Board of Directors shall be subject the consent of the Extraordinary General Assembly meeting that shall be held no later than three months after closing of subscription.

Address of the Company

Abdullah Abdul Mohsen Al-Khodari Sons Company
P.O. Box 832
Dammam 31421
Kingdom of Saudi Arabia
Tel (966) 3- 814 7200
Fax (966) 3- 814 7219
Company's website: www.alkhodari.com



Company Representative at the CMA	Board of Directors' Secretary
Fawwaz Abdullah A. Al-Khodari Abdullah Abdul Mohsen Al-Khodari Sons Company P.O. Box 832 Dammam 31421 Kingdom of Saudi Arabia Tel (966) 3- 865 3404 Fax (966) 3- 865 3454 E-mail Address: president@alkhodari.com	Omar Attia Mahdi Mahmoud Abdullah Abdul Mohsen Al-Khodari Sons Company P.O. Box 832 Dammam 31421 Kingdom of Saudi Arabia Tel (966) 3- 814 7222 Ext 554 Fax (966) 3- 898 6856 E-mail Address: omar.attia@alkhodari.com

Share Registrar



Saudi Stock Market

Abraj Atta'awuneya
King Fahad Road
P.O. Box 60612
Riyadh, 11555
Kingdom of Saudi Arabia
Tel: (966) 1 218 9999
Fax: (966) 1 218 1220
E-mail: webinfo@tadawul.com.sa
Website: www.tadawul.com.sa

Company's Key Commercial Banks



Banque Saudi Fransi

Maathar Street
P.O. Box 56006, Riyadh 11554
Saudi Arabia
Tel: +966 (1) 404 2222
Fax: +966 (1) 404 2311
Website: www.alfransi.com.sa



Samba Financial Group

King Abdulaziz Road
P.O. Box 883, Riyadh 11421
Saudi Arabia
Tel: +966 (1) 477 4770
Fax: +966 (1) 479 9402
Website: www.samba.com



The Saudi Hollandi Bank

Prince Abdulaziz bin Musa'ed bin Jlawy Street
P.O. Box 1467, Riyadh 11431
Saudi Arabia
Tel: +966 (1) 401 0288
Fax: +966 (1) 403 1104
Website: www.shb.com.sa

**Gulf International Bank B.S.C.**

Al-Dowali Building, 3 Palace Avenue, P.O.Box 1017
Manama, Kingdom of Bahrain

Tel: +973 17 534 000

Fax: +973 17 522 633

Website: www.gibonline.com

**The National Commercial Bank**

King Abdulaziz Road
P.O. Box 3555, Jeddah 21481
Saudi Arabia

Tel: +966 (2) 649 3333

Fax: +966 (2) 643 7426

Website: www.alahli.com.sa

**Riyad Bank**

King Abdulaziz Road
P.O. Box 22622, Riyadh 11416
Saudi Arabia

Tel: +966 (1) 401 3030

Fax: +966 (1) 404 2707

Website: www.riyadbank.com.sa

Advisors**Financial Advisor****GIB Financial Services**

Abraj Attuwenya, King Fahad Road, South Tower, 3rd floor
P.O. Box 89589, Riyadh 11673

Kingdom of Saudi Arabia

Tel: (966) 1 218 0555

Fax: (966) 1 218 0055

Legal Advisors**Law Office of Mohammed bin Saud Al-Rasheed**

In Association with Baker Botts L.L.P.

P.O. Box 62982

Riyadh 11595

Kingdom of Saudi Arabia

Tel: (966) 1 464 3139

Fax: (966) 1 464 9264

Website: www.bakerbotts.com

Legal Advisor to the Underwriters



Eversheds LLP

Law Office of Hani Al-Qurashi
P.O. Box 300200
Riyadh 11372
Kingdom of Saudi Arabia
Tel: (966) 1 201 1911
Fax: (966) 1 201 1970
Website: www.eversheds.com

Market Research Consultant



IMES Consulting (MENA) FZ LLC

Loft Office Building 1, Office 206
Dubai Media City
PO Box 500594
Dubai
United Arab Emirates
Tel: (971) 4 367 2177
Fax: (971) 4 367 8609
Website: www.imesconsulting.com

Registered Auditors



Deloitte & Touche

Al-Fadl Building
King Saud Street
Dammam
Kingdom of Saudi Arabia
Tel: (966) 3 887 3937
Tel: (966) 3 887 3931
Website: www.deloitte.com

Chartered Accountants



Ernst & Young

PO Box 3795
Al-Khobar 31952
Kingdom of Saudi Arabia
Tel: (966) 3 849 9513
Tel: (966) 3 882 7224
Website: www.ey.com

NOTE: All above advisors have given and not withdrawn their written consent to the publication of their names and their statements in the Prospectus; and do not themselves, their employees or any of their relatives have any shareholding or interest of any kind in the Company or any of its affiliates.

Co- Underwriters



GIB Financial Services

Abraj Attuwenya, King Fahad Road, South Tower, 3rd Floor
P.O. Box 89589, Riyadh 11673
Kingdom of Saudi Arabia
Tel: (966) 1 218 0555
Fax: (966) 1 218 0055



Riyad Capital

King Abdul-Aziz Road
P. O. Box 2116 Riyadh 11475
Saudi Arabia
Tel: (966) 1 408 3131
Fax: (966) 1 408 1461
Website: www.riyadcapital.com

Lead Manager and Institutions Lead Manager



GIB Financial Services

Abraj Attuwenya, King Fahad Road, South Tower, 3rd Floor
P.O. Box 89589, Riyadh 11673
Kingdom of Saudi Arabia
Tel: (966) 1 218 0555
Fax: (966) 1 218 0055

Receiving Agents



Banque Saudi Fransi
Maathar Street
P.O. Box 56006, Riyadh 11554
Saudi Arabia
Tel: +966 (1) 404 2222
Fax: +966 (1) 404 2311
Website: www.alfransi.com.sa



Riyad Bank
King Abdulaziz Road
P.O. Box 22622, Riyadh 11416
Saudi Arabia
Tel: +966 (1) 401 3030
Fax: +966 (1) 404 2707
Website: www.riyadbank.com.sa



The National Commercial Bank
King Abdulaziz Road
P.O. Box 3555, Jeddah 21481
Saudi Arabia
Tel: +966 (2) 649 3333
Fax: +966 (2) 264 7426
Website: www.alahli.com.sa



Samba Financial Group
King Abdulaziz Road
P.O. Box 833, Riyadh 11421
Saudi Arabia
Tel: +966 (1) 477 4770
Fax: +966 (1) 479 9402
Website: www.samba.com



Al Rajhi Bank
Olayya Road
P.O.Box 28 Riyadh 11411
Saudi Arabia
Tel: (966) 1 462 9922
Fax: (966) 1 462 4311
Website: www.alrajhibank.com.sa



SABB
Prince Abdul-Aziz Ben Mansour
Ben Jalawi
P.O.Box 9084 Riyadh 11413
Saudi Arabia
Tel: (966) 1 405 0677
Fax: (966) 1 405 0660
Website: www.sabb.com.sa



Arab National Bank
King Faisal Street
P.O. Box 9802, Riyadh 11423
Saudi Arabia
Tel: +966 (1) 402 9000
Fax: +966 (1) 404 7535
Website: www.anb.com.sa



Jadwa Investment
King Fahad Road
Sky Towers
P.O. Box 60677, Riyadh 11555
Saudi Arabia
Tel: +966 (1) 279 1111
Fax: +966 (1) 279 1571
Website: www.jadwa.com



Falcom Financial Services
King Fahad Road
Arcade Center
P.O. Box 884, Riyadh 11421
Saudi Arabia
Tel: +966 (1) 201 1280
Fax: +966 (1) 201 1295
Website: www.falcom.com.sa



Aldukheil Financial Group
P.O. Box 2462, Riyadh 11421
Saudi Arabia
Tel: +966 (1) 478 2525
Fax: +966 (1) 476 8021
Website: www.aldukheil.com.sa

**Middle East Financial Investment
Company**

7758 King Fahad Road

Al Mada Building – Office No. 1

Riyadh 12333

Saudi Arabia

Toll Free Number: 800 126 3342

Tel: +966 (1) 218 6666

Fax: +966 (1) 218 6668

Website: www.mefic.com.sa

Summary of the terms of Offering

Subscription	Offering of 12,750,000 ordinary shares, which represent 30% of the share capital of Abdullah Abdul-Mohsen Al-Khodari Sons Company through making them available to public offering at the rate of SAR 48 per one share
The Company	Abdullah A. M. Al-Khodari Sons Company a Saudi joint stock company pursuant to Minister of Commerce and Industry Resolution No. 152/Q dated 16/5/1430H (corresponding to 11/5/2009G).
The Company's Activities	The Company is a licensed general contracting company. The Company's core activities include infrastructure works, buildings, city cleaning, waste segregation, sanitary landfills, power, operations & maintenance, transport, logistics, major civil and infrastructure elements of mega projects, roads, bridges, major earth/soil works, and water and sewage networks.
Capital of the Company	SAR 425,000,000
Offer Price	SAR 48 per share
Total Number of Issued Shares	42,500,000 fully paid ordinary shares
Number of Offer Shares	12,750,000 fully paid shares
Percentage of Offer Shares	The Offer Shares represent 30% of the issued share capital of the Company
Nominal Value	SAR 10 per share
Total value of Offer Shares	SAR 612,000,000
Number of Offer Shares Available to Subscribing Institutions	12,750,000 shares representing 100% of the total number of Offer Shares, while it may be possible to reduce then to 6,375,000 shares as a minimum to represent 50% of the total number of Offer Shares.
Number of Offer Shares Available to Individual Subscribers	6,375,000 shares, as a maximum, representing 50% of the Offer Shares, in case of subscription by individuals
Subscribing Institutions	include a number of institutions that have been contacted by the Lead Manager immediately after discussions with the Company and the Selling Shareholders and based on certain predefined criteria set forth by the Capital Market Authority ("CMA" or the "Authority")
Individual Subscribers,	including Saudi Arabian natural persons who include a Saudi female divorced or widow having minor children from a marriage to a non-Saudi and she will be entitled to subscribe in her children's names

Subscription Method for Subscribing Institutions	The Subscribing Institutions may obtain the Subscription Application Form from the Lead Manager
Subscription Method for Individual Subscribers	Subscription applications will be available for Individual Subscribers only during the Offering Period at all the branches of the Receiving Agents or through their websites. Subscription can be made also through Internet, banking phone or ATM systems of the Receiving Agents.
Number of Offer Shares Underwritten	12,750,000 shares
Total Amount Underwritten	SAR 612,000,000
Minimum number of Offer Shares to be subscribed for by Subscribing Institutions	100,000 Shares
Minimum Subscription amount for Subscribing Institutions	SAR 4,800,000
Maximum number of Offer Shares to be subscribed for by Subscribing Institutions	No maximum
Minimum number of Offer Shares to be subscribed for by Individual Subscribers	10 shares
Minimum subscription amount for Individual Subscribers	SAR 480
Maximum number of Offer Shares to be subscribed for by Individual Subscribers	100,000 shares
Maximum subscription amount for Individual Subscribers	SAR 4,800,000
Selling Shareholders	Abdullah A. M. Al-Khodari Sons Investment Holding Company, Fawzi A. Al-Khodari, Jamil A. Al-Khodari, Fawwaz A. Al-Khodari, Ali A. Al-Khodari, Abdul Aziz A. Al-Khodari, Naif A. Al-Khodari, Mishal A. Al-Khodari, Sami A. Al-Khodari, Abeer A. Al-Khodari, Ghada A. Al-Khodari , Fouzia A. Al-Khodari (collectively referred to as "Selling Shareholders") who collectively own 100% of the Company's shares before the Offering.
Use of Offering proceeds	The net proceeds of the Offering (after deducting the Offering expenses that are estimated at approximately SAR 25 million) will be paid to the Selling Shareholders pro-rata based on the number of shares each Selling Shareholder owns in the Offer Shares. The Company will not receive any part of the proceeds from the Offering (please see Section 12 "Use of Offering Proceeds" herein).
Offering Period	The Offering will commence on Monday 25/10/1431H (corresponding to 4/10/2010G) and will remain open for a period of 7 days that end at the close of business of Sunday 2/11/1431H

(corresponding to 10/10/2010G) (inclusive).

Allocation of Offer Shares to Individual
Subscribers

Allocation of the Offer Shares is expected to be completed no later than Sunday 9/11/1431H (corresponding to 17/10/2010G). In the event that subscription exceeds the number of Offer Shares, each subscriber will be allocated a minimum of 10 Shares with the remaining Offer Shares, if any, being allocated on a pro-rata basis. The Company does not guarantee the minimum allocation of 10 Shares in the event that the number of Individual Subscribers exceeds 637,500 in which case the Offer Shares will be allocated equally between all subscribers. If the number of subscribers exceeds 6,375,000 the allocation will be determined at the discretion of the CMA.

Refund of Excess subscription amounts

Excess subscription monies, if any, will be refunded to subscribers without any charge, deduction, commissions or withholding by the Receiving Agents on Sunday 9/11/1431H (corresponding to 17/10/2010G). Please refer to section 17 herein, "Subscription Terms, Conditions and Instructions" for further information.

Listing and Trading of Shares

Prior to the Offering, there has been no public market for the Company's Shares in Saudi Arabia or elsewhere. The Company has submitted an application to the Authority for listing the Shares on the Official List and relevant regulatory approvals required for this Prospectus have been granted. All supporting documents requested by the Authority have been provided.

Trading in the Offer Shares is expected to commence on the Saudi Exchange soon after the final allocation of the Offer Shares and after all related regulatory requirements have been completed. For further information, please see the "Key Dates for Subscribers" section" herein.

Voting Rights

The Company has one class of Shares, which do not carry any preferential voting rights for any shareholder. Each Share entitles the holder to one vote. Each Shareholder holding at least 20 Shares has the right to attend and vote at General Assembly Meetings, and to authorize another shareholder who is a non-director to attend the meetings on his/her behalf. For further details on the shares and the relevant voting rights, please see Section 13 "Description of Shares" herein.

Share Restrictions

The Selling Shareholders shall be restricted from disposing of any of their Shares during the period commencing with the listing date until 30/6/2012G ("Lock-in Period") from the date on which trading in the Offer Shares commences on the Exchange. After the Lock-in period has elapsed, the Selling Shareholders may dispose any of their Shares only after obtaining CMA approval.

Distribution of Dividends

The Offer Shares shall entitle holders to receive any dividends accrued and declared by the Company from the date of commencement of the Offering Period and in subsequent fiscal years. All dividends accrued and declared to the date of

commencement of the Offering Period will be for the benefit of the Selling Shareholders (see “Dividend Distribution Policy” at section 10) herein.

Risk Factors

There are certain risks relating to an investment in this Offer Shares. These risks may generally be categorized into: (i) risks relating to the nature of the Company’s activities and operations; (ii) risks relating to the market; and (iii) risks relating to the shares. These risks are analyzed in “Risk Factors” section herein and should be considered carefully prior to making a decision to subscribe for and invest in Offer Shares.

Expenses

The Selling Shareholders shall bear 100% of the costs related to the Offering. The total estimated cost for subscription is SAR 25 million including the fees for the Financial Advisor, Underwriters, Legal Advisor and the Chartered Accountant, in addition to the fees for the Receiving Agents, costs of marketing, printing, distribution and other relevant expenses.

Shareholders of the Company

Shareholders and their shareholding in the Company:

Current Shareholders:

Current Shareholder	Number of Shares	Capital (SAR)	% of Shareholding Pre-Offering
Abdullah A. M. Al-Khodari Sons Investment Holding Co.	36,428,620	364,286,200	85.71
Fawzi A. Al-Khodari	740,010	7,400,100	1.74
Jamil A. Al-Khodari	740,010	7,400,100	1.74
Fawwaz A. Al-Khodari	740,010	7,400,100	1.74
Ali A. Al-Khodari	740,010	7,400,100	1.74
Abdul Aziz A. Al-Khodari	740,010	7,400,100	1.74
Naif A. Al-Khodari	622,327	6,223,270	1.46
Mishal A. Al-Khodari	622,328	6,223,280	1.46
Sami A. Al-Khodari	466,437	4,664,370	1.10
Abeer A. Al-Khodari	330,140	3,301,400	0.78
Ghada A. Al-Khodari	301,410	3,014,100	0.71
Fouzia A. Al-Khodari	28,688	286,880	0.07
TOTAL	42,500,000	425,000,000	100%

Post-Offering Shareholders:

Post-Offering Shareholder	Number of Shares	Capital (SAR)	% of Shareholding Post-Offering
Abdullah A. M. Al-Khodari Sons Investment Holding Co.	25,500,034	255,000,340	60.00
Fawzi A. Al-Khodari	518,007	5,180,070	1.22
Jamil A. Al-Khodari	518,007	5,180,070	1.22
Fawwaz A. Al-Khodari	518,007	5,180,070	1.22
Ali A. Al-Khodari	518,007	5,180,070	1.22
Abdul Aziz A. Al-Khodari	518,007	5,180,070	1.22
Naif A. Al-Khodari	435,629	4,356,290	1.03
Mishal A. Al-Khodari	435,629	4,356,290	1.03
Sami A. Al-Khodari	326,506	3,265,060	0.77
Abeer A. Al-Khodari	231,098	2,310,980	0.54
Ghada A. Al-Khodari	210,987	2,109,870	0.50
Fouzia A. Al-Khodari	20,082	200,820	0.05
Other public subscribers	12,750,000	127,500,000	30.00
TOTAL	42,500,000	425,000,000	100%

Key Dates for Subscribers

Expected timetable for the Offering	Date
Offering Period	From Monday 25/10/1431H to Sunday 2/11/1431H (corresponding to 4/10/2010G to 10/10/2010G)
Last day for submission of application form from Individual Subscribers and payment for shares to be subscribed for	On Sunday 2/11/1431H (corresponding to 10/10/2010G)
Last day for submission of application form from Subscribing Institutions and payment for shares to be subscribed for	At 16:00 on Sunday 2/11/1431H (corresponding to 10/10/2010G)
Declaration of final allotment and refund of excess subscription amount (in the event of over-subscription)	On Sunday 9/11/1431H (corresponding to 17/10/2010G)
Expected Start date of trading of Offer Shares on the Exchange	Upon satisfaction of all related regulatory requirements and procedures.

Note: The dates and times shown on the above timetable are indicative. Actual dates will be announced through national daily press published in Arabic and on Tadawul website (www.tadawul.com.sa).

How to Apply for Subscription

Individual Subscribers Tranche:

Subscription of Individual Subscribers tranche in the offer shares is limited to Saudi Arabian natural persons who include a Saudi female divorced or widow having minor children from a marriage to a non-Saudi and she will be entitled to subscribe in the Company's shares in her children's names (each referred to as "Subscriber" and collectively as "Subscribers"), provided that she provides proof of motherhood to minor children and that she is a widow or divorced.

Subscription application forms will be available during the Offering Period at the branches of the Receiving Agents or through their respective websites. Subscription may also be made through the Internet, banking phone or ATM machines at any of the Receiving Agents that provide such service for the subscribers who have participated in one of the subscriptions that have been recently made, provided that:

- The Subscriber must have a bank account at a Selling Agent which offers such services; and
- There should have been no changes in the personal information of the Subscriber since her/his subscription in a recent offering.

The Subscription Application forms must be completed in accordance with the instructions described in the "Subscription Terms and Instructions" section herein. Applicant must agree to all items contained in relevant application form. The Company and the Selling Shareholders reserve the right to reject any subscription application, partly or wholly, if it does not satisfy any of the subscription terms and instructions. The subscription application shall not be amended or withdrawn after submittal. Upon submittal, the subscription application shall be considered a binding agreement between the applicant and the Company. Please see Section 17 "Subscription Terms and Instructions" herein.

Subscribing Institutions Tranche

Subscription of Subscribing Institutions Tranche in the Offer Shares is limited to a number of institutions that have been contacted by the Lead Manager after discussions with the Company and the Selling Shareholders and based on certain predefined criteria set forth by the Capital Market Authority ("CMA" or the "Authority"). These Subscribing Institutions may obtain the subscription application forms from Lead Manager.

Summary of Key Information

This summary of key information is intended to give an overview of the information contained in this Prospectus. However, it does not contain all the information that may be important to prospective investors. Therefore, this summary should be read as an introduction of the Prospectus, and the recipients of this Prospectus are advised to read the entire Prospectus, and the prospective investors must take the information herein into consideration when making a decision to invest in the Offer Shares.

Outline on the Company

Late Sheikh Abdullah Abdul Mohsen Al-Khodari incorporated an individual proprietorship establishment in Arar in the Northern Province under the Commercial Registration No. 146 dated 10/10/1385 H (corresponding to 1/2/1966G) to carry out general contracting business. Thereafter, a branch for the said establishment was opened in Dammam, Eastern Province under the Commercial registration No. 2339 dated 11/11/1389H (corresponding to 19/1/1971G). The head office was later relocated to Dammam on 4/3/1394H (corresponding to 28/3/1974G).

The establishment was then converted into a Saudi limited partnership company styled "Abdullah Abdul-Mohsen Al-Khodari Sons Company" (hereinafter referred to as "the Company" or "Al-Khodari") under the commercial registration No. 2050022550 dated 25 Rajab 1412H (corresponding to 30/1/1992G) with the capital of SR 10 million divided into SAR 1 million shares with value of SAR 10 per share. The Company was then converted into a joint stock company in accordance with Minister of Commerce and Industry's Resolution No. 152/Q dated 16/5/1430 H (corresponding to 11/5/2009G) with a capital of SAR300 million divided into 30 million ordinary shares with nominal value of SAR 10 per share. The increase in capital from SAR 10 million to SAR 300 million by capitalization of the retained profits on 16/5/1430H (corresponding to 11/5/2009G). On 16/11/1430H (corresponding to 4/11/2009G) the Company increased the capital to SAR400 million divided into 40 million ordinary shares with nominal value of SAR 10 per share ("The Shares"), pursuant to the resolution of the Extraordinary General Assembly held 4 November 2009 which resolved capitalization of SAR 88,873,754 from the retained profits account as well as SAR 11,126,246 from the statutory reserve account. On 10/7/1431H (22/6/2010G) the Company increased the capital to SAR425 million divided into 42.5 million ordinary shares with nominal value of SAR 10 per share ("The Shares"), pursuant to the resolution of the Extraordinary General Assembly held in May 2010 which resolved capitalization of SAR 14,477,241 from the retained profits account as well as SAR 10,522,759 from the statutory reserve account.

The Selling Shareholders will collectively own 70% of the Company's capital following the completion of the Offering.

The Company provides general contracting services utilizing its own employee and equipment base; however it occasionally engages subcontractors for ancillary services. The Company employs around 10,296 people and owns about 3,000 pieces of heavy construction equipment and commercial vehicles in more than 32 different locations in Saudi Arabia, Middle East and Africa.

The Company's scope of business includes all construction activities involving the following works:

- Infrastructure
- Building
- Environmental services, city cleaning, waste segregation, operation and management of sanitary landfills,
- Power
- Operations & Maintenance
- Transportation and logistics
- Major civil and infrastructure elements of mega projects
- Roads, bridges and major earth/soil works
- Water and sewage networks

Vision

- To be the premier contracting, engineering, construction and project management company in the Middle East and Africa.

Mission of the Company

- Partner in progress with our Clients – providing value-added construction expertise by delivering the most effective and economical solution, with an aim of exceeding their expectation and gaining their trust through exceptional performance;
- Continue to foster a mutually rewarding environment for our Employees and Suppliers - where they are respected, valued, trusted and treated fairly without bias or prejudice;
- Provide a safe healthy work environment as a priority;
- Meet and exceed environmental regulations by efficiently using and preserving our natural resources;
- Execute our corporate social responsibility by conducting our business ethically; being sensitive and supportive of the local culture and the social, educational and economic needs of our society;

Thus, ultimate enhancement of Shareholders' value

Competitive Advantages

The Company enjoys the following competitive advantages and capabilities:

- It is classified by the Saudi Contractors Classification Agency as a Grade I contractor in the fields of road construction, building construction and city cleaning. This gives the Company the advantage of bidding for projects of all sizes in the mentioned fields without limitation on contract value;
- Its established reputation created and maintained by its ability to deliver even the most challenging of jobs on schedule and at reasonable costs;
- Its experienced key personnel who have been working with the Company for many years. Through their extended service and close coordination with management, the key personnel established effective and efficient operation methods and supporting systems, enabling them to successfully complete projects that the Company embarks on;
- Its vast fleet of equipment which is continuously renewed, assuring the maximum possible availability and quality;
- Its strong relationship with financial institutions which allows for availability of funding when required;
- Its strong working relationship with equipment vendors and material suppliers; and
- Its dedication to the implementation of high health, safety and environment ("HSE") criteria and standards.

Summary Financial Information

The financial statements presented below should be read in conjunction with the audited proforma financial statements as of 31 December 2006G, 2007G and 2008G, the audited financial statements as of 31 December 2009G and the interim audited financial statements as of 30 June 2010G, including in each case, the notes thereto, each of which are included in other sections in this Prospectus.

<i>All figures are in SAR '000'</i>	For fiscal year ended 31 December			6 month ending 30 June	
	2007	2008	2009	2009	2010
Operational Performance					
Total Sales	1,058,582	1,159,186	1,048,083	537,514	462,160
Cost of Sales	(739,728)	(823,895)	(749,009)	(386,081)	(341,720)
Gross Profit	318,854	335,291	299,074	151,433	120,440
Sales, marketing, general and admin exp	(45,018)	(61,295)	(62,667)	(29,811)	(32,407)
Other Income, net	4,438	5,902	7,321	5,088	9,894
Financial Charges	(45,073)	(33,712)	(20,887)	(12,612)	(6,231)
Net Income	226,959	239,661	217,051	111,262	89,410
Financial Condition					
Current Assets	547,320	698,877	936,910	801,749	1,042,559
Total Assets	1,256,455	1,340,051	1,449,756	1,350,852	1,530,288
Current Liabilities	539,125	568,953	409,912	548,817	515,690
Total Debt	586,209	641,596	658,860	553,680	645,556
Total Liabilities	939,332	992,306	943,460	891,845	1,015,382
Shareholders' Equity	317,123	347,745	506,295	459,007	514,906
Cash Flows					
Cash flow from operating activities	395,840	73,769	130,593	121,191	146,708
Cash flow from investing activities	(346,270)	(73,610)	8,429	20,798	(27,680)
Cash flow from financing activities	146	(57,075)	(139,813)	(136,708)	(94,103)
Cash at end of period	90,318	33,401	32,610	38,683	57,535
Key Indicators					
Gross profit margin (%)	30.12%	28.92%	28.54%	28.17%	26.06%
Net profit margin (%)	21.44%	20.67%	20.71%	20.70%	19.35%
Current assets to current liab. ratio (times)	1.02	1.23	2.29	1.46	2.02
Total liabilities to total assets (%)	74.76%	74.05%	65.08%	66.02%	66.35%
Total debt to shareholders' equity (times)	1.85	1.85	1.30	1.21	1.25
Return on shareholders' equity (%)	71.57%	68.92%	42.87%	24.24%	17.36%
Return on assets (%)	18.06%	17.88%	14.97%	8.24%	5.84%
Adjusted dividend per share SAR (1MM shares)*	226.96	239.66	217.05	111.26	89.41
Adjusted dividend per share SAR (42.5MM shares)**	5.34	5.64	5.11	2.62	2.10

*number of shares during 2007=1,000,000 shares with nominal value of SAR 10 per share

** On 16/11/1430H (corresponding to 4/11/2009G) the Company increased the capital from SAR 300 million to SAR 400 million divided into 40 million ordinary shares with nominal value of SAR 10 per share by capitalizing SAR 100,000,000 from statutory reserves and retained earnings. On 10/7/1431H (corresponding to 22/6/2010G) the Company increased its capital from SAR 400 to SAR 425 million divided into 42.5 million ordinary shares with nominal value of SAR 10 per by capitalization of SAR 10,522,759 from the statutory reserve as well as SAR 14,477,241 from the retained profits.

Source: the proforma financial statements for the years 2007 and 2008, and the audited financial statements for the year 2009, and the interim audited financial Statements for the period of 6 months ending 30 June 2010.

Table of Contents

1	Definitions and Abbreviations	29
2	Risk Factors	32
2.1	Risks Relating to the Company's Operations.....	32
2.2	Risks Related to the Market.....	34
2.3	Risks Related to Ordinary Shares	36
3	Market Overview.....	38
3.1	Introduction	38
3.2	Saudi Construction Sector.....	38
3.3	Buildings	39
3.4	Roads.....	41
3.5	Water and Power.....	44
3.6	Oil, Gas and Petrochemicals	46
3.7	Other Infrastructure	49
3.8	Conclusion	51
4	The Company	53
4.1	Introduction	53
4.2	Major Historical Events:.....	54
4.3	Changes in the Capital of the Company:	55
4.4	Changes in Ownership Structure:	56
4.5	Company's Mission and Overall Strategy	60
4.6	Company's Principal Activities	63
4.7	Key Projects	64
4.8	Key Clients	81
4.9	Competitive Advantages.....	81
4.10	Certification and Accreditations	82
5	Corporate Reorganization.....	83
5.1	Changes that Occurred During the Course of Reorganization	83
5.2	Branches and Investments Owned by the Company	86
6	Major Shareholders	90
6.1	Major Shareholders	90
6.2	Shareholders who indirectly own 5% of the Company (after Offering)	91
7	Operational & Support Functions	92
7.1	Accounting Department	92
7.2	Internal Audit Department	92
7.3	IT Department	92
7.4	Administration & Human Resources Department.....	92
7.5	Medical Department.....	92
7.6	Health, Safety & Environment Department	92
7.7	Purchasing, Stores & Logistics.....	93
7.8	Equipment Maintenance	93
7.9	Engineering Division	93
7.10	Human Resources Division.....	93
7.11	Business Development Division	93

7.12	Company's Development Division	93
7.13	Research and Development	94
8	Corporate Structure	95
8.1	Organizational Structure	95
8.2	Members of the Board of Director	95
8.3	Resumes of Directors and the Secretary of the Board	97
8.4	Secretary of the Board of Directors	98
8.5	Senior Management	99
8.6	Resumes of Senior Management of the Company	99
8.7	Corporate Governance	104
8.8	Service Contracts	106
8.9	Declarations of Directors and Executive Officers	107
8.10	Conflicts of Interest	107
8.11	Remuneration of the Board of Directors and the Senior Management	108
8.12	Employees	108
8.13	Saudization Policies	109
8.14	Continuation of Activity	109
9	Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company	110
9.1	Director's Declaration on the Financial Information	110
9.2	Company Background	110
9.3	Significant Accounting Policies	111
9.4	Results of Operations	112
9.5	Financial Position	117
9.6	Cash Flow Position	125
9.7	Other Items	127
9.8	Discussion and Analysis of the Financial Condition and Results of Operations of the Company for the years ended 31 December 2008 and 2009	128
9.9	Discussion and Analysis of Financial Position and Results of Operations of the Company for the six months ended 30 June 2009 and 2010	144
9.10	Statement of the Management's Responsibility for Financial Policies	155
10	Dividend Distribution Policy	156
11	Capitalization and Indebtedness	157
12	Use of Offering Proceeds	158
13	Description of Shares	159
13.1	Share Capital	159
13.2	Shareholders' Rights	159
13.3	Shareholders' Assemblies	159
13.4	Voting Rights	160
13.5	The Shares	161
13.6	Duration of the Company	161
13.7	Dissolution and Winding-up of the Company	161
13.8	Transfer of Shares	161
13.9	Zakat	161
13.10	Publication	161

14	Summary of By-Laws and amendments thereto.....	162
14.1	Name of the Company.....	162
14.2	Objectives of the Company.....	162
14.3	Head Office of the Company.....	162
14.4	Duration of the Company	162
14.5	Capital of the Company	162
14.6	Transfer of Shares.....	163
14.7	Shareholders Register.....	163
14.8	Increase of Capital	163
14.9	Decrease of Capital.....	164
14.10	The Board of Directors.....	164
14.11	Qualification Shares.....	164
14.12	Termination of Membership.....	164
14.13	Powers of the Board of Directors.....	164
14.14	Remuneration of Board of Directors.....	165
14.15	The Chairman of the Board of Directors, the Managing Director and the Secretary	166
14.16	Board Meetings and Resolutions	166
14.17	Quorum, Representation and Board Resolutions.....	167
14.18	Minutes of Meetings	167
14.19	Shareholder's General Assemblies.....	167
14.20	Ordinary General Assembly	167
14.21	Extraordinary General Assembly.....	167
14.22	Manner of Convening General Assemblies	168
14.23	Record of Attendance at the Meetings of the General Assembly.....	168
14.24	Quorum of Ordinary General Assembly	168
14.25	Quorum of Extraordinary General Assembly	168
14.26	Voting Right	168
14.27	Resolutions.....	168
14.28	Proceedings of the General Assembly.....	168
14.29	Appointment of Auditor	169
14.30	Financial Year	169
14.31	Distribution of Annual Profits	169
14.32	Distribution of Dividends	170
14.33	Company Losses	170
14.34	Liability Lawsuit	170
14.35	Dissolution and winding up of the Company.....	170
14.36	Publishing of the Bylaws.....	170
15	Legal Information	171
15.1	Government Licenses	171
15.2	Financing Agreements	171
15.3	Summary of Key Project Agreements	176
15.4	Corporate Reorganization:.....	182
15.5	Insurance Policies	184
15.6	Trademarks.....	184
15.7	Real Estate Lease Agreements.....	185
15.8	Contracts with Related Parties:.....	186
15.9	Litigation and Claims.....	187
15.10	Commissions	187
15.11	Restrictions of Board of Directors	187
15.12	Declaration with respect to the Debt Instruments.....	187
15.13	Mortgages, Rights and Charges on Company's Properties.....	187

16	Underwriting	188
16.1	Underwriters	188
16.2	Summary of Underwriting Arrangements	188
16.3	Fees and Expenses	188
17	Subscription Terms and Conditions.....	189
17.1	Subscription for Offer Shares	189
17.2	Allocation and Refunds	191
17.3	Acknowledgments	192
17.4	Miscellaneous.....	192
17.5	The Saudi Arabian Stock Exchange (Tadawul)	192
17.6	Entry of Orders	193
17.7	Trading on Tadawul	193
18	Documents Available for Inspection	194
19	Auditors Report	195
19.1	Directors' Declaration for Financial Information	195

Table of Exhibits

Table 3.1	GCC Planned or Underway Projects, 2007 and 2008.....	38
Table 3.2	KSA Construction Market by Sector, 2004 to 2008, SAR billion	39
Table 3.3	Estimated Spending on Building by Segment, 2004 to 2008 (SAR billions)	40
Table 3.4	Breakdown of the Building Market by Segment (SAR billion)	41
Table 3.5	Estimated Construction Spend on Roads, 2004 to 2008 (SAR billions)	42
Table 3.6	Selected Current KSA Road Projects, 2008.....	43
Table 3.7	Estimated Investment on Water Infrastructure, 2004 to 2008 (SAR billions).....	44
Table 3.8	Estimated Spend on Electricity Infrastructure, 2004 to 2008 (SAR billions).....	45
Table 3.9	Estimated Spend on Oil and Gas Infrastructure, 2004 to 2008 (SAR billions).....	47
Table 3.10	Estimated Spend on Petrochemical Infrastructure, 2004 to 2008 (SAR billions)	48
Table 3.11	Estimated Construction Spend on Railways, 2004 to 2008 (SAR millions)	49
Table 3.12	Estimated Capital Spend on Ports, 2004 to 2008 (SAR billions)	50
Table 3.13	Estimated Capital Spend on Airports, 2004 to 2008 (SAR billions)	51
Table 4.1	Major historical events of the Company	54
Table 4.2	Changes in the Capital of the Company	55
Table 4.3	Branches and Investments of the Company Pre and Post Reorganization.....	56
Table 4.4	Pre-capitalization Ownership Structure	56
Table 4.5	Ownership Structure After First Capitalization	57
Table 4.6	Ownership Structure After Second Capitalization.....	58
Table 4.7	Ownership Structure After Third Capitalization.....	58
Table 4.8	Ownership Structure of the Company	59
Table 4.9	Completed Key Projects of the Company.....	65
Table 4.10	Undergoing Key Projects of the Company.....	68
Table 4.11	Main Clients.....	81
Table 5.1	Associated and Affiliated Companies:.....	83
Table 5.2	New and Excluded Limited Liability Companies.....	84
Table 5.3	Previous Ownership Structure Before and After Accession of a New Partner.....	84
Table 5.4	Ownership Structure After First Capitalization	85
Table 5.5	Ownership Structure after second capitalization.....	85
Table 5.6	Ownership Structure After Third Capitalization.....	86
Table 5.7	Branches.....	86
Table 5.8	Investment of the Company.....	87
Table 5.9	Branches and Investments of the Company Pre and Post Reorganization.....	89
Table 6.1	Ownership Structure of Abdullah Abdul-Mohsen Al-Khodari Sons Investment Holding Company	90
Table 8.1	Proposed Board of Directors (6 directors).....	96
Table 8.2	Senior Management of the Company	99
Table 8.3	Nomination and Remuneration Committee	105
Table 8.4	Senior Management Remuneration	108
Table 8.5	Company's Employees.....	108
Table 8.6	Estimated Employee Breakdown.....	109
Table 9.1	Pro forma Statement of Income (SAR thousands)	112
Table 9.2	Revenues, Costs and Gross Profit from Operations (SAR thousands).....	113
Table 9.3	Detailed Revenues from Sectors (in SAR '000)	113
Table 9.4	Direct Costs (SAR thousands)	114
Table 9.5	Gross Profit Margin (SAR thousands) ended	115
Table 9.6	Selling and Marketing Expenses (SAR thousands) ended 31.....	115
Table 9.7	Administrative and General Expenses (SAR thousands) ended 31	115
Table 9.8	Details of commission revenues charged to sister companies (SAR).....	116
Table 9.9	Net Profit (SAR thousands)	117
Table 9.10	Pro Forma Audited Balance Sheet Statement (SAR thousands)	117

Table 9.11	Current Assets (SAR thousands)	118
Table 9.12	Main Receivables (in SAR '000)	119
Table 9.13	Amounts Due from Related Parties (in SAR '000)	120
Table 9.14	Non- Current Assets (SAR thousands)	120
Table 9.15	Property, Equipment and Vehicles (in SAR '000)	Error! Bookmark not defined.
Table 9.16	Depreciation Rates	121
Table 9.17	Investments (SAR thousands)	121
Table 9.18	Current Liabilities (SAR thousands)	122
Table 9.19	Short Term Loans (SAR thousands)	122
Table 9.20	Amounts Due to Related Parties (SAR thousands)	122
Table 9.21	Accounts Payable and Accruals (SAR thousands)	122
Table 9.22	Working Capital (SAR thousands)	123
Table 9.23	Non-Current Liabilities (SAR thousands)	124
Table 9.24	Credit Facilities (SAR thousands)	124
Table 9.25	Long Term Loans (SAR thousands)	124
Table 9.26	Shareholders' Equity (SAR thousands)	125
Table 9.27	Cash Flows (SAR thousands)	125
Table 9.28	Cash Flows from Operating Activities (SAR thousands)	125
Table 9.29	Cash Flows from Investing Activities (SAR thousands)	126
Table 9.30	Cash Flows from Financing Activities (SAR thousands)	126
Table 9.31	Nature of transactions with related parties (SAR thousands)	127
Table 9.32	Commitments and Obligations (SAR thousands)	127
Table 9.33	Details of Guarantees (SAR thousands)	128
Table 9.34	Annual Statement of Income (SAR thousands)	128
Table 9.35	Revenues (SAR thousands)	129
Table 9.36	Detailed Revenues from Sectors (in SAR '000)	129
Table 9.37	Direct Costs (SAR thousands)	130
Table 9.38	Gross Profit Margin (SAR thousands)	130
Table 9.39	Selling and Marketing Expenses (SAR thousands) ended 31	131
Table 9.40	Administrative and General Expenses (SAR thousands) ended 31	131
Table 9.41	Net Profit (SAR thousands)	132
Table 9.42	Audited Balance Sheet Statement (SAR thousands)	133
Table 9.43	Current Assets (SAR thousands)	134
Table 9.44	Accounts Receivables and Prepayments (SAR thousands)	134
Table 9.45	Main Receivables (SAR '000)	135
Table 9.46	Amounts Due from Related Parties (SAR '000)	135
Table 9.47	Non- Current Assets (SAR thousands)	136
Table 9.48	Property, Equipment and Vehicles (in SAR '000)	136
Table 9.49	Depreciation Rates	137
Table 9.50	Investments (SAR thousands)	137
Table 9.51	Current Liabilities (SAR thousands)	137
Table 9.52	Short Term Loans (SAR thousands)	138
Table 9.53	Amounts Due to Related Parties (SAR thousands)	138
Table 9.54	Accounts Payable and Accruals (SAR thousands)	138
Table 9.55	Working Capital (SAR thousands)	139
Table 9.56	Non-Current Liabilities (SAR thousands)	139
Table 9.57	Credit Facilities (SAR thousands)	140
Table 9.58	Long Term Loans (SAR thousands)	140
Table 9.59	Shareholders' Equity (SAR thousands)	140
Table 9.60	Cash Flows (SAR thousands)	141
Table 9.61	Cash Flows from Operating Activities (SAR thousands)	141
Table 9.62	Cash Flows from Investing Activities (SAR thousands)	142
Table 9.63	Cash Flows from Financing Activities (SAR thousands)	142

Table 9.64	Nature of Transactions with Related Parties (SAR thousands)	142
Table 9.65	Commitments and Obligations (SAR thousands)	143
Table 9.66	Details of Guarantees (SAR thousands)	143
Table 9.67	Semi-Annual Statement of Income (SAR thousands)	144
Table 9.68	Semi-Annual Revenues (SAR thousands)	144
Table 9.69	Semi-Annual Direct Costs (SAR thousands)	145
Table 9.70	Semi-Annual Gross Profit Margin (SAR thousands)	146
Table 9.71	Semi-Annual Selling and Marketing Expenses (SAR thousands)	146
Table 9.72	Semi-Annual Administrative and General Expenses (SAR thousands)	146
Table 9.73	Semi-Annual Net Profit (SAR thousands)	147
Table 9.74	Semi-Annual audited balance sheet statement (SAR thousands)	148
Table 9.75	Semi-Annual Current Assets (SAR thousands)	149
Table 9.76	Semi-Annual Accounts receivables and prepayments (SAR thousands)	149
Table 9.77	Semi-Annual Non-Current Assets (SAR thousands)	150
Table 9.78	Semi-Annual Current Liabilities (SAR thousands)	151
Table 9.79	Semi-Annual Working Capital (SAR thousands)	151
Table 9.80	Semi Annual Non-Current Liabilities (SAR thousands)	152
Table 9.81	Semi-Annual Term Loans (SAR thousands)	152
Table 9.82	Semi-Annual Cash Flows (SAR thousands)	153
Table 9.83	Semi-Annual Cash Flows from Operating Activities (SAR thousands)	154
Table 9.84	Semi-Annual Cash Flows from Investing Activities (SAR thousands)	154
Table 9.85	Semi-Annual Cash Flows from Financing Activities (SAR thousands)	154
Table 9.86	Nature of Semi-annual transactions with related parties (SAR thousands)	155
Table 9.87	Semi-Annual Commitments and obligations (SAR thousands)	155
Table 10.1	Dividends declared in the previous years:	156
Table 11.1	Capitalization of the Company	157
Table 15.1	Guarantees and Securities:	173
Table 15.2	Key Project Agreements	177
Table 15.3	Sale of Company's Investments in Associated and Affiliated Companies	183
Table 15.4	New Limited Liability Companies	183
Table 15.5	Insurance Policies	184
Table 15.6	Trademarks	184
Table 15.7	Real Estate Lease Agreements	185
Table 16.1	Underwriters & Number of Shares Underwritten	188

1 Definitions and Abbreviations

Term	Definition
Listing	Listing of the Shares to the Official List of the CMA and the admission of the Offer Shares trading on the Exchange in accordance with Article 19 of the Listing Rules
Company	Abdullah Abdul Mohsen Al-Khodari Sons Company
Board of Directors or Board	The Company's Board of Directors
Member/Board Member/Members	Member(s) of the Board of Directors of the Company
Management	Management of the Company
Business Day	Any day (other than a Thursdays, Fridays or a public holidays) on which the Receiving Agents are normally open for business
By-laws	The By-laws of the Company, a summary of which is set out in Section 14 (<i>Summary of By-Laws</i>)
CMA or the Authority	The Capital Market Authority, including any committee, sub-committee, employee or agent authorized to perform any function of the Authority.
Companies Regulation	The Regulation for Companies issued under Royal Decree No. M/6, dated 22/03/1385H (as amended)
Exchange	The Saudi Arabian Stock Exchange
GCC	Gulf Cooperative Council
Government	Government of the Kingdom of Saudi Arabia
ISO	International Organization of Standardization (Standards)
Subscribing Institutions	including a number of institutions that have been contacted by the Institutions Lead Manager ("Institutions Lead Manager") immediately after discussions with the Company and the Selling Shareholders and based on certain predefined criteria set forth by the Capital Market Authority ("CMA" or the "Authority")
Individual Subscribers	Saudi Arabian natural persons who include a Saudi female divorced or widow having minor children from a marriage to a non-Saudi and she will be entitled to subscribe in her children's names
Financial Advisor	GIB Financial Services that was assigned by the Company to act as the Financial Advisor with respect to the Offer Shares

Term	Definition
Lead Manager	GIB Financial Services that was assigned by the Company to act as the Lead Manager with respect to the Offer Shares
Underwriters	GIB Financial Services and Riyadh Capital
Listing Rules	The Listing Rules issued by the CMA under Article 6 of the CMA Regulation promulgated by the Royal Decree No. M/30 dated 2/6/1424 H (31 July 2003G)
Lock-In Period	The Selling Shareholders shall be restricted from disposing of any of their Shares during the period until 30/6/2012G ("Lock-in Period") from the date on which trading in the Offer Shares commences on the Exchange. After Lock-in Period has elapsed, the Selling Shareholders may only dispose any of their Shares after obtaining CMA approval
Offer Price	SAR 48 per each Offer Share
Offer Shares	12,750,000 ordinary Shares of the Company
Share	An ordinary share in the capital of the Company with nominal value of SAR 10
Offering	The initial public offering of 12,750,000 ordinary Shares representing 30% of the issued share capital of the Company
Offering Period	The 10-day period starting from 25/10/1431H (corresponding to 4/10/2010G) up to and including 2/11/1431H (corresponding to 10/10/2010G)
Official Gazette	Um Al Qura, the Official Gazette of the Government of Saudi Arabia
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules
Prospectus	This document prepared by the Company in relation to the Offering and the Offer Shares according to the Securities Offering Regulation
SAR	Saudi Arabian Riyal
Saudi Arabia or the Kingdom	Kingdom of Saudi Arabia
Receiving Agents	Banque Saudi Fransi, National Commercial Bank, Al Rajhi Bank, Arab National Bank, SABB, Riyadh Bank, Samba Financial Group, Jadwa Investment, Falcom Financial Services, Al-Dukheil Financial Group and Middle East Financial Investment Company
Selling Shareholders	Abdullah A. M. Al-Khodari Sons Investment Holding Company, Fawzi A. Al-Khodari, Jamil A. Al-Khodari, Fawwaz A. Al-Khodari, Ali A. Al-Khodari, Abdul Aziz A. Al-Khodari, Naif A. Al-Khodari, Mishal A. Al-Khodari, Sami A. Al-Khodari, Abeer A. Al-Khodari, Ghada A. Al-Khodari , Fouzia A. Al-Khodari
Shareholder	a holder of Shares in the Company
Public	includes Subscribing Institutions and the Individual Subscribers

Term	Definition
Subscription Application form	An Application form that must be filled out for subscription in the Offer Shares
Tadawul	Automated system for trading of the Saudi shares
Financial Statements	The audited financial statements for the fiscal years ended 31 December 2006, 2007, 2008, 2009, and for the 6 months period ending 30 June 2010, and in each case the relevant notes.
Associated Company	Is the company that is owned by 20-50%
Branches	A location for conducting and following up the operations away from the management of the Company
CAGR	Compound Annual Growth Rate, which is the year on year growth rate over a given period of time.
GDP	Gross Domestic Product
SABIC	Saudi Basic Industries Corporation
SAGIA	Saudi Arabia General Investment Authority
SIPA	Saudi Industrial Property Authority

2 Risk Factors

Before deciding whether to purchase the Offer Shares, the prospective investors are advised to carefully consider all the information in this Prospectus, particularly the risk factors described below. The risks described below may not include all risks that the Company may encounter, but additional factors may exist which are not currently known by the Company and which may affect its operations.

The Company's activities, financial position, results of operations, cash flows and its future projections could be materially and adversely affected if any of the following risks or any other unknown risks occurs, which the Directors currently believe to be material, or any other risks that the Directors have not identified or that they do not currently consider to be material, actually occur or become material.

In the event of occurrence of any of the risk factors, which the Company's Management ("Management") currently believe to be substantial, or occurrence of any other risks that the Management could not identify, or that they do not currently consider to be material, consequently, the value of the Offer Shares may be reduced and prospective investors may lose all or part of their investment in the Company's shares.

2.1 Risks Relating to the Company's Operations

2.1.1 Laws and regulations

The Company's businesses are subject to regulations and laws in force in Saudi Arabia, in particular, and the other countries in which the Company may operate. These laws and regulations may be subject to change. Regulatory changes caused by political, economic, technical and/or environmental factors could significantly impact the Company's operations and its financial results. The Company may modify its products or operations in order to operate in compliance with any future changes in such regulations and laws, which may have a negative impact on the Company's future earnings and cash flow.

The Company will likely face increased competition from foreign companies in the longer term as a result of accession of Saudi Arabia to the WTO on 0911/1426H (corresponding 11/12/2005G).

To the best knowledge of the Company's Management, there are no indications as of the date of this Prospectus of any changes in the laws and regulations that may have a material adverse effect on the Company's operations and future prospects.

2.1.2 Risks relating to financing

The Company relies on its own ability to procure commercial loans. Should the Company be unable to obtain such financing in the future, or fail to meet its financial obligations (including compliance with covenants and standards to which it is subject), the operations and financial performance of the Company, and its ability to maintain and expand its businesses, might be adversely impacted.

The Company's financial position may be affected due to its reliance on commercial financing and other debts to finance its projects. While the Company utilizes a variety of financial hedging instruments, the Company is exposed to the risk of fluctuation in financing costs, which might increase the cost of its capital and, therefore, adversely affect its financial performance.

2.1.3 Risks relating to commission rates fluctuation

The loan commission rates may vary due to the domestic or international economic changes. Any material change in the cost of lending may cause fluctuations in the project costs, and consequently affect the profits of the Company.

2.1.4 Risks relating to delayed turnover of projects

Contracting and construction contracts normally contain penalty clauses that impose financial penalties against the contractor in the event of occurrence of delay in turnover projects within the designated schedule. Delays that are resulting from the client's change of scope of works shall not make the contractor liable to for any financial penalties. The Company's projects may be delayed by various external factors including obtaining necessary governmental approvals, possible changes in the government legislations, difficulties in availability of construction materials and manpower, and delay of performance of obligations by the subcontractors. The Company seeks to limit such risks through proper planning and strict supervision of the projects and ensure that the projects comply with satisfactory policies and procedures and quality assurance in the Company.

2.1.5 Dependence on key personnel

The Company is dependent upon the abilities and experience of its executive officers and other key personnel. Therefore, the Company's operations and profits may be adversely affected by the loss of any of the key personnel in the short to medium term.

Although the Company has undertaken various initiatives and measures to retain and attract efficient employees, it cannot guarantee that these initiatives will succeed in retaining existing employees or attracting new ones. The Company's business, financial condition and results of operations could be adversely affected if the Company is unsuccessful in retaining its efficient employees or unable to identify, hire and retain other highly qualified personnel in the future.

2.1.6 Dependence on key suppliers and contractors

The operation and financial position of the Company may be affected by inability of the Company to provide supplies and services from suppliers and subcontractors, despite the fact that the Company maintains firmly established relations with a large number of suppliers and subcontractors. Therefore, the Company's management takes precautions for this risk by sound planning of the needs for materials and services and strengthens close work relationships with elite of major suppliers and contractors of good experience.

2.1.7 Dependence on clients

The Company depends on a number of key clients such as government entities and private sector entities. The Company's operations and financial results could be adversely affected in case of the Company's inability to secure further contracts with these clients or its inability to diversify its client base in a manner that does not depend substantially on a few numbers of clients.

2.1.8 Insurance liabilities

The Company's operations are subject to risks that are related to its business in the field of contracting and construction. Although the Company maintains several types of insurance coverage, the policies may not provide full insurance against all potential risks related to the businesses of the Company.

Due to the changing circumstances of the market, the premiums and deductibles in some insurance policies may significantly increase in certain cases, Furthermore, there are some types of insurance that are not available or are available only for reduced amounts in the insurance coverage. Therefore, if the Company incurs uninsured or not fully insured considerable liability, then this may cause a significant increase in the operational costs, adversely affecting its profits.

2.1.9 Unexpected interruptions in the construction works

Any sudden interruption in the construction works, whether caused by technical breakdowns of equipment and heavy machineries used in construction works, or by shortage or lack of components needed for continued operation of equipment or heavy machineries used in construction, or by natural disasters, shall adversely affect the Company's operations, and consequently its ability to commit to turn over the projects on the designated schedule.

Within its strategic plan, the Company is keen on providing sufficient numbers of equipment or heavy machineries, required for fulfillment of the obligations of the Company and facing various unexpected circumstances.

2.1.10 Risks related to currency exchange rates

The currency exchange rates may vary due to domestic and global economic changes. Any material change in the exchange rate of any currency in which the Company conducts its transactions may cause fluctuations in the costs of projects and consequently affect the profitability of the Company.

2.1.11 Dependence on the Company's good will and quality of its service

The Company depends on its good will and reputation in the fields of contracting and construction which it earned as a result of the outstanding quality standard which the Company maintained with all clients. Although the Company has taken, within its strategic plans, all actions and steps that intend to maintain the quality of services provided, the Company's business and results may be adversely affected if the Company fails to maintain the standard of quality and such kind of services provided to its clients.

2.2 Risks Related to the Market

2.2.1 Competitive environment

There is no assurance that the Company's ability for competition will effectively continue against current or new companies in the market. Any changes in the competitive environment may cause decrease in the Company's revenue and profits and it may lose part of its market share, a matter that may adversely affect the Company's earnings.

The increasing competition in the market may lead to increased expending on the marketing and promotional activities, and the competing companies may decrease their prices, which may lead the Company to drop its prices in the market. There is no assurance that the market will not see an increase in competitiveness, and this could adversely affect the ability of the Company to maintain its market share.

The Company's main focus is to undertake larger-size projects that require substantial working capital, financial resources, strong knowledge and technical specialties and skills as well as project management expertise wherein competition is to a certain degree reasonable, due to the required attributes to compete and succeed in this segment. The Company believes that this expertise shall enable it to compete with other companies in the future, and the Company exerts all efforts to maintain its capabilities by adopting modern techniques and skills in the fields of construction and building.

2.2.2 Economic risk/decrease in construction activity

The Kingdom has been witnessing an economic growth, which is reflected by the high number and sizes of infrastructure and construction projects. Since the Company's operation is generally correlated with the number and size of the current and future projects in this sector, the Company's operations, financial position and financial results will be adversely affected in case such projects are suspended or delayed. Together in the footsteps of the Kingdom's initiative to diversify its earnings, the Company will continue to expand its services and products to cover various needs of construction and building and contracting.

2.2.3 Government spending and fiscal policy

The growth in the Company's activities is closely tied to Government spending and fiscal policy as the majority of the Company's contracts are entered with government bodies. Since Government spending has historically been correlated with the prices of oil, gas, and oil products, any material changes in the oil prices could adversely affect Government spending and in turn affect the Company's operation, businesses and financial position.

2.2.4 Availability of construction materials and fluctuation in their prices

The construction and contracting sector is greatly dependent upon the availability of the construction and building materials in particular steel, which has recently witnessed an escalation in prices due to the increase in global demand, unfavorable currency exchange rates of country of origin and the decrease in steel production in some countries. Considering the difficulties the suppliers face in warehousing such contraction materials needed for the projects and their inability to enter agreements for long-term fixed prices with the importers of such materials, the importers and distributors may resort to transfer the burden of price increases to the contracting and construction companies, who may not always be able to increase the cost of their projects with the client.

However, the Saudi government has passed the decree No. 155 on 5/6/1428H (corresponding 9/6/2008G which states that contracting companies will be compensated for increases in the price of major construction materials, such as steel and concrete. Therefore, the Company's operations, financial results and financial position may be adversely affected in the case where the Company is unable to provide construction materials needed for the completion of its projects or as a result of significant escalation of prices of such materials.

2.2.5 Environment and public safety risks

Binding the contracting companies to apply more stringent standards to provide extra safety measures and requirements could lead to extra costs to the Company, which will in return adversely affect the Company's financial position and business results. The Company is keen in providing the highest standards of safety in its performance in every field of its service. The certifications obtained by the Company substantiate its compliance with the safety standards.

The Company's operations, financial results and financial position may be adversely affected in case losses or damages occur as a result of use of hazardous or toxic materials or in case of the occurrence of incidents during construction works which may not be covered with insurance policies or caused by incidents not covered by insurance.

2.2.6 Recruitment of manpower

The Company's operations rely heavily on the availability of foreign manpower and workers who require work visas to allow them to work in Saudi Arabia. Foreign manpower recruitment and expatriation can take a long time in some cases.

In the case of delay in the recruitment of manpower, the Company manages the shortage by drawing on workers from projects that run more than one-shift. The Company's operations may be adversely affected if it is unable to obtain required visas or any new regulations that increase the direct or indirect costs of labor, or limit the recruitment of expatriate labor.

2.2.7 Saudization requirement

All companies operating in contracting fields including the Company are obliged by the Ministry of Labor to meet a Saudization percentage of 5% of the total manpower. The Saudi manpower in the Company reached 5.45% as of 17/1/1431H (corresponding to 3/1/2010G), and the Company is fully committed to achieving the national goal of Saudization. For this reason, the training and development of Saudi skills and capabilities is of high priority to the Company. The Company has conducted a program that aims at increasing the Saudization levels to exceed the regulatory rate as is the case at the date of this Prospectus.

However, the Ministry of Labor may decide to impose more stringent Saudization policies in the future or may enforce sanctions for non-compliance with Saudization requirements or may mitigate such policies according to the situations of the Saudi companies which possess high numbers of manpower. As such, the Company's operations, its financial results and financial position may be adversely affected if it is unable to obtain required labor visas or approvals for transfer of sponsorship as a result of its inability in the future to maintain the required Saudization rates or if the Ministry of Labor issues more stringent instructions with respect to Saudization requirements.

2.3 Risks Related to Ordinary Shares

2.3.1 Effective control by the selling shareholders

The Selling Shareholders shall remain in a position that enables them to have control over the matters that require approval of the shareholders including the significant transactions of the Company and the election of the members of the Board of Directors, as the Selling Shareholders will own 70% of the Shares following subscription. As a result, the Selling Shareholders, acting together, will be able to influence all matters requiring Shareholders' approval, except for the matters contained in Articles 69 and 70 of the Companies Regulation. This situation may be used in a manner that could have a significant effect on the Company's business, financial position and results of operations.

2.3.2 Absence of a prior market for the shares

Currently, there is no public market for trading of the Shares of the Company and there can be no assurance that an active trading market for the Company's Shares will be developed or be sustained after the Offering. If an active trading market is not developed or maintained, the trading liquidity or price of the Shares could be adversely affected.

The Offer Price has been determined based on several factors, including the history of and prospects for the Company's business and the market in which it competes and an assessment of the Company's management, operations and financial results. Various factors, including the Company's financial results, general conditions in the market, health of the overall economy, and other factors beyond the Company's control could cause significant fluctuations in the price and trading liquidity of the Shares.

2.3.3 Share sales and offering of shares for subscription in the future

Sales of substantial amounts of the Shares in the public market following the completion of the Offering, or the expectation that this may occur, could adversely affect the market price of the Shares.

The Selling Shareholders shall be subject to a Lock-in Period from the date on which trading in the Offer Shares commences on the Exchange until 30/06/2012G, during which they shall be restricted from disposing any of the shares they hold. The selling of a substantial number of shares by any of the major Selling Shareholders after the Lock-in Period may have an adverse effect on the market and consequently shall have an adverse effect on the share price. Moreover, the Company does not currently intend to issue additional shares immediately following the Offering; however, the issuance by the Company or the sale by the Selling Shareholders following the share Lock-in Period of a substantial number of Shares could decrease the market value of the Shares, and it should be considered that any expected selling of the Shares by the Selling Shareholders following the Lock-in Period shall occur only under the approval of CMA.

2.3.4 Economic risks

Any oil price fluctuations will have a direct impact on the Kingdom's economy and would subsequently have an effect on other economic sectors, including the contracting sector in which the Company operates, and thus on the Company's market value.

The contribution of the oil sector to the Kingdom's GDP continues to be substantial despite the Government's continues and thus far successful attempts to diversify the country's income resources and economic production.

2.3.5 Fluctuation in the price of the company shares

The trading price of the Company's share may face some fluctuations due to several factors including the reaction of the public towards shares offered in the market, the change in the regulations that govern the activities of the Company, changes in the results of the Company's operation and its ability to implement the work plans, and the development of the Company, its competitors, and the industrial sector in which the Company operates or

speculations in the fields of businesses of the Company. As such, there is no assurance that the Shares of the Company will rise in value or that they will not lose any of their value when listed and traded on the Market.

2.3.6 Future sales of shares or issuance of new shares

Sales of substantial amounts of the Company's Shares in the public market, or the expectation that these sales will occur, could adversely affect the market price of the Shares. The Selling Shareholders shall be subject to a Lock-in Period from the date on which trading in the Offer Shares commences on the Exchange until 30/6/2012G, during which they may not dispose of any Shares. The Company does not currently intend to issue additional shares. Nevertheless, issuance of additional shares by the Company or the sale of a substantial number of Shares by any of the current Selling Shareholders following the Lock-in Period could have an adverse effect on the price of the Shares.

2.3.7 Dividends distribution

Future distribution of dividends will depend on several factors, amongst other things, the future profit, financial position, capital requirements and distributable reserves of the Company and general economic conditions and other related factors that the Board of Directors may deem significant from time to time.

Although the Company intends to pay annual dividends to Shareholders, the Company makes no assurance whatsoever that the payment of any such dividends will actually be approved by the Shareholders in the General Assembly Meetings nor any assurance as to the amounts which will be paid in any given year.

3 Market Overview

The source for the information contained in this Section “Market Overview” is a report prepared by IMES Consulting Company (“IMES”) covering the contracting market in Saudi Arabia. IMES was established in London in 1971 as an International Marketing & Economic Services company. Its clients include multinational companies as well as organizations such as the United Nations and the European Commission. In 2004, IMES moved its headquarters from London to Dubai Media City. At present, IMES owns subsidiary businesses in USA, Ireland, Russia, Singapore and Saudi Arabia. IMES also has clients in South East Asia, China, the Caribbean and elsewhere.

IMES has given and not withdrawn its written consent to the publication in this Prospectus of its market study reports as of the date of this Prospectus. Neither IMES nor its employees or any of their relatives or affiliates has any shareholding or interest of any kind in the Company.

3.1 Introduction

The construction and contracting sector in the region was buoyed to a great extent during the last few years by several infrastructure, commercial and residential projects that were announced, planned and implemented or undergoing implementation.

Table 3.1 GCC Planned or Underway Projects, 2007 and 2008

Country	March 2007 (USD billion)	March 2008 (USD billion)	Change (USD billion)	Change (%)
Bahrain	32	36	4	12.5%
Kuwait	231	265	34	14.7%
Oman	42	55	13	31.0%
Qatar	133	181	48	36.1%
Saudi Arabia	327	454	127	38.8%
UAE	519	769	250	48.2%
Total	1,284	1,760	476	37.1%

Source: MEED Projects 25th March 2008

The value of projects¹ planned or already underway in the GCC increased by an estimated USD 476 billion or 37% in the 12 months period between March 2007 and March 2008 to USD 1.76 trillion, around 25% of which is attributable to projects under execution, which is more than double the expected combined GDP for 2007 (around USD 790 billion). The corresponding project value figure for Saudi Arabia reached USD 454 billion (SAR 1,703 billion) in March 2008, approximately 39% higher than in 2007. Mainstream construction projects including roads, airports, sea ports, railways, real estate, and general civil engineering works account for the majority of this growth. Moreover, with Saudi Arabia accounting for 67% of the GCC’s population and 47% of GDP, its share of total GCC construction activity may be expected to grow steadily over the coming years.

3.2 Saudi Construction Sector

Saudi Arabia’s construction sector is mainly “domestic-driven”: it is not reliant on foreign investors and property speculators to the same extent as some of the other GCC economies. IMES estimates that during the period from

¹ For the purpose of this market overview, construction activity is divided into the following sectors.
Building, roads, water, power, other infrastructure, oil, gas & petrochemicals

2004 to 2008, the total construction sector in KSA grew at a compounded average growth rate (CAGR) of 9.6%. The breakdown of year on year growth between 2004 and 2008 is provided below:

Table 3.2 KSA Construction Market by Sector, 2004 to 2008, SAR billion

Sector	2004	2005	2006	2007	2008
Building ²	76.1	74.6	79.6	92.7	102.4
Roads	7.3	9.9	12.5	15.6	19.1
Water and Power	6.6	5.2	8.0	19.0	23.5
Other Infrastructure ³	1.0	1.0	1.6	2.4	7.1
Oil, Gas and Petrochemicals	98.4	109.4	121.5	135.0	121.5
Totals	189.5	200.1	223.1	264.6	273.6

Source: IMES research and estimates

As the above table indicates, expenditure on the building sector grew at the compound annual growth rate (“CAGR”) of around 7.7% over the said years and remained by far the most important contributor after oil, gas and petrochemicals (OGP) sector which accounts for more than 50% expenditure in any given year, except for 2008 where it reached 44%. By 2008, the building projects accounted for 37.4% of all construction works.

Economic Cities

The Saudi government has also announced construction of seven economic cities in the country. Currently these cities are at various stages of development, with construction likely to be spread over decades. These cities incorporate projects covering all sectors of the construction industry – residential, commercial, industrial, building and infrastructure sectors. The cities are expected to cost approximately SAR 500 billion to build in terms of today’s construction costs. Six of these cities are under the responsibility of the Saudi Arabian General Investment Authority (SAGIA), with the seventh controlled by the Saudi Industrial Property Authority (SIPA).

The six economic cities under SAGIA’s responsibility could contribute as much as SAR 563 billion (USD 150 billion) to GDP by 2020, create 1.3 million jobs, and accommodate 4.8 million of the total population.

The seven planned cities are:

- King Abdullah Economic City in Rabigh (KAEC)
- Jazan Economic City (JEC)
- Knowledge Economic City in Madinah (KEC)
- Prince Abdulaziz bin Mousaed Economic City in Hail (PABMEC)
- Tabuk Economic City
- Ras al-Zour Resource City
- Sudair Industrial City (a SIPA project)

A brief discussion of different construction sub-sectors in Saudi Arabia follows:

3.3 Buildings

² residential and non-residential

³ includes railways, seaports and airports

Growth in buildings construction is being driven by a number of factors. The full impact of this growth will be seen over the next few years as projects currently at design/planning stage come to fruition. Recent growth has benefited from:

- a growing population and increased level of urbanization
- increased economic prosperity and disposable income
- growing number of tourists, pilgrims and business visitors, driving growth in hotel and leisure facilities
- rapid industrial expansion following WTO accession and increased foreign direct investment inflows⁴
- significant demand for affordable housing from the local population
- expansion in bank credit⁵ combined with the new Mortgage Law which has been approved in July 2008 by 150 members of the Consultative Council (Shoura) and it is expected to receive Royal consent and approval of the Cabinet.

While construction activity in Saudi Arabia has not been as visible as in Dubai or Abu Dhabi, this should be expected to change over the next few years as projects are further developed. In particular, the construction of the new economic cities under the auspices of SAGIA (e.g., King Abdullah Economic City) as well as SIPA⁶ (e.g., Sudair City) will contribute to growth in the buildings sector.

These projects are vast in scale and may spur building activity for decades. Sudair City alone measures 256 square kilometers – and the project is valued at around SAR 150 billion. It is designed to alleviate growing congestion in Riyadh and reduce migration to the capital city.

Considering all available information, much of it conflicting, the following table estimates how expenditure on building projects further segments between residential and non-residential projects.

Table 3.3 Estimated Spending on Building by Segment, 2004 to 2008 (SAR billions)

Segment	Historical				
	2004	2005	2006	2007	2008
Residential	59.8	56.7	58.9	67.7	71.4
Non-residential	16.3	17.9	20.7	25.0	31.0
Total	76.1	74.6	79.6	92.7	102.4

Source: IMES research and estimates

The above estimates should be considered indicative only as no reliable official or industry data exist. Also, with project values spread over a number of years, estimating market values for individual years can be problematic.

Over the years from 2004 to 2008, SAR 425 billion has been spent on building construction in Saudi Arabia. Although market dynamics vary from sector to sector, all segments of the building market have grown since 2003. Non-residential buildings sector has performed particularly well with significant investment taking place in new offices, retail and institutional facilities (schools, hospitals etc).

⁴ USD 51 billion in 2006 up from USD 18 billion in 2000, source UNCTAD

⁵ Commercial bank lending to the building and construction sector grew by almost 18% per annum on average between 2001 and 2007 to reach almost SAR 45 billion (source SAMA). SAMA also reports that consumer loans for real estate financing grew by 33% per annum on average between 2001 and 2006, reaching SAR 15 billion by mid 2007

⁶ Saudi Industrial Property Authority, which currently manages the kingdom's 14 existing industrial estates

Expenditure on residential buildings accounted for an estimated SAR 71.4 billion of expenditure in 2008 or 69% of the total building market. It has grown at a CAGR of 4.5% per annum since 2004. Expenditure on non-residential buildings accounted for a further SAR 31 billion in value terms in 2008, but has grown at a CAGR of more than 17% per annum over the same period.

Going forward, it is expected that residential building activity will increase taking a growing share of the market, with growth forecasted to average 8.9% per annum, almost double the growth rate witnessed over the last five years.

The table below shows more details on the building market in Saudi Arabia:

Table 3.4 Breakdown of the Building Market by Segment (SAR billion)

Segment	2008
Residential	71.4
Non residential	31.0
<i>of which</i> Office	1.9
Retail	2.0
Hospitality	3.0
Other commercial	0.6
Education	13.0
Healthcare	2.6
Other Institutional	7.8
Total	102.4

Source: IMES Consulting research and estimates

Note: It should also be borne in mind that most of the larger landmark projects are mixed-use and therefore straddle a number of categories; the breakdown above should therefore be regarded as indicative only.

3.4 Roads

Road traffic has grown rapidly in recent years reflecting strong population growth and economic expansion. The Saudi road network, particularly in larger urban areas, is struggling to cope with current traffic levels. Road congestion is a serious problem in Riyadh and Jeddah in particular.

According to the Market study, Saudi Arabia's rapidly expanding traffic levels are being driven by a number of factors including:

- A growing and increasingly urbanized population, increasingly relying on privately owned cars for transportation. The ArRiyadh Development Authority estimates that the number of daily car trips in Riyadh could rise from 6 million to 10 million by 2020. Furthermore, a study by King Abdulaziz University claims a five-fold increase in the number of cars in Jeddah in recent years. Similarly, large increases in the number of cars have been reported in the holy cities of Makkah and Madinah as the number of pilgrims has grown
- Increasing affluence, with more individuals now owning their own cars and homes
- The absence of any effective public transport system
- A growing regional trade – Saudi Arabia is an important freight hub for the Arabian Peninsula
- A rapidly expanding commercial and industrial base, with it an associated increase in traffic volume
- Planned regional development projects such as SAGIA's economic cities will, to some extent, take traffic pressure off Jeddah, Riyadh and Dammam but they will also significantly add to road usage demand

The urgency of putting in place the necessary road infrastructure is recognized by the authorities, and budget allocations are increasing accordingly. The following table estimates expenditure on roads during the 2004-2008 periods by the Ministry of Transport, Ministry of Municipalities and the Royal Commission for Jubail & Yanbu.

Table 3.5 Estimated Construction Spend on Roads, 2004 to 2008 (SAR billions)

Historical				
2004	2005	2006	2006	2008
7.3	9.9	12.5	15.6	19.1

Source: IMES Consulting research and estimates

The historical figures shown are based on an analysis of published data, discussions with the relevant bodies, and discussions with the trade organizations.

Total expenditure on roads has increased by almost 27% per annum on average since 2004 to an estimated SAR 19.1 billion in 2008.

The following table lists a number of major Saudi road projects currently underway. This list gives an indication of the current scale of activity

Table 3.6 Selected Current KSA Road Projects, 2008

Project	Awarding Body	Details
Eastern Province Highway	Ministry of Transport	SAR 2.8 billion project; a 500-km long two lane dual carriageway linking Batha and Shaybah
Riyadh Ring Road	Ministry of Transport	SAR 785 million contract; the final section of the Riyadh Ring Road, comprising a 30 km eight lane highway
King Abdullah Road, Riyadh, Phase 1	ArRiyadh Development Authority	SAR 698 million project; involves widening the existing road to three lanes in each direction, with a 10-meter corridor running along the central reservation for future rail systems serving the city, and four underpasses. Completion date is expected in 2010
Shuqaiq to Jizan Highway	Ministry of Transport	SAR 600 million contract for the construction of a 130 km six-lane highway between Shuqaiq and Jizan over 36 months
Hail-Medina Highway	Ministry of Transport	SAR 580 million project for the construction of a 430 km highway from Hail to Madinah
Makkah Road	Ministry of Transport	SAR 472 million contract for phase two of a road around the Makkah region
Abha-Najran Road	Ministry of Transport	SAR 338 million project; a 36 km road with two lanes
Haer-Hutta dual carriageway	Ministry of Transport	SAR 300 million project; a 94 km dual carriageway linking Haer and Hutta
Tabuk-Madinah Highway Upgrade	Ministry of Transport	SAR 280 million project; upgrading 250 km of road to dual carriageway, with associated bridges and culverts
Abu Ajram-Qulaiba construction, Phases 1 & 2	Ministry of Transport	SAR 226 million contract; upgrading of 284 km of road
Sharoura-Kharkhir Road construction	Ministry of Interior	SAR 211 million project; construction of a 520 km road close to Yemeni border
Sharm-Hail Highway Upgrade	Ministry of Transport	SAR 188 million contract; upgrading 177 km of road to dual carriageway
Arar-Sakaka Highway Upgrade	Ministry of Transport	SAR 188 million contract; upgrading 125 km of road to dual carriageway
Hail –Abu Ajram Road, Phases 1 & 2	Ministry of Communications	SAR 181 million project; involves construction of a 204 km road in the Nafud Desert
Dhahran to Abqaiq Road	Ministry of Transport	SAR 180 million project for the expansion of the Dhahran to Abqaiq highway
Haiis Al-Aziziah and Al-Jaar Roads Project	Royal Commission for Jubail & Yanbu	SAR 136 million project; construction of primary and secondary roads and utilities for Haiis Al-Aziziah and Al-Jaar (in Yanbu)
King Abdullah Economic City Road, Rabigh	Emaar, The Economic City	SAR 129 million contract for a 13 km road in King Abdullah Economic City in Rabigh
Leeb/Tama Highway Roadworks	Royal Commission for Jubail & Yanbu	SAR 100 million project; construction of roads located south of Leeb and East of Tama Highway in Yanbu
Madinah Ring Road, Phase 1	Ministry of Transport	SAR 100 million contract to build the first phase of the Medina ring road

3.5 Water and Power

3.5.1 Water

With average rainfall of between 70 and 100 millimeters per year, water is a scarce and costly resource in Saudi Arabia. It is estimated that the Kingdom relies on desalinated sea water for about 70% of its water consumption needs.

Demand for water has increased five-fold over the past five years to an estimated five million cubic meters per day in 2008. This is expected to reach twelve million cubic meters per day by 2030. To meet projected growth in demand, major future investments in water facilities are planned over the forecast period and beyond.

In April 2007 the Minister for Water and Electricity announced that SAR 350 billion would be needed for water and sewerage projects over the next 20 years. The following table shows estimated capital expenditure on projects in the water sector over the period 2004 to 2008.

Table 3.7 Estimated Investment on Water Infrastructure, 2004 to 2008 (SAR billions)

Historical				
2004	2005	2006	2007	2008
0.6	0.7	3.0	11.0	16.0

Source: IMES Consulting research and estimates

Key Projects

A number of major Independent Water and Power Projects (IWPP) are currently under construction or in planning under the supervision of the Water and Electricity Company (WEC) and Marafiq Company. WEC has three major projects and Marafiq Company has two projects as follows:

Project	Supervisor	Project Value	Project Location	Other Details
Shuaiba	Shuaiba Water & Electricity Company	SAR 9.4 Billion	Al-Shuaiba	The most advanced of the WEC projects is a joint venture at Shuaiba to serve the Western Coast cities (Jeddah, Makkah, Al Taif and Al Baha). The new facility started operation in February 2009. The full operation was completed in the 4 th quarter of 2009. The project will have a daily capacity of 900 megawatt (MW) of electricity and 880,000 cubic meters of water
Shuqaiq	Arabian Water and Power Works Company	SAR 4.7 billion	Shuqaiq	This project will have a capacity of 850 MW of electricity and 212,000 cubic meters of water per day and will be in operation in the first half of 2010
Ras al Zour	Arabian Water and Power Works Company	SAR 9 billion	Ras al Zour	This IWPP will have power generating capacity of 3,000 MW and desalination capacity of some 800,000 cubic meters of water per day. This project is intended primarily to meet the needs of the Saudi Arabian Mining Company
Jubail	Marafiq Company		Jubail	The project is a 2,750 MW power station and a water desalination facility capable of producing 800,000 cubic meters of water per day. The project is expected to be completed in 2010

Yanbu	Marafiq Company	Yanbu	The project will generate 1,700 MW of electricity and desalinate 150,000 cubic meters of water per day
-------	-----------------	-------	--

3.5.2 Electricity

According to the Minister for Water and Electricity, some SAR 340 billion will be needed for electricity projects over the next 20 years. Saudi Arabia's electricity generating capacity in 2007 is estimated at 35 gigawatts (GW). A recent study of long term demand, published in MEED magazine, has estimated that the new economic cities alone will need 10.7 GW of electricity by 2030⁷. By 2032 national demand is forecast to reach 108 GW, an increase of over 200% on 2007 levels.

The following table shows estimated expenditure on electricity infrastructure over the period 2004 to 2008. Historical and current year estimates are based on known projects.

Table 3.8 Estimated Spend on Electricity Infrastructure, 2004 to 2008 (SAR billions)

Historical				
2004	2005	2006	2007	2008
6.0	4.5	5.0	8.0	7.5

Source: IMES Consulting research and estimates

Key Drivers

In addition to the combined IWPPs discussed in the water section, many other power plants have recently been built or are being developed. In view of the substantial investments required to meet the country's growing power demands, these are increasingly built as Independent Power Plants (IPPs) based on public private partnership with projects being implemented based on build-operate-own (BOO), build-operate-transfer (BOT) and build-operate-own-transfer (BOOT) methods.

Saudi Arabia's first IPP came online in 2005. This 250 MW co-generation power plant was developed by the Saudi Petrochemical Company (SADAF), a joint venture between SABIC Company and Shell Company. During 2006, four new IPPs developed by Saudi Aramco came on stream with combined capital investment exceeding SAR 2 billion. These were at:

- Ras Tanurah Plant (150 MW);
- Juaymah Plant (300 MW);
- Uthmaniyah Plant (300 MW); and
- Shedgum Plant (300 MW).

In 2006, the Saudi Electricity Company (SEC) placed new tenders for power generation estimated at 2,500 MW including new plants and upgrades to existing plants. These included:

⁷ published on MEED website on 17 March 2008 (<http://www.meed.com/sectors/power/saudi-arabia-power-demand-to-rise-by-more-than-250-per-cent-by-2032/947065.article>)

- Al- Qurayyah (850 MW Phase I); and
- Al-Faras facilities (509 MW)

In the same year contracts were awarded to:

- Upgrade of Tihama Plant with power generation capacity of the 250 MW; and
- Construction of a 300 MW generation capacity plant at Jizan (and the upgrade of an existing facility by generation capacity of 60MW).

All these projects are due to come online by 2009.

As per February 2008⁸ forecast of Saudi Electricity Company, they will add a further 35 GW of power generation capacity and invest SAR 200 billion (USD 53 billion) in generation, transmission and distribution over the next nine years. Additional power plants currently being planned by the SEC include:

- Power Plant 10 or 'PP10': A 2,000 MW power plant to be built some 80 km West of Riyadh. The total project cost is estimated between SAR 5.6 billion and SAR 5.7 billion
- Rabigh IPP: A 1,200 MW plant expected to be completed in 2013
- Power Plant 11 or 'PP11': A 2,000 MW power plant which is expected to be completed by 2014.
- Qurayyah IPP (Phase II): A 2,000 MW plant at Qurayyah in the Eastern Province which is expected to be completed in 2015.

The three IPP plants are estimated to cost some SAR 30 billion. All three plants will be built on a BOO basis.

A further SAR 30 billion will be spent by the SEC on power transmission projects by 2015.

3.6 Oil, Gas and Petrochemicals

3.6.1 Oil and Gas

With estimated oil reserves of some 264 billion barrels Saudi Arabia has the largest proven oil reserves in the world. In addition it has 248 trillion cubic feet of gas reserves.

Projects currently underway are expected to raise crude oil capacity to 12 million bpd by 2009, and 15 million bpd by 2015. Saudi Aramco has traditionally produced large amounts of light oil, the most commercially attractive form of crude. However, recently it has started producing large amounts of heavier grades as it looks to increase production. Saudi Aramco has also accelerated its exploration for oil and gas.

Furthermore, according to Saudi Aramco, Saudi Arabia will invest SAR 930 billion (USD 248 billion) in oil, gas and petrochemical projects over the period 2007-2012. The following table shows IMES' estimated capital expenditure on oil and gas over the period 2004 to 2008:

⁸ Comments in MEED Project Financing Conference, Bahrain 27 Feb 2008, published on MEED Magazine, 100 largest in 7 March 2008.

Table 3.9 Estimated Spend on Oil and Gas Infrastructure, 2004 to 2008 (SAR billions)

Historical				
2004	2005	2006	2007	2008
77.8	85.7	95.7	106.9	91.5

Source: IMES Consulting research and estimates

Key Projects

Currently there are several multibillion oil and gas sector projects in progress. These include both upstream (mainly developing and operating facilities to recover and bring crude oil and/or raw natural gas to the surface) and downstream projects (developing refineries and petrochemical facilities to convert crude oil and natural gas into other value added products).

Upstream projects include:

- Khurais crude investment program which is expected to bring 1.2 million bpd into production by mid-2009
- 900,000 bpd Manifa heavy crude oil field development. The project involves building a 41 km causeway, a three kilometer bridge to support 27 drilling islands, 11 offshore platforms, onshore central oil and gas processing facilities, water supply wells and injection facilities. Production from the oil field is expected to begin in September 2011
- A number of other upstream projects will be completed in 2008 including a SAR 22.5 billion (USD 6 billion) investment at the Khursaniyah field; SAR 11.25 billion investment at the Shaybah field; and the development of the Nuayyim field at a cost of some SAR 1.5 billion

Downstream projects include:

- Two integrated refinery and petrochemicals projects – Petro Rabigh and Ras-Tanura being developed by Saudi Aramco in partnership with international petrochemical companies
- 400,000 bpd export refinery being developed by Saudi Aramco in partnership with ConocoPhillips at Yanbu. The project is expected to cost SAR 47 billion. The refinery is planned to be in production by 2011
- In May 2006 Saudi Aramco signed another agreement with the French company Totale for a 400,000 bpd refinery in Jubail which would process heavy crude into premium fuels. Production is planned to commence in 2011
- Saudi Petroleum Ministry is in the process of issuing a license to build a new refinery at Jizan. The Jizan facility will be the Kingdom's first fully privately owned refinery and is estimated to cost around SAR 50 billion

3.6.2 Petrochemicals

Petrochemicals are chemicals made from crude oil and natural gas. It is estimated that there are over 4,000 products which are classified as petrochemicals. These in turn are incorporated into a great variety of industrial and consumer products. With more than 20% of the world's proven oil reserves, Saudi Arabia has become a major player in this sector.

Saudi Arabian petrochemical production has grown from two million tons per year in 1970 to almost 60 million tons per year during 2007-2008. It is now the tenth largest petrochemicals producer in the world. Production is forecasted to reach 100 million tons per annum by 2015. According to the Minister for Petroleum and Natural

Resources, investment in the sector will total SAR 260 billion (USD 70 billion) between 2005 and 2012. The following table shows estimated expenditure over the period 2004 to 2008.

Table 3.10 Estimated Spend on Petrochemical Infrastructure, 2004 to 2008 (SAR billions)

Historical				
2004	2005	2006	2007	2008
20.6	23.6	25.8	28.1	30.0

Source: IMES Consulting research and estimates

Key Projects

Saudi Basic Chemicals Company ("SABIC") is the dominant player in the Saudi Arabian petrochemical industry producing some 55 million tons of petrochemicals. It has ambitious development plans which involve a full pipeline of new projects, currently under development or planned. These include:

- SAR 24 billion expansion at Eastern Petrochemical Company (Sharq) in Jubail, which is expected to be commissioned in the fourth quarter of 2009. The development includes an investment of SAR 8.5 billion in ethylene production and downstream processing capacity
- Saudi Kayan was established as a joint venture company by SABIC and Kayan Petrochemical Company to build a SAR 37.5 billion (USD 10 billion) petrochemicals complex in Jubail. Production is expected to commence in 2011. The company sold 45% of its shares in an IPO in 2007.
- Yanbu National Petrochemical Company (Yansab) is the project company for another petrochemicals complex being developed by SABIC in Yanbu. 35% of its shares were offered in an IPO in 2006. Production is due to commence in 2009.
- SABIC and ExxonMobil are developing plans to manufacture synthetic rubber products at their joint venture plants in Jubail & Yanbu. Production is expected to begin in 2011.

Saudi Aramco is also becoming increasingly active in petrochemicals through its involvement in integrated refinery and petrochemical projects. It has two such projects currently under development – Petro Rabigh and Ras Tanura.

- The Petro Rabigh complex is located North of Jeddah, alongside Saudi Aramco's Rabigh refinery. The cost for development of this Project shall be SAR 37.5 billion, and it comprises 23 plants which will initially produce 18.4 million tons per annum (mpta) of petroleum-based products and 2.4 mpta of petrochemical solids and liquids (ethylene and propylene-based derivatives). The project was launched in September 2005 and the complex was inaugurated in November 2009. 25% of the company's shares were sold in an IPO in January 2008.
- The Ras Tanura Integrated Project is estimated to cost in excess of SAR 75 billion and the project will introduce the manufacture of thirty new products to the region. Construction will commence in 2009 and be completed in 2012.

Other projects include:

- Saudi International Petrochemical Company (Sipchem), a Saudi company listed on TADAWUL that is also implementing an aggressive expansion program in Jubail. The Sipchem site currently produces one million tons of methanol and 750,000 tons of butanediol per year. In 2006 it started construction of a SAR 1 billion facility for higher value products, with commercial operations due to start in 2009. This represents phase two

of the company's program for producing higher value petrochemicals. Phase three of this program will involve a SAR 34 billion (USD 9 billion) investment in eighteen polyolefin plants in Jubail.

3.7 Other Infrastructure

3.7.1 Railways

It is expected that that spending on construction shall significantly increase in 2010 with construction commencing on a number of major railway expansion projects in Saudi Arabia. The figures in the following table exclude any amounts spent on new rolling stock, signaling equipment etc., these figures should be considered as indicative estimates for the magnitude of spending on the railway related construction during the years 2004 – 2008. Railway spending experienced a marked increase in 2008 as a result of the new projects for which plans initiated and executed during that year.

Table 3.11 Estimated Construction Spend on Railways, 2004 to 2008 (SAR millions)

Historical				
2004	2005	2006	2007	2008
38	42	73	80	2,500

Source: IMES Consulting research and estimates

Key Projects

According to the market study, major expansions will take place in the Saudi railway network over the short to medium term, with funding provided by several sources including the public and private sector. The three main projects are:

- the Red Sea to Gulf line, the so-called "Landbridge" project. The project involves construction of 950 km of new track between Riyadh and Jeddah and another 115 km line between Dammam and Jubail
- the North-South line which will transport minerals (e.g., phosphates and bauxite) from the Qurayyat and Jalamid regions in the northwest passing through Hail, Qassim, Riyadh and the Eastern Region, with a terminus at Ras al-Zour on the Gulf coast. It involves the laying of 2,318 km of new line, 4.5 million sleepers and the construction of approximately 250 concrete bridges. Overall construction of the line will cost some SAR 10 billion. This excludes additional investment required in rolling stock, signaling equipment etc.
- a 450 km electrified high-speed rail link joining the holy cities of Makkah and Madinah. The line will also connect King Abdul Aziz International Airport in Jeddah and the planned King Abdullah Economic City in Rabigh, where a Hajj terminal city capable of accommodating over 500,000 pilgrims will be built

Other projects include:

- two new railway lines, one linking Jeddah and the south-western border city of Jizan; and a second linking the western summer resort of Taif and Khamis Mushayt in the southern Asir region
- the Riyadh Light Railway project which includes two lines. The first will run for about 38 km linking the north and south of the city, while a second 13 km east-west line will run along King Abdullah Street. The first phase is expected to be completed by 2013.

- the Madinah Light Rail system. This four line monorail system is part of the planned Knowledge Economic City project. It will be linked to the railway network, facilitating easy access to cities such as Makkah, Yanbu, the King Abdullah Economic City in Rabigh as well as the city and port city of Jeddah.
- Jeddah Monorail, as Jeddah is itself also considering a monorail system to help ease traffic congestion, reduce noise and air pollution, save commuting time and help in the city's expansion and development plans

3.7.2 Ports

Saudi commercial ports handled over 154 million tons of cargo (excluding crude oil) in 2008, a 10% increase on 2007. Containerized cargo shipments increased by 11% to 4.7 million twenty foot equivalent units or TEUs.

The following table shows a tentative estimate of capital spend on ports over the period 2004 to 2008. This is based on projects whose timing is relatively certain and so may prove conservative if other projects progress rapidly within the forecast period. Ports spending accounted for significant increase in 2008 as a result of the expansions and the new terminals with their execution initiated during that year

Table 3.12 Estimated Capital Spend on Ports, 2004 to 2008 (SAR billions)

Historical				
2004	2005	2006	2007	2008
0.2	0.2	0.3	0.3	3.0

Source: IMES Consulting research and estimates

Key Projects

- The new King Abdullah Economic City (KAEC) in Rabigh will incorporate a new seaport that acts as a transshipment port to feed other GCC economies. The port will cover 13.8 million square meters; have capacity for some ten million TEUs and cost in excess of SAR 15 billion. A multipurpose cargo terminal is scheduled to be operational by the end of 2010 and a 1.6 million TEU container terminal by mid-2011. The port is expected to create 15,000 direct and indirect jobs. It will extend over 14 square kilometers and will be equipped to receive the new generation mega-vessels, with a nominal capacity of around 10,000 TEU.
- A petrochemical quay is planned at King Fahd Industrial Port in Jubail. The quay is being developed by the Royal Commission for Jubail & Yanbu to help cope with the huge amounts of petrochemical products expected to come on stream from nearby facilities over the coming years.
- A new container terminal is being built at Jeddah Islamic Port at an estimated cost of SAR 1.7 billion. When the new terminal opens in 2009 it will increase container capacity by 1.5 million TEUs to five million.
- A SAR 2.2 billion contract has been awarded for the design and construction of a new port in Ras Al Zour. The project is expected to be complete by 2010 and will serve local fertilizer and aluminum smelting complexes.
- Plans are being developed to increase the container capacity at King Abdulaziz Port (KAP) in Dammam. The plan will increase container capacity by 1.5 million TEUs from its current 1.7 million TEUs in a SAR 1.6 billion development. The port is already linked to Riyadh by rail, and is set to assume greater significance with the development of the Saudi Landbridge, which will link it by rail to the Jeddah port on the Red Sea coast.

3.7.3 Airports

There are 27 airports in Saudi Arabia. An estimated 40.5 million passengers passed through these airports in 2008. Business and tourist travel is growing rapidly with the Supreme Commission for Tourism, which is responsible for Saudi Arabia's tourism, predicting that the number of visitors to the Kingdom will reach 45 million by 2020.

To meet growing demand for air travel many of these airports are undergoing expansion projects and a number of new airports are planned. The following table shows a tentative estimate of capital spent on airports over the period 2004 to 2008.

Table 3.13 Estimated Capital Spend on Airports, 2004 to 2008 (SAR billions)

Historical				
2004	2004	2005	2007	2008
0.8	0.8	1.2	2.0	1.6

Source: IMES Consulting research and estimates

Key Projects

- The most significant airport investment is at Jeddah's King Abdulaziz International Airport (KAIA). The first phase of the project will be completed by 2012. It includes a new 400,000 square meters terminal complex and 42 contact gates with air bridges and easy access. Capacity at the airport will be increased from 13 million passengers a year currently, to 30 million passengers a year by 2012, and 80 million passengers a year by 2035.
- A SAR 220 million contract was awarded in 2006 for the construction of new facilities at Tabuk airport.
- Upgrade work on Madinah's Prince Muhammad Bin Abdul Aziz Airport at an estimated cost of SAR 400 million is underway to enable it to accommodate more than a million passengers annually.
- A new SAR 190 million airport opened in Yanbu in December 2007.
- Plans have also been announced to establish a fifth international airport at King Abdullah Economic City in Rabigh. Similarly there are plans for a new airport in Hail that shall be annexed to the planned Prince Abdulaziz bin Mousaed Economic City (PABMEC), and in Jizan to serve the planned Jizan Economic City.
- There are plans for two new airports near Riyadh to relieve pressure on King Khaled International Airport. These are likely to be located at Sudair, northwest of Riyadh and Aflaj to the south.
- Other projects being assessed include new airports or expansions in Madain Saleh, Gurayat, Najran, Al-Qunfutha and Taif.

3.8 Conclusion

The scale of the building boom taking place is unprecedented, not only within Saudi Arabia, but also regionally. Balanced regional development, relieving much of the current congestion in existing urban centers, and creating employment for the high number of Saudis reaching working age are a priority for the Saudi government. At the same time the Government wants to encourage expansion of non-oil related activities.

The growing construction activity is expected to bring its own set of challenges, which include:

- **Greater professionalism:** It is clear that greater demands will be placed on contractors in the future as international best practices become increasingly the norm and Saudi regulations (building codes, health & safety, etc.) become stricter and are enforced better.
- **Greater competition:** While on the one hand there will be a significant increase in the volume of work contractors can bid for, there is also likely to be greater competition from international firms.

In conclusion, there are many opportunities for contracting companies in Saudi Arabia in the medium to long-term. Contracting companies that are progressive and professional in their outlook may particularly benefit. At the same

times, the challenges faced by the sector should not be underestimated. Changes in the regulatory environment, competition, inflation and costs, and availability of skilled and unskilled workers are issues that will have to be proactively managed.

4 The Company

4.1 Introduction

Late Sheikh Abdullah Abdul Mohsen Al-Khodari incorporated an individual proprietorship establishment in Arar in the Northern Province of Saudi Arabia under the Commercial Registration No. 146 dated 10/10/1385H (corresponding to 1/2/1966G) to carry out general contracting business which included construction of roads and buildings. The establishment grew rapidly until it became one of the major contracting companies in the Eastern and Northern provinces in Saudi Arabia during the 1970s. Soon after, the establishment expanded the scope of its services to include various fields in the construction, operations and maintenance sector.

Thereafter, a branch for the said establishment was opened in Dammam, Eastern Province under the Commercial Registration No. 2339 dated 11/11/1389 H (corresponding to 19/1/1971G). The head office was later relocated to Dammam on 4/3/1394H (corresponding to 28/3/1974G) under the same commercial registration.

The establishment was then converted into a Saudi limited partnership company under the name of "Abdullah Abdul-Mohsen Al-Khodari Sons Company" (hereinafter referred to as "the Company" or "Al-Khodari") under the Commercial Registration No. 2050022550 dated 25 Rajab 1412H (corresponding to 30/1/1992 G) with the capital of SAR 10 million divided into SAR 1 million shares with value of SAR 10 per share. The Company was then converted into a joint stock company in accordance with Minister of Commerce and Industry's Resolution No. 152/Q dated 16/5/1430H (corresponding to 11/5/2009G) with a capital of SAR 300 million divided into 30 million ordinary shares with nominal value of SAR 10 per share. The increase in capital from SAR 10 million to SAR 300 million occurred through the capitalization of the retained profits on 16/5/1430H (corresponding to 11/5/2009G). On 16/11/1430H (corresponding to 4/11/2009G) the Company increased its capital from SAR 300 million to SAR400 million divided into 40 million ordinary shares with nominal value of SAR 10 per share, pursuant to the resolution of the Extraordinary General Assembly held 4/11/2009G which resolved the capitalization of SAR88,873,754 from the retained profits account as well as SAR11,126,246 from the statutory reserve account. On 10/7/1431H (corresponding to 22/6/2010G) the Company increased the capital from SAR 400 million to SAR425 million divided into 42.5 million ordinary shares with nominal value of SAR 10 per share, pursuant to the resolution of the Extraordinary General Assembly held in 10/07/1431h (corresponding 22/06/2010G which resolved capitalization of SAR 14,477,241 from the retained profits account as well as SAR 10,522,759 from the statutory reserve account.

Currently, the Company executes general contracting projects that include the following:

- Building Projects
- Infrastructure Projects
- Waste Management Projects
- Power Projects
- Operations & Maintenance
- Water and Sewage Networks
- Transportation and Logistics
- Railway Construction

The Company occasionally engages subcontractors for ancillary services. The Company employs around 10,296 people and owns about 3,000 pieces of heavy construction equipment and commercial vehicles in more than 32 different locations in Saudi Arabia, Middle East and Africa.

4.2 Major Historical Events:

The following table summarizes major achievements of the Company through the course of its business until the present time:

Table 4.1 Major historical events of the Company

Date	Event
1966	The Company was first incorporated as an individual proprietorship establishment
1970	A branch for the establishment opened in Dammam, Eastern Province
1974	The head office was moved to Dammam
1988	Al-Khodari Steel Factory was established as a branch wholly owned by the Company in Dammam
1992	The establishment was converted into a Saudi limited partnership company under the name of "Abdullah Abdul-Mohsen Al-Khodari Sons Company" under the commercial registration No. 2050022550 dated 25 Rajab 1412H (corresponding to 30/1/1992G) with the capital of SAR 10 million divided into SAR 1 million shares with value of SAR 10 per share
1995	Al-Khodari Trading and Industrial Service Company was established as a branch wholly owned by the Company in Dammam
1998	Investment in Cumberland Insurance and Re-Insurance limited (Bahrain) in shares equal to 70% of the capital of the founding shareholders.
1999	Investment in Arabian Karina for Industrial Chimneys Ltd in shares equal to 60% of the capital of the Selling Shareholders
2002	Obtained ISO 9001:2000 certification
2007	Investment in Hamon D'hont Middle East limited in shares equal to 40% of the capital of the founding shareholders Investment in Al-Khodari Sons and LV Shipping Logistics limited in shares equal to 60% of the capital of the Selling Shareholders
2008	Investment in Al-Khodari Sons and Hertel Industrial Services limited in shares equal to 50% of the capital of the Selling Shareholders The shareholders consented to increase the Company's capital from SAR 10 million to SAR 300 million through capitalization of retained profits. Four branches have been converted into limited liability companies wholly owned by the Selling Shareholders, excluding Abdullah A.M. Al-Khodari Sons Investment Holding Company. The four companies are: Air Conditioning and Refrigeration Center Company, Al-Khodari Travel and Tourism Agency Company, Al-Khodari Trading and Industrial Service Company, Al-Khodari Heavy Industries.
2009	A new partner joined the Company, the Company was converted from a limited liabilities company to a Saudi closed joint stock company The shareholders consented to increase the Company's capital from SAR 300 million to SAR 400 million through capitalization of the statutory reserve and the retained profits. The increase was

Date	Event
	resolved during the Extraordinary General Assembly meeting held on 16/11/1430H (corresponding to 4/11/2009G)
2010	Obtained the ISO 9001:2008 and the OHSAS 18001 certificates
	The shareholders consented to increase the Company's capital from SAR 400 million to SAR 425 million through capitalization of the statutory reserve and the retained profits. The increase was resolved during the Extraordinary General Assembly meeting held on 10/7/1431H (corresponding to 22/6/2010G)

4.3 Changes in the Capital of the Company:

The following table shows the changes that occurred in the Company's capital:

Table 4.2 Changes in the Capital of the Company

Company	Legal Entity	Capital (SAR)	Explanation of the change
Abdullah Abdul Mohsen Al-Khodari Contracting Establishment	Individual Proprietorship Establishment	None	
Abdullah Abdul Mohsen Al-Khodari Sons Company	Limited Partnership	10,000,000	Changing the legal entity of the Company from an individual establishment to a limited partnership company, and capitalization of SAR 10 million from retained profits
Abdullah Abdul Mohsen Al-Khodari Sons Company	Closed Joint Stock	300,000,000	Changing the legal entity of the Company from a limited partnership company to a closed joint stock company, and capitalization of SAR 290 million from retained profits
Abdullah Abdul Mohsen Al-Khodari Sons Company	Closed Joint Stock	400,000,000	Increase in capital by capitalization of SAR 11,126,246 from the statutory reserve and SAR 88,873,754 from the retained profits
Abdullah Abdul Mohsen Al-Khodari Sons Company	Closed joint Stock	425,000,000	Increase in capital by capitalization of SAR 10,522,759 from the statutory reserve account and SAR 14,477,241 from the retained profits account

Source: the Company

4.4 Changes in Ownership Structure:

At the end of 2008, the Company performed a reorganization process, in preparation for the public offering. The Company sold its shares and interests in a number of associated companies against the paid cost of investment, and they were adjusted against the partners' current accounts. Such companies have been sold to Abdullah Abdul-Mohsen Al-Khodari Sons Investment Holding Company. Furthermore, the Company converted four of its branches that are not engaged in its main business activity (building and construction) into limited liability companies owned by the Selling Shareholders, with the exception of Abdullah Abdul Mohsen Al-Khodari Sons Investment Holding Company. The assets of the branches have been sold to the limited liability companies. (Please see Section 5 "Reorganization of the Company" for further information on the restructuring process).

The following table shows all companies owned by the Company pre and post reorganization:

Table 4.3 Branches and Investments of the Company Pre and Post Reorganization

Company	Ownership % Pre-Reorganization	Ownership % Post-Reorganization
Air Conditioning and Refrigeration Center Company (former branch)	100%	None
Al-Khodari Travel and Tourism Agency Company (former branch)	100%	None
Al-Khodari Heavy Industries LLC (former branch)	100%	None
Al-Khodari Trading and Industrial Service Company (former branch)	100%	None
Cumberland Insurance and Re-Insurance Limited (Bahrain)	70%	None
Arabian Karina for Industrial Chimneys Limited	60%	None
Al-Khodari Sons and LV Shipping Logistics Limited	60%	None
Al-Khodari Sons and Hertel Industrial Services limited	50%	None
Hamon D'hdont Middle East Company Limited	40%	None

Source: the Company

In the beginning of 2009, the partners assigned an equal percentage of their respective capital in the Company to a new partner, i.e. Abdullah Abdul-Mohsen Al-Khodari Sons Investment Holding Company, and the Company was converted from a limited partnership into a closed joint stock company.

4.4.1 Pre-capitalization Ownership Structure

The following table shows the previous ownership structure of the Company when the capital was SAR 10,000,000 divided into 1,000,000 shares, with the value of SAR 10 per share.

Table 4.4 Pre-capitalization Ownership Structure

Shareholder	Pre-Admission of New Partner		Value of Shares Assigned	Post-Admission of New Partner	
	Value of Shares	Percent %		Value of Shares	Percent %
Abdullah A. M. Al-Khodari Sons Investment Holding Co.	-	-	8,571,440	8,571,440	85.72
Fawzi A. Al-Khodari	1,218,852	12.19	(1,044,732)	174,120	1.74
Jamil A. Al-Khodari	1,218,852	12.19	(1,044,732)	174,120	1.74
Fawwaz A. Al-Khodari	1,218,852	12.19	(1,044,732)	174,120	1.74
Ali A. Al-Khodari	1,218,852	12.19	(1,044,732)	174,120	1.74
Abdul Aziz A. Al-Khodari	1,218,852	12.19	(1,044,732)	174,120	1.74
Naif A. Al-Khodari	1,025,000	10.25	(878,570)	146,430	1.46
Mishal A. Al-Khodari	1,025,000	10.25	(878,570)	146,430	1.46
Sami A. Al-Khodari	768,280	7.68	(658,530)	109,750	1.10

Shareholder	Pre-Admission of New Partner		Value of Shares Assigned	Post-Admission of New Partner	
	Value of Shares	Percent %		Value of Shares	Percent %
Abeer A. Al-Khodari	543,730	5.44	(466,050)	77,680	0.78
Ghada A. Al-Khodari	496,450	4.96	(425,530)	70,920	0.71
Fouzia A. Al-Khodari	47,280	0.47	(40,530)	6,750	0.07
Total	10,000,000	100	-	10,000,000	100

Source: The Company

4.4.2 Ownership Structure after First Capitalization

The following table shows the Company's ownership structure before converting it to a closed joint stock company and the increase in its capital from SAR 10,000,000 to SAR 300,000,000 divided into 30,000,000 shares with SAR 10 each through capitalization of SAR 290,000,000 of the retained profits.

Table 4.5 Ownership Structure after First Capitalization

Shareholders	Before First Capitalization			After First Capitalization		
	Number of Shares	Value of Shares	Percent %	Value of Shares Assigned	Value of Shares	Percent %
Abdullah A. M. Al-Khodari Sons Investment Holding Company	857,144	8,571,440	85.72	25,714,320	257,143,200	85.72
Fawzi A. Al-Khodari	17,412	174,120	1.74	522,360	5,223,600	1.74
Jamil A. Al-Khodari	17,412	174,120	1.74	522,360	5,223,600	1.74
Fawwaz A. Al-Khodari	17,412	174,120	1.74	522,360	5,223,600	1.74
Ali A. Al-Khodari	17,412	174,120	1.74	522,360	5,223,600	1.74
Abdul Aziz A. Al-Khodari	17,412	174,120	1.74	522,360	5,223,600	1.74
Naif A. Al-Khodari	14,643	146,430	1.46	439,290	4,392,900	1.46
Misha'al A. Al-Khodari	14,643	146,430	1.46	439,290	4,392,900	1.46
Sami A. Al-Khodari	10,975	109,750	1.10	329,250	3,292,500	1.10
Abeer A. Al-Khodari	7,768	77,680	0.78	233,040	2,330,400	0.78
Ghada A. Al-Khodari	7,092	70,920	0.71	212,760	2,127,600	0.71
Fouzia A. Al-Khodari	675	6,750	0.07	20,250	202,500	0.07
Total	1,000,000	10,000,000	100	30,000,000	300,000,000	100

Source: the Company

4.4.3 Ownership Structure after second capitalization

The following table shows the Company's ownership after the increase in its capital from SAR 300,000,000 to SAR 400,000,000 divided into 40,000,000 shares with SAR 10 each through the capitalization of SAR 11,126,246 from the statutory reserve in addition to SAR 88,873,754 from the retained profits.

Table 4.6 Ownership Structure after Second Capitalization

Shareholders	Before Second Capitalization			After Second Capitalization		
	Number of Shares	Value of Shares	Percent %	Number of Shares	Value of Shares	Percent %
Abdullah A. M. Al-Khodari Sons Investment Holding Company	25,714,320	257,143,200	85.72	34,285,760	342,857,600	85.72
Fawzi A. Al-Khodari	522,360	5,223,600	1.74	696,480	6,964,800	1.74
Jamil A. Al-Khodari	522,360	5,223,600	1.74	696,480	6,964,800	1.74
Fawwaz A. Al-Khodari	522,360	5,223,600	1.74	696,480	6,964,800	1.74
Ali A. Al-Khodari	522,360	5,223,600	1.74	696,480	6,964,800	1.74
Abdul Aziz A. Al-Khodari	522,360	5,223,600	1.74	696,480	6,964,800	1.74
Naif A. Al-Khodari	439,290	4,392,900	1.46	585,720	5,857,200	1.46
Misha'al A. Al-Khodari	439,290	4,392,900	1.46	585,720	5,857,200	1.46
Sami A. Al-Khodari	329,250	3,292,500	1.10	439,000	4,390,000	1.10
Abeer A. Al-Khodari	233,040	2,330,400	0.78	310,720	3,107,200	0.78
Ghada A. Al-Khodari	212,760	2,127,600	0.71	283,680	2,836,800	0.71
Fouzia A. Al-Khodari	20,250	202,500	0.07	27,000	270,000	0.07
Total	30,000,000	300,000,000	100	40,000,000	400,000,000	100

Source: the Company

4.4.4 Ownership Structure after third capitalization

The following table shows the Company's ownership after the increase in its capital from SAR 400,000,000 to SAR 425,000,000 divided into 42,500,000 shares with SAR 10 each through the capitalization of SAR 14,477,241 from the retained profits account in addition to SAR 10,522,759 from the statutory reserve account.

Table 4.7 Ownership Structure after Third Capitalization

Shareholders	Before Third Capitalization			After Third Capitalization		
	Number of Shares	Value of Shares	Percent %	Number of Shares	Value of Shares	Percent %
Abdullah A. M. Al-Khodari Sons Investment Holding Company	34,285,760	342,857,600	85.72	36,428,620	364,286,200	85.72
Fawzi A. Al-Khodari	696,480	6,964,800	1.74	740,010	7,400,100	1.74
Jamil A. Al-Khodari	696,480	6,964,800	1.74	740,010	7,400,100	1.74
Fawwaz A. Al-Khodari	696,480	6,964,800	1.74	740,010	7,400,100	1.74
Ali A. Al-Khodari	696,480	6,964,800	1.74	740,010	7,400,100	1.74
Abdul Aziz A. Al-Khodari	696,480	6,964,800	1.74	740,010	7,400,100	1.74
Naif A. Al-Khodari	585,720	5,857,200	1.46	622,327	6,223,270	1.46
Misha'al A. Al-Khodari	585,720	5,857,200	1.46	622,328	6,223,280	1.46
Sami A. Al-Khodari	439,000	4,390,000	1.10	466,437	4,664,370	1.10
Abeer A. Al-Khodari	310,720	3,107,200	0.78	330,140	3,301,400	0.78
Ghada A. Al-Khodari	283,680	2,836,800	0.71	301,410	3,014,100	0.71
Fouzia A. Al-Khodari	27,000	270,000	0.07	28,688	286,880	0.07
Total	40,000,000	400,000,000	100	42,500,000	425,000,000	100

Source: the Company

4.4.5 Ownership Structure Before and After the Offering

The following table shows the Shareholders' ownership percentage before and after the Offering:

Table 4.8 Ownership Structure of the Company

Shareholders	Pre-Offering		No. of Shares Being Sold in Offering	Post-Offering	
	No. of Shares	Percent %		No. of Shares	Percent %
Abdullah A. M. Al-Khodari Sons Investment Holding Company	36,428,620	85.71	(10,928,586)	25,500,034	60.00
Fawzi A. Al-Khodari	740,010	1.74	(222,003)	518,007	1.22
Jamil A. Al-Khodari	740,010	1.74	(222,003)	518,007	1.22
Fawwaz A. Al-Khodari	740,010	1.74	(222,003)	518,007	1.22
Ali A. Al-Khodari	740,010	1.74	(222,003)	518,007	1.22
Abdul Aziz A. Al-Khodari	740,010	1.74	(222,003)	518,007	1.22
Naif A. Al-Khodari	622,327	1.46	(186,698)	435,629	1.02
Misha'al A. Al-Khodari	622,328	1.46	(186,699)	435,629	1.02
Sami A. Al-Khodari	466,437	1.10	(139,931)	326,506	0.77
Abeer A. Al-Khodari	330,140	0.78	(99,042)	231,098	0.54
Ghada A. Al-Khodari	301,410	0.71	(90,423)	210,987	0.50
Fouzia A. Al-Khodari	28,688	0.07	(8,606)	20,082	0.05
Public	-	-	12,750,000	12,750,000	30.00
Total	42,500,000	100%	-	42,500,000	100%

Source: the Company

4.5 Company's Mission and Overall Strategy

4.5.1 Vision

- To be the premier contracting, engineering, construction and project management company in the Middle East and Africa.

4.5.2 Mission

- Partner in progress with our Clients – providing value-added construction expertise by delivering the most effective and economical solution, with an aim of exceeding their expectation and gaining their trust through exceptional performance;
- Continue to foster a mutually rewarding environment for our Employees and Suppliers - where they are respected, valued, trusted and treated fairly without bias or prejudice;
- Provide a safe healthy work environment as a priority;
- Meet and exceed environmental regulations by efficiently using and preserving our natural resources;
- Execute our corporate social responsibility by conducting our business ethically; being sensitive and supportive of the local culture and the social, educational and economic needs of our society;
- **Thus, ultimate enhancement of Shareholders' value**

4.5.3 Growth Strategy & Future Prospects

Strategic Focus

The Company's current business focus is on infrastructure, buildings, roads and bridges construction and city cleaning. The Company's management thinks that there is a possibility that the growth in infrastructure development will narrow down in the medium to long term. While, the Company will continue to secure and execute infrastructure contracts in the coming years, it plans to supplement the revenue stream from infrastructure contracts by diversifying more into stable sources of revenue such as operations and maintenance ("O&M") contracts within the infrastructure sector.

Moreover, with the population growth in Saudi Arabia, the Company foresees strong growth potential in water and wastewater management projects. The Company intends to capitalize on its expertise in water and wastewater management projects by significantly expanding its revenue base from this segment through securing more contracts.

Overseas Markets

The strong economic growth in Saudi Arabia in the past few years opened avenues to a number of attractive business opportunities in the Kingdom. In order to draw on these business opportunities, the Company intentionally scaled back on its overseas business activities. However, with growth prospects in the Kingdom expected to taper off in the coming years, to continue its growth strategy, the Company now plans to expand outside Saudi Arabia, mainly targeting countries in the Middle East and in Africa.

Although the Company intends to draw plans for expansion and development of its overseas business through expansion in the contracting or trading sectors or both, it may not rule out considering the concept of selective acquisitions in the overseas markets.

Recurring Business

The Company's revenue stream is primarily dependent upon government contracts and is susceptible to revenue shocks. To mitigate the impact of these potential revenue shocks, the Company has in the past and continues to diversify its revenue stream by securing medium to long-term contracts in O&M of water and sewage networks and plants, road maintenance and city cleaning to have a recurring revenue stream. The Company has in the past supported the Government's initiative to extend the typical contractual period for city cleaning projects from three years to five years and it continues to lobby the Government to further extend the duration from five years to seven years.

As part of the Company's strategy to secure recurring revenue streams, it intends to expand city cleaning works and the O&M projects in various parts of the Kingdom. Moreover, the Company plans to undertake Build-Operate-Transfer ("BOT") contracts to inject additional stability in its revenue stream.

Diversifying Customer Profile

Currently, a significant portion of the Company's revenue is based on contracts awarded by government agencies. Although, government spending continues in the same pattern and is expected to hold shape for the short-to-medium-term horizon, the Company plans to reduce exposure to government-based revenue by securing construction contracts with the private sector.

Expansion in Other Segments

Transportation & Logistics

The Company sees huge potential in Saudi Arabia's transportation and logistics sector. While capitalizing on the Company's capability to provide on-road as well as off-road logistics and transportation services using a large fleet of trucking vehicles which is currently deployed to cater for Company's existing operations, the Company intends to expand in providing transportation and logistics services to external customers on short-term and long-term contractual basis.

Road and Railway Networks

Most of the road and railway networks shall come online during the next few years. The Company envisages the growth in these networks to slow down following completion of the existing and announced projects. Nevertheless, the Company will continue to bid for and secure contracts in this segment as and when such contracts are made available.

Oil & Gas Sector

The Company aims to partner with large international companies bidding for major Saudi oil and gas, and petrochemicals projects. The Company further aims to form strategic alliances with Engineering, Procurement and Construction contractors involved in oil, gas and petrochemical sector.

Other Segments

The Company is capable of undertaking contracts across all the fields it currently covers as part of its business. A case in perspective is the Company's inclination to participate in O&M and construction contracts for sea ports in the Kingdom.

4.5.4 Company's Methodology in Selection and Accomplishment of Projects:

The Company focuses primarily on business with the government bodies, and it has business with trusty private institutions (or semi-private institutions) as well. The Company carefully selects the projects it bids for to be consistent with its overall strategy in maintaining and improving the profit margin and its market share, taking into consideration the magnitude of required and available resources or those resources planned to be increased in a manner that makes the growth sustainable in the medium term and does not cause any variations in the magnitude of invested resources thus resulting in non-recoverable costs.

The focus of the Company on the public tenders means its participation in the competition with other contractors each time, a matter that the Company deals with in conformity with its overall strategy of maintaining and growing the volume of works it carries out, the competitive preference of the Company for each tender, in addition to the expectations of the Company of other competitors based on the past competition history with them, volume of work they carry out and their competitive preference for each tender as well.

The Company's focus on its business with the government bodies and with trust-worthy private institutions (or semi-private institutions) ensures that the Company shall normally receive its due payments within 45 days. Advance payments cover the costs of mobilization and commencement of work. Furthermore, focus on such parties would encourage banks to compete in providing financing services for the projects, when necessary.

4.5.5 Operational Framework

The Company's growth is supported by an efficient management information system. In order to keep at par with the international companies, the Company, on an ongoing basis, continues to get certifications relevant to the Company's business. The Company takes pride in showcasing its high standards in safety, environmental conservation and quality control.

The Company expects the manpower requirements for its business to grow in proportion to the growth in its overall business. On the human resource management side, the Company aims to recruit and retain the most suitable personnel.

The Company's human resources belong to several nationalities. While the Company has always exceeded the minimum statutory requirements for Saudization, in some business sectors which require regular movement of staff from one project to another in different jurisdictions of the Kingdom, it becomes challenging for Saudi manpower with their families to make such frequent moves.

4.6 Company's Principal Activities

4.6.1 Contracting Services

The Company has been expanding its contracting business in general and construction in particular in terms of its services profile and market areas, maintaining the capability to expand into other business lines and emerging markets.

4.6.2 Infrastructure Projects

The Company engages in many infrastructure projects such as:

- the construction of highways, urban and rural roads (including bridges)
- the construction of desert access roads (mainly for oil and gas exploration)
- mass earthworks and site preparation works
- site development works (including utilities networks)
- pipeline corridors works

4.6.3 Building Projects

The Company engages in a number of building projects, however mostly concentrating on the construction of public facilities and large residential and recreational projects.

4.6.4 Waste Management Projects

The Company is involved in the following waste management activities:

- Collection and transportation of municipal waste
- Street cleaning
- Construction, preparation and rehabilitation of landfills
- Landfill O & M
- Collection and transportation of private sector municipal and commercial wastes
- Waste segregation

4.6.5 Power Projects

The Company handles the procurement and installation of electrical sub-stations, power feeders and medium voltage distribution networks.

4.6.6 Operation and Maintenance

The Company carries out the operation and maintenance of: highways, urban and rural roads, and water and sewage pipeline works, treatment plants and water wells.

4.6.7 Water and Sewage

The Company carries out projects for construction and piping for water and sewage lines, sewage treatment plants and pumping stations.

4.6.8 Transportation and Logistics

The Company manages the transportation required for oil and gas rigs, and other general land cargo. It also provides logistics support services to the oil, gas and petro-chemical industries.

4.6.9 Railway Construction

There are a number of railway lines that are currently under construction and shall be constructed in the next few years. The Company is involved in earthwork and civil construction work for the railway projects.

4.7 Key Projects

4.7.1 Completed Key Projects

The following table shows the key projects that have been completed during the years 2007 and 2008:

Table 4.9 Completed Key Projects of the Company

#	Project and Contract Number	Description of Works	Client	Contract Period	Contract Value (SAR)
1	Naseem & Sali Cleaning Project	City cleaning	Municipality of Riyadh	Sept 2003 – Dec 2008	109,864,000
2	Deerah Cleaning Project	City cleaning	Municipality of Riyadh	Nov 2003 – Nov 2008	85,560,000
3	De-bottlenecking Engineering of Pipeline Corridors Contract No. 204-C39	Project for de-bottlenecking engineering for the pipeline corridor facilities: Royal Commission for Jubail & Yanbu, King Fahd Industrial Port, including expanding existing structural steel vertical loops and reinforced concrete pipe sleepers	Royal Commission for Jubail & Yanbu	March 2005- Sept 2007	71,618,953
4	Al Martan Site, Civil Works, CD0604	Construction of 215 Km track, 2 well platforms, infrastructure, maintenance during drilling	South Rub Al-Khali Company Ltd (SRAC)	June 2006- Aug 2007	89,911,000
5	O & M of Sewage Networks in Makkah	O & M of sewage networks in Makka	Ministry of Water & Electricity Directorate of Water in Makkah	June 2004- May 2007	57,971,700
6	Construction of Treatment Plant in Hufuf, 3 rd phase	Construction of treatment plant in Hufuf, 3 rd phase	Ministry of Water & Electricity, Al-Hasa	June 2004- June 2007	43,500,734
7	Operation of Waste Landfill in Dammam	Operation of waste landfill in Dammam and adjacent cities	Municipality of Dammam	July 2005- June 2008	10,000,000
8	Collection and Disposal	City Cleaning services	Municipality of	July 2005-	20,890,280

#	Project and Contract Number	Description of Works	Client	Contract Period	Contract Value (SAR)
	of Wastes for Safwa, Qudiah and Awamiya		Dammam	July 2008	
9	Al-Waha Project for Production of Polypropylene , Extraction of Propane from Hydrogen	Construction works, GRP pipelines off-site, and related civil works	Technomont/Dublem Foster Wheeler	Dec 2007-Oct 2008	17,650,000
10	Al-Jouf Agricultural Roads	Construct asphalted agricultural roads, total 160 km, in Al-Jouf Province, size of earth work 1,500,000 SM	Ministry of Transport	Aug 2005-Feb 2008	49,914,008
11	Adiyah-Hayaniah Road	Construction of Adiyah-Hayaniah road, 40 km, earth work 1,800,00 SM	Ministry of Transport	Sep 2005-June 2007	20,340,234
12	Hail-Abu Ajram Road Construction Project, Phase 1 st & 2 nd	Construction of asphalt road 105 km(1 st phase) & 99 km (2 nd phase) through Nufud desert, earth works 22,800,000 SM, monthly production 960,000 SM	Ministry of Transport	2007	181,000,000
13	Contract # 077-C15 for Electricity Distribution Network Phase 1 in Jubail 2	Procurement & Construction of Two 24.5 kV Switching Stations CC1-1 and CC1-2 including its associated 34.5 kV underground cable network, modification works at Source Substation and all ancillary works required for	The Royal Commission for Jubail & Yanbu	Oct 2006-Sep 2009	68,273,000

#	Project and Contract Number	Description of Works	Client	Contract Period	Contract Value (SAR)
14	Contract for Treatment of Waste Landfill Phase 3	completing the Electrical Distribution Network for Stage 1 of Jubail 2 Works include collection/removal of 135,000 SM of waste randomly dumped in old Dammam Location and relocate to Eastern Province waste landfill on Abqaiq road and bury it in sound & sanitary manner	Eastern Province Municipality	Jan 2009-Dec 2009	4,999,990
15	Construction/Site Works Contract for Hail University	Site preparation of 1,833,000 SM, roads of 1,343,000 SM, car parking, fencing of 15,235 SM, and install gates	Hail University (Ministry of Higher Education)	July 2006-Feb 2009	125,029,571

Source: the Company

4.7.2 Current Projects

The Company currently executes the following major projects:

Table 4.10 Undergoing Key Projects of the Company (Currency figures are in SAR '000')

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
1) Infrastructure for Return Bypass pipelines (Contract No. 065-C42)	Construction of 2 x 4000 mm ID Sea Water Fiberglass Reinforced Thermosetting Plastic Pipeline, (design capacity 240.000 CM/h) to provide a bypass for Return Seawater, transporting it from the existing 6 x 2000 mm Seawater Composite laterals at PETROKEMYA to a new Seawater outfall structure. Pipeline shall extend through Sari 1 route (TS-1) and the electrical cables ducts of the existing facilities in Saudi Aramco Shell Petrochemia Refinery Company using 2500 mm ID Fiberglass Reinforced Thermosetting Plastic Pipeline, and pass through the existing Aramco pipelines and they extend to new concrete outfall structure with concrete barrage and cover and insulating layer.	The Royal Commission for Jubail & Yanbu	8 Aug 2005	1 Aug 2009 Undergoing Request for extension	104,516	97,980	95,246	9,270
2) North-South Railway Earthworks across Al-Nafud Desert in Al-Jouf Area (Section 4-2-2)	160 KM engineering excavation works across Al-Nafud Desert in Jawf Area. Project includes earthworks of 125 million cubic meters, construction of concrete culverts, ballast bed for rails	The Public Investment Fund, Ministry of Finance	1 Aug 2006	31 Dec 2009 Handing over in progress	990,546	918,215	737,308	253,138
Change Order: construction of camel passages and signal				30 Sep 2010	59,135	10,889	-	59,135

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
control lines								
3) Doubling the Abu Ajram Road / Al Qulaiba in Al-Jouf region (150 km in length)	Doubling of the Existing Asphalt Road from Abu Ajram to Al Qulaiba (Jouf region) , 150 KM & 134 KM (Tabuk Region). Engineering earthworks is 11.600.000 cubic meters	The Ministry of Transport	25 Jul 2005	21 Jun 2008 Undergoing Request for extension	111,920	96,461	87,115	24,805
Doubling the Abu Ajram Road / Al Qulaiba in Al-Tabuk region (134 km in length)					119,974	108,774	94,206	25,768
4) Contract No. POM A-2021 (Rebid) Roads and Paving Maintenance (follow up #8)	Operation & Maintenance of asphalt Roadway at Yanbu Industrial City for 3 years, 185 km, work includes maintenance of lighting, traffic lights, bridges, and box culverts; maintain sidewalks, fencing and road signs.	The Royal Commission for Jubail & Yanbu	20 Sep 2007	20 Sep 2010	34,500	23,052	16,919	17,581
5) Contract No. 325-S12R for the Operation and Maintenance of Roadway Networks	Operation & Maintenance of asphalt Roadway at Jubail Industrial City for 3 years, 986 km, work includes maintenance of lighting, traffic lights, bridges, and box culverts; maintain sidewalks, fencing and road signs.	The Royal Commission for Jubail & Yanbu	18 Jul 2007	18 Jul 2010	110,000	88,627	73,692	36,308
6) Contract No. 204-C36 Pipeline Corridor for Stage 1 of Jubail 2	Procurement and Construction of Pipeline Corridors in Jubail Industrial City 2. The work includes construction of new pipe line corridor, structural steel vertical loops and reinforced concrete pipe sleepers, Fire water system etc. Concrete sleepers size 22.850 cubic meters, concrete stakes 14.430 meters long,	The Royal Commission for Jubail & Yanbu	23 Jul 2006	20 March 2009 Handing over in progress	133,586	133,576	111,731	21,855

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
7) Contract for Construction of Sharorah/Al-Kharkhir Road	<p>skeletal reinforced steel is 4.100 tons, fire water line is 20.770 meters long.</p> <p>Designing and executing single road with two traffic sections with total of width 9.5 meters including asphalt shoulders of total length of 520 KM. Works include site grading, soil backfill, base layer, asphalt base 6 cm thick, surface layers 4 cm thick, the road extends along the new borders between Saudi Arabia and Yemen at distances 8-12 km from the borders. Maximum monthly production is 450.000 cm.</p>	The Ministry of Interior	16 Dec 2002	18 Oct 2008 Handing over in progress	231,999	229,679	208,800	231,999
8) Contract No. 204-C40 for the De-Bottlenecking of Pipeline Corridors (Phase-2)	<p>Procurement & Construction of De-Bottlenecking facilities for Royal Commission Pipeline Corridors in Jubail 1 Industrial area. The work includes, expanding existing and providing new structural steel vertical loops and reinforced concrete pipe sleepers, expanding and extending the existing right of way of pipeline corridor, fire water system etc. The reinforced concrete pipe sleeper size is 33.250 cm, the vertical loop is 3.250 tons of reinforcement steel, safe fence length is 4.634 meter and the fire water line is 8.750 meters.</p>	The Royal Commission for Jubail & Yanbu	22 Nov 2002	23 Mar 2009 Handing over in progress	120,939	114,128	95,599	25,340

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
9) Project for Construction of the Faculty of Financial and Administrative Science for Taibah University - Madinah	Construction of one 4-storey Building , area 23.000 square meters for completion of works including all electromechanical works and site works	Taibah University, Madinah. Ministry of Higher Education	1 Dec 2007	7 May 2010 Handing over in progress	100,607	77,483	58,371	42,236
10) Contract for the Construction of Faculty of Education (Girls) in Al-Hassa	Construction of one 2-storey Building with basement for maintenance , area 29.000 square meters using precast slabs, and facades including all electromechanical works and site works	King Faisal University Ministry of Higher Education	26 Apr 2008	16 Nov 2010	117,000 Phase-2	13,777	9,658	107,342
					10,326 Award awaited	-----	-----	10,326
11) Contract No. 70 for the Operation and Maintenance of the Refinery Station and Water Network in Hafer Al-Baten	Operation and Maintenance of existing water networks and plants, water treatment plants, pipeline extends 563.611 meters, diameter 63-900 mm, 815 valves, 12 deep wells, water treatment plants of 27.000 cm per day, elevated tank of 600 cm	The Ministry of Water and Electricity	2 Mar 2008	1 Mar 2011	17,800	7,713	6,162	11,638
12) Contract No. 021-C04 for the Construction of infrastructure for a labor District	Procurement and Construction of Pumping Stations and Storage Tanks for Potable Water and Irrigation Water Systems including site preparation, Roads & Sanitary Waste Water System. Two tanks of potable water of 40' diameter and each 15 meters long. Two tanks of irrigation water of 25' diameter and 15 meter long, pumping stations and connecting pipe works of 500 meters distance	The Royal Commission for Jubail & Yanbu	29 March 2008	28 Mar 2009 due to change order and increase of scope of work by the Royal Commission The Company requested extension to 2 Mar 2010,	57,000	45,576	33,841	23,159

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
13) Collection and removal of Wastes from Safwa and Kadeh and Awamia and the surrounding villages for the years 1429/1434	Cleaning of cities of Safwa, Qudiah and Awamia including their villages for 5 years (2008-2013). Work includes street and beach cleaning (manually and by machines), waste collection, cleaning of shopping areas, garbage collection and remove to landfill, cleaning of cemeteries and parks, public W.C. cleaning and maintenance, municipality buildings cleaning service, remove construction debris, remove wrecked cars, empty stagnant water from tanks, remove and dry water from ponds, control epidemics and germs, conduct public awareness program	The Ministry of Municipal and Rural Affairs	27 Jul 2008	extension request undergoing 22 Aug 2013	52,000	14,577	12,783	39,217
14) Administration and Operation of Landfills for the Disposal of Wastes for the Municipality of Dammam and the surrounding towns for the years 1429/1432	Operation and maintenance of the waste landfill in the Eastern Province at the Abqaiq road to which waste is removed from Dammam, Khobar, Dhahran, Qateef, Saihat, Safwa, for 3 years. Works includes waste collection, weighing, logging and burial, as well as maintenance of the roads to the waste landfill and surrounding fence, insect control, and installing a system that gathers and disposes the gas in a	The Ministry of Municipal and Rural Affairs	30 Jun 2008	15 Jul 2011	23,100	10,643	7,843	15,257

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
15) Administration, Operation and Maintenance for the project of Disposal of Wastes in Riyadh (Part 4 of Al Naseem and Sali and Part 9 of Al Shamisi)	safe manner. City Cleaning of Naseem and Sali (approx. 12% of the Riyadh centre). For 5 years (2008-2013). Works include: street cleaning (manually and auto), garbage collection, waste collection and removal to waste landfill, removal of construction debris, removal of abandoned/wrecked cars, and removal of pond water.	The Ministry of Municipal and Rural Affairs	29 Dec 2008	28 Dec 2013	191,120	38,465	12,049	179,071
	City Cleaning of Shamisi (approx. 10% of the Riyadh centre). For 5 years (2008-2013). Works include: street cleaning (manually and auto), garbage collection, waste collection and removal to waste landfill, removal of construction debris, removal of abandoned/wrecked cars, and removal of pond water.		23 Nov 2008	22 Nov 2013	103,937	22,370	8,383	95,554
16) Contract for the Construction of Deanship Building at the University campus in Al-Hassa	Construction of one Building consisting of ground floor (waiting area) for cars and three storey , total area 22.600 SM, including engineering and structural works such as excavation and backfilling, reinforced concrete, precast concrete, building works, insulation works, doors, windows, aluminum , elevators, HVAC, and other works	King Faisal University Ministry of Higher Education	15 Dec 2008	14 Dec 2011	87,433	12,811	9,456	77,977
17) Contract for the Construction of Girls'	Construction of one 3-storey buildings of total area 24.347 SM,	King Faisal University	27 Jan 2009	26 Jan 2012	111,448	8,969	6,450	104,998

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
Computer College at the University campus in Al-Hassa	including engineering and structural works such as excavation and backfilling, reinforced concrete, water resistant building works, as well as finishing works such as doors, windows, iron and wood works and aluminum.	Ministry of Higher Education						
18) Contract for the Construction of Girls' Science College at the University campus in Al-Hassa	Construction of one 3-storey building of total area 24.000 SM, including engineering and structural works such as excavation and backfilling, reinforced concrete, building and insulation works, as well as finishing works such as doors, windows, iron and wood works, curtains and aluminum, elevators, flooring, walls, ceilings, partitions, fixtures, all electromechanical systems, plumbing, sanitary ware, firefighting equipment, HVAC, power supply, lighting, fire alarm systems, and all systems that operate with low voltage current	King Faisal University Ministry of Higher Education	20 Dec 2008	20 Dec 2011	120,293	11,522	9,218	111,075
					3,500 Phase-3 award awaited	-	-	3,500
19) Contract for Well Drilling Access Road and drilling Platform, Zaidan	Construction of 105 Km long road, drilling platform, infrastructure. Works include maintenance until completion of drilling and prospection works	South Rub Al-Khali Company	29 Jun 2008	28 May 2010	85,417	79,995	77,162	8,255
20) construction of water networks and pumping stations in Hafer Al Baten & Qaissoumah	Reinforced Concrete Cylindrical Pipes (RCCP) 8.681 meter long, diameter varies between 1.4 and 2.4 square meters, including 229 manholes, VCP pipes of 2.3 meter	Ministry of Water and Electricity	18 Jan 2009	20 Dec 2011	72,555 1 st phase	-	-	72,555
					49,000	-	-	49,000

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
	long, diameter 200 square meters, FRP pipes of 38.920 linear meters, diameter varies between 900 and 1400 cubic meters, and 890 house connections using UPVC pipes of diameter 170 square meters, and construction of complete Pumping Station of 4000 liter/second capacity, including engineering and construction works and all electromechanical fixtures and accessories.				2 nd phase			
21) Contract for supply of materials for Recycling Household Waste	Supply required materials for household waste recycling such as special containers, as well as providing publicity materials (such as posters, brochures and instructional announcements) that boosts the efforts of the municipality in the waste recycling.	Eastern Province Municipality	17 Feb 2009	6 Feb 2010	7,800	-	-	7,800
22) O & M of water facilities in towns and small villages of Al-Hassa and Abqaiq governorates	O & M for existing water networks and plants, water treatment plants and pipelines installing	Ministry of Water and Electricity	24 Nov 2008	24 Nov 2011	39,361	14,219	9.317	30,044
23) Contract No. 077-R20 for Electrical Power Switching stations for Stage 2 of Jubail 2	Engineering, Procurement & Construction of Two (2) Switching Stations , 2 substations 34.5 kV for Stage 2 of Jubail 2	The Royal Commission for Jubail & Yanbu	7 Feb 2009	20 Mar 2011	71,762	29,022	15.903	55,859
24) Contract for the Construction of Science College at the University of Taibah in Al-Madinah	Construction of one 3-storey building, including engineering and structural works such as excavation and backfilling, reinforced concrete, building and	Taibah University Ministry of Higher Education	9 Nov 2009	10 Nov 2011	101,506 Phase I	-	-	101,506
					111,484	-	-	111,484

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
	insulation works, as well as finishing works such as doors, windows, iron and wood works, curtains and aluminum, elevators, flooring, walls, ceilings, partitions, fixtures, all electromechanical systems, plumbing, sanitary ware, firefighting equipment, HVAC, power supply, lighting, fire alarm systems, and all systems that operate with low voltage current				Phase-2 award awaited			
25) Contract for the Construction of Education College (boys) at the University of Taibah in Al-Madinah	Construction of one 3-storey building, including engineering and structural works such as excavation and backfilling, reinforced concrete, building and insulation works, as well as finishing works such as doors, windows, iron and wood works, curtains and aluminum, elevators, flooring, walls, ceilings, partitions, fixtures, all electromechanical systems, plumbing, sanitary ware, firefighting equipment, HVAC, power supply, lighting, fire alarm systems, and all systems that operate with low voltage current	Taibah University Ministry of Higher Education	9 Nov 2009	10 Nov 2011	88,246 Phase I	-	-	88,246
					100,754 Phase-2 award awaited	-	-	100,754
26)Construction of Intersection of King Fahad with Al-Muwazzafeen District in Abha	Construction of Intersection	Ministry of Municipal and Rural Affairs Asser Municipality	12 Sep 2009	12 Mar 2011	93,503	-	-	93,503
27) Contract for the Construction of Education College (girls) at the	Construction of one 3-storey building, including engineering and structural works such as	Taibah University Ministry of	9 Nov 2009	10 Nov 2011	88,230 Phase I	-	-	88,230

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
University of Taiba in Al-Madinah	excavation and backfilling, reinforced concrete, building and insulation works, as well as finishing works such as doors, windows, iron and wood works, curtains and aluminum, elevators, flooring, walls, ceilings, partitions, fixtures, all electromechanical systems, plumbing, sanitary ware, firefighting equipment, HVAC, power supply, lighting, fire alarm systems, and all systems that operate with low voltage current	Higher Education			101,314 Phase-2 award awaited	-	-	101,314
28) Sewage project in the city of Jazan	Construction of clay pipelines of 70.715 linear meters, diameter varies between 200-500 mm, including 1339 concrete manholes, with UPVC pipelines installation of 21.311 linear meters, diameter varies between 150-200 mm, including 7327 house connections and 6 pumping stations.	The Ministry of Water and Electricity	17 Oct 2009	16 Oct 2012	109,720	-	-	109,720
29) Construction of the freshman year building University of King Faisal	Construction of the main generation building, main chillers building with the utilities network, in addition to the fence and gates for expansion of the campus of University of King Faisal in Al-Hassa	University of King Faisal The Ministry of Higher Education	26 Sep 2009	25 Sep 2012	88,873	-	-	88,873
30)completion of the main line of the sewage in Wadi Al-Dawaser	Concrete pipelines of 5.857 linear meter long, , diameters vary between 1100 – 1200 mm, including 30 concrete manholes	The Ministry of Water and Electricity	14 Sep 2009	17 Oct 2010	29,823	-	-	29,823
31) Agricultural Roads in	Construction of the agricultural	The Ministry	22 Dec	9 Jun 2012	112,000	-	-	112,000

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
Makkah Region (8 th group)	roads in three various areas in Makkah Region, 178 Km long	of Transport	2009					
32)Construction of secondary roads in Al-Jouf Region (2 nd Group)	Construction and paving of the secondary roads in Al-Jouf Region (2 nd group) including the following roads: Doubling of Busaitaa'/Tabarjal Road (31 Km 2 nd phase), connecting Busaitaa' road with the road located between the two plans No. 23 and 24 (30 km)	The Ministry of Transport	Project Duration 30 months	Contract signing undergoing	68,900	-	-	68,900
33)repair of the existing lane of Al Qulaiba/ Abu Ajram Road in Al-Jouf region(75 km) 1 st phase	Construction, paving and repair of the existing lane of Al Qulaiba/ Abu Ajram Road in Al-Jouf region (75 km) 1 st phase	The Ministry of Transport	Project Duration 15 months	Contract signing undergoing	67,800			67,800
34)Jazan City cleaning	Cleaning of Jazan city for 5 years, works include: street cleaning manually and by machines, refuse and garbage collection and move it to the waste landfill, remove construction debris, remove of the abandoned cars, and remove water pooling from streets,	Ministry of Municipal and Rural Affairs Jazan Municipality	7 July 2010	6 July 2015	54,538	-	-	54,538
35)O & M of sewage treatment plants and pumping stations in Khamis Mushayt Governorate	O & M of the existing water treatment plants and networks and the pumping stations for the sewage water	The Ministry of Water and Electricity	16 May 2010	16 May 2013	24,500	-	-	24,500
36)Contract No. 325 –C13 (O&M of road networks)	Maintain & operate the paved road in Jubail Industrial City for 3 years, road length 986 km, including lighting maintenance, traffic signs, bridges and box culverts, repair of sidewalks, fencings, road marks	Royal Commission of Jubail & Yanbu	17 July 2010	16 July 2013	130,000	-	-	130,000

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
37)Facilities Security Training Center Project- Eastern Province	Scope of works include: design, geotechnical tests; structural, architectural, electromechanical works, supply of furniture and equipment, and all other relevant works for construction of a building that comprise of the Administration faculty, barracks, classrooms, mosque, gymnasium, clinic, helipad, auditorium, storerooms, workshop, student quarters, main gate, power room, dining hall, obstacles and firing range	Ministry of Interior	Project Duration 24 months	Contract signing undergoing	534,000	-	-	534,000
38)Completion of Doubling of Najran/Sharoura/Wadei'a Road (Al-Khadra'a/Sharoura)	Completion of Doubling of Najran/Sharoura/Wadei'a Road (Al-Khadra'a/Sharoura)	Ministry of Transportation	6 March 2010	5 March 2013	30,030	-	-	30,030
39)Construction of Engineering College Building	Construction of one 3-storey building and site development works of total area 50.000 SM, including foundations works such as excavation and backfilling, reinforced concrete, precast concrete, building and water leaks insulation works, as well as finishing works such as doors, windows, iron and wood works, curtains and aluminum, elevators, flooring, walls, ceilings, partitions, fixtures, all electromechanical systems, plumbing, sanitary ware, firefighting equipment, HVAC, power supply, lighting, fire alarm systems, and all furnishings and	University of Jazan Ministry of Higher Education	Project Duration 24 months	Contract signing undergoing	141,265 1 st phase 118,735 pending award of 2 nd phase.	-	-	141,265 118,735

Project	Description	Client	Start date	Expiry date	Contract value	Value of completed works as per approved invoices as of 31 Dec 09	Value of invoices collected as of 31 Dec 09	Outstanding amount from the contract value as of 31 Dec 09
40) Project of construction of Ceremonies and Conferences Hall, Higher Management building and Support Deanships building	other related accessories Construct 3 buildings: Ceremonies and Conferences Hall building, Higher Management building and Support Deanships building	Taibah University in Madinah Ministry of Higher Education	Project Duration 30 months	Contract signing undergoing	152,629 1 st phase 175,059 pending award of 2 nd phase	-	-	152,629 175,059
41) Doubling of Najran/Sharoura/Wadei'a Road (Al-Khadra'a/Sharoura)	Construction of doubling of Najran/Sharoura/Wadei'a Road (Al-Khadra'a/Sharoura)	Ministry of Transportation	Project Duration 30 months	Contract signing undergoing	95,000	-	-	95,000
42) The continuation of 27Km regional road south of Tabarjal with its intersection with Al-Jouf Road	The continuation of 27Km regional road south of Tabarjal with its intersection with Al-Jouf Road	Ministry of Transportation	Project Duration 30 months	Contract signing undergoing	65,000	-	-	65,000

4.8 Key Clients

The majority of the Company's revenue comes from work done for the government and accordingly its client base is comprised principally of government bodies, such as ministries and municipalities.

The following table shows the Company's main clients with reference to the amount of income they contributed for the Company during 2009:

Table 4.11 Main Clients

Client	Type	Percent % Contributed to the Total Income of the Company	Type of Project
Government universities/Ministry of Education	Government	21%	Buildings and site development
Ministry of Finance / Public Investment Fund	Government	19%	Earthworks for railways
Royal Commission for Jubail & Yanbu	Government	14%	Infrastructure/ Buildings/ City Cleaning /Roadways Maintenance
Gas exploration and prospecting companies	Private sector	9%	Infrastructure/roadways and sites of well exploration
Municipalities	Government	8%	Infrastructure/ City Cleaning
Ministry of Water and Electricity / Regional Directorates General of Water	Government	6%	Infrastructure
Ministry of Transport	Government	5%	Infrastructure/Buildings
Ministry of Interior	Government	2%	Infrastructure/Buildings

Source: The Company

4.9 Competitive Advantages

The Company believes it benefits from the following competitive advantages:

- it is classified by the Saudi Contractors Classification Authority as Grade I contractor in the fields of road construction, building construction and city cleaning. This gives the Company the advantage of bidding for projects of all sizes in the mentioned fields without limitation on contract value;
- it is classified by the Saudi Contractors Classification Authority in the field of water and sewage works, electrical works, mechanical works, and this give the Company the advantage of bidding for large projects;
- its established reputation created and maintained by its ability to deliver, even the most challenging of jobs, on schedule and at reasonable costs;
- its loyal, experienced and entrepreneurially oriented key personnel who have been working with the Company for many years. Through their extended service and close coordination with management, effective and efficient operation methods and supporting systems have been established, enabling successful completion of jobs that the Company embarks on;
- its vast fleet of equipment which is continuously renewed, assuring the highest possible availability and quality;
- its strong relationship with financial institutions which allows for availability of funding when required;
- its strong working relationship with equipment vendors and material suppliers;
- its dedication to implementation of high HSE standards.

4.10 Certification and Accreditations

The Company obtained the ISO 9001:2000 certificate in 2002 and the ISO 9001:2008 certificate in 2010. The Company's ISO auditors are Rheinisch Westfälischer Technischer Überwachungs Verein ("RWTUV" – A German technical monitoring society). Various departments have lead auditors who conduct compliance audits from time to time at the Head Office and Projects.

The Contractors Classification Authority at the Ministry of Municipal and Rural Affairs classifies the Company as a Grade I contractor in the fields of roads construction, buildings construction, dams construction and city cleaning, allowing the Company to bid for projects without limitations on contract value.

5 Corporate Reorganization

At the end of 2008, and during 2009 and 2010, the Company carried out several corporate reorganizations in preparation for the Public Offering. The corporate reorganization involved the following changes:

- Exclusion of some associate and affiliate companies
- Exclusion of branches
- Admission of new partner
- Capital increase from SAR 10 million to SAR 300 million
- Capital increase from SAR 300 million to SAR 400 million
- Capital increase from SAR 400 million to SAR 425 million

5.1 Changes that Occurred During the Course of Reorganization

5.1.1 Exclusion Companies and Branches

Firstly, the Company sold its share in certain subsidiaries and associated companies (shown on Table 5.1 hereunder) at cost of investment amounting to SAR 28,001,403, which was settled against the partners' current account. The entire interest of the Company in these companies has been sold to Abdullah A. M. Al-Khodari Sons Investment Holding Company.

Table 5.1 Associated and Affiliated Companies:

Company Name	Registered Address	Company's Ownership %
Cumberland Insurance and Re-Insurance limited (Bahrain)	Bahrain	70%
Al-Khodari Sons and LV Shipping Logistics limited	Dammam	60%
Arabian Karrena for Industrial Chimneys Ltd	Dammam	60%
Al-Khodari Sons and Hertel Industrial Services limited	Jubail	50%
Hamon D'hdont Middle East Limited Company	Jubail	40%

Secondly, the Company carved out and transferred four of its branches that were unrelated to its major activity (the construction and building business) to limited liability companies owned by the Selling Shareholders, except Abdullah A. M. Al-Khodari Sons Investment Holding Company. The branches' assets were sold to the limited liability companies at cost of investments of SAR 13,050,000.

The following table contains particulars of the limited liability companies and the companies that were excluded:

Table 5.2 New and Excluded Limited Liability Companies

COMPANY' NAME	Location Address	Commercial Registration number
Air Conditioning and Refrigeration Center Company	Al-Khobar	2051017258
Al-Khodari Travel and Tourism Agency Company	King Saud Street -Dammam	2050025145
Al-Khodari Trading and Industrial Service Company	King Abdul-Aziz St. Al-Khobar	2050063460
Al-Khodari Heavy Industries LLC	Dammam	2050037656

5.1.2 Admission of New Partner, Increase in Capital (initial) and Conversion of the Company into a Closed Joint Stock Company

In the beginning of 2009, the partners assigned an equal percentage of their respective capital in the Company to a new partner, i.e. Abdullah Abdul Mohsen Al-Khodari Sons Investment Holding Company, and all the partners agreed to increase capital of the Company and to convert it from a limited partnership into a closed joint stock company.

Pre-capitalization Ownership Structure

The following table shows the previous ownership structure of the Company before and after admission of the new partner, when the capital was SAR 10,000,000 divided into 1,000,000 shares, with the value of SAR 10 per share.

Table 5.3 Previous Ownership Structure before and after Admission of the New Partner

Shareholders	Pre-Admission of New Partner			Post- Admission of New Partner	
	Value of Shares	Percent %	Value of Shares Assigned	Value of Shares	Percent %
Abdullah A. M. Al-Khodari Sons Investment Holding Company	-	-	8,571,440	8,571,440	85.72
Fawzi A. Al-Khodari	1,218,852	12.19	(1,044,732)	174,120	1.74
Jamil A. Al-Khodari	1,218,852	12.19	(1,044,732)	174,120	1.74
Fawwaz A. Al-Khodari	1,218,852	12.19	(1,044,732)	174,120	1.74
Ali A. Al-Khodari	1,218,852	12.19	(1,044,732)	174,120	1.74
Abdul Aziz A. Al-Khodari	1,218,852	12.19	(1,044,732)	174,120	1.74
Naif A. Al-Khodari	1,025,000	10.25	(878,570)	146,430	1.46
Mishal A. Al-Khodari	1,025,000	10.25	(878,570)	146,430	1.46
Sami A. Al-Khodari	768,280	7.68	(658,530)	109,750	1.10
Abeer A. Al-Khodari	543,730	5.44	(466,050)	77,680	0.78
Ghada A. Al-Khodari	496,450	4.96	(425,530)	70,920	0.71
Fouzia A. Al-Khodari	47,280	0.47	(40,530)	6,750	0.07
Total	10,000,000	100	-	10,000,000	100

Source: The Company

Ownership Structure after First Capitalization

The following table shows the Company's ownership structure after the first capitalization and converting it into a closed joint stock company and the increase in its capital from SAR 10,000,000 to SAR 300,000,000 divided into 30,000,000 shares with SAR 10 each through capitalization of SAR 290,000,000 of the retained profits.

Table 5.4 Ownership Structure after First Capitalization

Shareholders	Before First Capitalization			After First Capitalization		
	Number of Shares	Value of Shares	Percent %	Number of Shares	Value of Shares	Percent %
Abdullah A. M. Al-Khodari Sons Investment Holding Company	857,144	8,571,440	85.72	25,714,320	257,143,200	85.72
Fawzi A. Al-Khodari	17,412	174,120	1.74	522,360	5,223,600	1.74
Jamil A. Al-Khodari	17,412	174,120	1.74	522,360	5,223,600	1.74
Fawwaz A. Al-Khodari	17,412	174,120	1.74	522,360	5,223,600	1.74
Ali A. Al-Khodari	17,412	174,120	1.74	522,360	5,223,600	1.74
Abdul Aziz A. Al-Khodari	17,412	174,120	1.74	522,360	5,223,600	1.74
Naif A. Al-Khodari	14,643	146,430	1.46	439,290	4,392,900	1.46
Mishal A. Al-Khodari	14,643	146,430	1.46	439,290	4,392,900	1.46
Sami A. Al-Khodari	10,975	109,750	1.10	329,250	3,292,500	1.10
Abeer A. Al-Khodari	7,768	77,680	0.78	233,040	2,330,400	0.78
Ghada A. Al-Khodari	7,092	70,920	0.71	212,760	2,127,600	0.71
Fouzia A. Al-Khodari	675	6,750	0.07	20,250	202,500	0.07
Total	1,000,000	10,000,000	100	30,000,000	300,000,000	100

Source: the Company

5.1.3 Second Increase in the Capital from SAR 300 million to SAR 400 million

In November 2009, the shareholders of the Company agreed to increase the capital from SAR 300,000,000 to SAR 400,000,000 divided into 40,000,000 shares with SAR 10 each through capitalization of SAR 11,126,246 from the statutory reserve in addition to SAR 88,873,754 from the retained profits.

The following table shows the Company's ownership structure before and after the second capitalization:

Table 5.5 Ownership Structure after second capitalization

Shareholders	Before Second Capitalization			After Second Capitalization		
	Number of Shares	Value of Shares	Percent %	Number of Shares	Value of Shares	Percent %
Abdullah A. M. Al-Khodari Sons Investment Holding Company	25,714,320	257,143,200	85.72	34,285,760	342,857,600	85.72
Fawzi A. Al-Khodari	522,360	5,223,600	1.74	696,480	6,964,800	1.74
Jamil A. Al-Khodari	522,360	5,223,600	1.74	696,480	6,964,800	1.74
Fawwaz A. Al-Khodari	522,360	5,223,600	1.74	696,480	6,964,800	1.74
Ali A. Al-Khodari	522,360	5,223,600	1.74	696,480	6,964,800	1.74
Abdul Aziz A. Al-Khodari	522,360	5,223,600	1.74	696,480	6,964,800	1.74
Naif A. Al-Khodari	439,290	4,392,900	1.46	585,720	5,857,200	1.46
Mishal A. Al-Khodari	439,290	4,392,900	1.46	585,720	5,857,200	1.46
Sami A. Al-Khodari	329,250	3,292,500	1.10	439,000	4,390,000	1.10
Abeer A. Al-Khodari	233,040	2,330,400	0.78	310,720	3,107,200	0.78
Ghada A. Al-Khodari	212,760	2,127,600	0.71	283,680	2,836,800	0.71
Fouzia A. Al-Khodari	20,250	202,500	0.07	27,000	270,000	0.07
Total	30,000,000	300,000,000	100	40,000,000	400,000,000	100

Source: the Company

5.1.4 Third Increase in the Capital from SAR 400 million to SAR 425 million

In 2010, the shareholders of the Company agreed to increase its capital from SAR 400,000,000 to SAR 425,000,000 divided into 42,500,000 shares with SAR 10 each through capitalization of SAR 14,477,241 from the retained profits account in addition to SAR 10,522,759 from the statutory reserve account.

The following table shows the Company's ownership structure before and after the third capitalization:

Table 5.6 Ownership Structure after Third Capitalization

Shareholders	Before Third Capitalization			After Third Capitalization		
	Number of Shares	Value of Shares	Percent %	Number of Shares	Value of Shares	Percent %
Abdullah A. M. Al-Khodari Sons Investment Holding Company	34,285,760	342,857,600	85.72	36,428,620	364,286,200	85.72
Fawzi A. Al-Khodari	696,480	6,964,800	1.74	740,010	7,400,100	1.74
Jamil A. Al-Khodari	696,480	6,964,800	1.74	740,010	7,400,100	1.74
Fawwaz A. Al-Khodari	696,480	6,964,800	1.74	740,010	7,400,100	1.74
Ali A. Al-Khodari	696,480	6,964,800	1.74	740,010	7,400,100	1.74
Abdul Aziz A. Al-Khodari	696,480	6,964,800	1.74	740,010	7,400,100	1.74
Naif A. Al-Khodari	585,720	5,857,200	1.46	622,327	6,223,270	1.46
Misha'al A. Al-Khodari	585,720	5,857,200	1.46	622,327	6,223,270	1.46
Sami A. Al-Khodari	439,000	4,390,000	1.10	466,437	4,664,370	1.10
Abeer A. Al-Khodari	310,720	3,107,200	0.78	330,140	3,301,400	0.78
Ghada A. Al-Khodari	283,680	2,836,800	0.71	301,410	3,014,100	0.71
Fouzia A. Al-Khodari	27,000	270,000	0.07	28,688	286,880	0.07
Total	40,000,000	400,000,000	100	42,500,000	425,000,000	100

Source: the Company

5.2 Branches and Investments Owned by the Company

5.2.1 Branches

The Company currently own eight branches, all of which are within Saudi Arabia:

- Abdullah A.M. Al-Khodari Sons Company in Al Khobar
- Abdullah A.M. Al-Khodari Sons Company on Highway of Dammam
- Abdullah A.M. Al-Khodari Sons Company on Jubail Highway
- Abdullah A.M. Al-Khodari Sons Company on King Abdulaziz Street – Al Khobar
- Abdullah A.M. Al-Khodari Sons Company in Jeddah
- Abdullah A.M. Al-Khodari Sons Company for Contracting – Al Madina Al Munawarah
- Abdullah A.M. Al-Khodari Sons Company for Contracting – Yanbu
- Arabian Environment Technologies – Al Khobar

The Company also retained a branch in Ghana through which it participates in tenders seeking to obtain projects, and the Company established the branch for this purpose. The following table gives further information on the branches:

Table 5.7 Branches

Branch	Location	CR Number	Date of Registration
Abdullah A.M. Al-Khodari Sons Company	Al-Khodari Building, Abdulaziz Street, Al Khobar	2051022869	17/6/1419H
Abdullah A.M. Al-Khodari Sons Company	Highway of Dammam	2050046483	8/7/1425H

Abdullah A.M. Al-Khodari Sons Company	Jubail Highway, Dammam	2050055132	18/5/1428H
Abdullah A.M. Al-Khodari Sons Company	King Abdul-Aziz Street – Al-Khobar	2051022661	21/2/1419H
Abdullah A.M. Al-Khodari Sons Company	Jeddah	4030091835	8/6/1413H
Abdullah A.M. Al-Khodari Sons Company for Contracting	Yanbu	4700004976	12/4/1415H
Abdullah A.M. Al-Khodari Sons Company for Contracting	Al Madina Al Munawarah	4650023682	18/3/1416H
Arabian Environment Technologies	Al Khobar	2051020011	9/11/1415H
Al-Khodari Sons Company for Contracting	Ghana –Africa	XT-707	26/2/1420H

5.2.2 Investments

The Company retained three subsidiary companies, all of which are outside of the Kingdom. These companies are:

- Al-Khodari International Company LLC – Abu Dhabi
- Al-Khodari for International Contracting LLC– Dubai
- Al-Khodari International Contracting Group LLC– Kuwait

The following table provides further information on these subsidiary companies:

Table 5.8 Investment of the Company

Company	Registered Address	CR Number	Amount f Investment	Shareholding (%)
Al-Khodari International Company LLC	Abu Dhabi	36433	SAR 153,000	49% In addition to the beneficial ownership in the remaining shares ⁹
Al-Khodari for International Contracting LLC	Dubai	51602	SAR 306,000	49% In addition to the beneficial ownership in the remaining shares ¹⁰
Al-Khodari International Contracting Group LLC	Kuwait	46002	SAR 3,750,000	Owns 99% in addition to 1% in the name of Jamil Al Khodari ¹¹

⁹ Under a shareholders' agreement dated 17 February 1998 between the Company and Mohammad Abdullah Al-Otaibah, the Company is the beneficial owner of the 51% shareholding held by Mohammad Abdullah Al-Otaibah in Al-Khodari International Company in Abu Dhabi and the rights attached thereto. The enforceability of the shareholders' agreement is subject to applicable law.

¹⁰ Under a shareholders' agreement dated 18 February 1998 between the Company and Al Shefar for General Trading, the Company is the beneficial owner of the 51% shareholding held by Al Shefar for General Trading in Al-Khodari for International Contracting in Dubai and the rights attached thereto. The enforceability of the shareholders' agreement is subject to applicable law.

¹¹ Jamil Al Khodari currently holds 1% of the shares of Al-Khodari International Contracting Group in Kuwait in his name on behalf of the Company under an acknowledgment signed on 24 Oct 2009.

Al-Khodari International Company LLC – Abu Dhabi

A limited liability company existing and organized in Abu Dhabi under the laws of UAE, with nominal capital of UAE Dirhams 150,000 divided into 100 shares with UAE Dirhams 1,500 per share. The Company owns 49% of the capital of Al-Khodari International Company LLC – Abu Dhabi and Mohammad Abdullah Al-Otaibah owns the remaining 51% in the capital.

The main business activity of the company includes:

- General contracting
- Main roads and streets contracting and ancillary works
- Electromechanical works

The Company and Mohammad Abdullah Al-Otaibah signed a shareholders' agreement on 17 Feb 2009 whereby Mohammad Abdullah Al-Otaibah acknowledged that the Company is the effective owner of 51% of the shares registered in his name and all rights attached thereto. The valid and binding provisions of the shareholders agreement is subject to applicable law in the Emirate of Abu Dhabi, UAE.

At the date of this Prospectus, Al-Khodari International Company LLC – Abu Dhabi has no on-going commercial activity. Accordingly, and since there is no material effect on the Company's account, the financial statements of this affiliated company have not been consolidated in the Company's financial statement, and this investment has been included in the Company's financial position statement according to the equity approach.

Al-Khodari for International Contracting LLC in Dubai

A limited liability company existing and organized in Dubai under the laws of UAE, with capital of UAE Dirhams 300,000 divided into 100 shares with UAE Dirhams 3,000 per share. The Company owns 49% of the capital of Al-Khodari for International Contracting Company LLC – Dubai and Al-Shefar for General Trading Company owns the remaining 51% in the capital. The main business activity of the company includes installation and maintenance of electromechanical equipment.

The Company and Al-Shefar for General Trading Company signed a shareholders' agreement on 18 February 2009 whereby Al-Shefar for General Trading Company acknowledged that the Company is the effective owner of 51% of the shares registered in the name of Al-Shefar for General Trading Company and all rights attached thereto. The valid and binding provisions of the shareholders agreement is subject to applicable law in the Emirate of Dubai, UAE.

At the date of this Prospectus, Al-Khodari for International Contracting Company LLC – Dubai has no on-going commercial activity. Accordingly, and since there is no material effect on the Company's account, the financial statements of this affiliated company have not been consolidated in the Company's financial statement, and this investment has been included in the Company's financial position statement according to the equity approach.

Al-Khodari International Contracting Group LLC -Kuwait

A limited liability company existing and organized under the laws of Kuwait, with nominal capital of KD 300,000 divided into 100 shares with KD 3,000 per share. The Company owns 99% of the capital of Al-Khodari International Contracting Group Company LLC – Kuwait and Jamil Al-Khodari owns the remaining 1% in the capital.

The main business activity of the company includes:

- General contracting for buildings
- Roads, sewage and bridges contracting
- Building and road cleaning contracting
- Landscaping and related maintenance

- Rodent and pest control contracting

The Companies Law of the State of Kuwait requires that the number of partners of the LLC should not be less than two. The Company has registered 1% of the capital in the name of Jamil Al-Khodari in order to maintain the legal status of Al-Khodari International Contracting Group Company as a limited liability company, and the Company is the effective owner of the share registered in the name of Jamil Al-Khodari, which represents 1% of the capital of Al-Khodari International Contracting Group Company under a deed of acknowledgment signed by Jamil Al-Khodari whereby he acknowledges that the share registered in his name in Al-Khodari International Contracting Group Company is effectively owned by the Company.

Since there is no material effect on the Company's accounts, the financial statements of this affiliated company have not been consolidated in the Company's financial statement, and this investment has been included in the Company's financial position statement according to the equity approach.

The following table shows all companies and branches owned by the Company before and after re-organization:

Table 5.9 Branches and Investments of the Company Pre and Post Reorganization

Company	Ownership % Pre Re-organization	Ownership % Post Re-organization
Branches that have been carved out:		
Air Conditioning & Refrigeration Center Company (former branch)	100%	None
Al-Khodari Travel & Tourism Agency Company (former branch)	100%	None
Al-Khodari Heavy Industries (former branch)	100%	None
Al-Khodari Trading & Industrial Service Company (former branch)	100%	None
Associate and affiliated companies that were excluded:		
Cumberland Insurance and Re-Insurance Limited (Bahrain)	70%	None
Al-Khodari Sons & LV Shipping Logistics Limited	60%	None
Arabian Karrena for Industrial Chimneys Limited	60%	None
Al-Khodari Sons & Hertel Industrial Services Limited	50%	None
Hamon D'hdont Middle East Company Limited	40%	None
Branches - no ownership changes:		
Branch-Abdullah A. M. Al-Khodari Sons Company in Al-Khobar	100%	100%
Branch-Abdullah A.M. Al-Khodari Sons Company Highway- Dammam	100%	100%
Branch-Abdullah A.M. Al-Khodari Sons Company Jubail Highway, Dammam	100%	100%
Branch-Abdullah A.M. Al-Khodari Sons Company King Abdul-Aziz St-Khobar	100%	100%
Branch-Abdullah A.M. Al-Khodari Sons Company Jeddah	100%	100%
Branch-Abdullah A.M. Al-Khodari Sons Company for Contracting Madinah	100%	100%
Branch-Abdullah A.M. Al-Khodari Sons Company for Contracting Yanbu	100%	100%
Branch-Arabian Environment Technologies Khobar	100%	100%
Branch-Al-Khodari Sons Company for Contracting Ghana - Africa	100%	100%
Fully-owned Subsidiary Companies - no ownership changes		
Al-Khodari International Company LLC – Abu Dhabi	49% in addition to the beneficial ownership in the remaining shares	49% in addition to the beneficial ownership in the remaining shares
Al-Khodari for International Contracting LLC - Dubai	49% in addition to the beneficial ownership in the remaining shares	49% in addition to the beneficial ownership in the remaining shares
Al-Khodari International Contracting Group LLC -Kuwait	99% in addition to 1% in the name of Jamil Al-Khodari	99% in addition to 1% in the name of Jamil Al-Khodari

Source: the Company

6 Major Shareholders

6.1 Major Shareholders

Among the Company's shareholders, there is a major shareholder that directly owns more than 5% of the Company's capital, which is:

Abdullah A. M. Al-Khodari Sons Investment Holding Company:

The company was established in Al-Khobar under the Commercial Registration No. 2051038356 dated 18/10/2008G (18/10/1429 H) as a Saudi limited liability company with a capital of SAR 3,000,000 divided into 30,000 cash shares of equal value of SAR 100 per share. On 20/12/2008 G(22/12/1429H), Abdullah A. M. Al-Khodari Sons Investment Holding Company moved its head office to Dammam under commercial registration number 2050063042. The company is wholly owned by the Selling Shareholders collectively, as shown on the table hereunder.

Abdullah A. M. Al-Khodari Sons Investment Holding Company currently owns 85.72% of the share capital of Abdullah Abdul Mohsen Al-Khodari Sons Company, and following the offering, it will become the owner of 60% of the shares of the Company:

Table 6.1 Ownership Structure of Abdullah Abdul Mohsen Al-Khodari Sons Investment Holding Co.

Shareholders	Pre-offering		Post-offering	
	Ownership % in Abdullah Abdul Mohsen Al-Khodari Sons Investment Holding Company	Indirect Ownership % in Abdullah Abdul Mohsen Al-Khodari Sons Company	Ownership % in Abdullah Abdul Mohsen Al-Khodari Sons Investment Holding Company	Indirect Ownership % in Abdullah Abdul Mohsen Al-Khodari Sons Company
Fawzi A. Al-Khodari	12.19	10.45	12.19	7.315
Jamil A. Al-Khodari	12.19	10.45	12.19	7.315
Fawwaz A. Al-Khodari	12.19	10.45	12.19	7.315
Ali A. Al-Khodari	12.19	10.45	12.19	7.315
Abdul Aziz A. Al-Khodari	12.19	10.45	12.19	7.315
Naif A. Al-Khodari	10.25	8.79	10.25	6.15
Mishal A. Al-Khodari	10.25	8.79	10.25	6.15
Sami A. Al-Khodari	7.68	6.58	7.68	4.61
Abeer A. Al-Khodari	5.44	4.66	5.44	3.26
Ghada A. Al-Khodari	4.96	4.25	4.96	2.975
Fouzia A. Al-Khodari	0.47	0.40	0.47	0.28
Total	100%	85.72%	100%	60%

6.2 Shareholders who indirectly own 5% of the Company (after Offering)

The following table shows the Selling Shareholders who indirectly own a share that equal to 5% or more of the Company's capital (after Offering):

Table 6.2 Shareholders Indirectly Owning 5% of the Company (after Offering)

Shareholders	Indirect Ownership % in Abdullah Abdul Mohsen Al- Khodari Sons Company	Direct Ownership % in Abdullah Abdul Mohsen Al-Khodari Sons Company	Total Ownership % in Abdullah Abdul- Mohsen Al-Khodari Sons Company
Fawzi A. Al-Khodari	7.315	1.219	8.534
Jamil A. Al-Khodari	7.315	1.219	8.534
Fawwaz A. Al-Khodari	7.315	1.219	8.534
Ali A. Al-Khodari	7.315	1.219	8.534
Abdul Aziz A. Al-Khodari	7.315	1.219	8.534
Naif A. Al-Khodari	6.15	1.025	7.175
Mishal A. Al-Khodari	6.15	1.025	7.175
Sami A. Al-Khodari	4.61	0.768	5.378

7 Operational & Support Functions

7.1 Accounting Department

The Accounting Department is responsible for reviewing collections and deposits to banks, completing related documentation, obtaining approvals from authorized personnel and registering all transactions and inputting them into the Company's accounting system. It generates financial and management information reports for top management review on a periodic monthly, quarterly and annual basis; and coordinates with its external auditors to provide them with required data for audits to be carried out.

7.2 Internal Audit Department

The Company is currently in the process of formally establishing its internal audit function. The department will utilize the services of qualified professionals (engineers, etc.) from among its existing pool of resources from time to time to conduct operational audits that will require certain technical expertise. The Head of Internal Audit Department will report to the Audit Committee. The Internal Audit department will be responsible for ensuring that the requisite financial and operating controls are in place and operating effectively and that the Company is in compliance with its corporate governance and relevant statutory framework.

7.3 IT Department

The Information Technology department provides centralized IT solutions to meet corporate requirements. This includes providing a strategic technology platform, constantly acquiring and upgrading relevant technology and ensuring consistent levels of quality services and training of end-users in the use of contemporary solutions. The IT Department is responsible for supporting the primary information resources and architecture required to access information assets at every level in the organization. The IT Department is also responsible for hardware, software and network maintenance and has recently embarked on an ambitious project of implementing Oracle Enterprise Resource Planning ("Oracle ERP") that integrates all key departments.

7.4 Administration & Human Resources Department

The Company's Administration and Human Resources department is located in the head office and provides support to its employee base across the various projects within and outside the Kingdom. The department has several sections such as Personnel & Payroll, Support Services, Government Relations, License Recruitment, HR (includes Strategic HR, Compensation & Benefits, Training & Development, Performance Management), Insurance and Legal – all of which service the various processes involved in the employee lifecycle to ensure that they are well equipped to function effectively and that their welfare needs are cared for.

Each project also has its own administration sections to administer the Company's policies and procedures at project level and coordinate with the head office when necessary.

7.5 Medical Department

The Company has a full-fledged medical department with clinics that are manned by qualified personnel at all major project sites, especially those that have significant workforce and are located a long distance from the nearest primary health care facilities. The department is headed by two fully qualified medical doctors who coordinate all the medical activities in various clinics including periodic training. All the Company's workforce is insured under the medical insurance program with a company that is licensed under the Cooperative Health Insurance Regulation of Saudi Arabia.

7.6 Health, Safety & Environment Department

The Company recognizes its responsibility in providing a healthy and safe work environment to its employees. It has the Health/Safety & Environment department that is manned by qualified safety officers at all projects who provide regular training in various safety aspects to project employees and ensure on a daily basis that safe work practices are adhered to at all levels.

7.7 Purchasing, Stores & Logistics

The Company has centralized purchasing, stores and logistics departments based at the Head Office to service the ramp-up and ramp-down requirements of existing and new projects. In addition there are also project based purchase and stores functions to look after the minor day to day requirements on-site. Such centralized function enables the Company to reap the benefits of bulk purchase, beneficial pricing and judicious inventory planning all of which results in effective cost controls and utilization of resources.

7.8 Equipment Maintenance

The Company owns one of the largest fleet of construction equipment requiring immaculate maintenance to ensure that down-times are kept to the minimum through planned and preventive maintenance programs. All projects have mechanical workshops with qualified personnel. The Company has centralized equipment management department at the head office which coordinates with its project-based counterparts and workshops.

7.9 Engineering Division

The Engineering division comprises of two departments as follows:

- **Pricing Department:**

This department is responsible for preparations of all bids. When a bid is awarded it coordinates with the Technical Support Department and the project team in the preparation of detail project execution plans schedules and budgets.

- **Technical Support Department:**

This department is responsible for preparation of detailed project execution plans, schedules and budgets; in addition to providing technical support to the project engineering in preparation of complex or non-standard methods/submittals; and resolving all technical problems.

The above-mentioned two departments work in close coordination to exchange information, expertise and support to the operational unit all through the project life-cycle.

7.10 Human Resources Division

The Company's Human Resource department is involved in strategic HR, talent acquisition, compensation and benefits, performance management, training and development – all of which is paramount to creating a challenging, motivating and rewarding work environment. It provides operational training through systematic training needs analysis throughout the organization linked to performance management, career-path planning and skills enhancement. Training covers periodic re-training and courses for employees in accordance with defined professional development plans. This includes external technical and managerial courses. In addition it also acquires value-added talent to blend experience and innovation into a vibrant fully trained work force. The Company is also constantly engaged in recruiting and training Saudi nationals at various levels in the organization and regularly participates in Career Day fairs at the local universities. It is actively involved in sourcing highly talented individuals to especially join its management core at various levels to provide visionary leadership.

7.11 Business Development Division

This Division is responsible for carrying out researches in various markets and for identifying the present and prospective opportunities for the business of the Company. It prepares and submits the pre-qualification documents and registers the Company with various agencies, and presents the Company's capabilities and activities, and prepares for participation in the exhibitions and conferences.

7.12 Company's Development Division

This Division is responsible for development of the internal structure of the Company. It also presents suggestions that shall improve the Company's performance and promote its efficiency, such as establishing new

departments and divisions or modifying the existing ones including modifying their functions or method of transactions.

7.13 Research and Development

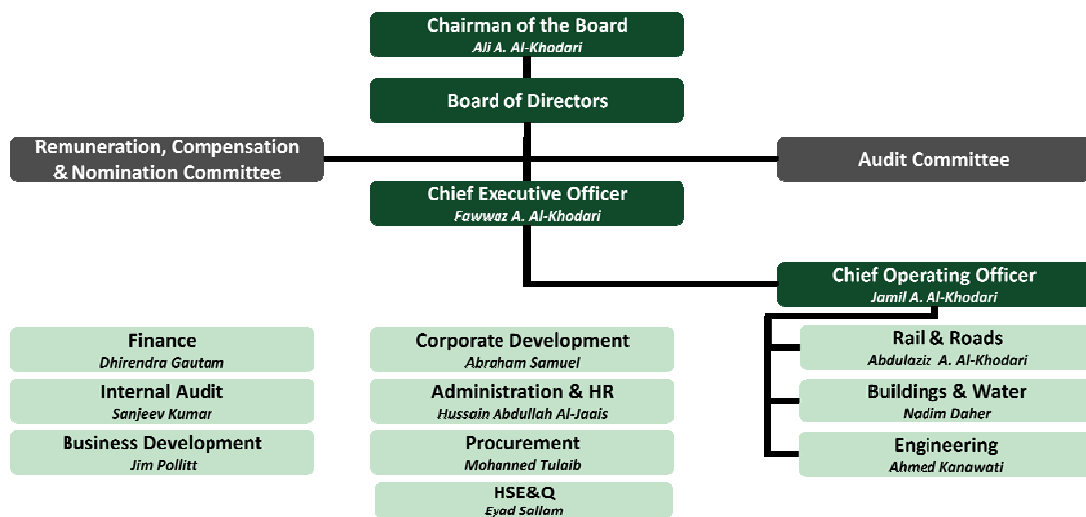
The Company did not practice any activities in the areas of research and development.

8 Corporate Structure

The Company is managed by a Board of Directors that consists of six (6) directors who are appointed by the Ordinary General Assembly. The Board shall depend on two committees in carrying out the Companies business, the Audit Committee and the Nomination and Compensation Committee. The Audit Committee shall be supported by the functions of the internal control and investors relations and compliance with duties. These functions shall be under the oversight of the Board of Directors to ensure their independence:

The following diagram shows the Company's organizational structure after offering:

8.1 Organizational Structure



The CEO assumes the major responsibility of managing the daily operations of the Company and directly reports the Company's performance to the Board of Directors.

8.2 Members of the Board of Director

The objective of the Board of Directors is to provide direction and guidance and to enforce internal governance regulations to protect the interests of the Company, and it is ultimately responsible for the determination of implementation of the Company's policies, appointment of executive officers, delegation of powers and signing on behalf of the Company, and overseeing management of the Company. Additionally, the Board of Directors is responsible for arranging the General Assembly meetings and the implementation of the Shareholders' resolutions.

The Company derives benefit from the continuity of operation of the management system, as the Company is managed by a team of professionals who possess high levels of expertise and qualifications, who constantly and successfully contributed to the management of all the businesses of the Company throughout all phases of the business cycle during their service terms with the Company.

The table below lists the names of the proposed Board of Directors. The appointment of the proposed Board of Directors is subject to the approval of the Extraordinary General Assembly Meeting which will be convened no later than three months following the completion of the Offering.

Table 8.1 Proposed Board of Directors (6 directors)

No	Name	Title	Nationality	Age	Direct Ownership % after offering	Indirect Ownership % after offering
1	Ali Abdullah A.M. Al-Khodari	Chairman of the Board of Director (Non-Executive)	Saudi	44	1.219	7.31
2	Fawwaz Abdullah A.M. Al-Khodari	Director and CEO	Saudi	45	1.219	7.31
3	Jamil Abdullah A.M. Al-Khodari	Director and COO (executive)	Saudi	48	1.219	7.31
4	Naif Abdullah A.M. Al-Khodari	Director (Non-executive)	Saudi	37	1.025	6.15
5	Dr. Ibrahim A. I. Al-Mutrif	Independent Director	Saudi	62	Nil	Nil
6	Will be appointed as an Independent Director during an Extraordinary General Assembly Meeting no later than 3 months following completion of the Offering					

The Directors who are not partners in the Company and do not hold shares in it, shall each own 1,000 shares, and they shall deposit them with one of the banks that are licensed in Saudi Arabia within 30 days after appointment of all members during the Extraordinary General Assembly Meeting (following the Offering).

8.3 Resumes of Directors and the Secretary of the Board

The following is a brief summary of the qualifications of members of the proposed Board of Directors:

Ali Abdullah A. M. Al-Khodari, Age: 44

Nationality: Saudi

Title: Chairman of the Board of Directors (Non-Executive)

Work Experience: Ali Abdullah Al-Khodari joined the Company as a mechanical engineer and worked for two years in Kuwait on an oil tank farm project. In 1994 he returned to Saudi Arabia and became Managing Director of Al-Khodari Heavy Industries (KHI). In 1997 he assumed the role of Deputy General Manager of the Company where he had a pivotal role in the Company's administration, recruitment and human resource management.

Current Positions: Executive Director for the Company however to be appointed Chairman of the Board (Non-Executive) post IPO. As well as he is the Chairman of the Board of Directors of KHI.

Educational Qualifications: Ali A. Al-Khodari earned his Bachelor of Mechanical Engineering from King Fahd University of Petroleum & Minerals in Dhahran, Saudi Arabia in 1992.

Fawwaz Abdullah A. M. Al-Khodari, Age: 45

Nationality: Saudi

Title: Director and Chief Executive Officer (CEO)

Work Experience: Fawwaz Abdullah Al-Khodari joined Abdullah A. M. Al-Khodari Sons Company in 1988 as Deputy General Manager. In 1991, he became General Manager and later in 1996 took over as President/Chairman. Under his leadership and management, the Company consolidated on its past experience as well as made significant strides towards adopting pragmatic changes and adapting to the latest technologies and opportunities. Fawwaz is a dynamic and proven leader with a successful track record of building strong teams, executing growth strategies and managing large organizations and technology.

Current Positions: Executive Chairman of the Board of Directors of the Company but will assume the position of CEO Post IPO in addition to being a Board Member.

Educational Qualifications: Fawwaz AlKhodari attended Tonton School in Summerset UK from 1976-1983, after which he studied Accountancy at the College of London followed by Business Studies for two years 1985-1987 at the Business Studies Center in Greenwich UK after which he attended several courses organized by IMD Institution in Lausanne Switzerland which is famous for its specialty in education and training for executive officers.

Jamil Abdullah A.M. Al-Khodari, Age: 47

Nationality: Saudi

Title: Director (Executive) and COO

Work Experience: In 1988 Jamil joined the Company as Deputy Project Manager and later as Project Manager in Al-Hassa until 1990. Thereafter he took charge of the Company's operations in Kuwait until 1992 as Director of Operations. In 1996, Jamil took over as GM of the Company. In 2010, following organizational restructuring, he was positioned as COO of the Company.

Current Positions: Director and COO of the Company, and Managing Director of Al-Khodari Trading and Industrial Services Company

Educational Qualifications: Jamil attended Clovis High School in California USA until 1981, and then earned his Bachelor of Civil Engineering degree from University of Southern California, USA during 1983-1986.

Naif Abdullah A.M. AlKhodari, Age: 37
Nationality: Saudi
Title: Director (Non-Executive)

Work Experience: Naif joined the Company in the capacity of Projects Coordinator from 2000 up to 2007. Since then Naif played a non-exclusive role in the Board of Directors.

Current Positions: Non-Executive Director in the Company

Educational Qualifications: Naif earned his diploma from the San Joaquin Delta College in California, USA in 1998.

Dr. Ibrahim Abdullah Ibrahim Al-Mutrif, Age: 62
Nationality: Saudi
Title: Non-Executive Director

Work Experience:

Dr. Ibrahim Al-Mutrif has led an illustrious career in the academic and public sectors. Dr. Al-Mutrif has a rich repertoire of experience which includes the following:

- Employment Advisor, Saudi Aramco (1975)
- Manager, Economic & Industrial Research, KFUPM Research Institute (1982-1984)
- Political Advisor & Media Department Manager, GCC Secretariat General (1983-1984)
- Part-time Advisor, Ministry of Information (1987-1989)
- Part-time Advisor, Saudi Railway Organization (1989-1991)
- Deputy Governor of SAGIA (2001-2003)

Current Positions: Dr Al-Mutrif has also been nominated for several other key positions in various institutions and businesses. He has the distinction of writing 7 books, publishing 17 research papers and is a regular columnist for Al-Eqtisadiyah and Al-Yaum. He is also member of several academic, professional and government committees including the Eastern Province Chamber of Commerce; and enjoys several regional and international affiliations such as the GCC Secretariat General; Royal Institute of International Affairs, UK; Arab-European Studies Center, France; Middle East Studies Center, USA; International Center for Asian Studies and many others.

Educational Qualifications: Dr. Al-Mutrif completed his B.Sc. in Management Sciences from the Arizona State University in 1975 and his M.Sc. in Economics from the University of Denver, Colorado in 1977. Subsequently he completed his Ph.D. in International Relations from the Arizona State University, 1982

8.4 Secretary of the Board of Directors

Mr. Omar Attia Mahdi Mahmoud
Nationality: Egyptian
Title: Secretary of the Board of Directors
Age: 55

Work Experience: Following his graduation, Mr. Omar practiced law during 1980-1982 after which he worked as an attorney for the Ministry of Industry in Iraq during 1982-1984. Then Mr. Omar joined the Company in the capacity of Administrative Supervisor for Equipment Management from 1984-1986. Mr. Omar then served as a Government Relations Supervisor in addition to pursuing the labor cases in 1986 before assuming the position of Personnel Supervisor in 1992. In 2000, Mr. Omar became the Personnel Analyst for the Company until 2008, when he assumed the position of the legal Counsel of the Company which he occupies to date.

Current Positions: Secretary of the Board of Directors of the Company

Educational Qualifications: Mr. Mahmoud completed his Bachelor Degree in Law in Ein Shams University in Egypt in 1980. He obtained a license of law in Egypt and attended several training courses mainly the "Saudi Labor and Workmen Law and its academic applications in Personnel" at the Training Center of the Eastern Province Chamber of Commerce and Industry.

8.5 Senior Management

The Company's executive management team is comprised of highly qualified, efficient and experienced members of Saudi and Non Saudi nationality who possess high level of knowledge and experience in the general contracting field. Senior Management team consists of the following members:

Table 8.2 Senior Management of the Company

No	Name	Title	Nationality	Age	Direct Ownership % after offering	Indirect Ownership % after offering
1	Fawwaz A. Al-Khodari	CEO	Saudi	45	1.219	7.315
2	Jamil A. Al-Khodari	COO	Saudi	48	1.219	7.315
3	Abdulaziz A. Al-Khodari	Director Rail, Roads and Bridges Operation	Saudi	41	1.219	7.315
4	Iftikhar Alam Khan	Director of Technical Support	Indian	71	Nil	Nil
5	Ahmad Kanawati	Director of Engineering	Syrian	57	Nil	Nil
6	Nadim Daher	Director of Buildings & Water Operations	Lebanese	70	Nil	Nil
7	Abraham Samuel	Director of Corporate Development	Indian	51	Nil	Nil
8	Dhirendra Gautam	CFO	Indian	36	Nil	Nil
9	James Fredrick Pullet	Business Development Manager	British	65	Nil	Nil
10	Sanjiv Kumar	Internal Audit Manager	Indian	36	Nil	Nil
11	Muhannad Tulaib	Procurement Manager	Jordanian	34	Nil	Nil
12	Hussain Al-Jaais	Admin and HR Manager	Saudi	54	Nil	Nil
13	Eyad Salam	HQS&E Manager	Jordanian	38	Nil	Nil

8.6 Resumes of Senior Management of the Company

The following is a brief description of the qualifications of the Senior Management of the Company:

Fawwaz Abdullah A.M. Al-Khodari, Age: 45

Nationality: Saudi

Title: Director and Chief Executive Officer (CEO)

Resume is fully described in Section 8.2 (Resumes of Directors and the Secretary)

Jamil A Abdullah A.M. Al-Khodari, Age: 48

Nationality: Saudi

Title: Director (Executive) and General Manager

Resume is fully described in Section 8.2 (Resumes of Directors and the Secretary)

Abdulaziz Abdullah A.M. Al-Khodari, Age: 41

Nationality: Saudi

Title: Director of Rail, Roads 7 Bridges Operations

Work Experience

1993: Manager Equipment Division, Abdullah A.M. Al Khodari Sons Company
1995: Project Manager, Road Projects, Abdullah A.M. Al Khodari Sons Company
1996: CEO, MACE Saudi Arabia
2010 (July): Director, Rail, Road and Bridges Projects, Abdullah A.M. Al Khodari Sons Company

Current Positions: Director of Rail, Roads & Bridges Operations

Educational Qualifications: Studied Bachelor of Industrial Management, (Management), 1993, King Fahd University of Petroleum & Minerals, Dhahran, Saudi Arabia

Iftikhar Alam Khan, Age: 71

Nationality: Indian

Title: Director of Technical Support

Work Experience: Iftikhar Khan started his career with Al-Khodari as Project Manager in 1994 based in Kuwait handling various projects for clients such as Saudi Arabian Texaco Inc. and Kuwaiti Ministry of Electricity & Water. In 1998 he was transferred to the Company's head office in Saudi Arabia to head the Technical Department as Manager. Mr. Khan currently works as Director of the Technical Support Department. Iftikhar worked in the field of construction for over 48 years during which he held the following positions:

- Senior Civil Engineer with Mitsui in India (1991-1993)
- Project Engineer with the Ministry of Electricity & Water, Government of Kuwait (1981-1990)
- Executive Engineer in the Irrigation Works Department of the Government of India (1959-1981)

Current Positions: Director of Technical Support

Educational Qualifications: Iftikhar completed his Bachelor of Science in Civil Engineering in 1959 in Ali Ghar Muslim in India.

Ahmed Kanawati, Age: 57

Nationality: Syrian

Title: Director of Engineering

Work Experience: Ahmad Kanawati started his career In 1980 in Saudi Arabia and joined La Terre S. A. Riyadh, a French company holding patents for "Reinforced Earth" construction system where he was the Resident Engineer/Area Manager in charge of conducting technical presentation, issuing quotations, negotiating technical and commercial terms; and coordinating design and supply from the company's head office in Paris.

In 1984 he joined the Company as a Project Manager (1984-1987), then from 1987-1989 he was Senior Estimator responsible for all major bidding. In 1989 he was promoted to Chief Engineer. In 1992 his position was re-titled Director of Planning & Resources Management. Since 2001 Mr. Kanawati became Director of Engineering.

Current Positions: Director of Engineering and a member of the Company's Executive Committee

Educational Qualifications: Ahmed Kanawati earned his Bachelor of Science in Civil Engineering from Damascus University, Syria in 1977. He worked as a teaching assistant in engineering in the same university after graduation.

Nadim Daher, Age: 70

Nationality: Lebanese

Title: Director of Buildings & Water Operations

Work Experience: Nadim Daher started his career as a Roads Engineer with Trans-Arabian Pipeline Co. (TAPLINE) in 1965, and in 1971 he joined Saudi ARAMCO as Superintendent of Equipment Services Division. In 1975 he joined the Company as Project Manager and was with them until 1978 when he decided to return home and start his own design/development firm. In 1990 he returned to Saudi Arabia and re-joined the

Company as a Project Manager, and he currently holds the position of Director of Operations since 1993. Since then he has been responsible for the management of multi-discipline construction projects.

Current Positions: Director of Buildings & Water Operations and member of the Company's Executive Committee

Educational Qualifications: Nadim earned his Bachelor of Science in Civil Engineering in 1965 from American Roberts College in Istanbul, Turkey.

Abraham Samuel, Age: 51

Nationality: Indian

Title: Director of Corporate Development

Work Experience: Abraham joined the Company's team on 11 February 2007, and his working career spans 26 years spanning human resource and MIS/ERP out of which 24 years were based in the GCC with Intermittent Stints in London and Ireland in varied senior executive positions with well known multinationals and blue-chip corporate. Summary of positions held prior to joining the Company is:

- Head of Planning & Consultancy (Internal Audit, HR & MIS), National Industrialization Company (Tasnee) (2001-2007)
- Group Finance Manager and later Group Manager, HR & Corporate Development, L'azurde Group for Industrial Investment (1997-2001)
- Assistant Gulf Region Finance Controller, Coca Cola Gulf (1989-1996)
- Finance & Administration Manager, TNT Skypak International WLL (1988-1989)
- Audit Senior, Klynveld Peat Marwick Goerdeler (1984-1988)

Abraham is a professional member of the Society for Human Resource Management at the Institute of Internal Auditors, USA. He has provided Finance, HR and MIS consultancies to a number of corporate in Saudi Arabia working closely with leading consultants such as Hay International and Mercer Consulting. He has also participated as trainer in courses such as Finance for Non-Finance Manager, Effective Interview Techniques, Performance Management, Four Roles of Leadership; and Job Evaluation / Assessment & Sizing.

Current Positions: Director of Corporate Development

Educational Qualifications: Mr. Samuel completed his Bachelor in Commerce in 1978 from Nagpur University following which he completed his Masters in Commerce and also obtained a degree in Law from the same university in 1980 and 1981 respectively. He acquired his professional qualification as Certified Internal Auditor (2006) and Certification in Control Self Assessment (2006) from the Institute of Internal Auditors, USA.

Dhirendra Gautam, Age: 36

Nationality: Indian

Title: Director of Finance

Work Experience: Mr. Gautam brings with him a rich repertoire of experience spanning strategic business planning, finance & risk management, mergers and acquisitions, IPO over a variety of business sectors. He is a professional member of the Institute of Chartered Accountants, India and the Institute of Cost & Works Accountants, India.

Mr. Gautam joined the Company on 9 February 2009. Although one of the youngest members of the Executive Management team his 15 years experience spans multinational companies in India, Dubai and Saudi Arabia which include:

- Director, Finance & Business Planning – PEPSICO, Al-Jomaih Beverages, Saudi Arabia (2006-2009)

- Head of Finance, Unilever Arabia, Dubai (2003-2006)
- Finance Manager, Unilever Arabia, Saudi Arabia (2000-2003)
- Asst. Finance Manager, Motorola India Limited, India (1998-2000)

Current Positions: Director of Finance

Educational Qualifications: Mr. Gautam earned the Bachelor of Arts (honor) degree from Patna University in India 1994. He is a qualified Chartered Accountant, who heads the finance functions.

James Fredrick Pullet, Age: 65

Nationality: British

Title: Business Development Manager

Work Experience: Mr. Pullet joined the Company in 2005 in the position of manager. Thereafter, he held the position of the Health and Safety Manager till 2007. In mid 2009, he re-joined the Company in the position of Project Manager. His long career spans with several leading companies in construction projects worldwide, some which are listed hereunder:

- Parsons Fluor Daniel Consortium , Kazakhstan (May 2005)- Project Manager
- Galliford Rail Projects, UK (March 2003) – Construction Manager
- Jarvis Infrastructure, UK (Feb 2001) Construction Manager
- SnamProgetti Limited, Kazakhstan (1999)-Construction Manager

Current Positions: Business Development Manager

Educational Qualifications: Mr. James Pullet complete the degree of Survey Engineer from the Royal School for Military Engineering, UK (1974)

Sanjiv Kumar

Nationality: Indian

Title: Internal Audit Manager

Age: 36

Work Experience: Sanjiv joined the Company in 2010.

- ARABTEC Contracting Company – Dubai – UAE (2008-2010) Manager of Finance and Cost Controller
- SIX Construct Limited – Dubai , UAE (2007-2008) Manager of Finance
- Wisdom Pharma Private Limited, Delhi India (2004-2007), Senior Manager, Finance and Accounting
- Naveen Projects Limited, Delhi – India (1997-2004), Group Internal Audit Manager

Current Positions: Internal Audit manager

Educational Qualifications: Sanjiv completed Bachelors of Arts (Honors) degree in Commerce in University of Jai Prakash University in India, 1997

Muhannad Tulaib, Age: 34

Nationality: Jordanian

Title: Procurement Manager

Work Experience: Muhannad joined the Company in 2010

- International Center for Trading and Contracting, Khobar, Saudi Arabia (2008-2010) Procurement Manager

- Abdullah Al-Shuwaier Company-Dammam-Saudi Arabia (2002-2008) Marketing and Sales Manager
- Al-Rashed Building Materials Company-Khobar- Saudi Arabia (2000-2002), Salesman

Current Positions: Procurement Manager

Educational Qualifications: Muhannad completed Bachelor of Arts degree in Economics in Mu'ta University in Jordan in 1999, and then obtained Masters in Business Administration from the International American University in Mississippi, USA in 2007.

Eyad Salam, Age: 38

Nationality: Jordanian

Title: Manager QHSE

Work Experience:

- | | |
|--|--|
| ▪ 1996: Quality Control Officer | Jordanian Pharma Mfg Company, Amman |
| ▪ 1999: Senior Quality & HSSE Management Coordinator | Fine Hygienic Paper FZE, Jewel Ali, UAE |
| ▪ 2004: Regional Quality Management Coordinator | Exxon Mobil Middle East Corn, Dubai |
| ▪ 2005: HSE Manager | Ras Alzheimer Free Zone & Industrial Zone, UAE |
| ▪ 2007: Regional HSE Manager (Middle East) | General Electric International, Doha, Qatar |
| ▪ 2008: Manager, QHSE | Abdullah A.M. AlKhodari Sons Company |

Current Positions: QHSE Manager

Educational Qualifications:

- Bachelor of Science, Chemical Engineering
- IIRCA Lead Auditor, Industrial Management, Internal Quality Auditor

Hussain AL Jaais, Age: 54

Nationality: Saudi

Title: Admin & HR Manager

Work Experience:

- 1975: Chief Petty Officer, Royal Saudi Naval Forces, San Diego, USA
- 1978: Chief Petty Officer (Admin & Personnel), Royal Saudi Naval Forces, Saudi Arabia
- 1980: Senior Chief Petty Officer (Admin & Personnel), Royal Saudi Naval Forces, Saudi Arabia
- 1983: Senior Chief Petty Officer, Royal Saudi Naval Forces, Toulon, France
- 1987: Coordinator, Navy Planned Maintenance System, Royal Saudi Naval Forces, Saudi Arabia
- 1990: Manager Saly Decoration Shop & Establishment, Saihat, Saudi Arabia
- 1997: Senior Supervisor, Al-Mutawa Samyong NDT Co. Ltd., Al-Khobar, Saudi Arabia
- 2000: Manager, Administration, Abdullah A.M. Alkhodari Sons Company, Al-Khobar, Saudi Arabia

Current Positions: Admin & HR Manager

Educational Qualifications:

- Diploma, English Language
- Diploma, Military Communication
- Diploma, Administration & Clerical Commerce
- Data Processing, BASIC & COBOL
- Management Maintenance & Planning
- Certificate of French Language

8.7 Corporate Governance

The objective of the Company's corporate governance framework is to provide a series of relationships between the Company, its Senior Management, its Board, its Shareholders, and other stakeholders. This framework will provide the mechanism through which the objectives of the Company are set, as well as the means of attaining those objectives.

It also establishes the proper incentives for the Board and Senior Management to pursue the objectives that are in the interests of the Company and its Shareholders. As a result, the Company expects a more efficient use of its resources.

Therefore, the Company acknowledges that the Board of Directors has approved the corporate governance guide, and the Company acknowledges its provisions and complies with it. The Company also acknowledges its commitment to comply with Articles 69 and 70 of the Companies Regulation, and Article 18 of the Corporate Governance Regulations that was issued by the Board of the Capital Market Authority. Pursuant to Article 69 of the Companies regulation and Article 18 of the Corporate Governance Regulations of Saudi Arabia that was issued by the Board of the Capital Market Authority under Resolutions No. 1-212-2006 on 12 Nov 2007, A Board member shall not, without a prior authorization from the Ordinary General Assembly, to be renewed each year, have any interest (whether directly or indirectly) in any of the company's business transactions and Contracts make for the account of the Company. The business transactions and Contracts to be performed through general bidding shall constitute an exception where concerned Board member is the lowest bidder. A Board member shall notify the Board of Directors of any personal interest he/she may have in the business and contracts that are completed for the company's account. Such notification shall be entered in the minutes of the meeting of the Board. The concerned Board member who is an interested party shall not be entitled to vote on the resolution to be adopted in this regard neither in the General Assembly nor in the Board of Directors. The Chairman of the Board of Directors shall notify the Ordinary General Assembly, when convened, of the activities and contracts in respect of which a Board member may have a personal interest and shall attach to such notification a special report prepared by the Company's auditor. Article 70 of the Companies Regulation, and Article 18 of the Corporate Governance Regulations provide that a Board member shall not, without a prior authorization of the ordinary General Assembly, to be renewed annually, participate in any activity which may likely compete with the activities of the company, or trade in any branch of the activities carried out by the company. If the member is proved to have violated these provisions, the Company shall be entitled to claim a compensation for that or to consider the activity made by the member as an activity made in favor of the Company. Furthermore, Article 18, paragraph C, of the Corporate Governance Regulations states that the company shall not grant cash loan whatsoever to any of its Board members or render guarantee in respect of any loan entered into by a Board member with third parties,

The Board intends to establish a number of committees, as required, to enable it to ensure the best performance of the Company's management. In this respect, the Board shall ensure the following:

- All committee have approved function rules that identify their roles and responsibilities.
- Minutes are prepared for all meetings held and such minutes are reviewed and approved by the full Board
- Each committee's powers are clearly specified.

8.7.1 Audit Committee

The audit committee will comprise three members. The Board of Directors shall appoint the Chairman and the members of the committee, and at least one member of the committee shall have an adequate background in finance and accounting. Two members have been nominated for the committee, and all members shall be appointed in the Ordinary General Assembly meeting following the Offering.

Table 8.3 Members of the Audit Committee

Name	Role
Mr. Ali Abdullah Al-Khodari	Member
To be Appointed	Member

Mr. Abraham Samuel	Member
--------------------	--------

The functions and responsibilities of the Audit Committee include the following:

- Oversee the internal audit department at the Company to ensure its effectiveness in undertaking the work and duties assigned to it by the Board
- Examines the internal control system and prepares a written report on its opinion and its recommendations in its respect.
- Examines the internal audit reports and follows up implementation of the corrective actions for the notes contained therein.
- Presents recommendations to the Board on appointment/termination of services of the chartered accountants and determines their fees, and when recommended to be appointed, accountants should be verified.
- Follows up the activities of the chartered accountants and approves any activity that is beyond the scope of the auditing that they shall be assigned with when they perform auditing.
- Examines the audit plan with the chartered accountant and raise its comments thereon.
- Examines the notes of the chartered accountant on the financial statements and follows up actions taken in this respect.
- Examines the interim and annual financial statements before they are presented to the Board and presents opinion and recommendations thereon.
- Examines the accounting policies applied and present opinions and recommendations thereon to the Board.

8.7.2 Nominations and Remunerations Committee

The Nominations and Remunerations Committee will comprise of three members. It will carry out the duties assigned to it according to the Powers Regulations approved by the Board. Three members have been nominated for the committee, and they shall be appointed in the Ordinary General Assembly meeting following the Offering. Be responsible for managing matters relating to human resources, provisions and remuneration for employees and the approval of related policies and plans. The nominations for the Compensation and Benefits Committee will be made at the time of the first General Assembly Meeting following the Offer.

The Remuneration, Nomination and Compensation Committee will decide on how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board.

Table 8.3 Nomination and Remuneration Committee

Name	Role
Mr. Ali Abdullah Al-Khodari	Head of the Committee
Dr. Ibrahim Al-Mutrif	Member
Mr. Abraham Samuel	Member

The functions and responsibilities of the Nominations and Remunerations Committee include the following:

- recommend nomination of the Directors to the Board according to the adopted policies and criteria subject to the condition that any person who has been previously convicted with an offence involving moral turpitude shall not be nominated annually review the requirements of the adequate skills needed for membership of the Board of Directors and generate a description of the capabilities and qualifications required for the membership of Directors on the Board including designating the time that a director should dedicate to the Board's functions;
- Review the Board of Directors structure and present recommendations on changes that can be made.

- Identify the weakness and strength points in the Board, and recommend their correction in compliance with the interests of the Company.
- verify annually the independence of the independent Directors and the absence of any conflict of interests if the Director serves as in an incumbent director on the Board of any other company; and
- Lay down clear policies for the remunerations and compensations for the Directors and senior executive officers, and such policies are laid down, it should be observed that performance related criteria be used. .

8.8 Service Contracts

The Company's Board of Directors is appointed by the General Assembly, and the Board's competencies and responsibilities are governed by the Company's Articles of Association. The following is a summary of the service contracts of the Directors and the Chief Executive Officer:

8.8.1 Board of Directors

The Board of Directors' term of service shall be determined pursuant to the Company's Articles of Association. The Current Shareholders appointed the first Board of directors for a term of five years, and such appointment has been provided in the Company's Articles of Association:

Chairman of the Board

The duties and responsibilities of the Board include the following:

- Ensure the clarity of the Board's functions, framework of duties and the basis for the division of responsibilities among directors
- Ensure the clarity and precision of the Board's business plan and priority of topics brought before the Board
- Ensure that the Board's responsibilities adhere by and fulfill the vision and strategy of the Company
- Lead the Board in selecting a Chief Executive Officer who will be responsible for the administration of the Company
- Support the Executive Committee through administrative guidance and performance evaluation
- Vote over the appointment of senior management and executive officers
- Assess the performance of the Directors

Directors

The duties and responsibilities of the Directors include the following:

- Participate in the overall direction and planning of the Company's future plans
- Ensure effective implementation of policies and objectives of the Company
- Participate in determining the Company's priorities and monitor the effective and efficient utilization of the Company's assets
- Vote on the appointment of senior management and executive officers
- Assist in evaluation and assessment of the executive officers and Directors
- Assess the Board's own performance

8.8.2 Chief Executive Officer (CEO)

The Chief Executive Officer assumed his current assignments in the Company under a service contract signed with the Company on 15/2/1417H (corresponding to 1/7/1996G). The duties and responsibilities of the CEO include:

- Manage the administrative and technical activities of the Company
- Achieve the best utilization of the Company's resources

- Attain the objectives of the company and the target results
- Coordinate the plans with various departments of the Company to ensure compliance with the budget goals
- Communicating the Board's decisions to the Senior Management and following-up to ensure their execution
- Developing and managing strong relationships with clients and suppliers
- Developing and implementing the operations plans which will ensure the achievement of the Company's operational mission on time and within budget
- Ensuring that there are clear and appropriate standards of performance that can be easily evaluated

8.9 Declarations of Directors and Executive Officers

The Directors, Executive Officers and the Secretary of the Board declare that:

- They have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- Except as disclosed in this document, they do not, nor do any of their relatives or affiliates, have direct or indirect interests in the shares of the Company or the Group or their debt instruments;
- There is no intention or tendency to carry out any material change in the nature of business of the Company; and
- Except as disclosed in this document, they do not, nor do any of their relatives or affiliates, have any material interest in any written or verbal contract or arrangement in force and effect or contemplated at the time of the Prospectus, which constitutes significant contract or arrangement in relation to the business of the Company.

8.10 Conflicts of Interest

In accordance with Article 69 of the Companies Regulations, a director may not have any interest, whether directly or indirectly, in the transactions or contracts made for the account of the company, except with an authorization from the ordinary general assembly, to be renewed annually. Transactions made by way of public bidding shall, however, be excluded from this restriction if the director has submitted the best offer.

The director must declare to the Board of Directors any personal interest he may have in the transactions or contracts made for the account of the company. But the interested director shall not participate in voting on the resolution to be adopted in this respect.

The chairman of the Board of Directors shall communicate to the ordinary general assembly, when it convenes the transactions and contracts in which any director has a personal interest. Such communication shall be accompanied by a special report from the auditor.

Moreover, Article 70 of the Companies Regulations provides that a director may not, without authorization from the ordinary general assembly, to be renewed annually, participate in any business (enterprise) competitive with that of the company, or engage in any of the commercial activities carried on by the company otherwise, the company shall have the right either to claim damages from him or to consider the operations he has conducted for his own account as having been conducted for the account of the company.

It is not permitted for the chairman or Directors to vote on resolutions related to their remuneration and other allowances.

The Directors and the Senior Management do not have any powers enabling them to vote on remuneration to themselves during the general assembly meetings. The Directors and Senior Management of the Company do not have any powers to borrow from the Company or vote on any contract or proposal in which they have a material interest.

The Directors must notify the Board of any personal interests they have, directly or indirectly, in any transactions, arrangements or contracts entered in favor of the Company. This disclosure should be recorded in the minutes of meeting of the Board, and the interested director shall not participate in voting upon the resolution that shall be voted in this respect.

8.11 Remuneration of the Board of Directors and the Senior Management

8.11.1 Board of Directors

The Board of Directors did not receive any remunerations or compensations for the years ended 31 December 2007 and 31 December 2008. However, the Board approved payment of fees in the amount of SAR 88,000 for the Directors during 2009.

8.11.2 Senior Management

The remunerations and fees of Company's Senior Management include all amounts paid to them as salaries, bonuses and other benefits, including housing and transport allowances and educations fees.

The following table shows the total payments made to the Senior Management during the years 2007, 2008, 2009:

Table 8.4 Senior Management Remuneration

SAR in millions	2007	2008	2009
Total amounts paid to the Senior Management	3.34	3.67	3.62

It noteworthy stating that, as at the end of 2009, the Company's Senior Management comprises of the CEO, COO, Director of Engineering, CFO, Director of Corporate Development

The Directors, CEO and the executive management declare the following:

- There is no power that grants any director or the CEO the right of voting to any contract or proposal in which he has material interests or grants them the right to participate in any business that shall compete with the Company or grants them any brokerage commission or fees
- There is no power that grants any director or the CEO the right to vote with respect to bonuses paid to them
- There is no power that authorizes the directors or the senior executives the right to borrow from the Company

8.12 Employees

As of the 31 December 2009, the Company had 10,296 employees of various nationalities and skills, 561 of which are Saudi nationals, representing 5.4% of the total workforce. The Company diligently endeavors to hire and retain the Saudi qualified nationals, and it developed a program for training and development of the skills of the Saudi employees.

Table 8.5 Company's Employees

	31st December 2007		31st December 2008		31 December 2009	
	Number	%	Number	%	Number	%
Saudi	443	5.8	598	6.6	561	5.4
Non-Saudi	7,201	94.2	8,405	93.4	9,735	94.6
Total	7,644	100	9,003	100	10,296	100

Source: the Company

The number of Saudi employees increased in 2007 and 2008 due to increased number of projects that the Company executed. The number raised in 2009 by recruitment of new employees.

The following table shows employee breakdown by department:

Table 8.6 Estimated Employee Breakdown

Function	31 st Dec 2007		31 st Dec 2008		31 December 2009	
	Saudi	Non-Saudi	Saudi	Non-Saudi	Saudi	Non-Saudi
Top Management	1	3	7	6	6	6
Head Office Engineering Department	2	20	4	20	4	21
Head Office Operations Department	-	1	-	2	-	2
Head Office Technical Support	-	8	-	26	1	33
Head Office Finance	2	13	3	21	3	30
Head Office Purchasing, Logistics, & Stores	6	11	6	24	4	46
Head Office Information Technology	2	3	1	7	-	11
Head Office Human Resources & Admin	2	25	11	44	40	67
Head Office Medical & HSE	1	9	1	13	-	32
Head Office Camp Operations & Management	5	26	1	29	3	27
Head Office Equipment Management	10	37	10	52	5	50
Riyadh Office	40	3	30	3	13	5
Projects and Others	372	7,039	524	8,155	482	9,382
Water Drilling Division	-	2	-	2	-	-
Transport Division	-	1	-	1	-	23
Total	443	7,201	598	8,405	561	9,735
Percent%	5.8%	94.2%	6.6%	93.4%	5.4%	94.6%

Source: The Company

8.13 Saudization Policies

The Company has been supportive of Saudi Arabia's goal to eliminate unemployment and create job opportunities for its citizens and has been increasing its efforts to support it. As such, it provides the Labor Office with job vacancies as well as advertising them through newspapers on a periodic basis. It also has contracts with human resources companies for the training and recruitment of a large number of young Saudi employees.

The Company has been issued with a Saudization compliance certificate valid for one year from the date of the certificate of 17/1/1431 H (corresponding to 3/1/2010G).

8.14 Continuation of Activity

There was no substantial change in the operations of the Company during the period of 12 months that preceded the date of the Prospectus, and the Directors have no intention to make any change in the nature of activities of the Company.

9 Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company

The management's discussions and analyses of the financial condition and results of operations of the Company are based upon the pro forma audited financial statements as at and for the years ended 31 December 2006, 2008 and 2009 and the notes thereto, each of which has been audited by Ernst & Young, as well as the audited financial statements as at and for the years ended 31 December 2009 and the notes thereto, which have been audited by Ernst & Young.

On 1 July and 15 July 2008, the partners of the Company resolved to transfer some investments (at investment costs of SAR 28,001,403) and one of the real-estates as well as the activities of Al-Khodari Heavy Industries division, Al-Khodari Travel and Tourism Agency division, Air Conditioning & Refrigeration Center division, Al-Khodari Trading and Industrial Services Company divisions (at investment costs of SAR 13,050,000) and they were adjusted against their current accounts as of 1 January 2008. The pro forma financial statements have been prepared for the purpose of providing information on the method by which the adjustments related to the partners' resolutions issued on 1 July and 15 July 2008 shall be incorporated in the historical financial statements of the Company as on 31 December 2006, 31 December 2007, 31 December 2008, if the adjustments related to the partners' resolutions issued on 1 July and 15 July 2008 had been made on 1 January 2006. Therefore, these pro forma financial statements include the Company's accounts after transfer of the balances of the said assets and activities as in the years ended on 31 December 2006 and 31 December 2007.

The Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward-looking statements that involve uncertain risk factors. Actual results for the Company could differ from the forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly in the "Risk Factors" section.

9.1 Director's Declaration on the Financial Information

The Company's Board of Directors declare that the financial information presented in the Prospectus is true and is extracted in its entirety, without material changes, from the audited financial statements of the Company and that such statements have been prepared in accordance with Saudi Organization of Certified Public Accountants (SOCPA) accounting standards.

The Directors further declare that there has been no material adverse change in the financial and trading position of the Company during the previous year's 2007, 2008 and 2009 in addition to the period from 31 December 2009 up to and including the date of the Prospectus.

The Directors affirm that the Company shall have sufficient monies to meet the working capital requirements for a period of 12 months following the Offering.

9.2 Company Background

Late Sheikh Abdullah Abdul-Mohsen Al-Khodari incorporated an individual proprietorship establishment in Arar in the Northern Province under the commercial registration number 146 dated 10/10/1385 H (corresponding to 1/2/1966G) to carry out general contracting business. Thereafter, a branch for the said establishment was opened in Dammam, Eastern Province under the commercial registration No. 2339 dated 11/11/1389 H (corresponding to 19/1/1970G). The head office was later relocated to Dammam on 4/3/1394 H (corresponding to 28/3/1974G) under the same commercial registration number.

The establishment was then converted into a Saudi limited partnership company styled "Abdullah Abdul-Mohsen Al-Khodari Sons Company" (hereinafter referred to as "the Company" or "Al-Khodari") under the commercial registration No. 2050022550 dated 25 Rajab 1412H (corresponding to 30/1/1992 G) with the capital

of SAR 10 million divided into SAR 1 million shares with value of SAR 10 per share. The Company was then converted into a joint stock company in accordance with Minister of Commerce and Industry's Resolution No. 152/Q dated 16/5/1430 H (corresponding to 11/5/2009G) with a capital of SAR300 million, then on 16/11/1430H (corresponding to 4/11/2009G), the capital was increased to SAR 400 million divided into 40 million ordinary shares with nominal value of SAR 10 per share. On 10/7/1431H (corresponding to 22/6/2010G) the capital was increased to SAR425 million divided into 42,5 million ordinary shares with nominal value of SAR 10 per share.

9.3 Significant Accounting Policies

The audited financial statements have been prepared based on the accounting principles and historical cost convention according to the accounting standards issued by SOCPA.

Revenues from long term construction contracts, where the outcome can be reliably estimated, are recognized under the percentage of completion method by reference to the stage of completion the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs projected for the contract. The value of works completed but not billed at the balance sheet date is classified as "value of works executed in excess of billings" under the current assets. The amounts billed in excess the value of works completed at the balance sheet date is classified as "Billings in excess of the value of work executed" under the current liabilities. Profit is not recognized on a contract until the management believes that the outcome of such contract can be evaluated with reasonable certainty. In the cases of loss making contracts, full provision shall be set aside for the estimated future losses.

Preparation of the audited financial statements requires the Management to carry out estimations and evaluations. The primary accounting policies of the Company have been described in the notes on the audited financial statements of the Company, which are included in other sections of this Prospectus.

9.4 Results of Operations

The following table summarizes the audited income statements for the years ended 31 December 2006, 2007 and 2008.

Table 9.1 Pro forma Statement of Income (SAR thousands)

Year Ended on 31 December								
	2006		2007			2008		
	Value	Revenue%	Value	Revenue%	Growth %	Value	Revenue%	Growth %
Contract & trading revenues	522,706	100.00	1,058,582	100.00	102.52	1,159,186	100.00	9.50
Direct Costs	(409,755)	78.39	(739,728)	(69.88)	80.53	(823,895)	(71.08)	11.38
GROSS PROFIT	112,951	21.61	318,854	30.12	182.29	335,291	28.92	5.16
Selling & marketing expenses	(5,717)	(1.09)	(11,225)	(1.06)	96.35	(13,180)	(1.14)	17.41
General & administration expenses	(32,855)	(6.29)	(33,793)	(3.19)	2.85	(48,115)	(4.15)	42.38
INCOME FROM MAIN OPERATIONS	74,379	14.23	273,836	25.87	268.16	273,996	23.64	0.06
Other income	5,710	1.09	3,748	0.35	(34.36)	4,042	0.35	7.84
Commission income	393	0.08	690	0.07	75.57	1,860	0.16	169.75
Financial charges	(28,042)	(5.36)	(45,073)	(4.26)	60.73	(33,712)	(2.91)	(25.21)
INCOME BEFORE ZAKAT	52,440	10.03	233,201	22.03	344.70	246,186	21.24	5.57
Zakat	(1,800)	(034)	(6,242)	(0.59)	246.78	(6,524)	(0.56)	4.52
NET INCOME FOR THE YEAR	50,640	9.69	226,959	21.44	348.18	239,662	20.68	5.60

Source: Pro forma Audited Financial Statements of the Company

9.4.1 Revenues, Costs and Gross Profit from Operations

The following table details the revenues, costs and gross profit for the years ended 31 December 2006, 2007 and 2008.

Table 9.2 Revenues, Costs and Gross Profit from Operations (SAR thousands)

	2006		2007			2008		
	Value	% of the total	Value	% of the total	Growth %	Value	% of the total	Growth %
Contracting works revenues	479,545	91.74	1,011,893	95.59	111.01	1,062,164	91.63	4.97
Trading activities revenues	43,161	8.26	46,689	4.41	8.17	97,022	8.37	107.80
TOTAL REVENUES	522,706	100	1,058,582	100	102.52	1,159,186	100	9.50
Contracts costs	372,188	90.83	708,354	95.76	90.32	769,894	93.45	8.79
Trading activities costs	37,567	9.17	31,373	4.24	(16.49)	54,001	6.55	72.13
Total direct costs	409,755	100	739,727	100	80.53	823,895	100	11.38
Gross Profit from contract works	107,357	95.05	303,538	95.20	182.74	292,270	87.17	(3.71)
Gross Profit from trading activities	5,594	4.95	15,316	4.80	173.79	43,021	12.83	180.89
Total Profits	112,951	100	318,854	100	182.29	335,291	100	5.16

Source: Pro forma Audited Financial Statements of the Company

Contract Revenues

During the period 2006-2008, the Company's revenues out of contracting activities increased at an annual compound growth rate of 48.8% from SAR 479.5 millions in 2006 to SAR 1.062 millions in 2008. The major part of such increase occurred in 2007 when the revenue increased from the contracting works at 111% to reach SAR 1.012 million, while the contracts revenues in 2008 increased at 4.97% over that of 2007. The reason for the irregular rate of increase in the revenue derived from the contracting works during 2007 and 2008 is attributed to the contracts initiated by the Company in 2006, for which majority of related works have been completed in 2007 the matter that resulted in earning higher revenues. The Company proceeded in seeking new contracts in 2007 and 2008 which resulted in additional increase in revenues in 2008.

The Company earned contract revenues mainly from the following sectors:

Table 9.3 Detailed Revenues from Sectors (in SAR '000)

	2006		2007		2008	
	Value	% of the total	Value	% of the total	Value	% of the total
Road & bridges construction & site develop	251,919	48.20	600,353	56.71	605,849	52.27
Infrastructure projects	92,571	17.71	208,996	19.74	207,544	17.90
Repair and maintenance projects	29,877	5.72	37,175	3.51	70,716	6.10
Buildings construction	18,441	3.53	57,441	5.43	68,304	5.89
City cleaning and waste collection	55,619	10.64	65,691	6.21	62,017	5.35
Electrical works	3,996	0.76	27,498	2.60	27,598	2.38
Miscellaneous contract	27,122	5.19	14,739	1.39	20,136	1.74
Trading activities	43,161	8.26	46,689	4.41	97,022	8.37
Total	522,706	100.00	1,058,582	100	1,159,186	100

Source: the Company

As shown above, the Company's revenues have been earned from diversified activities, and it does not exclusively depend on certain sector or activity. However, the major part of revenues is derived from the road and bridges construction and site development (at average of 52.4%) and the infrastructure projects (at average of 18.5%).

It is noteworthy that most of the revenues are related to works completed for various government entities for infrastructure development and other activities.

Trading Activities

The trading activities revenues constitute the proceeds of sales of disposed equipment and vehicles. These assets represent fixed assets purchased by the Company for the normal operations and certain contract activities and then sold when contracts expired. The management shows the disposed assets as a main activity of the Company, and arranges for two auctions every year to dispose the assets. The auctions are managed by an experienced third party. The Company places to auction the assets that were used to the maximum life expectancy of production or the assets that are in an unserviceable condition. Revenues from trading activities increased during the year ended 31 December 2008 to reach SAR 97 million compared to SAR 46.7 due to increased sale of equipment of vehicles.

The reason for the disparity of the trading activities is attributed to the completed projects during the years and availability of unused equipment that is suitable for the purpose of auctioning.

9.4.2 Direct Costs

Table 9.4 Direct Costs (SAR thousands)

Year Ended on 31 December

	2006		2007			2008		
	Value	% of the total	Value	% of the total	Growth %	Value	% of the total	Growth %
Contracts costs	372,188	90.83	708,354	95.76	90.32	769,894	93.45	8.79
Trading activities costs	37,567	9.17	31,373	4.24	(16.49)	54,001	6.55	72.13
Total direct costs	409,755	100	739,727	100	80.53	823,895	100	11.38

Source: Pro forma Audited Financial Statements of the Company

These costs are directly related to the Company's revenues. During the period 2006-2008, the direct costs increased at an annual compound growth rate of 41.8% from SAR 409.8 millions in 2006 to SAR 823.9 millions in 2008. During the period 2006-2008, the percentage of costs related to contracts increased at an annual compound growth rate of 43.8%. During 2007, the contracts costs recorded an increase of 90.3% over 2006, simultaneously with an increase in the contract revenues which reached 111%. During 2008, the contract costs recorded an increase of 8.79% compared with that of 2007, while the growth of contract revenues reached 4.97% during the period. The increase in the direct costs was due to the increase in the business activities, inflation trends, cost of materials and labor and increase in the costs of subcontractors.

9.4.3 Gross Profit Margin

The following table details the gross profit margin for the years ended 31 December 2006, 2007 and 2008.

Table 9.5 Gross Profit Margin (SAR thousands)*Year Ended on 31 December*

	2006		2007			2008		
	Value	% of the revenue	Value	% of the revenue	Growth %	Value	% of the revenue	Growth%
Gross Profit from contract works	107,357	22.39	303,538	30.00	182.74	292,270	27.52	(3.71)
Gross Profit from trading activities	5,594	12.96	15,316	32.80	173.79	43,021	79.67	180.89
Total Gross Profits	112,951	21.61	318,854	30.12	182.29	335,291	28.92	5.16

Source: Proforma Audited Financial Statements of the Company

The gross profit margin increased from 21.6% in 2006 to 30.1% in 2007 due to the increase in revenues of the Company over its costs. In 2008, the gross margin decreased relatively to 28.9% compared to 30.12% in 2007. The decrease in the gross margin rate of the revenues in 2008 was mainly due to increase in the costs of materials and labor during the year.

9.4.4 Selling and Marketing Expenses**Table 9.6 Selling and Marketing Expenses (SAR thousands)***Year Ended on 31 December*

	2006	2007		2008	
	Value	Value	Growth%	Value	Growth%
Tenders Costs	4,640	3,025	(34.81)	6,818	125.39
Doubtful/bad debts provision	737	7,874	968.39	4,900	(37.77)
Publicity	340	326	(4.12)	1,262	287.12
Others	-	-	-	200	100.00
Total	5,717	11,225	96.34	13,180	17.42

Source: Pro forma Audited Financial Statements of the Company

The selling and marketing expenses increased in 2008 at the rate of 17.4% comparing to 2007 due to the increase in the tenders costs. The tenders' costs constitute the charges paid in the course of the process of award of the tenders for all contracts. These expenses increased in 2008 due to the increase in the number of tenders compared to the previous years. The doubtful debts provision represents the provision that is generated against the receivables balances which the management believes will probably not be collected. These provisions increased in 2007 and 2008 as a result of increase in works and contracts, the matter that caused increase of the debts that are due from the clients.

9.4.5 Administrative and General Expenses**Table 9.7 Administrative and General Expenses (SAR thousands)***Year Ended on 31 December*

	2006	2007		2008	
	Value	Value	Growth%	Value	Growth%
Employees Costs	14,205	13,855	(2.46)	29,579	113.49
Depreciation	10,745	8,108	(24.54)	2,090	74.22
Remunerations/bonuses	1,737	2,548	46.69	1,143	(55.14)
Professional fees	514	753	46.50	2,957	292.70
Others miscellaneous expenses*	5,654	8,529	50.85	12,346	44.75
Total Profits	32,855	33,793	2.85	48,115	42.38

Source: Pro forma Audited Financial Statements of the Company

*The miscellaneous expenses comprise of donations, rents, travel expenses, other government expenses and others.

The administrative and general expenses increased by SAR 14.3 million comparing to those in 2007 due to increase of employee related expenses which increased by the amount of SAR 15.7 million in 2008 compared to SAR 13.9 million that was recorded in the preceding year. Depreciation dropped in 2008 to SAR 2.1 million compared to SAR 8.1 million in 2007. This substantial decrease in an amount of SAR 6 million in 2008 compared to 2007 was due to decrease in the time wasted in using the equipment and vehicles for the new projects, the matter which caused further depreciation to the projects costs be charged to the project costs but not to the administrative and general expenses. The professional fees also increased in 2008 to SAR 3 million compared to SAR 0.8 million in 2007 due to the costs the Company incurred in 2008 for the reorganization of the Company and conversion into a joint stock company.

9.4.6 Other Revenues

The other revenues comprise mainly of scrap material sales and lease of scaffolding materials and others. The other revenues amounted to SAR 4 million in 2008 compared to SAR 3.7 million in 2007, and SAR 5.7 million in 2006.

9.4.7 Commissions Revenues

The commissions' revenues comprise mainly of commissions that have been charged to sister companies. Commissions revenues have increased to SAR 1.9 million in 2008 compared to SAR 0.7 millions in 2007 and SAR 0.4 millions in 2006.

The following table details of the commissions' revenues charged to sister companies in 2009:

Table 9.8 Details of commission revenues charged to sister companies (SAR)

Sister Company	Commission revenues during 2008 (SAR)
Hamon D'hdont Middle East Limited	407,156
Abdullah A. M. Al Khodari & Hertel Industrial Services Limited	396,436
Al Khodari Trading and Industrial Services Limited	321,935
Cumberland Insurance & Reinsurance (Bahrain) E.C.	244,044
Al Khodari Sons & LV Shipping Logistics Ltd	168,552
MACE Saudi Arabia Co. Ltd.	140,089
Hertz Equipment Rental Company	75,836
Other Companies	106,261
TOTAL	1,860,309

Source: The Company

9.4.8 Financial Expenses

The financial expenses amounted to SAR 33.7 millions in 2008 compared to SAR 45.1 millions in 2007 and SAR 28 millions in 2006. These expenses constitute banking commissions on overdrafts, short term loans, revolving loans, loan for project financing, other long term loans, letters of guarantees and documentary letters of credits. The decrease in the financial expenses in the year ended 31 December 2008 was due to the decrease in the banking commission rates, improvement in cash management and receipt of advanced payments from government clients.

9.4.9 Zakat

The Zakat is governed by the regulations of the Department of Zakat and Income Tax in Saudi Arabia. The Company is owned by Saudi partners and it is assessable to Zakat at the rate of 2.5% of the basis of assessment of Zakat or the adjusted net profit, whichever is greater. The Zakat is recorded on the basis of accrual and is charged to the statement of income. The additional amounts, if any, which become due when Zakat assessments are completed, shall be recorded in the year during which assessment was completed. The Zakat assessments of the Company with the Department of Zakat and Income Tax have been completed to the year ended in 31 December 2004. The Zakat assessments for the years ended 31 December 2005 to 2007 are still under examination by the Department of Zakat and Income Tax as of 31 December 2008. However, the management does not expect any substantial obligations which may emerge when the final assessment is completed. The Company submitted the Zakat assessments to the Department of Zakat and Income Tax and obtained the required certificates.

9.4.10 Net Profit

Table 9.9 Net Profit (SAR thousands)

Year Ended on 31 December

	2006		2007			2008		
	Value	% of the total	Value	% of the total	Growth%	Value	% of the total	Growth%
Net Profit from contracting works	45,046	88.95	211,643	93.25	369.84	196,641	82.05	(7.09)
Net Profit from trading activities	5,594	11.05	15,316	6.75	173.78	43,021	17.95	180.89
Total Net Profits	50,640	100	226,959	100	348.18	239,662	100	5.60

Source: Pro forma Audited Financial Statements of the Company

The improvement in the Company's businesses and undertaking of several contracting projects as well as the abundance of trading activity in 2007 and 2008 led to increase in the net income to amount to SAR 227 millions as against SAR 50 millions in 2006. In 2008, the Company did not only maintain the profit percentage earned in 2007, but it also increased it to reach SAR 239.7 millions. The growth in 2007 and 2008 was due to increase in the infrastructure sector activity in Saudi Arabia, as the Government incurred considerable expenses for development of utilities that include roads, bridges , water and sewage plants, power plants, school construction and other similar activities. However, in 2008, the net profit margin decreased at 3.6% compared to 2007 due to escalation of cost of materials in 2008.

9.5 Financial Position

The table below summarizes the pro forma audited balance sheet statement for the years ended 31 December 2006, 2007 and 2008:

Table 9.10 Pro Forma Audited Balance Sheet Statement (SAR thousands)

Year Ended on 31 December

	2006		2007			2008		
	Value	% of the total	Value	% of the total	Growth%	Value	% of the total	Growth%
Assets								
Current Assets								
Bank balances and cash	40,601	4.40	90,318	7.19	122.45	33,401	2.49	(63.02)
Amounts due from related parties	41,735	4.52	10,932	0.87	(73.81)	36,585	2.73	234.66
Accounts receivables and prepayments	261,924	28.36	328,978	26.17	25.60	437,837	32.67	33.09
Value of work executed in excess of billings	66,474	7.20	87,711	6.98	31.95	157,384	11.74	79.43
Inventories	25,068	2.71	29,381	2.34	17.21	26,696	1.99	(9.14)
Assets held for sale	-	-	-	-	-	6,973	0.52	-
TOTAL Current Assets	435,802	47.19	547,320	43.56	25.59	698,876	52.15	27.69
Non-Current Assets								
Property, equipment and vehicles	483,558	52.36	704,926	56.10	45.78	628,021	46.87	(10.91)
Investments in subsidiaries								
Advances against investments in joint projects	4,209	0.46	4,209	0.33	-	4,209	0.31	-
Mobilization costs	32	-	-	-	(100)	-	-	-
	-	-	-	-	-	8,945	0.67	-
Total Non-Current Assets	487,799	52.81	709,135	56.44	45.37	641,175	47.85	(9.58)
Total Assets	923,601	100	1,256,455	100	36.04	1,340,051	100	6.65

	2006		2007			2008		
	Value	% of the total	Value	% of the total	Growth%	Value	% of the total	Growth%
Liabilities and Shareholder's Equity								
Current liabilities								
Current portions of term loans								
Short term loans	141,322	15.30	91,375	7.27	(33.34)	188,328	14.05	106.10
Bank overdrafts	83,974	9.09	116,048	9.24	38.20	53,350	3.98	(54.03)
Provision for foreseeable losses	329	0.04	-	-	(100)	-	-	-
Provision for Zakat	40,008	4.33	30,218	2.41	(24.47)	12,951	0.97	(57.14)
Amounts due to related parties	1,800	0.19	6,000	0.48	(233.33)	6,142	0.46	2.37
Accounts payable and accruals	2,050	0.22	5,759	0.46	180.93	25,638	1.91	345.18
Billings in excess of the value of work executed	171,486	18.57	219,317	17.46	27.89	175,115	13.07	(20.15)
Shareholders' current accounts								
Dividends payable	13,262	1.44	70,408	5.60	430.90	8,852	0.66	(87.43)
	-	-	-	-	-	48,577	3.63	-
	-	-	-	-	-	50,000	3.73	-
Total Current Liabilities	454,231	49.18	539,125	42.91	18.69	568,953	42.46	5.53
Non-Current Liabilities								
Term loans	280,385	30.36	375,035	29.85	33.76	396,168	29.56	5.63
Employees' terminal benefits								
Loans from an affiliate	18,769	2.03	21,422	1.70	14.14	23,435	1.75	9.40
Advances from clients-Non-Current part	3,750	0.41	3,750	0.30	-	3,750	0.28	-
	26,240	2.84	-	-	(100)	-	-	-
Total Non-Current Liabilities	329,144	35.64	400,207	31.85	21.59	423,353	31.59	5.78
Shareholders' Equity								
Capital	10,000	1.08	10,000	0.80	-	300,000	22.39	2,900
Retained earnings	48,157	5.21	215,117	17.12	346.70	47,745	3.56	(77.81)
Shareholders' current accounts	82,069	8.89	92,006	7.32	21.11	-	-	(100)
Total Shareholders' Equity	140,226	15.18	317,123	25.24	126.15	347,745	25.95	9.66
Total liabilities and Shareholders' Equity	923,601	100	1,256,455	100	36.04	1,340,051	100	6.66

Source: Pro forma Audited Financial Statements of the Company

9.5.1 Current Assets

The table below summarizes the current assets in possession of the Company for the years ended 31 December 2006, 2007 and 2008:

Table 9.11 Current Assets (SAR thousands)

Year Ended on 31 December

	2006	2007	2008
Assets			
Current Assets			
Bank balances and cash	40,601	90,318	33,401
Amounts due from related parties	41,735	10,932	36,585
Accounts receivables and prepayments	261,924	328,978	437,837
Value of work executed in excess of billings	66,474	87,711	157,384
Inventories	25,068	29,381	26,696
Assets held for sale	-	-	6,973
TOTAL Current Assets	435,802	547,320	698,876

Source: Pro forma Audited Financial Statements of the Company

As on 31 December 2008, the current assets increased at 27.7% to SAR 698.9 million in 2008 compared to SAR 547.3 millions in 2007. This is mainly due to the increase to the value of works executed in excess of billings (unbilled works) which increased to SAR 157.4 million in 2008 compared to SAR 87.7 million in 2007. The value of works executed for which no bills have been provided as of the date of the balance sheet statement has been classified as a "value of work executed in excess of billings". Furthermore, the cash and equivalent decreased at the rate of 63% and the inventories decreased at the rate of 9.1% during 2008. In 2008, the receivables turnover of the Company was 108.7 days of the revenue, compared to 82.6 days in 2007 and 131.5 days in 2006. The reason for decrease in the receivables turnover in 2007 was attributed to the increase of control by the management and increase of the cash collections, while the increase of the receivables turnover to 108.7 days of the revenue was due to the increase in the receivables as a result of increase of businesses. The increase in the cash balance and equivalent as of 31 December 2007 was due to an increase in the collections of receivables and amounts due from related parties at the end of the year. In 2008, the cash and bank balances were within the range of SAR 30 millions to SAR 45 millions.

As of 31 December 2007, the current assets increased by 25.6% compared to 2006. This increase was due to the increase of the receivables and the value of works executed in excess of the billings. The cash and equivalent increased at the rate of 122.4% in 2007 compared to 2006 due to receivables collections as at the year end. Nevertheless, the balances average during any of the three years was within range of SAR 30 millions to SAR 45 millions, but the inventories increased by 17.2% compared to 2006.

The inventories constitute building materials and spare parts. The inventory is shown as the lower of the cost price or the market value. The cost is determined on the basis of the weighted average method.

The property, equipment and vehicles are classified as assets for the purpose of selling if they shall recover their book value through a selling transaction rather than their continuous use. This condition can be fulfilled only when the selling transaction is highly probable and the asset is available for instant selling in its present condition. The assets are appraised, for the purpose of selling, by the book value or the fair value, less the costs of sale, whichever less than the other. The properties, equipment and vehicles shall not be written off whenever they are classified as assets for selling.

The receivables as of 31 December 2006, 2007 and 2008 were related to the following clients:

Table 9.12 Main Receivables (in SAR '000)

	Year Ended on 31 December					
	2006		2007		2008	
	Value	% of the total	Value	% of the total	Value	% of the total
Royal Commission for Jubail and Yanbu	32,509	19.2	66,585	28.2	55,284	18.4
Ministry of Interior	35,609	21.1	32,715	13.9	75,398	25.1
Ministry of Higher Education	21,819	12.9	13,305	5.6	35,659	11.8
Ministry of Finance	-	-	56,882	24.1	29,947	10.0
Ministry of Transport	32,832	19.4	39,967	17.0	16,590	5.5
Ministry of Municipal & Rural Affairs	3,268	1.9	8,309	3.5	16,198	5.4
Others	43,103	25.5	18,023	7.7	71,824	23.8
Total	169,140	100.00	235,786	100	300,900	100

Source: the Company

The majority of the business of the Company is executed with government entities. The largest five balances constitute 65% of the receivable balance as of 31 December 2008 (89% in 2007 and 73% in 2006). The management believes that no amount shall be uncollectable from these government entities. However, the management believes that a provision shall be recorded in the Company's books for any uncollectable debts.

As of 31 December 2008, the amounts due from related parties were as follows:

Table 9.13 Amounts Due from Related Parties (in SAR '000)

Year Ended on 31 December

	2006	2007	2008
MACE Saudi Arabia Company Ltd.	-	18	2,500
Cumberland Insurance and Re-insurance Ltd (Bahrain)	1,208	1,276	3,885
Abdullah A. M. Al Khodari & Hertel Industrial Services Ltd.	-	-	8,248
Hamon D'Hondt Middle East Limited	-	1,153	5,270
Al Khodari Sons & LV Shipping Logistics Ltd	-	-	2,253
Abdullah A. M. Al Khodari Sons Investment Holding Co.	-	-	3,010
Al Khodari & Sons Co.	3,815	277	69
Al Khodari Heavy Industries	1,153	-	-
Others	35,559	8,208	11,350
Total	41,375	10,932	36,585

Source: the Company

The Company carried out transactions with related parties during the course of its activities. The pricing policies and terms of these transactions have been approved by the Company's management.

9.5.2 Non- Current Assets

Table 9.14 Non- Current Assets (SAR thousands)

Year Ended on 31 December

	2006	2007	2008
Property, equipment and vehicles	483,558	704,926	628,021
Investments in subsidiaries	4,209	4,209	4,209
Prepayments against investments in joint projects	32	-	-
Mobilization costs	-	-	8,945
Non-Current Assets	487,799	709,135	641,175

Source: proforma Audited Financial Statements of the Company

In 2008, the property, equipment and vehicles constituted 97.9% of the total non-current assets, while the investments in sister companies and mobilization costs constituted 2.1% of the total non-current assets. The mobilization costs represent the costs incurred in some long term contracts which implementation shall commence as of January 2009. These costs shall be amortized throughout the terms of the contracts related thereto.

Property, equipment and vehicles

The following table summarizes the movements of the property, equipment and vehicles of the Company during the year ended 31 December 2008:

Table 9.15 Property, Equipment and Vehicles (in SAR '000)

	Buildings, Porta-Cabins & hangars	Machineries, equipment & tools	Vehicles	Office equipment & furniture	Capital works in progress	Total
Cost						
1 January 2008	30,888	600,339	413,201	30,144	19,484	1,094,056
Additions	2,037	33,712	60,848	5,518	21,247	123,362
Disposals	(332)	(89,872)	(49,176)	(1,041)	-	(140,421)
transfers	881	-	-	-	(881)	-
31 December 2008	33,474	544,179	424,873	34,621	39,850	1,076,997
Depreciations						
1 January 2008	20,190	172,584	172,754	23,602	-	389,130
Charged for the year	2,721	73,753	59,577	2,407	-	138,458
Disposals	(35)	(46,718)	(31,773)	(86)	-	(78,612)
31 December 2008	22,876	199,619	200,558	25,923	-	448,976
Net Book Value						
31 December 2008	10,598	344,560	224,315	8,698	39,850	628,021
31 December 2007	10,698	427,755	240,447	6,542	19,484	704,926
31 December 2006	8,758	260,886	203,009	4,610	6,295	483,558

Source: Pro forma Audited Financial Statements of the Company

The property, equipment and vehicles are initially recorded at cost, and they are listed at cost less the accumulative depreciation and any devaluation. The cost of property, equipment and vehicles is depreciated using fixed depreciation over the expected production life of the assets.

The book value of the property, equipment and vehicles is reviewed with respect to the devaluation when the events or variations in circumstances indicate that recovery of the book value shall not be possible. When such indication exists and when the book value exceeds the expected recoverable value, the assets are devalued to their recoverable value, which constitutes the higher of the fair value of assets less their cost of sale or their current value.

The repair and maintenance expenses are charged to the income, and the improvements that shall materially increase the value of the respective assets or shall extend their life shall be capitalized. The estimated lives of such assets which are used for the purpose of calculating the depreciation are as follows:

Table 9.16 Depreciation Rates

Year Ended on 31 December			
	2006	2007	2008
Buildings, Porta-Cabins & hangars	4-20 years	4-20 years	4-20 years
Machineries, equipment & tools	4-10 years	4-10 years	4-10 years
Vehicles	4-6.67 years	4-6.67 years	4-6.67 years
Office equipment & furniture	4-6.67 years	4-6.67 years	4-6.67 years

Source: Pro forma Audited Financial Statements of the Company

In 2008, the value of additions to the fixed assets amounted to SAR 123.4 millions, while the net book value of the Property, Equipment and Vehicles amounted to SAR 628 millions including vehicles for the cost of SAR 224.3 millions as well as machineries, equipment and tools in the amount of SAR 344.6 millions

In 2007, the Company's management reviewed the estimated production lives of the vehicles, office equipment and furniture. The Company estimated the production lives based on the operating conditions in which the assets are used from four to six years as of 1 January 2007.

The undergoing capital works constitute a building under construction and equipment that have been partially received.

Investments

Table 9.17 Investments (SAR thousands)

Year Ended on 31 December			
	2006	2007	2008
Al Khodari for International Company LLC – Abu Dhabi	153	153	153
Al Khodari for International Contracting LLC – Dubai	306	306	306
Al Khodari for International Contracting Group Company LLC -Kuwait	3,750	3,750	3,750
Balance at the end of the year	4,209	4,209	4,209

Source: Pro forma Audited Financial Statements of the Company

The Company owns 100% of the above-mentioned companies. The investment amount did not change during 2006-2008. These investments are in companies that are licensed to execute contracts in UAE and Kuwait. These affiliated companies are not consolidated in the pro forma financial statements as they are not considered substantial with respect to the pro forma financial statements, and specifically the two companies registered in UAE have not yet practiced any activities. The investments in the affiliated companies are calculated by means of shareholding equity.

9.5.3 Current Liabilities

Table 9.18 Current Liabilities (SAR thousands)

	Year Ended on 31 December		
	2006	2007	2008
Current portion of term loans	141,322	91,375	188,328
Short term loans	83,974	116,049	53,350
Bank overdraws	329	-	-
Provision for foreseeable losses	40,008	30,218	12,951
Provision for Zakat	1,800	6,000	6,142
Amounts due to related parties	2,050	5,759	25,638
Accounts payable and accruals	171,486	219,317	175,115
Billings in excess of the value of work executed	13,262	70,408	8,852
Shareholders' current accounts	-	-	48,577
Dividends payable	-	-	50,000
Current Liabilities	454,231	539,125	568,953

Source: Pro forma Audited Financial Statements of the Company

The current liabilities increased in 2008 by 5.5% to SAR 568.9 million compared to SAR 539.1 millions in 2007 due to the increase in the current portion of term loans, dividends payable and the shareholders' current accounts. In 2007, the shareholders' current account was included under the shareholders' equities, but in 2008 it was included under the current liabilities as of 31 December 2008, when the partners of the Company resolved to pay the entire balance in 2009 in compliance with certain conditions of the agreement of some contracts.

As of 31 December 2008, short term loans have been obtained from the following banks:

Table 9.19 Short Term Loans (SAR thousands)

Name of the Bank	Amount
SAMBA Financial Group	34,048
Gulf International Bank (Bahrain)	13,505
Saudi Hollandi Bank	4,291
Others	1,506
TOTAL	53,350

Source: the Company

All loans have been guaranteed by the assignment/transfer of the proceeds of contracts, order notes or personal guarantees from the partners.

The amounts due to related parties as of 31 December 2008 have been as follows:

Table 9.20 Amounts Due to Related Parties (SAR thousands)

31 December 2008	
Al-Khodari Heavy Industries	24,898
Others	740
	25,638

Source: the Company

The Company entered transactions with related parties as part of its ordinary activity. The management approves the price policies and conditions for such transactions.

Table 9.21 Accounts Payable and Accruals (SAR thousands)

	Year Ended on 31 December		
	2006	2007	2008
Trade Accounts payable	94,424	129,971	80,375
Advances from customers	35,417	37,294	31,070
Accrued expenses	36,525	49,359	54,875
Other payables	5,118	2,692	8,795
Current Liabilities	171,484	219,316	175,115

Source: pro forma Audited Financial Statements of the Company

In 2008, the accounts payable and accruals decreased in an amount of SAR 44.2 million compared with 2007 due to the increase in the trade accounts payable and the advances from customers and the change in the terms of payment due to the economic conditions. In 2007, the accounts payable and accruals increased in an amount of SAR 47.8 million compared with 2006 due to the increase in the trade activity in 2007.

The amounts billed in excess of the value of the works executed as on the date of the balance sheet statement are classified as "billings in excess of the value of work executed" under the current liabilities.

In 2008, the partners of the Company resolved to pay dividends in an amount of SAR 60 million for the partners. Up to 31 December 2008, SAR 10 million has been paid and the outstanding amount of SAR 50 millions as on 31 December 2008 shall be paid during 2009.

The management expects that losses shall be incurred in execution of some construction contracts undertaken by the Company. Therefore, provisions have been made for the expected future losses in these contracts, and these provisions constitute the balance provisioned for the expected future losses as of 31 December 2008.

9.5.4 Working Capital

The working capital amounted to SAR 129.9 million in 2008 as against a working capital of SAR 8.2 million in 2007, and a minus working capital of SAR 18.4 million in 2006, as shown on the table below:

Table 9.22 Working Capital (SAR thousands)

	<i>Year Ended on 31 December</i>		
	2006	2007	2008
Current Assets	435,802	547,320	698,876
Current Liabilities	(454,231)	(539,125)	(568,953)
Working Capital	(18,429)	8,195	129,923
Current percentage (times)	0.96	1.02	1.23

Source: Pro forma Audited Financial Statements of the Company

The working capital is defined as the difference between the current assets and the current liabilities. It is a reliable indicator for evaluation of the liquidity position of the Company. The members of the Board of Directors and the management of the Company have reviewed the working capital requirements for 12 months following the date of this Prospectus, and they have affirmed that the liquidity shall be available from the operating activities to meet the working capital requirements for this period. The Company has bank facilities that have not been used yet and they can be turned to when necessary.

As on 31 December 2008, the current assets increased at 27.7% to SAR 698.9 million compared to SAR 547.3 millions in 2007. Such increase was due to the increase in the value of works executed in excess of billings, accounts receivable and prepayments. On the other hand, the current liabilities increased in 2008 by 5.5% to SAR 568.9 million compared to SAR 539.1 million in 2007 due to the increase in the current portion of term loans, dividends payable and the shareholders' current accounts.

9.5.5 Non-Current Liabilities

The non-current liabilities increased in 2008 by 5.8% to SAR 423.4 million compared to SAR 400.2 million in 2007 and SAR 329.1 in 2006. The main reason for such increase was the significant increase in the term loans to meet the requirements of the standing working capital and to finance the future capital expenses of the Company. These term loans comprise of project financing loans, revolving loans and other term loans. These loans are interest bearing at the trade rates. These term loans are guaranteed by the assignment/transfer of certain contract proceeds, overall assets of the Company, order notes and personal guarantees of the partners.

Table 9.23 Non-Current Liabilities (SAR thousands)

	Year Ended on 31 December		
	2006	2007	2008
Term loans	280,385	375,035	396,168
Employees' terminal benefits	18,769	21,422	23,435
Loans from an affiliate	3,750	3,750	3,750
advances from clients- Non-Current part	26,240	-	-
Non-Current Liabilities	329,144	400,207	423,353

Source: pro forma Audited Financial Statements of the Company

As on 31 December 2008, the non-current liabilities increased at 5.6% compared to the previous year. The cause for increase in the non-current liabilities was the increase in the term loans which was due to additional transfers which were obtained from financial institutions.

As of 31 December 2008, the Company had the following credit facilities from several financial institutions:

Table 9.24 Credit Facilities (SAR thousands)

Type of Credit	Credit Ceiling	Used as of 31 December 2008
Short Term	186,000	53,350
Long Term Loans:		
Current Accruals for long term loans		188,328
Long term loans less current accruals	787,420	396,168
TOTAL	973,420	637,846

Source: the Company

The short term loans have been obtained for the purpose of meeting the requirements of the Company. These facilities are interest bearing at the trade rates and they are guaranteed against the assignment/transfer of certain contract proceeds, overall assets of the Company, order notes and personal guarantees of the partners. The management of the Company is committed to pay all loans owed by the Company from cash proceeds of operating activities.

Table 9.25 Long Term Loans (SAR thousands)

	Loans secured against project progress & personal guarantees	Loans secured by personal guarantees	TOTAL
Outstanding	460,461	177,385	637,846
Limit	776,535	220,653	997,188

Source: the Company

The long term loans comprise of project financing loans, revolving loans and other term loans. The project financing loans are guaranteed by the assignment/transfer of certain contract proceeds, overall assets of the Company, order notes and personal guarantees of the partners. The long term loans are settled in monthly, quarterly and semi-annually fixed payments. The maturity of the last payment shall be in 2011. These loans are interest bearing at the trade rates. The Company should comply with certain conditions under the contract agreements, which the Company was bound to as of 31 December 2008.

The loan presented by a related party constitutes the financing provided by Al-Khodari for International Contracting Group Company –Kuwait. This loan is not interest bearing and there is no specific time for settlement of this loan.

9.5.6 Shareholders' Equity

Table 9.26 Shareholders' Equity (SAR thousands)

	Year Ended on 31 December		
	2006	2007	2008
Capital	10,000	10,000	300,000
Shareholders' current accounts	82,069	92,006	-
Retained earnings	48,158	215,117	47,745
Total	140,227	317,123	347,745

Source: Proforma Audited Financial Statements of the Company

As of 31 December 2008, the registered capital amounted to SAR 10 million divided into 1,000,000 shares with the value of SAR 10 per share.

On 30 September 2008, the shareholders resolved to convert the Company into a limited liability company and to increase the capital from SAR 10 million to SAR 300 million by using SAR 290 millions of the retained earnings. The legal formalities regarding the increase in the Company's capital have been completed on 11 May 2009.

The shareholders' current account constitutes the personal withdrawals and deposits of the shareholders and the transfer from the retained earnings to such account in the form of dividend distributions. In 2008, the Company decided to pay the total balance of such account and to clear it in 2009 in compliance with certain loan agreements. Therefore, the shareholders' current account has been included in 2008 under the current liabilities. This account has been settled in 2009.

9.6 Cash Flow Position

The table below summarizes the cash flows statements for the years ended 31 December 2006, 2007 and 2008:

Table 9.27 Cash Flows (SAR thousands)

	Year Ended on 31 December		
	2006	2007	2008
Cash Flows from (used in) operating activities	136,369	395,841	73,768
Cash Flows from (used in) investing activities	(238,093)	(346,270)	(73,610)
Cash Flows from (used in) financing activities	116,366	146	(57,075)
Net change in cash and bank balances	14,642	49,717	(56,917)
Cash and equivalent , 1 January	25,959	40,601	90,318
Cash and equivalent , 31 December	40,601	90,318	33,401

Source: Pro forma Audited Financial Statements of the Company

9.6.1 Cash Flows from Operating Activities

Table 9.28 Cash Flows from Operating Activities (SAR thousands)

	Year Ended on 31 December				
	2006	2007		2008	
	Value	Value	Growth%	Value	Growth%
Income before Zakat	52,440	233,201	344.7	246,186	5.6
Provision for unforeseeable losses	(13,330)	(9,790)	(26.6)	(17,267)	76.4
Omission of advances for investment in joint project	-	32	-	-	-
Depreciation	87,656	125,592	43.3	138,458	10.2
Employees' terminal benefits	1,970	2,653	34.7	2,013	24.1
Commission income	(393)	(690)	75.6	(1,860)	99.7
Financial charges	28,042	45,073	60.7	33,712	25.2
Net changes in the working capital	(20,016)	(230)	1,049.1	(327,474)	42.4
Cash Flows from operating activities	136,369	395,841	190.3	73,768	81.4

Source: Pro forma Audited Financial Statements of the Company

The cash from operating activities is the main source for financing the Company's growth, dividend distribution and capital expenses.

In 2007, the net cash flows from operating activities decreased to SAR 73.8 million from SAR 395.8 million. The decrease in cash flows from operating activities in 2008 was due to the increase in the accounts receivable by an amount of SAR 134.5 millions, increase in the "works executed in excess of the billings" by an amount of SAR 69.7 millions, increase in the accounts payable by an amount of SAR 24.3 million and decrease of the "billings in excess of the value of work executed" by an amount of SAR 61.6 million.

The net cash flows from operating activities increased from SAR 136.4 million in 2006 to SAR 395.8 million in 2007. The significant increase in the contract revenues in 2007 occurred with the increase of net income and the decrease of the number of the debit days which caused a low working capital.

9.6.2 Cash Flows from Investing Activities

Table 9.29 Cash Flows from Investing Activities (SAR thousands)

	Year Ended on 31 December		
	2006	2007	2008
Purchase of equipment and vehicles	(276,141)	(378,333)	(123,362)
Equipment and vehicles transferred to disposals	37,567	31,373	54,836
Dividends received from an associate company	-	-	2,250
Investment in associate company	-	-	(250)
Proceeds from disposal of an affiliated company	120	-	-
Advances against investments in joint projects	(32)	-	-
Commission income	393	690	1,860
Mobilization costs incurred	-	-	(8,944)
Cash Flows from investing activities	(238,093)	(346,270)	(73,610)

Source: Pro forma Audited Financial Statements of the Company

The capital expenses are essential for the Company in order to achieve a substantial increase in the value and magnitude of the contract, which in turn requires more equipment and vehicles for the execution of these projects. Therefore, the Company purchased property, equipment and vehicles in the amounts of SAR 123.4 million, SAR 378.3 million and SAR 276.1 million during 2008, 2007 and 2006 respectively in order to support the business activities.

The dividends received from an associate company constitute dividends received from KAREENA Arabia for Industrial Chimneys Ltd Co.

The investment in associate company constitutes an investment that is reflected in the equity of Abdullah A. M. Al-Khodari Sons & Hertel Industrial Services Company. This investment was closed in 2007.

The commission income comprises mainly of commissions that have been charged to associate companies against short term financing. The proceeds from disposal of an affiliated company amounted to SAR 0.12 million which constitute the amounts invested in insurance commissions that have been written off in 2006.

9.6.3 Cash Flows from Financing Activities

Table 9.30 Cash Flows from Financing Activities (SAR thousands)

	Year Ended on 31 December		
	2006	2007	2008
Received from short and long term loans	122,923	76,448	55,387
Advances from clients- non-current portion	26,240	(26,240)	-
Movement in shareholders' current accounts	(525)	(20,726)	(102,462)
Movement in the loan from related party	(12,272)	-	-
Dividends paid	(20,000)	(29,336)	(10,000)
Cash Flows from investing activities	116,366	146	(57,075)

Source: Pro forma Audited Financial Statements of the Company

In 2008, the cash flows from financing activities decreased from SAR 145,950 in 2007 to a minus balance of SAR 57.1 million due to payment of dividends in the amount of SAR 10 million and the net movement in shareholders' current accounts in the amount of SAR 102.5 million. An amount of SAR 91.8 million represents a payment to the shareholders' current accounts, and the remaining amount of SAR 10.3 million constitute the withdrawals during the year. On the other hand, the Company received amounts of short and long term loans of SAR 55.4 million in 2008 compared to SAR 76.4 million in 2007.

In 2006, the cash flows from financing activities decreased from SAR 116.4 to SAR 145.950 million in 2007 million due to payment of dividends in the amount of SAR 29.3 million and settlement of the shareholders' current accounts in the amount of SAR 20.7 million in 2007. The Company received amounts of short and long term loans of SAR 76.4 million in 2007 compared to SAR 122.9 million in 2006.

9.7 Other Items

9.7.1 Related Parties Transactions

Table 9.31 Nature of transactions with related parties (SAR thousands)

	Year Ended on 31 December		
	2006	2007	2008
Insurance	279	6,349	2,614
Bonus	4,082	10,393	12,666
Commission recharged	-	-	(1,860)

Source: Pro forma Audited Financial Statements of the Company

These transactions constitute the related parties transactions which are the affiliated companies, associate companies, managing shareholders, the senior management and the companies which are the primary owner. The Company's management approves the pricing policies and terms of these transactions, while voting on all contracts with related parties takes place in the ordinary general assembly of the Company following offering process according to Article 18 of the Corporate Governance Law issued by the Capital Market Authority, and such approval is renewed annually.

The insurance item constitutes insurance on transactions with associate companies operating in the field of insurance.

The bonuses constitute the amounts paid to the senior management. These transactions are deemed ordinary activities of the Company.

9.7.2 Commitments

The Company has commitments in the form of documentary letters of credits and letters of guarantees that include tenders bonds, advance payment guarantee, and performance guarantee as of 31 December 2006, 2007, 2008.

Table 9.32 Commitments and Obligations (SAR thousands)

	Year Ended on 31 December		
	2006	2007	2008
Documentary letters of credit	267	10,178	30,815
Letter of Guarantees	463,874	587,262	898,248

Source: the Company

Table 9.33 Details of Guarantees (SAR thousands)

Beneficiary	Type of Guarantee					Paid by:
	Performance	payment	Advance payment	Bid	Total	
Government	10,324	-	35,904	46,095	92,323	Saudi Hollandi Bank
Government	34,887	39,295	19,997	94,256	188,435	SAMBA Financial Group
Government	134,333	128	51,819	168,390	354,669	Riyad Bank
Government	35,921	-	62,665	61,940	160,526	National Commercial Bank
Government	17,012	-	-	52,900	69,912	Banque Saudi Fransi
Government	15,465	-	5,763	-	21,228	Gulf International Bank
Companies	5,190	1,310	2,379	500	9,379	SAMBA Financial Group
Companies	-	1,100	-	-	1,100	Riyad Bank
Companies	256	420	-	-	676	Banque Saudi Fransi
	253,388	42,253	178,527	424,081	898,248	

9.7.3 Derivative Financial Instruments

The Company monitors the market commission rates and the financing costs for managing the risks associated with commission rates on these loans on a periodic basis. Furthermore, the Company evaluates possible hedging methods against any variability in commission rates. In 2004, the Company has entered into a Commission Rate Cap with a commercial bank, whereby the Company agreed to the variation in the exchange rates between the fixed and variable currencies and that accounted with reference to an agreed amount of SAR 50 million. The Commission Rate Cap commences on 7 August 2006 with the expiry date of 8 August 2009. This Commission Rate Cap requires the Company to pay a fixed rate of commission averaging 4% in exchange for floating rate commission payments based on the Saudi Inter Bank Offer rates (SIBOR).

9.8 Discussion and Analysis of the Financial Condition and Results of Operations of the Company for the years ended 31 December 2008 and 2009

The discussions and analysis of the financial condition and results of operations for the years ended 31 December 2008 and 2009 are based upon the audited financial statements as at and for the year ended 31 December 2009, which are compared with the audited financial statements as at and for the year ended 31 December 2008 and the notes thereto, which have been audited by Ernest & Young.

9.8.1 Results of Operations

The following table summarizes the audited income statements for the years ended 31 December 2008 and 2009.

Table 9.34 Annual Statement of Income (SAR thousands)

	2008		2009		
	Value	% of Revenue	Value	% of Revenue	Growth %
Contract & trading revenues	1,159,116	100.00	1,048,083	100.00	(9.58)
Direct costs	(823,895)	(71.08)	(749,009)	(71.46)	(9.09)
GROSS PROFIT	335,221	28.92	299,074	28.54	(10.78)
Selling & marketing expenses	(13,180)	(1.14)	(13,093)	(1.25)	(0.66)
General & administrative expenses	(48,115)	(4.15)	(49,574)	(4.73)	3.03
INCOME FROM MAIN OPERATIONS	273,926	23.63	236,407	22.56	(13.70)
Other income	5,972	0.52	7,321	0.70	22.59
Financial charges	(33,712)	(2.91)	(20,887)	(1.99)	(38.04)
INCOME BEFORE ZAKAT	246,186	21.24	222,841	21.26	(9.48)
Zakat	(6,524)	(0.56)	(5,791)	(0.55)	(11.24)
NET INCOME FOR THE PERIOD	239,662	20.68	217,050	20.71	(9.43)

Source: Audited Financial Statements of the Company

Revenues

The following table details the revenues for the years ended 31 December 2008 and 2009.

Table 9.35 Revenues (SAR thousands)

	2008		2009		
	Value	% of the total	Value	% of the total	Growth %
Contracting works revenues	1,062,164	91.64	913,506	87.16	(14.00)
Trading activities revenues	96,952	8.36	134,577	12.84	38.81
TOTAL REVENUES	1,159,116	100	1,048,083	100	(9.58)

Source: Audited Financial Statements of the Company

Contracting Works Revenues:

The Company's revenues dropped at the rate of 9.58% from SAR 1.159 millions in 2008 to SAR 1.048 in 2009. This decrease in contracting works revenues is attributed to delayed award of some projects in 2009, the matter that had an impact on the profits of that year. The main reason for that was the delay in awarding the projects in 2009 compared with projects in 2008. The duration of award of some 2009 projects extended to seven to eight months, which is a five month longer than the average award period of two to three months.

The Company earned contract revenues mainly from the following sectors:

Table 9.36 Detailed Revenues from Sectors (in SAR '000)

	2008		2009		
	Value	% of the total	Value	% of the total	Growth%
Road & bridges construction & site development	625,985	58.93	397,977	43.57	(36.42)
Buildings construction	68,304	6.43	203,360	22.26	197.73
Repair and maintenance projects	70,716	6.66	96,752	10.59	36.82
City cleaning and waste collection	62,017	5.84	90,683	9.93	46.22
Infrastructure projects	207,544	19.54	67,601	7.40	(67.43)
Electrical works	27,598	2.60	57,133	6.25	107.02
Total	1,062,164	100	913,506	100	(14.00)

Source: the Company

As shown above, the Company's contracting revenues have been earned from diversified activities, and it does not exclusively depend on certain sector or activity. However, the major part of contracting revenues in 2009 is derived from the road and bridges construction and site development at a percentage of 43.57% of the total contracting revenues (58.93% in 2008). The buildings construction came in the second place in terms of volume of revenues in 2009 at a percentage of 22.26% of the total contracting revenues, unlike the preceding year where the infrastructure projects sector was in the second place at a percentage of 19.54% of the total contracting revenues. As reflected in the table above, the Company has achieved a growth in all sectors excluding the road and bridges construction and site development and the infrastructure projects sectors. This was due to the government spending policy where the spending needs of the government vary from one year to another, and also due to decisions of the management to involve in projects and sectors and exclude others based on the income diversification policy and increasing the profit margin.

In 2009, the total revenue from the road and bridges construction and site development dropped at the rate of 36.42% to SAR 398 million so that it constituted 43.57% of the contracting revenues, while such revenue totaled SAR 626 millions which constituted 58.93% of the total revenues from contracting in 2008.

In parallel with that, the infrastructure projects revenues dropped at the rate of 67.43% from SAR 207.5 million in 2008 (19.54% of the total contracting profits for the year) to SAR 67.6 million in 2009 (7.4% of the total contracting profits for the year) i.e. a decrease of SAR 140 million.

On the other hand, profits from the repair and maintenance projects increased at the rate of 36.82% from SAR 70.7 million in 2008 (6.66% of the total contracting profits for the year) to SAR 96.8 million in 2009 (10.59% of the total contracting profits for the year).

The buildings construction works witnessed a major upsurge during 2009, and the profit yields of this sector increased at the rate of 197.73%, which constitutes an increase of SAR 135 million over the same profits recorded in 2008, and it became to comprise 22.26% of the total profits from contracting works of the Company for 2009.

The Company's profits from the city cleaning and waste collection and electrical works projects increased in 2009 compared to 2008, at the rates of 46.22% and 107.02% respectively.

It is noteworthy that most of the revenues are related to works completed in favor of various government entities for infrastructure development and other activities.

Trading Activities:

The trading activities revenues constitute the proceeds of sales of disposed equipment and vehicles. These assets represent fixed assets purchased by the Company for the normal operations and certain contract activities and then sold when contracts expired. The management shows the disposed assets as a main activity of the Company, and arranges for two auctions every year to dispose the assets. The auctions are managed by an experienced third party. The Company places to auction: the assets that were used to the maximum life expectancy of production, the assets that are in an unserviceable condition, the assets which have no more roles in the projects, or the assets that shall not be used in the near future. In 2009, the revenues from trading activities increased to reach SAR 135 million compared to SAR 97 million in 2008, and this constitutes a 38.81% increase due to turnover of several projects in 2009, the matter that caused unused assets to become available, which are expedient for the purpose of auctioning the equipment and vehicles that have been used in such completed projects.

Direct Costs

Table 9.37 Direct Costs (SAR thousands)

	2008		2009		
	Value	% of the total	Value	% of the total	Growth%
Contracting Activities Costs	769,894	93.45	676,432	90.31	(12.14)
Trading Activities Costs	54,001	6.55	72,577	9.69	34.40
Total Direct Costs	823,895	100	749,009	100	(9.09)

Source: Audited Financial Statements of the Company

During 2008, the direct costs dropped at the rate of 12.14% from SAR 770 millions to SAR 676 million in 2009 due to the decrease in the contracting activities at the rate of 14% in 2009. This decrease is deemed lesser if compared to the drop in the contracting activities revenue due to change in the new contracts profit margin and the profit margin of the initial phases of the 2009 contracts where such margin is not usually high.

Gross Profit Margin

The following table details the gross profit margin for the years ended 31 December 2008 and 2009.

Table 9.38 Gross Profit Margin (SAR thousands)

	2008		2009		
	Value	% of the total	Value	% of the total	Growth%
Gross Profit from Contracting Works	292,269	87.19	237,074	79.27	(18.88)
Gross Profit from Trading Activities	42,951	12.81	62,00	20.73	44.35
Total	335,220	100	299,074	100	10.78
Gross Profit Margin	28.92%		28.54%		

Source: Audited Financial Statements of the Company

The gross profit margin dropped from 28.92% in 2008 to 28.54% in 2009, and this is attributed primarily to the slight diminution in the contracting activities of the Company due to delayed in award of some projects, the matter that caused to have the initial phases of many projects be executed in 2009, during which the profit margin is normally less than that in the other phases.

Selling and Marketing Expenses

Table 9.39 Selling and Marketing Expenses (SAR thousands)

	2008	2009	
	Value	Value	Growth%
Tenders Costs	6,818	5,428	(20.39)
Doubtful/bad debts provision	4,900	5,386	9.92
Publicity	1,262	1,232	(2.38)
Others	200	1,047	423.50
Total	13,180	13,093	(0.66)

Source: Audited Financial Statements of the Company

During 2009, the Company maintained the same level of selling and marketing expenses as the case was in 2008, although it recorded a slight diminution of SAR 87,000. With respect to these expenses details, the tenders' costs dropped about 20.39%. These costs constitute the charges paid in the course of the process of the tenders for all contracts. These expenses decreased in 2009 due to the decrease in the number of tenders compared to 2008, while the doubtful debts provision increased around 9.92% based on the belief of the management that it is imperative to comply with its conservative policy in evaluation of the receivables when collection of debts is delayed. The Company's management does not believe that any of such receivables should be written off.

Administrative and General Expenses

Table 9.40 Administrative and General Expenses (SAR thousands)

	2008	2009	
	Value	Value	Growth%
Employees Costs	29,579	28,697	(2.98)
Depreciation	2,090	2,369	13.35
Remunerations/bonuses	1,143	2,706	136.75
Professional fees	2,957	1,730	(41.49)
Others miscellaneous expenses	12,346	14,072	13.98
Total Profits	48,115	49,574	3.03

Source: Audited Financial Statements of the Company

The administrative and general expenses increased by SAR 1.5 million in 2009 compared to those in 2008 due to several reasons particularly: 1) increase in the bonuses by an amount of SAR 1,5 million as an incentive and award for the Company's employees for the good results achieved during the year, 2) increase in the miscellaneous expenses by SAR 1,7 million due to increase in the Company's donations for the charitable foundations and scholarships as well as the activities of the Chamber of Commerce, 3) the professional fees expense decreased by SAR 1.2 million which the Company has incurred in 2008, and are related to the preparation for the public offering of the Company's shares.

Other Revenues

The other revenues comprise mainly of scrap material sales and lease of scaffolding materials and others. The other revenues amounted to SAR 7.3 million in 2009 compared to SAR 5.9 million in 2008.

Financial Expenses

The financial expenses amounted to SAR 20.9 million in 2009 compared to SAR 33.7 million in 2008, i.e. an improvement in the amount of SAR 12.8 million. These expenses constitute banking commissions on overdrafts, short term loans, revolving loans, loans for project financing, other term loans, letters of guarantees and documentary letters of credits. The decrease in the financial expenses was due to the decrease in the banking commission rates that occurred in 2009.

Zakat

The Zakat is governed by the regulations of the Department of Zakat and Income Tax in Saudi Arabia. The Company is owned by Saudi partners and it is assessable to Zakat at the rate of 2.5% of the basis of assessment of Zakat or the adjusted net profit, whichever is greater. The Zakat is recorded on the basis of payability and is charged to the statement of income. The additional amounts, if any, which become due when Zakat assessments are completed, shall be recorded in the year during which assessment was completed.

The Zakat assessments of the Company with the Department of Zakat and Income Tax have been completed up to the year ended in 31 December 2004. The Zakat assessments for the years 2005 to 2008 are still under examination by the Department of Zakat and Income Tax as of 31 December 2009. However, the Company submitted the Zakat assessments to the Department of Zakat and Income Tax and obtained the required certificates.

The Company concluded an agreement with Abdullah A. M. Al-Khodari Sons Investment Holding Company whereby the latter agreed to pay, on behalf of Abdullah Al-Khodari Sons Company, to the Zakat & Income Tax Department any Zakat amounts that the said Department decides their payability for the years 2005 to 2009 and otherwise related to the period that precedes the Offering. Abdullah A. M. Al-Khodari Sons Investment Holding Company also agreed to compensate Abdullah Al-Khodari Sons Company against its Zakat obligation with respect to the period that precedes the Initial Public Offering.

In case the Zakat Department decides, following settlement of the Zakat obligation of Abdullah Al-Khodari Sons Company related to the period that precedes the Initial Public Offering, that Abdullah Al-Khodari Sons Company has paid amounts in excess of the Zakat entitlements, and the Zakat Department returned the excess amount to Abdullah Al-Khodari Sons Company, the agreement provides that Abdullah Al-Khodari Sons Company shall transfer to Abdullah A. M. Al-Khodari Sons Investment Holding Company any amounts refunded by the Zakat Department.

Net Profit

Table 9.41 Net Profit (SAR thousands)

	2008		Year Ended on 31 December 2009		
	Value	% of the total	Value	% of the total	Growth%
Net Profit from Contracting Works	196,710	82.08	155,051	71.44	(21.18)
Net Profit from Trading Activities	42,951	17.92	62,000	28.56	44.35
Total Net Profits	239,661	100	217,051	100	(9.43)
Net Profit Margin	20.68%		20.71%		

Source: Audited Financial Statements of the Company

The net income dropped at the rate of 9.43% in 2009 compared to that in 2008. This is due to the decrease of the net profit of the projects at the rate of 21.18% due to diminution of the Company's contracting activities as a result of delayed award of some projects, the matter that caused the initial phases of many projects be executed in 2009, during which the profit margin is normally less than that in the later phases. The Company maintained the level of administrative and marketing expenses and other revenues which are usually invariable, but on the other hand, the trade activity net profit increased at the rate of 44.35%, thus recorded an increase of SAR 19 million. As a final resultant of the net profits, the Company maintained a new net profit margin and recorded a margin rate of 20.71 % in 2009, despite the decrease in the net profit from contracting.

9.8.2 Financial Position

The table below summarizes the audited balance sheet statement for the years ended 31 December 2008 and 2009:

Table 9.42 Audited Balance Sheet Statement (SAR thousands)

	2008		2009		
	Value	% of the total	Value	% of the total	Growth%
Assets					
Current Assets					
Bank balances and cash	33,401	2.49	32,610	2.25	(2.37)
Amounts due from related parties	36,585	2.73	39,318	2.71	7.47
Accounts receivables and prepayments	437,837	32.67	534,061	36.84	21.98
Value of work executed in excess of billings	157,384	11.74	299,492	20.66	90.29
Inventories	26,696	1.99	19,695	1.36	(26.22)
Assets held for sale	6,973	0.52	11,734	0.81	68.28
TOTAL Current Assets	698,876	52.15	936,910	64.63	34.06
Non-Current Assets					
Property, equipment and vehicles	628,021	46.87	501,562	34.60	(20.14)
Investments in subsidiaries	4,209	0.31	4,209	0.29	0.00
Mobilization costs	8,945	0.67	7,075	0.49	(20.91)
Total Non-Current Assets	641,175	47.85	512,845	35.37	(20.01)
Total Assets	1,340,051	100	1,449,756	100	8.19
Liabilities and Shareholder's Equity					
Current liabilities					
Current portions of term loans	188,328	14.05	120,127	8.29	(36.21)
Short term loans	53,350	3.98	32,324	2.32	(39.41)
Provision for foreseeable losses	12,951	0.97	14	0.00	(99.89)
Provision for Zakat	6,142	0.46	5,200	0.36	(15.34)
Amounts due to related parties	25,638	1.91	2,699	0.19	(89.47)
Accounts payable and accruals	175,115	13.07	248,285	17.13	41.78
Billings in excess of the value of work executed					
Shareholders' current accounts	8,852	0.66	1,263	0.09	(85.72)
Dividends payable	48,577	3.63	-	-	(100)
	50,000	3.73	-	-	(100)
Total Current Liabilities	568,953	42.46	409,912	28.27	(27.95)
Non-Current Liabilities					
Term loans	396,168	29.56	502,658	34.67	26.88
Employees' terminal benefits	23,435	1.75	27,140	1.87	15.81
Loans from an affiliate	3,750	0.28	3,750	0.26	-
Total Non-Current Liabilities	423,353	31.59	533,548	36.80	26.03
Shareholders' Equity					
Capital	300,00	22.39	400,000	27.59	33.33
Retained earnings	47,745	3.56	773	0.05	(98.38)
Statutory Reserve	-	-	10,522	0.73	-
Proposed dividends	-	-	95,000	6.55	-
Total Shareholders' Equity	347,745	25.95	506,295	34.92	45.59
Total liabilities and Shareholders' Equity	1,340,051	100	1,449,756	100	8.19

Source: Audited Financial Statements of the Company

Current Assets

The table below summarizes the current assets in possession of the Company for the years ended 31 December 2008 and 2009:

Table 9.43 Current Assets (SAR thousands)

	Year Ended on 31 December		
	2008	2009	
	Value	Value	Growth%
Bank balances and cash	33,401	32,610	(2.37)
Amounts due from related parties	36,585	39,318	7.47
Accounts receivables and prepayments	437,837	534,061	21.98
Value of work executed in excess of billings	157,384	299,492	90.29
Inventories	26,696	19,695	(26.22)
Assets held for sale	6,973	11,734	68.28
TOTAL Current Assets	698,876	936,910	34.06

Source: Audited Financial Statements of the Company

As on 31 December 2009, the current assets increased at the rate of 34.06% to SAR 936.9 million compared to SAR 698.9 millions as on 31 December 2008. This is mainly due to the increase in the value of works executed in excess of billings as well as the accounts receivables and prepayments. The inventories balance decreased at the rate of 26.22% i.e. SAR 7 million, and this is related to the materials inventories at the work sites, which have been consumed to meet the work requirements. There was also a slight diminution in the bank balances and cash at a rate of 2.37%.

The value of assets held for sale increased by SAR 4.7 million as a result of availability of used equipment from previous projects and such equipment are currently not useful, therefore, they have been classified for sale on auction in the near future.

The value of work executed but not billed increased to SAR 299.5 million as on 31 December 2009 compared to SAR 157.4 million as on 31 December 2008. This increase was due to the increase in works executed but not billed for the clients. The Company, as the case with the other contracting companies, must perform the billing process through several stages including auditing, inspection and approval by the consultants before the Company submits the bills to its clients.

As on 31 December 2008 and 2009, the balance of the accounts receivables and prepayments comprise of the following:

Table 9.44 Accounts Receivables and Prepayments (SAR thousands)

	2008		2009		
	Value	% of the total	Value	% of the total	Growth%
Receivables	300,900	68.7	373,237	69.9	24.0
Retained amounts, receivable	54,978	12.6	73,819	13.8	34.3
Advances to suppliers & subcontractors	23,575	5.4	56,844	10.6	141.1
Prepaid expenses	16,269	3.7	14,943	2.8	(8.2)
Loans to employees	1,484	0.3	3,053	0.6	105.7
Cash margins against letters of guarantees	31,062	7.1	2,761	0.5	(91.1)
Other receivables/debit	9,569	2.2	9,404	1.08	(1.7)
Total	437,837	100	534,061	100	22.0

Source: Audited Financial Statements of the Company

As on 31 December 2009, the balance of the accounts receivables and prepayments recorded an increase at the rate of 22% in the amount of SAR 96.2 million over the balance that was on 31 December 2008. This is mainly due to the increase in the receivables in the amount of SAR 72.3 million (24% higher than the previous year). The balance of the receivable retentions and the balance of the advances to suppliers and subcontractors increased in the amount of SAR 18.8 million (34.3%) and SAR 33.3 million (141.1%) respectively, over that balances that were recorded at the end of the previous year. The former balance constitutes the amounts retained by the Company's clients as a percentage of the value of the submitted bills according to the contract for 12 months from the date of the initial turnover of the project, and this percentage is normally 10%. This

balance is related to the bills and projects that are turned over. On the other hand, the Company enters contracts with suppliers and subcontractors, and the Company advances a percentage of the value of contracts to those suppliers and subcontractors, and this constitutes the latter balance. The reason for the increase in this balance was that new contracts were signed and they were undergoing implementation in late 2009.

On 31 December 2008, the balance of cash margins against letters of guarantees was higher than that balance at the end of 2009, and that was because the Company paid margins for certain guarantees at the rate of 100% in 2008. Therefore, such balance dropped at the end of 2009.

The receivables as of 31 December 2008 and 2009 were related to the following clients:

Table 9.45 **Main Receivables (SAR '000)**

	2008		2009	
	Value	% of the total	Value	% of the total
Royal Commission for Jubail and Yanbu	55,284	18.4	77,128	20.7
Ministry of Finance	29,947	10.0	55,035	14.7
Ministry of Interior	75,398	25.1	54,189	14.5
Ministry of Municipal & Rural Affairs	16,198	5.4	42,642	11.4
Ministry of Transport	16,590	5.5	38,180	10.2
Ministry of Higher Education	35,659	11.9	20,788	5.6
Ministry of Water & Electricity	-	-	4,976	1.3
Others	71,824	23.9	80,299	21.5
Total	300,900	100	373,237	100

Source: the Company

The majority of the business of the Company is executed with government entities. The largest five balances constitute 71.6% of the receivable balance as of 31 December 2009 (65% in 2008). The management believes that no amount shall be uncollectable from these government entities. However, the management believes that a provision shall be recorded in the Company's books for any uncollectable debts.

As of 31 December 2008 and 2009, the amounts due from related parties were as follows:

Table 9.46 **Amounts Due from Related Parties (SAR '000)**

	Year Ended on 31 December	
	2008	2009
MACE Saudi Arabia Company Ltd.	2,500	79
Cumberland Insurance and Re-insurance Ltd (Bahrain)	3,885	-
Abdullah A. M. Al Khodari & Hertel Industrial Services Ltd.	8,248	-
Hamon D'Hondt Middle East Limited	5,270	-
Al Khodari Sons & LV Shipping Logistics Ltd	2,253	-
Abdullah A. M. Al Khodari Sons Investment Holding Co.	3,010	27,198
Al Khodari & Sons Co.	69	362
Others	11,350	11,679
Total	36,585	39,318

Source: the Company

The Company carried out transactions with related parties during the course of its activities. The largest balance among such parties was an amount of SAR 27.2 with Abdullah A. M. Al Khodari Sons Investment Holding Co., which is a shareholder of 85.71% in the Company. During the second quarter of 2010, the said shareholder will pay the majority of the amount they owe. The pricing policies and terms of these transactions have been approved by the Company's management.

Non- Current Assets

Table 9.47 Non- Current Assets (SAR thousands)

Year Ended on 31 December			
	2008	2009	
	Value	Value	Growth %
Property, Equipment and Vehicles	628,021	501,562	(20.14)
Investments in Subsidiaries	4,209	4,209	-
Mobilization Costs	8,945	7,075	(20.91)
Non-Current Assets	641,175	512,845	(20.01)

Source: Audited Financial Statements of the Company

As on 31 December 2009, the property, equipment and vehicles balanced increased in an amount of SAR 126.5 compared to that on 31 December 2008, due to the diminution in the additions (SAR 59.1 million in 2009 compared to SAR 123.4 million in 2008) as a result of the delay in award of certain major contracts in 2009, and due to the nature of 2008 contracts, the majority of which were for the road and bridge construction sector that require more equipment and vehicles than other sectors. Additionally, more assets were disposed in 2009 than those in 2008 (SAR 67.2 millions in 2009 compared to SAR 54.8 million in 2008), because some projects were completed in 2009 for which the Company has used machineries and equipment which are no longer needed, such as roads and bridges construction projects. The mobilization costs for execution of projects constitute the expenses paid for preparation of commencement of major and long term contracting projects which shall be executed in the near future. These costs shall be amortized throughout the terms of the contracts related thereto.

The following table summarizes the movements of the property, equipment and vehicles of the Company during the year 2009:

Table 9.48 Property, Equipment and Vehicles (in SAR '000)

	Buildings, Porta-Cabins & Hangars	Machineries, Equipment & Tools	Vehicles	Office Equipment & Furniture	Capital Works Undergoing	Total
Cost						
1 January 2009	33,474	544,178	424,873	34,621	39,850	1,076,997
Additions	471	22,537	5,863	1,119	29,152	59,142
Disposals	(68)	(98,448)	(80,899)	(253)	-	(179,669)
Transfers	1,543	26,250	14,668	540	(43,000)	-
31 December 2009	35,420	494,517	364,504	36,027	26,001	956,470
Depreciations						
1 January 2009	22,875	199,620	200,558	25,923	-	448,976
Charged for the year	2,980	58,757	48,947	2,919	-	113,602
Disposals	-	(49,616)	(58,054)	-	-	(107,669)
31 December 2009	25,855	208,761	191,450	28,842	-	454,908
Net Book Value						
31 December 2009	9,565	285,756	173,054	7,185	26,001	501,562
31 December 2008	10,598	344,560	224,315	8,698	39,850	628,021

Source: Audited Financial Statements of the Company

The repair and maintenance expenses are charged to the income, and the improvements that shall materially increase the value of the respective assets or shall extend their life shall be capitalized. The estimated lives of such assets which are used for the purpose of calculating the depreciation are as follows:

Table 9.49 Depreciation Rates

	Year Ended on 31 December	
	2008	2009
Buildings, Porta-Cabins & Hangars	4-20 years	4-20 years
Machineries, Equipment & Tools	4-10 years	4-10 years
Vehicles	4-6.67 years	4-6.67 years
Office Equipment & Furniture	4-6.67 years	4-6.67 years

Source: Audited Financial Statements of the Company

Investments

Table 9.50 Investments (SAR thousands)

	Year Ended on 31 December	
	2008	2009
Al Khodari for International Company LLC – Abu Dhabi	153	153
Al Khodari for International Contracting LLC – Dubai	306	306
Al Khodari for International Contracting Group Company LLC -Kuwait	3,750	3,750
Balance at the end of the year	4,209	4,209

Source: Audited Financial Statements of the Company

The Company owns 100% of the above-mentioned companies, which are registered in Dubai, Abu Dhabi and Kuwait. These companies are licensed to execute contracts in UAE and Kuwait. The investment amount did not change during 2008-2009. These affiliated companies are not consolidated in the financial statements as they are not considered substantial with respect to the financial statements, and specifically the two companies registered in UAE have not yet practiced any trade activities. The investments in the affiliated companies are calculated by means of shareholding equity.

Current Liabilities

Table 9.51 Current Liabilities (SAR thousands)

	Year Ended on 31 December		
	2008	2009	
	Value	Value	Growth%
Current portion of term loans	188,328	120,127	(36.21)
Short term loans	53,350	32,324	(39.41)
Provision for foreseeable losses	12,951	14	(99.89)
Provision for Zakat	6,142	5,200	(15.34)
Amounts due to related parties	25,638	2,699	(89.47)
Accounts payable and accruals	175,115	248,285	41.78
Billings in excess of the value of works executed	8,852	1,264	(85.72)
Shareholders' current accounts	48,577	-	(100)
Dividends payable	50,000	-	(100)
Current Liabilities	568,953	409,913	(27.95)

Source: Audited Financial Statements of the Company

The current liabilities dropped by 27.95% to SAR 409.9 million as on 31 December 2009 compared to SAR 569 million as on 31 December 2008 due to the decrease in all items that constitute this balance, except the accounts payable and accruals which increased by SAR 73.1 million.

The amounts billed in excess of the value of works executed as on the date of the balance sheet statement are classified as "Billings in excess of the value of works executed" under the current liabilities.

Profit is not recognized on a contract until the management believes that the outcome of such contract can be evaluated with reasonable certainty. In the cases of loss making contracts, full provision shall be set aside for the estimated future losses. This provision for the estimated future losses dropped to SAR 14,000 as on 31 December 2009 since no future losses are estimated on that date in execution of the contract entered.

During 2009, the Company paid the credit balance of the shareholders' current accounts in an amount of SAR 48.6 million as on 31 December 2008. During 2008, the partners resolved to pay dividends in the amount of SAR 60 million to the shareholders of the Company. Up to 31 December 2008, an amount of SAR 10 million has already paid and the outstanding amount of SAR 50 million was paid during 2009.

As of 31 December 2008 and 2009, short term loans have been obtained from the following banks:

Table 9.52 Short Term Loans (SAR thousands)

Year Ended on 31 December

Name of the Bank	2008	2009
SAMBA Financial Group	34,048	3,334
Riyadh Bank	-	16,038
Gulf International Bank (Bahrain)	13,505	-
Saudi Hollandi Bank	4,291	9,561
National Commercial bank	-	3,345
Others	1,506	46
TOTAL	53,350	32,324

Source: the Company

All loans have been guaranteed by the assignment/transfer of the proceeds of contracts, order notes and personal guarantees from the partners.

The amounts due to related parties as of 31 December 2008 and 2009 have been as follows:

Table 9.53 Amounts Due to Related Parties (SAR thousands)

Year Ended on 31 December

	2008	2009
Al-Khodari Heavy Industries	24,898	2,076
Others	740	623
TOTAL	25,638	2,699

Source: the Company

The Company entered transactions with related parties as part of its ordinary activity. The management approves the price policies and conditions for such transactions. The balance due to Al-Khodari Heavy Industries dropped from SAR 24.7 million as on 31 December 2008 to SAR 2.1 million as on 31 December 2009, as the factory was responsible for the supply of certain works related to steel installations for the infrastructure projects which were completed in 2009.

The table below summarizes the accounts payable and accruals of the Company at the end of 2009:

Table 9.54 Accounts Payable and Accruals (SAR thousands)

Year Ended on 31 December

	2008	2009	Growth%
Trade Accounts payable	80,375	39,955	(50.3)
Advances from customers	31,070	121,964	292.5
Accrued expenses	54,875	64,789	18.1
Other payables	8,795	21,677	146.5
Total	175,115	248,285	41.8

Source: Audited Financial Statements of the Company

In the end of 2009, the accounts payable and accruals increased in an amount of SAR 73.2 million compared with that in the end of 2008. This increase was mainly caused by the rise of the advances from customers by around SAR 90.1 million due to the new contracts that were signed at the end of 2009. The trade accounts payable dropped by 50.3% as on 31 December 2009 below that recorded at the end of 2008 due to the change in the terms of payment and the allowance period for economic conditions and since a number of the new projects were still in their initial stages. The Company is keen to deal with trustworthy efficient suppliers who have experience, quality and timely delivery.

In the end of 2009, the accrued expenses and the other payables increased by 18.1% and 146.5% respectively over that recorded in 2008, and this is caused by the new contracts signed in 2009 which are still in their initial stages

Working Capital

Table 9.55 Working Capital (SAR thousands)

	Year Ended on 31 December		
	2008	2009	
	value	value	Growth%
Current Assets	698,876	936,910	34.06
Current Liabilities	(568,953)	(409,912)	(27.95)
Working Capital	129,923	526,998	305.62
Current ratio (times)	1.23	2.29	

Source: Audited Financial Statements of the Company

As on 31 December 2009, the working capital amounted to SAR 527 million as against a working capital of SAR 129.9 million as on 31 December 2008.

The main reason for such increase in the working capital was an increase in the current assets as on 31 December 2009 in an amount of SAR 238 millions (i.e. 34.06%) to reach SAR 936.9 million compared to SAR 698.9 million as on 31 December 2008. Such increase was mainly attributed, as shown on Table 9.43, to the increase in the balance of the accounts receivables, prepayments and value of works executed in excess of billings, where they increased by a total of SAR 234.3 million over that in the preceding year. On the other hand, the current liabilities decreased in around SAR 159 million (i.e. 27.95%) below that of the preceding year for several reasons detailed in the notes on Table 9.51.

The members of the Board of Directors and the management of the Company have reviewed the working capital requirements for 12 months following the date of this Prospectus, and they have affirmed that the liquidity shall be available to meet the working capital requirements for this period.

Non- Current Liabilities

Table 9.56 Non-Current Liabilities (SAR thousands)

	Year Ended on 31 December		
	2008	2009	
	Value	Value	Growth%
Term loans	396,168	502,658	26.88
Employees' terminal benefits	23,435	27,140	15.81
Loans from an affiliate	3,750	3,750	-
Non-Current Liabilities	423,353	533,548	26.03

Source: Audited Financial Statements of the Company

The non-current liabilities increased by 26.03% to SAR 533.5 million as on 31 December 2009 compared to SAR 423.4 million as on 31 December 2008. The main reason for such increase was the significant increase in the term loans to meet the requirements of the standing working capital and to finance the future capital expenses of the Company. As on 31 December 2009, the total term loans (current and non-current) comprise of project financing loans (SAR 363,849,065), revolving loans (SAR 132,500,000) and other term loans (SAR 126,436,578). These loans are interest bearing at the trade rates. These term loans are guaranteed by the assignment/transfer of certain contract proceeds, overall assets of the Company, order notes and personal guarantees of the partners.

As of 31 December 2009, the Company had the following credit facilities from several financial institutions:

Table 9.57 Credit Facilities (SAR thousands)

Type of Credit	Credit Ceiling	Used as of 31 December 2008
Short Term	102,560	32,324
Long Term Loans:		
Current Accruals for long term loans	-	120,127
Long term loans less current accruals	661,285	502,659
TOTAL	763,845	655,110

Source: the Company

The short term loans have been obtained for the purpose of meeting the requirements of the Company. These facilities are interest bearing at the trade rates and they are guaranteed against the assignment/transfer of certain contract proceeds, overall assets of the Company, order notes and personal guarantees of the partners. The management of the Company is committed to pay all loans owed by the Company from cash proceeds of operating activities.

Table 9.58 Long Term Loans (SAR thousands)

	Loans secured against project progress & personal guarantees	Loans secured by personal guarantees	TOTAL
Used	508,286	114,500	622,786
Limit	531,285	130,000	661,285

Source: the Company

The long term loans comprise of project financing loans, revolving loans and other term loans. The project financing loans are guaranteed by the assignment/transfer of certain contract proceeds, overall assets of the Company, order notes and personal guarantees of the partners. The long term loans are settled in monthly, quarterly and semi-annually fixed payments. The maturity of the last payment shall fall in 2011. These loans are interest bearing at the trade rates. The Company should comply with certain conditions under the contract agreements, which the Company was bound to as of 31 December 2009.

The loan presented by a related party constitutes the financing provided by Al-Khodari for International Contracting Group Company –Kuwait. This loan is not interest bearing and there is no specific time for settlement of such loan.

9.8.3 Shareholders' Equity

Table 9.59 Shareholders' Equity (SAR thousands)

	Year Ended on 31 December	
	2008	2009
Capital	300,000	400,000
Statutory reserve	-	10,522
Proposed dividends	-	95,000
Retained earnings	47,745	773
Total	347,745	506,295

Source: Audited Financial Statements of the Company

As of 31 December 2008, the registered capital amounted to SAR 300 million divided into 30,000,000 shares with the value of SAR 10 per share.

On 4 November 2009, the shareholders resolved to increase the capital from SAR 300 million to SAR 400 million by capitalization of SAR 11,126,246 from the statutory reserve in addition to SAR 88,873,754 from the retained earnings. The legal formalities regarding increase in the Company's capital have been completed on 18 November 2009.

As of 31 December 2009, the registered capital amounted to SAR 400 million divided into 40,000,000 shares with the value of SAR 10 per share

During 2009 and before increasing the capital from SAR 300 million to SAR 400 million, semi-annual dividends have been paid to the shareholders in an amount of SAR 1.95 per share (total 30 million shares) in a total amount of SAR 58.5 million.

At the end of 2009, the Board of Directors suggested that dividends be paid to the shareholders in the amount of SAR 95 million. Therefore, the said amount was set aside from the proposed dividends account as of 31 December 2009. However, in the second quarter of 2010, an amount of SAR 14,200,000 was reversed from the proposed dividends account to the retained earning account for the purpose of increasing the capital from SAR 400 million to SAR 425 million through capitalization of an amount of SAR 14,477,241 from the retained earnings and an amount of SAR 10,522,759 from the statutory reserve. The foregoing were resolved during the extraordinary general assembly held on 10/7/1431H (corresponding to 22/6/2010G). The legal formalities regarding increase in the Company's capital have been completed on 17/7/1431H (corresponding to 29/6/2010G), thus the proposed dividends balance has become SAR 80,800,000 divided into 40 million shares (number of shares on 31 December 2009), i.e. SAR 2.02 per share.

9.8.4 Liquidity Position

The table below summarizes the cash flows statements for the years ended 31 December 2008 and 2009:

Table 9.60 Cash Flows (SAR thousands)

<i>Year Ended on 31 December</i>			
	2008	2009	
	Value	Value	Change value
Cash Flows from operating activities	73,382	130,593	77.96
Cash Flows from (used in) investing activities	(73,540)	8,429	(111.46)
Cash Flows used in financing activities	(56,758)	(139,813)	146.33
Net change in cash and bank balances	(56,916)	(791)	(98.61)
Cash and equivalent , 1 January	98,557	33,401	(66.11)
Cash transferred as a result of reorganization	(8,240)	-	(100)
Cash and equivalent , 31 December	33,401	32,610	(2.37)

Source: Audited Financial Statements of the Company

Cash Flows from Operating Activities

Table 9.61 Cash Flows from Operating Activities (SAR thousands)

<i>Year Ended on 31 December</i>		
	2008	2009
Income before Zakat	246,186	222,841
Provision for unforeseeable losses	(17,267)	(12,937)
Depreciation	138,458	113,602
Deletion of mobilization expenses	-	1,870
Employees' terminal benefits	2,013	3,705
Commission income	(1,860)	(333)
Financial charges	33,712	20,887
Profits from sale of fixed assets	(70)	-
Net changes in the working capital	(327,790)	(219,042)
Cash Flows from operating activities	73,382	130,593

Source: Audited Financial Statements of the Company

The net cash flows from operating activities increased from SAR 73.4 million in 2008 to SAR 130.6 million in 2009. This increase was due to the improvement in the working capital balances, as they dropped in the amount of SAR 108.7 million less than the succeeding year despite that this improvement was coupled with diminution in the income before Zakat and depreciation in a total of SAR 48.2 million. The working capital improved mainly as result of improvement in the change in balances of the accounts payable, the "billings in excess of the value of work executed and the accounts receivable by an amount of SAR 91.6 million, SAR 54.0 million, and SAR 18.8 million respectively during 2009.

Cash Flows from Investing Activities

Table 9.62 Cash Flows from Investing Activities (SAR thousands)

<i>Year Ended on 31 December</i>		
	2008	2009
	Value	Value
Purchase of equipment and vehicles	(123,362)	(59,142)
Equipment and vehicles transferred to disposals	54,836	67,238
Proceeds from sale of fixed assets	70	-
Dividends received from an associate company	2,250	-
Investment in associate company	(250)	-
Commission income	1,860	333
Mobilization costs incurred	(8,944)	-
Cash Flows from investing activities	(73,540)	8,429

Source: Audited Financial Statements of the Company

For the purpose of supporting the activities of operations, the Company purchased property, equipment and vehicles in the amount of SAR 59.1 million in 2009 compared with the amount of SAR 123.4 million during 2008. Additionally, the Company transferred property, equipment and vehicles of a net book value of SAR 67.2 million (SAR 54.8 million in 2008) into assets held for sale. All of this caused cash earnings from investing activities in the amount of SAR 8.4 million in 2009 as against cash utilization in the amount of SAR 73.5 million in the preceding year.

Cash Flows from Financing Activities

Table 9.63 Cash Flows from Financing Activities (SAR thousands)

<i>Year Ended on 31 December</i>		
	2008	2009
	Value	Value
Movement in short and long term loans	55,387	17,264
Movement in shareholders' current accounts	(102,145)	(48,577)
Dividends paid	(10,000)	(108,500)
Cash Flows from investing activities	(56,758)	(139,813)

Source: Audited Financial Statements of the Company

In 2009, the cash was used to finance the investing activities in the amount of SAR 139.8 million compared to SAR 56.8 million in 2008. The Company paid cash dividends to the shareholders in the amount of SAR 108.5 million (SAR 50 million declared in 2008 and SAR 58.5 million declared in 2009). Additionally, the Company paid the balance of the current account owed to the shareholders in the amount of SAR 48.6 million during the year ended 31 December 2009.

9.8.5 Other Items

Related Parties Transactions

Table 9.64 Nature of Transactions with Related Parties (SAR thousands)

<i>Year Ended on 31 December</i>		
	2008	2009
Insurance	2,614	-
Bonus	12,666	6,603
Commission recharged	(1,860)	(333)

Source: Audited Financial Statements of the Company

These transactions constitute the related parties transactions, which are the affiliated companies, associate companies, managing shareholders, the senior management and the companies which are the primary owners. The Company's management approves the pricing policies and terms of these transactions, while voting on all contracts with related parties takes place in the ordinary general assembly of the Company following offering process according to Article 18 of the Corporate Governance Law issued by the Capital Market Authority, and such approval is renewed annually.

The insurance item constitutes the transactions with one of the associate companies operating in the field of insurance.

The bonuses constitute the amounts paid to the senior management. These transactions are deemed ordinary activities of the Company.

9.8.6 Commitments

The existing commitments that the Company has as of 31 December 2008 and 2009 are expressed below:

Table 9.65 Commitments and Obligations (SAR thousands)

	<i>Year Ended on 31 December</i>	
	2008	2009
Documentary letters of credit	<u>30,815</u>	<u>14,563</u>
Letter of Guarantees	<u>898,248</u>	<u>893,442</u>

Source: the Company

The table below contains details of the guarantees issued as of 31 December 2009:

Table 9.66 Details of Guarantees (SAR thousands)

Beneficiary	Type of Guarantee					Paid by:
	Performance	Payment	Advance Payment	Bid	Total	
Government	11,350	-	27,725	63,478	102,653	Saudi Hollandi Bank
Government	43,750	39,295	12,187	106,686	201,918	SAMBA Financial Group
Government	164,877	-	150,384	88,500	403,761	Riyad Bank
Government	35,584	-	59,011	9,200	103,795	National Commercial Bank
Government	4,550	1,168	14,352	25,200	45,270	Banque Saudi Fransi
Government	15,465	-	1,189	-	16,654	Gulf International Bank
Companies	4,217	854	4,305	2,970	12,346	SAMBA Financial Group
Companies	130	1,350	-	4,050	5,530	Riyad Bank
Companies	-	420	1,095	-	1,515	Banque Saudi Fransi
	279,923	43,087	270,348	300,084	893,442	

Source: The Company

9.8.7 Derivative Financial Instruments

The Company monitors the market commission rates and the financing costs for managing the risks associated with commission rates on these loans on periodic basis. Furthermore, the Company evaluates possible hedging methods against any variability in commission rates. The Company has entered into a contract for swap of the commission rates with a commercial bank which commences on 7 August 2006, whereby the Company shall pay a fixed rate of commission averaging 4% in exchange for floating rate commission payments based on the Saudi Inter Bank Offer rates (SIBOR). The nominal value agreed upon for the contract of swap of commission rates was SAR 50 million as of 31 December 2008. The said contract expired on 8 August 2009.

9.9 Discussion and Analysis of Financial Position and Results of Operations of the Company for the six months ended 30 June 2009 and 2010

9.9.1 Results of Operations

The following table summarizes the audited income statement for the six months ended 30 June 2009 and 2010

Table 9.67 Semi-Annual Statement of Income (SAR thousands)

	2009		2010		
	Value	Revenue%	Value	Revenue%	Growth%
Contract & trading revenues	537,514	100.00	462,160	100.00	(14.02)
Direct Costs	(386,081)	(71.83)	(341,720)	(73.94)	(11.49)
GROSS PROFIT	151,433	28.17	120,440	26.06	(20.47)
Selling & marketing expenses	(6,193)	(1.15)	(5,655)	(1.22)	(8.69)
General & Admin Expenses	(23,618)	(4.40)	(26,753)	(5.79)	13.27
INCOME FROM MAIN OPERATIONS	121,622	22.63	88,033	19.05	(27.62)
Other income	5,088	0.95	9,894	2.14	94.46
Financial charges	(12,613)	(2.35)	(6,231)	(1.35)	(50.60)
INCOME BEFORE ZAKAT	114,097	21.23	91,695	19.84	(19.63)
Zakat	(2,835)	(0.53)	(2,285)	(0.49)	(19.40)
NET INCOME FOR THE PERIOD	111,262	20.70	89,410	19.35	(19.64)

Source: Interim Audited Financial Statements of the Company

Semi- Annual Revenues

The following table details the revenues for the six months ended 31 June 2009 and 2010.

Table 9.68 Semi-Annual Revenues (SAR thousands)

	2009		2010		
	Value	% of total	Value	% of total	Growth%
Contracting works revenues	449,882	83.70	424,060	91.76	(5.74)
Trading activities revenues	87,632	16.30	38,100	8.24	(56.52)
TOTAL REVENUES	537,514	100	462,160	100	(14.02)

Source: Interim Audited Financial Statements of the Company

Contracting Works Revenues:

The Company's contracting revenues dropped by 5.74% from SAR 449.9 million in the first six months of 2009 to SAR 424 million in the first six months of 2010, a reduction of SAR 25.8 million. This decrease in contracting revenues is attributed to several factors including the international financial crisis that began in the last quarter of 2008 and a 7-12 month delay in award of several government projects. Moreover, delays by certain government clients in appointing consultants for projects already awarded led to delays in revenues for the Company; revenues expected from contracts from the first half of 2010 are now expected to be received in the second half of 2010.

The proportion of building construction projects increased in 2010 over those in 2009. This is attributed to the Government focus on the education sector; a large part of the state budget for construction has been allocated for the construction of schools and universities. This change in mix of projects has also affected the revenue streams. Mobilization and excavation at the beginning of building contracts take a long time for execution. This means that the pace of revenue recognition at the beginning of building contracts is slower and picks up as the contract progresses. Ultimately, the rate of revenue recognition for building contracts accelerates towards the end of projects. This is unlike revenue recognition for road projects, where revenue streams are much higher in the initial phases. The majority of projects awarded to the Company during the last quarter of 2009 and the beginning of 2010 are for the construction of buildings, and the Company is now carrying out the initial phases of these projects where revenue recognition is slower. The Company expects the revenue recognition for these projects to accelerate during the second half of 2010 and thereafter. It is noteworthy that a number of road projects have been awarded during 2010 (the most important to such projects have been listed on Table 4-10).

While the foregoing reasons led to a decrease in contract revenues during the first half of 2010, this decrease shall be made up in the second half of 2010. The management expects that the revenues of the contracting works for the full year 2010 shall exceed the figures for 2009.

Revenues from Trading Activities:

During the first six months of 2010, trading revenues were SAR 38.10 million, a decrease of SAR 49.53 million compared to the figure of SAR 87.6 million for the first six months of 2009. However, as the Company is winding up a number of completed projects at the moment, the equipment and vehicles from these completed will be moved from construction sites during the third quarter of 2010. According to Company plans, these items will be sold at its annual auction to take place December 2010. Revenues from trading activities, as such, are expected to increase significantly in December 2010.

Semi-Annual Direct Costs

Table 9.69 Semi-Annual Direct Costs (SAR thousands)

	Six months period ended 30 June				
	2009		2010		
	Value	% of total	Value	% of total	Growth%
Contracting Activities costs	334,948	86.76	321,790	94.17	(3.93)
Trading activities costs	51,133	13.24	19,930	5.83	(61.02)
Total direct costs	386,081	100	341,720	100	(11.49)

Source: Interim Audited Financial Statements of the Company

The direct costs of contracting activities dropped at the rate of 3.93% from SAR 334.9 millions in the first six months of 2009 to SAR 321.8 million in the first six months of 2010. This decrease is lower than the decrease in the contracting revenues which was 5.74%. This is primarily attributed to the fact that the profit margin from contracts varies in nature from one sector to another (buildings, roads, bridges, city cleaning, etc).

The discrepancy in the trading activities costs is attributed to the decrease in the number of equipment and vehicles sold by the Company, and the fact that the book value of such equipment was less than the equipment sold in the previous year. The drop in the trading costs of 62.3% almost matched the drop in the trading revenues of 56.5%.

Semi-Annual Gross Profit Margin

The following table details the gross profit margin for the six months ended 30 June 2009 and 2010.

Table 9.70 Semi-Annual Gross Profit Margin (SAR thousands)

	2009			2010			
	Value	Profit Margin	% of total	Value	% of total	Profit Margin	Growth%
Gross Profit from contracting works	114,934	25.55	75.90	102,270	84.91	24.12	(11.02)
Gross Profit from Trading Activities	36,499	41.65	24.10	18,170	15.09	47.69	(50.22)
Total Gross Profit	151,433	28.17	100	120,440	100	26.06	(20.47)

Source: Interim Audited Financial Statements of the Company

The gross profit margin dropped from 28.17% in the first six months of 2009 to 26.06% in the first six months of 2010, and this is attributed primarily to the decrease in the contracting activities profit margin from 25.55% in the first half of 2009 to 24.12% in the same period of 2010, despite the increase in the trading activity profit margin from 41.65% in the first half of 2009 to 47.69% in the first half of 2010. This decrease in contracting revenue margins is attributed to the change in types of projects awarded as previously explained.

Semi-Annual Selling and Marketing Expenses

Table 9.71 Semi-Annual Selling and Marketing Expenses (SAR thousands)

	2009	2010	
	Value	Value	Growth%
Tenders Costs	3,825	4,710	23.14
Doubtful/bad debts provision	1,886	-	(100.00)
Publicity	482	945	95.85
Total	6,193	5,655	(57.09)

Source: Interim Audited Financial Statements of the Company

During the first six months of 2010, the selling and marketing expenses recorded a slight reduction of SAR 500,000 compared to the first six months of 2009. The tender costs increased by 23.14% due to the growth in the contracting sector and increase in the number of tenders in which the Company participated. These tender costs were incurred for the new contracts worth more than SAR 1.7 billion signed by the Company in the first half of 2010. Tender costs include charges paid in the course of the tender process for all contracts that the Company bids for. New provisions for doubtful debts have not been made in the first half of 2010, based on the belief of the management that the current provision is sufficient for any doubtful debts expected. Publicity expenses were increased slightly by SAR 463,000.

Semi-Annual Administrative and General Expenses

Table 9.72 Semi-Annual Administrative and General Expenses (SAR thousands)

	2009	2010	
	Value	Value	Growth%
Employees Costs	13,037	14,621	12.15
Depreciation	1,005	1,571	56.32
Remunerations/bonuses	1,178	2,402	103.90
Professional fees	970	586	(39.59)
Others miscellaneous expenses	7,428	7,573	1.95
Total	23,618	26,753	13.27

Source: Interim Audited Financial Statements of the Company

The administrative and general expenses increased by SAR 3.14 million (13.27%) in the first six months of 2010 compared to the same period in 2009, largely because of the increase in employee-related costs which increased from SAR 13 million in the first six months of 2009 to SAR 14.6 million for the same period in 2010. This is attributed primarily to the increase of number of employees at the head office for the purpose of supporting the increase in the number of projects that the Company has secured (an amount of SAR 1.7 billion in the first half of 2010) and expects to secure. Depreciation increased in the first six months of 2010 to SAR 1.6

million compared to SAR 1 million in the first six months of 2009, as the delay in some projects awarding resulted in more idle time for some equipments which means more depreciation being charged to Depreciation in G&A instead of being charged to the cost of projects. The expenses of the bonuses increased as a result of increase in the number of employees and the value of the bonuses provisions due to the expected good results of the Company. The miscellaneous expenses comprise of donations, rents, travel expenses and other government expenses and costs. Such expenses slightly increased by 1.95% in the first six months of 2010 to SAR 7.6 million compared to SAR 7.4 million in the first six months of 2009.

Other Revenues

Other revenues comprise mainly of sales of scrap material, lease of scaffolding materials and others small items. Other revenues amounted to SAR 9.9 million in the first six months of 2010 compared to SAR 5.1 million in the same period of the previous year, due to completion of certain major projects and sale of scrap resulting from these projects. Moreover, an additional SAR 2.6 million was earned through lease of equipment to other parties.

Financial Expenses

Financial expenses amounted to SAR 6.2 million in the first six months of 2010 compared to SAR 12.6 million in the first six months of 2009, i.e. a decrease of 50.6%. These expenses comprise banking commissions on overdrafts, short term loans, revolving loans, loans for project financing, other term loans, letters of guarantees and documentary letters of credits. This decrease in the financial expenses was mainly due to the reduction in the financing charges and banking commission rates in the first six months of 2010 compared to the first six months in 2009, as well as improvement in cash management and receipt of advance payments from government clients. It is noteworthy that the Company has converted all of its financing loans into Tawarruq and Murabaha (profit sharing) loans as of the end of June 2010.

Net Profit

Table 9.73 Semi-Annual Net Profit (SAR thousands)

	Six months period ended 30 June						
	2009			2010			
	Value	Profit Margin	% of total	Value	% of total	Profit Margin	Growth%
Net Profit from contracting works	74,763	16.62	67.20	71,240	79.68	16.80	(4.71)
Net Profit from Trading Activities	36,499	41.65	32.80	18,170	20.32	47.69	(50.22)
Total Net Profit	111,262	20.70	100	89,410	100	19.35	(19.64)

Source: Interim Audited Financial Statements of the Company

The net income dropped by 19.64% in the first six months of 2010 compared to the same period in 2009. This is attributed mainly to the decrease in profits from trading activities by 50.22% in the first six months of 2010, in addition to the interim decrease in net profit from contracting activities of 4.71%. The management expects that the net profit for 2010 shall exceed the net profit for 2009. The Company recorded a slight improvement in the net profit margin from contracting activities from 16.62% to 16.80% despite the decrease in the gross profit margin of the same sector, as a result of reduction in financing costs and increases in other revenues.

9.9.2 Financial Position

The Table below summarizes the audited balance sheet statements for the six months ended 30 June 2009 and 2010:

Table 9.74 Semi-Annual audited balance sheet statement (SAR thousands)

<i>As on 30 June</i>					
	2009		2010		
	Value	% of total	Value	% of total	Growth%
Assets					
Current Assets					
Bank balances and cash	38,683	2.86	57,535	3.76	48.73
Amounts due from related parties	51,380	3.80	17,428	1.14	(66.08)
Accounts receivables and prepayments	380,686	28.18	499,510	32.64	31.21
Value of work executed in excess of billings	298,154	22.07	439,686	28.73	47.47
Inventories	19,960	1.48	22,850	1.49	14.48
Assets held for sale	12,886	0.95	5,550	0.36	(56.93)
TOTAL Current Assets	801,749	59.35	1,042,559	68.13	30.04
Non-Current Assets					
Property, equipment and vehicles	536,924	39.75	477,326	31.19	(11.10)
Investments	4,209	0.31	4,209	0.28	0.00
Mobilization costs	7,970	0.59	6,194	0.40	(22.28)
Total Non-Current Assets	549,103	40.65	487,729	31.87	(11.18)
Total Assets	1,350,852	100	1,530,288	100	13.28
Liabilities and Shareholder's Equity					
Current liabilities					
Current portions of term loans	170,600	12.63	144,940	9.47	(15.04)
Short term loans	66,432	4.92	30,035	1.96	(54.79)
Provision for foreseeable losses	2,059	0.15	3	0.00	(99.85)
Provision for Zakat	3,868	0.29	2,042	0.13	(47.21)
Amounts due to related parties	26,556	1.97	8,327	0.54	(68.64)
Accounts payable and accruals	228,517	16.92	330,343	21.59	44.56
Billings in excess of the value of work executed	1,000	0.07	-	-	(100)
Dividends payable	49,785	3.69	-	-	(100)
Total Current Liabilities	548,817	40.63	515,690	33.70	(6.04)
Non-Current Liabilities					
Term loans	312,899	23.16	466,832	30.51	49.20
Employees' terminal benefits	26,379	1.95	29,110	1.90	10.36
Loans from an affiliate	3,750	0.28	3,750	0.25	-
Total Non-Current Liabilities	343,028	25.39	499,692	32.65	45.67
Shareholders' Equity					
Capital	300,000	22.21	425,000	27.77	41.67
Retained earnings	50,381	3.73	80,965	5.29	60.71
Statutory Reserve	11,126	0.82	8,941	0.58	(19.64)
Proposed dividends	97,500	7.22	-	-	(100)
Total Shareholders' Equity	459,007	33.98	514,906	33.65	12.18
Total liabilities and Shareholders' Equity	1,350,852	100	1,530,288	100	13.28

Source: Interim Audited Financial Statements of the Company

Current Assets

The Table below summarizes the current assets in possession of the Company as on 30 June 2009 and 2010:

Table 9.75 Semi-Annual Current Assets (SAR thousands)

<i>As on 30 June</i>			
	2009	2010	
	Value	Value	Growth%
Bank balances and cash	38,683	57,535	48.73
Amounts due from related parties	51,380	17,428	(66.08)
Accounts receivables and prepayments	380,686	499,510	31.21
Value of work executed in excess of billings	298,154	439,686	47.47
Inventories	19,960	22,850	14.48
Assets held for sale	12,886	5,550	(56.93)
TOTAL Current Assets	801,749	1,042,559	30.04

Source: Interim Audited Financial Statements of the Company

As on 30 June 2010, the current assets increased by 34.04% to SAR 1,043 million compared to SAR 802 million as on 30 June 2009. This is mainly due to the increase in the value of the “accounts receivables and prepayments” and the value of work executed in excess of billings”.

As on 30 June 2010, the Bank balances and cash were increased by 48.73% due primarily to the payments made by clients, receivables collection and increases in accounts payable.

The amounts due from related parties decreased by 66.08% compared to the same period of 2009, and by 44.3% compared to the figure of 31 December 2009 due to payment of SAR 20 million of the debt by Abdullah A. M. Al-Khodari Sons Investments Holding Company, and around SAR 2 million by other related parties during the first half of 2010. The Company carries out transactions with related parties in the course of its normal businesses.

Accounts receivables and prepayments

As on 30 June 2009 and 2010, the balance of the accounts receivables and prepayments comprise the following:

Table 9.76 Semi-Annual Accounts receivables and prepayments (SAR thousands)

<i>As on 30 June</i>					
	2009		2010		
	Value	% of total	Value	% of total	Growth%
Receivables	244,009	64.01	314,556	62.97	28.91
Retained amounts, receivable	63,616	16.71	78,374	15.69	23.20
Advances to suppliers & subcontractors	45,900	12.06	91,310	2.20	98.93
Prepaid expenses	12,318	3.24	10,972	0.41	(10.93)
Loans to employees	1,179	0.31	2,260		91.69
Other receivables/debit	13,663	3.54	2,038		(85.08)
Total	380,685	100	499,510	100	31.21

Source: Interim Audited Financial Statements of the Company

As on 30 June 2010, accounts receivables and prepayments increased by SAR 118.8 million, an increase of 31.21% over the figure as on 30 June 2009. This is mainly due to the increase in receivables by SAR 70.5 million (28.91% higher than the balance of 30 June 2009). Advances to suppliers & subcontractors increased by SAR 45 million (98.93% higher than the balance of 30 June 2009). The balances of retentions receivable increased by SAR 14.8 million (23.2% higher than the balance of 30 June 2009). This balance comprises the amounts retained by the clients as a pre-agreed percentage of the invoices for a period up to 12 months after the completion of the project; this percentage is normally 10%.

Moreover, please note that the balance of the receivable retentions increased only by SAR 4.5 million over that balance of 31 December 2009.

As on 30 June 2010, the balance of the accounts receivables increased by around SAR 70.5 million (28.91% over the balance that was on 30 June 2009). This increase includes an amount of SAR 27.4 million billed as final invoices, which are generally paid within 12 months from the project completion. In addition, other bills amounting to around of SAR 23.6 million are currently going through several phases as part of the approval process before being paid by the client. It is important to note that 79% of receivables are from ministries and government agencies. The balance of the receivables decreased in an amount of SAR 58.7 compared to the figure as on 31 December 2009.

As on 30 June 2010, advances to suppliers & subcontractors increased by SAR 45 million (28.91% higher than the balance of 30 June 2009). This increase is resulting from additional advances to subcontractors and suppliers to ensure that materials needed for projects are available in a timely manner. Moreover, additional discounts may be obtained from suppliers and subcontractors that improve the profit margin, particularly as financing costs have significantly dropped in the first half of 2010.

Value of work executed in excess of billings

The value of work executed, but not billed, increased to SAR 439.7 millions as on 30 June 2010 compared to SAR 298.2 million on 30 June 2009. This is an increase of SAR 141.5 million that is attributed to several reasons:

1. Usually consultants approve 90% of the executed work and reserve 10% of its value; the remaining 10% of the value is approved later upon completion of the project and after verification that all contract items have been implemented on the project site. There are also clients who accept 100% billing for the executed work, but when the bills reach 90% of the contract these clients cease approving bills until final delivery of the project; the unapproved 10% remains outstanding until the project is completed and delivered. Since several contracts that have been completed have not yet been delivered, 10% of their value is currently outstanding and shall be billed upon delivery.
2. New contracts secured over the past 12 months exceed SAR 2.6 billion. Expenditure on such projects for labor and equipment mobilization, construction of labor housing and engineer offices at the worksites, performing survey and geotechnical tests has commenced and is expected to amount to about 3-5% of contract values. Such expenses are normally charged to other items of the contract (in the Bill of Quantities) which is followed by longer waiting periods until billing is made for such expenses. Due to the value of projects awarded since the last quarter of 2009, which amounted to SAR 2.6 billion, it would be normal to see an increase in the value of "work executed in excess of billings".
3. The Company, as is the case for contracting companies, has a billing process that passes through several phases of auditing, examinations and approval by project consultants before the Company can bill its clients. The clients in some major projects have delayed appointment of consultants for 4 months, and such period constitutes over 10% of the average execution period, which causes further delay in billing for such projects.

Non- Current Assets

Table 9.77 Semi-Annual Non-Current Assets (SAR thousands)

As on 30 June			
	2009	2010	
	Value	Value	Growth %
Property, equipment and vehicles	536,924	477,326	(11.10)
Investments	4,209	4,209	-
Mobilization costs	7,970	6,194	(22.28)
Non-Current Assets	549,103	487,729	(11.18)

Source: Interim Audited Financial Statements of the Company

As on 30 June 2010, the property, equipment and vehicles balance decreased by SAR 59.6 million compared to the balance on 30 June 2009, due to the fact that the number and value of assets disposed in the first six months of 2010 (SAR 14.1 million) is less compared with the book value of equipments disposed during the first six months of 2009 (up to SAR 54.1 million) due to completion of major projects in the first half of 2009. In addition to the asset depreciation factor which was around SAR 58.1 million in the first half of 2010. The Company is committed to strict and efficient management of equipment and vehicles it owns and intends not to lose any equipment that it requires. The Company also does not prefer to retain equipment that would not be used presently or in the foreseeable future

Current Liabilities

Table 9.78 Semi-Annual Current Liabilities (SAR thousands)

	As on 30 June		
	2009	2010	
	Value	Value	Growth%
Current portion of term loans	170,600	144,940	(15.04)
Short term loans	66,432	30,035	(54.79)
Provision for foreseeable losses	2,059	3	(99.85)
Provision for Zakat	3,868	2,042	(47.21)
Amounts due to related parties	26,556	8,327	(68.64)
Accounts payable and accruals	228,517	330,343	44.56
Billings in excess of the value of works executed	1,000	-	(100)
Dividends payable	49,785	-	(100)
Current Liabilities	548,817	515,690	(6.04)

Source: Interim Audited Financial Statements of the Company

The current liabilities dropped by 6.04% to SAR 515.7 million as on 30 June 2010 compared to SAR 548.8 million as on 30 June 2009 due to the decrease in the current portion of term loans, short term loans and dividends payable. However, the shortage in these accounts has somewhat been matched by the increase in the accounts payable & accruals resulting from the increase in advances from the clients (in an amount of SAR 72.9 million), the increase in accrued expenses (an amount of SAR 19.5 million), and the increase in the trade creditors balances (an amount of SAR 8.8 million) due to the major projects that are currently executed, which are - in terms of size - larger than those committed by the company as on 30 June 2009. The provision for losses expected from contracts has dropped based on the management's belief that the provision is sufficient to meet losses.

The amounts due to related parties dropped from SAR 26.6 million as on 30 June 2009 to SAR 8.3 million as on 30 June 2010 due to receipt of large payment of SAR 27 million from Abdullah A. M. Al-Khodari Investment Holding Company, part of which was used to pay amounts due to related parties.

The credit balance of the dividends payable of SAR 49.8 million represents the remainder balance of declared and unpaid dividends for 2008 and 2009 for the shareholders of the Company.

Working Capital

As on 30 June 2010, the working capital increased by 108.3% to SAR 526.9 million from SAR 252.9 million as on 30 June 2009 as shown on the following table:

Table 9.79 Semi-Annual Working Capital (SAR thousands)

	As on 30 June		
	2009	2010	
	value	value	Growth%
Current Assets	801,749	1,042,559	30.04
Current Liabilities	(548,817)	(515,690)	(6.04)
Working Capital	252,932	526,869	108.30
Current ratio (times)	1.46	1.97	

Source: Interim Audited Financial Statements of the Company

The main reason for this increase in the working capital was an increase in the current assets as on 30 June 2010. The current assets increased by 30.04% to SAR 1,043 million compared to SAR 802 million as on 30 June 2009. This increase was mainly attributed, as shown in Table 9.75, to the increase in the balance of the accounts receivables and prepayments by SAR 119 million, the increase in the value of works executed in excess of billings by SAR 142 million, as well as the decrease in the balances of the short term loans and the current portion of the long term loans by SAR 62 million. On the other hand, the accounts payable and accruals increased by SAR 102 million.

The members of the Board of Directors and the management of the Company have reviewed the working capital requirements for 12 months following the date of this Prospectus, and they confirmed the availability of enough liquidity to meet the working capital requirements for this period.

Non- Current Liabilities

Table 9.80 Semi Annual Non-Current Liabilities (SAR thousands)

<i>As on 30 June</i>			
	2009	2010	
	value	value	Growth%
Term loans	312,899	466,832	49.20
Employees' terminal benefits	26,379	29,110	10.36
Loans from an affiliate	3,750	3,750	-
Non-Current Liabilities	343,028	499,692	45.67

Source: Interim Audited Financial Statements of the Company

The non-current liabilities increased by 45.67% to SAR 499.7 million as on 30 June 2010 compared to SAR 343 million as on 30 June 2009. The main reason for this increase was the significant increase in the term loans of SAR 154 million (i.e. 49.2%) to meet working capital requirements and to finance the future capital expenses of the Company.

Term Loans:

The term loans comprise project financing loans, revolving loans and other term loans. The project financing loans are guaranteed by the assignment/transfer of certain contract proceeds, overall assets of the Company, promissory notes and personal guarantees of some partners. The revolving loans and the other term loans are guaranteed by the overall assets of the Company, promissory notes and personal guarantees of the some partners.

These loans carry commission rates that are market-based. The Company is required to comply with certain covenants under some loan agreements. Following is the status of the term loans:

Table 9.81 Semi-Annual Term Loans (SAR thousands)

<i>As on 30 June</i>		
	2009	2010
	Value	Value
Project financing loans (see Note A)	175,496	319,943
Revolving loans (see Note B)	132,500	92,500
Other term loans (see Note C)	175,502	199,329
	483,499	611,772
Less: Current installment	(170,600)	(144,940)
TOTAL term loans	312,899	466,832

A) During the period, these facilities have been converted into Tawarruq loans facilities. these loans were been obtained from one of the Saudi commercial bank and are repayable, based on certain percentages ranging from 40% to 60% out of expected proceeds from contracts. Therefore the current portion includes such loans on the basis of the Company's estimates of the expected proceeds from the future bills.

B) During the period, these facilities have been converted into Tawarruq and Murabaha loans facilities. These loans constitute short term loan which the management intends to renew for additional periods that extend beyond 30 June 2010 in order to meet the Company's working capital requirements.

C) During the period, these facilities have been converted into Tawarruq loans facilities. These loans are due and payable in fixed monthly, quarterly and semi annually installments; the last installment shall become due for payment in 2015.

9.9.3 Shareholders' Equity

As of 30 June 2010, the registered capital was SAR 425 million divided into 42,500,000 shares with the value of SAR 10 per share.

On 4 November 2009, the shareholders resolved to increase the capital from SAR 300 million to SAR 400 million by capitalization of SAR 11,126,246 from the statutory reserve and SAR 88,873,754 from the retained earnings.

On 22 June 2010, the Company increased its capital from SAR 400 million to SAR 425 million through the capitalization of SAR 14,477,241 from retained earnings and SAR 10,522,759 from the statutory reserve. The legal formalities regarding increase in the Company's capital have been completed and no dividends have been declared from the profits of 2010.

During 2009 before increasing the capital from SAR 300 million to SAR 400 million, semi-annual dividends were paid to the shareholders amounting to SAR 1.95 per share (total 30 million shares) resulting in a total payout of SAR 58.5 million.

At the end of 2009, the Board of Directors suggested that dividends be paid to the shareholders in the amount of SAR 95 million. Therefore, the said amount was set aside from the proposed dividends account as of 31 December 2009. However, in the second quarter of 2010, an amount of SAR 14,200,000 was reversed from the proposed dividends account to the retained earning account for the purpose of increasing the capital from SAR 400 million to SAR 425 million through capitalization of an amount of SAR 14,477,241 from the retained earnings and an amount of SAR 10,522,759 from the statutory reserve. The foregoing was resolved during the extraordinary general assembly held on 22 June 2010. The legal formalities regarding increase in the Company's capital were completed on 29 June 2010, and as such the proposed dividends balance has become SAR 80,800,000 divided into 40 million shares (number of shares on 31 December 2009), i.e. SAR 2.02 per share. The Company paid such dividends during the first half of 2010.

9.9.4 Liquidity Position

The table below summarizes the cash flows statements for the first six months 2009 and 2010:

Table 9.82 Semi-Annual Cash Flows (SAR thousands)

	2009	Six months period ended 30 June 2010	
		Value	Change value
Cash Flows from operating activities	121,191	146,708	25,517
Cash Flows from (used in) investing activities	20,798	(27,680)	(48,478)
Cash Flows used in financing activities	(136,707)	(94,103)	42,604
Net change in cash and bank balances	5,282	24,925	19,643
Cash and equivalent , 1 January	33,401	32,610	(791)
Cash and equivalent , 30 June	38,683	57,535	18.852

Source: Interim Audited Financial Statements of the Company

Cash Flows from Operating Activities

Table 9.83 Semi-Annual Cash Flows from Operating Activities (SAR thousands)

<i>Six months period ended 30 June</i>		
	2009	2010
Income before Zakat	114,097	91,695
Provision for unforeseeable losses	(10,892)	(11)
Depreciation	64,719	58,100
Deletion of advance payments for investment in joint project	974	881
Employees' terminal benefits	2,944	1,971
Commission income	(333)	-
Financial charges	12,612	6,231
	(62,930)	(12,159)
Cash Flows from operating activities	121,191	146,708

Source: Interim Audited Financial Statements of the Company

The net cash flows from operating activities increased from SAR 121.2 million in the first six months of 2009 to SAR 146.7 million in the first six months of 2010. This increase was attributed primarily to the increase in the accounts payable on 30 June 2010 over those at the end of 2009 which was more than the increase of these payables on 30 June 2009 over those at the end of 2008. As well as the accounts receivables that decreased on 30 June 2010 less than that at the end of 2009 which was less than the decrease in these receivables on 30 June 2009 than those at the end of 2008. Another reason is the decrease in the financial expenses paid in the amount of SAR 6.4 million below those recorded in the first six months of 2009.

Cash Flows from Investing Activities

Table 9.84 Semi-Annual Cash Flows from Investing Activities (SAR thousands)

<i>Six months period ended 30 June</i>		
	2009	2010
	Value	Value
purchase of equipment and vehicles	(27,735)	(48,009)
equipment and vehicles transferred to disposals	48,201	20,329
commission income	332	-
Cash Flows from investing activities	20,798	(27,680)

Source: Interim Audited Financial Statements of the Company

For the purpose of supporting the activities of operations, the Company purchased property, equipment and vehicles in the amount of SAR 48 million in the first six months of 2010 compared with the amount of SAR 27.7 million during the first six months of 2009. This is a normal transaction due to the size of the new projects and contracts entered by the Company that need equipment and machineries for their execution. Additionally, the Company transferred property, equipment and vehicles of a net book value of SAR 20.3 million (SAR 48.3 million in 2009) into assets held for sale. These activities led to cash utilization of SAR 27.7 million for investing activities.

Cash Flows from Financing Activities

Table 9.85 Semi-Annual Cash Flows from Financing Activities (SAR thousands)

<i>Six months period ended 30 June</i>		
	2009	2010
	Value	Value
Movement in short and long term loans	(87,916)	(13,303)
Movement in shareholders' current accounts	(48,577)	-
Dividends paid	(215)	(80,800)
Cash Flows from investing activities	(136,708)	(94,103)

Source: Interim Audited Financial Statements of the Company

In the first six months of 2010, SAR 94.1 million of cash was used in financing activities compared to SAR 136.7 million in the first six months of 2009. This difference is attributed to the drop in the net payments for short and long term loans to SAR 13.3 million (an increase of SAR 74.6 million over the same period compared to the previous year), and the fact that Company paid off the shareholders' current accounts in the first half of 2009 (paid an amount of SAR 48.6 million). These increases covered the dividends distributed and paid for the fiscal year of 2009, which amounted to SAR 80.8 million.

9.9.5 Other Items

Related Parties Transactions

The transaction with parties related to the Company during the six months ended 30 June 2009 and 2010 were as follow:

Table 9.86 Nature of Semi-annual transactions with related parties (SAR thousands)

<i>Six months period ended 30 June</i>		
	2009	2010
Bonus	3,334	-
Commission recharged	333	-

Source: Interim Audited Financial Statements of the Company

Commitments

The existing commitments that Company has as of 30 June 2009 and 2010 were as follows.

Table 9.87 Semi-Annual Commitments and obligations (SAR thousands)

<i>As on 30 June</i>		
	2009	2010
letter of Guarantees	266,740	333,000

Source: Interim Audited Financial Statements of the Company

9.10 Statement of the Management's Responsibility for Financial Policies

The "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this Prospectus has been drafted and approved by the Management of the Company. Except as stated herein, the Management believes that there has been no material adverse change in the financial statements or prospects of the Company since the date of the Prospectus, and accepts full responsibility for the authenticity and accuracy of the information and analysis of financial results and confirms that it made all necessary inquiries, that full and fair disclosure of such statements has been made and there are no other information or documents the omission of which may make any information or statements therein misleading.

10 Dividend Distribution Policy

It is the intention of Company to make annual dividend payments with a view to maximize the income value for the Shareholders to commensurate with the Company's earnings, its financial condition, the condition of the market, the general economic climate, and other factors, including analysis of investment opportunities and reinvestment needs, cash and capital requirements, business activity prospects, as well as other legal and regulatory considerations. Dividends will be distributed in Saudi Riyal.

Although the Company expects to pay annual dividends to its Shareholders, the Company neither makes any assurances that any dividend will actually be paid, nor any assurance as to the amounts which will be paid in any given year. It is noteworthy that the distribution of dividends is subject to certain conditions contained in the Company's By-Laws.

The Offer Shares will entitle holders to receive any dividends declared by the Company following completion of the public offering of the Offer Shares and in subsequent fiscal years.

Table 10.1 Dividends declared in the previous years:

	2007	2008	2009
Net dividends for the year (SAR)	SAR 227 million	SAR 239.7 million	SAR 217.1 million
Declared dividends (SAR)	SAR 60 million	SAR 117 million	SAR 58.5 million*
Declared dividends per share (SAR)	SAR 60 (1 million shares)	SAR 117 (1 million shares)	SAR 1.95 * (30 million shares)
Declared dividends per share assuming there are 40 million shares as the current status of the capital (SAR)	SAR 0.73 (40 million shares)	SAR 2.95 (40 million shares)	SAR 1.46* (40 million shares)
Dividends proposed and declared in 2010 (SAR)	-	-	SAR 80.8 million*
Dividends proposed declared in 2010 per share (SAR)	-	-	SAR 2.02* (40 million shares)

Source: the Company

*please refer to Section 9.8.3 "Shareholders' Equity" and please refer to Section 9.9.3 "Shareholders' Equity"

11 Capitalization and Indebtedness

The table below sets out the capital of the Company as derived from the interim audited financial statements for the 6 months ending 30 June 2010. The financials in the following table should be read in conjunction with the audited financial statements of the Company, including the notes thereto, in the "Accountants Report" section of this Prospectus.

Table 11.1 Capitalization of the Company

As of 30 June 2010 (SAR 000's)	
Debts:	
Short term	174,975
Long term	<u>470,582</u>
Total debts	645,557
Shareholders' Equity:	
Share capital	425,000
Statutory reserve	8,941
Retained earnings	<u>80,965</u>
Total shareholders' equity	514,906
Total capitalization	<u>1,160,463</u>

Source: Company's interim Audited Financial Statements 30 June 2010

The current Directors of the Company confirm that the Company does not have any debt instruments as of the date of this Prospectus. The Company also confirms that neither the Company's capital nor the capital of any affiliates is under option.

The Company also confirms that all share of the Company are ordinary, issued and fully paid shares.

The Directors of the Company are of the opinion that the Company separately or jointly with its affiliates will have sufficient working capital for the 12 month period immediately following the Offering.

The Board of Directors of the Company confirm that they have no intention to make material change in the nature of the business activity and there has been no interruption in the business of the Company which may have or have had a significant effect on its financial position in the last 12 months. In addition, there has been no material adverse change in the financial or trading position of the Company in the past two fiscal years that preceded the listing year and during the period from the end of the duration covered in the auditors' report up to and including the date of approval of this Prospectus.

12 Use of Offering Proceeds

The total proceeds from the Offering are estimated to be SAR (612,000,000) of which approximately SAR (25,000,000) will be applied towards expenses for issuing of the Prospectus. These include fees of each of the financial adviser, the legal adviser, underwriting expenses, receiving agents' expenses, marketing expenses and other Offer related expenses.

The net proceeds of SAR (587,000,000) will be distributed to the Selling Shareholders pro-rata based on each Selling Shareholder's percentage ownership in the Shares being sold in the Offering. The Company will not receive any part of the proceeds from the Offering.

The Selling Shareholders shall pay to the underwriters the underwriting fees that shall be determined based on the proceeds of the Offering. The Selling Shareholders shall also pay all costs, fees and expenses that the advisors and the parties stated in the pages (7, 8, 9, 11 and 11) of the Prospectus shall be entitled to receive. The Selling Shareholders shall pay the printing costs and other expenses related to the Offering. The costs and expenses that shall be paid by the Selling Shareholders are estimated to be SAR (25,000,000).

13 Description of Shares

13.1 Share Capital

The share capital of the Company shall be four hundred twenty five million Saudi Riyals (SAR 425,000,000), divided into 42,500,000 ordinary shares of equal value. The nominal value is SAR 10 per share.

Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities (including the Capital Market Authority), the Extraordinary General Assembly may adopt a resolution to increase the Company's capital once or several times by issuing new shares in the same nominal value of the original shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Companies Regulation and its Implementing bylaws. The said resolution shall specify the mode of increasing the capital, and the original shareholders shall have pre-emptive rights to subscribe for the new cash shares. The shareholders shall be notified of their pre-emptive rights by announcements on the daily newspaper or by notifying them by registered mail of the resolution of the capital increase and subscription conditions. Each shareholder shall express their desire to use their pre-emptive right within 15 days from the date of announcement or notification as stated above. The said new shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for.

The Company may, based on certain justifiable causes, decide to reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the Extraordinary General Assembly in an Extraordinary Meeting, and it requires approval of the Minister of Commerce and Industry and CMA. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulation. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor objects and presents to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

13.2 Shareholders' Rights

Each share shall give its holder equal rights in the dividends declared to be paid, in the Company's assets upon liquidation, as well as the right to attend the meetings of the Shareholders Assemblies, to participate in their deliberation and vote on their resolutions, the right of disposal of shares, and to inspect the Company's books and documents, monitor the activities of the Board of Directors, and to bring liability suit against the directors. These shares do not give the shareholders the right of redemption.

13.3 Shareholders' Assemblies

A General Assembly duly convened shall be considered representing all the Shareholders, and shall be held in the city where the Company's head office is located (currently the city of Al-Khobar).

Meetings of the General Assembly may be conducted by way of ordinary or extraordinary meetings. Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly Meeting must be held at least once a year during the six months following the end of the Company's fiscal year. Other ordinary assemblies may be convened as often as needed.

The Extraordinary General Assembly shall have the power to amend the Company's By-Laws, except for such provisions as may be impermissible to be amended under the Regulations. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions and situations applicable to the latter.

A notice of the date and agenda of the General Assembly' meeting shall be published in the Official Gazette as well as in a daily newspaper, distributed in the city where the Company's head office is located, at least twenty five (25) days prior to the date of meeting. Alternatively, it is sufficient to send invitations by registered mail to all Shareholders. A copy of the invitation and the agenda is to be sent to the Companies General Department at the Ministry of Commerce and Industry.

The meeting of the Ordinary General Assembly shall not be considered validly representative unless attended by Shareholders representing half of the Company's capital at the minimum. Should such quorum fail to attend in the first meeting, the Assembly meeting shall be convened once again within the following thirty (30) days. The invitation shall be issued as determined by Article (12-25) of the Company's By-Laws. The second meeting shall be considered validly representative irrespective of the number of shares represented.

To be considered validly representative, the meeting of the Extraordinary General Assembly should be attended by a number of Shareholders representing at least half of the Company's capital. If such quorum does attend in the first meeting, the Assembly meeting shall be convened once again within the following thirty (30) days. The second meeting shall be considered validly representative if attended by a number of Shareholders representing at least one quarter (1/4) of the Company's capital.

The General Assembly meetings shall be presided over by the Chairman of the Board of Directors or his authorized deputy in his absence. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman, together with the secretary and the canvasser.

13.4 Voting Rights

Each shareholder holding twenty (20) Shares or more shall have the right to attend the General Assembly meeting, either in person or represented by proxy. A shareholder may delegate in the form of a written proxy, another shareholder, other than the members of the Board of Directors or employees of the Company, to attend the General Assembly on his/her behalf. The votes in the Ordinary General Assembly as well as in the Extraordinary General Assembly shall be counted on the basis of one vote for every share represented in the meeting.

Resolutions of the Extraordinary General Assembly shall be made by a majority vote of two thirds (2/3) of the shares represented at the meeting, except for resolutions pertaining to the increase or the reduction of the capital, the extension of the duration of the Company, winding up the Company before its term as stated in its Bylaws, or the merger into another company or establishment. In such cases, the resolution shall not be considered as valid unless issued by the majority vote of three quarters (3/4) of the shares represented at the meeting.

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to raise questions to the members of the Board and the Auditor in this respect. The Board of Directors or the Auditor shall answer the Shareholders' questions to the extent that does not risk harming the interest of the Company. Should a shareholder feel unsatisfied with the reply, he/she can raise the issue with the General Assembly whose resolution is to be considered as effective and conclusive.

13.5 The Shares

The Company's shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal, in which case, the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A share shall be indivisible. If a share is held by several persons, they shall designate one person to act on their behalf in exercising the rights connected with the share. In such a case, they shall be jointly responsible for the obligations resulting from the share ownership.

13.6 Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years commencing on the date of issuance of the Minister of Commerce and Industry's resolution announcing the incorporation of the Company. The duration may be extended by a resolution of the Extraordinary General Assembly taken, at least, one (1) year prior to the expiration of the term of the Company.

13.7 Dissolution and Winding-up of the Company

Upon the expiration of the Company's duration, or in case of dissolution before its term, the Extraordinary General Assembly shall decide upon the method of liquidation based on the Board of Directors' recommendation. It shall also appoint one or more liquidators and determine their powers and fees.

The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

13.8 Transfer of Shares

The transfer of shares shall be governed by and comply with the regulations and rules that regulate the companies listed on Tadawul. Transfers made other than in accordance with the Company's Bylaws shall be void. The Selling Shareholders shall be subject to a lock-in period from the date on which trading in the Offer Shares commences on the Exchange until 30th June 2012, during which they may not dispose of any of the shares they hold.

13.9 Zakat

The Zakat is payable by the Shareholders according to the Zakat regulations of Saudi Arabia. The Company shall deduct the Zakat amounts from the gross net profits prior to distribution.

13.10 Publication

These By-Laws shall be filed and published in accordance with the Companies Regulation.

14 Summary of By-Laws and amendments thereto

14.1 Name of the Company

The name of the Company shall be “ABDULLAH A.M. AL-KHODARI SONS COMPANY”, a Saudi closed joint stock company.

14.2 Objectives of the Company

- General contracting for buildings (repair, demolition, renovation, construction);
- General construction contracting (road works, water and sewage works, electrical works, mechanical works, marine works, dams and well drilling);
- Maintenance and operation (road and tunnels maintenance and repair, maintenance of irrigation and drainage facilities including dams, airport maintenance, electrical installations maintenance and operation, water and sewage facilities maintenance, operation and maintenance of training and educational centers, operation and maintenance and preparation of sport courts);
- Cleaning works (city cleaning, housing and commercial building cleaning, parks and grassed areas cleaning, maintenance and landscaping, tree planting and agricultural facilities organizing, waste collection and disposal, oil tanks and pipes cleaning and maintenance);
- Refrigeration and air conditioning works and maintenance;
- Travel, tourism and land transport of goods and passengers;
- Hospital and medical centers management and operation;
- Construction and management of training, education, and rehabilitation centers and hire of technical manpower;
- Hazardous industrial waste management;
- Installation and maintenance of fire-fighting equipment and fire alarm systems.

The company practices its activities after obtaining the required licenses from the competent authorities.

14.3 Head Office of the Company

The Company's head office shall be in the city of Dammam -Saudi Arabia. The Board of Directors may establish branches, offices or agencies for the Company within or outside the Kingdom of Saudi Arabia.

14.4 Duration of the Company

The duration of the Company shall be ninety-nine (99) years commencing on the date of issuance of the Minister of Commerce and Industry's resolution announcing the conversion of the Company. The Company's duration may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

14.5 Capital of the Company

The nominal, issued and fully paid share capital of the Company shall be SAR 425,000,000 (Saudi Riyals four hundred twenty five million) divided into 42,500,000 (forty two million and five hundred thousand) shares of equal value of ten Saudi Riyals (SAR 10) each, all of which are ordinary shares.

Default in payment of the value of shares

If the shareholder fails to pay for the share by the prescribed date, the Board of Directors shall have the power to sell the share by auction after serving upon the shareholder with a notice by registered mail to his/her address recorded in the shareholders register. However, the defaulted shareholder may, until the date fixed for auction, pay up the amount due provided he pays at the same time the expenses incurred by the Company. The Company will deduct from the sale proceeds the amount payable to it and the remainder will be reimbursed to the shareholder. In case the sale proceeds are not sufficient to repay such amounts, the Company shall have the right to be reimbursed for the balance out of the shareholder's other property. The Company shall cancel the sold shares and give the buyer a new share bearing the same number of the cancelled share and it shall be so recorded in the share register.

14.6 Transfer of Shares

All shares are tradable after the issuance of their certificates. These provisions of this Article shall also apply to such shares as the shareholders may subscribe for in case of increase of capital before the expiry of the lock-in period with respect to the remaining time of such period. An annotation shall be placed on the shares certificates indicating their type, date of conversion of the company into a joint stock company and the trading lock-in period.

Nevertheless, during the lock-in period, title to shares may, in accordance with the legal provisions for the sale of rights, be transferred from one shareholder to another or to a director who will submit them as qualification shares, or from the heirs of a deceased shareholder to a third party.

14.7 Shareholders Register

The nominal shares shall be transferred by being recorded in the Shareholders Register which shall contain the names of the Shareholders, their nationalities, their occupations, their domicile and address, the serial numbers of the shares and the value paid-up on such shares. An annotation of such recording shall be made on the share certificates. The transfer of title to a share shall not be effective vis-à-vis the Company or any third party except from the date of such recording in the said Register or the completion of the transfer procedures through the Shares Information Computerized system. The subscription or ownership of the shares by a Shareholder shall mean the acceptance by the Shareholder of these By-Laws and his submission to the resolutions duly passed by the General Assemblies of the Shareholders in accordance with these By-Laws, whether the Shareholder was present or absent and whether the Shareholder agreed to such resolutions or objected to them.

14.8 Increase of Capital

Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the Extraordinary General Assembly may adopt a resolution to increase the Company's capital once or several times by issuing new shares having the same nominal value as the original shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Companies Regulation. The said resolution shall specify the mode of increasing the capital, and the original Shareholders shall have pre-emptive rights to subscribe for the new cash shares. The Shareholders shall be notified of the pre-emptive rights vested in them by notice to be published in a daily newspaper or notice by registered mail addressing the capital increase resolution and the conditions of subscription. Each Shareholder shall express the desire to exercise such pre-emptive rights, if they so wish, within fifteen (15) days of the publication of such notice or registered mail.

The new shares shall be allocated to the original shareholders, who requested subscription, on a pro-rata basis to the original shares they hold, provided that the number of shares they are allocated shall not exceed the number of the new shares they requested.

14.9 Decrease of Capital

The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the Extraordinary General Assembly, and requires approval of the competent authorities. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulation. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor objects and presents to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

14.10 The Board of Directors

The Company shall be managed by a Board of Directors composed of six (6) members to be appointed by the Ordinary General Assembly for a term of three years. As an exception to that, the first Board of Directors shall be appointed by the Conversion Assembly meeting and its term shall be for five (5) years, commencing from the date of the resolution of the Minister of Commerce and Industry declaring the conversion of the Company.

14.11 Qualification Shares

Each member of the Board of Directors shall be a holder of a number of the Company's shares having a nominal value of no less than ten thousand Saudi Riyals (SAR 10,000). Such shares shall be deposited, within thirty (30) days from the date of the appointment of the director, in a bank designated by the Minister of Commerce and Industry. Such shares shall be kept aside to guarantee the liability of the Directors and shall remain non-negotiable until the expiry of the period specified for hearing the liability suit provided for under Article 76 of the Companies Regulation or until a judgment is passed on said suit, if any. The director, who is a legal person, shall submit qualification shares on behalf of the director who represents or substitutes him/her. Should a member of the Board of Directors fail to submit such qualification shares within the period specified therefore, his membership in the Board shall be deemed null and void.

14.12 Termination of Membership

Membership of the Board of Directors shall terminate upon the expiration of the membership period, or resignation of the Director, or death of the Director or if he/she becomes unfit for the membership pursuant to any regulation or instructions applicable in Saudi Arabia. If the office of a Director becomes vacant, the Board may appoint a member in the vacant position temporarily, provided that such appointment is put forward before the first meeting of the Ordinary General Assembly for endorsement. The new member shall complete the term of his/her predecessor. In case the number of the members of the Board of Directors falls below the quorum required for the proper convening of the Board meetings, the Ordinary General Assembly shall be called for a meeting as soon as possible in order to appoint the necessary number of Directors.

14.13 Powers of the Board of Directors

Subject to the powers conferred upon the General Assembly, the Board of Directors shall have the widest powers to manage the Company and to carry out its affairs inside and outside the Kingdom of Saudi Arabia. For this purpose, the Board shall the following:

First: The Chairman of the Board of Directors or his Deputy only shall have the power to approve adding or revoking the authorized signatories with the Chamber of Commerce and Industry, and they constitute the powers of the primary official in charge of the Company.

Second: The executive board that comprises of the chairman, vice-chairman and the managing director shall, jointly or severally, have the power to represent the Company with respect to the following:

- Represent the Company in its relationships with other parties, government authorities, before the Shari'a courts, judicial tribunals, Bureau of Grievances, Labor offices, labor dispute settlement preliminary and supreme committees, commercial papers committees, all other judicial committees, arbitration commissions, civil right departments, police stations, chambers of commerce and industries, private commissions, companies, establishments of various kinds, participate in tenders and open the bids, receive, pay, avowal, disavowal, preemption, surety, obtain claims, defense, pleading, litigation, conciliation, accept and deny judgments, and arbitration on behalf of the Company, demand enforcement of judgments and object that, receive monies as an outcome of judgments enforcement and cases.
- The Board shall employ and dismiss employees and laborers, and shall apply for visas, manpower recruitment from foreign countries, sign employment contracts and determine salaries, obtain resident permits (Iqamas) and transfer and release sponsorship.
- The Board shall have the right to receive and deliver, lease and rent, obtain deeds in lieu of lost ones, open branches and commercial agencies, sign project contracts , tenders, documents that are related to the Company's activities, except those that shall be stated later which require signature of both of them jointly.
- Buy and sell removable, such as vehicles, equipment, tools, air conditioners, furniture and office supplies, etc.

Third: The powers that require the chairman and the vice-chairman to counter-sign jointly are as follows:

- The Company shall be represented by the Chairman of the Board of Directors and the Vice-chairman together, and in the event of absence of any of them, the managing director shall act in their capacity so that both of them shall jointly and exclusively the following powers:
 - They shall have the right to sign the articles of associations of the companies in which the Company shall have shareholding or ownership, as well as all amendments and appendices and resolutions of amendments thereof.
 - Assign the rights, sell and buy real estates and lands and conveyance of title and acceptance thereof, buy shares and securities and all kinds of investments for the benefit of the Company.
 - The right to jointly sign the Islamic Murabaha (profit-sharing) and Tawarruq Agreements, and other Islamic facilities transactions, and to sign all required documents and powers of attorney which are attached to them. However, in terms of signing on cheques, the Chairman of the Board of Directors "Fawwaz Abdullah A.M. Alkhodari", in addition to his deputy "Ali Abdullah A.M. Al-Khodari " or the Managing Director Jamil Abdullah A. M . Al-Khodari" shall be authorized to sign them.
 - The power for mortgaging and redemption, account opening and closing, withdraw and deposit with banks, issue bank credit letters and letters of guarantees, request for loans and bank facilities and approve them, and sign their contracts and all required documents, present all guarantees needed for facilities, including the real estate mortgages, order notes, share certificates and other in kind and monetary guarantees and all banking transactions.
 - They shall have the right to contract for loans of over three years maturity and to present guarantees therefore, subject to the following:
 - The Resolution of the Board of Directors shall determine the usages of the loan and the method of its repayment.
 - The provisions and conditions of the loan and the guarantees offered for it shall not prejudice the Company and its shareholders and the general guarantees of the creditors.

14.14 Remuneration of Board of Directors

Remuneration of the members of the Board of Directors shall be within the limits provided in these bylaws and the provisions of the Companies Regulation and the laws, regulations and instructions complementary thereto.

Directors may in addition be paid an attendance and transportation allowances as determined by the Board of Directors and the regulations and decisions issued in this respect by the competent authorities in Saudi Arabia. The report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all payments made to the members of the Board during the fiscal year; salaries, share in profits, attendance allowance, expenses and other benefits. It shall as well contain a statement of payments to in consideration for technical, administrative or consultancy assignments carried out by the Board's members, which assignments have been approved by the Company's General Assembly.

14.15 The Chairman of the Board of Directors, the Managing Director and the Secretary

The Board of Directors shall appoint a Chairman from among its members. The Board of Directors may also appoint a Deputy Chairman and a Managing Director from among its members. A director may hold the positions of the deputy chairman and the managing director at the same time. The Chairman or the deputy chairman shall have the powers to convene the Board to meet and preside over its meetings. The Chairman, the Deputy Chairman and the Managing Director shall be authorized to jointly or severally represent the Company in its relationship with others and with the government agencies, before the Shari'a courts, judicial tribunals, Bureau of Grievances, Notaries Public, Boards of Arbitration, Directorates of Civil Rights, Labor offices, labor dispute settlement preliminary and supreme committees, commercial papers committees, all other judicial committees, police stations, chambers of commerce and industries, private commissions, companies, establishments of various kinds, participate in tenders, receive, pay, avowal, claim, defense, pleading, litigation, conciliation, accept and deny judgments, and arbitration on behalf of the Company, demand enforcement of judgments and object that, receive monies as an outcome of judgments enforcement.

They have the right to appoint employees and workmen and remove them, to request visas for recruitment of employees and workmen from abroad and contract with them and determine their salaries, obtain residency permits, and transfer and terminate their sponsorship.

They shall have the right to sign all types of contracts and documents including, but not limited to, the articles of associations of the companies in which the Company shall have shareholding or ownership, as well as all amendments thereof. They have the right to sell and buy real estates and lands and conveyance of title and acceptance thereof, to receive and deliver, lease and rent, collect and make payments, and to open bank and credit accounts and to withdraw and deposit from the same. They jointly have the right to sign contracts for loans and banking facilities and issue bank guarantees, sign all papers and documents as well as cheques and all banking transactions, sell and buy shares and securities and all kinds of investments for the benefit of the Company. The Chairman and the Deputy Chairman shall be authorized to issue powers of attorney and to appoint agents and attorneys and to authorize one member or members on the board or any employee of the Company or any third party to undertake one mission or missions with certain powers.

The Board of Directors shall appoint a secretary for the Board, whether from among its members or others, and shall specify his remuneration. The Secretary's duties shall include recording the proceedings and resolutions of the Board of Directors in minutes of meetings as well as maintaining and keeping them. The secretary shall also carry out such authorities delegated to him by the Board.

The term of the office of the Chairman, Deputy Chairman, the Managing Director and the Secretary shall not exceed their respective membership term in the Board of Directors. They may always be reappointed.

14.16 Board Meetings and Resolutions

The Board of Directors shall be convened upon a call by the Chairman at least twice a year. Such call shall be made in writing and delivered by hand or fax or sent by registered mail or e-mail. The Chairman of the Board or his deputy shall call for a meeting if so requested by at least two (2) Directors.

14.17 Quorum, Representation and Board Resolutions

A Board meeting shall be valid only if attended by at least half of the Directors and, in any case, the attended directors shall not be less than three directors. In the event that a member of the Board of Directors gives a proxy to another member to attend the Board meetings on his behalf, then such proxy shall be given accordance with the following:

- A Director may not give a proxy to more than one Director to attend the same meeting.
- A proxy shall be made in writing and for representation in certain meeting.
- A Director acting by proxy may not vote on resolutions on which his principal is prohibited from voting under the law.

The Board resolutions shall be adopted with the approval of the majority vote of the members present in person or represented by proxy. In case of a tie, the Chairman of the Board or the Director presiding over the Board in the absence of the Chairman shall have a casting vote.

The Board may adopt its resolutions by circulation to all members separately, unless one Director requests in writing a meeting of the Board be held for deliberations on such a resolution. Such Resolutions shall be laid before the Board in its first following meeting.

14.18 Minutes of Meetings

The Board deliberations and resolutions shall be drawn in minutes to be signed by the Board Chairman and the Secretary. Such minutes shall be recorded in a special register to be signed by the Board Chairman and the Secretary.

14.19 Shareholder's General Assemblies

A General Assembly duly convened shall be deemed representing all the Shareholders, and shall be held in the city where the Company's head office is located.

Each shareholder owning twenty (20) shares (or more) shall have the right to attend the General Assembly and such Shareholder may authorize in writing another Shareholder, other than the members of the Board of Directors or employees of the Company, to attend the General Assembly on his/her behalf.

14.20 Ordinary General Assembly

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

14.21 Extraordinary General Assembly

The Extraordinary General Assembly shall have the power to amend the Company's By-Laws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

14.22 Manner of Convening General Assemblies

The Shareholders' General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital. The summons for assemblies shall be published in the Official Gazette and in a daily newspaper circulated in the city where the Company's head office is located at least twenty-five (25) days prior to the time set for such meeting. The summons shall include the agenda of the meeting. However, so long as the Company's shares remain nominal, notice may be given at the time fixed above by registered mail letters. A Copy of the notice and the agenda shall be sent, within the period set for publication, to the Companies Department at the Ministry of Commerce.

14.23 Record of Attendance at the Meetings of the General Assembly

At the start of the General Assembly' meeting, a list shall be prepared showing the names of the Shareholders, present or represented, and their addresses, as well as the number of shares they held themselves or they represent and the number of votes to which they are entitled. Any interested party shall have the right to examine such list.

14.24 Quorum of Ordinary General Assembly

A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article (29) of the Company's bylaws. The second meeting shall be deemed valid irrespective of the number of shares represented therein.

14.25 Quorum of Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for in the preceding Article. The second meeting shall be valid only if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

14.26 Voting Right

Each shareholder shall have one vote for each share he/she represents at the Conversion General Assembly. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be counted on the basis of one vote for each share. Nevertheless, the Directors may not participate in voting on the Assembly's resolutions that pertain to discharging them for the term of their directorship.

14.27 Resolutions

Resolutions of the Conversion General Assembly and the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented thereat. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds (2/3) of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's duration, winding up the Company prior to the expiry of the duration specified therefore under these By-Laws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

14.28 Proceedings of the General Assembly

The General Assembly meetings shall be presided over by the Chairman of the Board of Directors or the Deputy Chairman or, in their absence, any person they authorize to act in their capacity. The Chairman shall appoint a

secretary for the meeting and a canvasser. Minutes shall be written for the meeting showing the names of shareholders attending in person or by proxy, the number of shares they hold themselves or they represent and the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the canvasser. The Chairman of the Board or his authorized designee shall attest the copies of the minutes certifying that they are true copies of the original that was recorded in the register so that they shall be submitted to any party.

14.29 Appointment of Auditor

The Company shall have one auditor or more to be selected from among the auditors certified and licensed to work in the Kingdom of Saudi Arabia. The auditor shall be appointed annually and its compensation shall be fixed by the General Assembly. The General Assembly may further reappoint the same auditor in consistent with the resolutions and instructions issued in this regard.

Access to Records

The auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further check the Company's assets and liabilities.

14.30 Financial Year

The Company's fiscal year shall commence as on 1st January and expire on 31st December of each Gregorian year. However, the Company's first fiscal year following conversion shall commence as of the date of issuance of the Ministerial Resolution announcing the conversion of the Company and expiring on 31st December of the current year.

The Financials and Budgets of the Company

The Board of Directors shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a statement of the cash flows and a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits. The Board of Directors shall perform the foregoing at least sixty (60) days prior to the convening of the annual Ordinary General Assembly. The Board of Directors shall put such documents at the auditor's disposal at least fifty-five (55) days prior to the time set for convening the General Assembly. Such documents shall be signed by the Chairman of the Board of Directors and a set thereof shall be available at the Company's head office for the Shareholders' review at least twenty-five (25) days prior to the time set for convening the General Assembly. The Chairman of the Board of Directors shall cause the Company's balance sheet, profit and loss account, cash flows and a comprehensive summary of the Board of Directors' report and the full text of the auditor's report to be published in a newspaper circulated in the city where the Company's head office is located, and shall send copies of such documents to the Companies Department at the Ministry of Commerce at least twenty-five (25) days prior to the date set for convening the General Assembly.

14.31 Distribution of Annual Profits

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals one-half (1/2) of the Company's capital.

- The Ordinary General Assembly may, upon recommendation of the Board of Directors, set aside a percentage not exceeding 20% of the annual net profits to form an contingent reserve to be allocated for certain purpose or purposes .
- The balance of the profits shall thereafter be paid to the Shareholders an initial payment of not less than five percent (5%) percent of the paid-up capital.
- No more than ten percent (10%) of the remaining amount shall be allocated as a remuneration to the members of the Board of Directors, and such percentage shall in no event exceed the limits permitted under the official resolutions and instructions issued by the competent authorities in this respect.
- The General Assembly may deduct 10% of the net profit for establishment of social institutions for the employees of the Company or for granting shares for employees as an award to them.
- The balance shall be distributed among the Shareholders as an additional share of the profits.

14.32 Distribution of Dividends

The profits to be distributed among the Shareholders shall be paid at such place and times as determined by the Board of Directors, in accordance with the instructions issued by the Ministry of Commerce and Industry.

14.33 Company Losses

If the Company's losses total three-quarters (3/4) of its capital, then the members of the Board of Directors shall call the Extraordinary General Assembly for a meeting to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified therefore under Article (6) of these By-Laws. In all cases the Assembly's resolution shall be published in the Official Gazette.

14.34 Liability Lawsuit

Each Shareholder shall have the right to file a liability action, vested in the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company's right to file such action shall still be valid. The Shareholder shall notify the Company of his/her intention to file such action.

14.35 Dissolution and winding up of the Company

Upon the expiry of the Company's duration, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidator(s) are appointed. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

14.36 Publishing of the Bylaws

The Company's By-Laws shall be filed and published in accordance with the Companies Regulation.

15 Legal Information

15.1 Government Licenses

The Company holds approved licenses from the Saudi Arabian Ministry of Commerce and Industry for the following activities:

- License for Industrial Contracting Division of the Company (“ICD”) valid till 3 May 2013
- License for Land Transportation Division of the Company (“LTD”) valid till 9 April 2014
- License for Wholesale and Retail Trading Division of the Company (“TD”) valid till 9 Apr 2012
- License for Commercial Services Division of the Company (“CSD”) valid till 1 January 2013
- License for General Contracting Division of the Company (“GCD”) valid till 9 April 2014
- license for Hazardous Industrial Waste Management Division of the Company (“HMD”) valid till 9 April 2014

As at the date of the Prospectus, the licenses set out above are valid and in force and they are renewable.

15.2 Financing Agreements

The Company has entered into the following financing agreements:

- On 19 October 2008, the Company entered into a credit facilities agreement with Riyad Bank pursuant to which Riyad Bank agreed to grant the Company credit facilities in an aggregate amount of SAR 907,288,000. On 31 May 2009, the Company signed an addendum for this agreement with Riyad Bank whereby the Bank agreed to grant the Company additional facilities in the amount of SAR 479,836,000. On 8 May 2010, the Company signed an agreement for renewal and extension of the credit facilities agreement and its addendum whereby the Bank agreed to renew the agreement and its addendum till 31 May 2011 in an amount of SAR 1,182,842,000. The Company had used an amount of SAR 841,843,962 of such facilities up to 31 December 2009.
- On 15 October 2008, the Company entered into a facilities agreement with Banque Saudi Fransi pursuant to which Banque Saudi Fransi agreed to grant the Company credit facilities in an aggregate amount of SAR 310,000,000. This agreement has been renewed on 8 September 2009. On 6 March 2010, the Company and the Banque agreed to renew the agreement and to raise the credit ceiling to SAR 676,000,000. Payment dates vary based on the type of facilities granted, and the last date of payment under this agreement shall be 31 March 2013. The Company used SAR 57,543,456 of these facilities as of 31 December 2009.
- On 1 July 2008, the Company entered into a credit facilities agreement with National Commercial Bank pursuant to which National Commercial Bank agreed to grant the Company credit facilities in an aggregate amount of SAR 335,512,546. The final payment date of the indebtedness under the provisions of this agreement shall be 30 April 2015 and the Company used SAR 205,937,678 of such facilities as of 31 December 2009.
- On 30 July 2008, the Company entered into a credit facilities agreement with Saudi Hollandi Bank pursuant to which Saudi Hollandi Bank agreed to grant the Company credit facilities in an aggregate amount of SAR 337,320,277. The final payment date of the indebtedness under the provisions of this agreement shall be December 2010 and the Company used SAR 179,649,926 of such facilities as of 31 December 2009.
- On 28 June 2005, the Company entered into a credit facilities agreement with Samba Financial Group pursuant to which Samba Financial Group agreed to grant the Company credit facilities in an aggregate

amount of SAR 194,333,714. The Company and Samba Financial Group have also entered into several addendums to the agreement for additional financing as follows:

- i) An addendum of 15 April 2006 pursuant to which Samba Financial Group granted credit facilities of SAR 275,124,269 to the Company;
 - ii) An addendum of 19 March 2007 pursuant to which Samba Financial Group granted credit facilities of SAR 489,174,269 to the Company;
 - iii) An addendum of 21 October 2007 pursuant to which Samba Financial Group granted credit facilities of SAR 150,000,000 to the Company; and
 - iv) An addendum of February 2008 pursuant to which Samba Financial Group granted sub-credit facilities to the credit facilities agreement dated 19 May 2007 of SAR 20,000,000 to the Company;
 - v) An addendum of 25 January 2009 pursuant to which Samba Financial Group granted credit facilities of SAR 502,517,482 to the Company.
 - vi) The final payment date of the indebtedness under the provisions of this agreement was 31 December 2009
 - vii) and the Company is currently making arrangement to roll over this Agreement. The Company used SAR
 - viii) 243,598,348 of such facilities as of 31 December 2009.
- On 5 March 2007, the Company entered into a Credit Facilities Agreement with Gulf International Bank pursuant to which Gulf International Bank agreed to grant the Company facilities in an aggregate amount of SAR 67,200,000. These facilities have been granted for the purpose of partially financing the Company's commitments to project of construction works on the electrical distribution network for Stage 1 of Jubail 2. The Company had paid the full amount due under the agreement on the maturity date. However, the facilities for Letter of Guarantees will continue until the final handing over of the project, and they are performance bond in an amount of SAR 1.189.267.
 - On 31 August 2006, the Company entered into a Credit Facilities Agreement with Gulf International Bank pursuant to which Gulf International Bank agreed to grant the Company facilities in an aggregate amount of SAR 73,975,000. These facilities have been granted for the purpose of financing the Company's commitments to the Royal Commission for Jubail & Yanbu under contract number 204-C36 in connection with the procurement and construction works on the product pipeline corridor for stage 1 of Jubail 2. The Company had paid the full amount due under the agreement on the maturity date. However, the facilities for Letter of Guarantees will continue until the final handing over of the project, and they are performance bond in an amount of SAR 5.975.000.
 - On 22 July 2008, the Company entered into a Credit Facilities Agreement with Gulf International Bank whereby the Bank agreed to grant credit facilities to the Company in an amount of a SAR 50,000,000, which can be drawn down in multiple advances. The repayment date for each advance differs according to its due date. The Company had used an aggregate amount of SAR 10,000,000 of the facilities as of 31 December 2009. The final repayment date of the facilities was 27 May 2010. The Company is currently arranging for the credit facilities be rolled over.
 - On 30 July 2008, the Company entered into a credit facilities agreement with Saudi Hollandi Bank pursuant to which Saudi Hollandi Bank agreed to grant the Company credit facilities in an aggregate amount of SAR 337,320,277. On 3 February 2010, the Company agreed with the Bank to raise the credit ceiling of the facilities agreement by an aggregate amount of SAR 285,541,000. The final payment date of the facilities under the provisions of this agreement shall be 14 December 2010 and the Company used SAR 179,649,926 of such facilities as of 31 December 2009

- None of the facilities granted pursuant to the above agreements involves the pledge of any physical asset of the Company. Securities granted are generally in the form of an assignment of contract proceeds or personal guarantees given in certain cases by Selling Shareholders or order notes (see Table 15.1). It is currently proposed that the personal guarantees will be replaced by guarantees to be issued by Abdullah A. M. Al-Khodari Sons Investment Holding Company.
- The table below shows the guarantees and securities presented to secure each of the abovementioned bank facilities:

Table 15.1 Guarantees and Securities:

Facilities Agreement	Guarantees
Facilities Agreement with Riyadh Bank entered on 19 October 2008	<p>1-Order Note issued by the Company in the amount of SAR 907,288,000 for the benefit of Riyad Bank</p> <p>2-Order Note issued by the Company in the amount of SAR 479,836,000 for the benefit of Riyad Bank</p> <p>3-Declaration of Assignment of the Company's proceeds in the contract entered with the Royal Commission of Jubail and Yanbu for replacing the pipeline C-42.</p> <p>4- Declaration of Assignment of the Company's proceeds in the contract entered with the Public Investments Fund-Ministry of Finance for development of Al-Nufud desert.</p> <p>5- Declaration of Assignment of the Company's proceeds in the contract entered with the Ministry of Transportation (Hail Road Project)</p> <p>6- Declaration of Assignment of the Company's proceeds in the contract entered with the Royal Commission of Jubail and Yanbu (No. POMA-2020)</p> <p>7-Declaration of Assignment of the Company's proceeds in the two contracts entered with the Municipality of Dammam for disposal of sewage water in Dammam and Safwa.</p> <p>8- Declaration of Assignment of the Company's proceeds in the contract entered with the Ministry of Transportation (Abu Ajram Road Project)</p> <p>9- Declaration of Assignment of the Company's proceeds in the contract entered for the College of Education building construction project-Taiba University</p> <p>10- Declaration of Assignment of the Company's proceeds in the contract entered for the College of Education (girls) building construction project-Taiba University</p> <p>11- Declaration of Assignment of the Company's proceeds in the contract entered for the College of Science (girls) building construction project-Taiba University</p> <p>12- Declaration of Assignment of the Company's proceeds in the contract entered the water networks project-Hafar Al-Baten & Qaisumah</p> <p>13- Declaration of Assignment of the Company's proceeds in the contract entered for Doubling the Abu Ajram Road project</p> <p>14- Declaration of Assignment of the Company's proceeds in the contract entered for the new Hail –Jouf railway project</p> <p>15- Declaration of Assignment of the Company's proceeds in the contract entered with the Royal Commission of Jubail and Yanbu for replacing and</p>

	<p>adding seawater cooling pipeline</p> <p>16- Declaration of Assignment of the Company's proceeds in the contract entered with the Ministry of Water and Electricity for O & M project for the purification plant and potable water networks in Hafar Al-Baten</p> <p>17- Declaration of Assignment of the Company's proceeds in the contract entered with the Ministry of Municipal and Rural Affairs for Operation and management of waste disposal landfills</p> <p>18- Declaration of Assignment of the Company's proceeds in the contract entered with the Ministry of Municipal and Rural Affairs for collection and transport of wastes in cities of Safwa and Kadeh and Awamia.</p> <p>19- Declaration of Assignment of the Company's proceeds in the contract entered with King Faisal University for construction of the Deanship building in Al-Hassa</p> <p>20- Declaration of Assignment of the Company's proceeds in the contract entered with the Ministry of Water and Electricity for maintenance project for the water and sewage networks in Al-Hassa</p> <p>21- Declaration of Assignment of the Company's proceeds in the contract entered with King Faisal University for construction of the College of Science (girls) building in Al-Hassa</p> <p>22- Declaration of Assignment of the Company's proceeds in the contract entered with King Faisal University for construction of the College of Computer (girls) building in Al-Hassa</p> <p>23-joint amerceable bail of payment from Fawwaz Abdullah Al-Khodari</p> <p>24- joint amerceable bail of payment from Ali Abdullah Al-Khodari</p> <p>25- joint amerceable bail of payment from Jamil Abdullah Al-Khodari</p> <p>26- joint amerceable bail of payment from Abdullah A. M Al-Khodari Sons Investment Holding Company</p>
Facilities Agreement with Banque Saudi Fransi entered on 15 October 2008	<p>1-Individual and collective bails from Fawwaz Abdullah Al-Khodari, Ali Abdullah Al-Khodari and Jamil Abdullah Al-Khodari</p> <p>2- Declaration of Assignment of the Company's proceeds in the contract entered with Ministry of Higher Education for construction of the Freshman Year College of King Faisal University in Al-Hassa</p> <p>3- Declaration of Assignment of the Company's proceeds in the contract entered with Ministry of Higher Education for construction of the Medicine College of Jazan University</p> <p>4-Declaration of Assignment of the Company's proceeds in the contract entered with Ministry of Higher Education for construction of the Engineering College of Jazan University</p> <p>5- Declaration of Assignment of the Company's proceeds in the contract entered with Ministry of Water & Electricity for sewage network project in Jazan</p> <p>6-Declaration of Assignment of the Company's proceeds in the contract entered with Ministry of Transportation for agrarian roads in Makkah (Group 8)</p> <p>7- Order Note issued by the Company in the amount of SAR 676,000,000 for the benefit of Banque Saudi Fransi</p> <p>8-Tawarruq (<i>purchase a commodity on credit and then sell at spot to a third party</i>) Agreement in the amount of SAR 10,000,000</p>

	<p>9- Murabaha (<i>profit-sharing</i>) agreement in the amount of SAR 100,000,000</p> <p>10-Tawarruq (<i>purchase a commodity on credit and then sell at spot to a third party</i>) Agreement in the amount of SAR 100,000,000</p> <p>11- Murabaha (<i>profit-sharing</i>) agreement in the amount of SAR 200,000,000</p> <p>12- Tawarruq (<i>purchase a commodity on credit and then sell at spot to a third party</i>) Agreement in the amount of SAR 27,000,000</p> <p>13- Tawarruq (<i>purchase a commodity on credit and then sell at spot to a third party</i>) Agreement in the amount of SAR 70,000,000</p> <p>14-Tawarruq (<i>purchase a commodity on credit and then sell at spot to a third party</i>) Agreement in the amount of SAR 80,000,000</p> <p>15- Tawarruq (<i>purchase a commodity on credit and then sell at spot to a third party</i>) Agreement in the amount of SAR 40,000,000</p> <p>16- Tawarruq (<i>purchase a commodity on credit and then sell at spot to a third party</i>) Agreement in the amount of SAR 49,000,000</p> <p>17-In the event that the Company uses any of the facilities available for financing government and semi-government contracts, the Company shall submit a declaration of assignment of the Company's proceeds in such contracts.</p>
Facilities Agreement with National Commercial bank entered on 1 July 2008	<p>1-Declaration of Assignment of the Company's proceeds in the contract entered with the Ministry of Transportation, in the amount of SAR 20,340,234</p> <p>2- Declaration of Assignment of the Company's proceeds in the contract entered with the Royal Commission of Jubail and Yanbu, the amount of SAR 112.970.234</p> <p>3- Declaration of Assignment of the Company's proceeds in the contract entered with the Ministry of Municipal and Rural Affairs for Naseem District cleaning project (RIYADH) in the amount of SAR 191,119,527 and Al-Shamisi District cleaning project (Riyadh) in the amount of SAR 103,937,324</p> <p>4- Individual and collective bails that cover the aggregate amount of the credit facilities from Fawwaz Abdullah Al-Khodari, Ali Abdullah Al-Khodari , Jamil Abdullah Al-Khodari and Fawzi Abdullah Al-Khodari</p>
Facilities Agreement with SAMBA Financial Group entered on 30 June 2005 (and their addenda)	<p>1-Individual and collective bails from Fawwaz Abdullah Al-Khodari, Ali Abdullah Al-Khodari , Jamil Abdullah Al-Khodari and Fawzi Abdullah Al-Khodari</p> <p>2- Declaration of Assignment of the Company's proceeds in the contract entered with the Ministry of Interior for Sharourah-Kharkhir Road Project</p> <p>3- Declaration of Assignment of the Company's proceeds in the contract entered with the Royal Commission of Jubail and Yanbu - Yanbu</p> <p>4- Declaration of Assignment of the Company's proceeds in the Palace Operation and maintenance project in Al-Khalidiyah Area</p> <p>5- Declaration of Assignment of the Company's proceeds in the contract entered with the Royal Commission of Jubail and Yanbu, No. 710-C-06</p> <p>6- Declaration of Assignment of the Company's proceeds in the contract entered for Hail University project</p> <p>7- Declaration of Assignment of the Company's proceeds in the contract entered for Taibah University project</p>
Facilities Agreement	1-Individual and collective bails from Fawwaz Abdullah Al-Khodari, Ali Abdullah

with Gulf International Bank entered on 5 March 2007	<p>Al-Khodari , Jamil Abdullah Al-Khodari and Fawzi Abdullah Al-Khodari</p> <p>2- Order Note issued by the Company in the amount of SAR 67,200,000 for the benefit of Gulf International Bank</p> <p>3- Declaration of Assignment of the Company's proceeds in the contract No. 077-C-15 entered with the Royal Commission of Jubail and Yanbu,</p>
Facilities Agreement with Gulf International Bank entered on 31 August 2006	<p>1-Individual and collective bails from Fawwaz Abdullah Al-Khodari, Ali Abdullah Al-Khodari , Jamil Abdullah Al-Khodari and Fawzi Abdullah Al-Khodari</p> <p>2- Declaration of Assignment of the Company's proceeds in the contract No. 204-C-36 entered with the Royal Commission of Jubail and Yanbu, regarding procurement and construction works for the Pipeline Corridor for Stage 1 of Jubail 2</p> <p>3-Order Note issued by the Company in the amount of SAR 73,975,000 for the benefit of Gulf International Bank</p>
Facilities Agreement with Gulf International Bank entered on 22 July 2008	<p>1-Individual and collective bails from Fawwaz Abdullah Al-Khodari, Ali Abdullah Al-Khodari , Jamil Abdullah Al-Khodari and Fawzi Abdullah Al-Khodari</p> <p>2- Order Note issued by the Company in the amount of SAR 50,000,000 for the benefit of Gulf International Bank</p>
Credit Facilities Agreement with Saudi Hollandi Bank	<p>1- Order Note issued by the Company in the amount of SAR 337,320,277</p> <p>2- Individual and collective bails signed by Fawwaz Abdullah Al-Khodari and Ali Abdullah Al-Khodari in the amount of SAR 337,320,277.</p> <p>3- Irrevocable Declaration of Assignment of the proceeds of the project No. 235-S12R entered with the Royal Commission of Jubail and Yanbu</p> <p>4- Irrevocable Declaration of Assignment of the proceeds of the project No. P2021P-POMA entered with the Royal Commission of Jubail and Yanbu</p> <p>5- Irrevocable Declaration of Assignment of the proceeds of the project No. 021-C04 entered with the Royal Commission of Jubail and Yanbu regarding Construction of infrastructure for a labor camp</p> <p>6- Irrevocable Declaration of Assignment of the proceeds of the project with the Ministry of Higher Education for construction of Girls College in King Faisal University in Al-Hassa</p> <p>7- Irrevocable Declaration of Assignment of the proceeds of the contract of the project of the construction of intersection in Abha, entered with the Ministry of Municipal and Rural Affairs</p>

As of the date of the Prospectus, the Company acknowledges that is not a party to any other bank financing agreements except those described above.

15.3 Summary of Key Project Agreements

Below is a list of the project agreements to which the Company has entered into in relation to its core construction and waste management business:

Table 15.2 Key Project Agreements

	Client/Project Owner	Project Name	Contractual Date of Completion
1	The Royal Commission for Jubail & Yanbu	Infrastructure for Return pipelines (Contract No. 065-C42)	1 August 2009. Due to delay by the client in turning over some sites, extension was requested and the extension request is underway
2	The Public Investment Fund, Ministry of Finance	Earthworks across Al-Nafud Desert for the North-South Railway project (section 4-2-2) in Al-Jouf Area	31 Dec 2009 (provisional turning over is underway)
3	The Ministry of Transport	Changer Order: construction of camel passages and signal control lines Doubling the Al Qulaiba/Abu Ajram Road in Al-Jouf region (150 km in length) and backward: Doubling the Abu Ajram/Al Qulaiba Road in Tabuk region (134 km in length). Al Qulaiba/Abu Ajram Road in Tabuk region	30 Sept 2010 21 June 2008. Request for extension submitted by the Company
4	The Royal Commission for Jubail & Yanbu	Contract No. POM A-2021 (Rebid) Roads and Paving Maintenance (follow up # 8)	20 September 2010
5	The Royal Commission for Jubail & Yanbu	Contract No. 325-S12R for the Operation and Maintenance of Roadway Networks	18 July 2010
6	The Royal Commission for Jubail & Yanbu	Contract No. 204-C36 Pipeline Corridors for Stage 1 of Jubail 2	20 March 2009 Final Handing over in progress
7	The Ministry of Interior	Contract relating to Construction project of Sharoura/Al-Kharkhir Road	18 October 2008. Final Handing over in progress
8	The Royal Commission for Jubail & Yanbu	Contract No. 204-C40 for the De-Bottlenecking of Pipeline Corridors (Phase-2)	23 March 2009. Final Handing over in progress.
9	The Ministry of Higher Education, Taibah University-Madinah	Contract for Construction of the Faculty of Financial & Administrative Sciences for Taibah University -Madinah	17 Nov 2009. Project extended to 7 May 2010 (provisional Handing over in progress)
10	The Ministry of Higher Education-King Faisal University	Contract for Construction of the Faculty of Education (Girls) in Al-Hassa	16 November 2010
11	The Ministry of Water and Electricity	Contract No. 70 for the Operation and Maintenance of the Refinery Station and Water Network in Hafar Al-Baten	1 March 2011
12	The Royal Commission for Jubail & Yanbu	Contract No. 021-C04 for Construction of infrastructure for the labor camp quarter	28 March 2009. Due to changer order change and increase in the scope of work by the client, The Company requested an extension to 2 March 2010. Request underway
13	The Ministry of Municipal and Rural Affairs	Contract for collection & removal of Wastes from city of Safwa and Kadeh and Awamia and their villages for years 1429-1434 H	22 August 2013
14	The Ministry of Municipal and Rural Affairs	Contract for Administration and Operation of landfills for the disposal of municipal wastes from Dammam and	15 July 2011

	Client/Project Owner	Project Name	Contractual Date of Completion
		the surrounding towns for years 1429-1434 H	
15	The Ministry of Municipal and Rural Affairs	Administration, Operation & Maintenance for the Disposal of Wastes Project for in Riyadh (Part 4 of Al Naseem and Sali and Part 9 of Al Shamisi)	Al Naseem: 28 December 2013 Al Shamisi: 22 November 2013
16	King Faisal University, Ministry of Higher Education	Contract for Construction of Support Deanships Building in the University Campus in Al-Hassa (Phase I)	14 December 2011
17	King Faisal University, Ministry of Higher Education	Contract for Construction of Girls' Computer College Building in the University Campus in Al-Hassa	26 January 2012
18	King Faisal University, Ministry of Higher Education	Contract for Construction of Girls' Science College Building in the University Campus in Al-Hassa	20 December 2011
19	South Rub Al-Khali Company	Contract for Well Drilling Access Road and Platform -Zaynan	September 2009, due to change in design by the client, the project was extended to 28 May 2010 (provisional turning over in progress)
20	Ministry of Water & Electricity	Project for construction of water networks and pumping stations in Hafar Al-Baten and Qaissoumah	20 December 2011
21	Municipality of Eastern Province	Contract for supply of Recycling Household Waste	6 February 2010
22	Ministry of Water & Electricity	Operation & maintenance of water networks in villages of Al-Hassa and Abqaiq	24 November 2011
23	The Royal Commission for Jubail & Yanbu	2 Contracts No. 077-R-20 for construction of Electrical Power Switching stations for Stage 2 of Jubail 2	20 March 2011
24	The Ministry of Higher Education, Taibah University-Madinah	project for Construction of the Faculty of Sciences for Taibah University - Madinah	
25	The Ministry of Higher Education, Taibah University-Madinah	project for Construction of the Faculty of Education (boys) for Taibah University -Madinah	10 November 2011
26	The Ministry of Municipal and Rural Affairs, Municipality of Aseer Province	Project for Construction of Intersection of King Fahad with Al-Muwazzafeen District in Abha	12 March 2011
27	The Ministry of Higher Education, Taibah University-Madinah	project for Construction of the Faculty of Education (girls) for Taibah University -Madinah	10 November 2011
28	Ministry of Water & Electricity	Sewage project in Jazan city	16 October 2012
29	The Ministry of Higher Education, King Faisal University	Construction of the freshman year building at University of King Faisal	25 September 2012
30	Ministry of Water & Electricity	Completion of the main sewage lines in Wadi Al-Dawaser	15.3.2 17 October 2010

	Client/Project Owner	Project Name	Contractual Date of Completion
31	Ministry of Transportation	Agrarian roads in Makkah provinces (group 8)	9 June 2012
32	The Ministry of Transport	Construction of secondary roads in Al-Jouf Region (2 nd Group)	Contract signing undergoing
33	The Ministry of Transport	Repair of the existing lane of Al Qulaiba/ Abu Ajram Road in Al-Jouf region(75 km) 1 st phase	Contract signing undergoing
34	Ministry of Municipal and Rural Affairs Jazan Municipality	Jazan City cleaning	6 July 2015
35	The Ministry of Water and Electricity	O & M of sewage treatment plants and pumping stations in Khamis Mushayt Governorate	16 May 2013
36	Royal Commission of Jubail & Yanbu	Contract No. 325 –C13 (O&M of road networks)	16 July 2013
37	Ministry of Interior	Facilities Security Training Center Project-Eastern Province	Contract signing undergoing
38	Ministry of Transportation	Completion of Doubling of Najran/Sharoura/Wadei'a Road (Al-Khadra'a/Sharoura)	5 March 2013
39	University of Jazan Ministry of Higher Education	Construction of Engineering College Building	Contract signing undergoing
40	Taibah University in Madinah Ministry of Higher Education	Project of construction of Ceremonies and Conferences Hall, Higher Management building and Support Deanships building	Contract signing undergoing
41	Ministry of Transportation	Doubling of Najran/Sharoura/Wadei'a Road (Al-Khadra'a/Sharoura)	Contract signing undergoing
42	Ministry of Transportation	The continuation of 27Km regional road south of Tabarjal with its intersection with Al-Jouf Road	Contract signing undergoing

Below are summaries of the project agreements listed above:

- Construction agreement dated 22 December 2004 between the Company and The Royal Commission for Jubail & Yanbu. The work to be performed by the Company under this agreement consists of construction of two new Seawater Cooling Bypass Pipelines. The contractual completion date under the agreement is 6 January 2007; an extension until 1 August 2009 has been obtained. Due to delay by the Royal Commission in turning over some sites, the Company requested a new extension.
- Construction agreement dated 1 August 2006 between the Company and The Public Investment Fund. The work to be performed by the Company under this agreement is the earthwork for a section of the North-South Railway track across Nafud desert in the Al Jouf region. The contractual completion date of this agreement is 28 June 2009. A request for an extension of the agreement has been submitted. Since the Public Investments Fund asked the Company to carry out additional works, the project was extended to 31 December 2009. The provisional turning over of the project is in progress. As for the additional works of construction of camel passages and signal control lines, the completion date is 30 September 2010.
- Construction agreement dated 2 August 2005 between the Company and the Ministry of Transport. The work to be performed by the Company under this agreement includes: 1) the execution of 150 kilometers

of road between Abu Ajram and Al Qulaiba, Al Jouf region. 2) The execution of Al Qulaiba Abu Ajram Road (134 kilometers), Tabuk region. The contractual completion date of this agreement date is 21 June 2008. The Company asserts completion has been delayed due to a delay on the part of the Ministry in providing designs and shortage of bitumen. The Company has submitted a request for an extension. Under the terms of the agreement, the Ministry has the right to terminate the agreement and to claim liquidated damages and costs if the delay is attributable to the Company. Under the provisions of the Agreement, the liquidated damages are calculated on the basis of the project's daily average cost, i.e., by dividing the total contract price by the performance period according to following:

- 1- The liquidated damages for the first period of delay shall be an amount equal to one quarter of the daily average cost for each day of delay for a period of up to either (i) 15 days; or (ii) 5% of the contract period, whichever is longer.
- 2- The liquidated damages for the second period of delay shall be an amount equal to one half of the daily average cost for each day of delay for a period of up to either (i) 30 days; or (ii) 10% of the contract period, whichever is longer.
- 3- The liquidated damages for the third period of delay shall be equivalent to the full daily average cost for each day of delay following the longer of the two periods referred to in (b) above.

- Construction agreement dated 19 September 2007 between the Company and the Royal Commission for Jubail & Yanbu to provide roads and paving maintenance. The contractual completion date of this agreement is 20 September 2010.
- Operation and maintenance agreement dated 23 June 2007 between the Company and the Royal Commission for Jubail & Yanbu for the operation and maintenance of roadway system. The contractual completion date of this agreement is 18 Jul 2010.
- Construction agreement dated 11 July 2006 between the Company and the Royal Commission for Jubail & Yanbu for construction work on the Pipeline corridor for Stage 1 of Jubail 2 project. The contractual completion date of this agreement is 15 November 2008. Due to an order change from the client, the completion date was extended to 20 March 2009. The Company is in the process of final handing over the project to the Royal Commission.
- Construction agreement dated 16 November 2002 between the Company and the Ministry of Interior for construction of Sharoura/Al Kharkhir road. The original contractual completion date was 15 November 2005. Under the terms of this contract, the Ministry is responsible for providing the required bitumen. The Company asserts that due to a lack of supply of bitumen the contract was extended to 18 October 2008. Another extension was approved and the final handing over phase was reached.
- Construction contract dated 30 October 2006 between the Company and the Royal Commission for Jubail & Yanbu for the construction of de-Bottlenecking for pipeline corridors (Phase 2 works). The original contractual completion date of 3 March 2008 has been extended to 23 March 2009. This contract was completed and the final handing over is in progress.
- Construction agreement dated 13 November 2007 between the Company and the Ministry of Higher Education for the construction of the faculty of financial and administrative science for Taibah University. The original contractual completion date of 17 November 2009 has been extended to 7 May 2010, and the final handing over is in progress.
- Construction agreement dated 17 April 2008 between the Company and the Ministry of Higher Education for the construction of the Faculty of Education in Al-Hassa Education City. The contractual completion date of this agreement is 16 November 2010.
- Operation and maintenance agreement dated 19 November 2007 between the Company and the Ministry of Water and Electricity for the operation and maintenance of the refinery station and water network in Hafar Al-Baten. The contractual expiration date of this agreement is 1 March 2011.
- Construction agreement dated 18 March 2008 between the Company and the Royal Commission for Jubail & Yanbu for the procurement & construction of infrastructure for a labor camp. The contractual completion

date of this agreement is 28 March 2009. Due to change order and increase in the scope of work, the project was extended to 28 March 2009. Due to change order and increase in the scope of work by the Royal Commission, the Company requested extension to 2 March 2010. Request is underway.

- Waste Disposal Agreement dated 24 June 2008 between the Company and the Ministry of Municipal and Rural Affairs for the disposal of wastes for Safwa and Kadeh and Awamia and the surrounding villages. The contractual expiration date of this agreement is 22 August 2013.
- Operation and Administration Agreement dated 7 June 2008 between the Company and the Ministry of Municipal and Rural Affairs for the disposal of wastes for the Municipality of Dammam and the surrounding towns. The contractual expiration date of this agreement is 15 June 2011.
- Contract dated 16 July 2008 between the Company and the Ministry of Municipal and Rural Affairs for the disposal of wastes for the Municipality of Riyadh (Part 4 of Al Naseem and Sali and Part 9 of Al Shamisi). The contractual expiration date of this agreement is 22 November 2013 for Al Naseem and Sali Part, and 28 December 2013 for Al Shamisi Part.
- Contract dated 30 November 2008 between the Company and King Faisal University for Construction of Deanship Building in Al-Hassa (Phase 1). The contractual completion date of this agreement is 14 December 2011.
- Contract dated 31 December 2008 between the Company and King Faisal University for the construction of a girls' Computer College building. The contractual completion date of this agreement is 26 January 2012.
- Contract dated 1 December 2008 between the Company and King Faisal University for the construction of a girls' Science College building. The contractual completion date of this agreement is 20 December 2011.
- Contract dated 29 June 2008 between the Company and South Rub Al-Khali Company for the provision of civil works to provide well drilling access and road platform in Zaynan deep location. The contractual completion date of this agreement is September 2009. Due to change in design by the client, the project was extended till 28 May 2010. Works were completed and the provisional turning over is in progress.
- Contract between the Company and Ministry of Water & Electricity for the operation and maintenance of sewage lines in Hafar Al-Baten & Qaissoumah. The contractual completion date of this agreement is 20 December 2011.
- Contract between the Company and Municipality of the Eastern Province for supplies needed for household wastes recycling. The contractual completion date of this agreement is 6 February 2010.
- Contract between the Company and Ministry of Water & Electricity for the operation and maintenance of the existing water networks and plants, water treatment plants and installation of pipelines. The expected completion date is 24 November 2011.
- Contract between the Company and Taibah University-Madinah, for construction the Faculty of Science building, which is one 3-storey building, including engineering and structural works such as excavation and backfilling, reinforced concrete, building and insulation works, as well as finishing works such as doors, windows, iron and wood works, curtains and aluminum, elevators, flooring, walls, ceilings, partitions, fixtures, all electromechanical systems, plumbing, sanitary ware, firefighting equipment, HVAC, power supply, lighting, fire alarm systems, and all systems that operate with low voltage current. The expected completion date is 10 November 2011.
- Contract between the Company and Taibah University-Madinah, for construction the Faculty of Education building (boys), which is one 3-storey building, including engineering and structural works such as excavation and backfilling, reinforced concrete, building and insulation works, as well as finishing works such as doors, windows, iron and wood works, curtains and aluminum, elevators, flooring, walls, ceilings, partitions, fixtures, all electromechanical systems, plumbing, sanitary ware, firefighting equipment, HVAC, power supply, lighting, fire alarm systems, and all systems that operate with low voltage current. The expected completion date is 10 November 2011.
- Contract between the Company and Ministry of Municipal and Rural Affairs for the Project of Construction of Intersection of King Fahad with Al-Muwazzafeen District in Abha. The expected completion date is 12 March 2011.

- Contract between the Company and Taibah University-Madinah, for construction the Faculty of Education building (girls), which is one 3-storey building, including engineering and structural works such as excavation and backfilling, reinforced concrete, building and insulation works, as well as finishing works such as doors, windows, iron and wood works, curtains and aluminum, elevators, flooring, walls, ceilings, partitions, fixtures, all electromechanical systems, plumbing, sanitary ware, firefighting equipment, HVAC, power supply, lighting, fire alarm systems, and all systems that operate with low voltage current. The expected completion date is 10 November 2011
- Contract between the Company and Ministry of Water & Electricity for the sewage project in Jazan, which involves construction of clay pipelines of 70.715 linear meters, diameter varies between 200-500 mm, including 1339 concrete manholes, with UPVC pipelines installation of 21.311 linear meters, diameter varies between 150-200 mm, including 7327 house connections and 6 pumping stations. The expected completion date is 16 October 2012.
- Contract between the Company and King Faisal University for construction of the freshman year building in King Faisal University in Al-Hasa, and it includes construction of the main generation building, main chillers building with the utilities network, in addition to the fence and gates for expansion of the campus of University. The expected completion date is 25 September 2012.
- Contract between the Company and Ministry of Water & Electricity for completion of the main line of the sewage in Wadi Al-Dawaser, which includes concrete pipelines of 5.857 linear meter long, diameters vary between 1100 – 1200 mm, including 30 concrete manholes. The expected completion date is 17 October 2010.
- Contract between the Company and Ministry of Transportation for construction of the agricultural roads in three various areas in Makkah Region, 178 Km long (Group 8). The expected completion date is 9 June 2012.

None of the above agreements contains a change of control provision whereby the consent of the counterparty would be required to a change of control of the Company.

15.4 Corporate Reorganization:

At the end of 2008, the Company performed a reorganization process, in preparation for the public offering. The corporate reorganization involved the following changes:

15.4.1 Sale of the Company's investments in associated and affiliated companies

The Company sold its shares and interests in a number of associated and affiliated companies listed on Table 15.3 to Abdullah Abdul-Mohsen Al-Khodari Sons Investment Holding Company. The Company signed a "Share Transfer" Agreement with of Abdullah Abdul-Mohsen Al-Khodari Sons Investment Holding Company whereby the latter agreed to buy the Company's shares in the associated and affiliated companies against the cost of investments paid by the Company. Each of the other shareholders in the associated and affiliated companies waived its pre-emption rights in such shares.

The Company has commenced the regulatory procedures at the Saudi Arabian General Investment Authority (SAGIA) and Ministry of Commerce and Industry for consummation of transfer of the shares and interests in the associated and affiliated companies to Abdullah A. M. Al-Khodari Sons Investment Holding Company.

Table 15.3 Sale of Company's Investments in Associated and Affiliated Companies

Company name	Registered Address	% shares sold by the Company
Al Khodari Sons & LV Shipping Logistics Ltd	Dammam	60%
Karrena Arabia Industrial Chimney Limited Company	Dammam	60%
Hamon D'Hondt Middle East Limited	Al Jubail	40%
Cumberland Insurance & Reinsurance (Bahrain) E.C.	Bahrain	70%
Abdullah A. M. Al Khodari & Hertel Industrial Services Limited	Al Jubail	50%

15.4.2 Conversion of some Branches to newly formed Limited Liability Companies

The Company has converted each of its following branches that were unrelated to the construction and waste management business into newly formed limited liability companies fully owned by the Selling Shareholders, except Abdullah A. M. Al-Khodari Sons Investment Holding Company: Air Conditioning & Refrigeration Center , Al Khodari Travel & Tourism Agency , Al Khodari Industrial Trading & Industrial Services and Al Khodari Heavy Industries Factory. The Company has executed a "business and assets transfer agreement" with each of the new limited liability companies whereby the Company sold the assets and businesses of the branches against the investment value recorded in the Company's books.

Details of the newly formed limited liability companies are set out in the table below.

Table 15.4 New Limited Liability Companies

Company Name	Location	Commercial Number (s)	Registration
Air Conditioning & Refrigeration Center	Al Khobar	2051017258	
Al Khodari Travel & Tourism Agency	King Saud Street, Dammam	2050025145	
Al Khodari Industrial Trading & Industrial Services	King Abdulaziz Street, Al Khobar	2050063460	
Al Khodari Heavy Industries LLC	Dammam	2050037656	

15.5 Insurance Policies

The Company entered the following insurance policies that cover the Company for different types of risks (including. all risks, CPM, fire insurance, motor insurance and compulsory cooperative health insurance).:

Table 15.5 Insurance Policies

Insurance Company	Type of Insurance Coverage	Policy Expiry date	Total insurance amount SAR 000
Trade Union Cooperative Insurance Co.	Risks/business interruption	17 May 2013	1,059,257
Trade Union Cooperative Insurance Co.	Contractors Plant & Machinery	10 Feb 2011	368,825
Trade Union Cooperative Insurance Co.	Fires	31 December 2010	27,334
Trade Union Cooperative Insurance Co.	Motor vehicles	12 April 2011	160,114
Trade Union Cooperative Insurance Co.	workman compensation	12 Nov 2011	42,763
Trade Union Cooperative Insurance Co.	health insurance	11 July 2010	Not specified

15.6 Trademarks

As part of a corporate reorganization carried out recently prior to the Offering, the Company has assigned all of its rights in the trademarks set out in the table 15.6 below to Abdullah A. M. Al-Khodari Sons Investment Holding Co. The Company does not currently possess any trademarks.

Table 15.6 Trademarks

	Trade Mark	Certificate No. /Class	Date of Registration	Country	Date of Termination
1	Al-Khodari	Class - 37 & 42	6 July 2003	Kuwait	2 July 2011
2	Al-Khodari	Class - 37 & 42	10 February 2004	Kuwait	18 June 2011
3	Abdullah A.M. Al-Khodari Sons Co.	Class 40	16/7/2001	Saudi Arabia	11 June 2010
4	Abdullah A.M. Al-Khodari Sons Co.	Class 39	16/7/2001	Saudi Arabia	11 June 2010
5	Abdullah A.M. Al-Khodari Sons Co.	Class 37	16/7/2001	Saudi Arabia	11 June 2010
6	Abdullah A.M. Al-Khodari Sons Co.	Class 36	16/7/2001	Saudi Arabia	11 June 2010
7	Abdullah A.M. Al-Khodari Sons Co.	Class 42	21/8/2001	Saudi Arabia	4 October 2010
8	Al Khodari	Class 37	18 December 2005	Qatar	unspecified
9	Al Khodari	Class 42	18 December 2005	Qatar	unspecified
10	Al Khodari	Class 37	26 February 2004	Oman	25 May 2009
11	Al Khodari	Class 42	15 April 2006	Oman	25 May 2009

Under the provisions of the “assignment agreement” entered between the Company and Abdullah A. M. Al-Khodari Sons Investment Holding Co. , the latter shall license-back the assigned trademarks for the Company to use them, together with a right for the Company to sub-license the trademarks to its affiliate companies.

15.7 Real Estate Lease Agreements

The Company is the lessee under 22 lease agreements, which are related to the lease of workshops, warehouses, plots of land on which factories, accommodation for workers and office space facilities have been built. The durations for the lease agreements ranges from six months to five years.

Table 15.7 Real Estate Lease Agreements

Lessor	Date of Agreement	Duration/status	Purpose	Rent value (annual)
Municipality of Dammam	19 Jan 1991	Annual renewals	Workmen accommodation & workshop	SAR 98,000
Municipality of Dammam	10 Jun 2007	6 Oct 2007-9 Oct 2012 renewable	Project labor office & workshop	SAR 60,676
Al-Khodari Sons	1 Jan 2008	1 Jan 2008-31 Dec 2017 renewable	Workshop & warehouses	SAR 1,244,721
Mazen Al-Said Construction Co.	3 Dec 2007	15 Dec 2007-14 Dec 2010 renewable	Head office lease	SAR 1,496,400
Royal Commission for Jubail & Yanbu	22 Jul 2007	Annual renewals	Industrial support zone in Jubail	SAR 44,383
Abdullah Saad Al-Saljeh	29 Nov 2008	1 year renewable as of 29 Nov 2008	Workmen accommodation	SAR 13,000
Tareq Sulaim Al-Sayegh	23 Nov 2008	1 year renewable as of 29 Nov 2008	Workmen accommodation	SAR 13,000
Malbas Gheneiman Al-Mohammadi	27 April 2009	27 April 2009-16 April 2010 renewed by consent of the lessor	Workmen accommodation	SAR 50,000
Mershed Al-Shammari	21 May 2009	5 May 2009-5 May 2010 renewed by consent of the lessor	Workmen accommodation	SAR 21,600
Abdullah Jarallah Al-Mousa	20 Nov 2008	1 year renewable as of 20 Nov 2008	Workmen accommodation	SAR 53,000
Sultan Fahad Al-Sameeh	18 Oct 2008	30 Oct 2008-28 Sep 2011 renewable by consent of the lessor	Workmen accommodation	SAR 70,000
Saad Awadh Al-Sharaf	15 Oct 2008	15 Oct 2008-4 Oct 2009 renewable by consent of the lessor	Workmen accommodation	SAR 20,000
Saad Awadh Al-Sharaf	25 Dec 2008	23 Dec 2008-12 Dec 2009 renewable by consent of the lessor	Workmen accommodation	SAR 22,000
Saad Awadh Al-Sharaf	14 Mar 2009	6 months renewable as of 14 Mar 2009	Workmen accommodation	SAR 7,500
Saad Awadh Al-Sharaf	27 Aug 2008	1 year renewable as of 27 Aug 2008	Workmen accommodation	SAR 18,000
Saad Awadh Al-Sharaf	9 Aug 2008	1 year renewable as of 12 Aug 2008	Workmen accommodation	SAR 34,000
Saad Awadh Al-Sharaf	14 Mar 2009	6 months renewable as of 14 Mar 2009	Workmen accommodation	SAR 7,500
Masahat Al-Aqariyah Company	23 Nov 2008	5 years renewable as of 23 Nov 2008	Workmen accommodation, equipment storage	SAR 157,731, rent is subject to 3% increase per year on a cumulative basis
Masahat Al-Aqariyah Company	29 Dec 2008	5 years renewable as of 29 Dec 2008	Workmen accommodation, storage	SAR 391,230, rent is subject to 3% increase per year on a cumulative basis
Al Khodari Heavy Industries Factory	5 Jan 2008	5 Jan 2008-4 Jan 2011	Construction of vehicle service workshop, equipment mobility pool, main warehouses	SAR 210,000

Masahat Al-Aqariyah Company	3 Jun 2009	5 years renewable as of 3 Jun 2009	Workmen accommodation, offices, project equipment pool	SAR 71,750, rent is subject to 3% increase per year on a cumulative basis
Masahat Al-Aqariyah Company	3 Jun 2009	5 years renewable as of 3 Jun 2009	Workmen accommodation, offices, equipment pool for the Company's projects	SAR 77,000, rent is subject to 3% increase per year on a cumulative basis

15.8 Contracts with Related Parties:

The Company shall ensure that all transactions between the Company and any of its affiliates or any of its officers, directors or major shareholders or any of their subordinates shall be made by consent of the majority of the directors, including majority of the independent directors and three directors who are not concerned with the resolutions that is put for voting. The Company, its directors and shareholders confirm that they intend to be committed to Articles 69 and 70 of the Companies Regulation issued by the Ministry of Commerce and Industry and committed to Article 18 of the Corporate Governance Regulation issued by the Capital Market Authority, with respect to the contracts with related parties as follows:

- All related party contracts are to be voted for in the ordinary general assembly.
- The Founding Shareholders declare not to participate in any competitive business with that of the Company or deal with related parties on a commercial basis.
- Except for what has been mentioned above, there are no commercial transactions for the time being with any of the Directors, Executive Management or holders of 5% or more of the Company or any of their relatives who have direct or indirect financial interest in those transactions, moreover, there are no powers that give any of them the right to vote on those transactions.

The following is a summary of the transactions concluded between the Company and related parties:

Four Lease Agreements with Masahat Al-Aqariyah Company:

Masahat Al-Aqariyah Company is a limited liability company established in Dammam owned by the Selling Shareholders, except Abdullah A. M. Al-Khodari Sons Investment Holding Co. The Company has entered into four lease agreements with Masahat Al-Aqariyah Company as set out in section 15.7.

The Company entered into a lease contract with Masahat Al-Aqariyah Company on 23 Nov 2008 for a plot of land measuring 30,044 square meters and located in the Deira district of Riyadh. The purpose of the lease is to build labor accommodation and to store equipment. The term of the contract is five years. The Company has a right to request for a renewal for any other period. If the landlord does not reject the request for renewal, the contract will be deemed renewed subject to the same terms and conditions. The rent for first year of the lease contract is SAR 157,731.00 per year payable in advance, the rent for the years thereafter is subject to 3% increase for each year on a cumulative basis.

The Company entered into a lease contract with Masahat Al-Aqariyah Company on 29 December 2008 for a plot of land measuring 31,050 square meters and located in Naseem district of Riyadh. The purpose of the lease is to build labor accommodation and to store equipment. The term of the contract is five years. The Company has the right to request for a renewal for any other period. If the landlord does not reject the request for renewal, the contract will be deemed renewed subject to the same terms and conditions. The rent for first year of the lease contract is SAR 391,230 per year payable in advance, the rent for the years thereafter is subject to 3% increase for each year on a cumulative basis.

The Company entered into a lease contract with Masahat Al-Aqariyah Company on 3 June 2009 for a plot of land measuring 13,259 square meters and located in Hafar Al-Baten. The purpose of the lease is to build labor accommodation, offices and to store equipment. The term of the contract is five years. The Company has the right to request for a renewal for any other period. If the landlord does not reject the request for renewal, the contract will be deemed renewed subject to the same terms and conditions. The rent for first year of the lease contract is SAR 71,750 per year payable in advance, the rent for the years thereafter is subject to 3% increase for each year on a cumulative basis.

The Company entered into a lease contract with Masahat Al-Aqariyah Company on 3 June 2009 for a plot of land measuring 12,590 square meters and located in Al-Oyoun Najeef Al-Sadiqiyyah in Madina Munawarah. The purpose of the lease is to build labor accommodation, offices and to store equipment. The term of the contract is five years. The Company has the right to request for a renewal for any other period. If the landlord does not reject the request for renewal, the contract will be deemed renewed subject to the same terms and conditions. The rent for first year of the lease contract is SAR 77,000 per year payable in advance, the rent for the years thereafter is subject to 3% increase for each year on a cumulative basis.

Save the above mentioned contracts, the management of the Company confirms that the Company is not a party to any contract that may be considered a related party transaction.

15.9 Litigation and Claims

The nominated directors and management of the Company confirm that it does not stand as a party in any legal proceedings or arbitrational or administrative action, which may, either by itself or combined with others, have a material adverse effect on its financial position or results of its operations as of the date of the Prospectus. They confirm to the best of their knowledge that there are no current or potential legal proceedings or arbitrational or administrative action, in which the Company is involved.

15.10 Commissions

The Board of Directors of the Company confirm that no commissions, discounts, brokerage fees, or other non-cash compensation granted by the Company or any of its affiliates within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any securities of the Company.

Furthermore, no member of the Board of Directors or any of the executive management members or any promotion officer or expert of the Company has received any commissions, discounts, brokerage fees, or other non-cash compensation within the two years immediately preceding the application for listing the Company on the stock exchange market in connection with the issue or sale of any securities of the Company

15.11 Restrictions of Board of Directors

Pursuant to the Companies Regulation and the Bylaws of the Company, the Board of Directors of the Company are subject to the following voting restrictions:

- A Director may not vote on any contract on which he has a vested interest;
- A Director may not vote on the recommendations for bonuses granted to them; and
- A Director may not obtain loans from the Company

15.12 Declaration with respect to the Debt Instruments

Except for as mentioned in the "Financing Agreements" in Section 15.2 and Section 9.7.2 "Commitments" of this Prospectus, the Board of Directors declare that the Company has no debt instruments, loans or contingent liabilities or indebtedness whatsoever as of the date of the Prospectus, and there are no mortgages or guarantees/securities on any of its properties.

15.13 Mortgages, Rights and Charges on Company's Properties

The Company declares that there have been no mortgages, rights or charges on its properties as of the date of the Prospectus.

16 Underwriting

16.1 Underwriters

GIB Financial Service and Riyadh Capital (the “Co-underwriter”) have undertaken to underwrite all of the Offer Shares amounting to 12,750,000 shares.

16.2 Summary of Underwriting Arrangements

The terms and conditions of the Underwriting Agreement entered between the Selling Shareholders, the Company and the Underwriters provide the following:

- a) The Selling Shareholders undertake to the Underwriters that they shall sell on the closing date (as defined in the Underwriting Agreement) all of the Offer Shares to the purchasers or to the underwriters.
- b) The Underwriters undertake to the Company and the Selling Shareholders that they shall purchase, on the closing date and at the Offer Price, all Offer Shares that have not been purchased, if any, according to the terms and provisions of the Underwriting Agreement

Table 16.1 Underwriters & Number of Shares Underwritten

The Underwriter	Number of Shares Underwritten
GIB Financial Service	637,500
Riyadh Capital	637,500

16.3 Fees and Expenses

The Selling Shareholders agreed to pay to the Underwriters the underwriting fees based on the number of Offer Shares that the Underwriter agreed to underwrite. The Selling shareholders agreed also to pay the certain expenses and costs to the Underwriters with respect to the Offering. The Selling Shareholders shall bear the full fees and expenses.

17 Subscription Terms and Conditions

All subscribers must carefully read the subscription terms and conditions prior to completing the subscription application form, since the execution and submittal of the subscription application form constitutes acceptance and agreement to these subscription terms and conditions.

17.1 Subscription for Offer Shares

The Offering will consist of 12,750,000 ordinary shares with a fully paid nominal value of SAR 10 per share and a premium at issue in the amount of SAR (38) per share representing 30% of the issued capital of the Company. The Offering is restricted to:

Tranche (A): Institutional investors including a number of institutions (collectively referred to as the "Subscribing Institutions") that have been contacted by the Lead Manager after discussions with the Company and the Selling Shareholders and based on predefined criteria set by the Capital Market Authority ("CMA" or the "Authority"). The number of Offer Shares allocated to the Subscribing Institutions is 12,750,000 Shares representing 100% of the total number of Offer Shares. In the event of subscription in the Offer Shares by the individuals defined in Tranche B, the Lead Manager shall have the right, following obtaining approval from CMA, to decrease the number of shares allocated for the Subscribing Institutions down to 6,375,000 shares that represent 50% of the total number of the Offer Shares.

Tranche (B): Individual investors, including Saudi Arabian natural persons who include a Saudi female divorcee or widow having minor children from a marriage to a non-Saudi and she will be entitled to subscribe in her children's names, (collectively "Individual Subscribers" and severally "Subscriber"). Subscription of a man in the name of his divorcee shall be deemed invalid and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the subscription applicant. A maximum of 6,375,000 shares representing 50% of the total Offer Shares shall be allocated to Individual subscribers, and if they do not subscribe in the entire shares allocated to them, then the Lead Manager shall, following obtaining approval from CMA, decrease the number of shares allocated to the Individual Subscribers so that they shall be consistent with the number of shares they subscribed in.

Establishment of Subscription Orders Register and Subscription by the Institutional Investors

The Institutional Investors shall submit an irrevocable subscription order for purchase of the Offer Shares accompanied with an undertaking of payment, prior to conclusion of fixing the Offer Price, which precedes commencement of the subscription period. The Institutional Investor shall determine the number of Shares they intend to subscribe for, which shall not be less than 100,000 Shares, in addition to the required Offer Price. Subscriptions by the Institutional Investors shall commence during the Subscription Period, which also include the Individual Investors, according to the terms, conditions and detailed contained in the Subscription Applications that have been delivered to the Institutional Investors

Subscription by the Individual Investors

Subscription Application forms for Individual Subscribers shall be available, during the Subscription Period, at the branches of the Receiving Agents. Subscription can be made through Internet, phone banking, ATMs or SMS's at the Receiving Agents that offer one or all of such services for Subscribers who have previously subscribed in one of the offerings that have made recently, provided that: 1) The Subscriber holds an account with the Receiving Agents that provide these services, and 2) no changes have been made to the Subscriber's information or data since its subscription in a recently made Offering.

A signature by the Subscriber on the subscription application form submitted to the Lead Manager or to the Receiving Agents represents a legally binding agreement between the Selling Shareholder and the Subscriber. The number of Shares to be offered for subscription shall be 12,750,000 shares representing 30% of the issued capital of the Company. The potential Subscribers may obtain the main and mini Prospectuses in addition to the subscription applications from the following Receiving Agents: Banque Saudi Fransi, National Commercial Bank, Al Rajhi Bank, Arab National Bank, the Saudi British Bank, Riyadh Bank, Samba Financial Group, Jadwa

Investment, Falcom Financial Services, Al-Dukheil Financial Group and Middle East Financial Investment Company.

The Receiving Agents will receive the subscription application forms for a period of 7 days at their branches throughout Saudi Arabia from 25/10/1431H (corresponding to 4/10/2010 G) to 2/11/1431H (corresponding to 10/10/2010 G). Once the subscription application form is signed and submitted, the Receiving Agents will stamp it and provide the Subscriber a stamped copy of the subscription application form. In the event that the information provided in the subscription application form is incorrect or inaccurate, or not stamped by the Receiving Agents, the subscription application form will be considered void.

Each subscription applicant is required to specify the number of Offer Shares applied for in the subscription application form. The total amount payable by each subscription applicant shall be an amount equal to the number of Offer Shares applied for multiplied by the Share Price of SAR (48) per Share. Subscriptions for less than 10 Offer Shares or fractional numbers will not be accepted. Additionally, the maximum number of Offer Shares which can be applied for shall be 100,000 Shares for each Subscriber.

Subscription application forms and total subscription amount should be submitted during the Subscription Period accompanied by the following documents:

- Original and copy of the national identification card for Individual Subscribers
- Original and copy of the family identification card for family members
- Original and copy of the power of attorney, guardianship or sustenance deed
- Original and copy of the power of custody (for orphans)
- Original and copy of the divorce certificate (for the children of Saudi female divorcees)
- Original and copy of the death certificate (for the children of Saudi female widows)
- Original and copy of the birth certificate (for the children of Saudi female divorcees or widows)

In the event an application is made on behalf of a Subscriber (parents and children only), a statement that “the person signing the application is authorized to act on behalf of the Subscriber” should be inserted in the subscription application form, which shall be accompanied by a power of attorney supporting such person’s authority to act on the behalf of the Subscriber. The power of attorney must be issued before a notary public for those who are in Saudi Arabia, while those who reside abroad must legalize the power of attorney through a Saudi embassy or consulate in the relevant country where they reside outside Saudi Arabia. The Receiving Agents shall verify the originals against the copies and shall return the originals to the subscription applicant.

A consolidated subscription form should be completed for the prime Subscriber and his family members appearing on his family identification card if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber shall apply for. In this case:

- (i) All Offer Shares allocated to the prime Subscriber and dependent Subscribers will be registered in the prime Subscriber’s name;
- (ii) All amounts in excess of the Shares that have not been allocated shall be refunded to the prime Subscriber, and
- (iii) The prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent.

Separate subscription application forms must be used if:

- (i) The Shares that will be allocated are intended to be registered in a name other than the name of the prime Subscriber/head of family; or
- (ii) Dependent Subscribers apply for a number of Offer Shares that will differ from the number applied for by the prime Subscriber;
- (iii) The wife Subscribes in her name and registers the allocated shares to her account, but she must submit a separate subscription application form as a prime Subscriber. In the latter case, applications made by

the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in the subscription application form submitted by the Subscriber for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR (48) per Share. Each Subscriber shall be deemed to have purchased the number of Offer Shares approved for his subscription, upon:

- (1) delivery by the Subscriber of the subscription application form to the Receiving Agents;
- (2) payment in full by the Subscriber of the total value of Offer Shares subscribed for to the Receiving Agents; and
- (3) delivery by a Selling Agent of the allotment letter specifying the number of Offer Shares allotted to the Subscriber.

The total value of the Offer Shares applied for must be paid in full to a branch of the Receiving Agents by submitting a debit advice on the Subscriber's account held with the Selling Agent where the subscription application form is being submitted. The Subscriber shall open an account with the Selling Agent so that he can submit the application.

If a submitted subscription application form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such an application. The Subscriber shall accept any number of Offer Shares allocated to him or her.

17.2 Allocation and Refunds

The Lead Manager and Receiving Agents shall open and operate escrow accounts named "Abdullah Abdul-Mohsen Al-Khodari Public Offering". Each of the Receiving Agents shall deposit all amounts received from subscribers into the escrow accounts mentioned above. The Offer shares shall be allocated to the public subscribers in the following manner:

Allocation of Offer Shares to Individual Subscribers

The Offer Shares shall be allocated to the Individual Subscribers in the following manner:

- Each Individual Subscriber will be allocated a minimum of 10 shares
- The remaining Offer Shares, if any, shall be allocated on a pro-rata basis, i.e. the ratio of the number of shares applied by each Subscriber to the total number of shares applied for subscription.

In the event that the number of Individual Subscribers exceeds 637,500, the Company will not guarantee the minimum allocation (10 Offer Shares per Individual Investor) and will equally allocate the Offer Shares to the number of Investors. If the number of Subscribers exceeds 6,375,000, the allocation will be determined at the discretion of the CMA. Monies in excess of subscription, if any, shall be refunded to the Subscribers without any charges or withholding by the Lead Manager or the Receiving Agents.

Allocation of Offer Shares to Institutional Subscribers

After the allocation to Individual Subscribers, the final allocation of Offer Shares to the Institutional Subscribers shall be made as the Company deems proper and in consultation with the Lead Manager, provided that the number of shares allocated to this tranche shall not in any way be less than 6,375,000 shares representing 50% of the total Offer Shares.

The final number of Offer Shares allocated to each Subscriber, together with any amounts in excess of subscription that shall be refunded, if any, are expected to be declared no later than 9/11/1431 H (corresponding to 17/10/2010 G). The Company shall notify the subscribers of the above-mentioned dates by announcements on the local newspapers in Saudi Arabia, and shall instruct the Receiving Agents to commence refunding.

Each of the Receiving Agents will send confirmation/notification letters, to their Subscribers informing them of the final number of Offer Shares allocated together with the amounts, if any, to be refunded. The Receiving

Agents will also refund to the Subscribers any monies in respect of which no Offer Shares have been allocated to the relevant Subscribers, as provided in the confirmation/notification letters. Monies in excess of subscription shall be refunded in full without any charges or withholding and shall be credited to the accounts of subscribers with the Receiving Agents. Subscribers should communicate with the Lead Manager or the Receiving Agents where they submitted their subscription form for any further information.

17.3 Acknowledgments

By completing and delivering the subscription application form, the Subscriber:

- accepts subscribing for the number of shares specified in the subscription application form;
- warrants that he/she had read the Prospectus and carefully examined and understood all its contents;
- accepts the bylaws of the Company and the terms mentioned in the Prospectus; and therefore, subscribes for the said Shares.
- keeps his/her right to claim and has recourse against the Company for all damages caused directly by incorrect or incomplete material information contained in the Prospectus, or by omission of substantial information that could affect his/her acceptance to subscribe the Shares if such information had been included in the Prospectus and;
- declares that neither himself nor any of his family members included in the subscription application form has previously subscribed for Company's Shares and the Company has the right to reject all applications including the duplicate applications;
- declares his/her acceptance of the Shares allocated pursuant to the subscription application and accepts all other subscription instructions and terms stated in the subscription application form and the Prospectus and;
- warrants not cancelling or amending the subscription application form after submitting it to the Receiving Agents or the Lead Manager.

17.4 Miscellaneous

The subscription application form and all related terms, conditions and covenants hereof shall be binding upon and to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the subscription application nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties referred to herein without the prior written consent of the other party.

17.5 The Saudi Arabian Stock Exchange (Tadawul)

Tadawul System was founded in 2001 as the successor to the Electronic Securities Information System. In 1990, the full electronic trading in Saudi Arabia equities was introduced. The value of shares traded on the market as at the close of trading on 5/10/1431 H (14 September 2010) was SAR 2,246 billion with 145 joint stock companies listed on Tadawul as of to date.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from execution of the trade transaction through settlement thereof. Trading occurs on each business day between 11:00 am to 3:30 pm, Saturday to Wednesday, during which orders are executed. However, during other than those times, orders can be entered, amended or deleted from 10:00 am until 11:00 am. New entries and inquiries can be entered from 10:00 am before the opening phase (starting at 11:00 am). The said times change during the month of Ramadan and they are announced by the Management of Tadawul.

Transactions take place through the automatic matching of orders. Valid orders are received and executed according to the price. In general, market orders (at best price) are executed first, followed by orders of limited

price (orders at a price limit), and if several orders are entered at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website on the Internet and Tadawul Link, which supplies trading data in real time to the renowned information providers such as Reuters.

Exchange transactions are settled on a T+0 basis, meaning that shares ownership transfer takes place immediately after the trade transaction is executed.

The Company is required to disclose all decisions and information that are of importance for the investors via Tadawul. Surveillance and monitoring of the Market is the responsibility of Tadawul to ensure fair trading and effective functioning of the Market.

17.6 Entry of Orders

Trading in shares occurs on "Tadawul" system through an integrated mechanism covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each business day of the week between 11:00 am to 3:30 pm, Saturday to Wednesday, during which orders are executed. However, during other than those times, orders can be entered, amended or deleted from 10:00 am in addition to the pre-closing phase from 3:30 pm to 4:40 pm. The said times change during the month of Ramadan and they are announced by the Management of Tadawul.

Tadawul performs the matching of orders based on the price and then time of entry. In general, market orders are executed first, followed by orders of limited price, and if several orders are entered at the same price, they are executed as they occur according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website on the Internet and Tadawul Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+0 basis the same day, meaning that shares ownership transfer takes place immediately after the trade transaction is executed.

The Company is required to disclose all decisions and information that are important for the investors via Tadawul. Surveillance and monitoring of the Market is the responsibility of Tadawul system in its automated capacity in which the Market functions, to ensure fair trading and smooth flow of trading in shares.

17.7 Trading on Tadawul

It is expected that trading in the Company's Shares will commence after finalization of the share allocation process. CMA will confirm the date of trading in shares once determined. Dates and times included in this Prospectus are indicative only and may be changed or amended subject to the approval of the CMA. Offer Shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Official List and its Shares listed on the Stock Exchange "Tadawul". Pre-trading is strictly prohibited and the Company shall bear no legal responsibility in the event that the Subscribers entering into any prohibited activities violated such restriction, as they will be fully liable for that act.

Trading in shares on the Saudi Stock Exchange "Tadawul" shall be valid only through electronic recording in the Shares Register in Tadawul. No share trading shall be valid through the Shares Certificates. Nevertheless, the shareholders shall have the right to request the Shares Certificate as a proof of ownership only. However, such certificates cannot be used for trading purposes.

18 Documents Available for Inspection

The following documents are available in Arabic for inspection at the Company's head office between 08:30 a.m. and 04:30 p.m. two weeks prior to the Offering Period and during the Offer Period:

- Company's By-Laws
- Company's Commercial Registration obtained from the Ministry of Commerce and Industry
- Shareholder's Resolution for the conversion of the Company from a limited liability company to a joint stock company
- Minister of Commerce and Industry's Resolution No. 152/QAF dated 16/5/1430 H (corresponding to 11 May 2009 G) approving the conversion of the Company to a joint stock company
- CMA's approval to the Offering of the Shares
- Audited financial statements for the fiscal years ended 31 December 2007, 2008 and 2009
- Interim Audited financial statements for the 6 months ended 30 June 2010
- Company's Pro Forma financial statements for the years 2006 -2008
- Audited financial statements for the affiliated companies
- Market Research Report prepared by IMES Consulting (MENA).
- Approval by IMES Consulting firm to publish their report in the Prospectus
- Approval by Ernest & Young firm for the use of their name in the Prospectus
- Approval by Muhannad Ben Saud Al-Rasheed for Legal Consulting in collaboration with Baker Botts firm for the use of their name in the Prospectus as the legal advisor for the Share Offering.
- Approval by Eversheds LLP to publish their report in the Prospectus
- Agreement of Underwriting of the offering
- All contracts with related parties
- Summary of the key agreements and contracts with clients
- Agreement for opening of the public offering account

19 Auditors Report

This Prospectus contains the Company's audited Pro Forma financial statements for the years ended 31 December 2006, 2007 and 2008 and the notes thereto, as well as the audited financial statements for the year ended 31 December 2009 and the notes thereto, as well as the interim audited financial statements for the 6 months period ended 30 June 2010 and the notes thereto, which have been prepared according to the accounting standards issued by the Saudi Organization of Certified Public Accountants. The Company publishes its financial statements in Saudi Arabia in Saudi Riyals.

19.1 Directors' Declaration for Financial Information

The Company's Board of Directors the following:

- a) The financial statements and information presented in the Prospectus were extracted, without material changes, from the audited financial statements.
- b) The audited financial statements have been prepared in accordance with Saudi Organization of Certified Public Accountants' accounting standards and rules.
- c) There has been no material adverse change in the financial position of the Company since issuance of the last audited financial statements.