THE SAUDI ARABIAN AMIANTIT COMPANY

AND SUBSIDIARIES

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
AND INDEPENDENT ACCOUNTANT'S REPORT

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT ACCOUNTANT'S REPORT

To the shareholders of
The Saudi Arabian Amiantit Company
(A Saudi Joint Stock Company)

SCOPE OF AUDIT:
We have audited the accompanying consolidated balance sheet of The Saudi Arabian Amiantit Company (the "Company") - A Saudi Joint Stock Company - and its Subsidiaries (collectively the "Group") as of December 31, 2011 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (29) which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company to comply with applicable articles of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

UNQUALIFIED OPINION:
In our opinion, such consolidated financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of consolidated financial statements.

Boodai & Alomar Co.

Adel Abulaziz Boodai
Certifed Public Accountant
(License No. 303)

Rabi' Awal 11, 1433
February 03, 2012

BOODAI & ALOMAR
بودي و العمر
ترخيص
323/11/2
License
محاسبون قانونيون
Certified Public Accountants

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated balance sheet
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at December 31, 2011	2010
Assets			
Current assets			
Cash and cash equivalents	5	**390,676**	241,576
Short-term bank deposit	6	**1,330**	133,133
Accounts receivable	7	**1,820,927**	1,556,968
Inventories	8	**1,049,647**	922,012
Prepayments and other receivables		**52,033**	31,451
		3,314,613	2,885,140
Non-current assets			
Investment in associates	9	**228,717**	295,246
Property, plant and equipment	10	**784,702**	837,942
Intangible assets	11	**10,873**	7,060
Deferred income tax assets	17	**11,686**	11,264
Other non-current assets		**56,822**	34,252
		1,092,800	1,185,764
Total assets		**4,407,413**	4,070,904
Liabilities			
Current liabilities			
Short-term borrowings	12	**1,128,792**	887,193
Current maturity of long-term borrowings	13	**81,006**	32,834
Current maturity of liabilities against capital leases	14	**12,186**	12,188
Accounts payable	15	**569,286**	445,778
Accrued and other liabilities	16	**289,129**	387,822
Zakat and taxes payable	17	**148,395**	190,571
		2,228,794	1,956,386
Non-current liabilities			
Long-term borrowings	13	**224,501**	75,102
Liabilities against capital leases	14	**-**	12,186
Employee termination benefits	18	**89,903**	92,870
Warranty provisions	19	**48,578**	50,447
Other non-current liabilities		**10,139**	4,652
		373,121	235,257
Total liabilities		**2,601,915**	2,191,643
Equity			
Equity attributable to shareholders of the Company:			
Share capital	21	**1,155,000**	1,155,000
Statutory reserve	22	**148,678**	133,553
Retained earnings		**348,992**	387,669
Currency translation differences		**(17,178)**	7,613
Total shareholders' equity		**1,635,492**	1,683,835
Minority interest		**170,006**	195,426
Total equity		**1,805,498**	1,879,261
Total liabilities and equity		**4,407,413**	4,070,904
Contingencies and commitments	29		

The notes number 1 to 29 form an integral part of these consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated income statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31, 2011	2010
Sales	4,20	**3,562,631**	3,077,498
Cost of sales	20	**(2,919,742)**	(2,350,926)
Gross profit		**642,889**	726,572
Operating expenses			
Selling and marketing	23	**(87,592)**	(98,166)
General and administrative	24	**(231,017)**	(235,753)
Income from operations		**324,280**	392,653
Other income (expenses)			
Share in net income of associates	9	**(11,360)**	2,536
Financial charges - net	5,6,12,13,14,28	**(72,289)**	(53,895)
Other - net	25	**(11,107)**	(36,569)
Income before foreign income taxes, zakat and minority interest		**229,524**	304,725
Foreign income taxes	17	**(18,315)**	(21,756)
Zakat	17	**(51,240)**	(83,750)
Income before minority interest		**159,969**	199,219
Minority interest		**(8,721)**	(34,117)
Net income for the year		**151,248**	165,102
Earnings (loss) per share (Saudi Riyals):	27		
• Operating income		**2.81**	3.40
• Non-operating loss		**(1.50)**	(1.97)
• Net income for the year		**1.31**	1.43

The notes number 1 to 29 form an integral part of these consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated cash flow statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31, 2011	2010
Cash flow from operating activities			
Net income for the year		**151,248**	165,102
Adjustments for non-cash items			
Share in net income of associates	9	**11,360**	(2,536)
Gain from sale of an investment	25	**(12,959)**	(2,475)
Depreciation, amortization and provisions		**151,188**	127,337
Deferred income tax charges	17	**(1,107)**	1,561
Income applicable to minority interest		**8,721**	34,117
Changes in working capital			
Accounts receivable		**(391,203)**	(111,071)
Inventories		**(174,971)**	(132,431)
Prepayments and other receivables		**(24,368)**	4,373
Accounts payable		**172,938**	37,117
Accrued and other liabilities		**(59,938)**	28,493
Employee termination benefits		**(2,117)**	(3,081)
Net cash (utilized in) generated from operating activities		**(171,208)**	146,506
Cash flow from investing activities			
Short-term bank deposit	6	**131,803**	(133,133)
Disposal of non-current assets held for sale		**-**	16,866
Investments		**(4,642)**	-
Proceeds from disposal of investments		**34,098**	32,670
Dividends received from associates		**1,027**	8,860
Purchase of property, plant and equipment		**(80,274)**	(48,709)
Intangible assets and other		**(29,991)**	(3,598)
Net cash generated from (utilized in) investing activities		**52,021**	(127,044)
Cash flow from financing activities			
Change in short-term borrowings		**292,483**	(5,298)
Proceeds from long-term borrowings		**215,530**	25,895
Repayments of long-term borrowings		**(43,471)**	(55,459)
Repayments of liabilities against capital leases		**(12,187)**	(12,188)
Dividends paid	26	**(173,250)**	(115,500)
Dividends paid by subsidiaries to minority interest		**(15,315)**	(35,234)
Board of Directors' fee paid		**(1,550)**	(1,467)
Changes in minority interest and other		**6,047**	(3,959)
Net cash generated from (utilized in) financing activities		**268,287**	(203,210)
Net change in cash and cash equivalents		**149,100**	(183,748)
Cash and cash equivalents at beginning of the year		**241,576**	425,324
Cash and cash equivalents at end of the year	5	**390,676**	241,576

The notes number 1 to 29 form an integral part of these consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Currency translation differences	Total
January 1, 2011		**1,155,000**	**133,553**	**387,669**	**7,613**	**1,683,835**
Net income for the year		-	-	151,248	-	**151,248**
Transfer to statutory reserve	22	-	15,125	(15,125)	-	**-**
Dividends	26	-	-	(173,250)	-	**(173,250)**
Board of Directors' fee		-	-	(1,550)	-	**(1,550)**
Adjustments		-	-	-	(24,791)	**(24,791)**
December 31, 2011		**1,155,000**	**148,678**	**348,992**	**(17,178)**	**1,635,492**
January 1, 2010		1,155,000	117,043	356,044	23,532	1,651,619
Net income for the year		-	-	165,102	-	165,102
Transfer to statutory reserve	22	-	16,510	(16,510)	-	-
Dividends	26	-	-	(115,500)	-	(115,500)
Board of Directors' fee		-	-	(1,467)	-	(1,467)
Adjustments		-	-	-	(15,919)	(15,919)
December 31, 2010		1,155,000	133,553	387,669	7,613	1,683,835

The notes number 1 to 29 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

The Saudi Arabian Amiantit Company (the "Company" or "SAAC") and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The Group is principally engaged in manufacturing and selling various types of pipes and related products, licensing of related technologies, supply of pipe manufacturing machines, and water management services including related consultancy, engineering and operations.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 2050002103 issued in Dammam on 17 Rabi'I 1388 H (June 13, 1968). The registered address of the Company is P.O. Box 589, First Industrial Area, Dammam 31421, Kingdom of Saudi Arabia.

Following is the list of principal subsidiaries included in the Group:

Subsidiary	Country of incorporation	Effective ownership percentage at December 31, 2011	2010
Amiantit Fiberglass Industries Limited (AFIL)	Saudi Arabia	**100**	100
Saudi Arabian Ductile Iron Pipe Co. Ltd. (SADIP)	Saudi Arabia	**100**	100
International Infrastructure Management and Operations Company Limited (AMIWATER)	Saudi Arabia	**100**	100
Amiantit Rubber Industries Limited (ARIL)	Saudi Arabia	**80**	80
Ameron Saudi Arabia Ltd. (ASAL)	Saudi Arabia	**69.70**	69.70
Bondstrand Limited (BSL)	Saudi Arabia	**60**	60
Saudi Arabia Concrete Products Ltd. (SACOP)	Saudi Arabia	**58.80**	58.80
Fiberglass Pipes Company Ltd. (FPC)	Saudi Arabia	**51**	51
Amiantit Bahrain Holding Ltd W.L.L. (ABH)	Bahrain	**-**	100
Flowtite Technology Bahrain WLL (Ftech)	Bahrain	**100**	100
Amitech Germany GmbH	Germany	**100**	100
Jos Hansen & Soehne GmbH (Jos)	Germany	**70.25**	70.25
JR International Bau GmbH (JRI)	Germany	**70.25**	70.25
PWT Wasser- und Abwassertechnik GmbH (PWT)	Germany	**80**	80
Flowtite Technology A.S.	Norway	**100**	100
Amitech South Africa (Pty) Ltd.	South Africa	**-**	100
Amitech Industrial South Africa (Pty) Ltd.	South Africa	**-**	100
Subor Boru San. Tic. A.S.	Turkey	**50**	50
Amitech Poland Sp.z o.o.	Poland	**100**	93.80
Amitech Spain S.A.	Spain	**100**	100
Amitech Industrial Spain S.A.	Spain	**100**	100
Amiantit Fiberglass Industries (India) Pvt. Ltd.	India	**70**	70
Amitech Astana LLC	Kazakhstan	**51**	51
APS France S.A.S.	France	**100**	100
APS Romania SRL	Romania	**100**	100
APS Norway A.S.	Norway	**100**	100

Ownership interests in the subsidiaries are generally registered in the name of SAAC or in the name of certain intermediate holding companies.

During 2011, the group has:

- sold its wholly owned subsidiary in South Africa for Saudi Riyals 7.9 million which were received during the year ended December 31, 2011.

- the majority shareholder of the Latin American entities has exercised its right , under an agreement signed earlier, to acquire the equity interests held by the Group for Saudi Riyals 25.9 million. The legal formalities for this sale transaction have been completed during the year ended December 31, 2011.

The above sales of investments and other assets have resulted in a gain of Saudi Riyals 12.4 million to the Group for the year ended December 31, 2011.

• formally completed the liquidation of its subsidiary Amitech USA, generating a net gain over 2011 of Saudi Riyals 2.3 million.

During 2010, the Group has:

- sold the equity interests held in two subsidiaries, CPI and AWWS, for an aggregate amount of Saudi Riyals 19.0 million which resulted in a net loss of Saudi Riyals 0.3 million; and

- terminated plans for the commencement of commercial operations of Amiantit Bahrain Holding Ltd W.L.L. ("ABH"), a limited liability company registered in Bahrain. ABH was formed during 2009, however, no manufacturing facility had been set up and ABH had not commenced any commercial operations.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on February 1st, 2012.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of derivative financial instruments to fair value, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

2.2 Critical accounting estimates and judgments

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

(a) Provision for doubtful debts

Provision for doubtful debts reflects estimate of losses arising from the failure or inability of the customers to make the required payments in the normal course of business. Collections from customers are continuously monitored and provisions are recognized based on the ageing of the accounts receivable, the customers' credit worthiness, general market conditions and the historic write-off experience. Changes to the estimated provision are made if the financial condition of the customers improves or deteriorates.

(b) Provision for inventory obsolescence

Provision against obsolete inventories is recognized considering age, physical condition and expected utilization of inventories. Such estimates are influenced by level of customization of products, technological changes and expected internal consumption of inventories. These factors could result in variation in provision recognized against inventory obsolescence.

(c) Warranty provisions

Management estimates provision for future warranty claims based on historical warranty claim information and recent trends that might suggest that past cost information may differ from future claims. Factors impacting the estimated claim information include the success of the Group companies productivity and quality initiatives.

(d) Useful lives of property, plant and equipment

Management estimates useful lives and residual values of property, plant and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as expected usage, physical wear and tear, and technological or commercial obsolescence of assets concerned could result in the actual useful lives or residual values differing from initial estimates.

(e) Impairment of assets

Management assesses the impairment of non-current assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include evidence that no cash flows will be generated from the related asset. The recoverable amounts of cash generating units have been determined based on value-in-use calculations and require the use of estimates.

(f) Zakat and income taxes

The Group entities is subject to zakat or / and income taxes in accordance with the laws in their respective countries of domicile. Significant judgement is required in determining the overall provision for zakat and income taxes. There are many transactions and calculations for which the determination of final liability is uncertain. The Group recognizes liabilities for issues raised by the legislators based on estimates of whether additional liability will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will be recorded in the period in which such determination is made.

2.3 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "Intangible assets" in the balance sheet. Goodwill is tested annually for impairment and carried at cost, net of impairment losses.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated.

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, which is adjusted subsequently for impairment loss, if any.

The Group's share of its associates' post-acquisition income or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

2.4 Segment reporting

(a) Business segment

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

(i) Engaged in revenue producing activities;
(ii) Results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) Financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.5 Foreign currencies

(a) Reporting currency

The consolidated financial statements of the Company are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the income statement.

(c) Group companies

The results and financial position of the foreign subsidiaries and associates having reporting currency other than Saudi Riyals are translated into Saudi Riyals as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates; and
(iii) Components of the equity accounts are translated at the exchange rates in effect at the dates of the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of the foreign subsidiaries and associates into Saudi Riyals are reported as a separate component of equity.

Dividends received from subsidiaries and associates are translated at the exchange rate in effect at the transaction date.

When investment in foreign subsidiaries and associates is disposed off or sold, currency translation differences that were recorded in equity are recognized in the income statement as part of gain or loss on disposal or sale.

2.6 Cash and cash equivalents and short-term deposits

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date. Short-term deposits represent time deposits with commercial banks with maturities of more than three months and less than one year.

2.7 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the income statement.

2.8 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, except construction in progress which is stated at cost. Land is not depreciated. Depreciation is charged to the income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Buildings and land improvements	3 - 35
• Plant, machinery and equipment	4 - 20
• Furniture, fixtures and office equipment	3 - 8

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.10 Deferred charges

Costs that are not of benefit beyond the current period are charged to the income statement, while costs that will benefit future periods are capitalized.

2.11 Patents, trademarks and licenses

Expenditure to acquire patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, but not exceeding twenty years. Patents, trademarks and licenses are carried at costs less accumulated amortization.

2.12 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the income statement. Impairment losses recognized on intangible assets are not reversible.

2.13 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the income statement.

2.14 Capital leases

The Group accounts for property, plant and equipment acquired under capital leases by recording the assets and the related liabilities. These amounts are determined on the basis of the present value of minimum lease payments. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets under capital leases is charged to the income statement by applying the straight-line method at the rates applicable to the related assets.

2.15 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

2.16 Provisions

Warranty provisions - The Group offers warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Warranty provisions are charged to "Cost of sales" in the income statement.

Onerous contracts - Provision against onerous contracts are recognized when the Group expects that the costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. Such provisions are charged to "Cost of sales" in the income statement.

2.17 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Taxes (the "DZIT"). Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the minority interest. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the income statement. Additional amounts payable, if any, at the finalization of assessments are accounted for when such amounts are determined.

The Company and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders of the Saudi Arabian subsidiaries, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile which are charged to the income statement.

Deferred income taxes are recognized on carry-forward tax losses and all major temporary differences between financial income and taxable income to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses and the temporary differences can be utilized. Deferred income taxes are determined using tax rates which have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2.18 Employee termination benefits

Employee termination benefits required by the Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the income statement. The liability is calculated as the current value of the vested benefits to which the employee is entitled should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

The foreign subsidiaries provide for employee termination and other benefits as required under the laws of their respective countries of domicile. There are no funded or unfunded benefit plans established by the foreign subsidiaries, except for APS Norway A.S and Flowtite Technology A.S., which fund a defined benefit plan through an outside insurance company, and Jos Hansen & Soehne GmbH which funds a defined benefit pension plan.

2.19 Revenues

Sales are recognized upon delivery of products or on the performance of services. Revenues are shown net of expenses, and after eliminating sales within the Group.

Revenues on long-term contracts are recognized on the percentage of completion basis. Percentage of completion is determined by comparison of contract costs incurred to date with estimated total costs. Changes in cost estimates and provisions for estimated losses on uncompleted contracts, if any, are recognized in the period they are determined.

2.20 Selling, marketing and general and administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling, marketing and general and administrative expenses and production costs, when required, are made on a consistent basis.

2.21 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Company.

2.22 Derivative financial instruments

Derivative financial instruments are initially recorded at cost, if any, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement as they arise and the resulting positive and negative fair values are reported under current assets and liabilities, respectively, in the balance sheet.

2.23 Operating leases

Rental expenses under operating leases are charged to the income statement over the period of the respective lease. Rental income is recognized on the accrual basis in accordance with the terms of the contracts.

3 Financial instruments and risk management

Financial instruments carried on the balance sheet include cash and cash equivalents, short-term deposits, accounts receivable, investments, short-term and long-term borrowings, liabilities against capital leases, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts are reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Risk management is carried out by senior management. The most important types of risks are currency risk, fair value and cash flow interest rate risks and credit risk.

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, US dollars and Euros.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries and associates whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between Saudi Riyals against Euros, Egyptian pounds and certain other currencies. Such exposures are recorded as a separate component of shareholders' equity in the accompanying consolidated financial statements. The Group's management monitors such exposures and considers the use of forward exchange contracts and borrowings denominated in the relevant foreign currency to hedge the foreign currency exposures. However, there were no material forward exchange contracts or other currency hedging instruments outstanding at December 31, 2011 and 2010.

3.2 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's interest rate risks arise mainly from its bank borrowings, which are at floating rate of interest and are subject to re-pricing on a regular basis. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Group are not significant.

3.3 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group financial instruments are not exposed to price risk.

3.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful accounts.

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

3.6 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group financial instruments are compiled under the historical cost convention, except for derivative financial instruments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Segment information

The Group operates principally in the following business segments:

(i) Manufacturing and selling various types of pipes;
(ii) Development and licensing of technologies related to production of various types of pipes, construction and supply of related pipe manufacturing machines; and
(iii) Water management and related consultancy, engineering and operations.

Selected financial information as of December 31 and for the years then ended, summarized by the above business segments, was as follows:

	Pipe manufacturing	Technology	Water management	Total
2011				
Sales	**3,080,887**	**24,505**	**457,239**	**3,562,631**
Net income (loss)	**147,042**	**(10,611)**	**14,817**	**151,248**
Financial charges	**(66,207)**	**40**	**(6,122)**	**(72,289)**
Depreciation, amortization and impairment	**(107,533)**	**(1,291)**	**(2,059)**	**(110,883)**
Property, plant and equipment	**728,991**	**17,108**	**38,603**	**784,702**
Total assets	**3,979,614**	**78,535**	**349,264**	**4,407,413**
2010				
Sales	2,604,935	50,514	422,049	3,077,498
Net income (loss)	169,239	(3,969)	(168)	165,102
Financial charges	(43,426)	(1,567)	(8,902)	(53,895)
Depreciation, amortization and impairment	(101,703)	(1,518)	(2,109)	(105,330)
Property, plant and equipment	795,785	22,065	20,092	837,942
Total assets	3,596,175	86,176	388,553	4,070,904

The Group's operations are conducted in Saudi Arabia, Europe and other countries. Selected financial information as of December 31 and for the years then ended summarized by geographic area, was as follows:

	Saudi Arabia	Europe	Other countries	Total
2011				
Sales	**2,146,859**	**1,292,007**	**123,765**	**3,562,631**
Non-current assets:				
Property, plant and equipment	**478,712**	**226,267**	**79,723**	**784,702**
Other non-current assets	**234,833**	**33,254**	**40,011**	**308,098**
2010				
Sales	1,676,755	1,196,120	204,623	3,077,498
Non-current assets:				
Property, plant and equipment	498,079	241,682	98,181	837,942
Other non-current assets	258,172	19,835	69,815	347,822

(All amounts in Saudi Riyals thousands unless otherwise stated)

5 Cash and cash equivalents

	2011	2010
Cash in hand	1,481	1,655
Cash at bank	178,257	183,524
Time deposits	210,938	56,397
	390,676	241,576

Time deposits are held by commercial banks and yield financial income at prevailing market rates.

6 Short-term bank deposit

	2011	2010
Short-term bank deposit	1,330	133,133

This represents deposits held with a commercial bank and yields financial income at prevailing market rates. The initial maturity of the deposit at December 31, 2010 was six months from the purchase date and has matured in 2011.

7 Accounts Receivable

	2011	2010
Trade	1,792,257	1,419,285
Other	73,045	190,159
Related parties	68,678	56,067
	1,933,980	1,665,511
Less: provision for doubtful debts	(113,053)	(108,543)
	1,820,927	1,556,968

Approximately 5% of trade accounts receivable as at December 31, 2011 (2010: 9%) (representing approximately 5% and 8% of total domestic trade accounts receivable for 2011 and 2010, respectively) were related to government projects.

At December 31, 2011, trade accounts receivable includes retention receivable amounting to Saudi Riyals 31.6 million (2010: Saudi Riyals 43.0 million) principally related to Saudi Arabian subsidiaries which are collectable upon completion of certain contractual milestones and presentation of final zakat and income tax certificates for certain years.

Movement in provision for doubtful debts is as follows:

	2011	2010
January 1	108,543	120,442
Additions	8,307	3,206
Adjustments	2,516	5,404
Write-offs	(3,465)	(19,357)
Currency translation differences	(2,848)	(1,152)
December 31	113,053	108,543

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Inventories

	2011	2010
Raw materials	**574,072**	525,881
Work in process	**57,485**	63,046
Spare parts and supplies, held not for sale	**85,708**	81,214
Finished products	**352,409**	317,890
Goods in transit	**52,957**	15,138
	1,122,631	1,003,169
Less: provision for inventory obsolescence	**(72,984)**	(81,157)
	1,049,647	922,012

Inventories at December 31, 2011 have been written-down by approximately Saudi Riyals 6.0 million (2010: Saudi Riyals 8.0 million) to their net realizable value.

Movement in provision for inventory obsolescence is as follows:

	2011	2010
January 1	**81,157**	94,782
Additions	**8,018**	4,274
Write-offs	**(13,503)**	(20,059)
Adjustments	**(1,846)**	2,083
Currency translation differences	**(842)**	77
December 31	**72,984**	81,157

9 Investment in associates

	2011	2010
Amiantit Fiberglass Egypt Co. (AFEC)	**50,688**	55,106
Chongqing Polycom Int'l Corporation (CPIC)	**103,005**	95,801
Ameron Egypt (AE)	**37,134**	39,802
Amitech Maroc (AM)	**12,593**	20,474
Amiantit Qatar Pipe Co. Ltd. (AQAP)	**20,576**	19,369
International Water Distribution Company (TAWZEA)	**20,874**	25,591
Amitech Argentina (AA)	**-**	6,941
Other	**47,311**	61,269
	292,181	324,353
Accumulated impairment losses	**(63,464)**	(29,107)
	228,717	295,246

The net investments in associates at December 31, 2010 included a goodwill, net of impairment, of Saudi Riyals 15.1 million. Such goodwill was fully impaired during the year 2011.

(All amounts in Saudi Riyals thousands unless otherwise stated)

Movement in investment in associates is as follows:

	2011	2010
January 1	**295,246**	341,453
Additions	**276**	-
Disposals	**(21,374)**	(28,170)
Adjustments	**60**	-
Share in net income	**(11,360)**	2,536
Dividends	**(2,272)**	(8,860)
Currency translation differences	**2,498**	(4,058)
Impairment losses	**(34,357)**	(7,655)
December 31	**228,717**	295,246

During 2011, the group has:

• the majority shareholder of the Latin American entities has exercised its right , under an agreement signed earlier, to acquire the equity interests held by the Group for Saudi Riyals 25.9 million. The legal formalities for this sale transaction have been completed during the year ended December 31, 2011.

The above sales of investments and other assets have resulted in a gain of Saudi Riyals 12.4 million to the Group for the year ended December 31, 2011.

During 2010, the Group sold its 22.5% equity interest in DPF for a value of Saudi Riyals 30.6 million resulting in a net gain of Saudi Riyals 2.7 million.

During 2011 and 2010, management recognized impairment losses, primarily against goodwill, due to expected decline in their economic performance resulting in their carrying values being higher than recoverable amounts.

The summarized financial information of the principal associates is as follows:

Name	County of incorporation	Assets	Liabilities	Revenues	Net Income (loss)	Group's ownership interest
2011						
AFEC	Egypt	**214,505**	**117,043**	**62,856**	**(5,350)**	**50%**
CPIC	China	**4,866,407**	**2,913,924**	**1,828,339**	**24,923**	**5.5%**
AE	Egypt	**74,853**	**37,676**	**3,150**	**(3,888)**	**49%**
AM	Morocco	**135,302**	**100,975**	**41,948**	**(9,996)**	**50%**
AQAP	Qatar	**112,955**	**61,516**	**47,112**	**4,605**	**40%**
TAWZEA	Saudi Arabia	**226,620**	**185,346**	**30,706**	**(9,907)**	**50%**
2010						
AFEC	Egypt	203,506	100,694	104,337	(7,068)	50%
CPIC	China	4,344,674	2,532,018	1,585,569	171,011	5.5%
AE	Egypt	85,378	43,241	44,109	1,557	49%
AM	Morocco	126,848	81,114	12,655	(7,843)	50%
AQAP	Qatar	104,651	56,230	51,016	6,457	40%
TAWZEA	Saudi Arabia	125,207	74,026	7,250	(7,965)	50%
AA	Argentina	81,597	56,505	64,116	(5,250)	30%

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Property, plant and equipment

	January 1, 2011	Additions	Disposals / transfers	Currency translation differences	December 31, 2011
2011					
Cost					
Land	69,915	17,492	-	(2,794)	**84,613**
Buildings and land improvements	470,350	22,510	(12,289)	(20,265)	**460,306**
Plant, machinery and equipment	1,461,284	51,313	(45,812)	(41,662)	**1,425,123**
Furniture, fixtures and office equipment	115,214	12,682	(7,203)	(3,744)	**116,949**
Construction in progress	55,757	14,513	(38,236)	(1,188)	**30,846**
	2,172,520	118,510	(103,540)	(69,653)	**2,117,837**
Accumulated depreciation and impairment					
Buildings and land improvements	(227,143)	(16,993)	8,536	5,547	**(230,053)**
Plant, machinery and equipment	(1,015,920)	(71,017)	46,110	28,044	**(1,012,783)**
Furniture, fixtures and office equipment	(91,515)	(7,651)	6,274	2,593	**(90,299)**
	(1,334,578)	(95,661)	60,920	36,184	**(1,333,135)**
	837,942				**784,702**

	January 1, 2010	Additions	Disposals / Transfers	Currency translation differences	December 31, 2010
2010					
Cost					
Land	71,377	641	(999)	(1,104)	69,915
Buildings and land improvements	473,474	10,272	(7,090)	(6,306)	470,350
Plant, machinery and equipment	1,477,171	43,702	(46,120)	(13,469)	1,461,284
Furniture, fixtures and office equipment	122,630	11,203	(16,608)	(2,011)	115,214
Construction in progress	55,372	35,779	(35,730)	336	55,757
	2,200,024	101,597	(106,547)	(22,554)	2,172,520
Accumulated depreciation and impairment					
Buildings and land improvements	(238,298)	(17,673)	26,616	2,212	(227,143)
Plant, machinery and equipment	(955,908)	(70,934)	2,963	7,959	(1,015,920)
Furniture, fixtures and office equipment	(96,386)	(10,267)	13,506	1,632	(91,515)
	(1,290,592)	(98,874)	43,085	11,803	(1,334,578)
	909,432				837,942

Buildings and plant, machinery and equipment of the Company and certain of its Saudi Arabian subsidiaries are constructed on land parcels leased under various operating lease agreements at nominal annual rents from the Saudi Arabian government for 25 Hijra years under renewable operating leases.

Plant, machinery and equipment include Saudi Riyals 30.7 million and Saudi Riyals 9.0 million (2010: Saudi Riyals 30.7 million and Saudi Riyals 6.0 million) related to cost and accumulated depreciation, respectively, for certain plant and machinery acquired under a sale and leaseback arrangement.

During 2011 Group management recognized impairment losses amounting to Saudi Riyals 2.8 million (2010: Saudi Riyals 3.6 million) against certain items of plant and machinery of due to decline in the expected future economic benefits as a consequence of either technological obsolescence, decline in the demand of products or expected utilization of such machinery and equipment. Such impairment losses were recorded as a result of the highest of the fair value (net of selling expenses) or the value in use being less than the carrying value of Company's plant and machinery at December 31, 2011 and 2010. Such value in use of plant and machinery has been arrived at by management by discounting the projected cash flows of the Company using an estimated discount rate of 10%

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Intangible assets

	Goodwill	Patents, trademarks and licenses	Other deferred charges and pre-operating costs	Total
January 1, 2011	5,258	521	1,281	**7,060**
Additions	4,453	-	-	**4,453**
Amortization	(3)	(207)	(244)	**(454)**
Impairment losses	-	-	(185)	**(185)**
Currency translation differences	(1)	-	-	**(1)**
December 31, 2011	**9,707**	**314**	**852**	**10,873**
January 1, 2010	5,277	728	1,504	7,509
Additions	-	-	-	-
Amortization	(15)	(207)	(243)	(465)
Impairment losses	(319)	-	-	(319)
Currency translation differences	315	-	20	335
December 31, 2010	5,258	521	1,281	7,060

12 Short-term borrowings

	2011	2010
Bank overdrafts	**13,948**	28,950
Short-term bank loans	**1,114,844**	858,243
	1,128,792	887,193

These represent borrowing facilities obtained from various commercial banks and bear financial charges at prevailing market rates which are based on inter-bank offer rate.

Total unused short-term bank credit facilities available to the Group at December 31, 2011 were approximately Saudi Riyals 1.2 billion (2010: Saudi Riyals 1.4 billion).

At December 31, 2011 approximately 9.2% (2010: 21.7%) of the short-term bank loans were collateralized by assignment of trade accounts receivable and pledge of inventories.

12.1 Currency denomination

The carrying values of the short-term borrowings are denominated in following currencies:

	2011	2010
Saudi Riyals	**1,076,883**	800,653
Euros	**21,275**	55,048
US dollars	**-**	22
Indian rupees	**21,659**	17,953
Other	**8,975**	13,517
	1,128,792	887,193

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Long-term borrowings

	Note	2011	2010
Saudi Industrial Development Fund ("SIDF") loans	13.1	**19,100**	22,952
Commercial bank loans	13.2	**286,407**	84,984
		305,507	107,936
Current maturity shown under current liabilities		**(81,006)**	(32,834)
		224,501	75,102

13.1 SIDF loans

These represent loans obtained by a Saudi Arabian subsidiary from SIDF. The covenants of the loans agreements require the borrowers to maintain certain levels of financial condition, place limitations on dividend distributions and on annual capital and rental expenditures. Some of these loans bear no financial charges and are secured by a mortgage on property, plant and equipment of the Group.

13.2 Commercial bank loans

The Company and certain subsidiaries have obtained loan facilities from various commercial banks. These loans are mainly denominated in Saudi Riyals, US dollars, Euros and Indian rupees. These loans generally bear financial charges based on prevailing market rates. The aggregate maturities of these loans, based on their respective repayment schedules, are spread in 2011 through 2018. Some of these loans are secured by mortgage on the property, plant and equipment.

The covenants of some of the short-term and long-term borrowing facilities require the Group to maintain certain level of financial conditions, require lenders' prior approval for dividends distribution above a certain amount and limit the amount of annual capital expenditure and certain other requirements.

13.3 Currency denomination

The carrying values of the long-term borrowings are denominated in following currencies:

	2011	2010
Saudi Riyals	**199,871**	22,952
Euros	**44,037**	46,368
US dollars	**5,962**	14,374
South African rands	**-**	9,922
Indian rupees	**15,295**	14,320
Other	**40,342**	-
	305,507	107,936

(All amounts in Saudi Riyals thousands unless otherwise stated)

13.4 Maturity profile of long-term borrowings

Years ending December 31:

	2011	2010
2011	-	32,834
2012	81,006	26,392
2013	128,762	19,817
2014	77,266	15,045
2015	10,631	5,509
2016	4,805	5,201
Thereafter	3,037	3,138
	305,507	107,936

14 Liabilities against capital leases

The Group has entered into a sale and leaseback transaction related to certain machinery and equipment under capital lease agreements with financial institutions. The present values of minimum lease payments are discounted at effective interest rates ranging 6.8% per annum.

Repairs and insurance costs related to the leased machinery and equipment are to be borne by the Group. The Group intends to exercise its option to purchase the leased assets at the termination of the lease periods at nominal values provided in the lease agreements.

The lease payments are due in semi-annual installments under the lease agreements. The amounts of future payments under the leases at December 31, were as follows:

	2011	2010
Minimum lease payments	12,644	25,888
Less: financial charges not yet due	(458)	(1,514)
	12,186	24,374
Current maturity shown under current liabilities	(12,186)	(12,188)
	-	12,186

14.1 Maturity profile

Years ending December 31:

	2011	2010
2011	-	13,243
2012	12,644	12,645
	12,644	25,888

15 Accounts payable

	2011	2010
Trade	568,349	444,402
Related parties	937	1,376
	569,286	445,778

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Accrued and other liabilities

	Note	2011	2010
Salaries, wages and benefits		**45,348**	60,035
Advances from customers		**90,284**	169,529
Provisions against claims and onerous contracts		**20,163**	35,124
Derivative financial instruments (negative fair values)	28	**1,925**	4,836
Sales agency fees		**16,985**	16,073
Financial charges		**8,506**	6,068
Accrued expenses and other		**105,918**	96,157
		289,129	387,822

17 Zakat and taxes matter

17.1 Components of zakat base

The Group's Saudi Arabian subsidiaries file separate zakat and income tax declarations on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less deduction for the net book value of property, plant and equipment, investments and certain other items.

17.2 Provision for zakat and taxes at December 31

	2011	2010
Zakat for SAAC	**32,633**	31,323
Zakat and income taxes for Saudi Arabian subsidiaries	**71,477**	68,709
Income taxes and other taxes for foreign subsidiaries	**44,285**	90,539
	148,395	190,571

17.3 Income taxes related to foreign subsidiaries charged to the income statement

	2011	2010
Current income tax charges	**19,422**	20,195
Deferred income tax charges	**(1,107)**	1,561
	18,315	21,756

Movements in deferred income tax assets for the years ended December 31, were as follows:

	2011	2010
January 1	**11,264**	13,798
Charges	**1,107**	(1,561)
Currency translation differences	**(685)**	(973)
December 31	**11,686**	11,264

17.4 Provision for zakat charged to the income statement

	2011	2010
Zakat for SAAC	**18,721**	22,289
Share of SAAC in zakat of subsidiaries	**32,519**	61,461
	51,240	83,750

(All amounts in Saudi Riyals thousands unless otherwise stated)

Provision for zakat at December 31, 2011 and 2010 include provisions recorded for certain zakat matters where SAAC and its certain of Saudi Arabian subsidiaries' position in zakat filings for the years 2002 through 2009 were challenged by the DZIT. Based on inquiries received and discussions held with the DZIT during 2010, the Group's management has agreed on certain add-backs to the zakat base in such zakat filings and, accordingly, the required provisions have been recorded in the accompanying 2011 and 2010 statement of income.

17.5 Status of assessments

The Company and the Saudi Arabian subsidiaries have received final or restricted zakat and income tax certificates for the years through 2010. Also see Note 29 for tax contingencies related to certain foreign subsidiaries.

18 Employee termination benefits

	2011	2010
January 1	92,870	96,550
Provisions	9,443	12,857
Payments	(12,597)	(14,551)
Adjustments	961	(1,060)
Currency translation differences	(774)	(926)
December 31	89,903	92,870

19 Warranty provisions

	2011	2010
January 1	50,447	37,658
Additions, net	3,500	9,169
Utilized during the year	(4,880)	(3,416)
Currency translation differences	(639)	9
Adjustments	150	7,027
December 31	48,578	50,447

These represent long-term provisions for expected future claims against warranties provided primarily by the pipe manufacturing segment of the Group.

20 Related party matters

The Group has transactions with their respective minority shareholders, other companies affiliated with such shareholders and other associates (collectively the "related parties").

Significant transactions with related parties in the normal course of business included in the financial statements are summarized below:

	2011	2010
Sales	26,365	34,720
Purchases	13,668	14,357
Costs and expenses charged	1,928	2,005

21 Share capital

The share capital of the Company as of December 31, 2011 and 2010 was comprised of 115.5 million ordinary shares stated at Saudi Riyals 10 per share.

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

23 Selling and marketing expenses

	2011	2010
Salaries and benefits	**50,171**	58,608
Traveling	**12,033**	14,435
Sales promotion	**13,114**	13,748
Information technology and communication	**1,935**	2,246
Depreciation	**527**	770
Other	**9,812**	8,359
	87,592	98,166

24 General and administrative expenses

	2011	2010
Salaries, wages and benefits	**123,920**	121,745
Provision for doubtful debts	**8,307**	3,206
Maintenance	**1,632**	2,918
Traveling	**9,912**	10,263
Professional services	**32,322**	39,158
Depreciation and amortization	**8,897**	9,395
Information technology and communication	**15,123**	14,965
Other	**30,904**	34,103
	231,017	235,753

25 Other incomes (expenses)

	Note	2011	2010
Impairment losses against investments, plant and machinery and intangible assets	9,10,11	**(36,959)**	(27,846)
Gain from sale of investments (*)	9	**9,802**	2,475
Provision for settlement of claims against foreign subsidiaries		**2,748**	3,450
Foreign exchange loss		**(7,468)**	(4,036)
Miscellaneous income (expenses)		**20,770**	(10,612)
		(11,107)	(36,569)

(*) The company also realized a gain of Saudi Riyals 3,2 million, booked in the net sales and representing the reversal of eliminated income on prior sales of machinery to the entities of which the shares were sold in 2011.

26 Dividends

The shareholders approved dividends of Saudi Riyals 1.5 per share for the year 2010, amounting to a total of Saudi Riyals 173.3 million, during their annual General Assembly meeting held on February 27, 2011 which was fully paid.

27 Earnings (loss) per share

Earnings (loss) per share for the years ended December 31, 2011 and 2010 has been computed by dividing the operating income, non-operating loss and net income for each years by weighted average number of 115,500,000 shares outstanding during such years.

28 Derivative financial instruments

At December 31, 2011, the Company had outstanding interest rate swap agreements with a commercial bank with negative fair values of Saudi Riyals 1.9 million (2010: Saudi Riyals 4.8 million). The reversal in negative fair values has been recorded in the income statement and included in "Financial charges" with a corresponding reduction in liability recorded under "Accrued and other liabilities". The interest rate swap arrangements will mature during 2012 to 2013.

29 Contingencies and commitments

(i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting to Saudi Riyals 500.4 million at December 31, 2011 (2010: Saudi Riyals 534.0 million). SAAC, collectively with other shareholder of an associate, is also contingently liable for a corporate guarantee amounting to Saudi Riyals 260.0 million (2010: Saudi Riyals 260.0 million) in relation to borrowing facilities of the associate.

(ii) SAAC and certain Saudi Arabian subsidiaries have received additional zakat and income tax assessments for years 2002 to 2009. Based on inquiries received and discussions held with the DZIT, the Group's management has agreed on certain add-backs in zakat fillings related to such years and, accordingly, the required provisions have been recorded in the accompanying consolidated financial statements. Certain foreign subsidiaries have outstanding assessments related to income tax and other local taxes in their respective countries of domicile. Such assessments are in various stages of appeal process. Group management believes that no material gain or loss will arise upon the ultimate resolution of these matters. Certain foreign subsidiaries also have contingent carry over tax benefits.

(iii) The capital expenditure contracted by the Group but not yet incurred till December 31, 2011 was approximately Saudi Riyals 24.0 million (2010: Saudi Riyals 13.6 million)