

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
AND INDEPENDENT AUDITORS' REPORT

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of The Saudi Arabian Amiantit Company (the "Company") and Subsidiaries (collectively the "Group") as of December 31, 2009 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes 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.

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, 2009 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.

PricewaterhouseCoopers Al Juraid



Walid I. Shukri
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Dr. M. Al Amri & Co.



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February 22, 2010
Rabi'l 8, 1431

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

		As at December 31,	
	Note	2009	2008
Assets			
Current assets			
Cash and cash equivalents	5	425,324	329,139
Accounts receivable	6	1,460,529	1,689,994
Inventories	7	774,967	1,092,947
Prepayments and other receivables		40,705	69,030
Non-current assets held for sale	8	66,458	-
		2,767,983	3,181,110
Non-current assets			
Investment in associates	9	341,453	306,513
Property, plant and equipment	10	909,432	960,346
Intangible assets	11	7,509	27,047
Deferred income tax assets	17	13,798	15,921
Other non-current assets		15,928	12,862
		1,288,120	1,322,689
Total assets		4,056,103	4,503,799
Liabilities			
Current liabilities			
Short-term borrowings	12	900,343	1,439,666
Current maturity of long-term borrowings	13	42,621	46,846
Current maturity of liabilities against capital leases	14	12,188	12,188
Accounts payable	15	403,722	423,549
Accrued and other liabilities	16	370,621	442,762
Zakat and taxes payable	17	155,211	116,371
Liabilities associated with non-current assets held for sale	8	9,751	-
		1,894,457	2,481,382
Non-current liabilities			
Long-term borrowings	13	92,184	74,234
Liabilities against capital leases	14	24,374	36,562
Employee termination benefits	18	96,550	98,165
Warranty provisions	19	37,658	24,965
Other non-current liabilities		24,624	24,643
		275,390	258,569
Total liabilities		2,169,847	2,739,951
Equity			
Equity attributable to shareholders of the Company:			
Share capital	21	1,155,000	1,155,000
Statutory reserve	22	117,043	96,795
Retained earnings		356,044	233,367
Currency translation differences		23,532	1,573
Total shareholders' equity		1,651,619	1,486,735
Minority interest		234,637	277,113
Total equity		1,886,256	1,763,848
Total liabilities and equity		4,056,103	4,503,799

Contingencies and commitments

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The notes on pages 7 to 27 form an integral part of these consolidated financial statements.

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

		Year ended December 31,	
	Note	2009	2008
Sales	4,20	3,292,885	4,026,437
Cost of sales	20	(2,428,708)	(3,098,890)
Gross profit		864,177	927,547
Operating expenses			
Selling and marketing	23	(89,362)	(95,509)
General and administrative	24	(312,507)	(375,953)
Income from operations		462,308	456,085
Other income (expenses)			
Share in net income of associates	9	21,866	55,635
Financial charges	5,12,13,14,28	(89,873)	(156,375)
Other	25	(94,651)	30,919
Income before foreign income taxes, zakat and minority interest		299,650	386,264
Foreign income taxes	17	(33,887)	(39,598)
Zakat	17	(31,305)	(36,512)
Income before minority interest		234,458	310,154
Minority interest		(31,983)	(74,833)
Net income for the year		202,475	235,321
Earnings (loss) per share (Saudi Riyals):	27		
• Operating income		4.00	3.95
• Non-operating loss		(2.25)	(1.91)
• Net income for the year		1.75	2.04

The notes on pages 7 to 27 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)

		Year ended December 31,	
	Note	2009	2008
Cash flow from operating activities			
Net income for the year		202,475	235,321
<u>Adjustments for non-cash items</u>			
Share in net income of associates	9	(21,866)	(55,635)
Gain from disposal of an investment	25	-	(87,030)
Depreciation, amortization and provisions		324,590	313,157
Deferred income tax charges	17	3,517	7,676
Income applicable to minority interest		31,983	74,833
<u>Changes in working capital</u>			
Accounts receivable		183,934	(239,355)
Inventories		230,839	(288,216)
Prepayments and other receivables		31,211	(5,057)
Accounts payable		(35,745)	(95,325)
Accrued and other liabilities		(69,592)	167,623
Employee termination benefits		(1,577)	4,968
Net cash generated from operating activities		879,769	32,960
Cash flow from investing activities			
Proceeds from disposal of non-current assets held for sale		-	52,500
Investments		(52,050)	(17,550)
Proceeds from disposal of an investment		-	168,705
Dividends received from associates		9,626	5,558
Purchase of property, plant and equipment		(103,250)	(179,358)
Intangible assets and other		1,312	(7,281)
Net cash (utilized in) generated from investing activities		(144,362)	22,574
Cash flow from financing activities			
Change in short-term borrowings		(542,766)	136,213
Proceeds from long-term borrowings		64,085	61,644
Repayments of long-term borrowings		(53,413)	(143,607)
Proceeds from sale and leaseback of assets		-	48,750
Repayments of liabilities against capital leases		(12,188)	(10,312)
Dividends paid		(57,750)	-
Dividends paid by subsidiaries to minority interest		(33,821)	(12,352)
Board of Directors' fee paid		(1,800)	-
Changes in minority interest and other		(1,569)	(8,326)
Net cash (utilized in) generated from financing activities		(639,222)	72,010
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		329,139	201,595
Cash and cash equivalents at end of year	5	425,324	329,139

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THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
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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, 2009		1,155,000	96,795	233,367	1,573	1,486,735
Net income for the year		-	-	202,475	-	202,475
Transfer to statutory reserve	22	-	20,248	(20,248)	-	-
Dividends	26	-	-	(57,750)	-	(57,750)
Board of Directors' fee		-	-	(1,800)	-	(1,800)
Adjustments		-	-	-	21,959	21,959
December 31, 2009		1,155,000	117,043	356,044	23,532	1,651,619
January 1, 2008		1,155,000	73,263	21,578	70,325	1,320,166
Net income for the year		-	-	235,321	-	235,321
Transfer to statutory reserve	22	-	23,532	(23,532)	-	-
Adjustments		-	-	-	(68,752)	(68,752)
December 31, 2008		1,155,000	96,795	233,367	1,573	1,486,735

The notes on pages 7 to 27 form an integral part of these consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2009

(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 and 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'l 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,	
		2009	2008
Amiantit Fiberglass Industries Limited (AFIL)	Saudi Arabia	100	100
Amiantit Rubber Industries Limited (ARIL)	Saudi Arabia	80	80
Saudi Arabian Ductile Iron Pipe Co. Ltd. (SADIP)	Saudi Arabia	100	75
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
International Infrastructure Management and Operations Company Limited (AMIWATER)	Saudi Arabia	100	100
Alalamiah Water Works and Services Company Ltd. (AWWS)	Saudi Arabia	75	75
Composite Pipes Industries LLC (CPI)	Oman	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	100
Amitech Industrial South Africa (Pty) Ltd.	South Africa	100	100
Subor Boru San. Tic. A.S.	Turkey	50	50
Amitech Poland Sp.z o.o.	Poland	93.80	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. In addition, ownership interests in certain subsidiaries are registered in the name of other subsidiaries which hold such interests on behalf of SAAC under trustee arrangements.

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Certain of the subsidiaries are dependent on financial support from SAAC. Group management believes that such subsidiaries will generate positive cash flows in the future and SAAC intends to provide adequate financial support to them, if needed, to enable them to continue their operations. Carrying value of property, plant and equipment (net of impairment loss) of these subsidiaries amounted to Saudi Riyals 23.7 million at December 31, 2009.

During 2009, the Group has:

- increased its effective shareholding in SADIP from 75% to 100% through an acquisition of 25% equity interest from its minority shareholders, including 5% from a related party, against a cash consideration of Saudi Riyals 27.0 million;
- formed ABH principally to act as a sub-holding for the manufacturing subsidiaries in Bahrain;
- initiated proceedings for liquidation of certain of its subsidiaries as a part of corporate restructuring. The Group's management does not expect any significant gains or losses upon liquidation of such subsidiaries; and
- offered to sell its 51% equity interest in CPI involved in pipe manufacturing. The Group's management expects to finalize the sale transaction during 2010. Also see Note 8.

During 2008, the Group:

- increased its shareholding in Jos and JRI to 70.25%; and
- decided to liquidate Amiantit Technology Ltd. WLL and Amipox International Ltd. WLL after transferring all their assets, liabilities and operations to Ftech.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on February 22, 2010.

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.

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(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) Income taxes

The Group companies are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities 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.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

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, currency translation differences that were recorded in equity are recognized in the income statement as part of gain or loss on disposal.

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2.6 Cash and cash equivalents

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.

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 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 Non-current assets held for sale

Non-current assets held for sale are assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Liabilities associated with non-current assets held for sale are presented separately under current liabilities in the balance sheet

2.10 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.

2.11 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. Deferred charges, reported under "Intangible assets" in the balance sheet, include certain indirect construction costs and pre-operating expenses which are amortized over periods which do not exceed seven years.

2.12 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, reported under "Intangible assets" in the balance sheet, are carried at costs less accumulated amortization and impairment.

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2.13 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.

2.14 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.

2.15 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.

2.16 Accounts payable and accruals

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

2.17 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.

2.18 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.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

2.19 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. which fund a defined benefit plan, through an outside insurance company and Jos which funds a defined benefit pension plan.

2.20 Revenues

Revenues are recognized upon delivery of products and customer acceptance, if any, 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.

2.21 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.

2.22 Dividends

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

2.23 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.

2.24 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.

2.25 Reclassifications

Certain amounts in the comparative 2008 financial statements have been reclassified to conform with 2009 presentation.

3 Financial instruments and risk management

Financial instruments carried on the balance sheet include cash and cash equivalents, 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.

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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 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 forward exchange contracts or other hedging instruments outstanding at December 31, 2009.

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.

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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
<u>2009</u>				
Sales	2,915,574	65,494	311,817	3,292,885
Net income (loss)	197,612	(13,759)	18,622	202,475
Financial charges	(84,789)	(1,612)	(3,472)	(89,873)
Depreciation, amortization and impairment	(146,983)	(10,052)	(2,932)	(159,967)
Property, plant and equipment	857,159	25,777	26,496	909,432
Total assets	3,579,019	129,360	347,724	4,056,103

<u>2008</u>				
Sales	3,604,991	94,412	327,034	4,026,437
Net income (loss)	233,723	4,761	(3,163)	235,321
Financial (charges) income	(155,379)	(1,308)	312	(156,375)
Depreciation, amortization and impairment	(130,957)	(1,510)	(3,303)	(135,770)
Property, plant and equipment	931,086	3,380	25,880	960,346
Total assets	4,033,150	153,724	316,925	4,503,799

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
<u>2009</u>				
Sales	1,723,260	1,268,866	300,759	3,292,885
Non-current assets:				
Property, plant and equipment	518,591	279,424	111,417	909,432
Other non-current assets	277,416	24,520	76,752	378,688
<u>2008</u>				
Sales	2,145,021	1,448,500	432,916	4,026,437
Non-current assets:				
Property, plant and equipment	575,526	248,886	135,934	960,346
Other non-current assets	224,263	52,517	85,563	362,343

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5 Cash and cash equivalents

	2009	2008
Cash in hand	3,507	12,455
Cash at bank	197,426	198,269
Time deposits	224,391	118,415
	425,324	329,139

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

6 Accounts receivable

	2009	2008
Trade	1,356,970	1,625,686
Other	182,452	123,658
Related parties	41,549	36,272
	1,580,971	1,785,616
Less: provision for doubtful debts	(120,442)	(95,622)
	1,460,529	1,689,994

Approximately 16% of trade accounts receivable as at December 31, 2009 (2008: 17%) (representing approximately 11% and 18% of total domestic trade accounts receivable for 2009 and 2008, respectively) were related to government projects.

At December 31, 2009, trade accounts receivable includes retentions receivable amounting to Saudi Riyals 30.0 million (2008: Saudi Riyals 36.5 million) principally related to Saudi Arabian subsidiaries which are collectable upon completion of certain contractual milestones and presentation of zakat and income tax certificates.

Movement in provision for doubtful debts is as follows:

	2009	2008
January 1	95,622	54,819
Additions	39,949	57,280
Adjustments	(2,795)	-
Write-offs	(13,941)	(14,403)
Currency translation differences	1,607	(2,074)
December 31	120,442	95,622

7 Inventories

	2009	2008
Raw materials	337,735	541,472
Work in process	115,587	117,909
Spare parts and supplies, not held for sale	75,737	71,256
Finished products	325,879	404,284
Goods in transit	14,811	3,162
	869,749	1,138,083
Less: provision for inventory obsolescence	(94,782)	(45,136)
	774,967	1,092,947

Inventories at December 31, 2009 have been written-down by approximately Saudi Riyals 34.0 million (2008: Nil) to their net realizable value.

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Inventories amounting to Saudi Riyals 55.5 million (2008: Saudi Riyals 73.2 million) were pledged as security against bank borrowings.

Movement in provision for inventory obsolescence is as follows:

	2009	2008
January 1	45,136	11,378
Additions	51,085	34,179
Write-offs	(1,834)	(49)
Adjustments	(42)	-
Currency translation differences	437	(372)
December 31	<u>94,782</u>	<u>45,136</u>

8 Non-current assets held for sale

During 2009 the Group has decided to offer its 51% equity interest in CPI for sale and sell certain items of plant and equipment of certain subsidiaries located in South Africa. Consequent to such decisions, the assets and liabilities of CPI and items of plant and equipment have been presented as held for sale. Management of the Group expects to complete the transactions during 2010. Following are the details of assets and liabilities associated with non-current assets held for sale at December 31, 2009:

Assets

Accounts receivable	31,125
Inventories	16,468
Property, plant and equipment	18,693
Other non-current assets	172
	<u>66,458</u>

Liabilities

Accounts payable	1,901
Accrued expenses and other liabilities	7,172
Non-current liability	678
	<u>9,751</u>

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9 Investment in associates

	2009	2008
Amiantit Fiberglass Egypt Co. (AFEC)	62,188	54,680
Chongqing Polycom Int'l Corporation (CPIC)	85,948	89,454
Dubai Pipe Factory Company LLC (DPF)	29,351	26,605
Ameron Egypt (AE)	44,171	42,962
Amitech Maroc (AM)	26,372	24,588
Amiantit Qatar Pipe Co. Ltd. (AQAP)	18,848	16,675
International Water Distribution Company (TAWZEA)	29,621	5,930
Amitech Argentina (AA)	9,525	9,089
Other	60,697	54,900
	366,721	324,883
Accumulated impairment losses	(25,268)	(18,370)
	341,453	306,513

Investments in associates at December 31, 2009 include goodwill of Saudi Riyals 22.8 million (2008: Saudi Riyals 26.6 million).

Movement in investment in associates is as follows:

	2009	2008
January 1	306,513	313,000
Additions	25,050	17,550
Disposals	-	(85,134)
Adjustments	5,476	16,206
Share in net income	21,866	55,635
Dividends	(9,626)	(5,558)
Currency translation differences	(928)	10,654
Impairment losses	(6,898)	(15,840)
December 31	341,453	306,513

During 2009, the Group increased its investment in TAWZEA, a limited liability company, involved in water management business in Saudi Arabia, by Saudi Riyals 25.0 million through a cash contribution to its share capital.

During 2009, management recognized impairment losses of approximately Saudi Riyals 6.9 million (2008: Saudi Riyals 15.8 million) against certain associates due to expected decline in their economic performance resulting in their carrying values being higher than recoverable amounts.

During 2008, the Group sold half of its 10.99% equity interest in CPIC to a third party. The net book value of the shares sold was Saudi Riyals 85.1 million and the sale was made against a consideration of Saudi Riyals 168.8 million resulting in a gross profit on the sale of Saudi Riyals 83.7 million. Considering transaction costs and historical appreciations of the investment due to currency translation, the deal generated a total gain of Saudi Riyals 87.0 million. Also see Note 25.

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The summarized financial information of the principal associates at December 31 and for the years then ended is as follows:

Name	County of incorporation	Assets	Liabilities	Revenues	Net income (loss)	Group's effective ownership interest
<u>2009</u>						
AFEC	Egypt	215,763	98,787	149,544	12,722	50%
CPIC	China	4,055,585	2,492,894	1,069,676	(53,659)	5.5%
DPF	United Arab Emirates	162,718	32,269	164,310	46,917	22.5%
AE	Egypt	112,404	61,239	85,944	1,410	49%
AM	Morocco	219,515	166,771	29,932	5,468	50%
AQAP	Qatar	109,142	62,022	54,090	10,819	40%
TAWZEA	Saudi Arabia	68,182	8,940	52,980	(2,625)	50%
AA	Argentina	106,218	74,468	93,229	7,375	30%
<u>2008</u>						
AFEC	Egypt	252,081	154,869	206,532	39,081	50%
CPIC	China	4,188,698	2,562,262	1,541,775	250,901	5.5%
DPF	United Arab Emirates	188,789	70,545	260,769	52,833	22.5%
AE	Egypt	86,451	45,506	73,080	10,851	49%
AM	Morocco	143,781	94,605	43,701	13,695	50%
AQAP	Qatar	103,780	62,092	45,853	3,356	40%
TAWZEA	Saudi Arabia	12,337	477	-	(1,800)	50%
AA	Argentina	133,640	103,343	94,381	3,138	30%

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10 Property, plant and equipment

	January 1, 2009	Additions	Disposals / transfers	Currency translation differences	December 31, 2009
2009					
Cost					
Land	81,034	4,994	(15,568)	917	71,377
Buildings and land improvements	477,727	51,415	(60,433)	4,765	473,474
Plant, machinery and equipment	1,442,275	119,954	(95,893)	10,835	1,477,171
Furniture, fixtures and office equipment	132,745	10,345	(22,639)	2,179	122,630
Construction in progress	107,383	71,639	(124,356)	706	55,372
	2,241,164	258,347	(318,889)	19,402	2,200,024
Accumulated depreciation and impairment					
Buildings and land improvements	(276,429)	(22,228)	65,898	(5,539)	(238,298)
Plant, machinery and equipment	(900,789)	(102,972)	56,910	(9,057)	(955,908)
Furniture, fixtures and office equipment	(103,600)	(16,965)	26,153	(1,974)	(96,386)
	(1,280,818)	(142,165)	148,961	(16,570)	(1,290,592)
	960,346				909,432
	January 1, 2008	Additions	Disposals / Transfers	Currency translation differences	December 31, 2008
2008					
Cost					
Land	79,236	2,081	-	(283)	81,034
Buildings and land improvements	502,180	20,867	(71)	(45,249)	477,727
Plant, machinery and equipment	1,374,165	108,600	(8,198)	(32,292)	1,442,275
Furniture, fixtures and office equipment	131,961	8,912	(3,448)	(4,680)	132,745
Construction in progress	62,855	103,632	(52,191)	(6,913)	107,383
	2,150,397	244,092	(63,908)	(89,417)	2,241,164
Accumulated depreciation and impairment					
Buildings and land improvements	(269,836)	(23,216)	1,620	15,003	(276,429)
Plant, machinery and equipment	(855,904)	(72,665)	10,292	17,488	(900,789)
Furniture, fixtures and office equipment	(101,286)	(10,034)	2,262	5,458	(103,600)
	(1,227,026)	(105,915)	14,174	37,949	(1,280,818)
	923,371				960,346

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 3.0 million (2008: Saudi Riyals 30.7 million of cost included under construction in progress) related to cost and accumulated depreciation, respectively, for certain plant and machinery acquired under a sale and leaseback arrangement.

Transfers during 2009 includes cost and accumulated depreciation of Saudi Riyals 70.7 million and Saudi Riyals 52.0 million, respectively, related to property, plant and equipment of CPI and certain subsidiaries located in South Africa which are classified as held for sale. See Note 8.

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During 2009, Group management recognized impairment losses amounting to Saudi Riyals 39.1 million (2008: Saudi Riyals 2.9 million) against certain items of plant and machinery of certain of the Group entities due to decline in the expected future economic benefits as a consequence of 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 value in use being less than the carrying value of plant and machinery of such Group entities at December 31, 2009. Such value in use of plant and machinery has been arrived at by management by discounting the projected cash flows of such Group entities using an estimated discount rate of 10%.

11 Intangible assets

	Goodwill	Patents, trademarks and licenses	Other deferred charges and pre-operating costs	Total
January 1, 2009	20,959	5,468	620	27,047
Additions	-	-	1,887	1,887
Amortization	-	(447)	(549)	(996)
Impairment losses	(9,254)	(4,686)	(2,866)	(16,806)
Currency translation differences	694	442	354	1,490
Adjustments	(7,122)	(49)	2,058	(5,113)
December 31, 2009	5,277	728	1,504	7,509
January 1, 2008	46,273	3,817	10,016	60,106
Additions	-	598	781	1,379
Amortization	-	(2,424)	(3,697)	(6,121)
Impairment losses	(23,734)	-	-	(23,734)
Currency translation differences	(1,580)	(11)	(788)	(2,379)
Adjustments	-	3,488	(5,692)	(2,204)
December 31, 2008	20,959	5,468	620	27,047

During 2009, management has recorded impairment losses of Saudi Riyals 16.8 million (2008: Saudi Riyals 23.7 million against goodwill) against goodwill, patents, trademarks and licenses and other deferred charges and pre-operating costs due to decline in expected utilization and future economic benefits.

12 Short-term borrowings

	2009	2008
Bank overdrafts	31,325	28,860
Short-term bank loans	869,018	1,410,806
	900,343	1,439,666

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

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Total unused short-term bank credit facilities available to the Group at December 31, 2009 were approximately Saudi Riyals 1.1 billion (2008: Saudi Riyals 0.6 billion).

At December 31, 2009 approximately 68% (2008: 14%) of the short-term bank loans were collateralized by assignment of trade accounts receivable. Certain of short-term bank loans obtained by the subsidiaries were also guaranteed by SAAC. Also see Note 7.

12.1 Currency denomination

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

	2009	2008
Saudi Riyals	710,792	1,251,547
Euros	77,409	40,937
US dollars	78,086	109,269
Indian rupees	24,132	19,657
Other	9,924	18,256
	900,343	1,439,666

13 Long-term borrowings

	Note	2009	2008
Saudi Industrial Development Fund ("SIDF") loans	13.1	18,008	19,355
Commercial bank loans	13.2	116,722	98,857
Loans from minority shareholders	13.3	75	2,868
		134,805	121,080
Current maturity shown under current liabilities		(42,621)	(46,846)
		92,184	74,234

13.1 SIDF loans

These represent loans obtained by SAAC and 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. 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, South African rands 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 2009 through 2015. These loans are principally 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 Loans from minority shareholders

At December 31, 2009 AWWWS has a loan from its minority shareholder of approximately Saudi Riyals 0.1 million (2008: FPC and AWWWS amounting to Saudi Riyals 2.8 million and Saudi Riyals 0.1 million, respectively which did not bear any financial charges and have no specific repayment dates. Loans from the minority shareholders of FPC were fully repaid during 2009.

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13.4 Currency denomination

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

	2009	2008
Saudi Riyals	18,083	22,223
Euros	63,416	55,309
US dollars	32,617	18,344
South African rands	9,663	8,710
Indian rupees	8,313	16,272
Other	2,713	222
	134,805	121,080

13.5 Maturity profile of long-term borrowings

Years ending December 31:

	2009	2008
2009	-	46,846
2010	42,621	27,775
2011	25,184	18,189
2012	25,474	11,430
2013	16,772	4,820
2014	8,280	1,161
Thereafter	16,474	10,859
	134,805	121,080

14 Liabilities against capital leases

The Group has entered into sale and leaseback transactions 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 4.4% to 4.9% 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:

	2009	2008
Minimum lease payments	39,736	54,188
Less: financial charges not yet due	(3,174)	(5,438)
	36,562	48,750
Current maturity shown under current liabilities	(12,188)	(12,188)
	24,374	36,562

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14.1 Maturity profile

Years ending December 31:

	2009	2008
2009	-	14,452
2010	13,848	13,848
2011	13,243	13,243
2012	12,645	12,645
	39,736	54,188

15 Accounts payable

	2009	2008
Trade	393,592	410,187
Related parties	10,130	13,362
	403,722	423,549

16 Accrued and other liabilities

	Note	2009	2008
Salaries, wages and benefits		56,173	57,190
Dividends payable		-	1,180
Advances from customers		148,419	178,725
Provisions against claims and onerous contracts		34,577	46,596
Derivative financial instruments (negative fair values)	28	10,427	14,352
Sales agency fees		9,916	4,753
Financial charges		6,124	21,079
Accrued expenses and other		104,985	118,887
		370,621	442,762

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

	2009	2008
Zakat for SAAC	24,251	21,097
Zakat and income taxes for Saudi Arabian subsidiaries	30,832	41,377
Taxes for foreign subsidiaries	100,128	53,897
	155,211	116,371

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

	2009	2008
Current income tax charges	30,370	31,922
Deferred income tax charges	3,517	7,676
	33,887	39,598

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

	2009	2008
January 1	15,921	26,625
Charges	(3,517)	(7,676)
Currency translation differences	1,394	(3,028)
December 31	13,798	15,921

17.4 Provision for zakat charged to the income statement

	2009	2008
Zakat for SAAC	6,555	14,107
Share of SAAC in zakat of subsidiaries	24,750	22,405
	31,305	36,512

17.5 Status of assessments

The Company and the Saudi Arabian subsidiaries have received zakat and income tax certificates for the years through 2008. The DZIT has not yet finalized the assessments for SAAC and certain of its Saudi Arabian subsidiaries for various years. Also see Note 29 for zakat and income tax contingencies.

18 Employee termination benefits

	2009	2008
January 1	98,165	93,197
Provisions	17,396	15,256
Payments	(18,986)	(10,288)
Adjustments	(678)	-
Currency translation differences	653	-
December 31	96,550	98,165

19 Warranty provisions

These represent long-term provisions for expected future claims against warranties provided primarily by the pipe manufacturing segment of the Group. Utilization against these provisions during 2009 and 2008 were not significant.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2009**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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:

	2009	2008
Sales	60,634	52,571
Purchases	68,934	125,817
Costs and expenses charged	-	910

As indicated in Note 1, SAAC acquired 5% minority interest in SADIP with a book value of Saudi Riyals 8.2 million from a related party against a cash consideration of Saudi Riyals 11.0 million in 2009.

21 Share capital

The share capital of the Company as of December 31, 2009 and 2008 was comprised of 115.5 million ordinary shares stated at Saudi Riyals 10 per share.

22 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfer 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

	2009	2008
Salaries, wages and benefits	48,677	49,628
Traveling	10,966	11,941
Sales promotion	18,697	20,000
Information technology and communication	2,503	1,831
Depreciation	499	1,167
Other	8,020	10,942
	89,362	95,509

24 General and administrative expenses

	2009	2008
Salaries, wages and benefits	152,254	186,282
Provision for doubtful debts	39,949	57,280
Maintenance	1,927	3,389
Traveling	12,966	19,232
Professional services	35,338	31,112
Depreciation and amortization	17,969	21,325
Information technology and communication	16,619	13,527
Other	35,485	43,806
	312,507	375,953

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2009**

(All amounts in Saudi Riyals thousands unless otherwise stated)

25 Other (expenses) income

	Note	2009	2008
Impairment losses against investments, plant and machinery and intangible assets	9,10,11	(84,552)	(39,574)
Gain from disposal of investments	9	-	87,030
Provision for settlement of claims against foreign subsidiaries		(12,973)	(13,779)
Foreign exchange loss		(18,334)	(194)
Miscellaneous income (expenses)		21,208	(2,564)
		(94,651)	30,919

26 Dividends

The shareholders of SAAC have approved a dividend of Saudi Riyals 0.5 per share for the year 2008, amounting to a total of Saudi Riyals 57.8 million, during their annual General Assembly meeting held on April 19, 2009 which was fully paid during 2009.

27 Earnings (loss) per share

Earnings (loss) per share for the years ended December 31, 2009 and 2008 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, 2009, the Company had outstanding interest rate swap agreements with a commercial bank with negative fair values of Saudi Riyals 10.4 million (2008: Saudi Riyals 14.3 million). Change of Saudi Riyals 3.9 million in fair values of such instruments has been recorded in the income statement and included in "Financial charges". The interest rate swap arrangements will mature during 2011 to 2013.

29 Contingencies and commitments

- (i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting Saudi Riyals 622.7 million at December 31, 2009 (2008: Saudi Riyals 535.9 million).
- (ii) SAAC and certain Saudi Arabian subsidiaries have received additional zakat and income taxes assessments for various years totaling approximately Saudi Riyals 30.2 million. SAAC and these subsidiaries have appealed the assessments and Group management believes that no material liability will arise upon the ultimate resolution of these assessments. Accordingly, no provision for such assessments has been made in the accompanying consolidated financial statements.
- (iii) The Company's certain foreign subsidiaries have outstanding assessments related to income taxes 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.
- (iv) The capital expenditure contracted by the Group but not yet incurred till December 31, 2009 was approximately Saudi Riyals 18.6 million (2008: Saudi Riyals 33.3 million).