

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
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, 2012

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INDEPENDENT AUDITORS' REPORT

February 3, 2013

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") and Subsidiaries (collectively the "Group") as of December 31, 2012 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 Article 123 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.

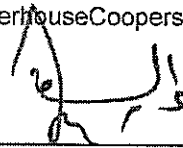
Unqualified opinion

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, 2012 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 By-laws with respect to the preparation and presentation of consolidated financial statements.

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

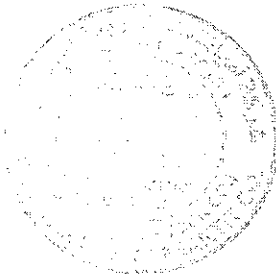
	Note	As at December 31,	
		2012	2011
Assets			
Current assets			
Cash and cash equivalents	5	127,347	390,676
Short-term bank deposits	6	47	1,330
Accounts receivable	7	2,023,106	1,747,882
Inventories	8	1,481,940	1,049,647
Prepayments and other receivables		127,286	125,078
		<u>3,759,726</u>	<u>3,314,613</u>
Non-current assets			
Investment in associates	9	204,762	228,717
Property, plant and equipment	10, 13	811,826	784,702
Intangible assets	11	12,734	10,873
Deferred income tax assets	17	9,848	11,686
Other non-current assets		23,610	56,822
		<u>1,062,780</u>	<u>1,092,800</u>
Total assets		<u>4,822,506</u>	<u>4,407,413</u>
Liabilities			
Current liabilities			
Short-term borrowings	12	1,633,139	1,128,792
Current maturity of long-term borrowings	13	96,378	81,006
Current maturity of liabilities against capital leases	14	-	12,186
Accounts payable	15	650,679	569,286
Accrued and other liabilities	16	305,425	289,129
Zakat and taxes payable	17	109,343	148,395
		<u>2,794,964</u>	<u>2,228,794</u>
Non-current liabilities			
Long-term borrowings	13	170,397	224,501
Employee termination benefits	18	92,303	89,903
Warranty provisions	19	52,763	48,578
Other non-current liabilities		11,672	10,139
		<u>327,135</u>	<u>373,121</u>
Total liabilities		<u>3,122,099</u>	<u>2,601,915</u>
Equity			
Equity attributable to shareholders of the Company:			
Share capital	21	1,155,000	1,155,000
Statutory reserve	22	159,812	148,678
Retained earnings		303,021	348,992
Employees shares program and reserve	18	(37,448)	-
Currency translation adjustments		(12,474)	(17,178)
Total shareholders' equity		<u>1,567,911</u>	<u>1,635,492</u>
Non-controlling interests		<u>132,496</u>	<u>170,006</u>
Total equity		<u>1,700,407</u>	<u>1,805,498</u>
Total liabilities and equity		<u>4,822,506</u>	<u>4,407,413</u>
Contingencies and commitments	29		

The notes on pages from 7 to 25 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,	
		2012	2011
Sales	4,20	3,454,795	3,562,631
Cost of sales	20	(2,898,211)	(2,919,742)
Gross profit		556,584	642,889
Operating expenses			
Selling and marketing	23	(77,192)	(87,592)
General and administrative	24	(216,082)	(231,017)
Income from operations		263,310	324,280
Other income (expenses)			
Share in net loss of associates	9	(39,329)	(11,360)
Financial charges, net	5,6,12,13,14,28	(85,988)	(72,289)
Other, net	25	2,133	(11,107)
Income before foreign income taxes, zakat and non-controlling interests		140,126	229,524
Foreign income taxes	17	(9,661)	(18,315)
Zakat	17	(35,139)	(51,240)
Income before non-controlling interests		95,326	159,969
Non-controlling interests		16,012	(8,721)
Net income for the year		111,338	151,248
Earnings per share (Saudi Riyals):	27		
• Operating income		2.33	2.81
• Net income for the year		0.99	1.31

The notes on pages from 7 to 25 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,	
		2012	2011
Cash flow from operating activities			
Net income for the year		111,338	151,248
<u>Adjustments for non-cash items</u>			
Share in net loss of associates	9	39,329	11,360
Gain from sale of investments	25	-	(12,959)
Depreciation, amortization and provisions		113,872	151,188
Deferred income tax	17	3,254	(1,107)
(Loss) income applicable to non-controlling interests		(16,012)	8,721
<u>Changes in working capital</u>			
Accounts receivable		(277,327)	(391,203)
Inventories		(438,600)	(174,971)
Prepayments and other receivables		(403)	(24,368)
Accounts payable		75,132	172,938
Accrued and other liabilities		(38,232)	(59,938)
Employee termination benefits		2,125	(2,117)
Net cash utilized in operating activities		(425,524)	(171,208)
Cash flow from investing activities			
Short-term bank deposits	6	1,283	131,803
Investments		(13,725)	(4,642)
Proceeds from disposal of investments		-	34,098
Dividends received from associates		-	1,027
Purchase of property, plant and equipment		(115,285)	(80,274)
Intangible assets and other		30,666	(29,991)
Net cash (utilized in) generated from investing activities		(97,061)	52,021
Cash flow from financing activities			
Increase in short-term borrowings		496,399	292,483
Proceeds from long-term borrowings		225,397	215,530
Repayments of long-term borrowings		(260,193)	(43,471)
Repayments of liabilities against capital leases		(12,186)	(12,187)
Dividends paid	26	(140,566)	(173,250)
Dividends paid by subsidiaries to non-controlling interests		(3,818)	(15,315)
Board of Directors' fee paid		(1,800)	(1,550)
Purchase of shares for employees shares program	18	(41,758)	-
Changes in non-controlling interests and other		(2,219)	6,047
Net cash generated from financing activities		259,256	268,287
Net change in cash and cash equivalents			
		(263,329)	149,100
Cash and cash equivalents at beginning of the year		390,676	241,576
Cash and cash equivalents at end of the year	5	127,347	390,676

The notes on pages from 7 to 25 form an integral part of these consolidated financial statements.

The bottom of the page features three handwritten signatures in black ink. On the left, there is a circular stamp, likely an official seal or logo, which is partially obscured by the signature. The signatures are spread across the width of the page, with the first on the left, the second in the center, and the third on the right.

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	Employees shares program and reserve	Currency translation adjustments	Total
January 1, 2012		1,155,000	148,678	348,992	-	(17,178)	1,635,492
Net income for the year		-	-	111,338	-	-	111,338
Transfer to statutory reserve	22	-	11,134	(11,134)	-	-	-
Dividends	26	-	-	(144,375)	-	-	(144,375)
Board of Directors' fee		-	-	(1,800)	-	-	(1,800)
Purchase of shares for employees shares program	18	-	-	-	(41,758)	-	(41,758)
Charge for employees shares program	18	-	-	-	4,310	-	4,310
Currency translation adjustments		-	-	-	-	4,704	4,704
December 31, 2012		1,155,000	159,812	303,021	(37,448)	(12,474)	1,567,911
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)
Currency translation adjustments		-	-	-	-	(24,791)	(24,791)
December 31, 2011		1,155,000	148,678	348,992	-	(17,178)	1,635,492

The notes on pages from 7 to 25 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, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

The Saudi Arabian Amiantit Company (the "Company" or "SAAC") and 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'II 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 operating subsidiaries included in the Group:

Subsidiary	Country of incorporation	Effective ownership percentage at December 31,	
		2012	2011
Amiantit Fiberglass Industries Limited (AFIL)	Saudi Arabia	100	100
Saudi Arabian Ductile Iron Pipe Company Limited (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 Limited (SACOP)	Saudi Arabia	58.80	58.80
Fiberglass Pipes Company Ltd. (FPC)	Saudi Arabia	51	51
Flowtite Technology Bahrain WLL	Bahrain	100	100
Amitech Germany GmbH	Germany	100	100
Jos Hansen & Soehne GmbH	Germany	70.25	70.25
JR International Bau GmbH	Germany	70.25	70.25
PWT Wasser- und Abwassertechnik GmbH	Germany	80	80
Flowtite Technology A.S.	Norway	100	100
Subor Boru San. Tic. A.S.	Turkey	50	50
Amitech Poland Sp.z o.o.	Poland	100	100
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 for and on behalf of SAAC.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on February 3, 2013.

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

Notes to the consolidated financial statements for the year ended December 31, 2012
(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

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.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

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Notes to the consolidated financial statements for the year ended December 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 adjustments 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.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
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Notes to the consolidated financial statements for the year ended December 31, 2012
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 non-controlling interests. 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 benefits

(i) **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 SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

The foreign subsidiaries provide for employee termination and other benefits as required under the laws of their respective countries of domicile. There are no significant

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.

(ii) **Employee share ownership plan**

The Company operates share based plan under which the employees' service cost of share options granted to them is measured as fair value of the options on the date on which the options are granted. This cost is recognized as an expense over the period in which service conditions are fulfilled by the employees, ending on the date on which the relevant employees become fully entitled to the shares (the "vesting date"). The cumulative expense recognized, for the equity-settled transactions at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest. The charge for a period recorded in the income statement represents the movement in cumulative expense recognized as at the beginning and end of that period.

2.19 Employees share option shares

Shares purchased by SAAC for employee share ownership plan are recorded at cost and presented as a deduction from equity as adjusted for any transaction costs, dividends and gains or losses on sale of such shares. Subsequent to the purchase, these shares are carried at the amount equal to the consideration paid.

These shares are acquired by the SAAC with the approval of the Capital Market Authority ("CMA") in Saudi Arabia, primarily for discharging its obligation under its employee share ownership plan.

2.20 Revenues

Sales are recognized upon delivery of products or on the performance of services. Revenues are shown net of expenses primarily related to discounts and transportation 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.

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2.25 Reclassifications

Certain amounts in the accompanying 2011 financial statements have been reclassified to conform with 2012 presentation.

3 Financial instruments and risk management

Financial instruments carried on the balance sheet include cash and cash equivalents, short-term deposits, accounts and other receivable, investments, short-term and long-term borrowings, 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 and 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 forward exchange contracts or other currency hedging instruments outstanding at December 31, 2012 and 2011.

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 the short-term deposits and 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 (generally on quarterly basis), 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.

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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.

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
2012				
Sales	3,075,379	22,301	357,115	3,454,795
Net income (loss)	139,271	(19,957)	(7,976)	111,338
Financial charges	(78,077)	(13)	(7,898)	(85,988)
Depreciation, amortization and impairment	(84,486)	(1,644)	(3,136)	(89,266)
Property, plant and equipment	753,287	21,370	37,169	811,826
Total assets	4,355,481	114,037	352,988	4,822,506
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) income	(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

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

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	Saudi Arabia	Europe and other countries	Total
2012			
Sales	2,347,627	1,107,168	3,454,795
Non-current assets:			
• Property, plant and equipment	523,168	288,658	811,826
• Other non-current assets	180,169	70,785	250,954
•			
2011			
Sales	2,146,859	1,415,772	3,562,631
Non-current assets:			
• Property, plant and equipment	478,712	305,990	784,702
• Other non-current assets	234,833	73,265	308,098

5 Cash and cash equivalents

	2012	2011
Cash in hand	2,314	1,481
Cash at bank	116,573	178,257
Time deposits	8,460	210,938
	<u>127,347</u>	<u>390,676</u>

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

6 Short-term bank deposits

This represents deposits held with a commercial bank and yields financial income at prevailing market rates.

7 Accounts Receivable

	2012	2011
Trade	2,073,224	1,792,257
Related parties	62,973	68,678
	<u>2,136,197</u>	<u>1,860,935</u>
Less: provision for doubtful debts	(113,091)	(113,053)
	<u>2,023,106</u>	<u>1,747,882</u>

At December 31, 2012, trade accounts receivable includes retention receivable amounting to Saudi Riyals 36.9 million (2011: Saudi Riyals 31.6 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 by the Saudi Arabian subsidiaries.

Movement in provision for doubtful debts is as follows:

	2012	2011
January 1	113,053	108,543
Additions	5,091	8,307
Adjustments	2,416	2,516
Write-offs	(8,013)	(3,465)
Currency translation adjustments	544	(2,848)
December 31	<u>113,091</u>	<u>113,053</u>

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8 Inventories

	2012	2011
Raw materials	698,636	574,072
Work in process	110,697	57,485
Spare parts and supplies, held not for sale	96,873	85,708
Finished products	558,320	352,409
Goods in transit	87,707	52,957
	<u>1,552,233</u>	<u>1,122,631</u>
Less: provision for inventory obsolescence	(70,293)	(72,984)
	<u>1,481,940</u>	<u>1,049,647</u>

Inventories at December 31, 2012 have been written-down by approximately Saudi Riyals 5.7 million (2011: Saudi Riyals 6.0 million) to their net realizable value.

Movement in provision for inventory obsolescence is as follows:

	2012	2011
January 1	72,984	81,157
(Reversals) additions	(2,454)	8,018
Write-offs	(228)	(13,503)
Adjustments	-	(1,846)
Currency translation adjustments	(9)	(842)
December 31	<u>70,293</u>	<u>72,984</u>

9 Investment in associates

	2012	2011
Amiantit Fiberglass Egypt Co. (AFEC)	42,805	50,688
Chongqing Polycom Int'l Corporation (CPIC)	93,364	103,005
Ameron Egypt (AE)	33,185	37,134
Amitech Maroc (AM)	5,977	12,593
Amiantit Qatar Pipe Co. Ltd. (AQAP)	20,089	20,576
International Water Distribution Company (TAWZEA)	26,351	20,874
Other	48,243	47,311
	<u>270,014</u>	<u>292,181</u>
Accumulated impairment losses	(65,252)	(63,464)
	<u>204,762</u>	<u>228,717</u>

Movement in investment in associates is as follows:

	2012	2011
January 1	228,717	295,246
Additions	13,725	276
Disposals	(551)	(21,374)
Adjustments	7,791	60
Share in net loss	(39,329)	(11,360)
Dividends	-	(2,272)
Currency translation adjustments	(3,803)	2,498
Impairment losses recognized during the year	(1,788)	(34,357)
December 31	<u>204,762</u>	<u>228,717</u>

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During 2012 and 2011, management recognized impairment losses due to expected decline in their economic performance of certain associates resulting in their carrying values being higher than recoverable amounts.

The summarized financial information of the principal associates, based on their most recent available financial information is as follows:

Name	County of incorporation	Assets	Liabilities	Revenues	Net income (loss)	Group's ownership interest
2012						
AFEC	Egypt	169,213	89,070	37,313	(5,250)	50%
CPIC	China	4,961,949	3,091,110	941,804	(84,871)	5.5%
AE	Egypt	64,272	34,252	1,414	(4,162)	49%
AM	Morocco	172,801	154,530	106,092	(4,105)	50%
AQAP	Qatar	124,251	66,424	65,560	5,764	40%
TAWZEA	Saudi Arabia	246,235	185,346	60,759	(24,051)	50%
2011						
AFEC	Egypt	197,040	107,421	78,292	(9,518)	50%
CPIC	China	4,866,407	2,913,924	1,828,339	24,923	5.5%
AE	Egypt	73,258	37,587	3,581	(5,661)	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%

The Group has made certain adjustments to the above financial information for the intervening period to December 31, 2012 and 2011 to account for its equity share for the year ended December 31, 2012 and 2011, respectively.

10 Property, plant and equipment

	January 1, 2012	Additions	Disposals / transfers	Currency translation adjustments	December 31, 2012
2012					
Cost					
Land	84,613	13,286	-	604	98,503
Buildings and land improvements	460,306	18,247	(70)	4,864	483,347
Plant, machinery and equipment	1,425,123	63,867	(27,130)	9,583	1,471,443
Furniture, fixtures and office equipment	116,949	9,522	(2,699)	1,602	125,374
Construction in progress	30,846	60,507	(45,632)	87	45,808
	<u>2,117,837</u>	<u>165,429</u>	<u>(75,531)</u>	<u>16,740</u>	<u>2,224,475</u>
Accumulated depreciation and impairment					
Buildings and land improvements	(230,053)	(17,619)	69	(1,791)	(249,394)
Plant, machinery and equipment	(1,012,783)	(69,263)	23,168	(6,919)	(1,065,797)
Furniture, fixtures and office equipment	(90,299)	(8,229)	2,149	(1,079)	(97,458)
	<u>(1,333,135)</u>	<u>(95,111)</u>	<u>25,386</u>	<u>(9,789)</u>	<u>(1,412,649)</u>
	<u>784,702</u>				<u>811,826</u>

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	January 1, 2011	Additions	Disposals / transfers	Currency translation adjustments	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
	<u>2,172,520</u>	<u>118,510</u>	<u>(103,540)</u>	<u>(69,653)</u>	<u>2,117,837</u>
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)
	<u>(1,334,578)</u>	<u>(95,661)</u>	<u>60,920</u>	<u>36,184</u>	<u>(1,333,135)</u>
	<u>837,942</u>				<u>784,702</u>

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.

11 Intangible assets

	Goodwill	Patents, trademarks and licenses	Other deferred charges and pre-operating costs	Total
January 1, 2012	9,707	314	852	10,873
Additions	-	-	2,153	2,153
Amortization	-	(157)	(243)	(400)
Currency translation adjustments	108	-	-	108
December 31, 2012	<u>9,815</u>	<u>157</u>	<u>2,762</u>	<u>12,734</u>
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 adjustments	(1)	-	-	(1)
December 31, 2011	<u>9,707</u>	<u>314</u>	<u>852</u>	<u>10,873</u>

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12 Short-term borrowings

	2012	2011
Bank overdrafts	26,494	13,948
Short-term bank loans	1,606,645	1,114,844
	<u>1,633,139</u>	<u>1,128,792</u>

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, 2012 were approximately Saudi Riyals 1.1 billion (2011: Saudi Riyals 1.2 billion).

At December 31, 2012 approximately 5.2% (2011: 9.2%) of the short-term bank borrowings 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:

	2012	2011
Saudi Riyals	1,511,150	1,076,883
Euros	26,145	21,275
US dollars	14,944	-
Indian rupees	19,435	21,659
Other	61,465	8,975
	<u>1,633,139</u>	<u>1,128,792</u>

13 Long-term borrowings

	Note	2012	2011
Saudi Industrial Development Fund ("SIDF") loans	13.1	13,400	19,100
Commercial bank loans	13.2	243,584	276,177
Loans from non-controlling interest	13.3	9,791	10,230
		<u>266,775</u>	<u>305,507</u>
Current maturity shown under current liabilities		(96,378)	(81,006)
		<u>170,397</u>	<u>224,501</u>

13.1 SIDF loans

These represent loans obtained by a Saudi Arabian subsidiary from SIDF. The covenants of the loans agreements require the subsidiary to maintain certain levels of financial condition, place limitations on dividend distributions and on annual capital and rental expenditures. These loans do not bear financial charges and are secured by a mortgage on property, plant and equipment of the subsidiary.

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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 2013 through 2018. Certain 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 Loans from non-controlling interest

These represent US dollars denominated loans from non-controlling interest of a foreign subsidiary. Such loans do not carry any financial charges and are payable in unequal quarterly installments ending in 2017.

13.3 Currency denomination

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

	2012	2011
Saudi Riyals	219,650	199,871
Euros	24,899	44,037
US dollars	10,582	5,962
Indian rupees	11,644	15,295
Other	-	40,342
	<u>266,775</u>	<u>305,507</u>

13.4 Maturity profile of long-term borrowings

	2012	2011
Years ending December 31:		
2012	-	81,006
2013	96,378	128,762
2014	89,880	77,266
2015	63,935	10,631
2016	6,647	4,805
2017	7,841	2,560
Thereafter	2,094	477
	<u>266,775</u>	<u>305,507</u>

14 Liabilities against capital leases

During 2008, a Saudi Arabian subsidiary sold and leased back certain plant and machinery under a capital lease agreement with a financial institution. The lease payments under such agreement were due in semi-annual installments which were completed during 2012.

15 Accounts payable

	2012	2011
Trade	650,679	568,349
Related parties	-	937
	<u>650,679</u>	<u>569,286</u>

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16 Accrued and other liabilities

	Note	2012	2011
Salaries, wages and benefits		45,653	45,348
Advances from customers		96,594	90,284
Provisions against claims and onerous contracts		18,601	20,163
Derivative financial instruments (negative fair values)	28	434	1,925
Sales agency fees		17,231	16,985
Financial charges		16,960	8,506
Accrued expenses and other		109,952	105,918
		<u>305,425</u>	<u>289,129</u>

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

	2012	2011
Zakat for SAAC	35,995	32,633
Zakat and income taxes for Saudi Arabian subsidiaries	52,457	71,477
Income taxes and other taxes for foreign subsidiaries	20,891	44,285
	<u>109,343</u>	<u>148,395</u>

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

	2012	2011
Current income tax charges	6,407	19,422
Deferred income tax charges (credits)	3,254	(1,107)
	<u>9,661</u>	<u>18,315</u>

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

	2012	2011
January 1	11,686	11,264
(Charges) credits	(3,254)	1,107
Currency translation adjustments	1,416	(685)
December 31	<u>9,848</u>	<u>11,686</u>

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17.4 Provision for zakat charged to the income statement

	2012	2011
Zakat for SAAC	10,486	18,721
Share of SAAC in zakat of subsidiaries	24,653	32,519
	<u>35,139</u>	<u>51,240</u>

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 2011.

18 Employee benefits

18.1 Employee termination benefits

	2012	2011
January 1	89,903	92,870
Provisions	12,150	9,443
Payments	(10,019)	(12,597)
Adjustments	-	961
Currency translation adjustments	269	(774)
December 31	<u>92,303</u>	<u>89,903</u>

18.2 Employee share ownership plan and reserve

The Company has implemented an Employee Share Ownership Plan ("ESOP"), which provides an award for 3 year service to certain levels of employees effective January 1, 2012. These employees, subject to their subscription to ESOP, completing employment with the Group for a period of three years and maintaining required level of performance, will be given the Company's shares at no cost.

The fair value of such options is measured on the basis of the market-price of the Company's shares on the date of grant (Saudi Riyals 15.75 per share). The Company has recorded expense amounting to Saudi Riyals 4.3 million related to such options for 2012.

Following is the movement in share options during the year ended December 31, 2012:

Outstanding at January 1	
Subscribed during the year	881,500
Forfeited during the year	(60,500)
Outstanding at December 31	<u>821,000</u>

The remaining contractual life of these options at December 31, 2012 is 2 years.

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The Company has purchased 2.5 million of its shares, through a financial institution, for the purpose of ESOP which have been recorded under "Employees shares program and reserve" in the statement of changes in shareholders' equity in the accompanying consolidated financial statements. Employees shares program and reserve included cost of shares purchased and proportionate fair value of the options granted during 2012 and outstanding at December 31, 2012 as follow:

Cost of the share purchases for employees share program	41,758
Employees shares option program reserve	(4,310)
	37,448

19 Warranty provisions

	2012	2011
January 1	48,578	50,447
Additions, net	5,529	3,650
Utilizations and adjustments	(1,476)	(4,880)
Currency translation adjustments	132	(639)
December 31	52,763	48,578

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 non-controlling interests, 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 consolidated financial statements are summarized below:

	2012	2011
Sales	10,171	26,365
Purchases	11,372	13,668
Costs and expenses charged	703	1,928

21 Share capital

The share capital of the Company as of December 31, 2012 and 2011 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 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 is currently not available for distribution to the shareholders of the Company.

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23 Selling and marketing expenses

	2012	2011
Salaries and benefits	43,700	50,171
Traveling	11,085	12,033
Sales promotion	11,445	13,114
Information technology and communication	1,456	1,935
Depreciation	466	527
Other	9,040	9,812
	<u>77,192</u>	<u>87,592</u>

24 General and administrative expenses

	2012	2011
Salaries, wages and benefits	119,881	123,920
Provision for doubtful debts	5,091	8,307
Maintenance	2,274	1,632
Traveling	9,947	9,912
Professional services	27,251	32,322
Depreciation and amortization	8,780	8,897
Information technology and communication	16,880	15,123
Other	25,978	30,904
	<u>216,082</u>	<u>231,017</u>

25 Other income (expenses)

	Note	2012	2011
Impairment losses against investments, plant and machinery and intangible assets	9,10,11	(2,919)	(36,959)
Gain from sale of investments		-	9,802
Provision for settlement of claims against foreign subsidiaries		-	2,748
Foreign exchange differences		177	(7,468)
Miscellaneous income		4,875	20,770
		<u>2,133</u>	<u>(11,107)</u>

26 Dividends

The shareholders of the Company approved dividends of Saudi Riyals 1.25 per share for the year 2011, amounting to Saudi Riyals 144.4 million, during their annual General Assembly meeting held on February 29, 2012. Such dividends were fully paid during the year.

27 Earnings per share

Earnings per share for the years ended December 31, 2012 and 2011 have been computed by dividing the operating income and net income for each year by weighted average number of 112,984,309 shares outstanding during the year ended December 31, 2012 (2011: 115,500,000 shares), after considering the effect of purchase of shares as mentioned in Note 18.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Derivative financial instruments

At December 31, 2012, the Company had outstanding interest rate swap agreements with a commercial bank with negative fair values of Saudi Riyals 0.4 million (2011: Saudi Riyals 1.9 million). The reversal in negative fair values has been recorded in the income statement and included in "Financial charges, net" with a corresponding reduction in liability recorded under "Accrued and other liabilities". The interest rate swap arrangements will mature in 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 694.4 million at December 31, 2012 (2011: Saudi Riyals 500.4 million). SAAC, collectively with other shareholder of an associate, is also contingently liable for a corporate guarantee amounting to Saudi Riyals 291.5 million (2011: Saudi Riyals 260.0 million) in relation to borrowing facilities of the associate.
- (ii) The capital expenditure contracted by the Group but not yet incurred till December 31, 2012 was approximately Saudi Riyals 21.3 million (2011: Saudi Riyals 24.0 million).