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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
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, 2014

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INDEPENDENT AUDITORS' REPORT

February 8, 2015

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 its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 25 which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance 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 policies 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, 2014 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards 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, 2014	2013
Assets			
Current assets			
Cash and cash equivalents	5	**105,768**	149,347
Accounts receivable	6	**1,905,564**	1,831,079
Inventories	7	**1,190,508**	1,243,877
Prepayments and other receivables		**219,561**	136,138
Non-current assets held for sale	1	**-**	96,684
		3,421,401	3,457,125
Non-current assets			
Investment in associates	8	**129,778**	94,477
Property, plant and equipment	9,12	**785,409**	792,369
Intangible assets	10	**13,660**	12,760
Deferred income tax assets	14	**9,105**	10,778
Other non-current assets	17	**52,775**	43,846
		990,727	954,230
Total assets		**4,412,128**	4,411,355
Liabilities			
Current liabilities			
Short-term borrowings	11	**1,835,613**	1,588,840
Current maturity of long-term borrowings	12	**6,988**	93,007
Accounts payable		**472,563**	514,217
Accrued and other liabilities	13	**337,532**	219,685
Zakat and taxes payable	14	**82,521**	92,508
		2,735,217	2,508,257
Non-current liabilities			
Long-term borrowings	12	**47,795**	97,108
Employee termination benefits	15	**78,585**	80,278
Warranty provisions	16	**20,525**	22,801
Other non-current liabilities		**11,345**	12,123
		158,250	212,310
Total liabilities		**2,893,467**	2,720,567
Equity			
Equity attributable to shareholders of the Company:			
Share capital	18	**1,155,000**	1,155,000
Statutory reserve	19	**179,335**	171,073
Retained earnings		**241,457**	284,401
Employees shares program and reserve	15	**(31,741)**	(33,660)
Currency translation adjustments		**(109,067)**	(12,454)
Total shareholders' equity		**1,434,984**	1,564,360
Non-controlling interests		**83,677**	126,428
Total equity		**1,518,661**	1,690,788
Total liabilities and equity		**4,412,128**	4,411,355
Contingencies and commitments	25		

The accompanying notes from 1 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, 2014	2013
Sales	4,17	**2,725,787**	3,130,672
Cost of sales	17	**(2,300,762)**	(2,660,667)
Gross profit		**425,025**	470,005
Operating expenses			
Selling and marketing	20	**(74,912)**	(80,981)
General and administrative	21	**(178,659)**	(161,562)
Income from operations		**171,454**	227,462
Other income (expenses)			
Share in net income (loss) of associates	8	**2,673**	(5,978)
Financial charges, net	11,12	**(85,235)**	(86,533)
Other, net	22	**18,321**	2,475
Income before foreign income taxes, zakat and non-controlling interests		**107,213**	137,426
Foreign income taxes	14	**(12,989)**	(8,655)
Zakat	14	**(34,114)**	(35,581)
Income before non-controlling interests		**60,110**	93,190
Non-controlling interests		**22,508**	19,424
Net income for the year		**82,618**	112,614
Earnings per share (Saudi Riyals):	24		
• Operating income		**1.52**	2.01
• Net income for the year		**0.73**	1.00

The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

شركة أميانتيت العربية السعودية (شركة مساهمة سعودية) الدمام س.ت ٢٠٥٠٠٠٢١٠٣ أميانتيت AMIANTIT C. R. 2050002103 DAMMAM SAUDI ARABIAN AMIANTIT CO. (A SAUDI JOINT STOCK CO.)

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, 2014	2013
Cash flow from operating activities			
Net income for the year		**82,618**	112,614
Adjustments for non-cash items			
Depreciation, impairment, amortization and provisions		**104,940**	69,000
Share in net (income) loss of associates	8	**(2,673)**	5,978
Deferred income tax credits	14	**(862)**	(1,768)
Loss applicable to non-controlling interests		**(22,508)**	(19,424)
Gain on sale of an investment	1	**(17,729)**	-
Changes in working capital			
Accounts receivable		**(137,340)**	153,651
Inventories		**(6,938)**	214,975
Prepayments and other receivables		**(34,384)**	(43,311)
Accounts payable		**(16,761)**	(124,702)
Accrued and other current liabilities		**111,165**	(24,154)
Employee termination benefits		**(1,474)**	(1,514)
Net cash generated from operating activities		**58,054**	341,345
Cash flow from investing activities			
Short-term bank deposits		**-**	(49)
Investments	1	**(11,739)**	(6,400)
Proceeds from disposal of investments	1	**7,397**	20,063
Purchase of property, plant and equipment		**(106,943)**	(129,401)
Intangible assets and other		**(3,479)**	(23,344)
Net cash utilized in investing activities		**(114,764)**	(139,131)
Cash flow from financing activities			
Change in short-term borrowings		**256,416**	(9,515)
Proceeds from long-term borrowings		**14,907**	24,815
Repayments of long-term borrowings		**(142,142)**	(90,483)
Dividends paid	23	**(112,984)**	(112,984)
Dividends paid by subsidiaries to non-controlling interests		**(1,203)**	(951)
Board of Directors' fee paid		**(1,800)**	(1,800)
Changes in non-controlling interests and other		**(63)**	10,704
Net cash generated from (utilized in) financing activities		**13,131**	(180,214)
Net change in cash and cash equivalents		**(43,579)**	22,000
Cash and cash equivalents at beginning of the year		**149,347**	127,347
Cash and cash equivalents at end of the year	5	**105,768**	149,347

The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

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

	Note	Share capital	Statutory reserve	Retained earnings	Employees shares program and reserve	Currency translation adjustments	Total
January 1, 2014		1,155,000	171,073	284,401	(33,660)	(12,454)	**1,564,360**
Net income for the year		-	-	82,618	-	-	**82,618**
Transfer to statutory reserve	19	-	8,262	(8,262)	-	-	-
Dividends	23	-	-	(115,500)	-	-	**(115,500)**
Board of Directors' fee		-	-	(1,800)	-	-	**(1,800)**
Charge for employees shares program	15	-	-	-	1,919	-	**1,919**
Currency translation adjustments		-	-	-	-	(96,613)	**(96,613)**
December 31, 2014		**1,155,000**	**179,335**	**241,457**	**(31,741)**	**(109,067)**	**1,434,984**
January 1, 2013		1,155,000	159,812	303,021	(37,448)	(12,474)	1,567,911
Net income for the year		-	-	112,614	-	-	112,614
Transfer to statutory reserve	19	-	11,261	(11,261)	-	-	-
Dividends	23	-		(115,500)	-	-	(115,500)
Board of Directors' fee		-	-	(1,800)	-	-	(1,800)
Loss on acquisition of non-controlling interest		-	-	(2,673)	-	-	(2,673)
Charge for employees shares program	15	-	-	-	3,788	-	3,788
Currency translation adjustments		-	-	-	-	20	20
December 31, 2013		1,155,000	171,073	284,401	(33,660)	(12,454)	1,564,360

The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

The Saudi Arabian Amiantit Company (the "Company" or "SAAC") and 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 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, 2014	2013
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 Limited (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	100	100
Infrastructure Engineering Contracting Co. Limited	Saudi Arabia	100	100
Flowtite Technology Bahrain WLL	Bahrain	100	100
Amitech Germany GmbH	Germany	100	100
PWT Wasser- und Abwassertechnik GmbH (PWT)	Germany	100	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 Astana LLC	Kazakhstan	51	51
APS France S.A.S.	France	100	100
APS Norway A.S.	Norway	100	100

Ownership interests in certain subsidiaries are registered in the name of SAAC or in the name of certain intermediate holding companies for and on behalf of SAAC.

During the year ended December 31, 2014:

- The Group signed a Share Transfer Agreement (the "Agreement") for sale of its equity interest of 5.4975% in CPIC, a limited liability company in China and engaged in production of fiberglass, for an amount of Saudi Riyals 103.1 million to the majority shareholder of CPIC which resulted in a gain of approximately Saudi Riyals 17.7 million, net of provision for tax on capital gain amounting to Saudi Riyals 3.4 million and certain other related expenses. Proceeds from the sale will be collected in installments falling due during the years from 2014 through 2016 and have been presented under "Prepayments and other receivables" and "Other non-current assets" in the accompanying consolidated financial statements; and

- The Group's effective ownership in PWT Wasser und Abwassertechnik GmbH ("PWT") was increased from 80% to 100% through an acquisition of 20% equity interest from the non-controlling shareholders of the subsidiary for an amount of Saudi Riyals 6.2 million.

During the year ended December 31, 2013, the board of directors of Amiantit Fiberglass Industries (India) Pvt. Ltd. ("AFIIL - India") unanimously resolved to file a reference to liquidate AFIIL India. The Corporation Bank in India, being the major lender to AFIIL - India, took possession of AFIIL - India's land parcels, buildings and certain of its production facilities and inventories. The Group has stopped consolidating the accounts of AFIIL - India with effect from May 31, 2013 and has recorded impairment losses of Saudi Riyals 8.2 million during 2013 to bring the net investment in AFIIL - India to Nil. The Group has no obligation to provide any additional financial support or to absorb any further future losses.

Certain subsidiaries consolidated in the accompanying consolidated financial statements are dependent on financial support from the Group. The Group management intends to provide adequate financial support to such subsidiaries enabling them to continue their operations and believes that these subsidiaries will generate positive cash flows in the future. Total assets of these subsidiaries amounted to Saudi Riyals 811.0 million as at December 31, 2014 (2013: Saudi Riyals 894.1 million).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on February 8, 2015.

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 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 which, 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 acquisition method of accounting is used to account for the acquisition of subsidiaries. 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 and losses on transactions between group companies are eliminated.

(b) Associates

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

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

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

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

2.4 Segment reporting

(a) Business segment

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

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

(b) Geographical segment

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

2.5 Foreign currencies

(a) Reporting currency

The consolidated financial statements 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 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.

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 for 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 Non-current assets held for sale

Non-current assets held for sale are classified as assets held for sale and are stated at the lower of carrying amount and fair values less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

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 cost of the related assets to their 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 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 goodwill 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 goodwill are not reversible.

2.13 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs. 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 Accounts payable and accruals

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

2.15 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 and reversals are charged and credited, respectively, to "Cost of sales" in the income statement. Adjustments are made to the warranty provision considering the changes in recent trends, technological improvements and legal and constructive obligation of the Group.

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.

2.16 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.

2.17 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 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.

(ii) Employee share ownership plan

The Group has an Employee Share Ownership Plan ("ESOP"), which provides a 3 year service awards to certain levels of employees. These employees, subject to their subscription of ESOP and meeting the underlying conditions, will be given the Company's shares, at no costs. The Company has purchased its shares required for the ESOP through a local financial institution.

The employees' service cost of share options granted to them under the ESOP is measured by reference to the fair value of the Company's shares 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 shares 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.

At the vesting date, the underlying shares are transferred to the employee on which date any difference between the employee service cost and the purchase cost of the shares is taken directly to retained earnings as an equity adjustment.

2.18 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.

2.19 Revenues

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

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

2.20 Selling, marketing and general and administrative expenses

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

2.21 Dividends

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

2.22 Operating leases

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

3 Financial instruments and risk management

Financial instruments carried on the balance sheet include cash and cash equivalents, short term deposits, accounts and other receivables, non-current assets held for sale, 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, 2014 and 2013.

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. 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 and development and licensing of related technologies; and
(ii) 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	Water management	Total
2014			
Sales	**2,522,599**	**203,188**	**2,725,787**
Net income (loss)	**115,341**	**(32,723)**	**82,618**
Financial charges	**(69,783)**	**(15,452)**	**(85,235)**
Depreciation, amortization and Impairment	**(76,176)**	**(2,712)**	**(78,888)**
Property, plant and equipment	**767,830**	**17,579**	**785,409**
Total assets	**3,973,296**	**438,832**	**4,412,128**
2013			
Sales	2,780,187	350,485	3,130,672
Net income (loss)	118,071	(5,457)	112,614
Financial charges	(76,635)	(9,898)	(86,533)
Depreciation, amortization and impairment	(75,547)	(2,958)	(78,505)
Property, plant and equipment	771,980	20,389	792,369
Total assets	3,921,318	490,037	4,411,355

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	Saudi Arabia	Other countries	Total
2014			
Sales	**1,774,359**	**951,428**	**2,725,787**
Non-current assets:			
• Property, plant and equipment	**579,616**	**205,793**	**785,409**
• Other non-current assets	**128,121**	**77,197**	**205,318**
2013			
Sales	2,021,213	1,109,459	3,130,672
Non-current assets:			
• Property, plant and equipment	538,966	253,403	792,369
• Other non-current assets	95,255	66,606	161,861

5 Cash and cash equivalents

	2014	2013
Cash in hand	**1,793**	2,454
Cash at bank	**92,300**	135,865
Time deposits	**11,675**	11,028
	105,768	149,347

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

6 Accounts Receivable

	2014	2013
Trade	**1,940,833**	1,870,869
Related parties	**57,038**	51,950
	1,997,871	1,922,819
Less: provision for doubtful debts	**(92,307)**	(91,740)
	1,905,564	1,831,079

At December 31, 2014, trade accounts receivable include retentions receivable amounting to Saudi Riyals 55.0 million (2013: Saudi Riyals 55.4 million), principally related to the Saudi Arabian subsidiaries, which are collectable upon completion of certain contractual milestones and presentation of final zakat and income tax certificates for certain years.

At December 31, 2014 trade accounts receivable amounting to Saudi Riyals 41.3 million (2013: Saudi Riyals 44.8 million) were collateralized against the bank borrowings.

(All amounts in Saudi Riyals thousands unless otherwise stated)

Movement in provision for doubtful debts is as follows:

	2014	2013
January 1	**91,740**	113,091
Additions (reversals)	**18,916**	(1,904)
Adjustments	**-**	(9,703)
Write-offs	**(14,701)**	(9,547)
Currency translation adjustments	**(3,648)**	(197)
December 31	**92,307**	91,740

7 Inventories

	2014	2013
Raw materials	**464,583**	605,939
Work in process	**212,938**	209,839
Spare parts and supplies, held not for sale	**100,292**	103,798
Finished products	**485,496**	381,834
Goods in transit	**4,345**	10,599
	1,267,654	1,312,009
Less: provision for inventory obsolescence	**(77,146)**	(68,132)
	1,190,508	1,243,877

Inventories at December 31, 2014 amounting to approximately Saudi Riyals 467.2 million (2013: Saudi Riyals 611.1 million) were carried at net realizable value.

Inventories at December 31, 2014 amounting to Saudi Riyals 53.8 million (2013: Saudi Riyals 36.1 million) were pledged against the bank borrowings.

Movement in provision for inventory obsolescence is as follows:

	2014	2013
January 1	**68,132**	70,293
Additions	**9,527**	3,247
Adjustments	**-**	(5,378)
Write-offs	**(46)**	-
Currency translation adjustments	**(467)**	(30)
December 31	**77,146**	68,132

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Investment in associates

	2014	2013
Amiantit Fiberglass Egypt Co. (AFEC)	**26,612**	34,352
Ameron Egypt (AE)	**29,276**	30,680
Amitech Maroc (AM)	**20,950**	7,995
Amiantit Qatar Pipe Co. Ltd. (AQAP)	**23,101**	21,574
International Water Distribution Company (TAWZEA)	**44,504**	21,840
Other	**43,228**	44,108
	187,671	160,549
Accumulated impairment losses	**(57,893)**	(66,072)
	129,778	94,477

Movement in investment in associates is as follows:

	Note	2014	2013
Balance, January 1		**94,477**	204,762
Additions	17.2	**28,025**	-
Share in net income (loss)		**2,673**	(5,978)
Transfer to non-current assets held for sale	1	-	(96,684)
Adjustments		-	(3,910)
Currency translation adjustments		**(3,576)**	(2,893)
Impairment reversals (losses)		**8,179**	(820)
Balance, December 31		**129,778**	94,477

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
2014						
AFEC	Egypt	**105,786**	**72,125**	**28,172**	**(14,196)**	**50%**
AE	Egypt	**46,290**	**28,061**	**11,458**	**(2,288)**	**49%**
AM	Morocco	**211,154**	**170,142**	**135,701**	**15,472**	**50%**
AQAP	Qatar	**155,269**	**90,240**	**52,796**	**5,320**	**40%**
TAWZEA	Saudi Arabia	**261,720**	**172,712**	**179,907**	**326**	**50%**
2013						
AFEC	Egypt	114,344	65,167	41,269	(17,082)	50%
AE	Egypt	40,044	18,932	3,025	(4,878)	49%
AM	Morocco	198,650	169,137	81,960	2,027	50%
AQAP	Qatar	189,121	138,160	107,589	3,396	40%
TAWZEA	Saudi Arabia	268,967	225,285	110,057	(9,020)	50%

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Group has used and presented the above financial information after making certain adjustments to the financial information available for the intervening period to account for its equity share for the year ended December 31, 2014 and 2013, respectively.

9 Property, plant and equipment

	January 1, 2014	Additions	Disposals / transfers	Currency translation adjustments	December 31, 2014
2014					
Cost					
Land	93,798	22,244	(23,133)	(4,303)	**88,606**
Buildings and land improvements	475,648	28,055	(8,020)	(22,458)	**473,225**
Plant, machinery and equipment	1,434,135	42,133	(24,387)	(46,402)	**1,405,479**
Furniture, fixtures and office equipment	125,578	12,314	(31,098)	(6,609)	**100,185**
Construction in progress	88,610	56,674	(27,034)	(506)	**117,744**
	2,217,769	161,420	(113,672)	(80,278)	**2,185,239**
Accumulated depreciation and impairment					
Buildings and land improvements	(255,450)	(18,441)	4,599	8,215	**(261,077)**
Plant, machinery and equipment	(1,069,849)	(53,645)	24,950	32,307	**(1,066,237)**
Furniture, fixtures and office equipment	(100,101)	(6,802)	29,647	4,740	**(72,516)**
	(1,425,400)	(78,888)	59,196	45,262	**(1,399,830)**
	792,369				**785,409**

	January 1, 2013	Additions	Disposals / transfers	Currency translation adjustments	December 31, 2013
2013					
Cost					
Land	98,503	6,828	(10,888)	(645)	93,798
Buildings and land improvements	483,347	32,771	(29,320)	(11,150)	475,648
Plant, machinery and equipment	1,471,443	49,140	(74,781)	(11,667)	1,434,135
Furniture, fixtures and office equipment	125,374	7,804	(7,020)	(580)	125,578
Construction in progress	45,808	72,248	(29,445)	(1)	88,610
	2,224,475	168,791	(151,454)	(24,043)	2,217,769
Accumulated depreciation and impairment					
Buildings and land improvements	(249,394)	(18,791)	9,489	3,246	(255,450)
Plant, machinery and equipment	(1,065,797)	(62,515)	51,327	7,136	(1,069,849)
Furniture, fixtures and office equipment	(97,458)	(8,246)	5,314	289	(100,101)
	(1,412,649)	(89,552)	66,130	10,671	(1,425,400)
	811,826				792,369

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 under renewable operating leases.

10 Intangible assets

	Goodwill	Patents, trademarks and licenses	Deferred charges, pre-operating and other costs	Total
January 1, 2014	9,451	-	3,309	**12,760**
Additions	-	-	1,826	**1,826**
Amortization	-	-	(243)	**(243)**
Currency translation adjustments	(683)	-	-	**(683)**
December 31, 2014	**8,768**	-	**4,892**	**13,660**
January 1, 2013	9,815	157	2,762	12,734
Additions	-	-	811	811
Amortization	-	(157)	(264)	(421)
Currency translation adjustments	(364)	-	-	(364)
December 31, 2013	9,451	-	3,309	12,760

11 Short-term borrowings

	2014	2013
Bank overdrafts	**24,687**	38,702
Short-term bank loans	**1,810,926**	1,550,138
	1,835,613	1,588,840

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, 2014 were approximately Saudi Riyals 0.566 billion (2013: Saudi Riyals 0.945 billion).

At December 31, 2014 approximately 5.2% (2013: 5.1%) of the short-term bank borrowings were collateralized by assignment of trade accounts receivable and pledge of inventories.

11.1 Currency denomination

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

	2014	2013
Saudi Riyals	**1,727,098**	1,455,870
Euros	**30,276**	49,861
US dollars	**15,011**	-
Other	**63,228**	83,109
	1,835,613	1,588,840

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Long-term borrowings

	Note	2014	2013
Saudi Industrial Development Fund ("SIDF") loans	12.1	3,600	9,000
Commercial bank loans	12.2	41,211	173,033
Loans from non-controlling interest	12.3	9,972	8,082
		54,783	190,115
Current maturity shown under current liabilities		(6,988)	(93,007)
		47,795	97,108

12.1 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 dividends 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 subsidiaries.

12.2 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, and Euros. These loans generally bear financial charges based on prevailing market rates. The aggregate maturities of the loans outstanding at December 31, 2014, based on their respective repayment schedules, are spread in 2016 through 2033. Certain of these loans amounting to Saudi Riyals 171.5 million are secured by mortgage on the property, plant and equipment, collateralized against trade accounts receivable and pledged against inventories.

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.

12.3 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 2021.

12.4 Currency denomination

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

	2014	2013
Saudi Riyals	3,600	140,250
Euros	7,644	17,543
US dollars	24,863	8,082
Other	18,676	24,240
	54,783	190,115

(All amounts in Saudi Riyals thousands unless otherwise stated)

12.5 Maturity profile of long-term borrowings

	2014	2013
Years ending December 31:		
2014	-	93,007
2015	6,988	64,732
2016	17,603	7,269
2017	4,690	5,272
2018	2,687	1,641
2019	2,371	1,283
Thereafter	20,444	16,911
	54,783	190,115

13 Accrued and other liabilities

	2014	2013
Salaries, wages and benefits	27,027	33,171
Advances from customers	195,040	84,551
Sales agency fees	18,929	20,410
Financial charges	17,823	12,520
Accrued expenses and other	78,713	69,033
	337,532	219,685

14 Zakat and taxes matter

14.1 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.

14.2 Provision for zakat and taxes at December 31

	2014	2013
Zakat for SAAC	25,478	29,307
Zakat and income taxes for Saudi Arabian subsidiaries	42,213	47,498
Income taxes and other taxes for foreign subsidiaries	14,830	15,703
	82,521	92,508

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

	2014	2013
Current income tax charges	13,851	10,423
Deferred income tax credits	(862)	(1,768)
	12,989	8,655

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	2014	2013
January 1	10,778	9,848
Credits	862	1,768
Adjustments	(909)	(910)
Currency translation adjustments	(1,626)	72
December 31	9,105	10,778

14.4 Provision for zakat charged to the income statement

	2014	2013
Zakat for SAAC	14,977	13,980
Share of SAAC in zakat of subsidiaries	19,137	21,601
	34,114	35,581

14.5 Status of assessments

The Company and the Saudi Arabian subsidiaries have received final or restricted zakat and income tax certificates for the years through 2013.

15 Employee benefits

15.1 Employee termination benefits

	2014	2013
January 1	80,278	92,303
Provisions	7,656	10,957
Payments	(9,234)	(12,168)
Adjustments	-	(10,369)
Currency translation adjustments	(115)	(445)
December 31	78,585	80,278

15.2 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 1.9 million (2013: Saudi Riyals 3.8 million) related to such options.

Following is the movement in share options during the years ended December 31:

	2014	2013
Outstanding at January 1	721,500	821,000
Forfeited during the year	(85,500)	(99,500)
Outstanding at December 31	636,000	721,500

The options outstanding at December 31, 2014 have contractually matured subsequently on January 1, 2015.

(All amounts in Saudi Riyals thousands unless otherwise stated)

During 2012, 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 2014 and 2013 and outstanding at December 31 as follow:

	2014	2013
January 1	**33,660**	37,448
Employees shares option program reserve	**(1,919)**	(3,788)
December 31	**31,741**	33,660

16 Warranty provisions

	2014	2013
January 1	**22,801**	52,763
Additions (reversals)	**2,465**	(29,435)
Utilizations and adjustments	**(3,435)**	(675)
Currency translation adjustments	**(1,306)**	148
December 31	**20,525**	22,801

17 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").

17.1 Related party transactions

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

	2014	2013
Sales	**18,971**	5,386
Purchases	**10,166**	-

17.2 Loans to associates

Loans to associates at December 31, 2014 and 2013, included in "Other non-current assets" in the accompanying 2014 and 2013 balance sheets, are as follows:

	2014	2013
Amitech Morocco	**13,743**	13,166
Amitech Algeria	**835**	1,832
Tawzea	**-**	22,500
	14,578	37,498

The loan provided to Tawzea as on December 31, 2013 was converted into share capital during 2014.

(All amounts in Saudi Riyals thousands unless otherwise stated)

18 Share capital

The share capital of the Company as of December 31, 2014 and 2013 was comprised of 115.5 million ordinary shares stated at Saudi Riyals 10.0 per share.

19 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.

20 Selling and marketing expenses

	2014	2013
Salaries and benefits	46,331	45,934
Traveling	9,743	12,550
Sales promotion	12,266	9,603
Information technology and communication	1,429	1,405
Depreciation	769	553
Other	4,374	10,936
	74,912	80,981

21 General and administrative expenses

	2014	2013
Salaries, wages and benefits	85,986	92,851
Provision (reversals) for doubtful debts	16,448	(1,904)
Maintenance	1,404	1,263
Traveling	8,725	8,430
Professional services	27,091	25,835
Depreciation and amortization	7,411	8,071
Information technology and communication	25,928	21,028
Other	5,666	5,988
	178,659	161,562

22 Other income (expenses)

	Note	2014	2013
Impairment losses against investments and other non-current assets	8	5,880	(12,227)
(Provision) reversal of provision for settlement of claims		(13,691)	14,977
Foreign exchange differences		(389)	(4,322)
Gain on sale of investment, net		21,101	-
Miscellaneous income		5,420	4,047
		18,321	2,475

The provision for the settlement of claims recorded during 2014 primarily relates to certain on-going legal matters relating to several projects executed by a foreign subsidiary in the water management segment.

23 Dividends

The shareholders have approved a dividend of Saudi Riyal 1.0 per share, amounting to Saudi Riyals 115.5 million, in their meeting held on March 20, 2014. Such dividends were fully paid during the year.

24 Earnings per share

Earnings per share for the years ended December 31, 2014 and 2013 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 such years, after considering the effect of purchase of shares as mentioned in Note 15.

25 Contingencies and commitments

(i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting Saudi Riyals 576.7 million at December 31, 2014. SAAC, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to Saudi Riyals 241.0 million in relation to the borrowing facilities of related associated companies.

(ii) The capital expenditure contracted by the Group but not yet incurred till December 31, 2014 was approximately Saudi Riyals 64.6 million.

(iii) Certain subsidiaries outside Saudi Arabia are involved in certain law suits. The subsidiaries' and Group's management believe that no material loss will arise upon the ultimate resolution of these matters and, accordingly, no provision has been recorded in the accompanying consolidated financial statement.