2008 ANNUAL REPORT

YEARS OF EXCELLENCE

Our Vision & Goals

Vision

To actively participate in a global effort where all people will have access to clean and drinkable water supplied through sustainable, social and environmental solutions.

Goals

- By leveraging our leadership in research, development and ownership of pipe manufacturing technologies we aim to continue to be the world's top provider of GRP pipe systems.
- To continuously achieve higher profitability by increased growth and by optimized cost while maintaining highest quality standards.
- To continue our selective strategic expansion into emerging markets that offer long term opportunities.

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Contents

AMIANTIT

Annual Highlights

Sales

increased by 30% compared to 2007, to **SAR 4 billion**, a new record level since inception.

30%

International Sales

climbing 14% compared to 2007, to **SAR 1,881 million.**

14%

Net Income

increased 267% from 2007, totaling to **SAR 235 million.**

267%

Total Decade Assets

increased by no less than 309%.

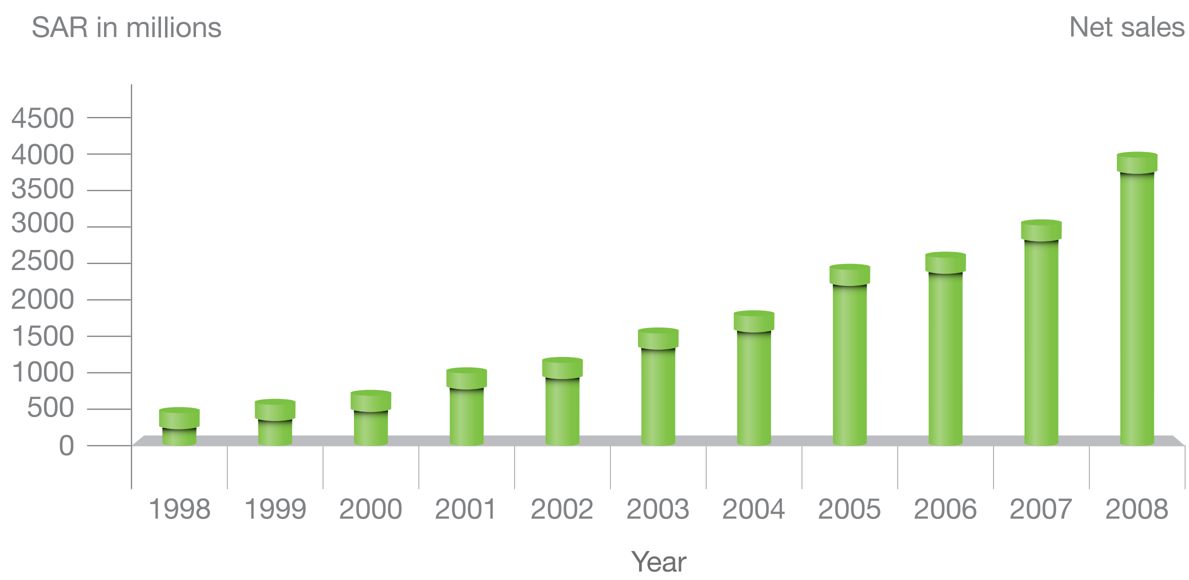
309%

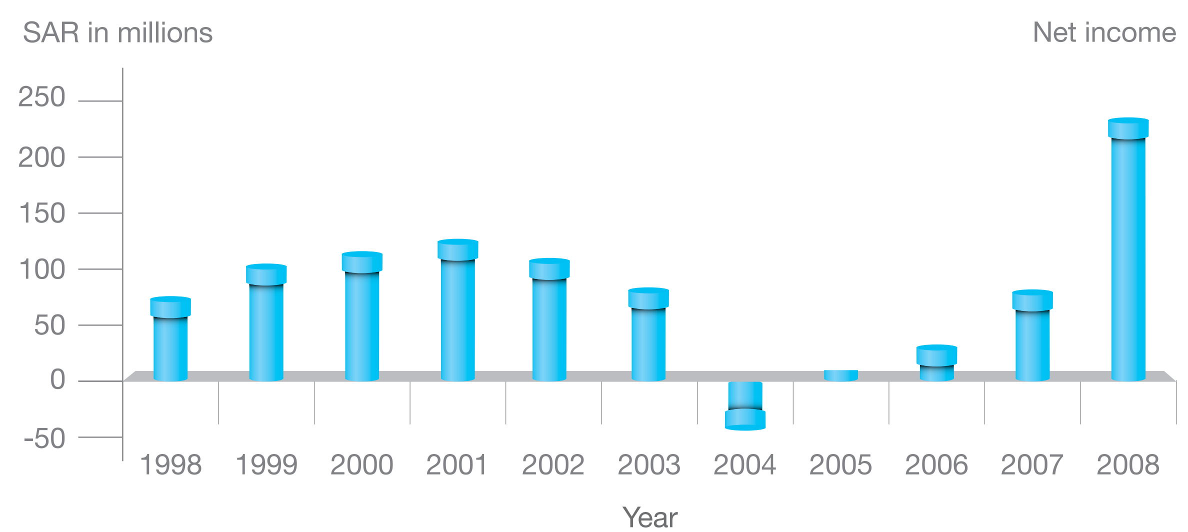
Shareholders' Equity

increased by 13% compared to 2007, to **SAR 1.5 billion.**

Total Assets

increased by 11% compared to 2007, to **SAR 4.5 billion.**



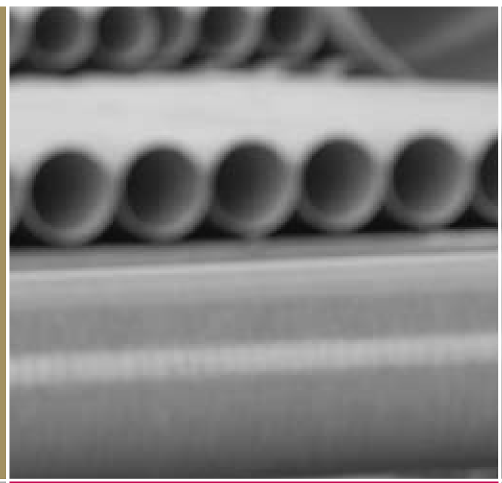


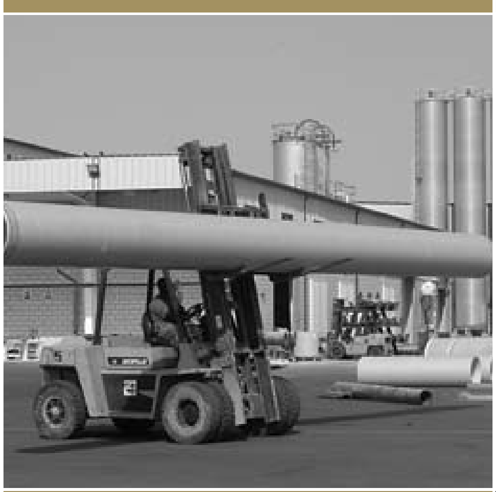
SAR in millions	2004	2005	2006	2007	**2008**
Net sales	1857	2493	2660	3102	**4026**
Net income before minority	(47.4)	33.5	48.0	114.6	**310.2**
Net income	(53.0)	(8.7)	20.8	64.1	**235.3**
Earnings per share (in SAR)	(3.44)	(0.4)	0.18	0.55	**2.04**
Number of shares (in millions)	15.4	21.7*	115.5	115.5	**115.5**

EPS for all periods presented are based on net income after Zakat, divided by the number of shares existing in each year.

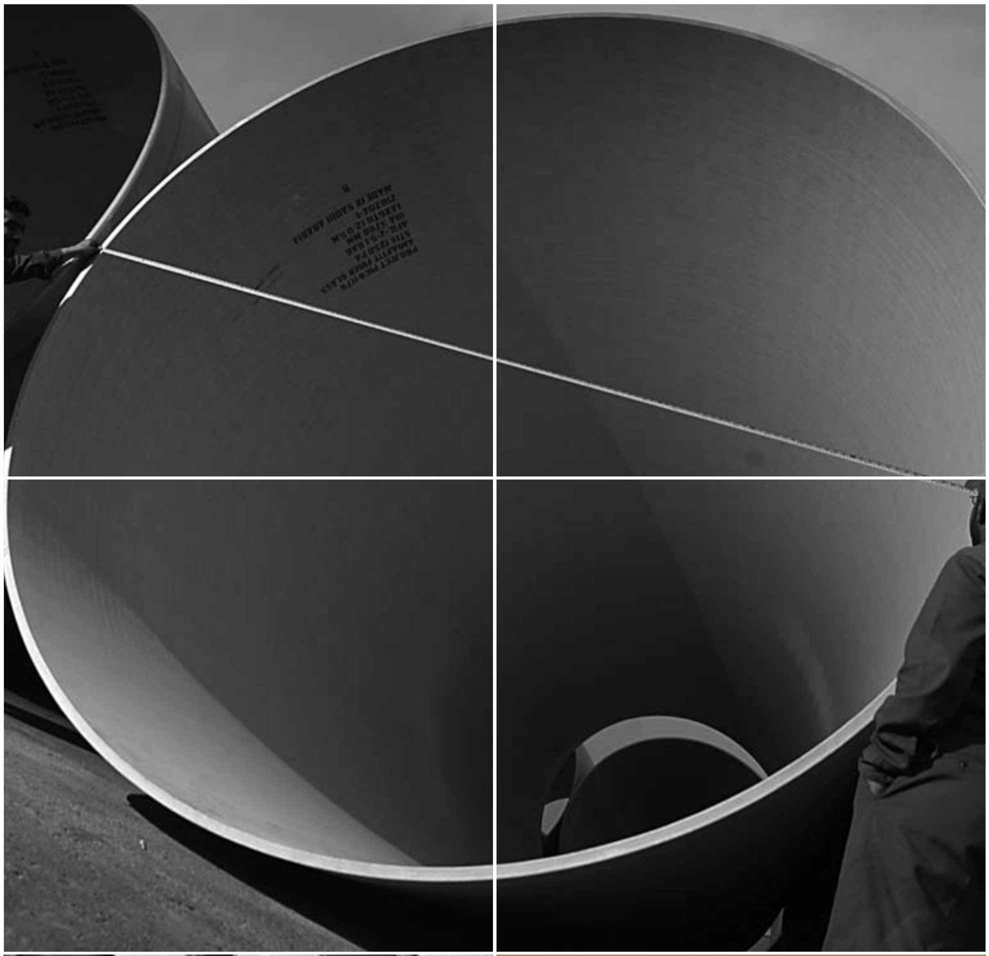
*Number of shares are calculated on weighted average, for 2005.

Milestones





Origins



Growth

Prospects

1968 •••••••••••••••••••••• 1977•••••

"I have but one lamp by which my feet are guided, and that is the lamp of experience. I know no way of judging of the future but by the past."

Edward Gibbon

The Amiantit Company was established in Dammam on Thursday, 13th of June, 1968. From humble beginnings as a single pipe plant, producing pipes for infrastructure, Amiantit was born.

Nevertheless, the local market proved to be receptive to its product, and soon Amiantit's reach expanded to other markets as well.

In 1974, the company appointed Mr. Michel Khlat as its new CEO. He set about cementing Amiantit's place in the industry by diversifying the company's interests in the field of pipe manufacture, sparking an unprecedented expansion that would shape Amiantit's business for decades to come.

The expansion was kicked off with the founding of Amiantit Rubber Industries Limited (ARIL) in 1977 as a joint venture between Amiantit (80%) and Deccan Enterprises India (20%), followed by the founding of Amiantit Fiberglass Industries Limited (AFIL), a joint venture between Amiantit (70%) and Owens Corning of USA (30%).

Less than a year later, Ameron Saudi Arabia Limited (ASAL) was established as a joint venture between Amiantit (70%) and Ameron International of USA (30%). The Arabian Fiberglass Insulation Company (AFICO), which manufactures all types of fiberglass insulation products was established in 1980, with (51%) acquired later by Amiantit and (49%) by Owens Corning of USA. (Amiantit's share was sold in 2005.)

1982 proved to be a record-breaking year for Amiantit, with sales exceeding SAR one billion and a respectable profit of over SAR 120 million. Following this unprecedented success, discussions with French company Pont-a-Mousson commenced in order to facilitate the construction of a joint venture that would

1983 1993

manufacture ductile iron pipes. In another joint venture, Amiantit collaborated with the Dutch company Ameron BV to create Bondstrand Limited (BSL).

By 1983, Amiantit's business model and profit margins had caught the eye of investors. Mr. Abdulaziz Al Sheikh took the reigns as President. In addition, Executive Committees for Amiantit and all subsidiaries were formed. This saw a significant rise in Amiantit's capital, from both retained earnings and cash injection allowing it to reach SAR 160 million.

Despite this growth, the following years of 1986 and 1987 proved to be on the quiet side, with the markets slowing down in the wake of the economic difficulties at the time. However, this market lull came to an abrupt halt in 1988, which saw the appointment of the legendary Dr. Abdulaziz S. Al Jarbou as President.

Signaling a new era of prosperity, Dr. Al Jarbou signed the Saudi Arabian Ductile Iron Pipes Company (SADIP) joint venture, the biggest investment of Amiantit since its inception. Never one to rest on his laurels, he also sought to gradually evolve company culture, establishing policies, procedures and key performance indicators. While all these factors contributed to Amiantit's success, Dr. Al Jarbou's greatest accomplishment was yet to come: The listing of Amiantit on the Saudi Arabian stock market.

Other developments in 1988 included the founding of SADIP as a joint venture between Amiantit (75%), Pont-a-Mousson (20%) and Abu Nayyan (5%). Unfortunately, this company's startup was delayed by the outbreak of the First Gulf War, but it successfully managed to commence commercial operations in July of 1991.

In the early nineties, the Saudi shareholders began to prepare Amiantit for a significant conversion: from that of a Saudi-foreign limited company into a Saudi joint stock company. During this exciting time, HH Prince Ahmad bin Khalid bin Abdullah bin AbdulRahman Al-Saud was appointed acting Chairman of the Board and Chairman of all Executive Committees. In light of these developments, the Saudi shareholders bought out Eternit Switzerland (which comprised about one third of Amiantit) in 1993.

The assiduous efforts by Dr. Al Jarbou finally came to fruition on the 17th of January 1994, when the company received approval to be listed on the stock exchange with a capital of SAR 350 million (7 million shares of SAR 50 each), and in 1996, the Amiantit Group finally opened to the public.

1994 ····················· 2001

This glorious event was marred by the economic recession caused by the First Gulf War, which saw the demand for pipes and related products decline, and with them, the Group's financial results. Adding to these challenges, the Group was also hampered by competition from several foreign competitors, resulting in sales that dwindled to SAR half a billion and profits of around SAR 60 million.

At the start of 1997, Mr. Fareed Al-Khalawi, the then Vice President of Operations, was appointed as Managing Director, with Dr. Al Jarbou remaining active as a Board and Executive Committee Member.

In 1998, globalization and increasingly porous borders led to the Board being presented with two alternatives: Either remain entrenched within Saudi Arabia and fend off international competition, or go on the offensive by globalizing the company, acquiring and developing technologies to manufacture pipes and leverage such technologies in investing abroad. Happily, the board decided on the latter.

In addition, the strategic decision was taken to diversify both the geographic and business lines, a decision which would later propel the business to new heights of excellence.

Notable ventures during this time included the founding of the Amiantit Fiberglass Egypt Company (AFEC) by AFIL (50%) and (50%) by Lokma Group.

During 2000 Amiantit established C-Tech Co. Ltd., a technology company that manufactures fiberglass pipes via a centrifugal process. They would subsequently sell several plants worldwide.

In year 2000, Amiantit entered into a 50/50 joint venture with a local Austrian water company to create and develop a new company focused on the water business.

In 2001, the notable acquisition of the prestigious Flowtite Technology and pipe plants from Owens Corning laid down the foundation of real globalization in the Group, and marked a new age of technological development. This acquisition included a technology center in Norway, (30%) of AFIL, full ownership of plants based in Germany, Argentina, Spain, Botswana and Norway as well as (50%) of SUBOR Turkey.

From 2002, the sales of fiberglass pipe technology and building plants continued worldwide, with operations in Saudi Arabia, Poland, Kazakhstan, South Africa, USA, Brazil, Mexico, Morocco, Algeria, Libya, Dubai, Oman, India, Qatar, Italy and Kuwait.

To facilitate this rapid rise in business, the Amiantit International Holding Company- wholly-owned by the Saudi Arabian Amiantit - was formed to own, lead, manage and control all international operations. This

2005 2008

company established geographic responsibilities and implemented Amiantit's presence in all four corners of the globe. As such, Amiantit became the world leader of fiberglass pipe manufacturing and related technologies, with multiple technology companies established to house owned or developed technologies.

During 2005 to 2007, Amiantit also developed its water business - Amiwater - focusing on MENA and GCC countries. Over the past five years, various companies were acquired, including PWT of Germany which is specialized in water, waste water treatment and desalination plants. Several Saudi ventures were also formed, with TAWZEA (a 50/50 joint venture with SISCO) winning the contract for the rehabilitation and management of water and waste water in various industrial cities in Saudi Arabia.

At the start of 2008, Dr. Solaiman A. Al-Twaijri was appointed as CEO and was subsequently elected as a member of the Board and Managing Director.

These and other developments have contributed to the net sales of the Amiantit Group rising to over SAR 3.1 billion at the end of 2007, and SAR 4 billion at the end of 2008, marking a record year of sales and profit since inception.

Judging from the last forty years, it is evident that the Amiantit Group has grown from strength to strength, having emerged as a global player by continually striving for excellence, both in business and on its balance sheets.

From a diminutive little pipe factory in Dammam, the Amiantit Group has expanded its business empire to encompass a wide range of diversified interests, including pipe manufacture, technology, water management, engineering and materials.

With 35 pipe system manufacturing plants, various technology companies, material supply and engineering subsidiaries in a number of countries around the globe, we have never been better positioned to face the challenges of the 21st century.

Of course, an organization's value is not gauged by the sum of its factories, stock or turnover. With a history spanning four decades, Amiantit has been privileged enough to be helmed by multiple generations of Board Members, CEO's and employees, all of whom have contributed immeasurably to its ongoing success and profitability.

It is these people that have laid the foundations, and it is to these people, both past and present, to whom we owe a debt of gratitude.

AMIANTIT

Chairman Statement

HH Prince Ahmad bin Khalid bin Abdullah bin AbdulRahman Al-Saud

2008 marks the 40th Anniversary - or “Ruby” Anniversary - of the Amiantit Group.

It is a time for celebration but also, perhaps, a time to reflect. Though Amiantit’s earnings and projections are stronger than ever before, it would be remiss not to call attention to the fact that companies across the globe are facing the grim reality of an economy in turmoil.

But in the dark cloud of recession, enterprising companies may yet indeed discern the unmistakable glow of a silver lining. For, as the world feverishly seeks to dig itself out of economic decline, incredible challenges go hand in hand with unparalleled opportunity.

As many companies struggle for survival, niches and vacuums - in markets once considered inaccessible - have opened up to those companies smart and solvent enough to take advantage.

With this in mind, allow me to say more about Amiantit’s 2008 Financials. As a company, Amiantit has always had a very clear mission to be the world leader in pipe systems and pipe technology solutions. As such, I am pleased to report that Amiantit has delivered strong set of results in 2008, as we continue to build on our consistent and well-executed strategy that was previously set into motion.

We have maintained strong business momentum throughout the year, delivering another set of excellent results with net sales for 2008 achieving 30% growth over 2007.

On the financial front, 2008 proved to be a record breaker, and we are pleased to report that financials were according to our projections.

We have maintained strong business momentum throughout the year, delivering another set of excellent results with net sales for 2008 achieving 30% growth over 2007, totaling SAR 4 billion. Against a tumultuous backdrop where many companies face dire financial straits, these results are achieved from a business model that focuses on improving efficiency, developing technological edge and stabilizing financial position.

In another record breaking display, net income grew 267% from last year, totaling SAR 235 million.

Continuing this trend, income from operations grew 44% over 2007, totaling SAR 456 million, while total assets for 2008 reached SAR 4.5 billion, an 11% increase over 2007 and a 30% increase over the last five years. This means that in the last decade - total assets increased by no less than 309%.

Another record breaker was Amiantit's Total Shareholder Equity in 2008, which reached SAR 1.5 billion. This marks an increase of 13% over 2007, an 88% increase from 2004 and 193% above that of a decade ago.

Nevertheless, our rapidly changing business environment will continue to be a challenging one. The companies that will be most successful will be those that are able to manage risks and maximise opportunities effectively, utilizing both timely and efficient investment techniques as well as constructive stakeholder engagement. As such, our strategy remains unchanged but receptive to the world changes. The progress made over the past five years means that we have a strong capital position from which we can continue to grow our business, maintain our successes to the benefit of our employees, shareholders and society.

MD & CEO Statement

Dr. Solaiman A. Al-Twaijri

As the world hurtles into a new age of economic uncertainty, companies around the globe have been compelled to reflect on what it means to do business in the 21st century.

For many, it appears as if the conventional notions of business have been turned upside down and inside out. There are those who feel compelled to abandon conventional wisdom, to throw out the rulebook and fashion a new foundation for economic prosperity.

But while there can be no denying that the market has irrevocably changed, allow me to paraphrase Mark Twain: Rumours of its death have been greatly exaggerated.

As institutions all over the world experience an overall decrease in demand in the wake of a faltering economy, with excess capacity, increased operating costs and mounting pressure on cash reserves, Amiantit is geared to face such challenges head on by consolidating its businesses and strengthening its leadership in the market place, both as a water systems provider as well as an innovator in pipe technology.

Though no company is immune to the effects of the downturn, 2008 marked not only the Amiantit Group's Ruby Anniversary, but also a record-breaking year of success. This is due in no small part to the Group's long standing - and dare I say, conventional business approach of marrying diversification with innovation.

Though no company is immune to the effects of the downturn, 2008 marked not only the Amiantit Group's Ruby Anniversary, but also a record-breaking year of success.

In terms of the former, our systematic approach of diversification has resulted in the growth of both our core business and those of our various subsidiaries. Amiantit's business interests have grown organically, naturally branching out into related fields where the Group has both the technical expertise and experience to remain competitive.

As ever, we have actively sought to optimize overheads, rationalize expenses and streamline production, while our R&D facilities are perpetually seeking new solutions to maximize efficiency and minimize waste.

Despite the various challenges associated with globalization, this systematic approach to optimizing our operations and managing our expansion has served us well in the current economic downturn. As is evident from the following sections, all our divisions remain independently profitable and healthy.

Pipe Manufacturing

Throughout Amiantit's illustrious 40 year history, the core of our business has always dealt with the manufacturing of pipes. Today, with over four decades of experience, the Group is proud to be one of the world's largest and most respected manufacturers of pipe systems, with a Pipe Systems Division that boasts 35 wholly-owned, majority-owned or joint venture manufacturing facilities in 19 countries across the world.

These facilities utilize cutting-edge technologies to produce an eclectic mix of pipes and fittings for a wide variety of uses, ranging from flexible glass reinforced plastic to the near-indestructible ductile iron variety.

In recent years, the Group has moved to streamline and optimize all operations. With this in mind, the Group entered into a mutually beneficial agreement with a third party in 2007 for the sale of Amitech USA Ltd, which included the plant, equipment, inventories and intangible assets. This deal reached completion on January 1st 2008.

These and other streamlining endeavours were rewarded when sales in the Group's pipe manufacturing division rose from SAR 2,750 million in 2007 to SAR 3,605 million in 2008, sporting an impressive net income rise of 364%.

Pipe Manufacture

SAR in millions	2007	2008
Sales	2,750	3,605
Net Income	50.3	233.7

These and other streamlining endeavours were rewarded when sales in the Group's pipe manufacturing division rose from SAR 2,750 million in 2007 to SAR 3,605 million in 2008, sporting an impressive net income rise of 364%

1 Amitech Germany, Cooling Water Pipeline for Power Plant in Irsching, Germany
2 3 AFIL, Seawater/Cooling Water Eastern Province Saudi Arabia 4 AFIL, Seawater/Cooling Water, Western Province Saudi Arabia 5 ASAL, Jacking Pipe, Doha, Qatar 6 SADIP, Ductile Iron Pipes, Doha, Qatar 7 APPSCO, HDPE Pipes, Western Province Saudi Arabia 8 Amitech Poland, GRP Pipes, Wastewater Treatment, Zaspa Gdarisk, Poland 9 Amitech Industrial Spain, Flowtite GRP, Combined Cycle, Port of Barcelona, Spain

Technologies

Another one of the Group's core business activities lies in the ownership and sale of various technologies related to pipe manufacturing, with the bulk of the Group's technical resources based in Saudi Arabia and Norway.

As an added measure, Amiantit recently committed to the construction of an additional technology facility, which will be located at the King Fahd University of Petroleum and Minerals (KFUPM). This facility will be designed to replicate the groundbreaking results of our Norway operations by emulating them faithfully in terms of equipment and expertise.

However, these operations are just one of the many approaches Amiantit employs to perpetually strive for synergistic cooperation across multiple fields of research. As dictated by our Central Engineering Concept, the Amiantit Group is actively involved in directing Research and Development, founding startups and pooling resources, thereby streamlining operations and maximizing results.

This attitude has led to major breakthroughs that have led to the development of key technologies covering Glass Reinforced Plastic, Glass Reinforced Epoxy (GRE), Ductile Iron, Fiberglass-coated Concrete Pressure Pipe (FCPP) and Polymer Concrete Pipes. FCPP is an in-house innovation to protect concrete pipes and is developed in close cooperation with KFUPM. The product has been accepted by the Ministry of Water as an alternative material.

It is no small wonder then, that Amiantit's progressive forward thinking has placed it at the forefront of pipe and pipe-related technology, with sales in the field of technology experiencing a healthy boost, rising to SAR 94.4 million in 2008 over 2007's SAR 81.6 million.

Technology

SAR in millions	2007	2008
Sales	81.6	94.4
Net Income	10.0	4.8

FCPP is an in-house innovation to protect concrete pipes and is developed in close cooperation with KFUPM. The product has been accepted by the Ministry of Water as an alternative material in all tenders.

1. CW4000 mandrel preparation
2. CW4000 Qatar mandrel preparation for DN4000 mm test run
3. CW4000 Shaft change
4. FCPP, fiberglass application machine for Ameron Saudi Arabia

Water Management

In an economy where many companies actively seek to keep their head above water, it is perhaps apt that water management has emerged as a key avenue of diversification of operations for the Group.

Through its wholly-owned subsidiary Amiwater, Amiantit now provides a comprehensive range of water management services, having naturally evolved from a pipe manufacturer to an entity that actively utilizes them in its operations.

Comprised of a group of companies with specialist subsidiaries and affiliates spanning the globe, Amiwater offers services in the development, management and operation of water, providing communities the vital water management infrastructure that improves both their economies and quality of life.

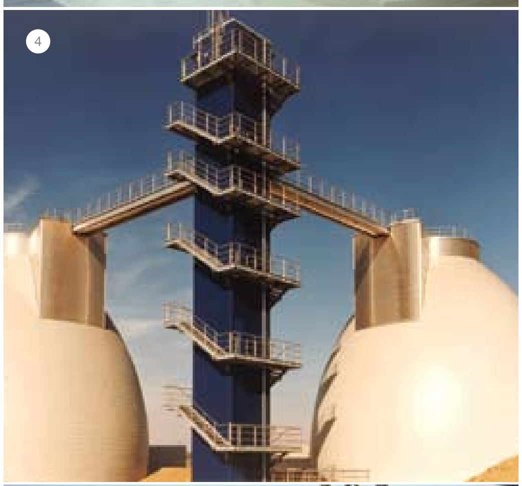
With a host of services that cover the full life cycle of a water management, Amiwater also offers expertise in the provision of rehabilitation management and operations, and have recently been awarded three contracts, through its TAWZEA subsidiary, managing the water operations in industrial cities in Riyadh, Jeddah and Qassim.

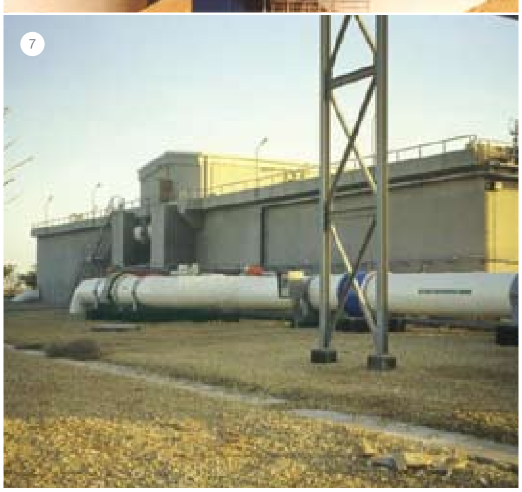
In the future, we hope to develop these and other projects, providing communities with better and more cost effective ways to manage one of the Gulf's most treasured resources.

Water Management

SAR in millions	2007	2008
Sales	270	327
Net Income	3.8	(3.2)

In the future, we hope to develop these and other projects, providing communities with better and more cost effective ways to manage one of the Gulf's most treasured resources.





1 2 RO System, Martorell 3 Halle Sewage Treatment Plant
4 5 Halle Sewerage Treatment Plant
6 RO Al Jubail, High Pressure Pumps
7 8 9 RO Al Jubail, Multilayer Filter

Most projects are executed by Jos. Hansen & Soehne GmbH, Germany and PWT Wasser und Abwassertechnik GmbH, Germany.

Materials

Seeking to improve margins and maintain the standard of quality that Amiantit is known for, the Group has successfully employed backward integration and now produces many of the raw materials vital for its products.

These materials include rubber, polymers and fiberglass.

While 2008 saw the completion of several highly profitable and successful businesses, one of the highlights saw the Group selling half of its 10.99% equity interest in Chongqing Polycom International Corporation (China) to a third party. With a net book value of the sold shares amounting to SAR 85.1 million, the sale resulted in a gross profit of SAR 83.7 million.

Final Word

Though we find ourselves in the midst of an economic storm, the Amiantit Group is uniquely positioned to unfurl its proverbial sail and make full use of the wind at its back.

Overall, sales figures saw a rise in all markets and products, with European Sales climbing 17%, from SAR 1,240 million in 2007 to SAR 1,448 million in 2008.

Sales in other countries (excluding Saudi Arabia & Europe) climbed 7%, from SAR 405 million in 2007 to SAR 433 million in 2008.

However, it was Saudi Arabia that drove the bulk of Amiantit's sales volume. A substantial rise in sales for 2008 saw figures soaring to SAR 2,145 million compared to 2007's SAR 1,456 million, a robust increase of 47%.

Finally, with sales of SAR 4,026 million in 2008 compared to SAR 3,102 million in 2007, Amiantit saw its worldwide business grow by 30%.

Sales SAR in millions	Saudi Arabia	Europe	Other	Total countries
2008	2,145	1,448	433	4,026
2007	1,456	1,240	405	3,102

To maintain sustainable, profitable growth it is vital to have consistency between short-term goals and actions and long-term strategy, balancing the growth of the business and the effectiveness of business overall.

As mentioned before, in addition to diversification, Amiantit's strength lies in its ability to innovate. Our success is in no small part due to our resolve to be the innovation leaders in every business, product category and country where we compete. By bringing tremendous innovation resources to bear in every part of our business, we ensure that Amiantit not only takes the lead, but stays there.

With manufacturing plants in 19 countries around the world, we leverage our integrated approach to innovation by taking advantage of Amiantit's global scale and scope, which is unrivaled in our industry. The result is a steady stream of product, operational and organizational innovations that enable Amiantit to continue its run of success and profitability even as many of our competitors struggle to survive.

Backed by 40 years of experience, excellent customer relationships and heavy diversification of our product offering and a strong financial position, it is no small wonder that Amiantit is on track to achieve its goals.

But while our performance is encouraging, we are ever mindful that it is the long term that matters most.

Judging from 2008's financials, there can be no doubt that Amiantit will meet its long term goals.

As such, we look forward to celebrating these successes with our shareholders and our employees for many decades to come.

And while the world economy currently may look a little dark, I can say with overwhelming confidence that the future for the Amiantit Group looks very bright indeed.

Board of Directors*

HH Prince Ahmad bin Khalid bin Abdullah bin AbdulRahman Al-Saud Chairman	**HRH Prince Turki bin Mohammad bin Fahd bin Abdulaziz Al-Saud** Vice Chairman	**Dr. Khalil A. Kordi** Member
Dr. Abdulaziz S. Al Jarbou Member	**Suleiman Al-Suhaimi** Member	**Sulaiman Al-Amro** Member
Bader Al-Suwaidan Member	**AbdulAziz Abu Al-Saud** Member	**Dr. Solaiman A. Al-Twaijri** MD & CEO

Elected on 1/1/2009









World Manufacturing Sites

Algeria | Argentina | Brazil | China | Dubai | Egypt | Germany | India | Italy | Kazakhstan | Libya | Mexico | Morocco | Norway | Oman | Poland | Qatar | Saudi Arabia | South Africa | Spain | Turkey

The Saudi Arabian Amiantit Company & Subsidiaries Consolidated Financial Statements

For the year ended December 31, 2008

Contents

Independent Auditors' Report

February 15, 2009

To the Shareholders of The Saudi Arabian Amiantit Company:

We have audited the accompanying consolidated balance sheet of The Saudi Arabian Amiantit Company (the "Company") and Subsidiaries (collectively the "Group") as of December 31, 2008 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the notes which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company to comply with applicable articles of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

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

* Present fairly, in all material respects, the financial position of the Group as of December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and

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

PricewaterhouseCoopers Al Juraid
P.O. Box 467
Dhahran Airport 31932

By:
Walid I. Shukri
License Number 329

Dr. M. Al Amri & Co.
Independent Member of Baker
Tilly International
P.O. Box 2590
Dammam 31461

Gihad M. Al-Amri
License Number 362

Consolidated Balance Sheet

(All amounts in Saudi riyals thousands unless otherwise stated)

	Note	As at December 31, 2008	2007
Assets			
Current assets			
Cash and cash equivalents	5	**329,139**	201,595
Accounts receivable	6	**1,689,994**	1,543,296
Inventories	7	**1,092,947**	838,910
Prepayments and other receivables		**69,030**	63,973
Non-current assets held-for-sale	8	**-**	52,500
		3,181,110	2,700,274
Non-current assets			
Investment in associates	9	**306,513**	313,000
Property, plant and equipment	10	**960,346**	923,371
Intangible assets	11	**27,047**	60,106
Deferred income tax assets	17	**15,921**	26,625
Other non-current assets		**12,862**	37,080
		1,322,689	1,360,182
Total assets		**4,503,799**	4,060,456
Liabilities			
Current liabilities			
Short-term borrowings	12	**1,439,666**	1,303,453
Current maturity of long-term borrowings	13	**46,846**	69,121
Current maturity of liabilities against capital leases	14	**12,188**	10,312
Accounts payable	15	**423,549**	503,874
Accrued and other liabilities	16	**461,121**	275,185
Zakat and taxes payable	17	**116,371**	66,584
		2,499,741	2,228,529
Non-current liabilities			
Long-term borrowings	13	**74,234**	143,808
Liabilities against capital leases	14	**36,562**	-
Employee termination benefits	18	**98,165**	93,197
Other non-current liabilities		**31,249**	36,552
		240,210	273,557
Total liabilities		**2,739,951**	2,502,086
Equity			
Equity attributable to shareholders of the Company:			
Share capital	20	**1,155,000**	1,155,000
Statutory reserve	21	**96,795**	73,263
Retained earnings		**233,367**	21,578
Currency translation differences		**1,573**	70,325
Total shareholders' equity		**1,486,735**	1,320,166
Minority interest		**277,113**	238,204
Total equity		**1,763,848**	1,558,370
Total equity and liabilities		**4,503,799**	4,060,456
Contingencies and commitments	27		

The notes on pages 28 to 48 form an integral part of these consolidated financial statements.

Consolidated Income Statement

(All amounts in Saudi riyals thousands unless otherwise stated)

	Note	Year ended December 31, 2008	2007
Sales	4,19	**4,026,437**	3,101,752
Cost of sales	19	**(3,098,890)**	(2,416,917)
Gross profit		**927,547**	684,835
Operating expenses			
Selling and marketing	22	**(95,509)**	(91,058)
General and administrative	23	**(375,953)**	(277,690)
Income from operations		**456,085**	316,087
Other income (expenses)			
Share in net income of associates	9	**55,635**	51,981
Financial charges - net	12,13,14, 26	**(156,375)**	(120,625)
Other - net	24	**30,919**	(71,222)
Income before foreign income taxes, zakat and minority interest		**386,264**	176,221
Income taxes related to foreign subsidiaries	17	**(39,598)**	(43,563)
Zakat	17	**(36,512)**	(18,000)
Income before minority interest		**310,154**	114,658
Minority interest		**(74,833)**	(50,556)
Net income for the year		**235,321**	64,102
Earnings (loss) per share (Saudi riyals):	25		
• Income from operations		**3.95**	2.74
• Non-operating loss		**(1.91)**	(2.19)
• Net income for the year		**2.04**	0.55

The notes on pages 28 to 48 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

(All amounts in Saudi riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings/ (accumulated deficit)	Currency translation differences	Total
January 1, 2008	1,155,000	73,263	21,578	70,325	**1,320,166**
Net income for the year	-	-	235,321	-	**235,321**
Transfer to statutory reserve	-	23,532	(23,532)	-	-
Adjustments	-	-	-	(68,752)	**(68,752)**
December 31, 2008	**1,155,000**	**96,795**	**233,367**	**1,573**	**1,486,735**
January 1, 2007	1,155,000	70,865	(40,126)	9,764	1,195,503
Net income for the year	-	-	64,102	-	64,102
Transfer to statutory reserve	-	2,398	(2,398)	-	-
Adjustments	-	-	-	60,561	60,561
December 31, 2007	1,155,000	73,263	21,578	70,325	1,320,166

The notes on pages 28 to 48 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

(All amounts in Saudi riyals thousands unless otherwise stated)

	Year ended December 31, 2008	2007
Cash flow from operating activities		
Net income for the year	**235,321**	64,102
Adjustments for non-cash items		
Depreciation, amortization and provisions	**313,157**	182,318
Share in net income of associates	**(55,635)**	(51,981)
Gain from disposal of investments	**(87,030)**	(12,480)
Deferred income tax charges	**7,676**	10,280
Income applicable to minority interest	**74,833**	50,556
Changes in working capital		
Accounts receivable	**(239,355)**	(217,399)
Inventories	**(288,216)**	(206,592)
Prepayments and other receivables	**(5,057)**	40,337
Accounts payable	**(95,325)**	(11,949)
Accrued and other current liabilities	**167,623**	36,132
Employee termination benefits	**4,968**	12,433
Net cash generated from (utilized in) operating activities	**32,960**	(104,243)
Cash flow from investing activities		
Proceeds from disposal of non-current assets held for sale	**52,500**	-
Investments	**(17,550)**	(649)
Proceeds from disposal of investments	**168,705**	25,276
Dividends received from associates	**5,558**	12,973
Purchase of property, plant and equipment - net	**(179,358)**	(72,752)
Intangible assets and other	**(7,281)**	2,909
Net cash generated from (utilized in) investing activities	**22,574**	(32,243)
Cash flow from financing activities		
Increase in short-term borrowings	**136,213**	281,313
Proceeds from long-term borrowings	**61,644**	65,776
Repayments of long-term borrowings	**(143,607)**	(44,837)
Proceeds from sale and leaseback of assets	**48,750**	-
Repayments of liabilities against capital leases	**(10,312)**	(14,063)
Dividends paid by subsidiaries to minority interests	**(12,352)**	(9,503)
Changes in minority interests and other	**(8,326)**	(11,154)
Net cash generated from financing activities	**72,010**	267,532
Net increase in cash and cash equivalents	**127,544**	131,046
Cash and cash equivalents at beginning of year	**201,595**	70,549
Cash and cash equivalents at end of year	**329,139**	201,595

The notes on pages 28 to 48 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

1 General information

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

The Company is a joint stock company, registered in the Kingdom of Saudi Arabia and operating under Commercial Registration No. 2050002103 issued in Dammam on 17 Rabi'I 1388 AH (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 at December 31, 2008	2007
Amiantit Fiberglass Industries Limited (AFIL)	Saudi Arabia	100%	100%
Amiantit Rubber Industries Limited (ARIL)	Saudi Arabia	80%	80%
Saudi Arabian Ductile Iron Pipe Co. Ltd. (SADIP)	Saudi Arabia	75%	75%
Ameron Saudi Arabia Ltd. (ASAL)	Saudi Arabia	69.70%	69.70%
Bondstrand Limited (BSL)	Saudi Arabia	60%	60%
Saudi Arabia Concrete Products Ltd. (SACOP)	Saudi Arabia	58.80%	58.80%
Fiberglass Pipes Company Ltd. (FPC)	Saudi Arabia	51%	51%
International Infrastructure Management and Operations Company Limited (AMIWATER)	Saudi Arabia	100%	100%
Alalamiah Water Works and Services Company Ltd. (AWWS)	Saudi Arabia	75%	75%
Composite Pipes Industries LLC	Oman	51%	51%
Amiantit International Holding Company WLL	Bahrain	100%	100%
Amiantit Technology Company WLL (ATL)	Bahrain	100%	100%
Amipox International Company WLL (Amipox)	Bahrain	100%	100%
Flowtite Technology Bahrain WLL (Ftech)	Bahrain	100%	100%
Amitech Germany GmbH	Germany	100%	100%
Amiantit Services GmbH	Germany	100%	100%
Jos Hansen & Soehne GmbH (Jos)	Germany	70.25%	57.46%
JR International Bau GmbH (JRI)	Germany	70.25%	57.46%
PWT Wasser- und Abwassertechnik GmbH (PWT)	Germany	80%	80%
Amiantit Technology Services GmbH	Austria	100%	100%
Flowtite Technology A.S.	Norway	100%	100%
Amitech South Africa (Pty) Ltd.	South Africa	100%	100%
Amitech Industrial South Africa (Pty) Ltd.	South Africa	100%	100%
Subor Boru San. Tic. A.S.	Turkey	50%	50%
Amitech USA Ltd.	USA	100%	100%
Amitech Poland Sp.z o.o.	Poland	93.80%	93.80%
Amitech Spain S.A.	Spain	100%	100%
Amitech Industrial Spain S.A.	Spain	100%	100%
Amiantit Fiberglass Industries (India) Pvt. Ltd.	India	70%	70%
Amitech Astana LLC	Kazakhstan	51%	51%
APS France S.A.S.	France	100%	100%
APS Norway A.S.	Norway	100%	100%

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

The ownership interests in the subsidiaries are generally registered in the name of SAAC or in the name of certain intermediate holding companies within the Group. Ownership interests in certain subsidiaries are registered in the name of trustees, who hold the interests on behalf of SAAC or an intermediate holding company. Such interests are included in the above effective ownership percentage.

During 2008 the Group:

- shareholding in Jos and JRI was increased to 70.25%; and
- decided to liquidate ATL and Amipox after transferring all their assets, liabilities and operations to Ftech. At December 31, 2008, ATL and Amipox were under liquation process expected to be completed during 2009.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on February 15, 2009.

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. Management 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 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.

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

(b) Associates

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

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

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

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

2.4 Segment reporting

(a) Business segment

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

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

(b) Geographical segment

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

2.5 Foreign currencies

(a) Reporting currency

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

(b) Transactions and balances

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

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

(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 and related currency translation differences are realized in the income statement.

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

2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.7 Accounts receivable

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

2.8 Inventories

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

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

2.9 Non current assets held for sale

Non-current assets held for sale are 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 their costs to their residual values over the following estimated useful lives:

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

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

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

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

2.11 Deferred charges

Costs that are not of benefit beyond the current period are charged to the income statement, while costs that will benefit future periods are capitalized. Deferred charges, reported under "Intangible assets" in the balance sheet, include certain indirect construction costs and pre-operating expenses which are amortized over periods which do not exceed seven years.

2.12 Patents, trademarks and licenses

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

2.13 Impairment of non-current assets

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

2.14 Borrowings

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

2.15 Capital leases

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

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

2.16 Accounts payable and accruals

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

2.17 Provisions

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

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

2.18 Zakat and taxes

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

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

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

Deferred income tax assets 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 tax liabilities are recognized on significant temporary differences expected to result in an income tax liability in future periods. 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.

2.19 Employee termination benefits

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

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

Notes to the Consolidated Financial Statements (cont.)
For the year ended December 31, 2008
(All amounts in Saudi riyals thousands unless otherwise stated)

2.20 Revenues

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

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

Financial income is recognized on a time-proportion basis using the applicable market rates.

Royalty income is recognized on accrual basis in accordance with the terms of the relevant agreements.

2.21 Selling, marketing and general and administrative expenses

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

2.22 Dividends

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

2.23 Derivative financial instruments

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

2.24 Operating leases

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

2.25 Reclassifications

Certain amounts in the comparative 2007 consolidated financial statements have been reclassified to conform with 2008 presentation.

3 Financial instruments and risk management

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

Financial asset and liability is offset and net amounts are reported in the consolidated 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 credit risk, currency risk and fair value and cash flow interest rate risks.

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

3.1 Currency risk

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries and associates whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between Saudi riyals against Euros, Egyptian pounds and certain other currencies. Such exposures are recorded as a separate component of shareholders' equity in the accompanying consolidated financial statements. The Group's management monitors such exposures and considers the use of forward exchange contracts and borrowings denominated in the relevant foreign currency to hedge the foreign currency exposures. However, there were no significant forward exchange contracts or other hedging instruments outstanding at December 31, 2008.

3.2 Fair value and cash flow interest rate risks

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

3.3 Price risk

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

3.4 Credit risk

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

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available, including committed credit facilities, to meet the Group's obligations as they become due.

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

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, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group financial instruments 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, 2008 and 2007 and for the years then ended summarized by the above business segments, was as follows:

	Pipe manufacturing	Technology	Water management	Total
2008				
Sales	3,604,991	94,412	327,034	**4,026,437**
Net income (loss)	233,723	4,761	(3,163)	**235,321**
Financial (charges) income	(155,379)	(1,308)	312	**(156,375)**
Depreciation, amortization and impairment	(130,957)	(1,510)	(3,303)	**(135,770)**
Property, plant and equipment	931,086	3,380	25,880	**960,346**
Total assets	4,033,150	153,724	316,925	**4,503,799**
2007				
Sales	2,750,051	81,611	270,090	3,101,752
Net income	50,332	9,972	3,798	64,102
Financial charges	(115,071)	(3,698)	(1,856)	(120,625)
Depreciation, amortization and impairment	(98,385)	(2,493)	(3,327)	(104,205)
Property, plant and equipment	891,530	4,948	26,893	923,371
Total assets	3,566,672	265,497	228,287	4,060,456

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

The Group's operations are conducted in Saudi Arabia, Europe and certain other geographical areas. Selected financial information as of December 31, 2008 and 2007 and for the years then ended summarized by geographic area, was as follows:

	Saudi Arabia	Europe	Other countries	Total
2008				
Sales	2,145,021	1,448,500	432,916	**4,026,437**
Non-current assets:				
Property, plant and equipment	575,526	248,886	135,934	**960,346**
Other	224,263	52,517	85,563	**362,343**
2007				
Sales	1,456,202	1,240,123	405,427	3,101,752
Non-current assets:				
Property, plant and equipment	556,159	233,344	133,868	923,371
Other	276,567	60,272	99,972	436,811

5 Cash and cash equivalents

	2008	2007
Cash in hand	**12,455**	9,919
Cash at bank	**198,269**	191,676
Time deposits	**118,415**	-
	329,139	201,595

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

6 Accounts receivable

	2008	2007
Trade	**1,625,686**	1,402,062
Other	**123,658**	133,389
Related parties	**36,272**	62,664
	1,785,616	1,598,115
Less: provision for doubtful debts	**(95,622)**	(54,819)
	1,689,994	1,543,296

Approximately 17% of trade accounts receivable as at December 31, 2008 (2007: 18%) (representing approximately 18% and 26% of total domestic trade accounts receivable for 2008 and 2007, respectively) were related to government projects.

Movement in provision for doubtful debts is as follows:

	2008	2007
January 1	**54,819**	36,447
Additions	**57,280**	20,932
Write-offs	**(14,403)**	(4,022)
Currency translation differences	**(2,074)**	1,462
December 31	**95,622**	54,819

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

7 Inventories

	2008	2007
Raw materials	**541,472**	296,690
Work in process	**117,909**	105,628
Spare parts and supplies, not held for sale	**71,256**	62,981
Finished products	**404,284**	335,286
Goods in transit	**3,162**	49,703
	1,138,083	850,288
Less: provision for inventory obsolescence	**(45,136)**	(11,378)
	1,092,947	838,910

Inventories amounting to Saudi riyals 73.2 million at December 31, 2008 (2007: Saudi riyals 51.5 million were pledged as security against bank borrowings.

Movement in provision for inventory obsolescence is as follows:

	2008	2007
January 1	**11,378**	7,956
Additions	**34,179**	3,625
Write-offs	**(49)**	(759)
Currency translation differences	**(372)**	556
December 31	**45,136**	11,378

8 Non-current assets held-for-sale

The Group entered into an agreement with a third party for sale of property, plant and equipment, intangible assets and inventories of Amitech USA Ltd. during 2007. Consequent to the agreement, such assets have been classified as held for sale as follow:

	2008	2007
Property, plant and equipment, net of accumulated depreciation and impairment provisions of Saudi riyals 72.6 million	-	40,537
Inventories, net of provisions for net realizable value of Saudi riyals 2.5 million	-	11,250
Intangible assets, net of accumulated amortization of Saudi riyals 0.9 million	-	713
	-	52,500

The sale transaction was completed effective January 1, 2008.

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

9 Investment in associates

	2008	2007
Amiantit Fiberglass Egypt Co. (AFEC)	**54,680**	35,504
Chongqing Polycom Int'l Corporation (CPIC)	**89,454**	141,484
Dubai Pipe Factory Company LLC (DPF)	**26,605**	18,497
Ameron Egypt (AE)	**42,962**	37,818
Amitech Maroc (AM)	**24,588**	19,518
Amiantit Qatar Pipe Co. Ltd. (AQAP)	**16,675**	15,333
International Water Distribution Company (TAWZEA)	**5,930**	4,598
Amitech Argentina (AA)	**9,089**	8,145
Other	**54,900**	34,633
	324,883	315,530
Accumulated impairment	**(18,370)**	(2,530)
	306,513	313,000

Movement in investment in associates is as follows:

	2008	2007
January 1	**313,000**	259,173
Additions	**17,550**	649
Disposals	**(85,134)**	(2,623)
Adjustments	**16,206**	7,893
Share in net income	**55,635**	51,981
Dividends received	**(5,558)**	(12,973)
Currency translation differences	**10,654**	11,150
Impairment provisions	**(15,840)**	(2,250)
	306,513	313,000

Investments in associates at December 31, 2008 and 2007 include goodwill of Saudi riyals 26.6 million.

Notes to the Consolidated Financial Statements (cont.)
For the year ended December 31, 2008
(All amounts in Saudi riyals thousands unless otherwise stated)

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

Associate	County of incorporation	Assets	Liabilities	Sales	Net income (loss)	% interest
2008						
AFEC	Egypt	252,081	154,869	206,532	39,081	50%
CPIC	China	4,188,698	2,562,262	1,541,775	250,901	5.5%
DPF	United Arab Emirates	188,789	70,545	260,769	52,833	22.5%
AE	Egypt	86,451	45,506	73,080	10,851	49%
AM	Morocco	143,781	94,605	43,701	13,695	50%
AQAP	Qatar	103,780	62,092	45,853	3,356	40%
TAWZEA	Saudi Arabia	12,337	477	-	(1,800)	50%
AA	Argentina	133,640	103,343	94,381	3,138	30%
2007						
AFEC	Egypt	178,699	115,582	91,967	17,802	50%
CPIC	China	2,698,770	1,411,381	974,005	199,690	10.99%
DPF	United Arab Emirates	114,917	32,708	123,381	34,462	22.5%
AE	Egypt	67,951	37,590	87,571	13,796	49%
AM	Morocco	140,197	101,160	41,719	5,154	50%
AQAP	Qatar	55,559	17,227	-	(233)	40%
TAWZEA	Saudi Arabia	9,773	577	-	(804)	50%
AA	Argentina	85,015	57,850	66,673	10,394	30%

During 2008, the Group sold half of its 10.99% equity interest in Chongqing Polycom Int'l Corporation - China to a third party. The net book value of the shares sold was Saudi riyals 85.1 million and the sale was made against a consideration of Saudi riyals 168.8 million resulting in a gross profit on the sale of Saudi riyals 83.7 million. Considering transaction costs and historical appreciations of the investment due to currency translation, the deal generated a total gain of Saudi riyals 87.0 million. Also see Note 24.

During 2008, management recognized impairment provisions of approximately Saudi riyals 15.8 million against certain associates due to uncertainties regarding the economic performance resulting in their carrying values being higher than recoverable amounts.

During 2007, the Group sold 70% of its equity interests in Latin American entities for a consideration of Saudi riyals 35.3 million resulting in a gain of Saudi riyals 9.9 million. Also see Note 24.

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

10 Property, plant and equipment

	January 1, 2008	Additions	Disposals / transfers	Currency translation differences	December 31, 2008
2008					
Cost					
Land	79,236	2,081	-	(283)	**81,034**
Buildings and land improvements	502,180	20,867	(71)	(45,249)	**477,727**
Plant, machinery and equipment	1,374,165	108,600	(8,198)	(32,292)	**1,442,275**
Furniture, fixtures and office equipment	131,961	8,912	(3,448)	(4,680)	**132,745**
Construction in progress	62,855	103,632	(52,191)	(6,913)	**107,383**
	2,150,397	244,092	(63,908)	(89,417)	**2,241,164**
Accumulated depreciation and impairment					
Buildings and land improvements	(269,836)	(23,216)	1,620	15,003	**(276,429)**
Plant, machinery and equipment	(855,904)	(72,665)	10,292	17,488	**(900,789)**
Furniture, fixtures and office equipment	(101,286)	(10,034)	2,262	5,458	**(103,600)**
	(1,227,026)	(105,915)	14,174	37,949	**(1,280,818)**
	923,371				**960,346**

	January 1, 2007	Additions	Disposals / transfers	Currency translation differences	December 31, 2007
2007					
Cost					
Land	80,155	4,008	(5,263)	336	79,236
Buildings and land improvements	534,022	18,422	(91,496)	41,232	502,180
Plant, machinery and equipment	1,384,484	69,239	(101,222)	21,664	1,374,165
Furniture, fixtures and office equipment	120,020	15,813	(8,863)	4,991	131,961
Construction in progress	64,001	73,071	(74,754)	537	62,855
	2,182,682	180,553	(281,598)	68,760	2,150,397
Accumulated depreciation and impairment					
Buildings and land improvements	(250,907)	(86,274)	78,968	(11,623)	(269,836)
Plant, machinery and equipment	(821,071)	(69,229)	42,164	(7,768)	(855,904)
Furniture, fixtures and office equipment	(91,267)	(10,087)	8,700	(8,632)	(101,286)
	(1,163,245)	(165,590)	129,832	(28,023)	(1,227,026)
	1,019,437				923,371

Buildings and machinery and equipment of the Company and certain of its Saudi Arabian subsidiaries are located on land which is leased from the Saudi Arabian government at nominal annual rent for 25 Hijra years under renewable operating leases.

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

Disposals / transfers during 2007 also include approximately Saudi riyals 65.2 million and Saudi riyals 18.7 of costs and accumulated depreciation and impairment related to Amitech USA Ltd. classified as held for sales. Also see Note 8.

Additions in construction in progress during 2008 include assets of Saudi riyals 27.2 million acquired under a sale and leaseback arrangement.

11 Intangible assets

	Goodwill	Patents, trademarks and licenses	Other deferred charges and pre-operating costs	Total
January 1, 2008	46,273	3,817	10,016	60,106
Additions	-	598	781	1,379
Amortization	-	(2,424)	(3,697)	(6,121)
Impairment provisions	(23,734)	-	-	(23,734)
Currency translation differences	(1,580)	(11)	(788)	(2,379)
Other adjustments	-	3,488	(5,692)	(2,204)
December 31, 2008	**20,959**	**5,468**	**620**	**27,047**
January 1, 2007	44,570	5,423	23,834	73,827
Additions	-	492	1,436	1,928
Amortization	-	(1,385)	(15,343)	(16,728)
Adjustments	-	(713)	-	(713)
Currency translation differences	1,703	-	89	1,792
December 31, 2007	46,273	3,817	10,016	60,106

12 Short-term borrowings

	2008	2007
Bank overdrafts	**28,860**	58,181
Short-term bank loans	**1,410,806**	1,245,272
	1,439,666	1,303,453

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

Total unused short-term bank credit facilities available to the Group at December 31, 2008 were approximately Saudi riyals 613.3 million.

Saudi riyals 191.8 million of short-term bank loans at December 31, 2008 were collateralized by assignment of trade accounts receivable. Certain of the short-term bank loans of the subsidiaries were guaranteed by SAAC.

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

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

	2008	2007
Saudi riyals	**1,338,913**	1,220,939
Euros	**40,937**	37,410
Indian rupees	**19,657**	21,661
Other	**40,159**	23,443
	1,439,666	1,303,453

13 Long-term borrowings

	Note	2008	2007
Saudi Industrial Development Fund ("SIDF") loans	13.1	**19,355**	36,155
Commercial bank loans	13.2	**98,857**	169,119
Loans from minority shareholders	13.3	**2,868**	7,655
		121,080	212,929
Current maturity shown under current liabilities		**(46,846)**	(69,121)
		74,234	143,808

13.1 SIDF loans

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

13.2 Commercial bank loans

The Company and certain subsidiaries have obtained loan facilities from various commercial banks. These loans are mainly denominated in Saudi riyals, US dollars, Euros, South African rands and Indian rupees. These loans generally bear financial charges based on prevailing market rates. The aggregate maturities of these loans, based on their respective repayment schedules, are spread in 2009 through 2014. These loans are principally secured by mortgage on the property, plant and equipment.

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

13.3 Loan from minority shareholders

At December 31, 2008, FPC and AWWS had loans from their minority shareholders of approximately Saudi riyals 2.8 million and Saudi riyals 0.1 million respectively. These loans did not bear any financial charges and have no specific repayment dates.

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

13.4 Currency denomination

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

	2008	2007
Saudi riyals	**22,223**	138,782
Euros	**55,309**	19,758
US dollars	**18,344**	16,855
South African rands	**8,710**	11,096
Indian rupees	**16,272**	26,288
Other	**222**	150
	121,080	212,929

13.5 Maturity profile of long-term borrowings

Years ending December 31:

	2008	2007
2008	**-**	69,121
2009	**46,846**	111,384
2010	**27,775**	11,788
2011	**18,189**	5,423
2012	**11,430**	531
2013	**4,820**	-
Thereafter	**12,020**	14,682
	121,080	212,929

14 Liabilities against capital leases

The Group has entered into sale and leaseback transactions related to certain machinery and equipment under capital lease agreements with financial institutions. The present values of minimum lease payments are discounted at effective interest rates ranging 4.4% to 4.9% per annum.

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

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

	2008	2007
Minimum lease payments	**54,188**	10,784
Less: financial charges not yet due	**(5,438)**	(472)
	48,750	10,312
Current maturity shown under current liabilities	**(12,188)**	(10,312)
	36,562	-

Notes to the Consolidated Financial Statements (cont.)

For the year ended December 31, 2008

(All amounts in Saudi riyals thousands unless otherwise stated)

14.1 Maturity profile

Minimum lease payments falling due during years ending December 31:

	2008	2007
2008	-	10,784
2009	14,452	-
2010	13,848	-
2011	13,243	-
2012	12,645	-
	54,188	10,784

15 Accounts payable

	2008	2007
Trade	410,187	485,331
Related parties	13,362	18,543
	423,549	503,874

16 Accrued and other liabilities

	Note	2008	2007
Salaries, wages and benefits		57,190	44,025
Dividends payable		1,180	6,348
Advances from customers		178,725	78,539
Provision against claims, warranties and onerous contracts		64,955	5,189
Derivative financial instruments	26	14,352	-
Sales agency fees		4,753	5,121
Financial charges		21,079	7,463
Accrued expenses and other		118,887	128,500
		461,121	275,185

Dividends are payable to minority shareholders of certain subsidiaries.

17 Zakat and taxes

17.1 Components of zakat base

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

Notes to the Consolidated Financial Statements (cont.)
For the year ended December 31, 2008
(All amounts in Saudi riyals thousands unless otherwise stated)

17.2 Provision for zakat and taxes at December 31

	2008	2007
Zakat for SAAC	**21,097**	5,769
Zakat and income taxes for Saudi Arabian subsidiaries	**41,377**	27,679
Taxes for foreign subsidiaries	**53,897**	33,136
	116,371	66,584

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

	2008	2007
Current income tax charges	**31,922**	33,283
Deferred income tax charges	**7,676**	10,280
	39,598	43,563

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

	2008	2007
January 1	**26,625**	40,645
Charges	**(7,676)**	(10,280)
Currency translation differences	**(3,028)**	(3,740)
December 31	**15,921**	26,625

17.4 Provision for zakat charged to the income statement

	2008	2007
Zakat for SAAC	**14,107**	4,063
Share of SAAC in zakat of subsidiaries	**22,405**	13,937
	36,512	18,000

17.5 Status of final assessments

The Company and the Saudi Arabian subsidiaries have received zakat and income tax certificates for the years through 2007. SAAC has not yet received the final assessments for the years through 2002. The DZIT has not yet finalized the assessments for certain Saudi Arabian subsidiaries for various years. Also see Note 27 for zakat and income tax contingencies.

18 Employee termination benefits

	2008	2007
January 1	**93,197**	80,764
Provisions	**15,256**	16,032
Payments	**(10,288)**	(3,599)
December 31	**98,165**	93,197

Notes to the Consolidated Financial Statements (cont.)
For the year ended December 31, 2008
(All amounts in Saudi riyals thousands unless otherwise stated)

19 Related party matters

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

Significant transactions with related parties are summarized below:

	2008	2007
Sales	**52,571**	22,840
Purchases	**125,817**	61,200
Costs and expenses charged	**910**	1,500

20 Share capital

The share capital of the Company as of December 31, 2008 and 2007 was comprised of 115.5 million ordinary shares stated at Saudi riyals 10 per share.

21 Statutory reserve

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

22 Selling and marketing expenses

	2008	2007
Salaries, wages and benefits	**49,628**	47,974
Traveling	**11,941**	20,201
Sales promotion	**20,000**	13,035
Information technology and communications	**1,831**	2,254
Depreciation	**1,167**	1,227
Other	**10,942**	6,367
	95,509	91,058

23 General and administrative expenses

	2008	2007
Salaries, wages and benefits	**186,282**	167,612
Depreciation and amortization	**21,325**	15,533
Provision for doubtful debts	**57,280**	20,932
Maintenance	**3,389**	4,660
Traveling	**19,232**	16,954
Professional services	**31,112**	20,910
Information technology and communications	**13,527**	9,923
Other	**43,806**	21,166
	375,953	277,690

Notes to the Consolidated Financial Statements (cont.)
For the year ended December 31, 2008
(All amounts in Saudi riyals thousands unless otherwise stated)

24 Other income (expenses)

	Note	2008	2007
Impairment provisions against investments, plant and equipment and inventories	8, 9,10	**(39,574)**	(73,986)
Gain on sale of investments	9	**87,030**	12,480
Provision for settlement of claims against subsidiaries		**(13,779)**	(5,189)
Foreign exchange loss		**(194)**	(5,549)
Other - net		**(2,564)**	1,022
		30,919	(71,222)

25 Earnings per share

Earnings per share for the years ended December 31, 2008 and 2007 has been computed by dividing the operating income, non-operating loss and net income for each years by weighted average number of 115,500,000 shares outstanding during such years.

26 Derivative financial instruments

At December 31, 2008, the Company had outstanding interest rate swap agreements with a commercial bank with negative fair values of Saudi riyals 14.3 million which have been recorded in the income statement and included in “Financial charges - net” with a corresponding liability recorded under “Accrued and other liabilities”. The interest rate swap arrangements will mature during 2011 to 2013.

27 Contingencies and commitments

(i) The Group was contingently liable for bank guarantees issued on behalf of the Group in the normal course of the business amounting Saudi riyals 535.9 million at December 31, 2008 (2007: Saudi riyals 461.1 million).

(ii) SAAC and certain Saudi Arabian subsidiaries have received additional zakat and income taxes assessments for various years totaling approximately Saudi riyals 5.7 million. SAAC and these subsidiaries have appealed the assessments and Group management believes that no material liability will arise upon the ultimate resolution of these assessments. Accordingly, no provision for such assessments has been made in the accompanying consolidated financial statements.

(iii) The Company’s certain foreign subsidiaries have outstanding assessments related to income taxes and other local taxes in their respective countries of domicile. Such assessments are in various stages of appeal process. Group management believes that no material gain or loss will arise upon the ultimate resolution of these matters. Certain foreign subsidiaries also have contingent carry over tax benefits.

(iv) The capital expenditure contracted by the Group but not yet incurred till December 31, 2008 was approximately Saudi riyals 33.3 million.