

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**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, 2015**

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## **INDEPENDENT AUDITORS' REPORT**

February 14, 2016

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, 2015 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, 2015 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.

### **Emphasis of matter**

We draw attention to Note 25 to the accompanying consolidated financial statements. At December 31, 2015, one of the wholly owned subsidiaries of the Group was defending a claim filed by one of its sub-contractors on a project in Iraq. Subsequent to December 31, 2015, the court in Iraq has awarded the judgement in favor of the sub-contractor for compensation of costs incurred by the sub-contractor on the project. The Group management is actively pursuing this case and the subsidiary has filed an appeal against the judgement at the available judiciary levels in Iraq. Based on the reports from their own experts and lawyers, the Group management believes that they have recorded adequate provision against such claim and the ultimate outcome of the appeal process would not result in any additional financial impact on the Group's 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,	
		2015	2014
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	166,501	105,768
Accounts receivable	6	2,041,053	1,905,564
Inventories	7	1,276,130	1,190,508
Prepayments and other receivable		256,647	219,561
		<u>3,740,331</u>	<u>3,421,401</u>
<b>Non-current assets</b>			
Investment in associates	8	127,923	129,778
Property, plant and equipment	9,12	728,308	785,409
Intangible assets	10	13,251	13,660
Deferred income tax assets	14	8,067	9,105
Other non-current assets	17	26,628	52,775
		<u>904,177</u>	<u>990,727</u>
<b>Total assets</b>		<u>4,644,508</u>	<u>4,412,128</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	11	1,618,177	1,835,613
Current maturity of long-term borrowings	12	18,560	6,988
Accounts payable		528,844	472,563
Accrued and other liabilities	13	320,899	337,532
Zakat and taxes payable	14	90,889	82,521
		<u>2,577,369</u>	<u>2,735,217</u>
<b>Non-current liabilities</b>			
Long-term borrowings	12	426,728	47,795
Employee termination benefits	15	78,743	78,585
Warranty provisions	16	13,338	20,525
Other non-current liabilities		19,966	11,345
		<u>538,775</u>	<u>158,250</u>
<b>Total liabilities</b>		<u>3,116,144</u>	<u>2,893,467</u>
<b>Equity</b>			
Equity attributable to shareholders of the Company:			
Share capital	18	1,155,000	1,155,000
Statutory reserve	19	189,472	179,335
Retained earnings		332,190	241,457
Employees shares program and reserve	15	(31,914)	(31,741)
Currency translation adjustments		(181,349)	(109,067)
<b>Total shareholders' equity</b>		<u>1,463,399</u>	<u>1,434,984</u>
<b>Non-controlling interests</b>		<u>64,965</u>	<u>83,677</u>
<b>Total equity</b>		<u>1,528,364</u>	<u>1,518,661</u>
<b>Total liabilities and equity</b>		<u>4,644,508</u>	<u>4,412,128</u>
<b>Contingencies and commitments</b>	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,	
		2015	2014
Sales	4,17	2,750,072	2,725,787
Cost of sales	17	(2,288,242)	(2,300,762)
Gross profit		461,830	425,025
<b>Operating expenses</b>			
Selling and marketing	20	(68,650)	(74,912)
General and administrative	21	(172,230)	(178,659)
Income from operations		220,950	171,454
<b>Other income (expenses)</b>			
Share in net income of associates	8	5,667	2,673
Financial charges, net	11,12	(85,804)	(85,235)
Other, net	22	(26,395)	18,321
Income before foreign income tax, zakat and non-controlling interests		114,418	107,213
Foreign income taxes	14	(4,661)	(12,989)
Zakat	14	(34,500)	(34,114)
Income before non-controlling interests		75,257	60,110
Non-controlling interests		26,117	22,508
<b>Net income for the year</b>		101,374	82,618
<b>Earnings per share (Saudi Riyals):</b>	24		
• Operating income		1.95	1.52
• Net income for the year		0.89	0.73

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 cash flows statement**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended December 31,	
	Note	2015	2014
<b>Cash flows from operating activities</b>			
Net income for the year		101,374	82,618
<u>Adjustments for non-cash items</u>			
Depreciation, amortization and provisions		129,967	104,940
Share in net income of associates	8	(5,667)	(2,673)
Deferred income tax credits	14	(172)	(862)
Loss applicable to non-controlling interests		(26,117)	(22,508)
Gain on sale of an investment	1	-	(17,729)
<u>Changes in working capital</u>			
Accounts receivable		(212,535)	(137,340)
Inventories		(159,768)	(6,938)
Prepayments and other receivable		(79,946)	(34,384)
Accounts payable		96,307	(16,761)
Accrued and other current liabilities		19,004	111,165
Employee termination benefits		687	(1,474)
Net cash (utilized in) generated from operating activities		(136,866)	58,054
<b>Cash flows from investing activities</b>			
Investments	8	-	(11,739)
Proceeds from disposal of investments	1	62,789	7,397
Purchase of property, plant and equipment		(61,333)	(106,943)
Intangible assets and other		(352)	(3,479)
Net cash generated from (utilized in) investing activities		1,104	(114,764)
<b>Cash flows from financing activities</b>			
Change in short-term borrowings		(198,858)	256,416
Proceeds from long-term borrowings		405,364	14,907
Repayments of long-term borrowings		(8,354)	(142,142)
Dividends paid	23	-	(112,984)
Dividends paid by subsidiaries to non-controlling interests		-	(1,203)
Board of Directors' fee paid		-	(1,800)
Changes in non-controlling interests and other		(1,657)	(63)
Net cash generated from financing activities		196,495	13,131
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		105,768	149,347
<b>Cash and cash equivalents at end of the year</b>	5	166,501	105,768

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
<b>January 1, 2015</b>		1,155,000	179,335	241,457	(31,741)	(109,067)	<b>1,434,984</b>
Net income for the year		-	-	101,374	-	-	<b>101,374</b>
Transfer to statutory reserve	19	-	10,137	(10,137)	-	-	-
Charge for employees shares program	15	-	-	(504)	(173)	-	<b>(677)</b>
Currency translation adjustments		-	-	-	-	(72,282)	<b>(72,282)</b>
<b>December 31, 2015</b>		<b>1,155,000</b>	<b>189,472</b>	<b>332,190</b>	<b>(31,914)</b>	<b>(181,349)</b>	<b>1,463,399</b>
<b>January 1, 2014</b>		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)
<b>December 31, 2014</b>		<b>1,155,000</b>	<b>179,335</b>	<b>241,457</b>	<b>(31,741)</b>	<b>(109,067)</b>	<b>1,434,984</b>

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)****Notes to the consolidated financial statements for the year ended December 31, 2015**

(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 referred to as 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'ul 1388 H (June 13, 1968). The registered address of the Company is P.O. Box 589, First Industrial Area, Dammam 31421, Kingdom of Saudi Arabia.

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

Subsidiary	Country of incorporation	Effective ownership percentage at December 31,	
		2015	2014
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
Infrastructure Engineering Contracting Company	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 and Ductile Iron Pipes Factory Company Ltd (FPC)	Saudi Arabia	100	100
Flowtite Technology Bahrain W.L.L.	Bahrain	100	100
Amiantit Germany GmbH	Germany	100	100
PWT Wasser- und Abwassertechnik GmbH (PWT)	Germany	100	100
Flowtite Technology A.S.	Norway	100	100
Subor Boru Sanayi Ve Ticaret A.S.	Turkey	50	50
Amitech Poland Sp.z o.o.	Poland	100	100
Amiantit Spain	Spain	100	100
Amitech Astana LLC	Kazakhstan	51	51
Amiantit France	France	100	100
Amiantit Norway AS	Norway	100	100

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

In 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. Proceeds from the sale are collectable and the remaining balance in installments is falling due during the years from 2014 through 2016. The Group has collected installments amounting to Saudi Riyals 62.8 million during the year ended December 31, 2015.

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 for enabling them to continue their operations and believes that these subsidiaries will generate positive cash flows in the future. Total assets of such subsidiaries amounted to Saudi Riyals 813.1 million as at December 31, 2015 (2014: Saudi Riyals 811.0 million).

The accompanying consolidated financial statements were authorized for issue by the Company's Board of Directors on February 14, 2016.

## **THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**

**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2015**

**(All amounts in Saudi Riyals thousands unless otherwise stated)**

### **2 Summary of significant accounting policies**

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

#### **2.1 Basis of preparation**

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting 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 Group 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 consolidated 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 the 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 consolidated 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 such associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of such 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 consolidated income statement.

## **THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)

### **2.4 Segment reporting**

#### **(a) Business segment**

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

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

#### **(b) Geographical segment**

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

### **2.5 Foreign currencies**

#### **(a) Reporting currency**

The consolidated financial statements 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated income statement.

**THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**  
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**Notes to the consolidated financial statements for the year ended December 31, 2015**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

**2.8 Inventories**

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

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

**2.9 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, except construction in progress which is stated at cost. Land is not depreciated. Depreciation is charged to the consolidated 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 consolidated income statement.

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

**2.10 Deferred charges**

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

**2.11 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 consolidated income statement. Impairment losses recognized on goodwill are not reversible.

**2.12 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 consolidated income statement.

**2.13 Accounts payable and accruals**

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

## **THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**

**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2015**

**(All amounts in Saudi Riyals thousands unless otherwise stated)**

### **2.14 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 consolidated 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 consolidated income statement.

### **2.15 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 consolidated 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 consolidated 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.

### **2.16 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 consolidated 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 offers Employees Share Ownership Plan ("ESOP"), which provide service awards to certain levels of employees. These employees, subject to their subscription of ESOP and meeting the underlying conditions, were given the Company's shares.

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 consolidated income statement represents the movement in cumulative expense recognized as at the beginning and end of that period.

## **THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**

**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

Shares purchased through a financial institution acting as trustee for the ESOP are carried at cost as a deduction from shareholders' equity until the options vest and 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.

### **2.17 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.

### **2.18 Revenues**

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

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

### **2.19 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.

### **2.20 Dividends**

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

### **2.21 Operating leases**

Rental expense under operating leases is charged to the consolidated 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.

### **2.22 Reclassifications**

Certain amounts in the accompanying 2014 financial statements have been reclassified to conform with 2015 presentation.

## **3 Financial instruments and risk management**

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, accounts and other receivables, 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.

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### **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, United States ("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, 2015 and 2014.

### **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 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.

### **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's 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's financial assets and liabilities are not materially different from their carrying values.

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**4 Segment information**

The Group operates principally in the following business segments:

- (i) Manufacturing and selling various types of pipes 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 and technology	Water management	Total
<b><u>2015</u></b>			
Sales	2,425,833	324,239	2,750,072
Net income (loss)	127,026	(25,652)	101,374
Financial charges	(61,488)	(24,316)	(85,804)
Depreciation and amortization	(73,719)	(1,965)	(75,684)
Property, plant and equipment	712,869	15,439	728,308
Total assets	4,286,468	358,040	4,644,508
<b><u>2014</u></b>			
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 and amortization	(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

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	Europe and other countries	Total
<b><u>2015</u></b>			
Sales	1,721,515	1,028,557	2,750,072
Non-current assets:			
• Property, plant and equipment	561,954	166,354	728,308
• Other non-current assets	108,367	67,502	175,869
<b><u>2014</u></b>			
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

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**5 Cash and cash equivalents**

	2015	2014
Cash in hand	1,994	1,793
Cash at bank	142,235	92,300
Time deposits	22,272	11,675
	<u>166,501</u>	<u>105,768</u>

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

**6 Accounts receivable**

	2015	2014
Trade	2,007,060	1,885,820
Related parties	40,621	57,038
	<u>2,047,681</u>	<u>1,942,858</u>
Less: provision for doubtful debts	(88,353)	(92,307)
	<u>1,959,328</u>	<u>1,850,551</u>
Retentions	81,725	55,013
	<u>2,041,053</u>	<u>1,905,564</u>

At December 31, 2015, trade accounts receivable include retentions receivable amounting to Saudi Riyals 81.7 million (2014: Saudi Riyals 55.0 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.

Movement in provision for doubtful debts is as follows:

	2015	2014
January 1	92,307	91,740
Additions	25,279	18,916
Write-offs	(26,977)	(14,701)
Currency translation adjustments	(2,256)	(3,648)
December 31	<u>88,353</u>	<u>92,307</u>

Aged analysis of trade accounts receivable balances at December 31 is as follow:

	2015	2014
Up to 6 months	1,054,189	996,525
6 months to 1 year	274,643	239,278
1 year to 2 year	384,648	558,122
Above 2 years	293,580	91,895
	<u>2,007,060</u>	<u>1,885,820</u>

The Group records provision against the doubtful debts considering various factors including age of the receivable balances, financial condition of the customers, economic conditions of the domicile countries, etc. Management believes that adequate provision has been made against doubtful trade accounts receivable balances at December 31, 2015.

At December 31, 2015 trade accounts receivable amounting to Saudi Riyals 55.4 million (2014: Saudi Riyals 41.3 million) were collateralized against the bank borrowings.

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**7 Inventories**

	2015	2014
Raw materials	437,584	464,583
Work in process	272,854	212,938
Spare parts and supplies, held not for sale	106,894	100,292
Finished products	552,697	485,496
Goods in transit	6,372	4,345
	<u>1,376,401</u>	<u>1,267,654</u>
Less: provision for inventory obsolescence	<u>(100,271)</u>	<u>(77,146)</u>
	<u>1,276,130</u>	<u>1,190,508</u>

Inventories at December 31, 2015 amounting to Saudi Riyals 48.8 million (2014: Saudi Riyals 53.8 million) were pledged against the bank borrowings.

Movement in provision for inventory obsolescence is as follows:

	2015	2014
January 1	77,146	68,132
Additions	23,635	9,527
Write-offs	(133)	(46)
Currency translation adjustments	<u>(377)</u>	<u>(467)</u>
December 31	<u>100,271</u>	<u>77,146</u>

**8 Investment in associates**

	2015	2014
Amiantit Fiberglass Egypt Co. ("AFEC")	23,582	26,612
Ameron Egypt ("AE")	27,017	29,276
Amitech Maroc ("AM")	23,398	20,950
Amiantit Qatar Pipe Co. Ltd. ("AQAP")	26,326	23,101
International Water Distribution Company ("TAWZEA")	48,124	44,504
Other	<u>42,394</u>	<u>43,228</u>
	<u>190,841</u>	<u>187,671</u>
Accumulated impairment losses	<u>(62,918)</u>	<u>(57,893)</u>
	<u>127,923</u>	<u>129,778</u>

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Movement in investment in associates is as follows:

	Note	2015	2014
Balance, January 1		129,778	94,477
Additions	17.2	4,821	28,025
Share in net income		5,667	2,673
Dividends		(989)	-
Currency translation adjustments		(6,329)	(3,576)
Impairment (losses) reversals		(5,025)	8,179
Balance, December 31		127,923	129,778

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
<b><u>2015</u></b>						
AFEC	Egypt	83,319	55,608	60,564	(1,154)	50%
AE	Egypt	45,161	31,486	15,648	(2,039)	49%
AM	Morocco	173,349	126,063	119,319	491	50%
AQAP	Qatar	169,944	90,064	82,352	8,787	40%
TAWZEA	Saudi Arabia	260,927	164,681	202,419	7,239	50%
<b><u>2014</u></b>						
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%

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, 2015 and 2014, respectively.

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**9 Property, plant and equipment**

	January 1, 2015	Additions	Disposals / transfers	Currency translation adjustments	December 31, 2015
<b>2015</b>					
<b>Cost</b>					
Land	88,606	13	(4,250)	(3,559)	80,810
Buildings and land improvements	473,225	4,072	(3,156)	(27,255)	446,886
Plant, machinery and equipment	1,405,479	103,481	(12,177)	(55,246)	1,441,537
Furniture, fixtures and office equipment	100,185	12,653	(7,642)	(6,211)	98,985
Construction in progress	117,744	59,162	(102,382)	(179)	74,345
	<u>2,185,239</u>	<u>179,381</u>	<u>(129,607)</u>	<u>(92,450)</u>	<u>2,142,563</u>
<b>Accumulated depreciation and impairment</b>					
Buildings and land improvements	(261,077)	(17,612)	2,079	12,090	(264,520)
Plant, machinery and equipment	(1,066,237)	(47,739)	886	37,010	(1,076,080)
Furniture, fixtures and office equipment	(72,516)	(10,333)	4,346	4,848	(73,655)
	<u>(1,399,830)</u>	<u>(75,684)</u>	<u>7,311</u>	<u>53,948</u>	<u>(1,414,255)</u>
	<u>785,409</u>				<u>728,308</u>
	January 1, 2014	Additions	Disposals / transfers	Currency translation adjustments	December 31, 2014
<b>2014</b>					
<b>Cost</b>					
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
	<u>2,217,769</u>	<u>161,420</u>	<u>(113,672)</u>	<u>(80,278)</u>	<u>2,185,239</u>
<b>Accumulated depreciation and impairment</b>					
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)
	<u>(1,425,400)</u>	<u>(78,888)</u>	<u>59,196</u>	<u>45,262</u>	<u>(1,399,830)</u>
	<u>792,369</u>				<u>785,409</u>

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

Property, plant and equipment at December 31, 2015 with a net book value of Saudi Riyals 59.8 million (2014: Saudi Riyals 76.5 million) were pledged against the bank borrowings.

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**10 Intangible assets**

	<b>Goodwill</b>	<b>Deferred charges, pre-operating and other costs</b>	<b>Total</b>
January 1, 2015	8,768	4,892	13,660
Additions	-	810	810
Amortization and write-offs	(262)	(411)	(673)
Currency translation adjustments	(546)	-	(546)
December 31, 2015	<u>7,960</u>	<u>5,291</u>	<u>13,251</u>
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	<u>8,768</u>	<u>4,892</u>	<u>13,660</u>

**11 Short-term borrowings**

	<b>2015</b>	<b>2014</b>
Bank overdrafts	3,234	24,687
Short-term bank loans	<u>1,614,943</u>	<u>1,810,926</u>
	<u>1,618,177</u>	<u>1,835,613</u>

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

Total unused short-term bank credit facilities available to the Group at December 31, 2015 were approximately Saudi Riyals 551 million (2014: Saudi Riyals 566 million).

At December 31, 2015 approximately 6.5% (2014: 5.2%) 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:

	<b>2015</b>	<b>2014</b>
Saudi Riyals	1,553,268	1,727,098
Euros	2,229	30,276
US dollars	-	15,011
Other	<u>62,680</u>	<u>63,228</u>
	<u>1,618,177</u>	<u>1,835,613</u>

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**12 Long-term borrowings**

	Note	2015	2014
Saudi Industrial Development Fund ("SIDF") loans	12.1	-	3,600
Commercial bank loans	12.2	435,162	41,211
Loans from non-controlling interest	12.3	10,126	9,972
		<u>445,288</u>	<u>54,783</u>
Current maturity shown under current liabilities		<u>(18,560)</u>	<u>(6,988)</u>
		<u>426,728</u>	<u>47,795</u>

**12.1 SIDF loans**

These represent loans obtained by a Saudi Arabian subsidiary from SIDF which were repaid during 2015.

**12.2 Commercial bank loans**

The Company and certain of its 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, 2015, based on their respective repayment schedules, are spread in 2016 through 2033. Certain of these loans are secured by mortgage on the property, plant and equipment, collateralization of trade accounts receivable and pledge of inventories.

The covenants of certain 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:

	2015	2014
Saudi Riyals	400,000	3,600
Euros	4,749	7,644
US dollars	25,603	24,863
Other	14,936	18,676
	<u>445,288</u>	<u>54,783</u>

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**12.5 Maturity profile of long-term borrowings**

	2015	2014
<b>Years ending December 31:</b>		
2015	-	6,988
2016	18,560	17,603
2017	104,089	4,690
2018	102,293	2,687
2019	102,011	2,371
2020	102,892	2,342
Thereafter	15,443	18,102
	<u>445,288</u>	<u>54,783</u>

**13 Accrued and other liabilities**

	2015	2014
Salaries, wages and benefits	25,304	27,027
Advances from customers	187,058	195,040
Sales agency fees	16,056	18,929
Financial charges	19,276	17,823
Accrued expenses and other	73,205	78,713
	<u>320,899</u>	<u>337,532</u>

**14 Zakat and taxes matter**

**14.1 Components of zakat base**

The Company and its Saudi Arabian subsidiaries are subject to zakat and income taxes. Zakat is payable at 2.5% of greater of approximate zakat base and adjusted net income; and income tax is payable at 20% of adjusted net income attributable to the foreign shareholders. 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**

	2015	2014
Zakat for SAAC	33,951	25,478
Zakat and income taxes for Saudi Arabian subsidiaries	36,509	42,213
Income and other taxes for foreign subsidiaries	20,429	14,830
	<u>90,889</u>	<u>82,521</u>

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

	2015	2014
Current income tax charges	4,833	13,851
Deferred income tax credits	(172)	(862)
	<u>4,661</u>	<u>12,989</u>

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

	2015	2014
January 1	9,105	10,778
Credits	172	862
Adjustments	-	(909)
Currency translation adjustments	(1,210)	(1,626)
December 31	8,067	9,105

**14.4 Provision for zakat charged to the consolidated income statement**

	2015	2014
Zakat for SAAC	16,575	14,977
Share of SAAC in zakat of subsidiaries	17,925	19,137
	34,500	34,114

**14.5 Status of certificates**

The Company and the Saudi Arabian subsidiaries have received final or restricted zakat and income tax certificates for the years through 2014.

**15 Employee benefits****15.1 Employee termination benefits**

	2015	2014
January 1	78,585	80,278
Provisions	10,390	7,656
Payments	(9,765)	(9,234)
Currency translation adjustments	(467)	(115)
December 31	78,743	78,585

**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, were awarded shares of the Company, at no cost, upon the vesting date during 2015. The total number of shares awarded in 2015 was 593,000 shares.

The Company has recorded expenses in 2015 amounting to Saudi Riyals 3.1 million (2014: Saudi Riyals 1.9 million) related to such options.

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

	2015	2014
Outstanding at January 1	636,000	721,500
Options exercised	(593,000)	-
Forfeited during the year	(43,000)	(85,500)
Outstanding at December 31	-	636,000

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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. Employee's shares program and reserve included cost of shares purchased and proportionate fair value of the options granted during 2015 and 2014 and outstanding at December 31 as follow:

	2015	2014
January 1	31,741	33,660
Employees shares option program reserve	173	(1,919)
December 31	31,914	31,741

Employee shares program and reserve at December 31, 2015 represents the value of the remaining shares held by the trustee for future options to be offered to the employees of the Company. Management is currently in the process of formalizing the future option plans.

The remaining shares not awarded through the first plan as described above, and amounting to Saudi Riyals 17.3 million will be assigned to a new ESOP, which is expected to be scheduled to span over the years 2016 and 2017 with related options maturing in 2017. The necessary approvals are under submission at related competent authorities.

**16 Warranty provisions**

	2015	2014
January 1	20,525	22,801
(Reversals) additions	(4,403)	2,465
Utilizations and adjustments	(1,335)	(3,435)
Currency translation adjustments	(1,449)	(1,306)
December 31	13,338	20,525

**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:

	2015	2014
Sales	10,048	18,971
Purchases	12,587	10,166

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Other non-current assets at December 31 include loans to and amounts receivable from associates as follows:

	2015	2014
Amitech Morocco	22,579	30,106
Amitech Libya	3,273	3,537
Amitech Algeria	1,852	835
Amiantit Qatar	1,783	15,956
Sarplast Qatar	1,627	1,500
Flowtite Eksport	18	-
	<u>31,132</u>	<u>51,934</u>
Less: Current-portion included under accounts receivable	<u>(22,975)</u>	<u>(37,356)</u>
	<u>8,157</u>	<u>14,578</u>

During 2015, loan receivable from Amitech Morocco amounting to 4.8 million was partially converted to share capital.

**18 Share capital**

The share capital of the Company as of December 31, 2015 and 2014 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**

	2015	2014
Salaries and benefits	38,994	46,331
Sales promotion	11,075	12,266
Traveling	8,468	9,743
Professional services	4,312	4,122
Information technology and communication	1,164	1,429
Depreciation	666	769
Other	3,971	252
	<u>68,650</u>	<u>74,912</u>

**21 General and administrative expenses**

	2015	2014
Salaries, wages and benefits	82,327	85,986
Professional services	31,501	27,091
Provision for doubtful debts	27,229	16,448
Traveling	8,314	8,725
Information technology and communication	7,716	9,271
Depreciation and amortization	7,436	7,411
Other	7,707	23,727
	<u>172,230</u>	<u>178,659</u>

**THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**22 Other (expenses) income**

	Note	2015	2014
Impairment losses against investments and other non-current assets	8	(890)	5,880
Provision for settlement of claims		-	(13,691)
Foreign exchange differences		(25,333)	(389)
Gain on sale of investment, net		-	21,101
Miscellaneous income		(172)	5,420
		<u>(26,395)</u>	<u>18,321</u>

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**

During 2014, the Company's shareholders declared dividends amounting to Saudi Riyals 115.5 million which were fully paid in 2014 (2015: Nil).

**24 Earnings per share**

Earnings per share for the years ended December 31, 2015 and 2014 have been computed by dividing the operating income and net income for each year by weighted average number of 113,564,309 (December 31, 2014 : 112,984,309) shares outstanding during such years.

**25 Contingencies and commitments**

- (i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting Saudi Riyals 477.9 million at December 31, 2015. SAAC, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to Saudi Riyals 202.4 million in relation to the borrowing facilities of related associated companies.
- (ii) PWT, a wholly owned subsidiary of the Group and engaged in EPC contracts for water and sewage treatment plants faced certain issues on its project in Iraq. PWT terminated the contract with one of its sub-contractors due to its non-performance of the required obligations under the contract. The sub-contractor has filed a claim against PWT with the competent court in Iraq for compensation of costs incurred prior to its termination. Subsequent to December 31, 2015, the court in Iraq awarded its judgement in favor of the sub-contractor for compensation of costs amounting to Iraqi dinars 31.5 billion (Saudi Riyals 106 million). This judgment is based on a report of a new group of experts as three previous reports issued by three previous groups of experts, who came with amounts ranging between Saudi Riyals 21 million and Saudi Riyals 27 million, had been earlier rejected by the court.

PWT and SAAC management, based on the advice of their own experts and lawyers, believe that the value of the work executed by the sub-contractor would not exceed Saudi Riyals 27 million which has been recorded by the Group. PWT has filed an appeal against the court judgement in favor of the sub-contractor at the available judiciary levels in Iraq. Management of PWT and SAAC believe that the financial impact of such claim, upon ultimate settlement, would not be more than the amounts already been recorded.

Also, certain subsidiaries outside Saudi Arabia are involved in certain law suits. The subsidiaries' and Group 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.

- (iii) The capital expenditure contracted by the Group but not yet incurred till December 31, 2015 was approximately Saudi Riyals 22.6 million.
- (iv) The Group has signed an agreement with a third party whereby the third party is responsible for providing technology to one of the Saudi Arabian subsidiary and the Group is committed to sell certain percentage of its equity interest in such subsidiary considering the financial performance of the subsidiary over an agreed period. The Group management believes that such commitment, when availed, will not result in significant gain or loss to the Group.
- (v) Also, see Note 1.