

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

CONSOLIDATED FINANCIAL STATEMENTS
IN UNITED STATES DOLLARS
FOR THE YEAR ENDED DECEMBER 31, 2010
AND INDEPENDENT AUDITORS' REPORT

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
IN UNITED STATES DOLLARS
FOR THE YEAR ENDED DECEMBER 31, 2010

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THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Consolidated balance sheet

(All amounts in United States dollars thousands unless otherwise stated)

	Note	As at December 31,	
		2010	2009
Assets			
Current assets			
Cash and cash equivalents	5	64,420	113,420
Short-term bank deposit	6	35,502	-
Accounts receivable	7	415,191	389,474
Inventories	8	245,870	206,658
Prepayments and other receivables		8,387	10,855
Non-current assets held for sale	9	-	17,722
		769,370	738,129
Non-current assets			
Investment in associates	10	78,732	91,054
Property, plant and equipment	11	223,451	242,515
Intangible assets	12	1,883	2,002
Deferred income tax assets	18	3,004	3,679
Other non-current assets		9,134	4,247
		316,204	343,497
Total assets		1,085,574	1,081,626
Liabilities			
Current liabilities			
Short-term borrowings	13	236,585	240,091
Current maturity of long-term borrowings	14	8,756	11,366
Current maturity of liabilities against capital leases	15	3,250	3,250
Accounts payable	16	118,874	107,659
Accrued and other liabilities	17	103,419	98,832
Zakat and taxes payable	18	50,819	41,390
Liabilities associated with non-current assets held for sale	9	-	2,601
		521,703	505,189
Non-current liabilities			
Long-term borrowings	14	20,027	24,582
Liabilities against capital leases	15	3,250	6,500
Employee termination benefits	19	24,765	25,747
Warranty provisions	20	13,453	10,042
Other non-current liabilities		1,240	6,565
		62,735	73,436
Total liabilities		584,438	578,625
Equity			
Equity attributable to shareholders of the Company:			
Share capital	22	310,113	310,113
Statutory reserve	23	35,614	31,211
Retained earnings		103,378	94,944
Currency translation differences		(83)	4,163
Total shareholders' equity		449,022	440,431
Minority interest		52,114	62,570
Total equity		501,136	503,001
Total liabilities and equity		1,085,574	1,081,626
Contingencies and commitments	30		

The notes number 1 to 30 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 United States dollars thousands unless otherwise stated)

	Note	Year ended December 31,	
		2010	2009
Sales	4,21	820,666	878,103
Cost of sales	21	(626,914)	(647,655)
Gross profit		193,752	230,448
Operating expenses			
Selling and marketing	24	(26,178)	(27,677)
General and administrative	25	(62,867)	(79,488)
Income from operations		104,707	123,283
Other income (expenses)			
Share in net income of associates	10	676	5,830
Financial charges - net	5,6,13,14,15,29	(14,372)	(23,966)
Other - net	26	(9,752)	(25,240)
Income before foreign income taxes, zakat and minority interest		81,259	79,907
Foreign income taxes	18	(5,801)	(9,037)
Zakat	18	(22,333)	(8,348)
Income before minority interest		53,125	62,522
Minority interest		(9,098)	(8,529)
Net income for the year		44,027	53,993
Earnings (loss) per share (United States dollars):			
• Operating income	28	0.91	1.07
• Non-operating loss		(0.53)	(0.60)
• Net income for the year		0.38	0.47

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THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
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Consolidated cash flow statement
(All amounts in United States dollars thousands unless otherwise stated)

	Note	Year ended December 31,	
		2010	2009
Cash flow from operating activities			
Net income for the year		44,027	53,993
<u>Adjustments for non-cash items</u>			
Share in net income of associates	10	(676)	(5,830)
Gain from sale of an investment	26	(660)	-
Depreciation, amortization and provisions		33,957	86,557
Deferred income tax charges	18	416	938
Income applicable to minority interest		9,098	8,529
<u>Changes in working capital</u>			
Accounts receivable		(29,619)	49,049
Inventories		(35,315)	61,557
Prepayments and other receivables		1,166	8,323
Accounts payable		9,898	(9,532)
Accrued and other liabilities		7,598	(18,558)
Employee termination benefits		(822)	(421)
Net cash generated from operating activities		39,068	234,605
Cash flow from investing activities			
Short-term bank deposit	6	(35,502)	-
Non-current assets held for sale		4,498	-
Investments		-	(13,880)
Proceeds from sale of an investment		8,712	-
Dividends received from associates		2,363	2,567
Purchase of property, plant and equipment		(12,989)	(27,533)
Intangible assets and other		(959)	350
Net cash utilized in investing activities		(33,877)	(38,496)
Cash flow from financing activities			
Change in short-term borrowings		(1,413)	(144,738)
Proceeds from long-term borrowings		6,905	17,089
Repayments of long-term borrowings		(14,789)	(14,243)
Repayments of liabilities against capital leases		(3,250)	(3,250)
Dividends paid	27	(30,800)	(15,400)
Dividends paid by subsidiaries to minority interest		(9,396)	(9,019)
Board of Directors' fee paid		(391)	(480)
Changes in minority interest and other		(1,057)	(418)
Net cash utilized in financing activities		(54,191)	(170,459)
Net change in cash and cash equivalents		(49,000)	25,650
Cash and cash equivalents at beginning of year		113,420	87,770
Cash and cash equivalents at end of year		64,420	113,420

The notes number 1 to 30 form an integral part of these consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

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Consolidated statement of changes in shareholders' equity

(All amounts in United States dollars thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Currency translation differences	Total
January 1, 2010		310,113	31,211	94,944	4,163	440,431
Net income for the year		-	-	44,027	-	44,027
Transfer to statutory reserve	23	-	4,403	(4,403)	-	-
Dividends	27	-	-	(30,800)	-	(30,800)
Board of Directors' fee		-	-	(390)	-	(390)
Adjustments		-	-	-	(4,246)	(4,246)
December 31, 2010		310,113	35,614	103,378	(83)	449,022
January 1, 2009		310,113	25,811	62,231	(1,692)	396,463
Net income for the year		-	-	53,993	-	53,993
Transfer to statutory reserve	23	-	5,400	(5,400)	-	-
Dividends	27	-	-	(15,400)	-	(15,400)
Board of Directors' fee		-	-	(480)	-	(480)
Adjustments		-	-	-	5,855	5,855
December 31, 2009		310,113	31,211	94,944	4,163	440,431

The notes number 1 to 30 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, 2010

(All amounts in United States dollars 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, supply of pipe manufacturing machines, and water management services including related consultancy, engineering and operations.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 2050002103 issued in Dammam on 17 Rabi'l 1388 H (June 13, 1968). The registered address of the Company is P.O. Box 589, First Industrial Area, Dammam 31421, Kingdom of Saudi Arabia.

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

Subsidiary	Country of incorporation	Effective ownership percentage at December 31,	
		2010	2009
Amiantit Fiberglass Industries Limited (AFIL)	Saudi Arabia	100	100
Saudi Arabian Ductile Iron Pipe Co. Ltd. (SADIP)	Saudi Arabia	100	100
International Infrastructure Management and Operations Company Limited (AMIWATER)	Saudi Arabia	100	100
Amiantit Rubber Industries Limited (ARIL)	Saudi Arabia	80	80
Ameron Saudi Arabia Ltd. (ASAL)	Saudi Arabia	69.70	69.70
Bondstrand Limited (BSL)	Saudi Arabia	60	60
Saudi Arabia Concrete Products Ltd. (SACOP)	Saudi Arabia	58.80	58.80
Fiberglass Pipes Company Ltd. (FPC)	Saudi Arabia	51	51
Alalamiah Water Works and Services Company Ltd. (AWWS)	Saudi Arabia	-	75
Composite Pipes Industries LLC (CPI)	Oman	-	51
Amiantit Bahrain Holding Ltd W.L.L. (ABH)	Bahrain	100	100
Flowtite Technology Bahrain WLL (Ftech)	Bahrain	100	100
Amitech Germany GmbH	Germany	100	100
Jos Hansen & Soehne GmbH (Jos)	Germany	70.25	70.25
JR International Bau GmbH (JRI)	Germany	70.25	70.25
PWT Wasser- und Abwassertechnik GmbH (PWT)	Germany	80	80
Flowtite Technology A.S.	Norway	100	100
Amitech South Africa (Pty) Ltd.	South Africa	100	100
Amitech Industrial South Africa (Pty) Ltd.	South Africa	100	100
Subor Boru San. Tic. A.S.	Turkey	50	50
Amitech Poland Sp.z o.o.	Poland	93.80	93.80
Amitech Spain S.A.	Spain	100	100
Amitech Industrial Spain S.A.	Spain	100	100
Amiantit Fiberglass Industries (India) Pvt. Ltd.	India	70	70
Amitech Astana LLC	Kazakhstan	51	51
APS France S.A.S.	France	100	100
APS Romania SRL	Romania	100	100
APS Norway A.S.	Norway	100	100

Ownership interests in the subsidiaries are generally registered in the name of SAAC or in the name of certain intermediate holding companies. In addition, ownership interests in certain subsidiaries are registered in the name of other subsidiaries which hold such interests on behalf of SAAC under trustee arrangements.

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During 2010, the Group has:

- sold the equity interests held in two subsidiaries, CPI and AWW, for an aggregate amount of United States ("US") dollars 5.1 million which resulted in a net loss of US dollars 0.1 million; and
- terminated plans for the commencement of commercial operations of Amiantit Bahrain Holding Ltd W.L.L. ("ABH"), a limited liability company registered in Bahrain. ABH was formed during 2009, however, no manufacturing facility had been set up and ABH had not commenced any commercial operations.

During 2009, the Group:

- increased its effective shareholding in SADIP from 75% to 100% through an acquisition of 25% equity interest from its minority shareholders, including 5% from a related party; and
- initiated proceedings for liquidation of certain of its subsidiaries as a part of corporate restructuring which are in progress at December 31, 2010.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on January 29, 2011.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of derivative financial instruments to fair value, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next reporting period are discussed below:

(a) Provision for doubtful debts

Provision for doubtful debts reflects estimate of losses arising from the failure or inability of the customers to make the required payments in the normal course of business. Collections from customers are continuously monitored and provisions are recognized based on the ageing of the accounts receivable, the customers' credit worthiness, general market conditions and the historic write-off experience. Changes to the estimated provision are made if the financial condition of the customers improves or deteriorates.

(b) Provision for inventory obsolescence

Provision against obsolete inventories is recognized considering age, physical condition and expected utilization of inventories. Such estimates are influenced by level of customization of products, technological changes and expected internal consumption of inventories. These factors could result in variation in provision recognized against inventory obsolescence.

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(c) Warranty provisions

Management estimates provision for future warranty claims based on historical warranty claim information and recent trends that might suggest that past cost information may differ from future claims. Factors impacting the estimated claim information include the success of the Group companies productivity and quality initiatives.

(d) Useful lives of property, plant and equipment

Management estimates useful lives and residual values of property, plant and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as expected usage, physical wear and tear, and technological or commercial obsolescence of assets concerned could result in the actual useful lives or residual values differing from initial estimates.

(e) Impairment of assets

Management assesses the impairment of non-current assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include evidence that no cash flows will be generated from the related asset. The recoverable amounts of cash generating units have been determined based on value-in-use calculations and require the use of estimates.

(f) Zakat and income taxes

The Group entities is subject to zakat or / and income taxes in accordance with the laws in their respective countries of domicile. Significant judgement is required in determining the overall provision for zakat and income taxes. There are many transactions and calculations for which the determination of final liability is uncertain. The Group recognizes liabilities for issues raised by the legislators based on estimates of whether additional liability will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will be recorded in the period in which such determination is made.

2.3 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "Intangible assets" in the balance sheet. Goodwill is tested annually for impairment and carried at cost, net of impairment losses.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated.

(b) Associates

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

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.

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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 Company's principal reporting and functional currency is Saudi Riyals. Functional currencies of Group's subsidiaries located outside Saudi Arabia are generally the currencies of the respective country of domicile. The accompanying consolidated financial statement is US dollar have been prepared for the convenience of readers outside Saudi Arabia, using a conversion rate of US dollars 1 = Saudi riyals 3.75 which approximates the exchange rate prevailing during all periods presented. Such transaction from Saudi Riyals to US dollars did not result in any significant translation adjustment. The accompanying consolidated financial statements expressed in US dollars are not intended for filing with any regulatory agencies.

(b) Transactions and balances

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

(c) Group companies

The results and financial position of the foreign subsidiaries and associates having reporting currency other than Saudi Riyals are translated into Saudi Riyals as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) Components of the equity accounts are translated at the exchange rates in effect at the dates of the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of the foreign subsidiaries and associates into Saudi Riyals are reported as a separate component of equity.

Dividends received from subsidiaries and associates are translated at the exchange rate in effect at the transaction date.

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

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
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 (All amounts in United States dollars thousands unless otherwise stated)

2.6 Cash and cash equivalents and short-term deposits

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date. Short-term deposits represent time deposits with commercial banks with maturities of more than three months and less than one year.

2.7 Accounts receivable

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

2.8 Inventories

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

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

2.9 Non-current assets held for sale

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

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, except construction in progress which is stated at cost. Land is not depreciated. Depreciation is charged to the income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

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

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

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

2.11 Deferred charges

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

2.12 Patents, trademarks and licenses

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

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2.13 Impairment of non-current assets

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

2.14 Borrowings

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

2.15 Capital leases

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

2.16 Accounts payable and accruals

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

2.17 Provisions

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

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

2.18 Zakat and taxes

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

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

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

Deferred income taxes are recognized on carry-forward tax losses and all major temporary differences between financial income and taxable income to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses and the temporary differences can be utilized. Deferred income taxes are determined using tax rates which have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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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 and Flowtite Technology A.S. which fund a defined benefit plan, through an outside insurance company and Jos Hansen & Soehne GmbH which funds a defined benefit pension plan.

2.20 Revenues

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

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

2.21 Selling, marketing and general and administrative expenses

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

2.22 Dividends

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

2.23 Derivative financial instruments

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

2.24 Operating leases

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

2.25 Reclassifications

Certain amounts in the comparative 2009 financial statements have been reclassified to conform with 2010 presentation.

3 Financial instruments and risk management

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

Financial asset and liability is offset and net amounts are reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

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Risk management is carried out by senior management. The most important types of risks are currency risk, fair value and cash flow interest rate risks and credit risk.

3.1 Currency risk

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries and associates whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between Saudi Riyals against Euros, Egyptian pounds and certain other currencies. Such exposures are recorded as a separate component of shareholders' equity in the 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 material forward exchange contracts or other currency hedging instruments outstanding at December 31, 2010.

3.2 Fair value and cash flow interest rate risks

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

3.3 Price risk

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

3.4 Credit risk

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

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

3.6 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group financial instruments are compiled under the historical cost convention, except for derivative financial instruments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

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4 Segment information

The Group operates principally in the following business segments:

- (i) Manufacturing and selling various types of pipes;
- (ii) Development and licensing of technologies related to production of various types of pipes, construction and supply of related pipe manufacturing machines; and
- (iii) Water management and related consultancy, engineering and operations.

Selected financial information as of December 31 and for the years then ended summarized by the above business segments, was as follows:

	Pipe manufacturing	Technology	Water management	Total
<u>2010</u>				
Sales	694,649	13,470	112,547	820,666
Net income (loss)	45,130	(1,058)	(45)	44,027
Financial charges	(11,580)	(418)	(2,374)	(14,372)
Depreciation, amortization and impairment	(27,121)	(405)	(562)	(28,088)
Property, plant and equipment	212,209	5,884	5,358	223,451
Total assets	958,980	22,980	103,614	1,085,574

2009

Sales	777,486	17,465	83,152	878,103
Net income (loss)	52,697	(3,669)	4,965	53,993
Financial charges	(22,610)	(430)	(926)	(23,966)
Depreciation, amortization and impairment	(39,195)	(2,681)	(781)	(42,657)
Property, plant and equipment	228,576	6,874	7,065	242,515
Total assets	954,405	34,496	92,725	1,081,626

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

	Saudi Arabia	Europe	Other countries	Total
<u>2010</u>				
Sales	447,135	318,965	54,566	820,666
Non-current assets:				
Property, plant and equipment	132,821	64,449	26,181	223,451
Other non-current assets	68,846	5,289	18,618	92,753
<u>2009</u>				
Sales	459,536	338,364	80,203	878,103
Non-current assets:				
Property, plant and equipment	138,291	74,513	29,711	242,515
Other non-current assets	73,978	6,539	20,465	100,982

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5 Cash and cash equivalents

	2010	2009
Cash in hand	441	935
Cash at bank	48,940	52,647
Time deposits	15,039	59,838
	<u>64,420</u>	<u>113,420</u>

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

6 Short-term bank deposit

This represents a deposit held with a commercial bank and yields financial income at prevailing market rates. The initial maturity of this deposits is six months from the purchase date.

7 Accounts Receivable

	2010	2009
Trade	378,476	361,859
Other	50,709	48,654
Related parties	14,951	11,079
	<u>444,136</u>	<u>421,592</u>
Less: provision for doubtful debts	(28,945)	(32,118)
	<u>415,191</u>	<u>389,474</u>

Approximately 9% of trade accounts receivable as at December 31, 2010 (2009: 16%) (representing approximately 8% and 11% of total domestic trade accounts receivable for 2010 and 2009, respectively) were related to government projects.

At December 31, 2010, trade accounts receivable includes retention receivable amounting to US dollars 11.5 million (2009: US dollars 8.0 million) principally related to Saudi Arabian subsidiaries which are collectable upon completion of certain contractual milestones and presentation of final zakat and income tax certificates for certain years.

Movement in provision for doubtful debts is as follows:

	2010	2009
January 1	32,118	25,499
Additions	855	10,653
Adjustments	1,441	(745)
Write-offs	(5,162)	(3,718)
Currency translation differences	(307)	429
December 31	<u>28,945</u>	<u>32,118</u>

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8 Inventories

	2010	2009
Raw materials	140,235	90,063
Work in process	16,812	30,823
Spare parts and supplies, held not for sale	21,657	20,197
Finished products	84,771	86,901
Goods in transit	4,037	3,949
	267,512	231,933
Less: provision for inventory obsolescence	(21,642)	(25,275)
	245,870	206,658

Inventories at December 31, 2010 have been written-down by approximately US dollars 2.1 million (2009: US dollars 9.1 million) to their net realizable value.

Movement in provision for inventory obsolescence is as follows:

	2010	2009
January 1	25,275	12,030
Additions	1,140	13,620
Write-offs	(5,349)	(489)
Adjustments	555	(11)
Currency translation differences	21	116
December 31	21,642	25,275

9 Non-current assets held for sale

During 2009, the Group decided to sell certain items of plant and equipment of certain subsidiaries located in South Africa and equity interest held in CPI Oman. Consequent to such decision, items of plant and equipment and assets and liabilities of such subsidiary were presented as held for sale at December 31, 2009.

10 Investment in associates

	2010	2009
Amiantit Fiberglass Egypt Co. (AFEC)	14,695	16,584
Chongqing Polycom Int'l Corporation (CPIC)	25,547	22,919
Dubai Pipe Factory Company LLC (DPF)	-	7,827
Ameron Egypt (AE)	8,573	11,779
Amitech Maroc (AM)	5,460	7,033
Amiantit Qatar Pipe Co. Ltd. (AQAP)	5,165	5,026
International Water Distribution Company (TAWZEA)	6,824	7,899
Amitech Argentina (AA)	1,851	2,540
Other	16,338	15,166
	84,453	96,773
Accumulated impairment losses	(5,721)	(5,719)
	78,732	91,054

Investments in associates at December 31, 2010 include goodwill, net of impairment, of US dollars 4.0 million (2009: US dollars 6.1 million).

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Movement in investment in associates is as follows:

	2010	2009
January 1	91,054	81,737
Additions	-	6,680
Disposals	(7,512)	-
Adjustments	-	1,460
Share in net income	676	5,830
Dividends	(2,363)	(2,567)
Currency translation differences	(1,082)	(246)
Impairment losses	(2,041)	(1,840)
December 31	78,732	91,054

During 2010, the Group sold its 22.5% equity interest in DPF for a value of US dollars 8.2 million resulting in a net gain of US dollars 0.7 million.

During 2010 and 2009, management recognized impairment losses, primarily against goodwill, due to expected decline in their economic performance resulting in their carrying values being higher than recoverable amounts.

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

Name	County of incorporation	Assets	Liabilities	Revenues	Net Income (loss)	Group's ownership interest
<u>2010</u>						
AFEC	Egypt	54,268	26,852	27,823	(1,885)	50%
CPIC	China	1,158,580	675,205	422,818	45,603	5.5%
AE	Egypt	22,767	11,531	11,762	415	49%
AM	Morocco	33,826	21,630	3,375	(2,091)	50%
AQAP	Qatar	27,907	14,995	13,604	1,722	40%
TAWZEA	Saudi Arabia	33,389	19,740	1,933	(2,124)	50%
AA	Argentina	21,759	15,068	17,098	(1,400)	30%
<u>2009</u>						
AFEC	Egypt	57,537	26,343	39,878	3,393	50%
CPIC	China	1,081,489	664,772	285,247	(14,309)	5.5%
DPF	United Arab Emirates	43,391	8,605	43,816	12,511	22.5%
AE	Egypt	29,974	16,330	22,918	376	49%
AM	Morocco	58,537	44,472	7,982	1,458	50%
AQAP	Qatar	29,105	16,539	14,424	2,885	40%
TAWZEA	Saudi Arabia	18,182	2,384	14,128	(700)	50%
AA	Argentina	28,325	19,858	24,861	1,967	30%

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11 Property, plant and equipment

	January 1, 2010	Additions	Disposals / transfers	Currency translation differences	December 31, 2010
2010					
Cost					
Land	19,035	171	(267)	(294)	18,645
Buildings and land improvements	126,261	2,739	(1,892)	(1,682)	125,426
Plant, machinery and equipment	393,913	11,654	(12,299)	(3,592)	389,676
Furniture, fixtures and office equipment	32,702	2,987	(4,429)	(537)	30,723
Construction in progress	14,765	9,541	(9,527)	90	14,869
	<u>586,676</u>	<u>27,092</u>	<u>(28,414)</u>	<u>(6,015)</u>	<u>579,339</u>
Accumulated depreciation and impairment					
Buildings and land improvements	(63,545)	(4,713)	7,097	590	(60,571)
Plant, machinery and equipment	(254,907)	(18,916)	788	2,122	(270,913)
Furniture, fixtures and office equipment	(25,709)	(2,738)	3,607	436	(24,404)
	<u>(344,161)</u>	<u>(26,367)</u>	<u>11,492</u>	<u>3,148</u>	<u>(355,888)</u>
	<u>242,515</u>				<u>223,451</u>
	January 1, 2009	Additions	Disposals / transfers	Currency translation differences	December 31, 2009
2009					
Cost					
Land	21,609	1,332	(4,151)	245	19,035
Buildings and land improvements	127,394	13,711	(16,115)	1,271	126,261
Plant, machinery and equipment	384,607	31,988	(25,571)	2,889	393,913
Furniture, fixtures and office equipment	35,399	2,759	(6,037)	581	32,702
Construction in progress	28,635	19,104	(33,162)	188	14,765
	<u>597,644</u>	<u>68,894</u>	<u>(85,036)</u>	<u>5,174</u>	<u>586,676</u>
Accumulated depreciation and impairment					
Buildings and land improvements	(73,714)	(5,927)	17,573	(1,477)	(63,545)
Plant, machinery and equipment	(240,209)	(27,459)	15,176	(2,415)	(254,907)
Furniture, fixtures and office equipment	(27,629)	(4,524)	6,974	(530)	(25,709)
	<u>(341,552)</u>	<u>(37,910)</u>	<u>39,723</u>	<u>(4,422)</u>	<u>(344,161)</u>
	<u>256,092</u>				<u>242,515</u>

Buildings and plant, machinery and equipment of the Company and certain of its Saudi Arabian subsidiaries are constructed on land parcels leased under various operating lease agreements at nominal annual rents from the Saudi Arabian government for 25 Hijra years under renewable operating leases.

Plant, machinery and equipment include US dollars 8.2 million and US dollars 1.6 million (2009: US dollars 8.2 million and US dollars 0.8 million) related to cost and accumulated depreciation, respectively, for certain plant and machinery acquired under a sale and leaseback arrangement.

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During 2010, Group management recognized impairment losses amounting to US dollars 1.0 million (2009: US dollars 10.4 million) against certain items of plant and machinery due to decline in the expected future economic benefits as a consequence of either technological obsolescence, decline in the demand of products or expected utilization of such machinery and equipment. Such impairment losses were recorded as a result of value in use being less than the carrying value of Company's plant and machinery at December 31, 2010 and 2009. Such value in use of plant and machinery has been arrived at by management by discounting the projected cash flows of the Company using an estimated discount rate of 10%.

Transfers during 2009 include cost and accumulated depreciation of US dollars 18.9 million and US dollars 13.9 million, respectively, related to property, plant and equipment of CPI and certain subsidiaries located in South Africa which were classified as held for sale. See Notes 1 and 9.

12 Intangible assets

	Goodwill	Patents, trademarks and licenses	Other deferred charges and pre-operating costs	Total
January 1, 2010	1,407	194	401	2,002
Amortization	(4)	(55)	(65)	(124)
Impairment losses	(85)	-	-	(85)
Currency translation differences	84	-	6	90
December 31, 2010	1,402	139	342	1,883
January 1, 2009	5,589	1,458	165	7,212
Additions	-	-	503	503
Amortization	-	(119)	(146)	(265)
Impairment losses	(2,468)	(1,250)	(764)	(4,482)
Currency translation differences	185	118	94	397
Other adjustments	(1,899)	(13)	549	(1,363)
December 31, 2009	1,407	194	401	2,002

13 Short-term borrowings

	2010	2009
Bank overdrafts	7,720	8,353
Short-term bank loans	228,865	231,738
	236,585	240,091

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

Total unused short-term bank credit facilities available to the Group at December 31, 2010 were approximately US dollars 0.4 billion (2009: US dollars 0.3 billion).

At December 31, 2010 approximately 21.7% (2009: 74.4%) of the short-term bank loans were collateralized by assignment of trade accounts receivable and pledge of inventories.

13.1 Currency denomination

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

	2010	2009
Saudi Riyals	213,507	189,545
Euros	14,679	20,642
US dollars	6	20,823
Indian rupees	4,787	6,435
Other	3,606	2,646
	236,585	240,091

14 Long-term borrowings

	Note	2010	2009
Saudi Industrial Development Fund ("SIDF") loans	14.1	6,121	4,802
Commercial bank loans	14.2	22,662	31,126
Loan from a minority shareholder		-	20
		28,783	35,948
Current maturity shown under current liabilities		(8,756)	(11,366)
		20,027	24,582

14.1 SIDF loans

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

14.2 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 2010 through 2017. 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.

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14.3 Currency denomination

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

	2010	2009
Saudi Riyals	6,121	4,82
Euros	12,365	16,91
US dollars	3,833	8,69
South African rands	2,646	2,57
Indian rupees	3,818	2,21
Other	-	723
	28,783	35,94

14.4 Maturity profile of long-term borrowings

Years ending December 31:

	2010	2009
2010	-	11,366
2011	8,756	6,716
2012	7,038	6,793
2013	5,285	4,473
2014	4,012	2,208
2015	1,469	769
Thereafter	2,223	3,623
	28,783	35,948

15 Liabilities against capital leases

The Group has entered into a sale and leaseback transaction 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 6.8% 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:

	2010	2009
Minimum lease payments	6,903	10,59
Less: financial charges not yet due	(403)	(846)
	6,500	9,75
Current maturity shown under current liabilities	(3,250)	(3,250)
	3,250	6,50

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15.1 Maturity profile

Years ending December 31:

	2010	2009
2010	-	3,693
2011	3,537	3,531
2012	3,371	3,372
	6,905	10,596

16 Accounts payable

	2010	2009
Trade	118,507	104,958
Related parties	367	2,701
	118,874	107,659

17 Accrued and other liabilities

	Note	2010	2009
Salaries, wages and benefits		16,009	14,979
Advances from customers		45,208	39,578
Provisions against claims and onerous contracts		9,366	9,221
Derivative financial instruments (negative fair values)	29	1,290	2,781
Sales agency fees		4,286	2,644
Financial charges		1,618	1,633
Accrued expenses and other		25,642	27,996
		103,419	98,832

18 Zakat and taxes matter

18.1 Components of zakat base

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

18.2 Provision for zakat and taxes at December 31

	2010	2009
Zakat for SAAC	8,353	6,467
Zakat and income taxes for Saudi Arabian subsidiaries	18,322	8,222
Income taxes and other taxes for foreign subsidiaries	24,144	26,701
	50,819	41,390

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

	2010	2009
Current income tax charges	5,385	8,099
Deferred income tax charges	416	938
	5,801	9,037

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

	2010	2009
January 1	3,679	4,246
Charges	(416)	(938)
Currency translation differences	(259)	371
December 31	3,004	3,679

18.4 Provision for zakat charged to the income statement

	2010	2009
Zakat for SAAC	5,943	1,748
Share of SAAC in variation of zakat of subsidiaries	16,390	6,600
	22,333	8,348

Provision for zakat at December 31, 2010 includes provisions recorded for certain zakat matters where SAAC and certain of its Saudi Arabian subsidiaries' position in zakat filings for the years 2002 through 2009 were challenged by the DZIT. Based on inquiries received and discussions held with the DZIT during 2010, the Group's management has agreed on certain add-backs to the zakat base in such zakat filings and, accordingly, the required provisions have been recorded in the accompanying 2010 statement of income.

18.5 Status of assessments

The Company and the Saudi Arabian subsidiaries have received zakat and income tax certificates for the years through 2009. Also see Note 30 for tax contingencies related to certain foreign subsidiaries.

19 Employee termination benefits

	2010	2009
January 1	25,747	26,177
Provisions	3,429	4,639
Payments	(3,880)	(5,063)
Adjustments	(283)	(181)
Currency translation differences	(248)	175
December 31	24,765	25,747

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20 Warranty provisions

	2010	2009
January 1	10,042	6,657
Additions, net	2,445	3,785
Utilized during the year	(911)	(936)
Currency translation differences	3	178
Adjustments	1,874	358
December 31	13,453	10,042

These represent long-term provisions for expected future claims against warranties provided primarily by the pipe manufacturing segment of the Group.

21 Related party matters

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

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

	2010	2009
Sales	9,259	16,169
Purchases	3,829	10,510
Costs and expenses charged	535	-

22 Share capital

The share capital of the Company as of December 31, 2010 and 2009 was comprised of 115.5 million ordinary shares stated at US dollars 2.7 (Saudi Riyals 10) per share.

23 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 currently is not available for distribution to the shareholders of the Company.

24 Selling and marketing expenses

	2010	2009
Salaries and benefits	15,629	16,136
Traveling	3,849	3,073
Sales promotion	3,666	4,986
Information technology and communication	599	667
Depreciation	205	221
Other	2,230	2,594
	26,178	27,677

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25 General and administrative expenses

	2010	2009
Salaries, wages and benefits	32,465	37,445
Provision for doubtful debts	855	10,653
Maintenance	778	328
Traveling	2,737	3,309
Professional services	10,442	9,348
Depreciation and amortization	2,505	4,704
Information technology and communication	3,991	4,432
Other	9,094	9,269
	62,867	79,488

26 Other (expenses) income

	Note	2010	2009
Impairment losses against investments, plant and machinery and intangible assets	10,11,12	(7,426)	(22,547)
Gain from sale of investments	10	660	-
Provision for settlement of claims against foreign subsidiaries		920	(3,459)
Foreign exchange loss		(1,076)	(4,889)
Miscellaneous (expenses) income		(2,830)	5,655
		(9,752)	(25,240)

27 Dividends

During 2010, the Board of Directors of the Company have proposed dividends of US dollars 0.4 (Saudi Riyals 1.5) per share for the year 2010, amounting to a total of US dollars 46.2 million, to the shareholders for their approval in their annual general meeting to be held in 2011.

The shareholders approved dividends of US dollars 0.3 (Saudi Riyals 1.0) per share for the year 2009, amounting to a total of US dollars 30.8 million, during their annual General Assembly meeting held on April 26, 2010 which was fully paid.

28 Earnings (loss) per share

Earnings (loss) per share for the years ended December 31, 2010 and 2009 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.

29 Derivative financial instruments

At December 31, 2010, the Company had outstanding interest rate swap agreements with a commercial bank with negative fair values of US dollars 1.3 million (2009: US dollars 2.8 million). The reversal in negative fair values has been recorded in the income statement and included in "Financial charges" with a corresponding reduction in liability recorded under "Accrued and other liabilities". The interest rate swap arrangements will mature during 2011 to 2013.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2010
(All amounts in United States dollars thousands unless otherwise stated)

30 Contingencies and commitments

- (i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting to US dollars 142.4 million at December 31, 2010. SAAC, collectively with other shareholder of an associate, is also contingently liable for a corporate guarantee amounting to US dollars 69.4 million in relation to borrowing facilities of the associate.
- (ii) Certain foreign subsidiaries have outstanding assessments related to income tax 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.
- (iii) Certain foreign subsidiaries have received third party claims and the Group management expects that no material liability will arise upon ultimate resolution of these claims and, accordingly, no provision for such claims has been made in the accompanying consolidated financial statements.
- (iv) The capital expenditure contracted by the Group but not yet incurred till December 31, 2010 was approximately US dollars 3.6 million (2009: US dollars 5.0 million).