

**ASTRA INDUSTRIAL GROUP COMPANY AND ITS  
SUBSIDIARIES (A Saudi Joint Stock Company)**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS**

**30 SEPTEMBER 2015**

ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES  
(A Saudi Joint Stock Company)

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

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## LIMITED REVIEW REPORT

To the shareholders of Astra Industrial Group Company  
(A Saudi Joint Stock Company)

### Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Astra Industrial Group Company (the "Company") - A Saudi Joint Stock Company - and its subsidiaries (the "Group") as of 30 September 2015 and the related interim consolidated statement of income for the three-month and nine-month periods ended 30 September 2015 and the interim consolidated statement of cash flows for the nine-month period then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organisation for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young

Abdulaziz A. Al-Sowailim  
Certified Public Accountant  
Registration No. 277



Riyadh: 7 Muhurram 1437H  
(20 October 2015)

ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)

AS AT 30 September 2015

	<i>Notes</i>	<i>30 September 2015 SR</i>	<i>30 September 2014 SR</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		234,851,318	131,512,886
Accounts receivable, net		1,102,724,020	1,082,644,398
Amounts due from related parties		45,758,510	65,771,573
Inventories, net		787,654,878	745,088,379
Prepayments and other current assets		237,424,725	197,174,715
<b>Total current assets</b>		<b>2,408,413,451</b>	<b>2,222,191,951</b>
<b>Non-current assets</b>			
Investment in an associate		1,452,850	1,452,850
Property, plant and equipment		1,460,187,584	1,393,992,183
Goodwill		44,054,811	44,054,811
Other intangible assets		13,297,983	11,408,027
<b>Total non-current assets</b>		<b>1,518,993,228</b>	<b>1,450,907,871</b>
<b>TOTAL ASSETS</b>		<b>3,927,406,679</b>	<b>3,673,099,822</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short term murabaha and tawaroq loans	4	656,465,375	1,057,754,033
Current portion of Murabaha loan	5	69,320,000	-
Notes payable		-	530,928
Accounts payable		200,671,111	202,584,539
Amounts due to related parties		10,634,765	7,331,119
Accrued expenses and other current liabilities		266,536,720	185,371,117
Zakat and income tax payable		31,370,303	12,511,844
<b>Total current liabilities</b>		<b>1,234,998,274</b>	<b>1,466,083,580</b>
<b>Non-current liabilities</b>			
Murabaha loan	5	623,989,120	19,244,844
Amounts due to related parties		379,584,939	346,998,454
Employees' terminal benefits		104,098,165	86,991,679
<b>Total non-current liabilities</b>		<b>1,107,672,224</b>	<b>453,234,977</b>
<b>TOTAL LIABILITIES</b>		<b>2,342,670,498</b>	<b>1,919,318,557</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	6	800,000,000	741,176,470
Statutory reserve		406,568,677	406,568,677
Retained earnings	9	719,598,684	778,495,855
Foreign currency translation reserve		(136,840,402)	(72,982,102)
Effect of acquisition transaction with minority interest without change in control	2	(14,338,537)	(14,338,537)
<b>Total shareholders' equity</b>		<b>1,774,988,422</b>	<b>1,838,920,363</b>
<b>Minority interests</b>		<b>(190,252,241)</b>	<b>(85,139,098)</b>
<b>Total equity</b>		<b>1,584,736,181</b>	<b>1,753,781,265</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,927,406,679</b>	<b>3,673,099,822</b>

The accompanying notes 1 to 10 form an integral part of these interim consolidated financial statements.

ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015

	<i>Notes</i>	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Revenues		381,830,173	439,808,912	1,333,171,564	1,391,938,310
Cost of revenues		(251,827,274)	(313,864,376)	(858,575,102)	(944,563,668)
<b>GROSS PROFIT</b>		<b>130,002,899</b>	<b>125,944,536</b>	<b>474,596,462</b>	<b>447,374,642</b>
<b>EXPENSES</b>					
Selling and marketing		(87,288,264)	(74,849,719)	(276,202,612)	(251,868,431)
General and administrative		(38,219,874)	(43,993,773)	(137,910,635)	(134,367,297)
Research and development		(2,577,985)	(1,950,213)	(10,647,853)	(12,795,989)
<b>TOTAL EXPENSES</b>		<b>(128,086,123)</b>	<b>(120,793,705)</b>	<b>(424,761,100)</b>	<b>(399,031,717)</b>
<b>INCOME FROM MAIN OPERATIONS</b>		<b>1,916,776</b>	<b>5,150,831</b>	<b>49,835,362</b>	<b>48,342,925</b>
Financing charges	4,5	(12,092,812)	(6,709,109)	(33,831,237)	(30,236,412)
Other expense, net		(6,281,994)	(4,523,560)	(22,360,815)	(3,785,764)
<b>(LOSS) INCOME BEFORE MINORITY INTERESTS</b>		<b>(16,458,030)</b>	<b>(6,081,838)</b>	<b>(6,356,690)</b>	<b>14,320,749</b>
Minority interests in the net results of subsidiaries		25,917,908	23,982,208	78,019,207	69,717,348
<b>NET INCOME FOR THE PERIOD</b>		<b>9,459,878</b>	<b>17,900,370</b>	<b>71,662,517</b>	<b>84,038,097</b>
<b>EARNINGS PER SHARE:</b>					
Attributable to income from main operations		0.02	0.06	0.62	0.60
Attributable to net income for the period		0.12	0.22	0.90	1.05

The accompanying notes 1 to 10 form an integral part of these interim consolidated financial statements.

ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

	2015 SR	2014 SR
<b>OPERATING ACTIVITIES</b>		
Net income for the period	71,662,517	84,038,097
Adjustments for:		
Depreciation	87,725,153	83,260,143
Amortisation	5,474,710	5,270,033
Minority interests in the net results of subsidiaries	(78,019,207)	(69,717,348)
Changes in operating assets and liabilities:		
Accounts receivable, net	(56,591,950)	(76,938,376)
Amounts due from related parties	10,977,631	(5,101,822)
Inventories, net	(68,588,162)	43,089,499
Prepayments and other current assets	(37,096,469)	12,394,013
Accounts payable	40,958,660	69,618,572
Amounts due to related parties	(300,095)	(36,053,607)
Accrued expenses and other current liabilities	50,826,184	(12,904,152)
Employees' terminal benefits, net	15,085,011	11,188,294
Cash from operations	42,113,983	108,143,346
Zakat and income tax paid	(21,795,923)	(26,151,846)
<b>Net cash from operating activities</b>	<b>20,318,060</b>	<b>81,991,500</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(109,565,304)	(154,225,743)
Proceeds from sale of property, plant and equipment	285,120	2,802,003
Other intangible assets	(3,493,675)	(3,940,540)
<b>Net cash used in investing activities</b>	<b>(112,773,859)</b>	<b>(155,364,280)</b>
<b>FINANCING ACTIVITIES</b>		
(Repayment) proceeds from short term murabaha and tawaroq loans, net	(409,668,050)	114,698,622
Proceeds from murabaha loan	643,143,144	19,244,844
Notes payable	(7,346,248)	(8,464,113)
Due to related parties	13,370,496	17,891,622
Dividends paid	(55,588,235)	(129,705,882)
Board members' remuneration	(1,800,000)	(1,800,000)
Minority interests, net	6,840,927	175,196
<b>Net cash from financing activities</b>	<b>188,952,034</b>	<b>12,040,289</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>96,496,235</b>	<b>(61,332,491)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	207,707,829	197,320,536
Foreign currency translation reserve	(69,352,746)	(4,475,159)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>234,851,318</b>	<b>131,512,886</b>

The accompanying notes 1 to 10 form an integral part of these interim consolidated financial statements.

# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
30 SEPTEMBER 2015

## 1. ORGANIZATION AND ACTIVITIES

Astra Industrial Group Company (the "Company") is a Saudi Joint Stock Company licensed under foreign investment license number 030114989-01 issued in Riyadh by SAGIA and operating under commercial registration number 1010069607 issued in Riyadh on 9 Muharram 1409H (August 22, 1988).

The Company is engaged in the following activities:

- Building, managing, operating and investing in industrial plants after obtaining approvals from the Saudi Arabian General Investment Authority (SAGIA) for each project. .
- The wholesale and retail trade in clothing, towels, blankets, fertilizers, animal feed, insecticides, irrigation equipment, agricultural machinery and equipment, greenhouses, agricultural and animal products and gardening contracts.

The principal activities of the subsidiaries are as follows:

- Production, marketing and distribution of medicine and pharmaceutical products.
- Production of polymer compounds, plastic additives, color concentrates and other plastic products.
- Metal based construction of industrial buildings and building frames.
- Production of compounded fertilizers and agriculture pesticides and the wholesale and retail trading of fertilizers, forages and insecticides. Also, execution of agricultural projects contracts.
- Production of steel pallets and steel rebar and generation of the required power of such activity.
- Exploration of all ores and minerals in all regions of the Kingdom of Saudi Arabia except for those land and marine areas that ate out of the scope of application of the mining investment regulations as stipulated in Article (8) of the said regulation.

## 2. BASIS OF CONSOLIDATION

The interim consolidated financial statements are comprised of the interim financial statements of the Company and its subsidiaries ("Group"), as adjusted by the elimination of significant inter-company balances and transactions. A subsidiary is an entity in which the Company has a direct or indirect equity investment of more than 50% or over which it exerts effective control. Minority interests represent the portion of equity, in the Company's subsidiaries, which are not attributable, directly or indirectly, to the Company. Minority interests are shown separately under equity in the interim consolidated balance sheet. The minority interests in the net results of subsidiaries are shown separately in the interim consolidated statement of income.

The financial statements of the subsidiaries are prepared using accounting policies which are consistent with those of the Company.

The subsidiary companies incorporated into these interim consolidated financial statements are as follows:

Subsidiary Company	Country of incorporation	Percentage of ownership (directly or indirectly)	
		2015 %	2014 %
<b>Tabuk Pharmaceutical Manufacturing Company ("TPMC")</b>	Kingdom of Saudi Arabia	<b>100</b>	100

TPMC has the following subsidiaries:

- Tabuk Pharmaceutical Research Company	Kingdom of Jordan	<b>100</b>	100
- Tabuk Pharmaceutical Company Limited	Republic of the Sudan	<b>100</b>	100
- Tabuk Pharmaceutical Manufacturing Company	Arab republic of Egypt	<b>100</b>	100
- Tabuk Pharmaceutical Company	Arab republic of Egypt	<b>100</b>	-
- Tabuk Eurl Algeria	People's Democratic Republic of Algeria	<b>100</b>	100
- Al Bareq Pharmaceutical Manufacturing Factory Company Limited	Kingdom of Saudi Arabia	<b>100</b>	100

**ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
 30 SEPTEMBER 2015

**2. BASIS OF CONSOLIDATION (continued)**

<i>Subsidiary Company</i>	<i>Country of incorporation</i>	<i>Percentage of ownership (directly or indirectly) %</i>	
		<i>2015</i>	<i>2014</i>
<b>Astra Polymer Compounding Company Limited ("Polymer")</b>	Kingdom of Saudi Arabia	<b>100</b>	100
Polymer has the following subsidiaries:			
- Astra Polymers free zone Imalat Sanayi Ve Ticaret Anonim Sirketi.	Republic of Turkey	<b>100</b>	100
- Astra Polymer Pazarlama San. Ve Tic. A.Ş	Republic of Turkey	<b>100</b>	-
- Astra Specialty Compounds India Private Limited	Republic of India	<b>100</b>	100
<b>International Building Systems Factory Company Limited ("IBSF")</b>	Kingdom of Saudi Arabia	<b>100</b>	100
IBSF has the following subsidiary:			
- Astra Heavy Industries Factory Limited ("AHI")	Kingdom of Saudi Arabia	<b>100</b>	100
<b>Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem")</b>	Kingdom of Saudi Arabia	<b>100</b>	100
AstraChem has the following foreign subsidiaries:			
- AstraChem Saudia	People's Democratic Republic of Algeria	<b>100</b>	100
- AstraChem Morocco	Kingdom of Morocco	<b>100</b>	100
- Aggis International Limited	British Virgin Islands	<b>100</b>	100
- AstraChem Turkey	Republic of Turkey	<b>100</b>	100
- AstraChem Syria	Syrian Arab Republic	<b>100</b>	100
- AstraChem Tashqand	Republic of Uzbekistan	<b>100</b>	100
- Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, Jordan	Kingdom of Jordan	<b>50</b>	50
- Astra Nova, Turkey	Republic of Turkey	<b>92.4</b>	92.4
- AstraChem Ukraine Ltd.	Ukraine	<b>100</b>	100
- AstraChem Saudi Jordan Co.	Arab republic of Egypt	<b>100</b>	100
- Astra Agricultural Saudi Jordan Co.	Arab republic of Egypt	<b>100</b>	100
- Astra Industrial Complex for Fertilizers and Agrochemicals and Investments	Sultanate of Oman	<b>99</b>	99
<b>Al-Tanmiya Company for Steel Manufacturing ("Tanmiya")</b>	Kingdom of Jordan	<b>51</b>	51
Tanmiya has the following subsidiary:			
- Al Inma'a Company (note 7)	Republic of Iraq	<b>100</b>	100
<b>Astra Energy LLC ("Astra Energy")</b>	Kingdom of Jordan	<b>76</b>	76
Astra Energy has the following subsidiary:			
- Fertile Crescent for Electricity Generation Company	Republic of Iraq	<b>100</b>	100
<b>Astra Mining Company Limited ("Astra Mining")</b>	Kingdom of Saudi Arabia	<b>60</b>	60



# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES

## (A Saudi Joint Stock Company)

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
30 SEPTEMBER 2015

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard on Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The significant accounting policies adopted by the Group in preparing these interim consolidated financial statements, summarised below, are in conformity with those described in the annual audited consolidated financial statements for the year ended 31 December 2014.

#### **Basis of preparation**

These interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2014. In management's opinion, the interim consolidated financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.

The Group's interim results may not be indicative of its annual results.

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

#### **Accounting convention**

These interim consolidated financial statements are prepared under the historical cost convention.

#### **Use of estimates**

The preparation of these interim consolidated financial statements by management requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. The actual results ultimately may differ from these estimates.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

#### **Accounts receivable**

Accounts receivable are stated at the invoiced amount less provision for any doubtful debts. An estimate for doubtful debts is made when the collection of the receivable amount is considered doubtful and charged to the interim consolidated statement of income. Bad debts are written off as incurred.

#### **Inventories**

Inventories are stated at the lower of cost or market value. Cost of raw and packing materials, spare parts and consumables, and finished goods is principally determined on a weighted average cost basis. Inventories of work in progress and finished goods include cost of materials, labor and an appropriate proportion of direct overheads. When inventories become old or obsolete, a provision for slow moving and obsolete inventories is provided and charged to the interim consolidated statement of income.

# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
30 SEPTEMBER 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Investment in an associate**

The Group's investment in associate are accounted for using equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in associate is carried in the interim consolidated balance sheet at cost adjusted by the changes in the Group's share of net assets of the associate. The interim consolidated statement of income reflects the share of the results of operation of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any change and discloses this, when applicable, in shareholders' equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of interest in an associate.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation except for land and construction work in progress which are stated at cost. Expenditure for maintenance and repairs is expensed, while expenditure for improvements is capitalised. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method.

Leasehold improvements are amortised over the shorter of the estimated useful life or the remaining term of the lease. The capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The estimated useful lives of the principal classes of assets for the calculation of depreciation are as follows:

	Years
Buildings	10 - 33
Leasehold improvements	4 - 10
Machinery and equipment	5 - 12.5
Furniture, fixtures and office equipment	3 - 10
Vehicles	4

### **Intangible assets**

#### *Goodwill*

The excess of consideration paid over the fair value of net assets acquired is recorded as goodwill. Goodwill is periodically re-measured and reported in the interim consolidated financial statements at carrying value after being adjusted for impairment, if any.

#### *Other intangible assets/amortisation*

Costs which have a long term future benefits are treated as other intangible assets and are amortised over the estimated period of benefit. Other intangible assets represent registration and license fees and are amortized on a straight-line method over a period of 4 to 7 years and charged to the interim consolidated statement of income.

The carrying values of other intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being their value in use. The excess of carrying value over the estimated recoverable amount is charged to the interim consolidated statement of income.

ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
30 SEPTEMBER 2015

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment**

The Group periodically reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognised in the interim consolidated statement of income.

Except for goodwill, where impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or cash generating unit in prior years. A reversal of impairment is recognised immediately in the interim consolidated statement of income.

**Accounts payable and accruals**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

**Provision**

Provision is recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

**Loans and borrowings**

Loans and borrowings are recognised at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of those assets. Other borrowing costs are charged to the interim consolidated statement of income.

**Murabaha investments**

Murabaha investments are short-term highly liquid investments with original maturities of three months or more but not more than one year from the purchase date. Commission income is recognised on an accrual basis using agreed commission rates.

**Zakat and income tax**

Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to retained earnings. Additional amounts, if any, that may become due on finalisation of an assessment are recorded in the year in which the assessment is finalised.

Taxation of foreign subsidiaries, if any, are provided for in accordance with income tax regulations of the countries in which they operate and charged to the interim consolidated statement of income.

Deferred income taxes are recognised on all major temporary differences between financial income and taxable income during the year in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognised to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilised. Deferred income taxes are determined using tax rates which have been enacted by the interim consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income taxes arising out of such temporary differences were not significant and, accordingly, were not recorded at period end.

The Group and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
30 SEPTEMBER 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Employees' terminal benefits**

Provision is made for amounts payable related to the accumulated periods of service at the balance sheet date in accordance with the employees' contracts of employment.

### **Statutory reserve**

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income in each year until it has built up a reserve equal to one half of the capital. Also, the share premium is added to the statutory reserve. The reserve is not available for distribution.

### **Revenue recognition**

Sales represent the invoiced value of goods supplied and services rendered by the Group during the period. Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably; normally on delivery to the customer. Revenues from rendering of services are recognised when contracted services are performed.

Royalty income is recognized on an accrual basis in accordance with the substance of agreements.

Contract revenue comprises the accrued value of work executed during the period. For long term contracts, revenue is recognised on the basis of costs incurred to date, using the percentage of completion method. In the case of unprofitable contracts, provision is made for foreseeable losses in full.

### **Expenses**

Selling and marketing expenses are those that mainly relate to salesmen and sales department, where research and development expenses specifically relate to costs related to the research and development department. All other expenses are allocated on a consistent basis to cost of sales and general and administration expenses in accordance with allocation factors determined as appropriate by the Group.

### **Operating leases**

Operating lease payments are recognised as an expense in the interim consolidated statement of income on a straight line basis over the term of the lease.

### **Earnings per share**

Basic earnings per share from main operations are calculated by dividing income (loss) from main operations for the period by the weighted average of number of shares outstanding during the period.

Basic earnings per share from net income are calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period. The outstanding number of shares is retrospectively adjusted for prior period to reflect the number of bonus shares issued during the period.

### **Segmental reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

### **Foreign currencies**

#### *Transactions*

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the interim consolidated balance sheet date. All differences are taken to the interim consolidated statement of income.

#### *Foreign currency translations*

Financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at each balance sheet date, for assets and liabilities, and the average exchange rate for each period for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of shareholders' equity.

# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES

## (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
30 SEPTEMBER 2015

#### 4. SHORT TERM MURABAHA AND TAWAROQ LOANS

The Group has bank facilities in the form of murabaha, short-term tawaroq and other credit facilities to meet the working capital requirements. As at the interim consolidated balance sheet date, SR 656.47 million was utilised (30 September 2014: 1.06 billion). The facilities bear special commission at prevailing market rates. These facilities are secured by corporate guarantees.

#### 5. MURABAHA LOAN

The Group has a long-term Murabaha loan facility (the "facility") with a local bank to finance its capital expenditure. At the interim consolidated balance sheet date, SR 693.31 million was utilised (30 September 2014: 19.24 million). The facility is primarily denominated in Saudi Riyal, secured by corporate guarantees and bears special commission charges at an agreed fixed rate plus SIBOR. The loan is repayable within six years by semi-annual equal installments from the date the facility was availed, including one year grace period.

As at the balance sheet date, current portion of the long-term Murabaha loan is SR 69.32 million.

#### 6. SHARE CAPITAL

The share capital of the Company as of 30 September 2015 comprises of 80,000,000 shares (30 September 2014: 74,117,647 shares) of SR 10 each. The share capital is held as follows:

Shareholders	Shareholding %	
	30 September 2015	30 September 2014
Saudi founding shareholders	57.59%	57.63%
Non-Saudi founding shareholders	11.34%	11.11%
Public	31.07%	31.26%
	<u>100.00%</u>	<u>100.00%</u>

During the period, the Extraordinary General Assembly, in its meeting held on 9 Rajab 1436H (corresponding to 28 April 2015), resolved to increase the share capital by SR 58,823,530 from the retained earnings (by issuing five bonus shares for every 63 shares held). The legal formalities required to enforce the increase the share capital are completed.

#### 7. SEGMENT INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by board of directors in respect of the Group's activities. Transactions between the business segments are recorded based on the Group's transfer pricing policy. The Group operates principally through the following major business segments:

- (i) Pharmaceuticals;
- (ii) Specialty chemicals;
- (iii) Power and steel industries; and
- (iv) Company and other.

**ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
 30 SEPTEMBER 2015

**7. SEGMENT INFORMATION (continued)**

The Group's interim consolidated revenues, gross profit, net income, property, plant and equipment, total assets and total liabilities by business segments, are as follows:

	<i>Pharmaceuticals</i> SR	<i>Specialty chemical</i> SR	<i>Power and steel</i> <i>industries</i> SR	<i>Company and</i> <i>other</i> SR	<i>Total</i> SR
<b><u>30 September 2015</u></b>					
Revenues	639,235,227	455,969,910	237,966,427	-	<b>1,333,171,564</b>
Gross profit (loss)	398,556,250	130,469,506	(54,429,294)	-	<b>474,596,462</b>
Net income (loss) for the period	85,511,420	38,440,932	(23,481,127)	(28,808,708)	<b>71,662,517</b>
Property, plant and equipment	488,225,770	170,030,204	760,802,660	41,128,950	<b>1,460,187,584</b>
Total assets	1,635,379,333	823,432,610	1,384,920,742	83,673,994	<b>3,927,406,679</b>
Total liabilities	878,238,158	486,956,561	769,784,094	207,691,685	<b>2,342,670,498</b>
<b><u>30 September 2014</u></b>					
Revenues	657,784,117	432,575,159	301,579,034	-	1,391,938,310
Gross profit (loss)	399,875,591	98,176,002	(50,676,951)	-	447,374,642
Net income (loss) for the period	98,300,226	51,252,653	(48,017,122)	(17,497,660)	84,038,097
Property, plant and equipment	407,139,146	154,881,707	813,720,560	18,250,770	1,393,992,183
Total assets	1,425,164,583	770,782,487	1,427,703,903	49,448,849	3,673,099,822
Total liabilities	531,275,762	341,722,866	525,797,261	520,522,668	1,919,318,557

The Group's operations are conducted principally in Saudi Arabia, in addition to Iraq and other countries. Selected financial information as of 30 September for the periods then ended are summarised by geographic area, as follows:

	<i>Kingdom of Saudi</i> <i>Arabia</i> SR	<i>Republic of Iraq</i> SR	<i>Other areas</i> SR	<i>Total</i> SR
<b><u>30 September 2015</u></b>				
Revenues	767,052,594	64,285,946	501,833,024	<b>1,333,171,564</b>
Total assets	2,059,480,395	929,478,778	938,447,506	<b>3,927,406,679</b>
<b><u>30 September 2014</u></b>				
Revenues	827,561,604	144,311,206	420,065,500	1,391,938,310
Total assets	1,931,883,988	1,012,676,845	728,538,989	3,673,099,822

During the period, the Group has decided to suspend the production in Al Inma'a Company facility, which is owned by Tanmiya (a subsidiary company), and will likely resume production once a relative stability in the Republic of Iraq and recovery in demand is anticipated.

**8. CONTINGENTIES**

As at 30 September 2015, the Group had contingent liabilities arising in the normal course of business. The Group's bankers have issued letters of credit amounting to SR 94.10 million (30 September 2014: SR 66 million) and letters of guarantee amounting to SR 110 million (30 September 2014: SR 153 million) in the normal course of business.

**9. DIVIDENDS DISTRIBUTION**

The Extraordinary General Assembly approved the following distributions from the retained earnings:

- Cash dividends of SR 55.59 million (SR 0.75 per share).
- Payment of SR 1.8 million as Board of Directors' remuneration.

**10. COMPARATIVE FIGURES**

Certain of the prior period figures have been reclassified to conform with the current period's presentation.