

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND
INDEPENDENT AUDITORS' REPORT

**ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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INDEPENDENT AUDITORS' REPORT

February 25, 2015

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

Scope of audit

We have audited the accompanying consolidated balance sheet of Astra Industrial Group Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (26) which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By: _____
Omar M. Al Sagga
License Number 369

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated balance sheet
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at December 31,	
		2014	2013
Assets			
Current assets			
Cash and cash equivalents	4	207,707,829	197,320,536
Accounts receivable	5	1,046,132,070	1,005,706,022
Due from related parties	9	56,736,141	60,669,751
Inventories	6	719,066,716	788,177,878
Prepayments and other current assets	7	199,258,226	208,706,260
		<u>2,228,900,982</u>	<u>2,260,580,447</u>
Non-current assets			
Investment in unconsolidated subsidiaries and associates	8	2,522,880	2,315,318
Property, plant and equipment	10	1,438,632,553	1,325,828,587
Goodwill	11	44,054,811	44,054,811
Intangible assets	12	15,279,018	12,737,519
		<u>1,500,489,262</u>	<u>1,384,936,235</u>
Total assets		<u>3,729,390,244</u>	<u>3,645,516,682</u>
Liabilities			
Current liabilities			
Murabaha and tawaroq facilities	13	1,066,133,425	943,055,411
Notes payable		7,346,248	8,995,041
Accounts payable		159,712,451	132,965,967
Due to related parties	9	10,934,860	43,384,726
Accrued and other liabilities	14	215,710,536	198,275,269
Provision for zakat and income tax	15	36,945,716	34,893,270
		<u>1,496,783,236</u>	<u>1,361,569,684</u>
Non-current liabilities			
Due to related parties	9	366,214,443	329,106,832
End of service benefits	16	89,013,154	75,803,385
Long-term borrowing	17	50,165,976	-
Total liabilities		<u>2,002,176,809</u>	<u>1,766,479,901</u>
Equity			
Shareholders of the Company:			
Share capital	18	741,176,470	741,176,470
Statutory reserve	19	406,568,677	406,568,677
Retained earnings		780,368,442	829,734,060
Effect of acquisition transaction with non-controlling interest without change in control		(14,338,537)	(14,338,537)
Foreign currency translation reserve		(67,487,656)	(68,506,943)
Total shareholders' equity		<u>1,846,287,396</u>	<u>1,894,633,727</u>
Non-controlling interest		(119,073,961)	(15,596,946)
Total equity		<u>1,727,213,435</u>	<u>1,879,036,781</u>
Total liabilities and equity		<u>3,729,390,244</u>	<u>3,645,516,682</u>

Contingencies and commitments

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The notes on pages 6 to 20 form an integral part of these consolidated financial statements.

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated income statement
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2014	2013
Revenues		1,918,806,481	1,771,426,340
Cost of revenues		<u>(1,314,173,348)</u>	<u>(1,087,619,681)</u>
Gross profit		604,633,133	683,806,659
Operating expenses			
Selling and marketing	20	(346,276,521)	(305,681,582)
General and administrative	21	(179,380,098)	(187,240,494)
Research and development		<u>(19,080,104)</u>	<u>(13,847,950)</u>
Income from main operations		59,896,410	177,036,633
Other income (expenses)			
Share in net income of unconsolidated subsidiaries and associates	8	207,562	319,117
Financial charges		(42,476,734)	(28,316,874)
Others, net	22	<u>(7,840,926)</u>	<u>62,318,332</u>
Income before non-controlling interest		9,786,312	211,357,208
Loss attributable to non-controlling interest		<u>99,545,027</u>	<u>41,780,868</u>
Net income for the year		<u>109,331,339</u>	<u>253,138,076</u>
Earnings per share:			
Income from main operations	23	0.81	2.39
Net income for the year		<u>1.48</u>	<u>3.42</u>

The notes on pages 6 to 20 form an integral part of these consolidated financial statements.

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated cash flow statement
(All amounts in Saudi Riyals unless otherwise stated)

	Note	<u>For the year ended December 31,</u>	
		2014	2013
Cash flows from operating activities			
Net income for the year		109,331,339	253,138,076
<u>Adjustments for non-cash items</u>			
Depreciation	10	111,236,919	52,627,485
Amortization	12	5,845,927	6,054,029
Financial charges – due to related parties		16,840,530	15,244,088
Share in net income of unconsolidated subsidiaries and associates	8	(207,562)	(319,117)
Loss attributable to non-controlling interest		(99,545,027)	(41,780,868)
<u>Changes in working capital</u>			
Accounts receivable		(40,426,048)	(243,254,391)
Due from related parties		3,933,610	(5,561,326)
Inventories		69,111,162	28,285,392
Prepayments and other current assets		9,448,034	(30,982,937)
Accounts payable		26,746,484	(6,629,029)
Due to related parties		(32,449,866)	40,616,039
Accrued and other current liabilities		17,435,267	30,090,789
End of service benefits, net	16	13,209,769	11,606,828
Net cash generated from operating activities		210,510,538	109,135,058
Cash flows from investing activities			
Murabaha investments		-	407,681,759
Purchases of property, plant and equipment	10	(247,664,064)	(236,166,567)
Proceeds from sale of property, plant and equipment, net		23,623,179	4,499,795
Intangible assets, net	12	(8,387,426)	(3,587,667)
Net cash (utilized in) generated from investing activities		(232,428,311)	172,427,320
Cash flows from financing activities			
Murabaha and tawaroq facilities		123,078,014	(73,468,842)
Long-term borrowing, net	17	50,165,976	-
Due to related party		20,267,081	27,726,608
Zakat and income tax paid	15	(25,138,629)	(25,571,743)
Notes payable		(1,648,793)	(8,587,603)
Dividends paid	25	(129,705,882)	(129,705,882)
Board members' remuneration		(1,800,000)	(1,800,000)
Non-controlling interest, net		(3,931,988)	(3,003,807)
Net cash generated from (utilized in) financing activities		31,285,779	(214,411,269)
Net increase in cash and cash equivalents		9,368,006	67,151,109
Cash and cash equivalents at beginning of year		197,320,536	155,310,007
Foreign currency translation reserve		1,019,287	(25,140,580)
Cash and cash equivalents at end of year	4	207,707,829	197,320,536
Supplemental non-cash information:			
Due to related parties – financial charges		16,840,530	15,244,088
Provision for zakat and income tax charged to shareholders' equity	15	27,191,075	29,932,500

The notes on pages 6 to 20 form an integral part of these consolidated financial statements.

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of changes in shareholders' equity
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Effect of acquisition transaction with non-controlling interest without change in control	Foreign currency translation reserve	Changes in fair value of cash flow hedges	Total
January 1, 2014		741,176,470	406,568,677	829,734,060	(14,338,537)	(68,506,943)	-	1,894,633,727
Net income for the year		-	-	109,331,339	-	-	-	109,331,339
Dividends	25	-	-	(129,705,882)	-	-	-	(129,705,882)
Board members' remuneration		-	-	(1,800,000)	-	-	-	(1,800,000)
Currency translation difference of consolidated subsidiaries		-	-	-	-	1,019,287	-	1,019,287
Zakat and income tax	15	-	-	(27,191,075)	-	-	-	(27,191,075)
December 31, 2014		741,176,470	406,568,677	780,368,442	(14,338,537)	(67,487,656)	-	1,846,287,396
January 1, 2013		741,176,470	406,568,677	738,034,366	-	(43,366,363)	(84,240)	1,842,328,910
Net income for the year		-	-	253,138,076	-	-	-	253,138,076
Dividends		-	-	(129,705,882)	-	-	-	(129,705,882)
Board members' remuneration		-	-	(1,800,000)	-	-	-	(1,800,000)
Acquisition of non-controlling interest without change in control		-	-	-	(14,338,537)	-	-	(14,338,537)
Currency translation difference of consolidated subsidiaries		-	-	-	-	(25,140,580)	-	(25,140,580)
Changes in fair value of cash flow hedges		-	-	-	-	-	84,240	84,240
Zakat and income tax	15	-	-	(29,932,500)	-	-	-	(29,932,500)
December 31, 2013		741,176,470	406,568,677	829,734,060	(14,338,537)	(68,506,943)	-	1,894,633,727

The notes on pages 6 to 20 form an integral part of these consolidated financial statements.

ASTRA INDUSTRIAL GROUP COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2014**

(All amounts in Saudi Riyals unless otherwise stated)

1) General information

Astra Industrial Group Company (the "Company") and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries listed below. The Company's main objectives include establishment, management, operating and investment in industrial entities (subject to obtaining the Saudi Arabian General Investment Authority ("SAGIA") approval for each project to be established).

The Company is a Saudi Joint Stock Company licensed under foreign investment license No. 030114989-01 issued in Riyadh by SAGIA and operating under commercial registration No. 1010069607 issued in Riyadh on 9 Muharram 1409H (August 22, 1988). The registered address of the Company is P.O. Box 1560, Riyadh 11441, Kingdom of Saudi Arabia. The shares of Astra Industrial Group Company were listed on the Saudi Stock Market ("Tadawul") on 17 Shabaan 1429H (August 18, 2008) through subscription of 30% of the Company's shares by the public.

The accompanying consolidated financial statements include the accounts of the Company and its following subsidiaries, operating under individual commercial registrations:

Name of subsidiary	Country of incorporation	Effective ownership % at year end
➤ Tabuk Pharmaceutical Manufacturing Company ("TPMC")		
This Company has the following subsidiaries:	Saudi Arabia	100
- Tabuk Pharmaceutical Research Company	Jordan	100
- Tabuk Pharmaceutical Company Limited	Sudan	100
- Tabuk Pharmaceutical Manufacturing Company	Egypt	100
- Tabuk Pharmaceutical Company	Egypt	100
- Tabuk Eurl Algeria	Algeria	100
➤ Astra Polymer Compounding Company Limited ("Polymer")		
This Company has the following subsidiaries:	Saudi Arabia	100
- Astra Polymers free zone Imalat Sanayi Ve Ticaret Anonim Sirketi. (Formerly named Constab Middle East Polimer A.S. ("CMEP"))	Turkey	100
- Astra Polymer Pazarlama San. Ve Tic. A.Ş *	Turkey	100
- Astra Specialty Compounds India Private Limited	India	100
➤ International Building Systems Factory Company Limited ("IBSF")		
The Company has the following subsidiary:	Saudi Arabia	100
- Astra Heavy Industries Factory Limited ("AHI")	Saudi Arabia	100
➤ Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem")		
This Company has the following foreign subsidiaries:	Saudi Arabia	100
- AstraChem Saudia	Algeria	100
- AstraChem Morocco	Morocco	100
- Aggis International Limited	British Virgin Islands	100
- AstraChem Turkey	Turkey	100
- AstraChem Syria	Syria	100
- AstraChem Tashqand	Uzbekistan	100
- Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, Jordan	Jordan	50
- Astra Nova, Turkey	Turkey	92.4
- AstraChem Ukraine Ltd.	Ukraine	100
- AstraChem Saudi Jordan Co.	Egypt	100
- Astra Agricultural Saudi Jordan Co.	Egypt	100
- Astra Industrial Complex for Fertilizers and Agrochemicals and Investments	Oman	99
➤ Al-Tanmiya Company for Steel Manufacturing		
The Company has the following subsidiary:	Jordan	51
- Al Inma'a Company	Iraq	100
➤ Astra Energy LLC		
The Company has the following subsidiary:	Jordan	76
- Fertile Crescent for Generate Electricity Company	Iraq	100
➤ Astra Mining Company Limited	Saudi Arabia	60

ASTRA INDUSTRIAL GROUP COMPANY

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Notes to the consolidated financial statements for the year ended December 31, 2014

(All amounts in Saudi Riyals unless otherwise stated)

*The company incorporated during 2014.

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 contracting projects.
- Production of steel pallets and 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 beyond the scope of application of the mining investment law specified in Article No. 8 of the law.

During the year, Al Bareq Pharmaceutical Manufacturing Factory Company Limited (Al Bareq) has been merged into TPMC. Previously, Al Bareq was owned 95% and 5% by TPMC and Astra Industrial Group Company (AIG), respectively.

The Group has operation in Sudan through its subsidiary namely, Tabuk Pharmaceutical Company Limited. The cumulative three years inflation rate for Sudan exceeded 100% as of December 31, 2014, this, combined with other indicators, resulted Sudan being declared as hyperinflationary economy. The financial effect of hyperinflation as specified in International Accounting Standards IAS 29, Financial Reporting in Hyperinflationary Economies is not considered material in these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on 6 Jumada Al-Awal 1436H corresponding to 25 February 2015.

2) Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

2.2 Critical accounting estimates and judgments

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

2.3 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Investments in subsidiaries which are not considered as material to the consolidated financial statements are accounted for using the equity method of accounting and are initially recognized at cost.

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 or liabilities incurred or assumed at the date of 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 is tested annually for impairment and carried at cost, net of impairment losses, if any.

ASTRA INDUSTRIAL GROUP COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2014

(All amounts in Saudi Riyals unless otherwise stated)

Where there is a change in the Company's interest in a subsidiary without resulting in loss of control by the Company, the ownership percentage as of the date of preparation of the consolidated financial statements is used to compute the Company's share and non-controlling interest share in the subsidiary's net assets, necessary reconciliations to determine the consolidated net income and the share of non-controlling interests in the subsidiary's net income, and no profit or loss is recognized as a result of the change in the controlling interest.

Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and unconsolidated subsidiaries

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 and unconsolidated subsidiaries are accounted for using the equity method of accounting and are initially recognized at cost.

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

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

2.4 Segment reporting

(a) Business segment

A business segment is a 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 a 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 currency translation

(a) Reporting currency

These consolidated financial statements are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

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

(c) Group companies

The results and financial position of foreign subsidiaries and associates having reporting currencies 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 the related items originated.

ASTRA INDUSTRIAL GROUP COMPANY

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Notes to the consolidated financial statements for the year ended December 31, 2014

(All amounts in Saudi Riyals unless otherwise stated)

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

Dividends received from an associate or a subsidiary is translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated income statement.

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

2.6 Cash and cash equivalents

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

2.7 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 recognized on an accrual basis using agreed commission rates.

2.8 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 consolidated income statement, and reported under "Selling and marketing expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "Selling and marketing expenses" in the consolidated income statement.

2.9 Accrued revenue

Accrued revenue represents revenue earned but not yet billed at year-end. Such amounts will be billed in the subsequent period. These balances are currently included under accounts receivable.

2.10 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the 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.

2.11 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation except projects under construction which is carried at cost. Land is not depreciated. Depreciation is charged to the consolidated income statement, using the straight-line method to allocate the costs of the related assets over the following estimated useful lives:

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

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

ASTRA INDUSTRIAL GROUP COMPANY

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Notes to the consolidated financial statements for the year ended December 31, 2014

(All amounts in Saudi Riyals unless otherwise stated)

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

2.12 Impairment of non-current assets

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

2.13 Intangible assets

Intangible assets, apart from goodwill, represent registration and license fees and are amortized on a straight-line method over a period of 5 years.

2.14 Borrowings

Borrowings are recognized 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 capitalized as part of those assets. Other borrowing costs are charged to the consolidated income statement.

2.15 End of service benefits

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

The foreign subsidiaries provide currently 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.

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 Zakat and taxes

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Group is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Provisions for zakat and income tax are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. For subsidiaries outside the Kingdom of Saudi Arabia, provision for income tax is computed in accordance with tax regulations as applicable in the respective countries, if required, and charged to the consolidated income statement.

Deferred income taxes are recognized 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 recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilized. Deferred income taxes are determined using tax rates which have been enacted by the consolidated 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. Deferred income taxes arising out of such temporary differences were not significant and, accordingly, were not recorded at year end.

ASTRA INDUSTRIAL GROUP COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2014**

(All amounts in Saudi Riyals unless otherwise stated)

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.

2.18 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.19 Revenue recognition

Revenues are recognized upon delivery of products and customer acceptance, if any, or on the performance of services. Revenues are shown net of trade or quantity discounts, if any, and after eliminating sales within the Group. Royalty income is recognized on an accrual basis in accordance with the substance of agreements.

Contract revenues are recognized using the percentage of completion method. The percentage of completion is determined by comparison of contract cost incurred to date with the total estimated cost for the contract. Changes in cost estimates and losses on uncompleted contracts, if any, are recognized in the period they are determined. When it is probable that the total contract costs will exceed the total contract revenues, the expected loss is recognized immediately. Costs and estimated earnings in excess of billing, if any, are included in the current assets. However, billing in excess of costs incurred and estimated earnings, if any, are included in current liabilities.

2.20 Selling, marketing, general and administrative expenses

Selling, marketing, 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 cost of revenues, when required, are made on a consistent basis.

2.21 Research and development costs

Research and development costs are charged to the consolidated income statement in the period in which they are incurred.

2.22 Operating leases

Rental expenses under operating leases are charged to the consolidated income statement over the period of the respective lease.

2.23 Dividends

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

2.24 Earnings per share

Earnings per share for the year ended December 31, 2014 and 2013 have been computed by dividing the income from main operations and net income for each year by weighted average number of shares outstanding during such years.

2.25 Reclassifications

Certain reclassifications have been made in the comparatives to confirm current year presentation.

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3) Financial instruments and risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flows interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by senior management. The most important types of risks are summarized below.

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, accounts receivable, investments in unconsolidated subsidiaries and associates, murabaha and tawaroq facilities, long-term loan, notes payable and accounts payable. 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 reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

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, Turkish Lyra, Euro, UAE Dirham, Jordanian Dinar, Egyptian Pound and Sudanese Pound.

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 Sudanese Pound, Turkish Lyra, Jordanian Dinar and other. Such exposures are recorded as a separate component of shareholders' equity in the accompanying consolidated financial statements.

3.2 Fair value and cash flows 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 murabaha and tawaroq facilities and long term loans which are at floating rate of interest and are subject to repricing on a regular basis.

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 is currently 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. Cash is placed with banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts.

3.5 Liquidity risk

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

3.6 Fair value

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

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4) Cash and cash equivalents

	2014	2013
Cash at banks	205,282,002	195,891,454
Cash in hand	2,425,827	1,429,082
	<u>207,707,829</u>	<u>197,320,536</u>

5) Accounts receivable

	2014	2013
Accounts receivable – trade	1,064,205,658	979,576,548
Unbilled revenue	17,612,744	55,113,991
	<u>1,081,818,402</u>	<u>1,034,690,539</u>
Less: Provision for doubtful debts	(35,686,332)	(28,984,517)
	<u>1,046,132,070</u>	<u>1,005,706,022</u>

6) Inventories

	2014	2013
Raw and packing materials	384,005,197	433,717,432
Finished goods	276,694,715	294,278,813
Work-in-process	26,514,193	22,870,222
Goods in transit	11,830,932	3,202,732
Spare parts and consumables (held not for sale)	40,091,573	42,511,634
	<u>739,136,610</u>	<u>796,580,833</u>
Less: Provision for obsolete and slow moving inventories	(20,069,894)	(8,402,955)
	<u>719,066,716</u>	<u>788,177,878</u>

7) Prepayments and other current assets

	2014	2013
Advances to suppliers	103,480,407	130,702,789
Prepaid expenses	48,087,343	49,515,095
Employees' receivables	14,977,371	13,279,274
Refundable deposits and insurance claims	21,879,531	4,967,369
Value added tax and others	10,833,574	10,241,733
	<u>199,258,226</u>	<u>208,706,260</u>

8) Investment in unconsolidated subsidiaries and associates

	Ownership interest	
	2014	2013
Unconsolidated subsidiaries:		
Tabuk Poland Limited - Poland	100%	100%
Tabugen France - France	100%	100%
Tabuk Czech s.r.o - Czech Republic	100%	100%
	Ownership interest	
	2014	2013
Associates:		
Mastra Agricultural Company - Egypt	49%	49%
Astra Agricultural Company Ltd. - Republic of Yemen	49%	49%

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Movement of the Group's share in unconsolidated subsidiaries and associates is as follows:

	2014	2013
January 1	2,315,318	1,996,201
Share in net income, net	207,562	319,117
December 31	<u>2,522,880</u>	<u>2,315,318</u>

9) Related party transactions and balances

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

	2014	2013
Sales	24,954,791	21,964,483
Purchases	5,698,226	8,074,010
Financial charges	16,840,530	15,244,088

Due from related parties comprises of the following as of December 31:

	2014	2013
Zenith Pharma	21,750,406	21,755,368
Al-Kendi Factory – Algeria	9,754,750	17,859,744
United Pharmaceutical Manufacturing Company	9,117,999	9,117,999
Munir Sukhtian Group – Jordan	7,111,135	6,327,049
Astra Food	174,810	1,917,730
Arab Supply and Trading Company	8,053,986	-
Others	773,055	3,691,861
	<u>56,736,141</u>	<u>60,669,751</u>

Due to related parties comprises of the following as of December 31:

	2014	2013
<u>Current:</u>		
Arab Supply and Trading Company	-	37,014,052
Tharawat Mining Company	9,708,170	4,349,018
Nour Communications Company	1,193,270	1,588,322
Others	33,420	433,334
	<u>10,934,860</u>	<u>43,384,726</u>
<u>Non-current:</u>		
Al Maseera International Company	323,835,591	288,602,981
Mr. Ali Shamara	42,378,852	40,503,851
	<u>366,214,443</u>	<u>329,106,832</u>

Non-current amounts above represent interest based long-term loans from the minority shareholders in Al-Tanmiya Company for Steel Manufacturing and Astra Energy Company (subsidiaries), to finance the construction of the steel factory and a power station. These balances are not scheduled for repayment during next twelve month.

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10) Property, plant and equipment

	Land and buildings	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Projects under construction	Total 2014	Total 2013
Cost							
January 1	342,271,857	1,009,620,609	52,421,360	33,407,790	222,062,900	1,659,784,516	1,429,209,733
Additions	20,144,807	87,811,842	7,762,015	8,516,534	123,428,866	247,664,064	238,166,567
Disposals / transfers	-	-	(1,573,224)	(1,262,846)	(24,932,872)	(27,768,942)	(5,591,784)
December 31	362,416,664	1,097,432,451	58,610,151	40,661,478	320,558,894	1,879,679,638	1,659,784,516
Accumulated depreciation							
January 1	68,940,364	208,399,159	33,829,641	22,786,765	-	333,955,929	282,420,433
Charge for the year	12,258,469	87,577,450	4,855,439	6,545,561	-	111,236,919	52,627,485
Disposals	-	(2,967,373)	(387,534)	(790,856)	-	(4,145,763)	(1,091,989)
December 31	81,198,833	293,009,236	38,297,546	28,541,470	-	441,047,085	333,955,929
Net book value							
December 31, 2014	281,217,831	804,423,215	20,312,605	12,120,008	320,558,894	1,438,632,553	
December 31, 2013	273,331,493	801,221,450	18,591,719	10,621,025	222,062,900	1,325,828,587	

Some of the buildings and plant facilities of the Company's subsidiaries are constructed on land leased under various operating lease agreements at nominal annual rent under renewable operating leases. Projects under constructions mainly represents the expansion of existing plants and new projects.

Land and buildings include net book value of leasehold building improvements amounting to Saudi Riyal 2.8 million (2013: Saudi Riyal 3.9 million).

Last year, mainly in fourth quarter, buildings of Saudi Riyal 111 million and machinery and equipment of Saudi Riyal 586 million transferred from projects under constructions, which resulted additional depreciation charge for the current year.

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11) Goodwill

The recoverable amount of goodwill is determined based on fair value calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period.

The key assumptions used for fair value calculations are as follows:

- 1 Budgeted gross margin.
- 2 Weighted average growth rate
- 3 Discount rate applied to the cash flow projections.

Management determined budgeted gross margin and weighted average growth rates based on past performance and its expectations of market development. The discount rates used are pre-zakat and pre-income tax reflecting specific risks relating to the industry. The results of impairment test at year end indicated no impairment charge. Goodwill is primarily related to Power & Steel and Chemical business segments.

12) Intangible assets, net

	2014	2013
Cost:		
January 1	24,225,274	20,637,607
Additions	8,387,426	3,739,769
Disposals	-	(152,102)
December 31	<u>32,612,700</u>	<u>24,225,274</u>
Accumulated amortization:		
January 1	11,487,755	5,433,726
Charge for the year	5,845,927	6,054,029
December 31	<u>17,333,682</u>	<u>11,487,755</u>
Net book value:		
December 31	<u>15,279,018</u>	<u>12,737,519</u>

13) Murabaha and tawaroq facilities

The Group has bank facilities agreements in the form of murabaha, short-term tawaroq and other loans with banks to finance the Group companies' ongoing funding needs of which Saudi Riyals 1.3 billion was utilized as of December 31, 2014 (December 31, 2013: Saudi Riyals 1.1 billion). The facilities are primarily denominated in Saudi Riyal, secured by corporate guarantees and bear to commission charges at agreed fixed rate plus Saudi Interbank Offered Rate (SIBOR). Borrowing cost of Saudi Riyals 5.9 million was capitalized during the year.

14) Accrued and other current liabilities

	2014	2013
Accrued expenses	92,035,077	89,996,747
Employees' benefits	52,599,666	60,532,847
Customers advances, retentions and sales commission	71,075,793	47,745,675
	<u>215,710,536</u>	<u>198,275,269</u>

15) Provision for zakat and income tax**15.1 Components of zakat base**

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

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15.2 Provision for zakat and income tax

Movement for the year ended December 31, 2014:

	Zakat	Income tax	Total
January 1	30,719,484	4,173,786	34,893,270
Provision for the year, net	19,705,331	7,485,744	27,191,075
Payments	(20,620,271)	(4,518,358)	(25,138,629)
December 31	<u>29,804,544</u>	<u>7,141,172</u>	<u>36,945,716</u>

Movement for the year ended December 31, 2013:

January 1	29,090,918	1,441,595	30,532,513
Provision for the year	19,424,914	10,507,586	29,932,500
Payments	(17,796,348)	(7,775,395)	(25,571,743)
December 31	<u>30,719,484</u>	<u>4,173,786</u>	<u>34,893,270</u>

15.3 Status of final assessments

The Company and its subsidiaries filed zakat/income tax returns for the years through December 31, 2013. The following are the final zakat and income tax assessments of the Company and its subsidiaries that have been agreed with the DZIT as of December 31, 2014:

<u>Name of subsidiary/company</u>	Final zakat/ income tax assessments up to
Astra Industrial Group Company	2004
Tabuk Pharmaceutical Manufacturing Company	2002
Astra Polymer Compounding Company Limited	2002
International Building Systems Factory Company Limited	2002
Astra Industrial Complex Ltd. for Fertilizers and Agrochemicals	2004
Astra Mining Company Limited	Not yet issued
Astra Heavy Industries Factory Company Limited	Not yet issued

16) End of service benefits

	2014	2013
January 1	75,803,385	64,196,557
Provisions	20,571,598	22,012,467
Payments	(7,361,829)	(10,405,639)
December 31	<u>89,013,154</u>	<u>75,803,385</u>

17) Long-term borrowing

The Group has long-term Murabaha borrowings facility with bank to finance long term funding needs amounting to Saudi Riyal 800 million of which Saudi Riyal 50 million was utilized as of December 31, 2014 (2013: Nil). The facility is primarily denominated in Saudi Riyal, secured by corporate guarantees and bear to commission charges at agreed fixed rate plus SIBOR. The borrowings are repayable within six years by semi annual equal installments starting from the respective facility availed dates.

18) Share capital

The share capital of the Company as of December 31 was comprised of 74,117,647 shares stated at Saudi Riyals 10 per share owned as follows:

Shareholders	Shareholding	
	2014	2013
Saudi founding shareholders	57.57%	57.63%
Non-Saudi founding shareholders	11.11%	11.11%
Public	<u>31.32%</u>	<u>31.26%</u>

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100.00%	100.00%
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19) Statutory reserve

In accordance with the Regulations for Companies in Saudi Arabia and the Company's By-laws, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals at least 50% of the share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is not available for dividend distribution.

20) Selling and marketing expenses

	2014	2013
Employees' salaries and benefits	159,028,795	149,080,847
Marketing, advertising and promotions	97,508,778	78,263,655
Distribution, travel and freight charges	29,555,178	33,482,380
Doubtful receivables provision and written off	16,112,580	9,911,543
Expired and damaged inventory	16,690,475	5,809,291
Rent and utilities	7,658,654	7,810,845
Depreciation	4,217,838	3,444,929
Others	15,504,223	17,878,092
	346,276,521	305,681,582

21) General and administrative expenses

	2014	2013
Employees' salaries and benefits	105,165,979	104,988,600
Professional fees	18,983,953	22,081,962
Travel and transportation	8,510,149	14,682,359
Rent, Insurance and utilities	15,570,699	14,687,044
Depreciation and amortization	7,832,318	9,525,905
Repair and maintenance	3,478,746	2,610,960
Others	19,838,254	18,663,664
	179,380,098	187,240,494

22) Others, net

	2014	2013
Toll manufacturing fee	-	40,210,699
Investment income	3,391,908	14,676,420
Foreign exchange gain / loss	(16,179,685)	2,685,212
Others, net	4,946,851	4,746,001
	(7,840,926)	62,318,332

Others include net results of disposal of property, plant and equipment, sales of scrap materials and other miscellaneous items.

23) Earnings per share

Earnings per share for the years ended December 31, 2014 and 2013 have been computed by dividing the income from main operations and net income for each year by 74,117,647 shares outstanding during such years.

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24) Segment information

The Group operates principally in the following major business segments:

- (i) Pharmaceuticals;
- (ii) Specialty Chemicals;
- (iii) Steel Industries; and
- (iv) Holding Company and other

Selected financial information of above segments is as follows:

2014	Pharmaceuticals	Specialty Chemicals	Power and Steel Industries	Holding Company and other	Total
Revenues:					
Local	557,780,623	415,563,285	217,222,847	-	1,190,566,755
Export	368,213,870	171,243,993	188,781,863	-	728,239,726
Total	925,994,493	586,807,278	406,004,710	-	1,918,806,481
Gross profit (loss)	563,328,451	158,994,407	(117,689,725)	-	604,633,133
Income (loss) from main operations	174,204,228	65,395,579	(160,452,476)	(19,250,921)	59,896,410
Income (loss) before non-controlling interest	167,435,248	45,124,245	(177,969,719)	(24,803,462)	9,786,312
Depreciation	17,255,844	14,967,979	77,622,373	1,390,723	111,236,919
Amortization	220,257	238,956	-	5,386,714	5,845,927
Property, plant and equipment	452,771,861	161,448,303	797,323,802	27,088,587	1,438,632,553
Capital expenditures	169,025,698	33,689,846	27,675,049	17,273,471	247,664,064
2013					
Revenues:					
Local	577,315,852	384,989,140	307,282,014	-	1,269,587,006
Export	290,701,646	168,155,483	42,982,205	-	501,839,334
Total	868,017,498	553,144,623	350,264,219	-	1,771,426,340
Gross profit	517,838,811	139,061,788	26,906,060	-	683,806,659
Income (loss) from main operations	184,732,146	48,493,780	(35,427,527)	(20,761,766)	177,036,633
Income (loss) before non-controlling interest	218,086,638	37,418,195	(34,940,891)	(9,206,734)	211,357,208
Depreciation	13,666,334	15,726,014	21,826,013	1,409,124	52,627,485
Amortization	446,124	906,115	-	4,701,790	6,054,029
Property, plant and equipment	314,195,949	149,049,103	851,069,029	11,514,506	1,325,828,587
Capital expenditures	144,209,478	12,887,414	70,604,353	8,465,322	236,166,567

The Group's operations are conducted principally in Saudi Arabia, in addition to Iraq and other countries. Property, plant and equipment as at year end by geographic area, was as follows:

	Saudi Arabia	Iraq	Other countries	Total
2014	593,263,250	704,916,072	140,453,231	1,438,632,553
2013	465,413,738	754,720,281	105,694,568	1,325,828,587

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More than 70% of the Group's export sales are in the Middle East and North African (MENA) region.

Property, plant and equipment in Iraq is owned by the Group through its two subsidiaries, Al Inma'a Company and Astra Energy LLC., in which it holds 51% and 76% interest.

25) Dividends

The General Assembly of the shareholders approved in its meeting held on 29 Jumada' II 1435H (April 29, 2014) the Company's Board of Directors' recommendation to distribute cash dividends amounting to Saudi Riyals 129,705,882 for the year ended December 31, 2013 of Saudi Riyals 1.75 for each outstanding share, which were fully paid during 2014.

26) Contingencies and commitments

At December 31, 2014, the Group had contingent liabilities arising in the normal course of business, in respect of letters of guarantee, amounting to Saudi Riyals 141 million (2013: Saudi Riyals 111 million) and letters of credit amounting to Saudi Riyals 80 million (2013: Saudi Riyals 56 million).

The Group in the normal course of business has entered into arrangements with suppliers for the purchase of machines and equipment and other services. The capital commitments at December 31, 2014 are amounting to Saudi Riyals 28 million (2013: Saudi Riyals 25 million).