

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

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FOR THE YEAR ENDED DECEMBER 31, 2008

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AUDITORS' REPORT

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To the shareholders
Astra Industrial Group Company
Riyadh, Saudi Arabia

Scope of Audit

We have audited the accompanying consolidated balance sheet of Astra Industrial Group Company (a Saudi Joint Stock Company) as of December 31, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the notes 1 to 22 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company'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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

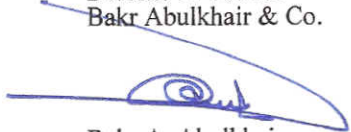
Unqualified Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2008, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the bylaws of the Company as these relate to the preparation and presentation of these consolidated financial statements

Emphasis of Matter

The consolidated financial statements for the year ended December 31, 2008 have been prepared on the basis that the Company is continuing regardless of the conversion declaration of the Company from a limited liability company to a joint stock company and in compliance with the requirements of the Capital Market Authority.

Deloitte & Touche
Bakr Abulkhair & Co.



Bakr A. Abulkhair
License No. 101
Safar 20, 1430
February 15, 2009

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2008

	Note	2008 SR	2007 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	524,905,279	42,625,781
Investment in Saudi government development bonds		-	80,891,316
Accounts receivable, net	4	404,134,203	332,086,362
Unbilled revenue		9,409,587	11,176,097
Inventories, net	5	377,116,156	298,630,145
Prepaid expenses and other assets	6	45,866,299	58,329,311
Due from related parties	7	127,147,347	80,369,098
Total current assets		1,488,578,871	904,108,110
Non-current assets			
Investments in unconsolidated subsidiaries and associated companies	8	2,009,728	3,336,653
Intangible assets, net	9	1,748,965	-
Property, plant and equipment, net	10	219,524,986	212,471,624
Total non-current assets		223,283,679	215,808,277
TOTAL ASSETS		1,711,862,550	1,119,916,387
LIABILITIES AND EQUITY			
Current liabilities			
Due to banks	11	-	32,416,554
Notes payable		16,072,999	11,123,478
Accounts payable		109,577,290	103,758,590
Due to related parties	7	7,676,580	24,354,927
Advances received on contracts		9,661,822	7,944,043
Accrued expenses and other liabilities	12	71,084,152	63,937,694
Provision for zakat and income tax	13	19,334,209	20,052,846
Total current liabilities		233,407,052	263,588,132
Non-current liabilities			
End-of-service indemnities		40,299,407	31,610,281
Total liabilities		273,706,459	295,198,413
Equity			
Shareholders' equity			
Share capital	1	741,176,470	630,000,000
Share premium		332,015,885	-
Statutory reserve	14	54,148,953	35,569,773
Retained earnings		310,814,783	161,999,004
Total shareholders' equity		1,438,156,091	827,568,777
Minority interest	15	-	(2,850,803)
TOTAL LIABILITIES AND EQUITY		1,711,862,550	1,119,916,387

The accompanying notes form an integral part of these consolidated financial statements

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 SR	2007 SR
Sales	7	991,009,926	850,222,616
Cost of sales		<u>(571,700,923)</u>	<u>(472,077,848)</u>
Gross profit		419,309,003	378,144,768
Selling and distribution expenses	16	(165,614,451)	(125,483,512)
General and administrative expenses	17	(69,379,865)	(55,467,453)
Research and development expenses		<u>(5,779,257)</u>	<u>(3,779,401)</u>
Operating income		178,535,430	193,414,402
Share in net income (losses) of unconsolidated subsidiaries and associated companies	8	492,657	(774,540)
Finance charges	11	(2,131,789)	(5,245,954)
Other income, net		<u>8,895,502</u>	<u>8,376,029</u>
Income before minority interest		185,791,800	195,769,937
Minority interest in net loss of a subsidiary		<u>-</u>	<u>1,108,051</u>
NET INCOME		<u>185,791,800</u>	<u>196,877,988</u>
Earnings per share:	18		
- From operating income		<u>2,66</u>	<u>3,07</u>
- From net income		<u>2,77</u>	<u>3,13</u>

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ASTRA INDUSTRIAL GROUP COMPANY
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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	Share capital SR	Share premiums SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2007		630,000,000	-	15,881,974	3,214,562	649,096,536
Net income for the year		-	-	-	196,877,988	196,877,988
Zakat and income tax	13	-	-	-	(18,405,747)	(18,405,747)
Transfer to statutory reserve	14	-	-	19,687,799	(19,687,799)	-
December 31, 2007		630,000,000	-	35,569,773	161,999,004	827,568,777
Increase in share capital and share premium	1	111,176,470	332,015,885	-	-	443,192,355
Net income for the year		-	-	-	185,791,800	185,791,800
Zakat and income tax	13	-	-	-	(18,396,841)	(18,396,841)
Transfer to statutory reserve	14	-	-	18,579,180	(18,579,180)	-
December 31, 2008		741,176,470	332,015,885	54,148,953	310,814,783	1,438,156,091

The accompanying notes form an integral part of these consolidated financial statements

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 SR	2007 SR
OPERATING ACTIVITIES		
Net income	185,791,800	196,877,988
Adjustments for:		
Depreciation	21,771,115	19,153,990
Amortization	376,915	3,462,812
Share in net (income) losses of associated companies	(492,657)	774,540
Absorption of minority interest losses in a foreign subsidiary	2,850,803	-
End-of-service indemnities, net	8,689,126	4,258,680
Changes in operating assets and liabilities:		
Accounts receivable, net	(72,047,841)	(48,751,586)
Unbilled revenue	1,766,510	(900,462)
Inventories, net	(78,486,011)	(57,216,206)
Prepaid expenses and other assets	12,463,012	(23,356,094)
Due from related parties	(46,778,249)	(78,233,825)
Notes payable	4,949,521	(1,246,051)
Accounts payable	5,818,700	31,927,548
Due to related parties	(16,678,347)	5,710,528
Advances received on contracts	1,717,779	(919,302)
Accrued expenses and other liabilities	7,146,458	9,100,471
Cash from operations	38,858,634	60,643,031
Zakat and income tax paid	(19,115,478)	(5,591,673)
Net cash from operating activities	19,743,156	55,051,358
INVESTING ACTIVITIES		
Sale of Saudi government development bonds	80,891,316	1,884,838
Investments in unconsolidated subsidiaries and associated companies	1,819,582	(2,531,498)
Intangible assets	(2,125,880)	-
Additions to property, plant and equipment	(29,970,987)	(37,284,020)
Transfer/disposal of property, plant and equipment, net	1,146,510	211,692
Net cash from (used in) investing activities	51,760,541	(37,718,988)

The accompanying notes form an integral part of these consolidated financial statements

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 SR	2007 SR
FINANCING ACTIVITIES		
Proceeds from public subscription and capital increase	443,192,355	-
Due to banks	(32,416,554)	(39,133,068)
Minority interest	-	(1,183,477)
Net cash from (used in) financing activities	<u>410,775,801</u>	<u>(40,316,545)</u>
Net change in cash and cash equivalents	482,279,498	(22,984,175)
Cash and cash equivalents, January 1	42,625,781	65,609,956
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>524,905,279</u>	<u>42,625,781</u>
Non-Cash Item:		
Zakat and income tax charged to retained earnings (Note 13)	<u>(18,396,841)</u>	<u>(18,405,747)</u>

The accompanying notes form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. ORGANIZATION AND ACTIVITIES

Astra Industrial Group Company ("the Company"), is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010069607 dated Muharram 9, 1409 H (corresponding to August 22, 1988).

The shares of Astra Industrial Group Company were listed in the Saudi Stock Market ("Tadawul") on August 18, 2008 through selling of 30% of the Company's shares for the public through increasing the Company's share capital from SR 630,000,000 to SR 741,176,470 by issuing 11,117,647 new ordinary shares at par value of SR 10 and share premium of SR 32 for each ordinary share based on a valuation agreed on between the concerned parties. The share premium balance, which resulted from the issuance of new ordinary shares referred to above amounted to SR 332,015,885 as of December 31, 2008 net of related subscription expenses amounting to SR 23,748,819, therefore the new shareholding became; Saudi founding shareholders 58.89% of the share capital, non-Saudi founding shareholders 11.11% and 30% of the share capital was held by the public as of December 31, 2008.

In accordance with the Company's bylaws, the first financial period of the joint stock company commences from the ministerial resolution on January 6, 2008 to December 31, 2009. However, the founding shareholders resolved, during their extraordinary general assembly meeting held in Riyadh on June 22, 2008, to change the first financial period of the joint stock company to cover the period from January 6, 2008 to December 31, 2008. The legal formalities relating to the amendment of the Company's bylaws were completed during the year 2008.

The consolidated financial statements for the two years ended December 31, 2008 and 2007 have been prepared on the basis that the Company is continuing regardless of the conversion declaration of the Company from a limited liability company to a joint stock company and in compliance with the requirements of the Capital Market Authority.

The Company's objectives as per its commercial registration are the construction, management, operating and investing in industrial facilities and retail and wholesale trading of ready made clothes, bed covers, comforters, towels, blankets, fertilizers, forages, insecticides, irrigation systems, agricultural machinery and equipment, green houses, agricultural and livestock products and planting contracts, landscaping and maintenance of gardens and green spaces and water and sewage works which are subject to obtaining approval from Saudi Arabian General Investment Authority ("SAGIA") on each project to be newly established.

The principal activities of the Subsidiaries are as follows:

- Production, marketing and distribution of medicine and pharmaceutical products inside the kingdom of Saudi Arabia and abroad.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

- Production of polymer compounds, plastic additives, color concentrates and other plastic products.
- Construction of metal based 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.
- Manufacturing of bonded polyester fibers, bed covers, comforters, pillows and towels and the wholesale and retail of sheet, towel, blankets, and other similar items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). The following is a summary of significant accounting policies applied by the Company:

Basis of consolidated financial statements

The accompanying consolidated financial statements include the financial statements of the Company and its Subsidiaries, as adjusted by the elimination of significant inter-company balances and transactions, as well as gains (losses) arising from transactions with the Subsidiaries. An investee company is classified as a subsidiary based on the degree of effective control exercised by the Company compared to other shareholders, from the date on which control is transferred to the Company.

The Subsidiaries, which are 95% directly owned by the Company and 5% through cross ownership among the Subsidiaries are as follows:

- Tabuk Pharmaceutical Manufacturing Company (“TPMC”) and its following owned foreign subsidiaries which have been consolidated during the year ended December 31, 2008:
 - STE AIGERO SAOUDIENNE DE MEDICAMENTS (“SAS Pharma”), a limited liability company under conversion registered in Algeria.
 - Tabuk Pharmaceutical – Turkey Limited Liability Company registered in Turkey
- Astra Polymer Compounding Company Limited (“Polymer”)
- International Building Systems Factory Company Limited (“IBSF”)
- Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals (“AstraChem”) and its following wholly owned foreign subsidiaries, which have been consolidated during the year ended December 31, 2008:
 - AstraChem Saudia, a limited liability company registered in Algeria.
 - AstraChem Morocco, a limited liability company registered in Morocco.
 - Aggis International Limited, a limited liability company registered in British Virgin Islands.
 - AstraChem Turkey, a limited liability company registered in Turkey.
- Arabian Company for Comforters and Pillows (“ACCP”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for investments in unconsolidated subsidiaries and associated companies which are recorded at equity method.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that affect the reported amounts of consolidated assets and liabilities and disclosure of consolidated contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of consolidated revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks and short-term Murabaha with original maturities of three months or less.

Investment in Saudi government development bonds

Investment in Saudi government development bonds represent investments held to maturity and are stated at cost adjusted by the amount of amortized premium or discount. Revenue is recognized on an accrual basis.

Sales and revenues recognition

Sales are recognized upon delivery of goods to customers and are stated net of trade or quantity discounts.

Revenue on projects, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the project activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a project.

Expenses

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of cost of sales and projects /direct costs as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of sales and projects /direct costs, when required, are made on a consistent basis.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined for finished goods and work in process on a weighted average cost basis and includes cost of material, labor and appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

Appropriate provision is made for obsolete and slow moving inventories, if required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

Investments in subsidiaries and associated companies

Subsidiaries are those in which the Company has a long term investment comprising an interest of not less than 50% in the share capital or over which it exercises practical control, are accounted for on a consolidation basis.

Investment in subsidiaries which are not considered as material to the consolidated financial statements are accounted for using the equity method of accounting.

Associated company is a company in which the Company has a long term investment comprising an interest between 20% and 50% of the voting capital and over which it exercises significant influence are accounted for using the equity method of accounting, under which the investment is stated initially at cost and adjusted thereafter for the post acquisition change in the Company's share of the net assets of the investee. The Company's share in the associated companies' net income or loss for the year is included in the consolidated statement of income.

Intangible assets

Intangible assets represent pre-operating expenses for project set up, purchase of products registration license and are amortized on a straight-line basis over a period of 5 years from the commencement of commercial production.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated rates of depreciation of the principal classes of assets are as follows:

	<u>%</u>
Buildings	3-10
Leasehold improvements	10-25
Plant, machinery and equipment	8-20
Furniture, fixtures and office equipment	10-33
Vehicles	25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

Impairment

The Company reviews the carrying amounts of its tangible and intangible assets on regular basis to determine whether there is any indication that those assets have suffered an 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 (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company 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 (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Operating lease

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

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

For consolidation purposes, the 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 rates for revenues and expenses. Components of equity, other than retained earnings, are translated at the rates prevailing at the date of their occurrence. Translation adjustments, if material, are recorded as a separate component of shareholders' equity.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian labor law, are provided in the consolidated financial statements based on the employees' length of service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

Zakat and income tax

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accruals basis. The zakat charge is computed on the zakat base. Income tax is computed on adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

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.

3. CASH AND CASH EQUIVALENTS

	2008	2007
	SR	SR
Cash on hand and at banks	49,024,936	42,625,781
Short-term Murabaha	475,880,343	-
	524,905,279	42,625,781

4. ACCOUNTS RECEIVABLE, NET

	2008	2007
	SR	SR
Accounts receivable – trade	412,519,022	338,724,172
<u>Less:</u> Allowance for doubtful receivables	(8,384,819)	(6,637,810)
	404,134,203	332,086,362

5. INVENTORIES, NET

	2008	2007
	SR	SR
Raw and packing materials	209,260,289	153,513,162
Finished goods	94,206,026	81,467,320
Work in process	40,564,534	28,369,450
Goods in transit	25,602,949	26,575,091
Spare parts and consumables	13,612,222	13,708,903
	383,246,020	303,633,926
<u>Less:</u> Provision for obsolete and slow moving items	(6,129,864)	(5,003,781)
	377,116,156	298,630,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

6. PREPAID EXPENSES AND OTHER ASSETS

	2008	2007
	SR	SR
Advances to suppliers	17,309,358	15,919,757
Prepaid expenses	11,284,340	15,418,478
Employees' receivables	9,990,115	9,219,055
Refundable deposits and insurance claims	829,128	1,396,897
Others	6,453,358	16,375,124
	<u>45,866,299</u>	<u>58,329,311</u>

7. RELATED PARTY TRANSACTIONS

During the year, the Company and its subsidiaries transacted with various related parties. The terms of those billings and charges are similar to commercial transactions with external parties.

The following are the details of the major transactions with related parties during the two years ended December 31, 2008 and 2007:

	2008	2007
	SR	SR
Sales	<u>33,609,036</u>	<u>69,612,358</u>

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

	2008	2007
	SR	SR
Al-Kendi Factory – Algeria	116,309,405	71,862,378
Astra Agricultural Company Ltd. – Republic of Yemen	4,789,156	4,024,771
Munir Sukhtian Group – Jordan	4,599,500	-
Tabuk Company – Algeria	827,895	1,908,600
Others	621,391	2,573,349
	<u>127,147,347</u>	<u>80,369,098</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

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

	<u>2008</u> <u>SR</u>	<u>2007</u> <u>SR</u>
Arab Supply and Trading Company (ASTRA) – Kingdom of Saudi Arabia	(3,563,880)	(20,823,861)
United Pharmaceutical Manufacturing Company – Jordan	(1,718,977)	(2,818,410)
Others	(2,393,723)	(712,656)
	<u>(7,676,580)</u>	<u>(24,354,927)</u>

8. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

	<u>Holding Interest</u>	
	<u>2008</u>	<u>2007</u>
<u>Unconsolidated subsidiaries (*):</u>		
– Tabuk Pharmaceutical Company – Poland	100%	100%
– Tabuk Pharmaceutical Company – France	100%	100%
– Tabuk Pharmaceutical Company – Turkey	-	100%
<u>Associated Companies:</u>		
– Mastra Agricultural Company – Egypt	49%	49%
– Astra Agricultural Company Ltd. – Republic of Yemen	49%	49%

	Country	January 1, 2008 SR	Dividends/ adjustment SR	Share in net income (loss) SR	December 31, 2008 SR
Tabuk Pharmaceutical Co.	Poland	224,116	-	425,499	649,615
Tabuk Pharmaceutical Co.	France	41,000	263,934	(304,934)	-
Tabuk Pharmaceutical Co.	Turkey	1,822,053	(1,822,053)	-	-
Mastra Agricultural Co.	Egypt	1,249,484	(285,550)	396,179	1,360,113
Astra Agricultural Co. Ltd.	Yemen	-	24,087	(24,087)	-
		<u>3,336,653</u>	<u>(1,819,582)</u>	<u>492,657</u>	<u>2,009,728</u>

* The above subsidiaries are not considered as material to the consolidated financial statements and accordingly have not been consolidated.

9. INTANGIBLE ASSETS, NET

	<u>2008</u> <u>SR</u>	<u>2007</u> <u>SR</u>
Pre-operating expenses	1,022,571	37,776,141
Purchase of guideline of products registration and license	1,103,309	-
Less: Accumulated amortization	(376,915)	(37,776,141)
	<u>1,748,965</u>	<u>-</u>

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

10. PROPERTY, PLANT AND EQUIPMENT, NET

Cost	Land	Buildings	Leasehold	Plant,	Furniture,	Projects under	Total
	SR	SR	improvement	machinery	fixtures and	constructions	SR
	SR	SR	SR	equipment	office	SR	SR
				equipment	equipment		
January 1, 2008	6,679,000	122,174,521	5,726,091	191,469,872	28,763,997	13,996,091	396,850,689
Additions	-	7,248,743	180,174	41,168,423	2,310,410	3,241,283	29,970,987
Disposals and transfers	(1,000,000)	(1,509,210)	(1,640,523)	-	-	(1,516,099)	(5,665,832)
December 31, 2008	5,679,000	127,914,054	4,265,742	232,638,295	31,074,407	15,721,275	421,155,844
Accumulated depreciation							
January 1, 2008	-	40,965,289	3,689,590	106,802,816	22,961,513	9,959,857	184,379,065
Charge for the year	-	4,563,582	557,628	13,336,945	1,401,665	1,911,295	21,771,115
Disposals/ Transfers	-	(1,500,672)	(1,640,342)	-	-	(1,378,308)	(4,519,322)
December 31, 2008	-	44,028,199	2,606,876	120,139,761	24,363,178	10,492,844	201,630,858
Net book value							
December 31, 2008	5,679,000	83,885,855	1,658,866	112,498,534	6,711,229	5,228,431	219,524,986
December 31, 2007	6,679,000	81,209,232	2,036,501	84,667,056	5,802,484	4,036,234	212,471,624

Certain land referred to above with a total book value of SR 1.31 million are in the name of founding shareholders in favor of the Company. The legal formalities for the transfer of land under the Company's name are still under process.

Some of the Company's premises including buildings are constructed on land leased from local authorities for a period of 15 to 25 years. These leases are renewable for additional periods.

Property and equipment include fully depreciated items that are in service with a total cost of SR 45.4 million at December 31, 2008 (2007: SR 33.02 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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11. DUE TO BANKS

The Subsidiaries had credit facilities in the form of short-term Murabaha from local banks to finance their working capital requirements. These facilities bear commission in accordance with prevailing prices in the market and are guaranteed by the founding shareholders' guarantees. These facilities were fully repaid during 2008.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2008	2007
	SR	SR
Accrued bonuses and incentives	21,400,345	15,047,915
Accrued operations costs	14,795,520	15,070,856
Accrued sales commission	10,008,778	8,142,868
Accrued expenses	6,047,552	4,614,622
Accrued promotions, professional fees and others	3,984,726	2,848,670
Advances from customers	3,707,698	5,600,332
Accrued employees' benefits	2,850,691	7,272,979
Foreign subsidiaries' provision for income tax	1,749,975	595,815
Others	6,538,867	4,743,637
	<u>71,084,152</u>	<u>63,937,694</u>

13. PROVISION FOR ZAKAT AND INCOME TAX

The principal elements of the Company's zakat base are as follows:

	2008	2007
	SR	SR
Shareholder's equity	827,568,777	656,334,348
Adjusted net income (losses)	7,287,414	(1,100,147)
Non-current assets	(686,658,928)	(615,344,867)
Zakat base	<u>148,197,263</u>	<u>39,889,334</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Zakat and income tax is calculated on a stand alone basis for each of the Company and its subsidiaries. Set out below are details of the movement in provision for zakat and income tax and charge for the year ended December 31, 2008:

	2008	2007
	SR	SR
Balance, January 1	20,052,846	7,238,772
Provision for the year	18,396,841	18,405,747
Payments during the year	(19,115,478)	(5,591,673)
Balance, December 31	19,334,209	20,052,846

The Company's provisions for zakat and income tax movement for the year ended December 31, 2008 is as follows:

	Zakat	Income tax	Total
	SR	SR	SR
Balance, beginning of the year	838,972	-	838,972
Provision for the year	2,181,834	205,453	2,387,287
Payment during the year	(719,459)	-	(719,459)
Balance, end of the year	2,301,347	205,453	2,506,800

The Subsidiaries' provisions for zakat and income tax movement for the year ended December 31, 2008 is as follows:

	Zakat	Income tax	Total
	SR	SR	SR
Balance, beginning of the year	12,670,307	6,543,567	19,213,874
Provision for the year	10,778,844	5,230,710	16,009,554
Payment during the year	(11,922,850)	(6,473,169)	(18,396,019)
Balance, end of the year	11,526,301	5,301,108	16,827,409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

Zakat and income tax charge for the Subsidiaries for the year ended December 31, 2008 is computed based on the shareholdings of the ultimate shareholders of the Company, which is owned 88.9% by Saudi shareholders and 11.11% by foreign shareholders.

The Company and its Subsidiaries have filed their zakat/tax returns for 2007 which are currently under review by DZIT.

The following are the final zakat assessments of the Subsidiaries have been agreed with the Department of Zakat and Income Tax up to December 31, 2008:

<u>Name of subsidiary</u>	<u>Final zakat assessments up to</u>
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	2005
Arabian Company for Comforters and Pillows	2005

The foreign subsidiaries have finalized their tax positions with the related governmental authorities in their respective countries up to December 31, 2007 and have paid taxes accordingly.

14. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

15. MINORITY INTEREST

As disclosed in the accompanying consolidated financial statements, the minority interest of one of the foreign subsidiaries STE AIGERO SAOUDIENNE DE MEDICAMENTS ("SAS Pharma") was a negative balance of SR 2.85 million as of December 31, 2007 because the accumulated deficit of the foreign subsidiary exceeded the Subsidiary's share capital. In compliance with the Regulations for Companies for the foreign subsidiary, the foreign subsidiary's shareholders held a meeting subsequent to December 31, 2007 and resolved to provide financial support, continue the operations of the foreign subsidiary and to absorb the losses.

Furthermore, the Company's shareholders of the above subsidiary resolved to absorb the negative balance of minority interest which represents losses in minority interest of the foreign subsidiary for prior years amounted to SR 2.85 million, since the management of the foreign subsidiary believes that the minority interest will not bear its shares in the losses of the subsidiary.

16. SELLING AND DISTRIBUTION EXPENSES

	2008	2007
	SR	SR
Employees' salaries, bonus and other benefits	75,533,992	58,305,635
Marketing, advertising and promotions	48,438,134	36,145,766
Sales delivery	9,228,264	6,223,858
Freight charges	7,793,035	5,410,316
Travel and transportation	6,348,844	4,028,269
Medical samples	4,865,669	4,654,312
Rent	1,663,372	1,335,551
Utilities	1,473,198	976,587
Depreciation	871,707	667,017
Expired and damaged inventory	577,500	1,544,436
Bad debts	540,000	531,871
Maintenance	161,926	119,839
Others	8,118,810	5,540,055
	<u>165,614,451</u>	<u>125,483,512</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

17. GENERAL AND ADMINISTRATIVE EXPENSES

	2008	2007
	SR	SR
Employees' salaries and other benefits	33,436,831	29,800,795
Professional fees	6,030,387	3,273,012
Travel and transportation	4,188,376	2,769,527
Depreciation	3,497,820	1,972,449
Bad debts	2,330,680	1,684,768
Rent	2,036,578	1,772,105
Utilities	718,999	504,391
Maintenance	689,596	1,025,851
Communications and office expenses	459,174	500,674
Amortization	376,915	3,462,812
Donations	265,613	60,281
Others	15,348,896	8,640,788
	<u>69,379,865</u>	<u>55,467,453</u>

18. EARNINGS PER SHARE

Earnings per share from operating income and from net income for the year is calculated by dividing operating income and net income for the year by the weighted average of outstanding number of ordinary shares at year end. The outstanding number of shares as of December 31, 2008 amounted to 74,117,647 shares and the weighted average for these shares amounted to 67,142,466 shares.

19. CONTINGENT LIABILITIES AND COMMITMENT

At December 31, the Company had the following outstanding contingent liabilities and commitments as follows:

	2008	2007
	SR	SR
Letters of guarantee	<u>66,329,273</u>	<u>49,433,743</u>
Letters of credit	<u>24,186,661</u>	<u>58,476,607</u>

One of the Company's subsidiaries had future capital expenditures amounting to SR 3 million as of December 31, 2008 (2007: SR 3 million). Such capital expenditures related to purchase of equipment and construction of a building compound for the Subsidiary's employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

20. SEGMENT INFORMATION

The Company and its subsidiaries operate in four separate industry segments, pharmaceuticals, specialty Chemicals, Engineering and Constructions and other. The principal markets for these segments are in the Kingdom of Saudi Arabia, Arabian Gulf Countries, Middle East and North Africa. Set out below is selected financial information for the business segments:

	Pharmaceuticals SR	Specialty Chemicals SR	Engineering and Constructions SR	Holding Company and Other SR	Total SR
For the year ended December 31, 2008					
Sales and projects revenue:					
– Local	234,037,757	192,435,089	136,309,800	69,582,045	632,364,691
– Export	133,736,662	136,512,691	87,483,049	912,833	358,645,235
Total sales	367,774,419	328,947,780	223,792,849	70,494,878	991,009,926
Gross profit	243,385,292	103,752,973	52,516,791	19,653,947	419,309,003
Income from operations	80,112,412	56,523,628	39,128,361	2,771,029	178,535,430
Net income	70,240,197	57,170,717	39,251,664	19,129,222	185,791,800
Amortization	376,915	-	-	-	376,915
Depreciation	10,978,053	6,660,727	3,630,337	501,998	21,771,115
Property, plant and equipment	108,180,273	62,908,288	35,056,440	13,379,985	219,524,986
Capital expenditures	12,339,295	8,366,299	8,304,088	961,305	29,970,987
	Pharmaceuticals SR	Specialty Chemicals SR	Engineering and Constructions SR	Holding Company and Other SR	Total SR
For the year ended December 31, 2007					
Sales and projects revenue::					
– Local	219,716,065	193,749,471	155,838,311	61,310,830	630,614,677
– Export	115,643,982	94,413,152	9,550,805	-	219,607,939
Total sales	335,360,047	288,162,623	165,389,116	61,310,830	850,222,616
Gross profit	228,072,528	89,643,336	44,219,809	16,209,095	378,144,768
Income from operations	99,934,855	57,365,189	32,674,486	3,439,872	193,414,402
Net income	96,291,865	58,826,178	33,205,120	8,554,825	196,877,988
Amortization	3,462,812	-	-	-	3,462,812
Depreciation	9,967,984	4,785,523	3,411,890	988,593	19,153,990
Property, plant and equipment	106,819,031	60,237,964	30,417,478	14,997,151	212,471,624
Capital expenditures	15,189,458	17,609,133	1,712,687	2,772,742	37,284,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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21. FINANCIAL INSTRUMENTS

Fair value

The carrying values for cash and cash equivalents, accounts receivable, inventories, accounts payable and other assets and liabilities are deemed to approximate their carrying amounts due to their short-term nature.

Commission rate risk

This comprises various risks related to the effect of changes in commission rates on the Company's financial position and cash flows. The Company manages its cash flows by controlling the timing between cash inflows and outflows. Surplus cash is invested to increase the Company's commission income through holding balances in short term Murabaha, but the related commission rate risk is not considered to be significant. So the Company did not use derivative financial instruments to minimize the effect of changes in commission rates risks.

Currency risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates, and believes that the Company is not exposed to significant currency risk since the Company's functional currency is the Saudi Riyal, in which the Company transacts, which is currently fixed, within a narrow margin, against the U.S. dollar. The Company also transacts in other foreign currencies at market rates without using derivative financial instruments to minimize the effect of foreign currency exchanges risks.

Credit risk

It is the risk that other parties will fail to discharge their obligations and cause the Company to incur a financial loss. Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash balances and accounts receivable. The Company deposits its cash balances with a number of major high credits rated financial institutions and has a policy of limiting its balances deposited with each institution. The Company does not believe that there is a significant risk of non-performance by these financial institutions. The Company does not consider itself exposed to a concentration of credit risk with respect to accounts receivable due to its diverse customers base.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

Liquidity risk

It is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity is managed by periodically ensuring its availability in amounts sufficient to meet any future commitments. The Company does not consider itself exposed to significant risks in relation to liquidity.

The Company believes that it is not exposed to any significant risks in relation to the aforementioned.

22. COMPARATIVE FIGURES

Certain figures for 2007 have been reclassified to conform with the presentation in the current year.