

**ASTRA INDUSTRIAL GROUP COMPANY**  
**(LIMITED LIABILITY COMPANY UNDER CONVERSION)**

**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**AUDITORS' REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**ASTRA INDUSTRIAL GROUP COMPANY**  
(LIMITED LIABILITY COMPANY UNDER CONVERSION)

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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## AUDITORS' REPORT

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To the shareholders  
Astra Industrial Group Company  
Riyadh, Saudi Arabia

We have audited the accompanying consolidated balance sheet of Astra Industrial Group Company (a Saudi limited liability company under conversion) as of December 31, 2007, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 22 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with article 175 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2007, 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 articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche  
Bakr Abulkhair & Co.



Bakr A. Abulkhair  
License No. 101  
Muharram 29, 1429  
February 6, 2008



**ASTRA INDUSTRIAL GROUP COMPANY**  
(LIMITED LIABILITY COMPANY UNDER CONVERSION)

**CONSOLIDATED BALANCE SHEET**  
**AS OF DECEMBER 31, 2007**

	Note	2007 SR	2006 SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	42,625,781	65,609,956
Investment in Saudi government development bonds		80,891,316	82,776,154
Accounts receivable, net	4	394,806,948	276,443,004
Unbilled revenue		11,176,097	10,275,635
Inventories, net	5	298,630,145	241,413,939
Prepaid expenses and other assets	6	58,329,311	34,973,217
Due from related parties	7	17,648,512	9,027,045
<b>Total current assets</b>		<b>904,108,110</b>	<b>720,518,950</b>
<b>Non-current assets</b>			
Investments in unconsolidated subsidiaries and associated companies	8	3,336,653	1,579,695
Pre-operating expenses, net	9	-	3,462,812
Property, plant and equipment, net	10	212,471,624	194,553,286
<b>Total non-current assets</b>		<b>215,808,277</b>	<b>199,595,793</b>
<b>TOTAL ASSETS</b>		<b>1,119,916,387</b>	<b>920,114,743</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short-term murabaha	11	32,416,554	71,549,622
Notes payable		11,123,478	12,369,529
Accounts payable		103,758,590	71,831,042
Advances received on contracts		7,944,043	8,863,345
Accrued expenses and other liabilities	12	63,937,694	54,837,223
Provision for zakat and income tax	13	20,052,846	7,238,772
<b>Total current liabilities</b>		<b>239,233,205</b>	<b>226,689,533</b>
<b>Non-current liabilities</b>			
Due to related parties	7	24,354,927	18,644,399
End-of-service indemnities		31,610,281	27,351,601
<b>Total non-current liabilities</b>		<b>55,965,208</b>	<b>45,996,000</b>
<b>Total liabilities</b>		<b>295,198,413</b>	<b>272,685,533</b>
<b>Equity</b>			
<b>Shareholders' equity</b>			
Share capital	1	630,000,000	630,000,000
Statutory reserve	14	35,569,773	15,881,974
Retained earnings		161,999,004	3,214,562
<b>Total shareholders' equity</b>		<b>827,568,777</b>	<b>649,096,536</b>
<b>Minority interest</b>	15	<b>(2,850,803)</b>	<b>(1,667,326)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,119,916,387</b>	<b>920,114,743</b>

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



**ASTRA INDUSTRIAL GROUP COMPANY**  
(LIMITED LIABILITY COMPANY UNDER CONVERSION)

**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Note	2007 SR	2006 SR
Sales	7	✓ 850,222,616	703,526,559
Cost of sales		✓ (472,077,848)	(387,611,594)
<b>Gross profit</b>		✓ 378,144,768	315,914,965
Selling and distribution expenses	16	✓ (125,483,512)	(105,091,121)
General and administrative expenses	17	✓ (55,467,453)	(48,052,716)
Research and development expenses		✓ (3,779,401)	(4,222,318)
<b>Operating income</b>		✓ 193,414,402	158,548,810
Share in losses of unconsolidated subsidiaries and associated companies	8	✓ (774,540)	(460,619)
Finance charges	11	✓ (5,245,954)	(8,558,035)
Other income, net		✓ 8,376,029	5,273,729
<b>Net income before minority interest</b>		✓ 195,769,937	154,803,885
Minority interest in net loss of a subsidiary		✓ 1,108,051	1,254,309
<b>NET INCOME</b>		✓ 196,877,988	156,058,194

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

**ASTRA INDUSTRIAL GROUP COMPANY**  
(LIMITED LIABILITY COMPANY UNDER CONVERSION)

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
December 31, 2005		500,000,000	276,154	-	500,276,154
Net income for the year		-	-	156,058,194	156,058,194
Zakat and income tax	13	-	-	(7,237,812)	(7,237,812)
Transfer to statutory reserve	14	-	15,605,820	(15,605,820)	-
Increase in share capital	1	130,000,000	-	(130,000,000)	-
December 31, 2006		630,000,000	15,881,974	3,214,562	649,096,536
Net income for the year		-	-	<b>196,877,988</b>	<b>196,877,988</b>
Zakat and income tax	13	-	-	<b>(18,405,747)</b>	<b>(18,405,747)</b>
Transfer to statutory reserve	14	-	<b>19,687,799</b>	<b>(19,687,799)</b>	-
December 31, 2007		<b>630,000,000</b>	<b>35,569,773</b>	<b>161,999,004</b>	<b>827,568,777</b>

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

**ASTRA INDUSTRIAL GROUP COMPANY**  
(LIMITED LIABILITY COMPANY UNDER CONVERSION)

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007 SR	2006 SR
<b>OPERATING ACTIVITIES</b>		
Net income	✓ 196,877,988	156,058,194
Adjustments for:		
Depreciation	✓ 19,153,990	19,061,642
Amortization	✓ 3,462,812	3,777,613
Share in net loss of associated companies	✓ 774,540	460,619
End-of-service indemnities, net	✓ 4,258,680	4,252,825
Changes in operating assets and liabilities:		
Accounts receivable, net	(118,363,944)	(36,035,521)
Unbilled revenue	✓ (900,462)	(2,081,570)
Inventories, net	✓ (57,216,206)	(45,478,607)
Prepaid expenses and other assets	✓ (23,356,094)	(10,827,157)
Due from related parties	(8,621,467)	56,465,141
Notes payable	✓ (1,246,051)	(5,212)
Accounts payable	✓ 31,927,548	12,554,562
Advances received on contracts	✓ (919,302)	3,961,355
Accrued expenses and other liabilities	✓ 9,100,471	10,865,438
<b>Cash from operations</b>	<b>54,932,503</b>	<b>173,029,322</b>
Zakat and income tax paid	✓ (5,591,673)	(2,915,289)
<b>Net cash from operating activities</b>	<b>49,340,830</b>	<b>170,114,033</b>
<b>INVESTING ACTIVITIES</b>		
Sale (Acquisition) of Saudi government development bonds	✓ 1,884,838	(82,776,154)
Investments in unconsolidated subsidiaries and associated companies	✓ (2,531,498)	(1,599,810)
Additions to property, plant and equipment	✓ (37,284,020)	(27,564,602)
Transfer/disposal of property, plant and equipment, net	211,692	969,340
<b>Net cash used in investing activities</b>	<b>(37,718,988)</b>	<b>(110,971,226)</b>

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



**ASTRA INDUSTRIAL GROUP COMPANY**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007 SR	2006 SR
<b>FINANCING ACTIVITIES</b>		
Short-term murabaha	(39,133,068)	(66,059,649)
Term loans	-	(4,220,000)
Due to related parties	5,710,528	(18,484,210)
Minority interest	(1,183,477)	(1,305,895)
<b>Net cash used in financing activities</b>	<b>(34,606,017)</b>	<b>(90,069,754)</b>
<b>Net change in cash and cash equivalents</b>	<b>(22,984,175)</b>	<b>(30,926,947)</b>
Cash and cash equivalents, January 1	65,609,956	96,536,903
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>42,625,781</b>	<b>65,609,956</b>
<b>Non-Cash Item:</b>		
Increase share capital by a transfer retained earnings (Note 1)	-	130,000,000

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

**ASTRA INDUSTRIAL GROUP COMPANY**  
(LIMITED LIABILITY COMPANY UNDER CONVERSION)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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**1. ORGANIZATION AND ACTIVITIES**

Astra Industrial Group Company ("the Company, formerly known as Astra Agricultural Company Limited") is a Saudi limited liability company under conversion to closed 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).

On January 1, 2006, the shareholders of Astra Agricultural Company Limited (known as Astra Industrial Group Company), who are also the shareholders of Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, (the Subsidiary) resolved to transfer out Astra Agricultural Company Limited's businesses, related assets and liabilities and its wholly owned subsidiary to the Subsidiary at net book value effective January 1, 2006. The legal formalities relating to this transfer were completed during 2006.

The following are the transferred out assets and liabilities of Astra Agricultural Company Limited to the Company's Subsidiary referred to above at January 1, 2006:

	<u>SR</u>
<b><u>Assets</u></b>	
Cash and bank balances	3,340,398
Accounts receivable	60,438,098
Inventories	23,085,690
Prepaid expenses and other assets	1,759,761
Due from related parties	20,260,469
Property, plant and equipment	<u>1,779,618</u>
Total assets	<u>110,664,034</u>
<b><u>Liabilities</u></b>	
Short term loans	(33,700,000)
Accounts payables	(8,882,533)
Accrued expenses and other liabilities	(1,409,973)
Due to related parties	(52,836,609)
End-of-service indemnities	<u>(2,753,775)</u>
Total liabilities	<u>(99,582,890)</u>
<b>Net assets transferred out as of January 1, 2006</b>	<u><b>11,081,144</b></u>

During 2006, the shareholders resolved to change the Company's name from Astra Agricultural Company Limited to Astra Industrial Group Company. The legal procedures relating to this change were completed during 2006.

**ASTRA INDUSTRIAL GROUP COMPANY**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

During 2006, the shareholders resolved to increase the Company's share capital from SR 500,000 to SR 500 million by cash contributions of SR 499.5 million from the shareholders into the Company's bank account. The legal procedures relating to this increase in share capital were completed during 2007. Accordingly, the shareholders and their respective shareholdings are as follows:

<b>Name</b>	<b>%</b>	<b>No. of Shares</b>	<b>Share capital SR</b>
Arab Supply and Trading Company ("ASTRA")	50	250,000	250,000,000
Mr. Khaled Sabih Masri	50	250,000	250,000,000
	<u>100</u>	<u>500,000</u>	<u>500,000,000</u>

During 2006 and pursuant to the shareholders' resolutions, the founding shareholders sold part of their equity shares in the Company to new shareholders and increase the share capital from SR 500 million to SR 630 million by a transfer from retained earnings.

The legal formalities relating to the sale of equity shares referred to above were completed during 2006.

Accordingly, the new shareholders and their respective shareholdings, which consists of 630,000 shares of SR 1,000 each as of December 31, 2007 are as follows:

<b>Name</b>	<b>Country of origin</b>	<b>%</b>	<b>No. of Shares</b>	<b>Share capital SR</b>
Arab Supply and Trading Company (ASTRA)	Saudi Arabia	62.59	394,317	394,317,000
Mr. Mohammad Najer Sager Al-Utaibi	Saudi Arabia	11.54	72,702	72,702,000
Mr. Nidal Suhktian	Jordan	4.76	29,988	29,988,000
Mr. Ghiath Suhktian	Jordan	4.76	29,988	29,988,000
Mr. Munjid Suhktian	Jordan	4.76	29,988	29,988,000
Jana Holding Company Ltd.	Saudi Arabia	3.97	25,011	25,011,000
Mr. Khalaf Al Khalaf	Saudi Arabia	1.68	10,584	10,584,000
Mr. Yousf Ahmed Asad	Jordan	1.59	10,017	10,017,000
Desert Peak Company for Trading Services	Saudi Arabia	1.45	9,135	9,135,000
Mr. Sabih Taher Masri	Saudi Arabia	1.45	9,135	9,135,000
Mr. Khaled Sabih Masri	Saudi Arabia	1.45	9,135	9,135,000
		<u>100.00</u>	<u>630,000</u>	<u>630,000,000</u>



**ASTRA INDUSTRIAL GROUP COMPANY**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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The shareholders resolved to acquire the Subsidiaries by investing 95% directly in the share capital of the Subsidiaries and 5% through cross ownership among the Subsidiaries effective January 1, 2006. The legal formalities relating to this acquisition were completed during 2006.

The Subsidiaries' net assets acquired as of January 1, 2006 are as follows:

<u>Name of Subsidiary</u>	<u>SR</u>
Tabuk Pharmaceutical Manufacturing Company ("TPMC")	<b>120,185,636</b>
ASTRA Polymer Compounding Company Limited ("Polymer")	<b>44,671,796</b>
International Building Systems Factory Company Limited ("IBSF")	<b>21,427,812</b>
ASTRA Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem")	<b>10,498,642</b>
Arabian Company for Comforters and Pillows ("ACCP")	<b>8,748,934</b>
<b>Net assets acquired as of January 1, 2006</b>	<b><u>205,532,820</u></b>

The Company's objects as per its commercial registration are the construction, management and operating of industrial facilities and investment thereon 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.
- Production of polymer compounds, plastic additives, color concentrates and other plastic products.
- Construction of metal based industrial buildings and building frames.
- Production of polymer fluid chemical 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.

**ASTRA INDUSTRIAL GROUP COMPANY**  
(LIMITED LIABILITY COMPANY UNDER CONVERSION)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements have been prepared in accordance with the Standard of General Presentation and Disclosure issued by the Ministry of Commerce and 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 consolidation**

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. All significant inter-company transactions and balances have been eliminated in consolidation.

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

**Name of the Subsidiary**

- Tabuk Pharmaceutical Manufacturing Company ("TPMC") and its foreign subsidiary, STE AIGERO SAOUDIENNE DE MEDICAMENTS ("SAS Pharma"), a limited liability company registered in Algeria, by 80% equity interest, which has been consolidated during the year ended December 31, 2007.

Minority interest of the third party (other shareholder of TPMC in the foreign subsidiary) has also been accounted for in TPMC's net assets and income.

- 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, 2007:
  - 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")



**ASTRA INDUSTRIAL GROUP COMPANY**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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**Accounting convention**

The consolidated financial statements are prepared under the historical cost convention.

**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 time deposit 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 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.

**Selling, distribution and general and administrative expenses**

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of cost of sales/direct costs as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of sales/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.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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

**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 voting capital or over which it exerts practical control, are accounted for on a (line-by-line) 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.

**Pre-operating expenses**

Pre-operating expenses represent pre-operating expenses for project set up and are amortized on a straight-line basis over a period of 10 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:

	%
Buildings	3-10
Leasehold improvements	10-25
Plant, machinery and equipment	8-20
Computers and office equipment	13-25
Furniture, fixtures and air-conditions	10-33
Vehicles	25
Laboratory equipment	10
Tools and spare parts	14-20

**ANTRA INDUSTRIAL GROUP COMPANY**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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**Impairment**

At each consolidated balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets 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 financial statements based on the employees' length of service.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**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**

	2007 SR	2006 SR
Cash and bank balances	42,625,781	47,059,533
Short-term Murabaha	-	18,550,423
	<u>42,625,781</u>	<u>65,609,956</u>

**4. ACCOUNTS RECEIVABLE, NET**

	2007 SR	2006 SR
Accounts receivable – trade	401,444,758	281,787,171
<b>Less:</b> Allowance for doubtful receivables	(6,637,810)	(5,344,167)
	<u>394,806,948</u>	<u>276,443,004</u>

**5. INVENTORIES, NET**

	2007 SR	2006 SR
Raw and packing materials	153,513,162	124,746,243
Finished goods	81,467,320	73,311,113
Work in process	28,369,450	19,540,974
Goods in transit	26,575,091	22,306,002
Spare parts and consumables	13,708,903	6,308,542
	<u>303,633,926</u>	<u>246,212,874</u>
<b>Less:</b> Provision for obsolete and slow moving items	(5,003,781)	(4,798,935)
	<u>298,630,145</u>	<u>241,413,939</u>



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**6. PREPAID EXPENSES AND OTHER ASSETS**

	2007 SR	2006 SR
Advances to suppliers	15,919,757	9,723,725
Prepaid expenses	15,418,478	12,056,904
Prepaid expenses for initial public offering (A)	13,517,296	4,209,371
Employees' receivables	9,219,055	5,609,168
Refundable deposits and insurance claims	1,396,897	2,245,719
Others	2,857,828	1,128,330
	<u>58,329,311</u>	<u>34,973,217</u>

(A) The founding shareholders resolved in their general assembly meeting to absorb 50% from the total of prepaid expenses for initial public offering and to amortize the remaining 50% over 5 years after finalizing the public offering.

**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 ordinary trade receivables and payables.

The following are the details of the major transactions with related parties during the two years ended December 31, 2007 and 2006:

	2007 SR	2006 SR
Sales	<u>6,891,772</u>	<u>5,554,228</u>

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

	2007 SR	2006 SR
Al-Kendi Factory – Algeria	9,141,792	-
Astra Agricultural Company Ltd., Republic of Yemen	4,024,771	2,671,633
Tabuk Company, Algeria	1,908,600	-
Others	2,573,349	6,355,412
	<u>17,648,512</u>	<u>9,027,045</u>

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

	2007 SR	2006 SR
Arab Supply and Trading Company (ASTRA)	(20,823,861)	(17,366,282)
United Pharmaceutical Manufacturing Company	(2,818,410)	-
Others	(712,656)	(1,278,117)
	<u>(24,354,927)</u>	<u>(18,644,399)</u>

**8. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES**

	Holding Interest	
	2007	2006
<b><u>Unconsolidated subsidiaries:</u></b>		
- Tabuk Pharmaceutical Company – Poland	100%	100%
- Tabuk Pharmaceutical Company – France	100%	100%
- Tabuk Pharmaceutical Company – Turkey	100%	100%
<b><u>Associated Companies:</u></b>		
- Mastra Agricultural Company – Egypt	49%	49%
- Astra Agricultural Company Ltd. – Republic of Yemen	49%	49%

	Country	January 1, 2007 SR	Additions/ reclassifications SR	Share in net income (loss) SR	December 31, 2007 SR
Tabuk Pharmaceutical Co.	Poland	170,455	-	53,661	224,116
Tabuk Pharmaceutical Co.	France	72,977	-	(31,977)	41,000
Tabuk Pharmaceutical Co.	Turkey	394,172	2,440,935	(1,013,054)	1,822,053
Mastra Agricultural Co.	Egypt	942,091	-	307,393	1,249,484
Astra Agricultural Co. Ltd.	Yemen	-	90,563	(90,563)	-
		<u>1,579,695</u>	<u>2,531,498</u>	<u>(774,540)</u>	<u>3,336,653</u>

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

**9. PRE-OPERATING EXPENSES, NET**

	2007 SR	2006 SR
Pre-operating expenses	37,776,141	37,776,141
Accumulated amortization	(37,776,141)	(34,313,329)
	<u>-</u>	<u>3,462,812</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
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## 10. PROPERTY, PLANT AND EQUIPMENT, NET

	Land SR	Buildings SR	Leasehold improvement SR	Plant, machinery & equipment SR	Computers and office equipment SR	Furniture, fixtures and air conditions SR	Vehicles SR	Laboratory equipments SR	Tools and spare parts SR	Projects under constructions SR	Total SR
<b>Cost</b>											
January 1, 2007	6,679,000	117,828,545	5,143,893	179,979,466	4,529,739	22,517,408	12,085,957	2,050,079	545,694	9,149,584	360,509,365
Additions	-	663,464	808,908	7,827,322	272,473	1,259,326	2,375,975	1,331,417	5,000	22,740,135	37,284,020
Disposals/ Transfers	-	3,678,553	-	281,036	23,692	(388,696)	(485,670)	-	-	(3,848,602)	(739,687)
December 31, 2007	6,679,000	122,170,562	5,952,801	188,087,824	4,825,904	23,388,038	13,976,262	3,381,496	550,694	28,041,117	397,053,698
<b>Accumulated depreciation</b>											
January 1, 2007	-	37,016,985	3,670,729	93,812,696	3,206,054	17,740,983	9,033,827	982,676	492,129	-	165,956,079
Charge for the year	-	3,943,842	245,571	11,509,141	478,914	1,375,262	1,372,596	201,039	27,625	-	19,153,990
Disposals/ Transfers	-	-	-	297,215	-	(358,818)	(466,392)	-	-	-	(527,995)
December 31, 2007	-	40,960,827	3,916,300	105,619,052	3,684,968	18,757,427	9,940,031	1,183,715	519,754	-	184,582,074
<b>Net book value</b>											
December 31, 2007	6,679,000	81,209,735	2,036,501	82,468,772	1,140,936	4,630,611	4,036,231	2,197,781	30,940	28,041,117	212,471,624
December 31, 2006	6,679,000	80,811,560	1,473,164	86,166,770	1,323,685	4,776,425	3,052,130	1,067,403	53,565	9,149,584	194,553,286

Lands are in the name of the Saudi shareholders. The legal formalities for transfer lands under the name of Company 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 33.02 million at December 31, 2007.



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**11. SHORT-TERM MURABAHA**

The Subsidiaries have credit facilities in the form of short-term Murabaha to finance its working capital requirements. These facilities bear commission according to prevailing prices in the market and are secured by shareholders' guarantees.

**12. ACCRUED EXPENSES AND OTHER LIABILITIES**

	2007 SR	2006 SR
Accrued operations costs	15,070,856	16,781,247
Accrued bonuses and incentives	15,047,915	11,235,001
Accrued sales commission	8,142,868	4,891,996
Accrued employees' benefits	7,272,979	4,028,692
Advances from customers	5,600,332	899,389
Accrued promotions, professional fees and others	2,848,670	6,994,457
Foreign subsidiaries' provision for income tax	595,815	275,299
Accrued penalties	126,751	439,515
Accrued finance charges	126,436	347,858
Accrued agent expenses	79,541	1,517,454
Others	9,025,531	7,426,315
	<u>63,937,694</u>	<u>54,837,223</u>

**13. PROVISION FOR ZAKAT AND INCOME TAX**

The principal elements of zakat is as follows:

	2007 SR	2006 SR
Shareholder's equity	656,334,348	776,154
Adjusted net losses	(1,100,147)	(1,035,843)
Non-current assets	(615,344,867)	-
Zakat base	<u>39,889,334</u>	<u>(259,689)</u>

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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, 2007:

	2007 SR	2006 SR
Balance, January 1	7,238,772	2,916,249
Provision for the year	18,405,747	7,237,812
Payments during the year	(5,591,673)	(2,915,289)
Balance, December 31	<u>20,052,846</u>	<u>7,238,772</u>

The Company's provisions for zakat and income tax movement for the year ended December 31, 2007 is as follows:

	Zakat SR	Income tax SR	Total SR
Balance, beginning of the year	16,325	-	16,325
Provision for the year	838,972	-	838,972
Payment during the year	(16,325)	-	(16,325)
Balance, end of the year	<u>838,972</u>	<u>-</u>	<u>838,972</u>

The Subsidiaries' provisions for zakat and income tax movement for the year ended December 31, 2007 is as follows:

	Zakat SR	Income tax SR	Total SR
Balance, beginning of the year	6,739,896	482,551	7,222,447
Provision for the year	10,659,429	6,907,346	17,566,775
Payment during the year	(4,729,018)	(846,330)	(5,575,348)
Balance, end of the year	<u>12,670,307</u>	<u>6,543,567</u>	<u>19,213,874</u>



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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Zakat and income tax charge for the Subsidiaries for the year ended December 31, 2007 is computed based on the shareholdings of the ultimate shareholders of the Company, which is owned 84.13% by Saudi shareholders and 15.87% by foreign shareholders.

The Company and its Subsidiaries have filed their zakat/tax returns for 2006 which are currently under review by DZIT.

The zakat assessments of the Subsidiaries have been agreed with the Department of Zakat and Income Tax for all years up to December 31, 2007 except for the following:

<b>Name of subsidiary</b>	<b>Final zakat assessments up to</b>
Tabuk Pharmaceutical Manufacturing Company	1999
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

**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.

**15. MINORITY INTEREST**

As shown in the accompanying consolidated financial statements, the minority interest balance of one of the foreign subsidiaries was a negative of SR 2.85 million as of December 31, 2007 (2006: SR 1.67 million) as 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.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**16. SELLING AND DISTRIBUTION EXPENSES**

	2007 SR	2006 SR
Employees' salaries, bonus and other benefits	58,305,635	50,757,923
Marketing, advertising and promotions	36,145,766	26,395,804
Sales delivery	6,223,858	4,010,291
Freight charges	5,410,316	4,005,393
Medical samples	4,654,312	4,068,242
Travel and transportation	4,028,269	3,726,719
Expired and damaged inventory	1,544,436	3,793,920
Rent	1,335,551	1,166,398
Utilities	976,587	809,500
Depreciation	667,017	724,815
Bad debts	531,871	460,000
Maintenance	119,839	113,166
Others	5,540,055	5,058,950
	<u>125,483,512</u>	<u>105,091,121</u>

**17. GENERAL AND ADMINISTRATIVE EXPENSES**

	2007 SR	2006 SR
Employees' salaries and other benefits	29,800,795	23,886,172
Amortization	3,462,812	3,777,613
Professional fees	3,273,012	1,943,731
Travel and transportation	2,769,527	2,336,611
Depreciation	1,972,449	2,463,627
Rent	1,772,105	1,169,138
Bad debts	1,684,768	1,382,061
Maintenance	1,025,851	603,563
Utilities	504,391	444,294
Communications and office expenses	500,674	1,249,600
Slow-moving inventory provisions	204,846	286,948
Donations	60,281	376,584
Others	8,435,942	8,132,774
	<u>55,467,453</u>	<u>48,052,716</u>

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**18. CONTINGENT LIABILITIES AND COMMITMENT**

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

	2007 SR	2006 SR
Letters of guarantee	<u>49,433,743</u>	<u>48,980,924</u>
Letters of credit	<u>58,476,607</u>	<u>38,722,785</u>

A Subsidiary had future capital expenditure amounting to SR 3 million at December 31, 2007 (2006: SR 4 million). Such capital expenditure related to purchase of equipment and construction of a building compound for the Subsidiary's employees.

**19. SEGMENT INFORMATION**

The Company and its subsidiaries operate in four separate industry segments, pharmaceuticals, specialty Chemicals, Engineering and Construction 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 Construction SR	Other SR	Total SR
<b>For the year ended December 31, 2007</b>					
Sales:					
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	<u>335,360,047</u>	<u>288,162,623</u>	<u>165,389,116</u>	<u>61,310,830</u>	<u>850,222,616</u>
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 expenditure	15,189,458	17,609,133	1,712,687	2,772,742	37,284,020



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For the year ended  
December 31, 2006

Sales:					
Local	194,416,870	185,814,699	109,249,879	60,356,133	549,837,581
Export	61,891,174	61,951,274	29,846,530	-	153,688,978
Total sales	256,308,044	247,765,973	139,096,409	60,356,133	703,526,559
Gross profit	182,227,736	77,376,807	40,511,861	15,798,561	315,914,965
Income from operations	72,051,292	47,035,347	31,049,210	8,412,961	158,548,810
Net income	68,783,489	46,806,242	31,950,875	8,517,588	156,058,194
Amortization	3,777,613	-	-	-	3,777,613
Depreciation	9,797,692	4,797,192	3,176,237	1,290,521	19,061,642
Property, plant and equipment	101,787,121	47,436,479	32,116,684	13,213,002	194,553,286
Capital expenditure	9,220,731	2,458,221	5,635,603	10,250,047	27,564,602

**20. RISK MANAGEMENT**

**Interest rate risk**

The Company is subject to interest rate risk on its interest bearing liabilities, including bank deposits.

**Credit risk**

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. At the balance sheet date, no significant concentrations of credit risk were identified by management.

**Liquidity risk**

The Company limits its liquidity risk by ensuring that bank facilities are available. The Company's terms of sales require amounts to be paid within 7 to 15 days of the date of sale. Trade payables are normally settled within 45 days of the date of purchase.

**Currency risk**

The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and Euros during the year.



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**21. FAIR VALUE**

The fair values of the Company's consolidated assets and liabilities, except for investments in unconsolidated subsidiaries and associated companies approximate their carrying amounts.

**22. SUBSEQUENT EVENTS**

Subsequent to December 31, 2007, the legal formality of the Company was converted from limited liability company to closed share stock company, based on the shareholders decision and according to Ministry of Commerce and Industry 3/k dated Zul Al-Hijjah 27, 1428 (correspondent to January 6, 2008).

The legal formalities related to the changing and amend article of association and the Company commercial registration were completed during January 2008.