



SAUDI CHEMICAL COMPANY
(A Saudi Joint Stock Company)

ANNUAL REPORT 2009

Consolidated Financial Statements for
the Year Ended on December 31, 2009 and the
Independent Auditor's Report



Main Branch P.O. Box 2665 Riyadh 11461
Tel.: +966 1 4767432 Fax: +966 1 4761275
www.saudichemical.com





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BOARD OF DIRECTORS

HH Prince Ahmad Bin Khaled Bin Abdullah Al-Saud
Board Chairman

Mr. Samir M. Abdul Hadi
Board Member

Mr. Ahmed Al-Twaijri
Board Member

Mr. Mohammad S. Al-Hammadi
Board Member

Mr. Mohammad O. Al-Sanousi
Board Member

Eng. Fahad Saleh Al-Jarbou
Managing Director-Board Member

Mr. Abdul-Aziz Bin Ali Abu Saud
Board Member



Board of Directors Report to the Shareholders of
Saudi Chemical Company on the business results
for the year ended on 31/12/2009.





Dear shareholders,

Prelude:

The Saudi Chemical Company Board of Directors is pleased to welcome you to the annual general meeting (AGM) of the company, and the board would like to thank you for your kind attendance. Herein is the annual financial report on corporate business results and most prominent achievements for the fiscal year (FY) ended on December 31, 2009, reflecting management's efforts to maintain the company's strong record of growth and development. SCC and its subsidiary SITCO Pharma achieved the highest consolidated sales in their history (approx. SR 1.5 billion), growing 25% from last year's figures.

The following is a brief of the business results, auditor's report and board's recommendations for your honored meeting.





First: Operations of SCC and SITCO Pharma:



The Saudi Chemical Company was established in 1972, is a leading company in manufacturing explosives for civil purposes. It owns 3 factories in Riyadh, Eastern and Western Provinces, in addition to distribution storehouses in Abha, Southern Province, and in Makkah. Over the last 37 years, the company provided domestic and international markets with all basic and supporting materials for civil explosives as well as infrastructure and construction works in the Kingdom.



The subsidiary, the Saudi International Trading Co. Ltd. (SITCO Pharma), focuses on drug distribution locally. It is one of the major companies in the industry, serving as the local agent for 13 global pharmaceutical companies for supplying medical sectors with a wide range of international drugs through its all-nation distribution network.





Second: Sales and Profit:

Consolidated Sales:

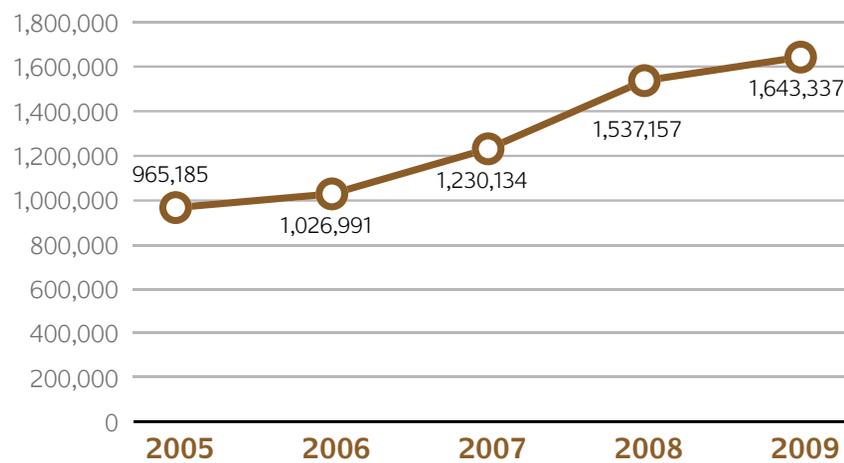
SCCO and SITCO Pharma consolidated sales netted SR 1.643 billion in FY 2009, compared to SR 1.537 billion in FY 2008, at a growth rate of 7%. These figures show that the company is working hard to keep previous growth rates in sales, despite the negative effects of the global financial crisis on most business sectors in the Kingdom as well as in other Gulf Countries.



The following table illustrates 5-year consolidated sales growth:

(Value in SR thousand)

2005	2006	2007	2008	2009
965,185	1,026,991	1,230,134	1,537,157	1,643,337



The table reflects a 70% cumulative growth rate in sales for the last 5 years.



Third: Impacts of corporate activities over business portfolio and consolidated sales:



Civil explosives :

Civil explosive sales in FY ended on 31/12/2009 amounted from SR 243 million to 288 million, with an increase amounting to 19% in a prior-year period. These levels confirm the company's efficiency in meeting the increasing demand on civil explosives by projects of infrastructure, road construction, mining, quarries, and oil and gas exploration. The company's products are world-class, backed up by strategic technological agreements with transnational leading civil explosive providers.



Pharmaceuticals :

SITCO Pharma FY 2009 sales totaled SR 1.356 billion, adding 5% to FY 2008 SR 1.294 billion sales. This excellent sale growth rate is attributable to the company's ability to cover domestic demand on international pharmaceuticals, as agent of the biggest global pharmaceutical corporations and manager of the strongest distribution and storage systems nation-wide, using high-end technologies and presenting 24-hour-a-day services. The pharmaceuticals provider dominates a record market share in serums, vaccines and cooling drugs (e.g. insulin and fertilization hormones) which have special transportation and storage requirements. This has helped it rank 1st in this field and strengthen its foothold in the domestic market.



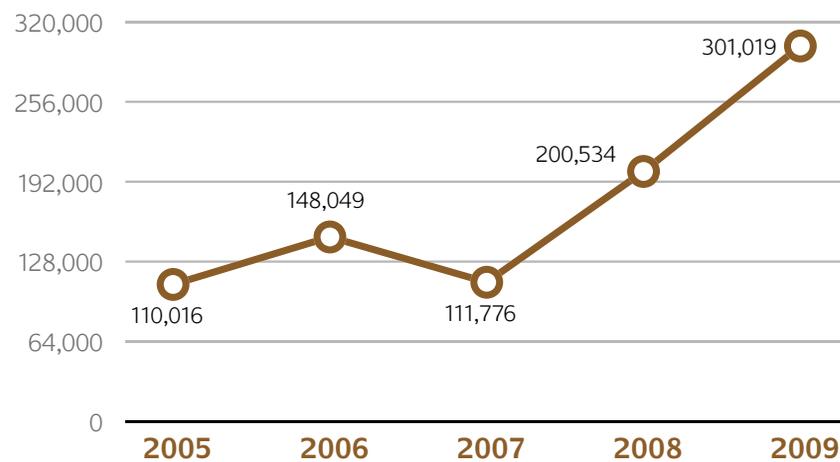
Fourth: Net consolidated profit:

Net consolidated earnings reached 50% from SR 201 million in FY 2008 to SR 301 million in FY 2009, triggered by the 7% increase in sales and lower currency exchange losses for SITCO Pharma, as well as achieving SR 48 million as non-operating profits due to the settlement of the Panadol Agency termination for SITCO Pharma.



Net profit (value in SR thousand)

2005	2006	2007	2008	2009
110,016	148,049	111,776	200,534	301,019



Fifth: EPS (LPS) in SR:

	2009	2008
FY 2009 earnings per share (EPS) is valued at SR 4.76 a share, from SR 3.17 a share, increasing by 50%.	SR. 4.76 Per Share	SR. 3.17 Per Share



Sixth: Geographic analysis of consolidated revenue:

Essentially, the company's revenue comes from its activities inside KSA, as the following:

Area	Sales in Saudi Riyal	
	2008	2009
Middle Area	887,680	1,000,697
Western Area	372,685	382,514
Eastern Area	198,782	187,967
Southern Area	56,573	64,215
Outside sales (Exports)	21,437	7,944
Total	1,537,157	1,643,337



Seventh: Sector information:

The company works in explosives production and related services, drugs trading, and porous ammonium nitrate manufacturing. The porous ammonium nitrate manufacturing sector is supplementary to the explosive production sector, taking into account that the first has not begun operation up till 31/12/2009.



Eighth: Statement of regulatory payments:

Hereunder is a statement of some regulatory payments of SCC and SITCO Pharma in FY 2009 compared to FY 2008:



	(value in SR thousands)	
	2009	2008
Department of Zakat and Income Tax	12,378	11,174
Social Securities	5,500	5,135

Ninth: Safety Record:

The Company pays much attention to the safety and security of its staff, facilities and products by applying the most recent safety standards and providing its staff with training programs, whether on security and safety or preventive and regular maintenance. As a result, there is no work accidents or even a small accident recorded in 2009 despite the danger and sensitivity of the Company's products.

Tenth: Social Responsibility Programs:

In 2009 and through the "SCC in Society's Service Program", SCC has supported social and health activities and sponsored some national awareness campaigns in the light of its efforts relating to social responsibility. The Company has also adopted a number of social activities, such as anti-smoke campaign, blood donation campaign, as well as employee participation in monthly donations to Ensan Charity Association.

Eleventh: Manpower and Training:

The Company has paid importance to train its staff in order for it to develop its business, enhance the quality and efficiency of work, and develop employee and trainee skills. To that end, it has organized a number of training courses in all specializations at the Company's training center, not to mention the training programs inside and outside the Kingdom. Further, the qualified national cadres have been increased by focusing on the processes of selection, recruitment, and attraction, as well as preparation of a performance evaluation program, and evaluation according to profession and achieved goals.



Twelfth: Potential risk:

Thank God, the company is on the right track to develop and expand its operations, and no risks are forecast according to the available information.

Thirteenth: SCCO stakes in its subsidiaries:

Company name	Legal Entity	85	Stake
Saudi International Trading Co. (SITCO Pharma)	Ltd.	KSA	99%
Suez Int'l. Nitrate Co. (SINCO)	JSC	A.R.E	98%
Chemical Co. for Commercial Investment Ltd.	Ltd.	KSA	95%

Fourteenth: Brief financial results:

a) Income Statement (SR thousands)

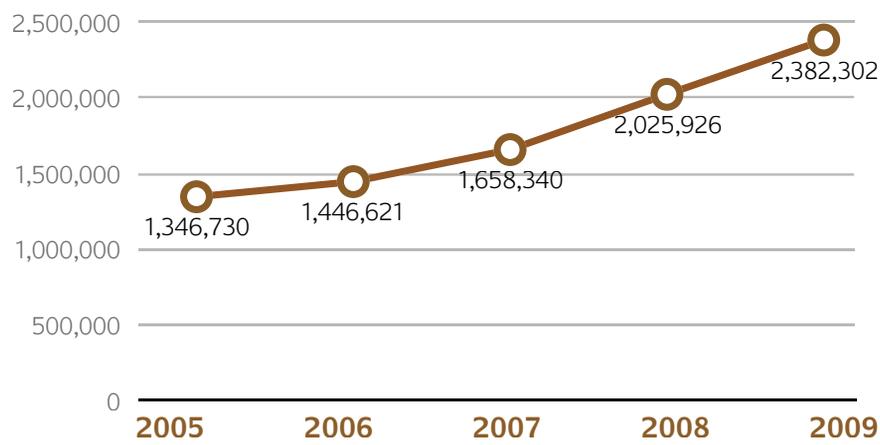
Statement	2009	2008	2007	2006	2005
Consolidated sales, net	1,643,337	1,537,157	1,230,134	1,026,991	965,185
Cost of sales	(1,297,051)	(1,271,310)	(1,023,796)	(697,813)	(779,932)
Total profit	346,286	265,847	206,338	213,294,	185,253
G&A expenses	(65,471)	(51,420)	(50,786)	(370,49)	(36,575)
Operating profit	280,815	214,427	155,552	163,924,	148,678
Financial charges, net	(6,469)	(12,814)	(3,227)	(482,6)	(10,494)
Goodwill & deferred charges amortization	(1,600)	(3,200)	(3,200)	(3,200)	(34,520)
Profit) loss (from foreign exchange	3,740	16,184	(27,884)	(874,18)	12,285
Investment loss provisions	----	(6,382)	----	-----	-----
other revenue ,net	48,826	4,752	2,241	21,724,	1,716
Zakat	(22,639)	(11,406)	(11,390)	(8,200)	(6,823)
Minority interest	(1,654)	(1,027)	(316)	(843)	(826)
Net Profit	301,019	200,534	111,776	148,049	110,016

b) Financial position (SR thousands)

Financial position	2009	2008	2007	2006	2005
(Net) current assets	1,716,301	1,238,969	1,054,015	897,483	799,301
(Net) non-current assets	666,001	786,957	604,325	549,138	547,429
Total assets	2,382,302	2,025,926	1,658,340	1,446,621	1,346,730
Current liabilities	1,113,386	902,904	669,781	577,682	578,744
Long-term loans	-----	-----	69,013	-----	50,000
Employee retirement bonus provisions	26,346	23,925	21,682	19,027	16,461
Total liabilities	1,139,732	926,829	760,476	596,709	645,205
Shareholder equity:					
Capital	632,400	632,400	632,400	632,400	527,000
Statutory reserve	126,246	96,144	76,091	64,913	50,108
General reserve	80,000	40,000	20,000	-----	----
Retained profit	400,706	327,889	167,408	150,050	122,206
Total shareholder equity	1,239,352	1,096,433	895,899	847,363	699,314
Minority rights	3,218	2,664	1,965	2,549	2,211
Total liabilities & shareholder equity	2,382,302	2,025,926	1,658,340	1,446,621	1,346,730

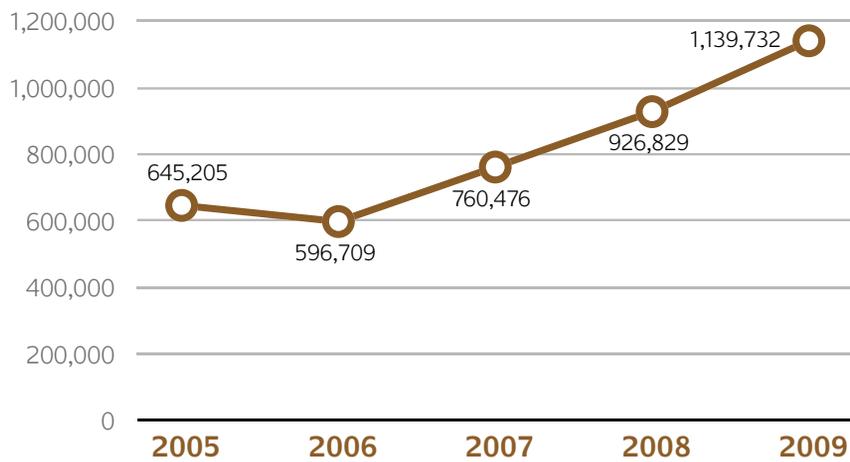
c) Total assets (SR thousands)

2005	2006	2007	2008	2009
1,346,730	1,446,621	1,658,340	2,025,926	2,382,302



d) Total liabilities (SR thousands)

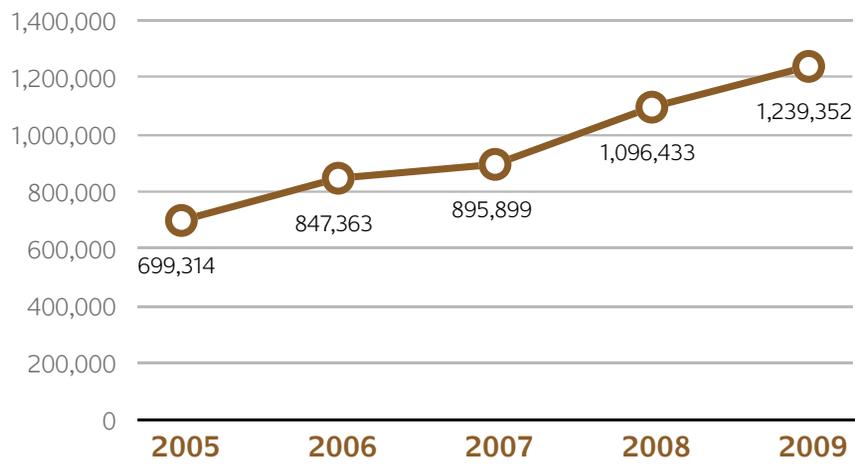
2005	2006	2007	2008	2009
645,205	596,709	760,476	926,829	1,139,732





e) Total shareholder equity (SR thousands)

2005	2006	2007	2008	2009
699,314	847,363	895,899	1,096,433	1,239,352



Fifteenth: Strategic plans, business expansions and investments in other companies:



According to the board's strategic plans to expand activities and diversify sources of income, several practical achievements were made in FY 2009.

1. Civil explosives:

1. Continuing its geographical expansion of distribution areas, SCC has successfully finished the establishment of branch warehouses at Al-Saman area, on the way to the Eastern area, 180 km away from Riyadh. These warehouses are to serve the crushers and quarries in that area. The Company has commenced to take the required procedures and obtain licenses to establish warehouses in the Southern area, and to establish a manufacturing area in Hazm Al Galameed area, 150 km away from Arar city, to serve the mining projects, especially the phosphate mines in the area.
2. The Company has started to provide a new service to its customers for the first time in the Middle East; D.T.H. service specifically for cement companies and mining sector.
3. Military Sector: During 2009, there were negotiations on the initial agreement between the Company and the General Organization for Military Industries to establish industrial facilities to restructure and eliminate defective and expired ammunitions. Through a foreign partner, the Company shall supply the project's equipment and facilities after reaching the final form of the project with the General Organization for Military Industries.
4. Computer Software Development: An agreement has been signed with one of the specialized companies to setup Oracle ERP program to all departments, directorates and branches of the Company and its affiliates.
5. During 2009, the organizational structure and payroll ladder were approved, and the Company's internal procedures and policies were updated.





2. Pharmaceuticals (SITCO Pharma):

- The central pharmaceuticals warehouse in Riyadh has been established and equipped.
- New pharmaceutical agencies have been added, such as Zino Pharma, Greek Benostan, and Amdipharma, and signing of additional marketing contracts with Stiefel and Ginsana.
- There was an increase of 32% in bid sales in 2009 compared to 2008.



3. Porous Nitrate Sector:

The Suez Int'l. Nitrate Co. (SINCO) was established in the second-half of 2006 in Egypt. During 2009, most constructions at its factory were finalized and it passed the initial operation tests. The required operation licenses were obtained and it is expected to operate in January, 2010.

The project aims to produce the core raw material, currently imported from Europe, that is used in manufacturing civil explosives by SCC. The project will bolster SCC's ability to cover all its raw material needs to meet the increasing demand on civil explosives in the upcoming years for infrastructure projects such as railroading, mining, etc.

4. Mawarid Trading Co. Ltd.(MTL):

During the second-quarter of 2008, SITCO Pharma, SCC subsidiary, acquired a 15% stake in Mawarid Trading Co. Ltd. for SR 135 million. Mawarid Trading Co. Ltd. is owned by Mawarid Holding Co. and Mawarid Investment Co. which are further owned by the Chairman of Saudi Chemical Co. (related party) by virtue of majority of shares. During the second quarter of 2009, the Company entered into another agreement with Mawarid Trading Co. Ltd., that enable SITCO Pharma to purchase 50% of shares in Al-Dawaaa Co. with an amount of SR 235 million against withdrawing from the ownership of shares in Mawarid





Trading Co. Ltd. by 15%. The Company paid SR 95 million to the sellers from the total difference between the two deals. Upon presenting the two deals mentioned above before the Ordinary General Assembly held on 30/06/2009 for approval, the Assembly disapproved both agreements. Accordingly, the Company's Management notified the sellers of the cancellation of the two deals and claimed redeeming the paid amounts as per the Memorandum of Understanding which would require the agreement of the relative parties to conclude the deal. Accordingly, the paid amounts totaling SR 230 million were recorded on the dues account of relative parties (i.e., Mawarid Trading Co. Ltd.) and included in the Company's preliminary consolidated financial position. Also, the Company's share in the profits of Mawarid Trading Co. Ltd. for 2008 amounting to SR 3.6 million was reversed, and it was already effected in the Company's preliminary consolidated income statement for the first quarter of 2009.



5. Explo Track Inc.:

In the first-quarter of FY 2008, the company concluded a 20% blue chip buy transaction with Explo Track Inc. at a value of \$1.5 million (SR 5.6 million). It is a Philadelphia-based listed Ltd. entity that provides electronic systems for shipment and storage of civil/military explosives and explosive-making raw materials. Hit by the global financial crunch, the company could not get enough funds to continue its operations and fulfill its financial liabilities. So SCC board put aside SR 6.4 million as provisions (investments and financial injection for the Explo Track Inc.) to encounter any future financial losses incurred by the electronic provider. In its meeting on 15/11/2009, the Company's board decided to remove that investment from the Company's books, after it was made sure that ExploTrack Inc. would not be able to continue its activity.



6. Chemical Co. for Commercial Investment Ltd.

The company, in fourth-quarter of FY 2008, incorporated the Chemical Co. for Commercial Investment as a limited liability company that is capitalized at SR 1 million, in which SCC owns 95% shares and subsidiary SITCO Pharma 5%. It is a wholesale and retail dealer in drugs and medical materials and equipment, along with managing and operating public and state pharmacies. It is still under foundation and has not started operation yet.



Sixteenth: Corporate loans:

SCC obtained a short term SR 50 million loan from a local commercial bank to finance part of the purchase of equity stake in MTL. This Loan will mature on 27th March 2010. Also, SITCO Pharma obtained a medium-term SR 138 million loan from a domestic commercial bank to finance its operations. The loan is accompanied by a commission equaling Saudi interbank Euro lending rate plus 1.5%. It will be settled through 8 quarterly installments, the first of which was made on 31/3/2008. By the end of 2009, the whole loan was paid.



Seventeenth: Corporate governance and its applications:

The Board and the General Assembly approved the following governance regulations on Monday, 14/02/1430 A.H. corresponding to 09/02/2009, and 07/07/1430 A.H. corresponding to 30/06/2009, respectively. These regulations include the rules and standards governing the Company's performance, and the most important of which are transparency, equality, and shareholders' exercise of their rights to access information affecting their investment decisions.

- | | |
|---|--|
| (1) Corporate governance system. | (7) Nomination and remuneration committee regulations. |
| (2) Shareholder general meeting regulations. | (8) Internal control system regulations. |
| (3) Board regulations. | (9) Rule of conduct and relations with shareholders. |
| (4) Disclosure and transparency policy regulations. | (10) Risk management regulations. |
| (5) Dividend payout policy regulations. | (11) Conflict of interests policy. |
| (6) Audit committee regulations. | (12) Executive committee regulations. |



In general, the Company shall apply all the provisions of the Governance Regulations mentioned, while bearing into mind that the Company has not yet applied Paragraph (B) of the corporate governance regulations as to the cumulative voting system in board election at the general assembly, as it is not stated in the Company's Articles of Association, Companies Law, or any other binding law.

Eighteenth: Board members participation in other JSC boards:

Name	SCC	Other companies
HH Prince Ahmad Bin Khaled Bin Abdullah Al-Saud	Board Chairman	Saudi Arabian Amiantit, Saudi Arabian Cooperative Insurance Co. (SAICO)
Mr. Abdul-Aziz bin Ali Hassan Abu Saud	Board Member	Saudi Arabian Amiantit, Saudi Arabian Cooperative Insurance Co. (SAICO)



Board structure and members classification:

Name	Title	(Independent/ Non-Independent)	(Executive / Non-executive)
HH Prince Khaled Bin Abdullah Bin Abdul-Rahman Al-Saud (till 08/02/2009)	Board Chairman	Non-independent	Non-Executive
HH Prince Ahmad Bin Khaled Bin Abdullah Al-Saud (till 09/02/2009)	Board Chairman	Independent	Non-Executive
Mr. Samir Mahmoud Abdul Hadi	Board's Deputy Chairman	Independent	Non-Executive
Dr. Ahmed Saleh Al-Twajjri	Board Member	Independent	Non-Executive
Mr. Mohammad Saleh Al Hammadi	Board Member	Independent	Non-Executive
Mr. Mohammad Omar Al-Sanousi	Board Member	Independent	Non-Executive
Mr. Abdul-Aziz bin Ali Hassan Abu Saud (as of 09/02/2009)	Board Member	Independent	Non-Executive
Eng. Fahd Saleh Al-Jarbou (General Manager & Managing Director)	Board Member	Non-independent	Executive

Board members' equity in SCC:

Member's Name	Number of Shares Held	
	31/12/2009	31/12/2008
HH Prince Ahmad Bin Khaled Bin Abdullah Al-Saud	1,000	1,000
Dr. Ahmed Saleh Al-Twajjri	1,356	1,356
Mr. Samir Mahmoud Abdul Hadi	131,742	131,742
Mr. Mohammad Saleh Al Hammadi	3,500	3,500
Mr. Mohammad Omar Al-Sanousi	1,300	1,300
Mr. Abdul-Aziz Abu Saud	131,748	131,748
Eng. Fahd Saleh Al-Jarbou	1,000	1,000



Board meetings during FY 2009:

The board of directors held 6 meetings during the year 2009. The following table shows the number of attendances made by each board member.

Name	Number of attendances
HH Prince Ahmad Bin Khaled Bin Abdullah Al-Saud (Chairman)	6
Dr. Ahmed Saleh Al-Twaijri	5
Mr. Samir Mahmoud Abdul Hadi	6
Mr. Mohammad Saleh Al Hammadi	5
Mr. Mohammad Omar Al-Sanousi	6
Mr. Abdul-Aziz Abu Saud	5
Eng. Fahad Saleh Al-Jarbou	6

Meetings of Board Committees for FY 2009:

Executive Committee:

The Executive Committee consists of 4 members selected from within the board of directors for the main functions for presenting regular reports to help the board determine, develop and implement the company's strategic goals; approving and recommending decisions about investment projects according to board directives. The Committee held 5 meetings during 2009.

Name		Number of attendances
HH Prince Ahmad Bin Khaled Bin Abdullah Al-Saud	(Chairman)	5
Mr. Samir Mahmoud Abdul Hadi	Member	4
Eng. Fahad Saleh Al-Jarbou	Member	5
Mr. Mohammad Omar Al-Sanousi	Member	5



Auditing Committee:

The Auditing Committee comprises 3 members and its main tasks include supervising internal auditing measures, making sure they are carried out effectively, recommending the auditor nomination, auditing and verifying the financial statements and to recommending the approval made by the board of directors, and monitoring internal control procedures and policies. The Committee met 3 times during 2009.

Name		Number of attendances
Dr. Khalil Abdul-Fattah Kurdi	(Chairman)	3
Mr. Mohammad Saleh Al Hammadi	Member	2
Mr. Mohammad Omar Al-Sanousi	Member	3

Nomination and Remuneration Committee:

The Nomination and Remuneration Committee consists of 3 members, who serve to help the board of directors perform its guiding and supervisory missions effectively, thus helping achieve the company's goals and financial development.

Name		Number of attendances
HH Prince Ahmad Bin Khaled Bin Abdullah Al-Saud	(Chairman)	3
Mr. Samir Mahmoud Abdul Hadi	Member	3
Mr. Mohammad Omar Al-Sanousi	Member	3

Remunerations:

- The board chairman and members, as well as members of Auditing and Executive Committees, did not receive any remunerations in 2009.
- None of the chief executives waived any salaries or remunerations.
- There are no arrangements or agreements for any shareholders to waive any dividend rights.
- There are no other investments or reserves established for the benefit of the company's employees.



Remunerations of Board Members and Chief Executives

Statement	Executive directors	Non-executive/ independent directors	Five of the chief executives who have received high remunerations along with the managing director and the financial director
Salary & remunerations	---	---	2,426,604
Allowances	---	---	313,318
Periodical & annual bonus	---	---	1,902,241
Incentive plans	---	---	---
Any other monthly or annual in-kind compensations or advantages	---	---	---



Conflict of interests among board members and chief executives:

The company has no substantial contracts with or other interests of any kind with any board member, the Managing Director, Chief Financial Officer, the chief executives of subsidiaries or any person that relates to them.

Nineteenth: Internal control regulations:

The board of directors and management testify that the company's internal control regulations are effectively applied and that sound accounting records are kept with appropriate supporting documents. The policies and measures of corporate performance were prepared and documented according to the international standards. The company has recently obtained a certificate in quality, environment, health and safety (ISO 9001: 2008) and (ISO 14001: 2004) and (OSHA 18001: 2007) after the success achieved in ISO 9001, which proves the company's commitment to apply the highest standards of quality to all its facilities. Regular review of these policies and measures are conducted through specialized offices to make necessary amendments. There are no pending matters that may impede the continuation of operations successfully.





Twentieth: Company dividend distribution policy:

The company's annual net consolidated earnings are distributed after deducting all general expenses and other costs and provisions, including Zakat and other allocations and reserves as the following:

- 1) 10% of net earnings is put aside as regulatory reserve.
- 2) From the rest, an initial payment is to be made to shareholders equaling 5% of paid-in capital, whether as cash dividend or bonus shares (if approved by the shareholder meeting)
- 3) 10% of the remaining profit is to be allotted for the board members bonus in line with the effective instructions and regulations.
- 4) A portion of the annual net profit is to be assigned for general reserve to offset any future negative effects on the company.
- 5) The shareholders may consider and may approve the board recommendation on distributing an additional percentage of the remaining profit, whether as cash dividend or bonus shares.



Distribution of Shareholders' Due Profits:

The Company's Board decided to meet on 15/12/2009 to distribute dividends with an amount of SR 158.1 million among shareholders, at the rate of SR 2.5 per share, for the third quarter of 2009. These dividends shall be entitled to shareholders recorded in the company's books by the end of Wednesday, 30/12/2009, taking into account that dividends have begun to be paid as of 09/01/2010.



Board recommendations as to dividends distribution:

SCC Board recommends the distribution of cash dividends for the fourth-quarter of FY 2009, SR 1.5 per share, representing 15% of the Company's capital and totaling SR 94,860,000. The fourth-quarter dividends shall be entitled to shareholders recorded at the Company's books in Saudi Stock Exchange (Tadawul) by the end of trading on the day of holding the ordinary general assembly, which shall be announced later after getting approval from the concerned bodies. For the third-quarter of 09, dividends amounting SR 2.5 per share were distributed, totaling SR 158,100,000, 25% of the Company's capital. Accordingly, the dividends distributed for FY 2009 totaled SR 4 per share, representing 40% of Company's capital, totaling SR 252.960.000 for FY 2009.

Twenty-First: Board recommendations to the general assembly:

The board of directors offers the following proposals for the approval of the meeting:

- First** : To approve the board report for FY 2009.
- Second** : To endorse the company's balance sheet, income statement and auditor's report for the year that ended on 31/12/2009.
- Third** : To discharge the board members from liability for the year that ended on 31/12/2009.
- Fourth** : To approve of SCC Board's recommendation as to the distribution of cash dividends for the fourth-quarter of FY 2009, with SR 1.5 per share, representing 15% of the Company's capital and totaling SR 94,860,000. The fourth-quarter dividends shall be entitled to shareholders recorded at the Company's books in Saudi Stock Exchange (Tadawul) by the end of trading on the day of holding the ordinary general assembly, which shall be announced later after getting approval from the concerned bodies. For the third-quarter of 09, dividends amounting SR 2.5 per share were distributed, totaling SR 158,100,000, 25% of the Company's capital. Accordingly, the dividends distributed for FY 2009 are SR 4 per share, representing 40% of Company's capital, totaling SR 252,960,000 for FY 2009.
- Fifth** : To approve adding SR 20 millions to the general reserve for any future negative effects and adding the remaining returns to retained profit.
- Sixth** : To approve selecting an auditor from among the candidates nominated by the Audit Committee to undertake the audit of 2010 financial statements and interim financial statements, and setting the auditor's fees.



Twenty-Second: Events taking place after 31/12/2009:

SCC's second ordinary general assembly was held on Tuesday, 12/01/1431 A.H. corresponding to 29/12/2009 A.D. to elect the members of the new board for the following 3-year term, as of 01/01/2010 to 31/12/2012. The election resulted in the winning of the following:

- 1) HH Prince Ahmad Bin Khaled Bin Abdullah Al-Saud
- 2) Eng. Fahad Saleh Al-Jarbou
- 3) Mr. Samir Mahmoud Abdul Hadi
- 4) Mr. Abdul-Rahman Abdul-Aziz Abdul-Salam Al-Yamani
- 5) Mr. Abdul-Aziz Ali Hassan Abu Saud
- 6) Mr. Mohammad Omar Al-Sanousi
- 7) Mr. Soltan Mohamed Ibrahim Al-Hadithi

On 26/01/1431 A.H. corresponding to 12/01/2010 A.D., the Board decided to appoint Dr. Mohamed Saud Al-Badr as the Company's General Manager as of Feb. 1, 2010 succeeding Eng. Fahd Saleh Al-Jarbou.



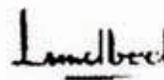
Conclusion:

Finally, the board of directors would like to thank the honored shareholders for attending the general meeting and for their trust in the board of directors. The year 2009 was a special year for SCC and its subsidiary SITCO Pharma. Also, we would like to thank all of our clients and governmental and civil institutions for their honest cooperation and their contributions to the SCC successes and prosperity.

Board of Directors



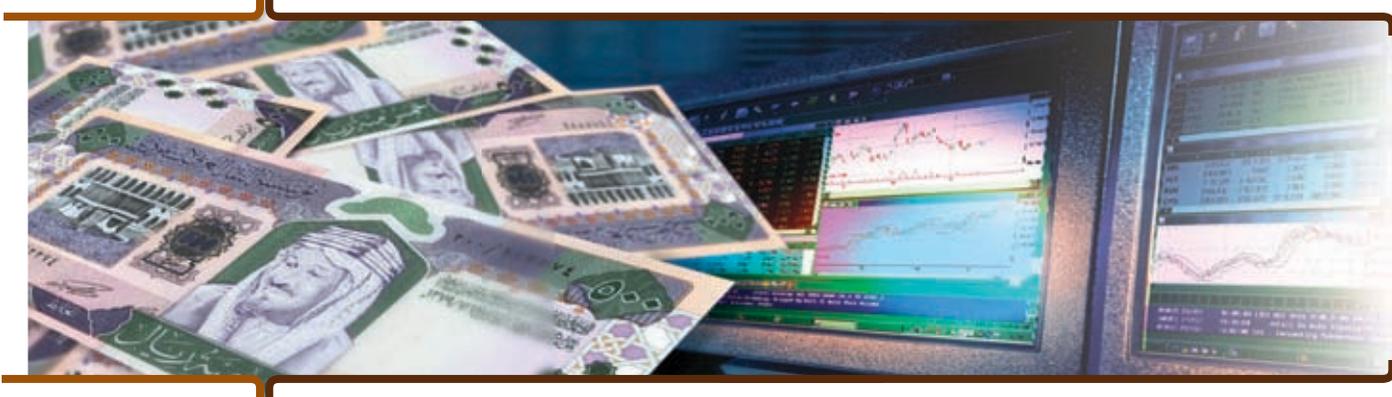






Saudi Chemical Company
(A Saudi Joint Stock Company)





Consolidated Financial Statements
For the Years Ending December 31, 2009 and 2008
and Independent Auditors' Report





M. Al Amri & Co.

Accountants & Consultants

P.O. Box 8736
Riyadh 11492
Saudi Arabia
License No. 323/11/66

Tel. 966 1 480-2121
Fax 966 1 480-1119
info@alamri.com
www.alamri.com

INDEPENDENT AUDITORS' REPORT

**To: THE SHAREHOLDERS OF
SAUDI CHEMICAL COMPANY**

Riyadh, Saudi Arabia

We have audited the accompanying consolidated balance sheet of Saudi Chemical Company (A Saudi Joint Stock Company) and its subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the years ended including the related notes from 1 to 23. These consolidated financial statements are the responsibility of the Company's management and have been prepared in accordance with the provisions of the Regulations for companies and presented to us together with all the information and explanations which we required.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. 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 principles 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 accompanying consolidated financial statements taken as a whole:

- present fairly, in all material respects, the consolidated financial position of Saudi Chemical Company and its subsidiaries as of December 31, 2009 and 2008 and the consolidated results of its operations, cash flows and its changes in shareholder's equity for the years then ended in conformity with accounting principles generally accepted in Saudi Arabia.
- comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of consolidated financial statements.

For Dr. M. Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Rabi Awal 01, 1431 H
February 15, 2010 G



Consolidated Balance Sheet

As of December 31,

ASSETS	Note	2009 SR'000	2008 SR'000
Current assets			
Cash and cash at banks		374,649	165,629
Accounts receivable, net	3	756,663	728,738
Inventories, net	4	336,347	334,897
Prepaid expenses and other assets	5	10,777	7,285
Due from related parties	6	237,865	2,420
Total current assets		1,716,301	1,238,969
Non-current assets			
Investments and financial assets	7	1,000	136,000
Construction-in-progress	8	105,383	90,208
Property, plant and equipment, net	9	89,811	89,342
Intangible assets, net	10	469,807	471,407
Total non-current assets		666,001	786,957
TOTAL ASSETS		2,382,302	2,025,926
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable		838,622	733,386
Short term loan	11	50,000	50,000
Current portion of medium-term loan	12	-	69,013
Accrued expenses and other liabilities	13	216,342	46,515
Due to related parties	6	8,422	3,990
Total current liabilities		1,113,386	902,904
Non-current liabilities			
Employees' end of service benefits		26,346	23,925
Total non-current liabilities		26,346	23,925
Total liabilities		1,139,732	926,829
Equity			
Share capital	1	632,400	632,400
Statutory reserve		126,246	96,144
General Reserve		80,000	40,000
Retained earnings		400,706	327,889
Total shareholders' equity		1,239,352	1,096,433
Minority interest		3,218	2,664
Total Equity		1,242,570	1,099,097
TOTAL LIABILITIES AND EQUITY		2,382,302	2,025,926

The accompanying notes from 1 through 23 form an integral part of these consolidated financial statements.



Consolidated Statement Of Income

	Notes	For the Years Ended December 31,	
		2009 SR'000	2008 SR'000
Sale		1,643,337	1,537,157
Cost Of Sales		(1,297,051)	(1,271,310)
Gross Income		346,286	265,847
General And Administrative Expenses	15	(65,471)	(51,420)
Income From Main Operations		280,815	214,427
Finance Charges, Net		(6,469)	(12,814)
Amortization		(1,600)	(3,200)
Gain (Loss) From Foreign Currencies Exchange	16	3,740	16,184
Provision For Impairment Of Investment		-	(6,382)
Other Income And Expenses, Net	17	48,826	4,752
Income Before Zakat And Minority Interest		325,312	212,967
Provision For Zakat	14	(22,639)	(11,406)
Income Before Minority Interest		302,673	201,561
Minority Interest		(1,654)	(1,027)
Net Income		301,019	200,534
Earning (Loss) Per Share In Saudi Riyal From:			
Main Operations		4.44	3.39
Other Operations		0.32	(0.22)
Net Income		4.76	3.17

The accompanying notes from 1 through 23 form an integral part of these consolidated financial statements.



Consolidated Statement Of Cash Flows

	For the Years Ended December 31,	
	2009 SR'000	2008 SR'000
Cash Flows From Operating Activities:		
Income before zakat and minority interest	325,312	212,967
Adjustments to reconcile net income before zakat and minority interest to net cash provided by operating activities:		
Provision for doubtful accounts	5,213	200
Provision for slow moving inventory	1,421	(500)
provision for impairment of investment	-	6,382
Depreciation	11,934	10,683
Gains on sale of property and equipment	(4)	(1,177)
Amortization	1,600	3,200
Employees' end of service benefits	3,547	3,913
(Increase) decrease in operating assets:		
Accounts receivable	(33,138)	(155,781)
Inventories	(2,871)	(26,341)
Prepaid expenses and other assets	(3,492)	(323)
Due from related parties	(445)	(616)
Increase (decrease) in operating liabilities:		
Accounts payable	105,236	167,915
Accrued expenses and other liabilities	2,144	8,198
Due to related parties	4,432	-
Cash from operations	420,889	228,720
Zakat paid	(12,378)	(11,174)
Employees' end of service benefits paid	(1,126)	(1,670)
Net cash provided by operating activities:	407,385	215,876
Cash Flows From Investing Activities:		
Investments and financial assets	135,000	(142,382)
Additions to construction-in-progress	(14,483)	(46,620)
Purchase of property and equipment	(13,284)	(13,989)
Proceeds from sale of property and equipment	193	1,271
Net cash provided by (used in) investing activities	107,426	(201,720)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in related party balances	(235,000)	-
Dividend returned (paid)	(1,778)	4,973
Payment to minority interest of subsidiaries	-	(327)
Proceeds from short-term loan	-	50,000
(Payment) Proceeds from medium-term loan	(69,013)	(69,013)
Net cash used in financing activities	(305,791)	(14,367)
Net increase (decrease) in cash and cash at banks	209,020	(211)
Cash and cash at banks at beginning of the year	165,629	165,840
Cash and cash at banks at end of the year	374,649	165,629

The accompanying notes from 1 through 23 form an integral part of these consolidated financial statements.



Consolidated Statements Of Changes In Shareholders' Equity

	Notes	Share Capital SR'000	Statutory Reserve SR'000	General Reserve SR'000	Retained Earnings SR'000	Total SR'000
For the Year Ended December 31, 2009						
Balance as at January 1, 2009		632,400	96,144	40,000	327,889	1,096,433
Transfer to General Reserve		-	-	40,000	(40,000)	-
Net income for the year		-	-	-	301,019	301,019
Dividends for 2009	21	-	-	-	(158,100)	(158,100)
Transfer to statutory Reserve		-	30,102	-	(30,102)	-
Balance as at December 31, 2009		632,400	126,246	80,000	400,706	1,239,352
For the Year Ended December 31, 2008						
Balance as at January 1, 2008		632,400	76,091	20,000	167,408	895,899
Transfer to General Reserve		-	-	20,000	(20,000)	-
Net income for the year		-	-	-	200,534	200,534
Transfer to statutory reserve		-	20,053	-	(20,053)	-
Balance as at December 31, 2008		632,400	96,144	40,000	327,889	1,096,433

The accompanying notes from 1 through 23 form an integral part of these consolidated financial statements.



Notes to the Consolidated Statements
 For the Year Ended December 31, 2009 and 2008

1. Organization And Activities

Saudi Chemical Company (the Company) is a Saudi Joint Stock Company registered in Riyadh, Saudi Arabia under commercial registration number 1010006161 dated 10 Safar 1392H corresponding to 26 March 1972.

The company's share capital is amounting to SR 632,400,000 consisting of 63,240,000 equity shares of SR 10 each.

The accompanying consolidated financial statements include the financial position, results of operation and cash flows of the Company and its subsidiaries, which owns the majority of its share capital and has full control of them. The consolidated subsidiaries are the following:

Name of the Subsidiary Company	Legal Form	Country of Incorporation	Shareholding Percentage
Saudi International Trading Company (SITCO Pharma)	Limited Liability	Saudi Arabia	99%
Suez International Nitrate Company (SINCO)	Joint Stock	Egypt	98%

The authorized share capital of Suez International Nitrate Company (SINCO) is of US\$ 50 million, and its issued share capital is US\$ 5 million (SR 18,750,000). SINCO has completed the construction of its plant, passed the initial operations tests and obtained the necessary licenses for operations. It is expected that commercial operating tests will commence in the first quarter of 2010.

The main business activities of Saudi Chemical Company are the manufacture and sale of explosives and related products for civil and military use and the rendering of blasting services and the activities of SITCO Pharma are the retail and wholesale trading of medicines, medical materials and syrups, pharmaceutical preparations, and medical and surgical tools and equipment, supplies to hospitals and medical centers and the provision of related spare parts. The activity of SINCO is to produce the Ammonium Nitrate which represents one of the major raw materials for the explosive products.

The financial year of the Company and its subsidiaries commences on January 1, and ends on December 31 of each calendar year.



Notes to the Consolidated Statements
For the Year Ended December 31, 2009 and 2008

2. Summary Of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared under the historical cost convention (except for Investments in affiliates and investments in financial instrument as referred below) on the accrual basis of accounting in accordance with generally accepted accounting principle applicable in Saudi Arabia. Significant accounting policies adopted in the preparation of these consolidated financial statements are summarized below:

Basis of Consolidation

For the purpose of consolidating accounts, the Inter-company transactions and balances are eliminated in the consolidation process. Minority interest of the third party (other partners of the Company in the Subsidiaries) has also been accounted in the subsidiaries net assets and income.

Accounting Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires the use of estimates and judgments which might effect the valuation of recorded assets, liabilities and the disclosure of contingencies in the notes to the consolidated financial statements at the balance sheet date. Although these estimates are based on the best information available to management at the date of issuing the consolidated financial statements, the actual end results might differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances and deposits with banks, and all highly liquid investments with maturity of 90 days or less from the acquisition date.

Accounts Receivable

Accounts receivable is stated net of provision. Provision is made for accounts receivable where recovery is considered doubtful by the management.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, on a weighted average cost basis. Cost of finished goods includes cost of materials, labor and an appropriate proportion of direct overheads.



Notes to the Consolidated Statements
For the Year Ended December 31, 2009 and 2008

Investments and Financial Assets

Investments in Affiliates

Investment in affiliate where the Company has significant influence over the investee's financial and operation policies, or where the Company has a long-term investment between 20% and 50% of the equity, is accounted for using the equity method. Under the equity method, the investment is stated initially at cost and adjusted thereafter for the post acquisition changes in the net assets of the affiliate. The Company's share of profit in the affiliate company is recognized in the income statement.

Investments in Available-for-Sale Financial Instruments

Investments in available-for-sale financial instruments, which are held with the intention of to hold it to maturity neither for trading (Representing ownership holding in other companies) are valued at fair value and are classified as non-current assets, unless the intention is to sell it in the following year. Changes in fair value of available-for-sale securities are taken to equity as a separate item. Fair value is determined by reference to the market value when an active trading market is available; else, if no active market is available, cost is considered the best substitute to fair value. Permanent impairment, if any, of such investment is recognized directly in the income statement. Gain or loss from the sale of such investments is recognized in the period in which the sale occurs and the related unrealized gain or loss previously stated is eliminated. Cash dividends from such investments are recognized in income when declared.

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. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. Assets sold or otherwise disposed off and related accumulated depreciation is removed from the accounts at the time of disposal and the related gain or loss is recognized in the income statement. The estimated operational useful lives are the following:



Notes to the Consolidated Statements
For the Year Ended December 31, 2009 and 2008

	Years
Buildings	33
Machinery and equipment	7 - 10
Furniture, fixture and office equipment	7 - 10
Vehicles and transportation equipment	4
Leasehold improvements	10 - 33

Goodwill

Goodwill represents the amounts paid in excess of the related book value of an acquired interest in Saudi International Trading Company Limited, the subsidiary, as of acquisition date. The purchase prices were determined on fair values evaluated at the acquisition dates. At each balance sheet date, the goodwill value is measured to determine the extent of impairment loss (if any).

Deferred Charges

Deferred charges represent fees paid by the Subsidiary (SITCO Pharma) to acquire the distribution rights of a new pharmaceutical agency. Deferred charges are amortized on a straight line method over a period of five years.

Employees' End of Service Benefits

Employees end of service benefits, required by Saudi Arabian Labor Law, are provided in the consolidated financial statements based on the employees' length of service.

Revenue Recognition

Sales are recognized upon delivery of goods to customers in accordance with the terms and sales prices specified in the sales agreements, and for blasting services are recognized based on the actual services performed in accordance with the provision of the related contracts. Sales of pharmaceuticals are recognized when goods are delivered to customers. Pharmaceutical sales prices are regulated by the Ministry of Health.



Notes to the Consolidated Statements For the Year Ended December 31, 2009 and 2008

Expenses

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

Zakat Provision

Zakat is accrued in accordance with the regulations of the Department of Zakat and Income Tax in KSA. Adjustments arising from final Zakat assessments, if any, are recorded in the year in which such assessments are made.

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.

General Reserve

The general reserve has been established for the purpose of covering any unexpected negative events in the future. General reserve is established on the basis of the approval of the General Assembly of the shareholders upon the suggestion of the Board of Directors for the distribution of annual net income.

Impairment of Non-current assets

At each balance sheet date, the carrying amounts of non-current assets are reviewed 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 assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. If the recoverable amount of an assets or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the assets or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the statement of income immediately.



Notes to the Consolidated Statements For the Year Ended December 31, 2009 and 2008

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

Foreign Currency Translation

Transactions

The Company maintains its accounts in Saudi Riyals. 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.

Translation of Overseas Financial Statement

Financial statements of overseas subsidiary's 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 each period for revenues, expenses, gains and losses. Component of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of shareholders' equity.

Earning Per Share

Earning per share is calculated by using the weighted average number of shares outstanding during the period. The Company's share capital consist of common shares only.



Notes to the Consolidated Statements
 For the Year Ended December 31, 2009 and 2008

3. Accounts Receivable, Net

	As of December 31,	
	2009 SR'000	2008 SR'000
Accounts receivable, trade	708,327	664,238
Unbilled revenue	75,149	86,100
	783,476	750,338
Provision for doubtful accounts	(26,813)	(21,600)
	756,663	728,738

Included in accounts receivable, trade are amounts to totaling SR 539 million due from Government and quasi Government institutions as of December 31, 2009 (2008: SR 496 million), of which approximately SR 148 million is more than one year old (2008: SR 135 million).

4. Inventories, Net

	As of December 31,	
	2009 SR'000	2008 SR'000
Pharmaceuticals	286,388	285,396
Raw materials - explosives	30,106	20,803
Finished goods - explosives	14,805	13,043
Spare parts	1,748	1,631
Goods in transit	-	14,036
Other	4,546	551
	337,593	335,460
Provision for slow moving items	(1,246)	(563)
	336,347	334,897



Notes to the Consolidated Statements
For the Year Ended December 31, 2009 and 2008

5. Prepaid Expenses And Other Assets

	As of December 31,	
	2009 SR'000	2008 SR'000
Prepaid expenses	3,172	3,047
Margin on letters of credit	192	401
Other	7,413	3,837
	10,777	7,285

6. Related Parties Transactions

	As of December 31,	
	2009 SR'000	2008 SR'000
Due from related parties:		
Mawarid Trading Company	235,000	-
Eastern Catering Company	200	1,322
Mawarid Holding Company	803	97
Meed Company	1,768	696
Other	94	305
	237,865	2,420
Due to related parties:		
Advanced Instruments Group	1,045	1,071
Mawarid Trading Company	5,273	110
Other	2,104	2,809
	8,422	3,990



Notes to the Consolidated Statements For the Year Ended December 31, 2009 and 2008

The Company, in the ordinary course of its business transacts with its related parties at arm's length. The total amount of sales and purchases with related parties during the year amounted to SR 2.2 million and SR 5.1 million respectively (2008: SR 2.1 million and SR 4.9 million respectively).

Al-Mawarid Trading Company Limited (MTL):

During the second quarter of the year 2008, the subsidiary company (SITCO Pharma) purchased 15% of Al-Mawarid Trading Limited Company's (MTL) total equity for an amount of SR 135 million. MTL is owned by Mawarid Holding Company and Mawarid Investment Company, in which the previous Chairman of Saudi Chemical Company (a related party) is a majority shareholder. During the second quarter of 2009, the Company entered into another agreement with MTL that enables SITCO Pharma to purchase 50% of the equity of Al-Dawaa for Medical Services Company by paying SR 235 million and withdrawing from the 15% ownership in the equity of MTL. The company paid the difference between these two agreements by paying SR 100 million to the sellers. However, upon the presentation of these two agreements to the General Assembly of the shareholders held on June 30, 2009 for approval, the General Assembly did not approve both agreements. Consequently the Company's management sent a cancellation notice to the sellers and requested the refund of the amounts paid in accordance with the terms of the memorandum of understanding, which require the approval of the related authorities to finalize the deal. Accordingly, the amount paid totaling SR 235 million was recorded in due from related parties (Al-Mawarid Trading Company) in the Company's consolidated balance sheet. Moreover, the previously recorded income of SR 3.6 million in the first quarter of 2009, representing the Company's share in the net profits of MTL, was reversed.



Notes to the Consolidated Statements
For the Year Ended December 31, 2009 and 2008

7. Investments and Financial Assets

	As of December 31,	
	2009 SR'000	2008 SR'000
Investments in subsidiary and affiliate	1000	1000
Chemical Co. for Commercial Investments Ltd.(Note 7a)	6,382	6,382
Explotrack Company (Note 7b)	(6,382)	(6,382)
Less: provision for Explotrack investment	-	-
Total	1,000	1,000
Investment in other company		
Al-Mawarid Trading Limited Company (6)	-	135,000
Grand Total	1,000	136,000

a) Chemical Co for Commercial Investments Ltd.:

During the fourth quarter 2008, the Company participated with SITCO Pharma, a subsidiary company, in establishing the Chemical Company for Commercial Investment Ltd, a limited liability company, with a share capital of SR 1 million owned 95% and 5% by the two parties respectively. The main activity of the investee company is the retail and wholesale trading of medicines, medical materials and syrups, medical tools and equipments, management and operations of the private and governmental pharmacies. The said company is still not in operation. Hence it is not consolidated with these consolidated financial statements.



Notes to the Consolidated Statements
 For the Year Ended December 31, 2009 and 2008

b) Explotrack Company:

During the first quarter of the year 2008, the company acquired 20% preferred stock of the share capital of Explotrack Inc., a limited liability company registered in Philadelphia in the United States of America, for an amount of US\$ 1.5 million (equivalent to SR 5.6 million). The main activity of the affiliate is to provide explosives supply-chain and real-time explosives security solutions worldwide to manufacturers, distributors, and users of explosive, propellant, and pyrotechnic materials.

However, due to the effect of the global financial crises on the investee company's financing and ability to continue its business, and due to some indications of inability of the investee company to pay its liabilities, the Company's Board of Directors approved to write off the total investment in Explotrack amounting to SR 6.4 million.

8. Construction-In-Progress

	As of December 31,	
	2009 SR'000	2008 SR'000
Balance as on January 1, 2009	90,208	43,588
Reclassified from Property, Plant and Equipment	692	-
Addition	14,483	46,620
	105,383	90,208

Notes to the Consolidated Statements
For the Year Ended December 31, 2009 and 2008

9. Property, Plant And Equipment, Net

	Land SR'000	Buildings SR'000	Machinery and Equipment SR'000	Furniture and Office Equipment SR'000	Vehicles & Transportation Equipment SR'000	Leasehold Improvements SR'000	Total SR'000
Cost							
January 1, 2009	5,764	191,325	72,851	7,967	22,112	18,401	318,420
Reclassified to CIP	-	189	(2,108)	872	-	355	(692)
Additions	-	672	6,890	936	4,102	684	13,284
Disposals	-	-	-	(108)	(217)	-	(325)
December 31, 2009	5,764	192,186	77,633	9,667	25,997	19,440	330,687
Accumulated Depreciation							
January 1, 2009	-	(132,724)	(57,437)	(6,104)	(17,874)	(14,939)	(229,078)
Charge for the year	-	(5,325)	(2,580)	(856)	(2,891)	(282)	(11,934)
Disposals	-	-	-	-	136	-	136
December 31, 2009	-	(138,049)	(60,017)	(6,960)	(20,629)	(15,221)	(240,876)
Net Book Value							
December 31, 2009	5,764	54,137	17,616	2,707	5,368	4,219	89,811
December 31, 2008	5,764	58,601	15,414	1,863	4,238	3,462	89,342

As of December 31, 2009 property and equipment includes fully depreciated items that are in service with a total cost of SR 105.33 million (2008: SR 93.20 million).

Notes to the Consolidated Statements
 For the Year Ended December 31, 2009 and 2008

10. Intangible Assets, Net

	As of December 31,	
	2009 SR'000	2008 SR'000
Balance as on January 1, 2009	469,807	469,807
Reclassified from Property, Plant and Equipment	-	-
	469,807	469,807

11. Short-Term Loan

The company has obtained a short-term loan from a local commercial bank of SR 50 million to finance the equity to be purchased in Al-Mawarid Trading Company (Note 6). The loan carries a commission at SIBOR plus 1.25%. This loan is guaranteed by a promissory note in favor of the bank for the loan value.

12. Medium-Term Loan

SITCO Pharma "a subsidiary company" obtained a medium-term loan from one of the local commercial banks amounting to EURO 25 million (equivalent to SR 138 million) to finance its working capital requirements. The loan carries a commission at EURO LIBOR plus 1.5% and is repayable on 8 equal quarterly installments. The first installment was settled in March 31, 2008. This loan is guaranteed by a promissory note in favor of the bank for the loan value. However said loan is fully repaid along with interest as at December 31, 2009.



Notes to the Consolidated Statements
For the Year Ended December 31, 2009 and 2008

12. Accrued Expenses and Other Liabilities

	As of December 31,	
	2009 SR'000	2008 SR'000
Accrued employees' related benefits	6,857	5,916
Accrued marketing expenses	11,115	8,716
Accrued other expenses	3,029	3,414
Advances from customer	3,442	4,539
Dividends payable	168,928	11,506
Other	2,869	2,565
Provision for Zakat (Note 14)	20,102	9,859
	216,342	46,515

14. Provision For Zakat

Zakat is calculated on a stand-alone basis for the Company and its subsidiaries. Set out below the movements in provisions on a consolidated basis:

	As of December 31,	
	2009 SR'000	2008 SR'000
January 1	9,859	9,655
Payments during the year	(12,396)	(11,202)
Prior Year adjustment	2,537	1,547
Provision for the Year	20,102	9,859
December 31,	20,102	9,859



Notes to the Consolidated Statements For the Year Ended December 31, 2009 and 2008

The Company and its subsidiary (SITCO Pharma) have finalized their Zakat assessments up to the year ended December 31, 2004 and they have obtained the zakat certificate for the year 2008. At the date of issuing these financial statements the final zakat assessments for the years 2005 up to 2008 has not yet been received from the DZIT.

15. General and Administrative Expenses

	For The Years Ended December 31,	
	2009 SR'000	2008 SR'000
Salaries, wages and other benefits	29,224	23,624
Utilities and insurance	1,811	1,545
Rent	319	384
Consultancy and professional fees	4,576	3,272
Sales discount	12,741	16,417
Provision for doubtful debts	5,213	200
Depreciation	2,645	2,114
Other	8,942	3,864
	65,471	51,420

16. Impact Of Foreign Currency Exchange

Before February 1, 2008 the Ministry of Health (MOH) used to periodically fix the foreign exchange rates pertaining to the purchases of pharmaceutical products from foreign companies. However, MOH has changed this practice and as per its instructions most of the foreign pharmaceutical companies, starting from the above mentioned date, are compelled to bill their invoices in Saudi Riyal. Consequently, there was no major impact from changes in foreign exchange rates on cost of sales during the year ended December 31, 2009 which resulted in a gain of SR 0.37 million (2008: loss of SR 50.37 million).



Notes to the Consolidated Statements
For the Year Ended December 31, 2009 and 2008

In addition, the Company and its subsidiaries made a gain amounting to SR 3.74 million for the year ended December 31, 2009 (2008: gain amounting to 16.18 million) on translation of foreign currency payables relating to the settlement and translation of unpaid foreign suppliers' purchases. Such foreign currencies gain / losses are included under the gain (loss) from foreign currencies exchange caption in the consolidated statement of income.

Accordingly, the Company's results of operations for the year ended December 31, 2009 have been impacted by the effects of foreign currencies net gain in the combined aggregate amounts of SR 4.11 million (2008: loss of SR 34.19 million) which are the totals of amounts included in the consolidated financial statement classification of cost of sales and gain (loss) on translation of foreign currencies.

During 2004, the Subsidiary (SITCO Pharma) filed a claim with the Grievances Court for an amount of approximately SR 144 million requesting one of the government bodies to compensate it for the foreign currency losses incurred during 2003 and 2004. The claim remains outstanding as at December 31, 2009.

17. Other Income and Expenses, Net

	For The Years Ended December 31,	
	2009 SR'000	2008 SR'000
Bank commission	(1,849)	2,585
Gain on sale of property and equipment	4	1,177
Rental Income	100	85
Other, net	50,571	905
	48,826	4,752

During the third quarter 2009, SITCO Pharma collected US\$ 13 million (equivalent to SR 48.75 million) as compensation from GSK-OTC for terminating the agency distribution agreement of "Panadol" medication. This amount is included in other revenue in the consolidated income statement.



Notes to the Consolidated Statements
For the Year Ended December 31, 2009 and 2008

18. Operating Leases

The land on which the Company's plants are located has been leased from the Government of the Kingdom of Saudi Arabia under renewable lease agreements with equal fixed payments, generally having a term of 10 to 20 years and renewable in the ordinary course of business. These lease agreements are subject to renewal in 1432H (2011G).

During the year ended December 31, 2009 rental expenses of SR 1.02 million were incurred on leased land and heavy duty equipment (2008: SR 1.02 million).

19. Contingencies And Commitments

The Company's contingent liability relating to letters of credit and letters of guarantee amount to SR 167 million and SR 48 million respectively as of December 31, 2009. (2008: SR 145 million and SR 27 million, respectively).

20. Segment Information

A segment is a major component of a business that sells/provides certain services (business segment) or sells/provides services in a particular economic environment (Geographical segment) and its profits and losses are different from those of other business segments. The Company follows the business segment as a base for reporting its segment information.

Segments of the Company represent that of explosives production and related services, trading in Pharmaceuticals and production of Ammonium Nitrate. The Ammonium Nitrate segment is considered supplementary to explosives segment, but it is reported as a separate segment to be consistent with the Company's internal reporting purposes. The Ammonium Nitrate segment has not started its production activities as mentioned in Note 1. Information related to each segment is as follows:



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For the Year Ended December 31, 2009 and 2008

	Explosives SR'000	Pharmaceuticals SR'000	Ammonium Nitrate SR'000	Total SR'000
For the year ended December 31, 2009				
Total assets	925,853	1,355,673	100,776	2,382,302
Total liabilities	283,708	854,757	1,267	1,139,732
Sales	287,650	1,355,687	-	1,643,337
Gross income	172,959	173,327	-	346,286
Depreciation	9,055	2,664	215	11,934
Income from main operations	145,575	141,203	(5,963)	280,815
Capital expenditure	9,105	15,601	3,060	27,766
Net income (Loss)	131,235	175,786	(6,002)	301,019
For the year ended December 31, 2008				
Total assets	735,105	1,195,344	95,477	2,025,926
Total liabilities	108,609	816,206	2,014	926,829
Sales	243,352	1,293,805	-	1,537,157
Gross income	129,418	136,429	-	265,847
Depreciation	8,016	2,562	105	10,683
Income from main operations	107,967	106,882	(422)	214,427
Capital expenditure	10,367	3,199	47,043	60,609
Net income	98,240	102,891	(597)	200,534



Notes to the Consolidated Statements
For the Year Ended December 31, 2009 and 2008

21. Dividends

The Board of Directors approved in their meeting held on 15/12/2009 the distribution of dividends amounting to SR 158.1 million to the Company's shareholders, representing SR 2.50 per share for the third quarter of 2009. The right for the dividends was for those shareholders registered at the company's shareholder register as at the closing of Wednesday 29/12/2009. The payment of the dividends commenced on 9/1/2010.

22. Approval Of Financial Statements

The Company's Board of Directors has approved the accompanying consolidated financial statements in their meeting held on Rabi Awal 05, 1431 corresponding to February 19, 2010.

23. Comparative Figures

Certain amounts in the comparative statements have been reclassified to conform with the current year presentation.