Annual Report 2008

أسترا الصناعية
Astra Industrial

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ASTRA INDUSTRIAL GROUP

Astra Industrial Group (AIG) was formed as a result of the reorganization of the Arab Company for Supply and Trading Co. (ASTRA) industrial business where it merged its industrial companies to form a holding company. AIG as a result now owns five leading industrial companies that are active in the following sectors:

1- Pharmaceutical.
2- Chemicals.
3- Engineering.
4- Other Industries.

AIG aims to reinforce and enhance its position as a leading industrial group in the Middle East and North Africa (MENA) Region through improving the performance of existing businesses as well as investing in new industrial ventures.

EXPERTISE AND INVESTMENTS

- **Pharmaceuticals**

  Tabuk Pharmaceutical Manufacturing Company (TPMC) is engaged in the manufacture of a wide range of branded generic pharmaceutical products as well as selected originator products under license from the patent owner.

- **Chemicals**

  This sector is represented by two companies, Astra Polymers Compounding Co. (Astra Polymers) and Astra Industrial Complex for Fertilizers and Agro Chemicals (Astra Chem). Astra Polymers produces color masterbatch, additives and thermoplastics compounds for the plastic industries, while Astra Chem is engaged in the production of compounded fertilizers and agrochemicals.

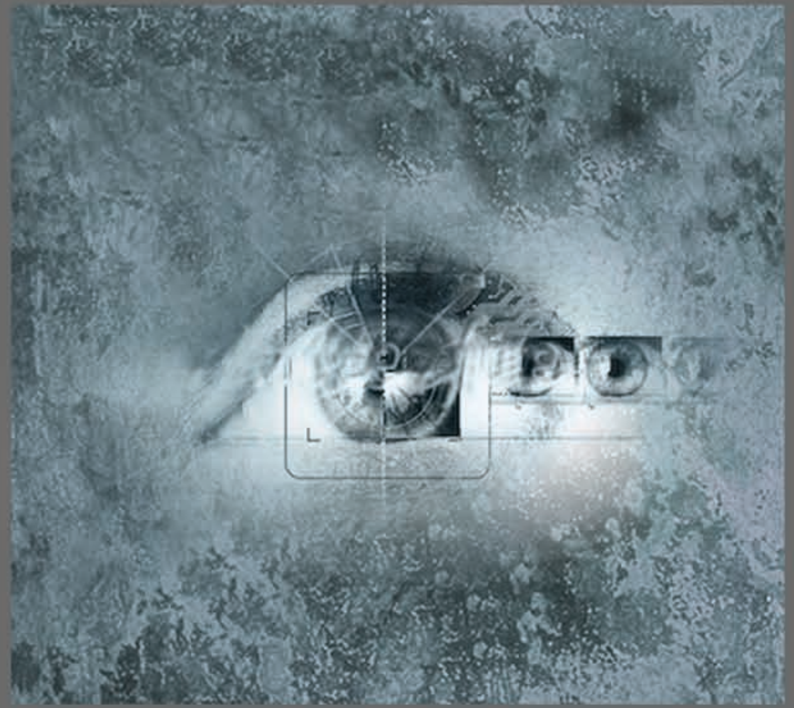
- **Engineering**

  International Building Systems Factory Company Ltd. (IBSF) is engaged in the fabrication of pre-engineered buildings and steel structures as well as the production of insulated sandwich panels.

- **Others**

  Arabian Company for Comforters and Pillows (ACCP) is a producer of polyester fiber and selected household accessories.

VISION

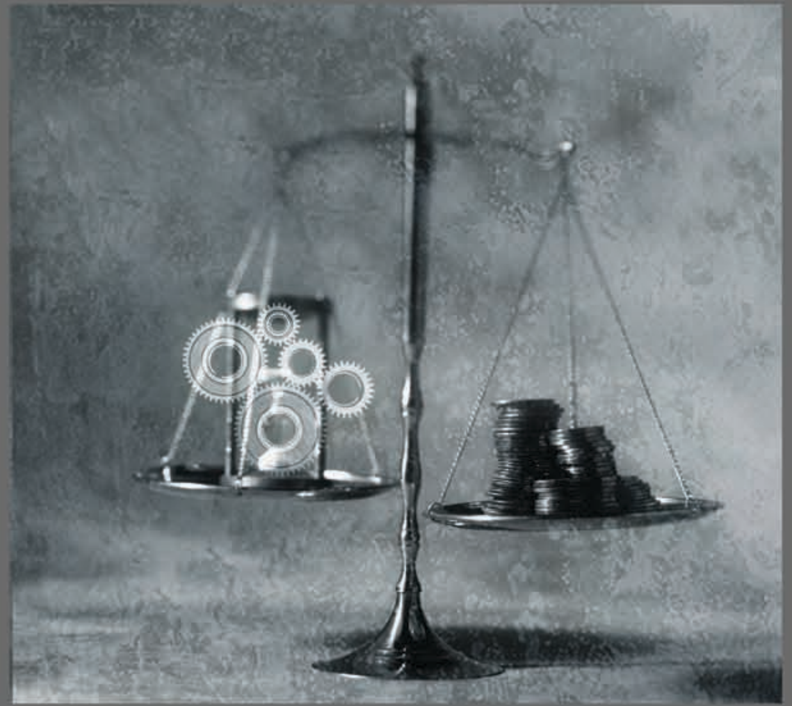


To be the premier industrial investment company in the MENA region, delivering long term stakeholder value through profitable growth.

MISSION

To develop the strongest portfolio of industrial companies in the MENA region through timely strategic investments and growing the companies by providing them optimal financial and managerial resources.

VALUES



- **Result Oriented**

  We will allocate resources in the most efficient manner so as to achieve optimal returns.
- **High Ethical Standards**

  We will continue to deal with customers, partners, employees and the authorities with the highest levels of integrity and transparency.
- **Continuous Improvement**

  Through accountable leadership and clear focus on objectives, we are dedicated to the continious performance improvement.
- **Commitment to quality**

  We will deliver the best quality products and services by differentiating ourselves from the competition through relentless focus on exceeding customer expectations.
- **Empowerment & Accountability**

  We will attract highly talented employees and empower them to perform their duties and responsibilities to their fullest potential, while maintaining proper accountability for their results.

Board of Directors

Sabih Taher Masri
Chairman of the Board
Chairman of the Nominations & Remunerations Committee

Ghassan Ibraheem Akeel
Member of the Board
Member, Performance & Investments Committee

Mohammad Nejr Al Utaibi
Member of the Board
Member, Performance & Investments Committee

Khaled Sabih Masri
Deputy Chairman of the Board
Chairman of the Performance & Investments Committee

Ghiath Muneer Sukhtian
Member of the Board
Member, Performance & Investments Committee

Salman Faris Al Faris
Member of the Board
Member, Audit Committee
Member, Nominations & Remunerations Committee

Sameer Mohammad Al Hamaidi
Member of the Board
Member, Audit Committee
Member, Nominations & Remunerations Committee

Kameel Abdulrahman Sadeddin
Member of the Board

Farraj Mansour Abuthnain
Member of the Board
Member, Performance & Investments Committee

Astra Industrial Group... A Leading Industrial Initiative

In an ambitious step aimed at enhancing its position as an experienced and leading conglomerate in KSA, the Middle East and North Africa (MENA) Region, the Arab Company for Supply and Trading (Astra) established Astra Industrial Group (AIG) in 2006. Owned by Astra and its strategic partners, AIG became the holding company for five industrial subsidiaries that operate in the pharmaceutical, chemical and engineering industries.

Through the implementation of its well envisaged strategy, AIG is now seen as a major regional industrial player with strong track record, and fast growth potential. The proven success of AIG subsidiaries serves as a testimony to the wealth of operational talent and managerial experience at each of the group companies which enabled them to excel in their respective fields and dominate the Saudi and regional markets where they are present.

AIG inherent strength lies in its industrial and geographic diversification which serves to ensure business stability and enhanced performance. As a result, the company is able to maintain financial stability and focus on growth opportunities as it strives to meet the increasing demand for its different products, locally and throughout the region.

In moving forward to strengthen its current businesses base, AIG is implementing a growth strategy based on expanding current activities as well as investing in new industrial ventures. In doing so, it is relying on its accumulated management expertise in this field with the aim of fulfilling its plan to be one of the leading contributors to the Saudi industrial base and overall economy.

Chairman's Address

Dear Shareholders,

On behalf of my colleagues, the members of the Board of Directors, it is my pleasure to present to you our first annual report after the conversion into a joint stock company with listed its shares on the Saudi stock market. This is a significant milestone in the company's history which is an added accomplishment to the it's list of successes. Your company, as you know, has a strong base and proven track record which extends to more than fifteen years through its wholly owned subsidiaries.

As you will note, Astra Industrial Group is expanding and achieving its target. During the last five years ending 2008, the group almost doubled its assets and revenues to SR1.7 billion and SR 991 million, respectively. In addition, the Group subsidiaries achieved notable product and market expansions, domestically and throughout the MENA Region, in addition to selected European and Asian markets.

Believing in our vision based strategy, plus the demonstrated ability to perform and excel in the various competitive markets, give us the confidence to achieve our plans and enhance the business performance. In addition, we are well positioned to take advantage of the various local and regional opportunities as they become available from time to time.

Having said this, I should take this opportunity to touch on the serious economic conditions that have plagued the world markets. Given this developments, we are concentrating our efforts and resources to monitor operations and reviewing the work environment in order to overcome these challenges and avoid any potential adverse impact on businesses and performance.

At the same time, we assure our shareholders that AIG has the expertise, resources and diverse business base to enable it to absorb the risks associated with economic uncertainties. AIG's performance during 2008 serves as a testimony to its ability to endure such volitaltiy where we realized a net profit amounting to SR 186 million, with a modest 5.6% decline below that of 2007. Meanwhile, earnings per share were 2.75%. I am also pleased to announce that the Board of Directors have recommended distributing cash dividend of 50 halalas per share for 2008.

In conclusion, I would like on behalf of the Board of Directors, to extend our sincere appreciation to all Group staff for their relentless commitment and devotion. Appreciation is also extended to our business partners including customers and suppliers. We also would like to thank the shareholders for their support and confidence in AIG. We assure you that no effort will be spared to enhance the Group performance and realization of its strategic objective.

Sincerely,

Sabih Taher Masri

Chairman

CEO's Address

In addition to the Group achievements during 2008, the year was marked by the transformation of AIG into a joint stock company and listing its shares in the Saudi stock market. While this development means more responsibilities, it also reinforces our ambitions for continued business expansion, improved performance and additional success.

With the vast technical, managerial and financial resources at its disposal, AIG managed to strengthen its presence in the sectors where it is actively engaged, and to expand its share in the local and export markets. Sales amounted to SR 991 million in 2008 which is 16% growth over the prior year, and I am pleased to confirm that all five subsidiaries contributed to this growth. In addition, AIG managed to strengthen its regional presence through the well developed and resource marketing and distribution network that spans throughout the MENA Region. Exports, as a result, reached SR 256 million for 2008 which is 36% of total sales and 67% increase over the prior year.

AIG is proceeding with the implementation of its announced strategy of expanding current operations horizontally and vertically in addition to entering into new projects on its own or through joint ventures and alliances.

In 2008, an agreement was reached with CIBA, the leading Swiss materials additives manufacturer, to produce special additives for plastics. In addition, Astra Polymers obtained an industrial license to establish a new factory in Yanbu. This expansion is geared to meeting the growing demand for the company products in the Western region and export markets in Africa and Europe.

As we strive to avoid the consequences of the global economic crisis, we are confident that AIG will be able to maintain its leading position in its markets by relying on the resources and expertise it has available. The Group will also be able to seize the opportunities that present themselves due to the current conditions.

Finally, despite the challenges and economic instability that gripped the world economies starting in early 2008, we at AIG managed to face the challenge by virtue of the effort and devotion of our loyal and professional employees. It gives me pleasure to commend this team effort and to extend them our full gratitude and appreciation for their dedication and performance which enabled us to achieve our objectives. As we start another year, I assure you of our full determination and confidence to pursue the course, and look forward to a prosperous and successful future together.

Khalid A. Al-Gwaiz

CEO

Pharmaceuticals

The Group pharmaceutical business is represented by Tabuk Pharmaceutical Manufacturing Co. (TPMC). AIG's activities in the pharmaceutical business include development, manufacturing and marketing a wide range of branded generic, as well as selected licenced products, which are pharmaceutical drugs that are produced under-license from originator pharmaceutical companies.

AIG's strategy in the pharmaceutical sector aims to achieve the following:

- Consolidate its strong market position in the branded generics line by.

  i. Launching new internally-developed products in fast growing therapeutic categories,

  ii. Increasing its market share in the private sector, and

  iii. Expanding its geographical reach in the MENA region.

- Grow its under-license product line by adding innovative and differentiated products, and launching them in the MENA region. This entails focus on cementing the company's relationship with leading pharmaceutical companies in Europe, Japan and the U.S. A.
- Build on TPMC's current success in launching selected product lines in markets outside the MENA region.
- Capitalize on TPMC's integrated regional marketing and distribution network to enhance its competitiveness, profitability and product offering.

شركة تبوك للصناعات الدوائية

Tabuk Pharmaceutical Manufacturing Co.

Tabuk Pharmaceutical Manufacturing Co. (TPMC) was established in 1994 in Tabuk, KSA where it has modern facilities that all European Good Manufacturing Practice (GMP) compliant.

TPMC achieved strong market position and attained the 6th ranking in total sales in the private Saudi market among the local and multinational pharmaceutical companies, as well as the second ranking in the number of issued prescriptions in same market segment (Source: IMS). Additionally, TPMC is considered a leading company in the field of production and marketing of antibiotics.

The company also enjoys a strong presence in the Middle East and North Africa by virtue of its strong reputation as a producer of high-quality pharmaceutical products as well as its domestic and well established regional marketing and distribution network.

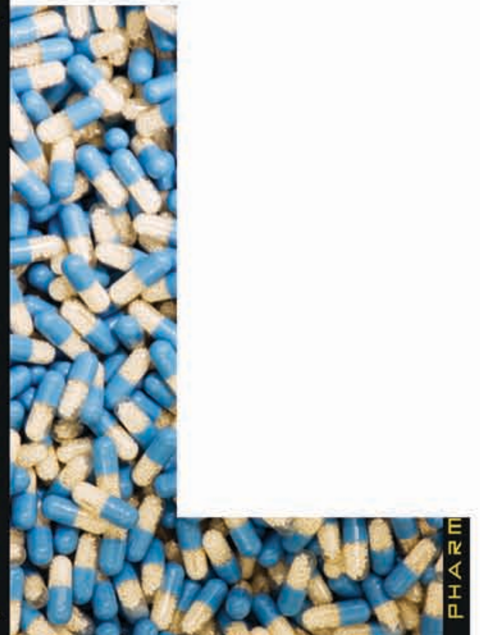
TPMC's production includes an extensive list of 175 branded generic products. The company manufactures its products in solid form, such as pills, capsules, suppositories, and semisolid form, such as ointments and creams, and liquid form.

The company has a line to produce branded generic injectables in addition to manufacturing five medicines of different dosages under license from leading international pharmaceutical companies.

The Company has its own research and development center which is fitted with the latest equipment and systems to facilitate the continuous testing and development of preparations that are necessary for maintaining a rich product pipeline. This facility also enables the company to take advantage of the latest scientific finds and trends in the pharmaceutical industry.

For more information, please visit TPMC website:

www.tpmc.com.sa



Chemicals

AIG operates its business in the chemicals sector through Astra Polymer Compounding Company (Astra Polymers), and Astra Industrial Complex Company Limited for Fertilizers and Insecticides, (Astrachem)

Through its investment in this sector, AIG aims to achieve the following:

- Maintaining its leadership position in the Masterbatch and Thermoplastic industry and increasing its market share, in addition to reinforcing its position in the production and marketing of agrochemicals and fertilizers.
- Supporting its companies' relationship with existing customers by maintaining the highest quality standards, providing innovative solutions and supporting products.
- Diversifying the customer base by expanding marketing and distribution channels at the regional level.
- Continuing its commitment to research and development to promote and develop new products.
- Seek aquisition opportunities and increase its penetration of regional markets and acquiring complementary products and technologies.
- Backward integration to manufacture some of the key raw materials.

شـركـة اسـترا لـمـركـبـات اللـدائن

Astra Polymer Compounding Co.

Astra Polymers was established in 1993. Its main factory and headquarters are located in the 2nd industrial city in Dammam. A second factory was commissioned in 2005 in the Jabal Ali free zone in Dubai, UAE.

The company's products are marketed mainly in Saudi Arabia and UAE, where it has 75% market share in each of these markets. It is also an exporter to other countries in the Middle East, Africa, Europe and the Far East.

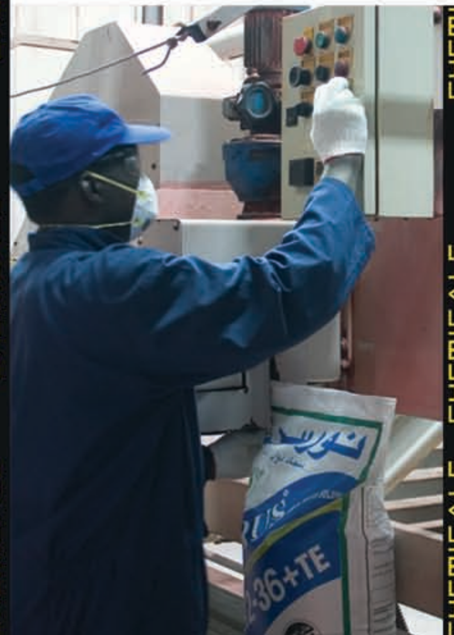
Astra Polymers is considered the leading regional producer of high-quality Masterbatch (white and black colorings) and additives that are used in the plastics industry. This is in addition to thermoplastics compounds that are produced according to the customer specific requirements and standards.

The company's products are classified into three main groups as follows:

- Masterbatch: these are used by manufacturers to add colors to their plastic products to suit the end use.
- Additives: these are used in improving the properties of the final products and make it for example ultra violet resistant (for use in green houses) or shrink or stretch wrap for the packaging industry.
- Compounds: these are used for modifying the appearance and strengthening of thermoplastics products.

For more information, please visit Astra Polymers website:

www.astra-polymers.com



شـركة مجمع أسـترا الصنـاعـي
Astra Industrial Complex Co.

"Astrachem" was established in 1995 and has its production facilities in the Dammam Industrial Area. The plant was designed according to the latest manufacturing technology and has modern production lines, quality control facilities, labs and adequate systems for waste processing and disposal.

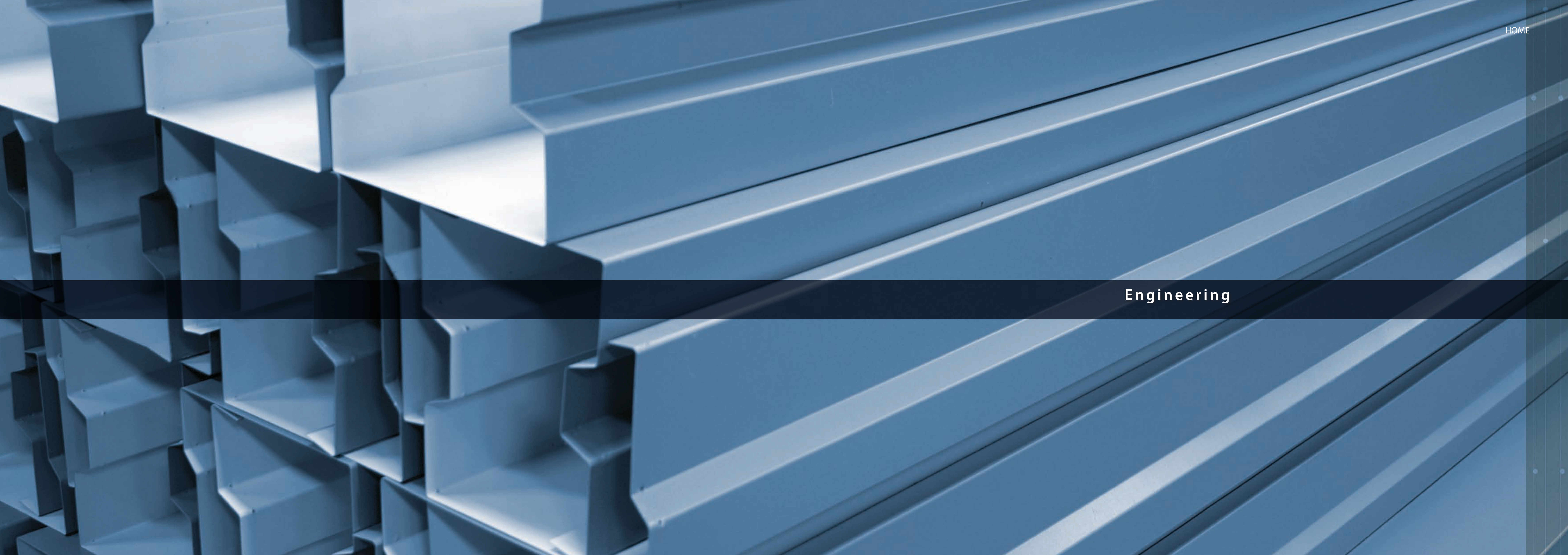
The plant is compliant with many international standards such as the Collaborative International Pesticides Analytical Committees (CIPAC), the World Health Organization (WHO), the Food and Agriculture Organization (FAO), the US Environmental Protection Agency (EPA) and the International Fertilizer Development Centre (IFDC).

Astrachem has a complete production line to meet different agricultural needs including fertilizers (especially liquid and soluble fertilizers), agrochemicals such as pesticides and herbicides, plant food and seeds. The company develops its own formulations, as well as producing under licenses from leading multinationals in its business field. In addition to the total coverage of the Saudi market, the company products are marketed across the MENA region and Turkey via its own well established regional sales and distribution network.

Furthermore, Astrachem has developed a number of products of its own which are considered unique worldwide such as Calciphite, Calpite and Dozer.

For more information, please visit Astrachem website:

www.astrachem.com.sa



Engineering

AIG operates its engineering activities through the International Building System Factory Co. (IBSF), a wholly owned subsidiary. The company manufactures pre-engineered buildings and steel structures that are mainly used for large process industries like oil, gas, petrochemical, power and water desalination projects.

AIG's strategic objectives in this sector are:

- Maintain its position as a well-known and major participant in the provision of total engineering solutions within the steel fabrication industry.
- Strengthen its market share by providing high quality service and delivering reliable products in line with specific customer needs.
- Expand its presence in the regional markets.
- Develop new products that complement current product offering.

شركة المصنع العالمي لأنظمة المباني
International Building System Factory Co.

IBSF was established in 1993 in Riyadh, and grew to become one of the major producers of pre-engineered buildings, steel structures and insulated sandwich panels in the Kingdom. Moreover, the company managed to achieve distinguished engineering expertise and provide total solutions to its customers in different industries.

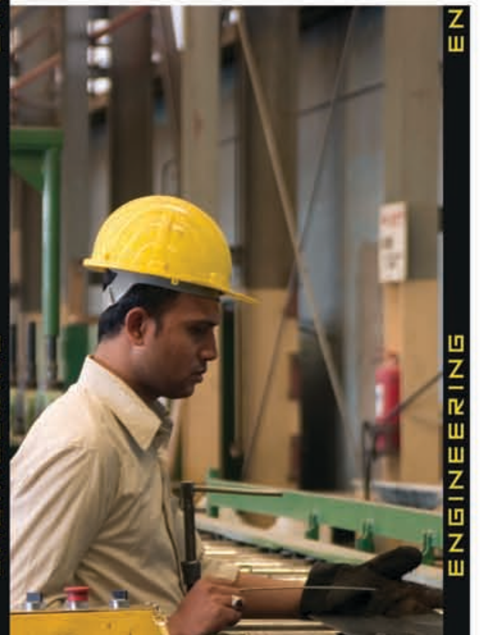
IBSF is known for its ability to maintain customers' loyalty by rendering superior products and high-quality services. This certified it as one of the few companies that are approved and qualified by government agencies and Engineering, Procurement and Erection (ECP) contractors in the Kingdom and nearby countries.

The company has executed numerous projects for several government authorities, among which are the Ministry of Defense and Civil Aviation, Ministry of Education, Ministry of Finance, Ministry of Health, Ministry of Interior, the National Guard, in addition to major companies in the field of oil and gas and petrochemicals such as Aramco and SABIC. It has also participated in regional projects in Qatar, UAE, Bahrain, Oman, Sudan, Jordan, Palestine and Yemen.

Beside its main activity, the company provides value-added services such as engineering, fabrication, installation, supervision and construction. The company developed a network of building contractors under the "Licensed Builders" designation who are highly qualified to undertake building and construction jobs. IBSF has also started its construction division during 2008 to meet customer demands for this service.

For more information, please visit the company's website:

www.ibsf.com



Other Industries

Aside from its unique business lines, AIG is also present in the field of household accessories through the Arabian Company for Comforters & Pillows Co. (ACCP) wholly owned 100%.

ACCP

الشركة العربية لصناعة الأغطية و الوسائد

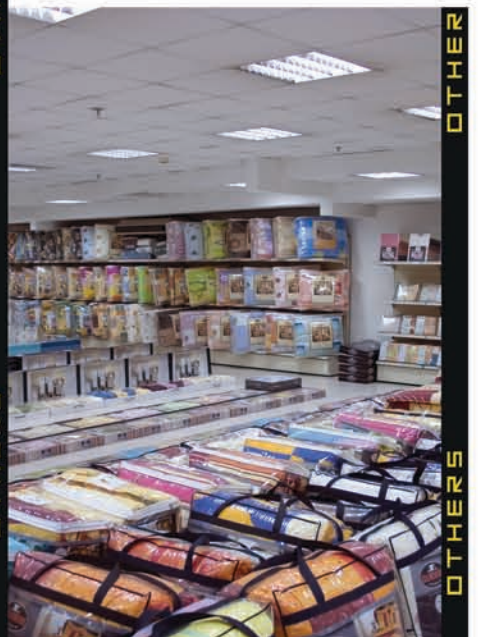
Arabian Co. for Comforters & Pillows

ACCP was established in 1997 as a limited liability company with its head office in Riyadh, Saudi Arabia. ACCP is engaged in the manufacture and distribution of bonded polyester fiber, comforters, pillows and bed sheets plus other household accessories.

The factory is located in the Riyadh Industrial city and has five main production lines including polyester rolls, comforters, pillows and other home accessories. ACCP has recently built new facilities in Riyadh for its management, sales and administrations in addition to a huge warehouse and a showroom for its own products. It also has main distribution centers in each of Jeddah and Al-Khobar.

In 2005, ACCP became the sole authorized manufacturer and distributor of Cannon products in the Middle East .To expand its product offering and to better control marketing and distribution, ACCP acquired in January 2006 the business of Al Masri & Al Khalaf Trading Company ("M&K"), the sole distributor of ACCP's products to that date.

The company produces and sells its products under the names of "Relax", "Classic" and "Fashion" which are its winning brands. It has also acquired the rights, under license, to produce and sell some of its products under well known international brand names such as Disney, Royal and Cannon.



Audited Financial Statements

Deloitte.

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AUDITORS' REPORT

To the shareholders
Astra Industrial Group Company
Riyadh, Saudi Arabia

Scope of Audit

We have audited the accompanying consolidated balance sheet of Astra Industrial Group Company (a Saudi Joint Stock Company) as of December 31, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the notes 1 to 22 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Unqualified Opinion

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

Emphasis of Matter

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

Deloitte & Touche
Bakr Abulkhair & Co.

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

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)

Consolidated Balance Sheet
As of December 31, 2008

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

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

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)

Consolidated Statement of Income
For the Year Ended December 31, 2008

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

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

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity
For the Year Ended December 31, 2008

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

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

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2008

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

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

Consolidated Statement of Cash Flows (Continued)
For the Year Ended December 31, 2008

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

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

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

1. **ORGANIZATION AND ACTIVITIES**

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

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

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

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

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

The principal activities of the Subsidiaries are as follows:

- Production, marketing and distribution of medicine and pharmaceutical products inside the kingdom of Saudi Arabia and abroad.
- Production of polymer compounds, plastic additives, color concentrates and other plastic products.
- Construction of metal based industrial buildings and building frames.
- Production of compounded fertilizers and agriculture pesticides and the wholesale and retail trading of fertilizers, forages and insecticides. Also, execution of agricultural contracting projects.
- Manufacturing of bonded polyester fibers, bed covers, comforters, pillows and towels and the wholesale and retail of sheet, towel, blankets, and other similar items.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Basis of consolidated financial statements

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

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

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

Accounting convention

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

Use of estimates in the preparation of consolidated financial statements

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

Cash and cash equivalents

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

Investment in Saudi government development bonds

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

Sales and revenues recognition

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

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

Expenses

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

Inventories

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

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

Investments in subsidiaries and associated companies

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

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

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

Intangible assets

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

Property, plant and equipment

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

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

Impairment

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

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

Operating lease

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

Foreign currency translation

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

For consolidation purposes, the financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at each balance sheet date, for assets and liabilities, and the average exchange rates for revenues and expenses. Components of equity, other than retained earnings, are translated at the rates prevailing at the date of their occurrence. Translation adjustments, if material, are recorded as a separate component of shareholders' equity.

End-of-service indemnities

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

Zakat and income tax

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

For subsidiaries outside the Kingdom of Saudi Arabia, provision for income tax is computed in accordance with tax regulations as applicable in the respective countries, if required.

3. CASH AND CASH EQUIVALENTS

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

4. ACCOUNTS RECEIVABLE, NET

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

5. INVENTORIES, NET

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

6. PREPAID EXPENSES AND OTHER ASSETS

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

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continue)
For the Year Ended December 31, 2008

7. RELATED PARTY TRANSACTIONS

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

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

	2008 SR	2007 SR
Sales	33,609,036	69,612,358

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

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

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

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

8. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

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

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

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

9. INTANGIBLE ASSETS, NET

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

10. PROPERTY, PLANT AND EQUIPMENT, NET

	Land	Buildings	Leasehold improvement	Plant, machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Projects under constructions	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost								
January 1, 2008	6,679,000	122,174,521	5,726,091	191,469,872	28,763,997	13,996,091	28,041,117	396,850,689
Additions	**-**	**7,248,743**	**180,174**	**41,168,423**	**2,310,410**	**3,241,283**	**(24,178,046)**	**29,970,987**
Disposals and transfers	**(1,000,000)**	**(1,509,210)**	**(1,640,523)**	**-**	**-**	**(1,516,099)**	**-**	**(5,665,832)**
December 31, 2008	5,679,000	127,914,054	4,265,742	232,638,295	31,074,407	15,721,275	3,863,071	421,155,844
Accumulated depreciation								
January 1, 2008	-	40,965,289	3,689,590	106,802,816	22,961,513	9,959,857	-	184,379,065
Charge for the year	**-**	**4,563,582**	**557,628**	**13,336,945**	**1,401,665**	**1,911,295**	**-**	**21,771,115**
Disposals/ Transfers	**-**	**(1,500,672)**	**(1,640,342)**	**-**	**-**	**(1,378,308)**	**-**	**(4,519,322)**
December 31, 2008	**-**	**44,028,199**	**2,606,876**	**120,139,761**	**24,363,178**	**10,492,844**	**-**	**201,630,858**
Net book value								
December 31, 2008	**5,679,000**	**83,885,855**	**1,658,866**	**112,498,534**	**6,711,229**	**5,228,431**	**3,863,071**	**219,524,986**
December 31, 2007	6,679,000	81,209,232	2,036,501	84,667,056	5,802,484	4,036,234	28,041,117	212,471,624

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

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

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

11. DUE TO BANKS

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

12. ACCRUED EXPENSES AND OTHER LIABILITIES

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

13. PROVISION FOR ZAKAT AND INCOME TAX

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

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

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 ending December 31, 2008:

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

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

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

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

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

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

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

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

Name of subsidiary	Final zakat assessments up to
Tabuk Pharmaceutical Manufacturing Company	2002
ASTRA Polymer Compounding Company Limited	2002
International Building Systems Factory Company Limited	2002
Astra Industrial Complex Ltd. for Fertilizers and Agrochemicals	2005
Arabian Company for Comforters and Pillows	2005

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

14. STATUTORY RESERVE

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

15. MINORITY INTEREST

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

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

16. SELLING AND DISTRIBUTION EXPENSES

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

17. GENERAL AND ADMINISTRATIVE EXPENSES

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

18. EARNINGS PER SHARE

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

19. CONTINGENT LIABILITIES AND COMMITMENT

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

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

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

20. SEGMENT INFORMATION

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

	Pharmaceuticals	Specialty Chemicals	Engineering and Constructions	Holding Company and Other	Total
	SR	SR	SR	SR	SR
For the year ended December 31, 2008					
Sales and projects revenue:					
- Local	**234,037,757**	**192,435,089**	**136,309,800**	**69,582,045**	**632,364,691**
- Export	**133,736,662**	**136,512,691**	**87,483,049**	**912,833**	**358,645,235**
Total sales	**367,774,419**	**328,947,780**	**223,792,849**	**70,494,878**	**991,009,926**
Gross profit	**243,385,292**	**103,752,973**	**52,516,791**	**19,653,947**	**419,309,003**
Income from operations	**80,112,412**	**56,523,628**	**39,128,361**	**2,771,029**	**178,535,430**
Net income	**70,240,197**	**57,170,717**	**39,251,664**	**19,129,222**	**185,791,800**
Amortization	**376,915**	**-**	**-**	**-**	**376,915**
Depreciation	**10,978,053**	**6,660,727**	**3,630,337**	**501,998**	**21,771,115**
Property, plant and equipment	**108,180,273**	**62,908,288**	**35,056,440**	**13,379,985**	**219,524,986**
Capital expenditures	**12,339,295**	**8,366,299**	**8,304,088**	**961,305**	**29,970,987**

	Pharmaceuticals	Specialty Chemicals	Engineering and Constructions	Holding Company and Other	Total
	SR	SR	SR	SR	SR
For the year ended December 31, 2007					
Sales and projects revenue::					
- Local	219,716,065	193,749,471	155,838,311	61,310,830	630,614,677
- Export	115,643,982	94,413,152	9,550,805	-	219,607,939
Total sales	335,360,047	288,162,623	165,389,116	61,310,830	850,222,616
Gross profit	228,072,528	89,643,336	44,219,809	16,209,095	378,144,768
Income from operations	99,934,855	57,365,189	32,674,486	3,439,872	193,414,402
Net income	96,291,865	58,826,178	33,205,120	8,554,825	196,877,988
Amortization	3,462,812	-	-	-	3,462,812
Depreciation	9,967,984	4,785,523	3,411,890	988,593	19,153,990
Property, plant and equipment	106,819,031	60,237,964	30,417,478	14,997,151	212,471,624
Capital expenditures	15,189,458	17,609,133	1,712,687	2,772,742	37,284,020

21. FINANCIAL INSTRUMENTS

Fair value

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

Commission rate risk

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

Currency risk

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

Credit risk

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

Liquidity risk

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

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

22. COMPARATIVE FIGURES

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

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