

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009

**ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009**

INDEX	PAGE
Independent auditors' report	1
Consolidated balance sheet	2
Consolidated statement of income	3
Consolidated statement of cash flows	4 – 5
Consolidated statement of changes in shareholders' equity	6
Notes to the consolidated financial statements	7 – 24

INDEPENDENT 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, 2009, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes 1 to 23 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2009, 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

Deloitte & Touche
Bakr Abulkhair & Co.


Al Mutahhar Bin Yahya Hamiduddin
License No. 296
Safar 26, 1431
February 10, 2010

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2009

	Note	2009 SR	2008 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	88,857,422	524,905,279
Murabaha investments		373,206,512	-
Accounts receivable, net	4	443,574,630	413,543,790
Inventories, net	5	385,628,027	377,116,156
Prepaid expenses and other assets	6	56,977,887	45,866,299
Due from related parties	7	96,307,701	127,147,347
Total current assets		1,444,552,179	1,488,578,871
Non-current assets			
Investments in unconsolidated subsidiaries and associates	8	2,250,069	1,745,792
Property, plant and equipment, net	9	606,924,461	219,524,986
Goodwill	10	18,848,057	-
Other intangible assets, net	11	3,452,681	1,748,965
Total non-current assets		631,475,268	223,019,743
TOTAL ASSETS		2,076,027,447	1,711,598,614
LIABILITIES AND EQUITY			
Current liabilities			
Notes payable		17,557,018	16,072,999
Accounts payable		110,771,039	109,577,290
Due to related parties	7	37,568,289	7,676,580
Advances received on contracts		6,085,750	9,661,822
Accrued expenses and other liabilities	12	106,434,575	70,820,216
Provision for zakat and income tax	13	43,716,601	19,334,209
Total current liabilities		322,133,272	233,143,116
Non-current liabilities			
Due to related parties	7	79,424,171	-
End-of-service indemnities		48,072,253	40,299,407
Total non-current liabilities		127,496,424	40,299,407
Total liabilities		449,629,696	273,442,523
Equity			
Shareholders' equity			
Share capital	1	741,176,470	741,176,470
Share premium	1	332,015,885	332,015,885
Statutory reserve	14	74,552,792	54,148,953
Retained earnings		414,066,606	310,814,783
Total shareholders' equity		1,561,811,753	1,438,156,091
Minority interest		64,585,998	-
Total equity		1,626,397,751	1,438,156,091
TOTAL LIABILITIES AND EQUITY		2,076,027,447	1,711,598,614

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, 2009

	Note	2009 SR	2008 SR
Sales	7	1,041,559,609	991,009,926
Cost of sales		(580,139,459)	(571,700,923)
Gross profit		461,420,150	419,309,003
Selling and distribution expenses	15	(190,983,064)	(165,614,451)
General and administrative expenses	16	(82,410,442)	(69,379,865)
Research and development expenses		(8,147,373)	(5,779,257)
Operating income		179,879,271	178,535,430
Share in net income of unconsolidated subsidiaries and associates	8	139,952	492,657
Finance charges		(1,228,107)	(2,131,789)
Other income, net	17	23,417,186	8,895,502
Income before minority interest		202,208,302	185,791,800
Minority interest in net loss of a subsidiary		1,830,085	-
NET INCOME		204,038,387	185,791,800
Earnings per share:			
- From operating income	18	2.43	2.66
- From net income	18	2.75	2.77

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

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 SR	2008 SR
OPERATING ACTIVITIES		
Net income	204,038,387	185,791,800
Adjustments for:		
Depreciation	24,208,240	21,771,115
Amortization	89,487	376,915
Gain on disposal of property, plant and equipment	(188,326)	(1,379,830)
Minority interest share in net losses of a subsidiary	(1,830,085)	-
Share in net income of unconsolidated subsidiaries and associates	(139,952)	(492,657)
Absorption of minority interest in losses of foreign subsidiary	-	2,850,803
End-of-service indemnities, net	7,668,517	8,689,126
Changes in operating assets and liabilities:		
Accounts receivable, net	(30,030,840)	(70,281,331)
Inventories, net	23,067,632	(78,486,011)
Prepaid expenses and other assets	34,755,644	12,463,012
Due from related parties	30,839,646	(46,778,249)
Notes payable	1,484,019	4,949,521
Accounts payable	(71,408,992)	5,818,700
Due to related parties	88,416,138	(16,678,347)
Advances received on contracts	(3,576,072)	1,717,779
Accrued expenses and other liabilities	(4,426,731)	7,146,458
Cash from operations	302,966,712	37,478,804
Zakat and income tax paid	(18,941,509)	(19,115,478)
Net cash from operating activities	284,025,203	18,363,326
INVESTING ACTIVITIES		
Acquisition of a subsidiary (Note 10)	(228,115,279)	-
Murabaha investments	(373,206,512)	-
Sale of Saudi government development bonds	-	80,891,316
Investments in unconsolidated subsidiaries and associates	(364,325)	1,819,582
Other intangible assets	(1,793,203)	(2,125,880)
Additions to property, plant and equipment	(82,165,282)	(29,970,987)
Disposal of property, plant and equipment, net	2,630,365	2,526,340
Net cash (used in) from investing activities	(683,014,236)	53,140,371

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

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 SR	2008 SR
FINANCING ACTIVITIES		
Proceeds from public subscription and capital increase	-	443,192,355
Due to banks	-	(32,416,554)
Dividends distributed	<u>(37,058,824)</u>	-
Net cash (used in) from financing activities	<u>(37,058,824)</u>	410,775,801
Net change in cash and cash equivalents	<u>(436,047,857)</u>	482,279,498
Cash and cash equivalents, January 1	<u>524,905,279</u>	42,625,781
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>88,857,422</u>	<u>524,905,279</u>
Non-Cash Items:		
Zakat and income tax charged to retained earnings (Note 13)	<u>(43,323,901)</u>	<u>(18,396,841)</u>
Items related to acquisition of subsidiary (Note 10)		
Inventories, net	<u>31,579,503</u>	-
Prepaid expenses and other assets	<u>45,867,232</u>	-
Property, plant and equipment, net	<u>331,884,472</u>	-
Accounts payable	<u>(72,602,741)</u>	-
Accrued expenses and other liabilities	<u>(40,041,090)</u>	-
End-of-service indemnities	<u>(104,329)</u>	-
Long-term loans	<u>(161,040,021)</u>	-
Minority interest	<u>(66,416,083)</u>	-

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, 2009

	Note	Share capital SR	Share premium SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2008		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
Net income for the year		-	-	-	204,038,387	204,038,387
Dividends distributed	19	-	-	-	(37,058,824)	(37,058,824)
Zakat and income tax	13	-	-	-	(43,323,901)	(43,323,901)
Transfer to statutory reserve	14	-	-	20,403,839	(20,403,839)	-
December 31, 2009		741,176,470	332,015,885	74,552,792	414,066,606	1,561,811,753

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

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 subscription of 30% of the Company's shares to the public. This resulted in 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 per share 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, 2009 net of related subscription expenses amounting to SR 23,748,819. Consequently, the new shareholding of the Company became as follows:

Shareholders	Percentage of holding	
	2009	2008
Saudi founding shareholders	58.89%	58.89%
Non-Saudi founding shareholders	11.11%	11.11%
Public	30%	30%

The Company's main objectives, as per the commercial registration, include the establishment, management, operating and investment in industrial entities, subject to obtaining the Saudi Arabian General Investment Authority ("SAGIA") approval on each project to be established. The activities also include wholesale and retail trading of fertilizers, insecticides, irrigation systems, agriculture machinery and equipment, green houses, agriculture and livestock products, readymade clothes, comforters, towels, blankets, and others. In addition the Company's operations include planting contracts, land scaping, maintenance of gardens and green spaces, water and sewage works, and mining for industrial purposes.

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.
- Metal based construction of industrial buildings and building frames.
- Production of compounded fertilizers and agriculture pesticides and the wholesale and retail trading of fertilizers, forages and insecticides. Also, execution of agricultural contracting projects.
- Production of steel palets and rebar.
- Manufacturing of bonded polyester fibers, bed covers, comforters, pillows and towels and the wholesale and retail of sheet, towel, blankets, and other similar items.

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance 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 of the Company and the related shareholding percentages are given below:

Name of Subsidiary	Country of incorporation	Percentage of holding		
		Direct	Indirect	Total SR
➤ Tabuk Pharmaceutical Manufacturing Company ("TPMC"). This Company has the following subsidiaries:	Saudi Arabia	95	5	100
- Tabuk Ilac Ticaret Ltd. Sirketi (Tabouk Turkey)	Turkey	100	-	100
- STE AIGERO SAOUDIENNE DE MEDICAMENTS (" SAS Pharma"). The Company accounts for 100% of the equity interest in SAS Pharma as management believes that the minority shareholder will not bear its share in the losses of the subsidiary.	Algeria	80	-	80
- Tabuk Pharmaceutical Research Company. The company was consolidated for the year 2009 as prior to 2009, the company was not considered material to the consolidated financial statements.	Jordan	100	-	100
➤ Astra Polymer Compounding Company Limited ("Polymer")	Saudi Arabia	95	5	100
➤ International Building Systems Factory Company Limited ("IBSF")	Saudi Arabia	95	5	100

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

Name of Subsidiary	Percentage of holding			Total SR
	Country of incorporation	Direct	Indirect	
➤ Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem"). The company has the following foreign subsidiaries,	Saudi Arabia	95	5	100
- AstraChem Saudia	Algeria	100	-	100
- AstraChem Morocco	Morocco	100	-	100
- Aggis International Limited	British Virgin Islands	100	-	100
- AstraChem Turkey	Turkey	100	-	100
- Astrachem Syria - incorporated in 2009	Syria	100	-	100
- Astrachem Tashqand - incorporated in 2009	Uzbekistan	100	-	100
➤ Arabian Company for Comforters and Pillows ("ACCP")	Saudi Arabia	95	5	100
➤ Al-Tanmiya Company for Steel Manufacturing. The company has the following fully owned subsidiary	Jordan	51	-	51
- Al Inma'a Company *	Iraq	51	-	51

* Effective ownership percentage

Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for investments in unconsolidated subsidiaries and associates which are recorded under the 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 events 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.

Murabaha investments

Murabaha investments are short-term investments at banks with maturity dates more than 90 days and less than one year. Murabaha investments are recognized at cost with earnings being recognized on accrual basis as part of the other income.

Sales and revenues recognition

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

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

Expenses

Selling and marketing expenses principally comprise of costs incurred in the distribution and sale of the Company's goods. All other expenses are classified as general and administrative expenses.

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

Subsidiaries are entities in which the Company has a long term investment comprising an interest of not less than 50% in the share capital, or over which it exercises practical control. These 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.

Associate 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 product registration and license fee and are amortized on a straight-line basis over a period of 5 years.

Goodwill

Goodwill arising from investment in subsidiaries, represents the excess of the cost of acquisition over the Company's interests in the fair value of the net assets of the subsidiaries at the date of acquisition. The carrying amount of the goodwill is reviewed periodically to determine whether there is any indication of impairment. If any such indication exists the carrying amount of goodwill is reduced to the estimated recoverable amount. Goodwill after initial recognition is measured at cost less accumulated impairment losses, if any.

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

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. Property includes projects under construction which are recorded at cost, in addition to finance charges capitalized on long-term projects, in accordance with accounting principles. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated rates of depreciation of the principal classes of assets are as follows:

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

Impairment

The Company reviews the carrying amounts of its tangible and intangible assets on a 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, other than related to goodwill, 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

Leases are classified as operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

Research and development costs

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

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

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

	2009 SR	2008 SR
Cash on hand and at banks	88,330,842	49,024,936
Short-term Murabaha	526,580	475,880,343
	<u>88,857,422</u>	<u>524,905,279</u>

4. ACCOUNTS RECEIVABLE, NET

	2009 SR	2008 SR
Accounts receivable – trade	449,484,512	417,519,022
Unbilled revenue	8,352,520	9,409,587
Less: Provision for doubtful receivables	<u>(14,262,402)</u>	<u>(13,384,819)</u>
	<u>443,574,630</u>	<u>413,543,790</u>

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

5. INVENTORIES, NET

	2009 SR	2008 SR
Raw and packing materials	213,114,493	209,260,289
Finished goods	103,797,901	94,206,026
Work in process	23,951,254	40,564,534
Goods in transit	22,909,302	25,602,949
Spare parts and consumables	33,417,073	13,612,222
	<u>397,190,023</u>	<u>383,246,020</u>
Less: Provision for obsolete and slow moving inventories	<u>(11,561,996)</u>	<u>(6,129,864)</u>
	<u>385,628,027</u>	<u>377,116,156</u>

6. PREPAID EXPENSES AND OTHER ASSETS

	2009 SR	2008 SR
Prepaid expenses	15,663,767	11,284,340
Employees' receivables	14,943,087	9,990,115
Advances to suppliers	14,917,876	17,309,358
Refundable deposits and insurance claims	2,670,020	829,128
Others	8,783,137	6,453,358
	<u>56,977,887</u>	<u>45,866,299</u>

7. RELATED PARTY TRANSACTIONS AND BALANCES

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

The following are the details of the major transactions with related parties during the two years ended December 31, 2009 and 2008:

	2009 SR	2008 SR
Sales	31,119,858	33,609,036
Acquisition of a subsidiary (Note 10)	87,975,000	-

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

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

	2009 SR	2008 SR
Al-Kendi Factory – Algeria	72,379,481	116,309,405
United Pharmaceutical Manufacturing Company	8,538,109	-
Munir Sukhtian Group – Jordan	7,995,390	4,599,500
Astra Agricultural Company Ltd. – Republic of Yemen	3,795,405	4,789,156
Societe Tabuk Al Geri (E.U.R.L)	827,895	827,895
Others	2,771,421	621,391
	<u>96,307,701</u>	<u>127,147,347</u>

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

	2009 SR	2008 SR
<u>Current:</u>		
Ali Al-Shamra	35,625,000	-
Arab Supply and Trading Company (ASTRA) – Kingdom of Saudi Arabia	1,290,178	3,563,880
United Pharmaceutical Manufacturing Company – Jordan	-	1,718,977
Others	653,111	2,393,723
	<u>37,568,289</u>	<u>7,676,580</u>
<u>Non-current:</u>		
Al Maseera Co.	61,611,671	-
Ali Al-Shamra	17,812,500	-
	<u>79,424,171</u>	<u>-</u>

Non-current amounts referred to above represent long term loans from minority shareholders in Al-Tanmiya Company for Steel Manufacturing – a subsidiary, to finance the construction of its factory in Iraq. These amounts bear finance charges and do not have any fixed repayment schedule.

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

8. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATES

	Holding Interest	
	2009	2008
Unconsolidated subsidiaries (*):		
- Tabuk Poland Limited – Poland	100%	100%
- Tabugen France – France	100%	100%
- Tabuk Czech s.r.o – Czech Republic	100%	-
Associates:		
- Mastra Agricultural Company – Egypt	49%	49%
- Astra Agricultural Company Ltd. – Republic of Yemen	49%	49%

	Country	January 1, 2009 SR	Additions SR	Share in net income (loss) SR	December 31, 2009 SR
Tabuk Poland Limited	Poland	649,615		(147,031)	502,584
Tabuk Czech s.r.o	Czech	-	195,000	-	195,000
Tabugen France	France	(263,936)	-	-	(263,936)
Mastra Agricultural Co.	Egypt	1,360,113	-	456,308	1,816,421
Astra Agricultural Co. Ltd.	Yemen	-	169,325	(169,325)	-
		<u>1,745,792</u>	<u>364,325</u>	<u>139,952</u>	<u>2,250,069</u>

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

ASTRA INDUSTRIAL GROUP COMPANY
A SAUDI JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

9. PROPERTY, PLANT AND EQUIPMENT, NET

	Land SR	Buildings SR	Leasehold improvement SR	Plant, machinery and equipment SR	Furniture, fixtures and office equipment SR	Vehicles SR	Projects under constructions SR	Total SR
Cost								
January 1, 2009	5,679,000	127,914,054	4,265,742	232,700,730	31,011,972	15,721,275	3,863,071	421,155,844
Acquisition of subsidiary (Note 10)	-	1,081,890	-	8,769,618	420,510	2,139,817	324,472,811	336,884,646
Additions	-	1,773,225	89,887	8,553,693	3,811,358	2,690,707	65,246,412	82,165,282
Disposals	-	-	(15,955)	(922,972)	(158,430)	(1,402,080)	(2,038,957)	(4,538,394)
December 31, 2009	5,679,000	130,769,169	4,339,674	249,101,069	35,085,410	19,149,719	391,543,337	835,667,378
Accumulated depreciation								
January 1, 2009	-	44,028,199	2,609,045	120,192,030	24,307,762	10,493,822	-	201,630,858
Acquisition of subsidiary (Note 10)	-	243,187	-	3,416,692	174,131	1,166,164	-	5,000,174
Charge for the year	-	4,392,090	365,701	15,092,809	2,183,467	2,174,173	-	24,208,240
Disposals	-	-	-	(698,818)	(100,684)	(1,296,853)	-	(2,096,355)
December 31, 2009	-	48,663,476	2,974,746	138,002,713	26,564,676	12,537,306	-	228,742,917
Net book value								
December 31, 2009	5,679,000	82,105,693	1,364,928	111,098,356	8,520,734	6,612,413	391,543,337	606,924,461
December 31, 2008	5,679,000	83,885,855	1,656,697	112,508,700	6,704,210	5,227,453	3,863,071	219,524,986

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.

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 47 million at December 31, 2009 (2008: SR 45.4 million).

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

10. ACQUISITION OF A SUBSIDIARY AND RELATED GOODWILL

On October 31, 2009, the Company acquired 51% of Al Tanmiya Company for Steel Manufacturing – Jordan, from Al Maseera (a related party) for an amount of SR 88 million. The Company also absorbed a portion of loans granted from Al Maseera to Al Tanmiya through payment of SR 140 million to Al Maseera Company, accordingly the gross amount paid amounted to SR 228 million.

The Company was consolidated from the acquisition date of October 31, 2009.

The fair value, which approximate the book value, of the net assets acquired, the consideration paid and the resulting goodwill on acquisition of the subsidiary is as follows:

	<u>SR</u>
Inventories, net	31,579,503
Prepaid expenses and other assets	45,867,232
Property, plant and equipment, net	331,884,472
Accounts payable	(72,602,741)
Accrued expenses and other liabilities	(40,041,090)
End-of-service indemnities	(104,329)
Long-term loans	(161,040,021)
Net assets as of date of acquisition	135,543,026
Minority interest	(66,416,083)
Company's share of subsidiary's net assets	69,126,943
Total consideration paid	87,975,000
Goodwill	18,848,057

The main objectives of Al Tanmiya Company are steel manufacturing, import and export, working as trade agents, incorporation, contribution, and acquisition of other companies to achieve its purposes. The assets of Al Tanmiya Company are principally comprise of an owned steel manufacturing factory existing in Al Basra City in Iraq. As a result of the acquisition, the total assets existing in Iraq, outside the Kingdom of Saudi Arabia, represent 20% of the total consolidated assets. The Company's share in these assets amount to 10% of total assets presented in the consolidated balance sheet according to its ownership percentage of the subsidiary.

For the purposes of cash flow preparation for the year ended December 31, 2009, the above balances have been eliminated and the net effect of SR 228,115,279 is reflected in the consolidated statement of cash flows for the year ended December 31, 2009.

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

11. OTHER INTANGIBLE ASSETS, NET

	2009 SR	2008 SR
Cost		
January 1	2,125,880	-
Additions	1,793,203	2,125,880
December 31	<u>3,919,083</u>	<u>2,125,880</u>
Accumulated amortization		
January 1	376,915	-
Charge for the year	89,487	376,915
December 31	<u>466,402</u>	<u>376,915</u>
Net book value		
December 31	<u>3,452,681</u>	<u>1,748,965</u>

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2009 SR	2008 SR
Accrued bonuses and incentives	21,059,457	21,400,345
Accrued operations costs	16,414,998	14,795,520
Accrued sales commission	15,692,509	10,008,778
Accrued finance charges	13,131,485	-
Accrued promotions, professional fees and others	12,332,750	3,984,726
Accrued expenses	7,833,855	6,047,552
Accrued employees' benefits	4,640,373	2,850,691
Advances from customers	3,265,661	3,707,698
Foreign subsidiaries' provision for income tax	830,932	1,749,975
Others	11,232,555	6,274,931
	<u>106,434,575</u>	<u>70,820,216</u>

13. PROVISION FOR ZAKAT AND INCOME TAX

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

	2009 SR	2008 SR
Shareholder's equity	1,438,156,091	827,568,777
Adjusted net income	13,731,884	7,287,414
Non-current assets	<u>(590,282,907)</u>	<u>(686,658,928)</u>
Zakat base	<u>861,605,068</u>	<u>148,197,263</u>

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

Zakat and income tax is calculated on a stand alone basis for each of the Company and its subsidiaries. Following are details of the movement in provision for zakat and income tax and charge for the year ended December 31, 2009:

	2009 SR	2008 SR
Balance, January 1	19,334,209	20,052,846
Provision for the year	42,037,598	18,396,841
Under provision for prior years	1,286,303	-
Payments during the year	<u>(18,941,509)</u>	<u>(19,115,478)</u>
Balance, December 31	<u>43,716,601</u>	<u>19,334,209</u>

The Company's provisions for zakat and income tax movement for the year ended December 31, 2009 is as follows:

	Zakat SR	Income tax SR	Total SR
Balance, beginning of the year	2,506,800	-	2,506,800
Provision for the year	18,318,565	343,258	18,661,823
Under provision for prior year	2,099,037	-	2,099,037
Payments during the year	<u>(4,605,837)</u>	<u>-</u>	<u>(4,605,837)</u>
Balance, end of the year	<u>18,318,565</u>	<u>343,258</u>	<u>18,661,823</u>

The Subsidiaries' provisions for zakat and income tax movement for the year ended December 31, 2009 is as follows:

	Zakat SR	Income tax SR	Total SR
Balance, beginning of the year	11,445,068	5,382,341	16,827,409
Provision for the year	18,780,882	4,594,893	23,375,775
Over provision for prior years	(666,101)	(146,633)	(812,734)
Payments during the year	<u>(9,435,661)</u>	<u>(4,900,011)</u>	<u>(14,335,672)</u>
Balance, end of the year	<u>20,124,188</u>	<u>4,930,590</u>	<u>25,054,778</u>

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

Zakat and income tax charge for the Company and its Subsidiaries for the year ended December 31, 2009 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 2008 which are currently under review by DZIT.

The following are the final zakat assessments of the Subsidiaries that have been agreed with the Department of Zakat and Income Tax up to December 31, 2009:

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

The foreign subsidiaries have finalized their tax positions with the related governmental authorities in their respective countries up to December 31, 2008 and have paid taxes accordingly.

14. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the Company's bylaw, 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.

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

15. SELLING AND DISTRIBUTION EXPENSES

	2009 SR	2008 SR
Employees' salaries, bonus and other benefits	90,538,480	75,533,992
Marketing, advertising and promotions	56,011,255	48,438,134
Sales delivery	7,615,528	9,228,264
Freight charges	7,135,106	7,793,035
Travel and transportation	5,911,355	6,348,844
Medical samples	5,390,243	4,865,669
Utilities	2,683,505	1,473,198
Rent	2,500,252	1,663,372
Depreciation	1,060,879	871,707
Bad debts	670,000	540,000
Expired and damaged inventory	616,151	577,500
Maintenance	114,950	161,926
Others	10,735,360	8,118,810
	<u>190,983,064</u>	<u>165,614,451</u>

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2009 SR	2008 SR
Employees' salaries and other benefits	43,645,060	34,484,036
Professional fees	8,363,008	6,084,186
Travel and transportation	5,528,200	4,217,818
Depreciation	3,907,948	3,583,771
Rent	2,547,919	2,172,619
Communications and office expenses	884,056	459,174
Maintenance	828,666	689,596
Utilities	785,733	718,999
Bad debts	410,000	2,330,680
Donations	212,760	265,613
Amortization	89,487	376,915
Others	15,207,605	13,996,458
	<u>82,410,442</u>	<u>69,379,865</u>

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

17. OTHER INCOME, NET

	2009 SR	2008 SR
Income on Murabaha investments	23,084,294	10,853,259
Toll manufacturing fee	4,491,687	-
Royalty income	1,074,271	-
Provisions for writing down of certain assets	(7,237,342)	-
Absorption of prior years losses attributable to the minority interest	-	(2,850,803)
Gain from sale of property, plant and equipment	188,326	1,379,830
Others	1,815,950	(486,784)
	<u>23,417,186</u>	<u>8,895,502</u>

18. EARNINGS PER SHARE

Earnings per share from operating income and from net income for the year is calculated by dividing operating income and net income for the year by the weighted average of outstanding number of shares at the end of the year. The number of outstanding shares as of December 31, 2009 amounted to 74,117,647 shares (2008: Weighted average of outstanding number of shares amounted to 67,142,466 shares).

19. DIVIDENDS DISTRIBUTION

The General Assembly approved in its meeting held on Rabi Al Thani 16, 1430H (corresponding to April 12, 2009) the Company's Board of Directors' recommendation to distribute cash dividends amounting to SR 37,058,823 for the year ended December 31, 2008 of SR 0.5 for each outstanding share.

The Board of Directors proposed in its meeting held on Rabi Al Awal 7, 1431H (corresponding to February 21, 2010) to distribute cash dividends for an amount of SR 92.6 million for the year ended December 31, 2009 of SR 1.25 for each outstanding share.

20. CONTINGENT LIABILITIES AND COMMITMENT

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

	2009 SR	2008 SR
Letters of guarantee	<u>54,198,468</u>	<u>66,329,273</u>
Letters of credit	<u>60,619,509</u>	<u>24,186,661</u>

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

21. SEGMENT INFORMATION

The Company and its subsidiaries operate in four separate industry segments, including Pharmaceuticals, Specialty Chemicals, Steel Industries 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:

	<u>Pharmaceuticals</u>	<u>Specialty Chemicals</u>	<u>Steel Industries</u>	<u>Holding Company and Other</u>	<u>Total</u>
	SR	SR	SR	SR	SR
For the year ended December 31, 2009					
Sales and projects revenue:					
- Local	290,954,924	217,895,074	149,796,812	69,423,723	728,070,533
- Export	131,828,153	125,586,660	55,464,536	609,727	313,489,076
Total sales	<u>422,783,077</u>	<u>343,481,734</u>	<u>205,261,348</u>	<u>70,033,450</u>	<u>1,041,559,609</u>
Gross profit	272,323,442	114,649,328	55,072,021	19,375,359	461,420,150
Income from operations	77,782,275	66,877,780	36,206,271	(987,055)	179,879,271
Net income	72,117,586	68,709,844	38,520,308	24,690,649	204,038,387
Amortization	89,487	-	-	-	89,487
Depreciation	11,093,795	7,665,421	3,746,775	1,702,249	24,208,240
Property, plant and equipment	100,999,266	61,895,348	431,800,814	12,229,033	606,924,461
Capital expenditures	5,893,979	6,751,094	68,969,076	551,133	82,165,282
	<u>Pharmaceuticals</u>	<u>Specialty Chemicals</u>	<u>Steel Industries</u>	<u>Holding Company and Other</u>	<u>Total</u>
	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	<u>367,774,419</u>	<u>328,947,780</u>	<u>223,792,849</u>	<u>70,494,878</u>	<u>991,009,926</u>
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

ASTRA INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

22. FINANCIAL INSTRUMENTS

Fair value

This is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Management believes that the fair value of the Company's financial assets and liabilities are not materially different from their carrying values.

Commission rate risk

This is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company invests surplus cash to increase the Company's commission income through holding balance in short term Murabaha. Management does not believe that the Company is exposed to significant commission rate risk as at December 31, 2009.

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 where management believes that foreign exchange risk is not significant.

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, short-term investments 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 by 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.

23. COMPARATIVE FIGURES

Certain figures for 2008 have been reclassified to conform with the presentation in the current year.