أسـترا الصناعية
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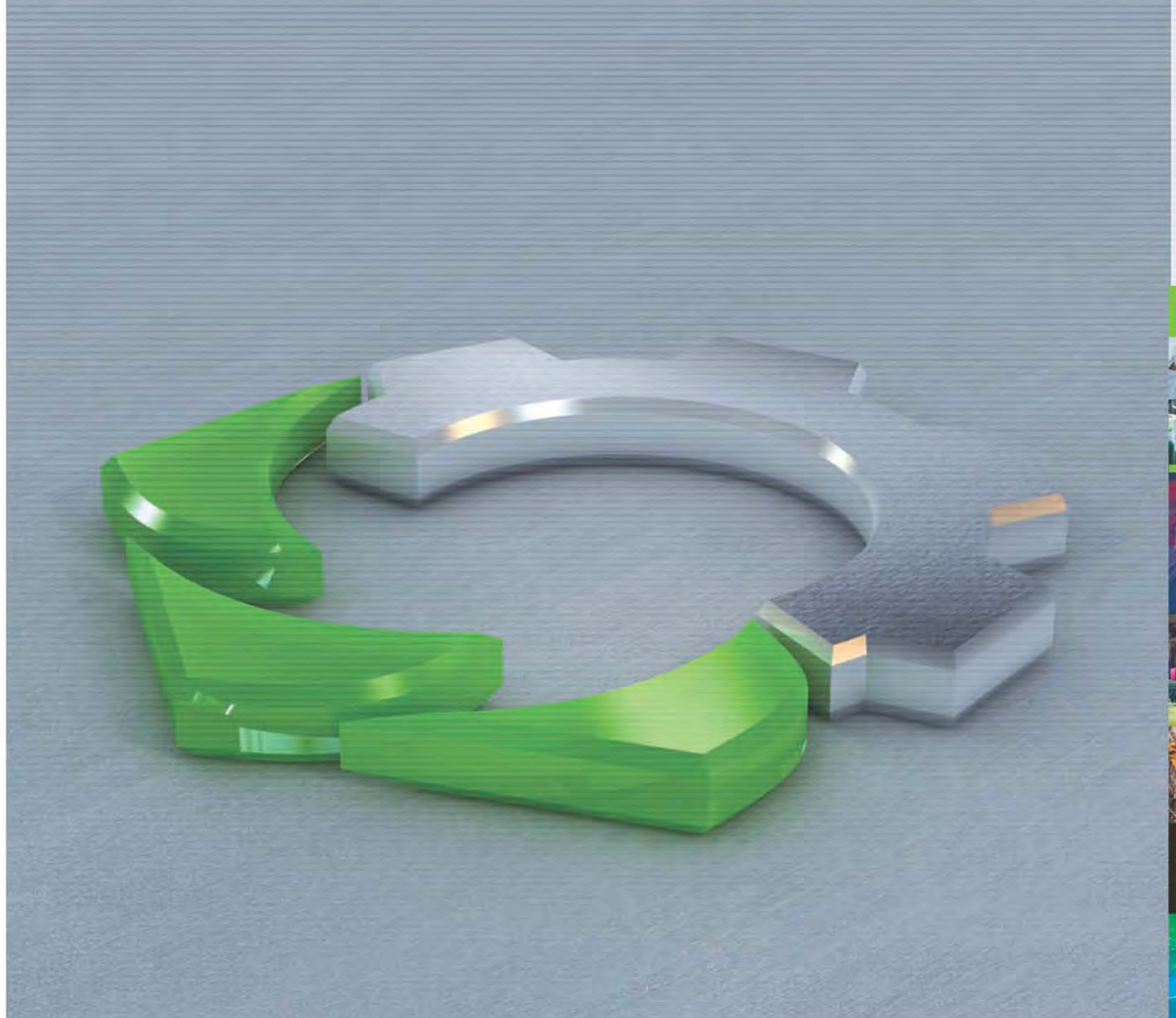

أسـترا الصناعية

# Astra Industrial

## ANNUAL REPORT 2009

بسم الله الرحمن الرحيم

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Astra Industrial Group (AIG) is one of the major industrial companies in Saudi Arabia which is actively engaged in supporting the local economic development through value-added products and services that are offered by its five industrial subsidiaries. The Group also contributes to the country's balance of payment via exports.

AIG subsidiaries are known for specializing in selected industrial businesses which enabled their products to establish reputation for quality and strong brand recognition. This in turn allowed the subsidiaries to build and grow market share year after year. Through dedication and focus, the group subsidiaries have also been able to obtain outstanding international quality qualifications plus accumulate and retain wide ranging expertise and resources to achieve consistent business and financial performance and growth over their 15-year successful history.

The member companies operate in the key industrial segments of Pharmaceuticals, Steel and Specialty Chemicals. Industrial diversification, which is at the core of AIG strategy, helped in achieving balanced performance at times of cyclical fluctuations, and enabled the ceasing of available opportunities in multiple sectors.

Most AIG companies managed to build on their respective successes in the local market and have expanded their activities throughout the MENA region. AIG currently exports products to a majority of the Middle East and North African markets in addition to some European and Asian countries, with exports accounting for 30% of consolidated sales.

AIG achievements are a product of the Group vision to be the premier industrial investment company in the MENA Region, delivering long term stakeholders' value through profitable growth.

# Board of Directors

From right to left: Mohammed Nejr Al Utaibi, Sabih Taher Masri, Kameel Abdulrahman Sadeddin, Salman Faris Al Faris
Standing : Ghassan Ibraheem Akeel, Farraj Mansour Abuthnain, Khaled Sabih Masri , Sameer Mohammad Al Hamaidi,
Ghiath Muneer Sukhtian ( not included in the picture)

**Sabih Taher Al Masri**
Chairman of the Board
Chairman, Nominations & Remunerations Committee

**Khaled Sabih Al Masri**
Deputy Chairman of the Board
Chairman, Perpormance & Investments Committee

**Mohammed Nejr Al Utaibi**
Member of the Board
Member, Perpormance & Investments Committee

**Ghassan Ibraheem Akeel**
Member of the Board
Member, Perpormance & Investments Committee
Chairman, Audit Committee

**Ghiath Muneer Sukhtian**
Member of the Board
Member, Perpormance & Investments Committee

**Farraj Mansour Abuthnain**
Member of the Board
Member, Perpormance & Investments Committee

**Kameel Abdulrahman Sadeddin**
Member of the Board

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

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

"Our steady performance has validated our strategy of diversification."

**Sabih Taher Al Masri**
Chairman of the Board

**Dear Shareholders ,**

On behalf of my colleagues on the Board of Directors, I am pleased to present Astra Industrial Group Annual Report for the year ending 31 December 2009 which is the second such report since the Group listing on the Saudi Stock Exchange.

As you are aware, the international and regional economies witnessed unprecedented volatility and significant challenges due to the global financial crisis. Notwithstanding the crisis, and as highlighted in this report, Astra Industrial was able to circumvent the economic turbulence and continued its growth and expansion with all our subsidiaries achieving record production, sales and profits. Consequently, the Group achieved a prominent ranking among the top Saudi companies.

Our steady performance has validated our strategy of diversifying the investment base through three vital industrial sectors which are Pharmaceuticals, Specialty Chemicals and Steel industries. This is a testimony to Astra Industrial clear vision, sincere efforts and the effective deployment of resources in a way that ensures quality performance. The achieved results are also a witness to the strength of our notable investments that qualify all our companies for enhanced achievements.

We appreciate and treasure the noted accomplishment which would not have been possible without the excellence and dedication demonstrated by the Group loyal employees. Consequently, I would like express my sincere thanks and appreciation to them all for their sincere and tangible contribution which was translated into achieving the success and high performance. We would also like to express our appreciation to our customers, suppliers and other business partners for their support and patronage. Our gratitude also goes to the shareholders for their trust and confidence. Your support of the Group strategy and business plans was instrumental in taking the appropriate decisions in face of the very turbulent economic conditions.

Realizing the group strengths and available opportunities, we are confident of achieving greater successes and stronger performance for the benefit of all Group Stakeholders.

Sincerely,

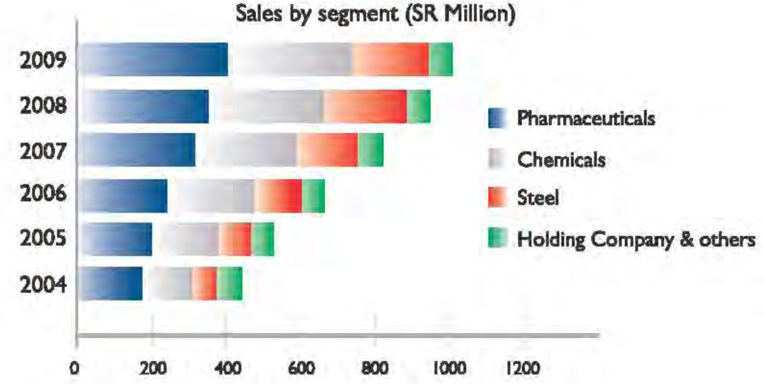
**Sabih Taher Al-Masri**
Chairman

Khalid Abdul Rahman Al Gwaiz
CEO

"By the end of the year in review, the group realized record production, sales and net profit."

## CEO's Message

To cater for business growth over the coming years and to improve efficiency and control, Astra Industrial Board of Directors took the decision to adopt an integrated project to review and streamline business and operational processes and procedures, and install state of the art information systems throughout the Group companies. Once implemented, the project should improve and upgrade the work environment and motivate employees, as well as facilitate the development of shared service and efficient deployment of Group-wide resources. The project implementation will commence during the first quarter of 2010 and is expected to be completed within the next two years.

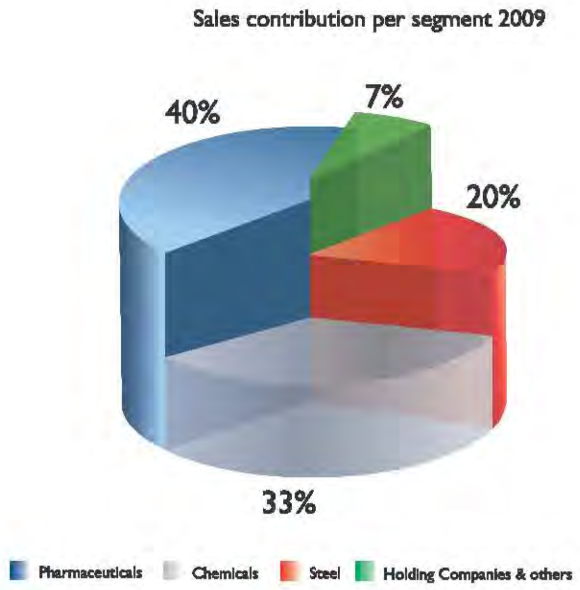


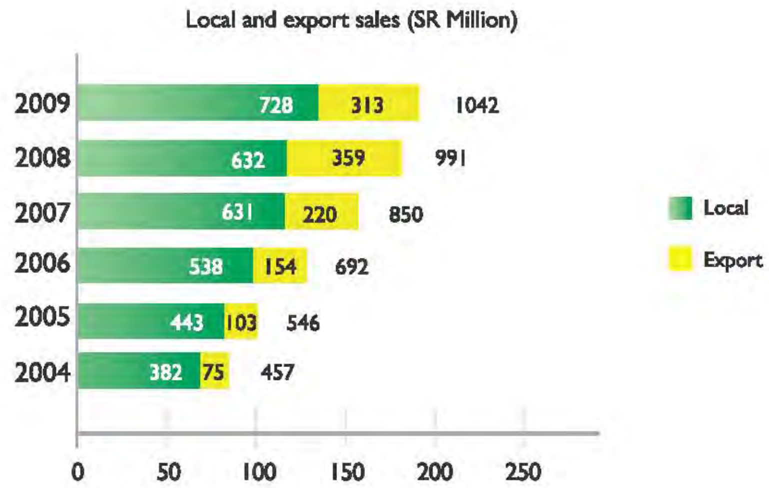

In conclusion, we would like to assure you of our determination to maximize the utilization of available resources and inherent competitive advantages, and press ahead with furthering the Group development and enhance the overall business quality and performance, locally and abroad. In doing so, we will spare no effort to achieve our aspiration of attaining a top position amongst the leading local and regional industrial companies which will have a positive and direct impact on the shareholders, and furthering the interests of our employees, who are the real capital of the company.

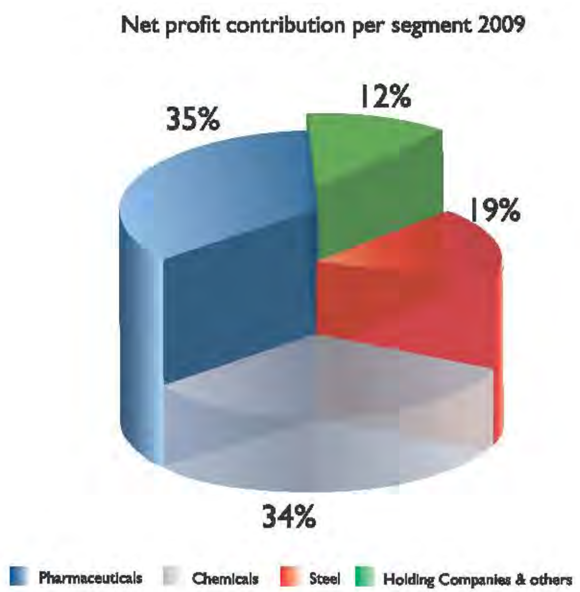
Sincerely,

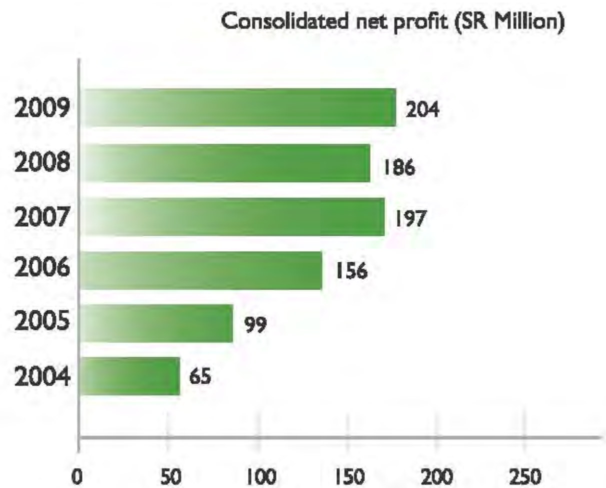
**Khalid A. Al Gwaiz**
Chief Executive Officer

| Sales (SR Million) | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Pharmaceuticals | 183 | 214 | 256 | 335 | 368 | 423 |
| Chemicals | 145 | 176 | 236 | 288 | 329 | 343 |
| Steel | 79 | 98 | 139 | 165 | 224 | 205 |
| Holding Companies & others | 51 | 58 | 60 | 61 | 70 | 70 |
| Total | 457 | 546 | 692 | 850 | 991 | 1042 |


Sales contribution per segment 2009
40%
7%
20%
33%
Pharmaceuticals
Chemicals
Steel
Holding Companies & others


Local and export sales (SR Million)
2009
728
313
1042
2008
632
359
991
2007
631
220
850
2006
538
154
692
2005
443
103
546
2004
382
75
457
0
50
100
150
200
250
Local
Export


Net profit contribution per segment 2009
35%
12%
19%
34%
Pharmaceuticals
Chemicals
Steel
Holding Companies & others


Consolidated net profit (SR Million)
2009
204
2008
186
2007
197
2006
156
2005
99
2004
65
0
50
100
150
200
250

## Astra Polymer Compounding Co.

## Tabuk Pharmaceutical Manufacturing Co.

## International Building System Factory Co.

## Arabian Co. For Comforters & Pillows

## Tanmiah Steel Company

## Astra Industrial Complex Co.

Founded in 1994 in Tabuk City, Saudi Arabia, Tabuk Pharmaceutical Manufacturing Company (TPMC) manufactures and markets a wide range of high quality branded generic pharmaceutical products. Additionally, the company produces selected originator products under license from major, specialized international manufacturers (German, Japanese and Korean).

TPMC established advanced production facilities that conform to the international standards including the stringent European Good Manufacturing Practices (GMP). The company continuously invests in modernizing and upgrading its facilities to meet growing business needs and ensure compliance with rigorous local and international regulatory requirements.

Based on official independent market statistics, Tabuk Pharmaceutical Manufacturing Company is the second largest local pharmaceutical company in the Kingdom of Saudi Arabia. It is also the second in terms of number of issued prescriptions among local and international players in the local private market. The company also holds the sixth ranking among the local and international companies by total sales to the Saudi private sector. TPMC capitalized on its success in the local market to expand its sales activities to the rest of the Middle East and North African (MENA) countries in addition to some European countries (i.e. Sweden, France and Poland). The company's exports continue to grow and reached 30% of its total sales of SR 423 million in 2009. The company's well developed and resourced local and regional sales and marketing network has been instrumental in getting TPMC to achieve this notable market position.

The well thought out long range business plan and effective execution enabled the company to expand its product range as it now produces and markets 213 dosages and forms (tablets, capsules, liquids, ointments, creams and suppositories) of pharmaceutical products in the Kingdom of Saudi Arabia including a large specialized production line of injectables.

The products cover a wide range of medical needs, where the company is a leader in antibiotics, pain relief, arthritis, diabetes, cholesterol, respiratory and digestive track formulations.

A list of the main products includes anti-cough medicines and formulations such as Mentex and Ezipan; antibiotics like Triaxone, Zinoximor, Tabiclor and Claritt; and pain relief medicines such as Rapidus, Tabiflex, and Prof. TPMC also maintains close cooperation with a number of international pharmaceutical companies that have authorized the company to produce their formulations such as Factive, Meiact, and Divido under license.

To meet the required standards of quality and medical efficacy, the company established a Research and Development Center that was provisioned with the necessary expertise and advanced lab equipment and systems to take advantage of scientific developments in pharmaceutical industry, and keep up with the demands and needs of the market. For the company, continuous research and development is key to maintaining the necessary leading position in this sector. Along this line, the company produced and marketed seven new products in 2009, while 55 products are in the process of registration and 30 products in the initial development phase.

شركة المصنع العالمي لأنظمة المباني
International Building System Factory Co.

International Building System Factory Co (IBSF) is one of the leading subsidiaries of Astra Industrial Group which was established in 1993 to produce pre-engineered buildings and steel structures. The company owns three factories in the Riyadh Industrial Area. IBSF designs and produces three major products:

- Steel buildings manufactured to meet the commercial and industrial needs for warehousing and other similar industrial purposes.
- Steel structures used in large process industries such as oil production and refining, gas production, petrochemicals, steel production, cement, water desalination plants and power generation stations.
- Insulated sandwich panels used in industrial buildings.

The integrated infrastructure and state-of-the-art industrial facilities allowed IBSF maximum production flexibility among its plants and earned it the reputation as a leader in its field. The company provides its customers with value engineering solutions that meet their specific needs with maximum efficiency. Through its highly qualified professional teams, the company provides comprehensive services including superior design and erection to support and complement its product offering. In addition, IBSF has a list of certified contractors that have been carefully selected and vetted to carry out erection activities for its customers as desired.

While IBSF is mainly active in the Saudi and GCC countries, it carries out projects of different sizes and scope in other countries in the MENA region on an opportunistic basis.

شركة أسترا لمركبات اللدائن

# Astra Polymer Compounding Co.

Astra Polymer Compounding Co is an important member of Astra Industrial Group companies which was established in 1993 to serve the plastic industries sector. The company is a leading producer of high quality color master batch (white, black and color pigments) and thermoplastic compounds. The company also specializes in the production of additives that enhance the characteristics of the final plastic products and give it added capabilities such as resistance to ultra violet rays (for use in outdoor applications), flexibility as well as rigidity in line with the intended need. Astra Polymers conducts continuous R & D of its plastic formulations in its own Research facilities to meet customer demands.

The company owns two factories; one in Dammam, Saudi Arabia, the other in Jabal Ali, UAE. Both factories operate to their maximum capacities to meet the local and export customers' needs. Astra Polymer exports its products to the GCC as well as some Asian, African and European countries.

Astra Polymers' ability to develop its products and meet customer needs has earned it strong market reputation for quality and service, and allowed it to capture a dominant market share in Saudi Arabia and the GCC countries. The company is currently a preferred supplier to the leading Saudi and regional petrochemical companies as well as downstream plastics producers.

To meet the increasing demand in the Western region of Saudi Arabia, and to facilitate exports to the European and African markets, the company is currently building its third plant in Rabigh City on the Red Sea. This plant is scheduled to commence Production during the first quarter of 2011.

Astra Agriculture was founded in 1988 to import and market fertilizers and agricultural chemicals in the Kingdom of Saudi Arabia. The success of Astra Agriculture led to the establishment of Astra Industrial Complex Company (Astra Chem) in 1995 to produce and market compounded fertilizer and crop protection chemicals, plus public health products in Dammam.

Astra Chem produces fertilizers and formulated agrochemicals for the agricultural and horticultural sectors. Major products include; liquid and soluble compounded fertilizers, suspensions and crop specific enhancement formulations. Agrochemicals include insecticides, herbicides, fungicides and pesticides.

The company established state-of-art production facilities and laboratories which meet international quality standards including those set out by the World Food and Agriculture Organization (FAO), World Health Organization (WHO) and the US Environmental Protections Agency (US EPA).

The company also produces (under license) fertilizers and pesticide from multi-national corporations. It also has its own research and development team which is armed with modern and well resourced laboratories to ensure continuous product development and meeting the ever changing market demand.

As a logical step to its success on the local front, the company expanded its reach and opened new branches and set up extensive marketing and distribution networks in a number of countries throughout the Middle East/ North Africa (MENA) Region. Export sales, as a result, grew steadily over the last four years to reach 26% of total sales by 2009 year end, and are expected to maintain this positive trend for the years to come.

ACCP

الشركة العربية لصناعة الأغطية و الوسائد

Arabian Co. for Comforters & Pillows

The Arabian Company for Comforters & Pillows (ACCP) was established in 1997 following a long and successful history of importing, marketing and distribution of bonded fiber, comforters, pillows, bed sheets and mattress pads. The ACCP factory is located in The Riyadh Industrial Area. It is well equipped with advanced machinery and state of the art technology to meet market demands and guarantee superior quality.

ACCP is the sole authorized manufacturer and distributor of a number of international brands such as Canon, Royal, and Disney among others. The company has established its own brands such as Relax and Classic, and has three well resourced Regional marketing and distribution centers in Jeddah, Riyadh and Khobar.

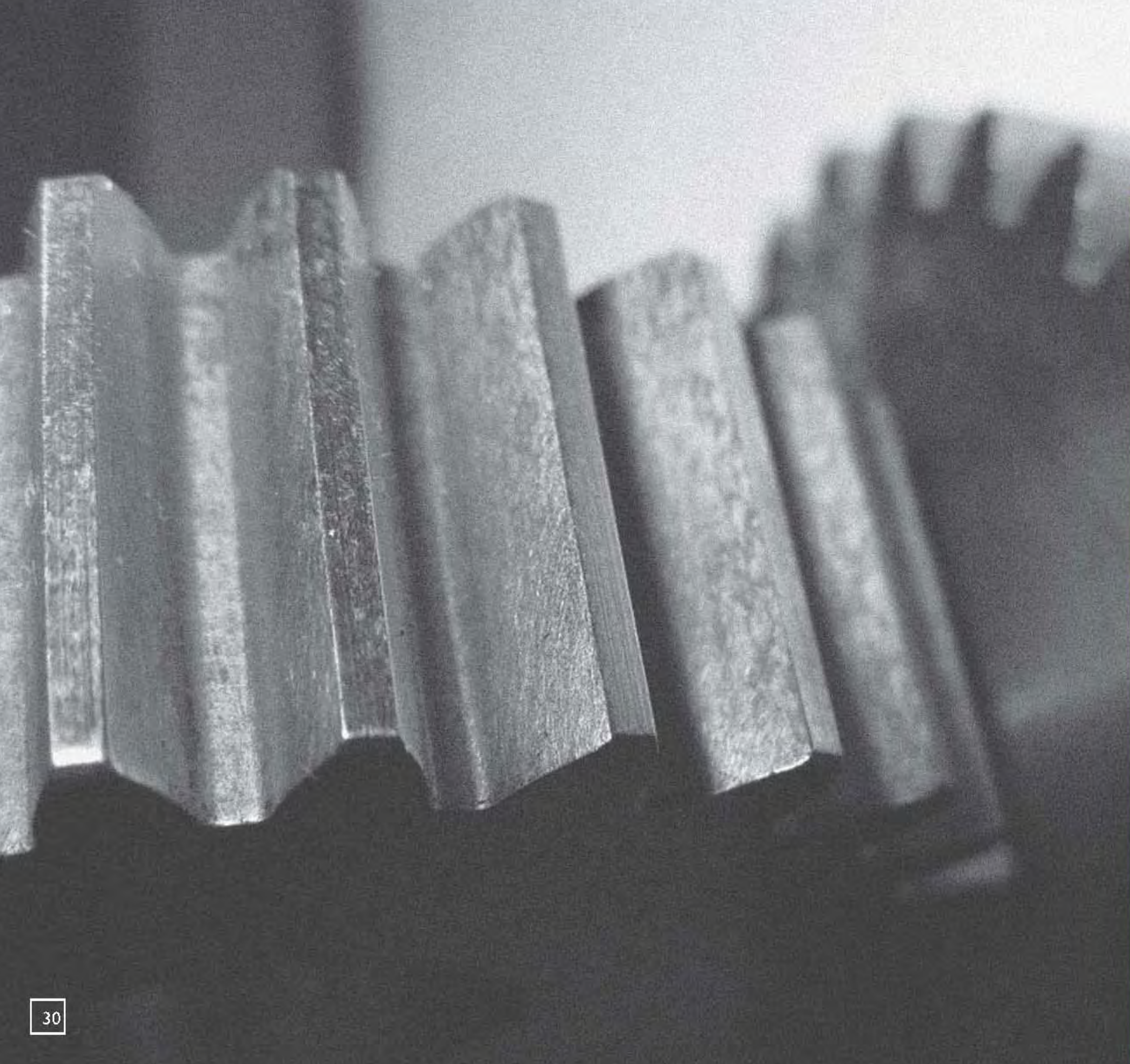
# شركة التنمية للحديد
# Tanmiah Steel Company

In line with its corporate growth strategy, Astra Industrial Group acquired a majority stake (51%) of Tanmiah Steel Company in November 2009. We are bullish on this acquisition due to its potential contribution to the Group's business performance for 2011 and beyond.

Tanmiah Steel is a Jordanian company which is currently undertaking the construction of a steel smelter in Iraq. The plant has a production capacity of 435,000 ton /annum of steel billets and 350,000 ton/ annum of construction steel re-bars. The company will have the only operating steel factory in Iraq. This provides a unique opportunity to meet the huge and increasing demand for the construction steel re-bars in Iraq due to the country's sizeable needs for infrastructure projects and rehabilitation of damaged facilities. The Project implementation is progressing in line with the laid out plan, and commissioning and production is expected to commence during the first quarter of 2011.

It is to be noted that the main raw material is scrap steel which comprises about 70% of the total raw materials intake. Steel scrap is abundantly available in Iraq at favorable cost.

The factory is located in Basrah area and has a rail linkage to the Basrah Sea Port which is nearby. The location offers an advantage on the logistics side, especially as regards to import of raw materials, as well as exports of finished products to the Gulf markets and Iran. The relatively better security situation in Basrah among other Iraqi locations is worthy of note.



## Audited Financial Statement

# Audited Financial Statement

Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants
P.O. Box 442, Jeddah 21411
Kingdom of Saudi Arabia

Tel: +966 (2) 6572725
Fax: +966 (2) 6572722
www.deloitte.com
Head Office: Riyadh

## 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

Audit . Tax . Consulting . Financial Advisory.

Member of
Deloitte Touche Tohmatsu

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED
DECEMBER 31, 2009

SR

**Assets**

| **Current assets** | Note | **2009** | **2008** |
|---|---|---|---|
| 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** |

## CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31, 2009

| Liabilities and Equity | | | |
|---|---|---|---|
| **Current liabilities** | Note | **2009** | **2008** |
| 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** |

CONSOLIDATED
STATEMENT OF INCOME

FOR THE YEAR ENDED
DECEMBER 31, 2009

SR

| | Note | 2009 | 2008 |
|---|---|---|---|
| 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 |

## CONSOLIDATED STATEMENT OF CASH

FOR THE YEAR ENDED DECEMBER 31, 2009

SR

| | 2009 | 2008 |
|---|---|---|
| **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** |

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2009

SR

| | 2009 | 2008 |
|---|---|---|
| **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** |
| **Financing Activities** | | |
| Proceeds from public subscription and capital increase | - | 443,192,355 |
| Due to banks | - | (32,416,554) |
| Dividends distributed | (37,058,824) | - |
| **Net cash (used in) from financing activities** | **(37,058,824)** | **410,775,801** |
| **Net change in cash and cash equivalents** | **(436,047,857)** | **482,279,498** |
| Cash and cash equivalents, January 1 | 524,905,279 | 42,625,781 |
| Cash and cash equivalents, December 31 | **88,857,422** | **524,905,279** |
| Non-Cash Items: | | |
| **Zakat and income tax charged to retained earnings (Note 13)** | **(43,323,901)** | **(18,396,841)** |
| **Items related to acquisition of subsidiary (Note 10)** | | |
| 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) | - |
| Minority interest | (66,416,083) | - |

SR

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2009

| | Note | Share capital | Share premium | Statutory reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **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** |

## 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:

| | Percentage of holding | |
|---|---|---|
| **Shareholders** | **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.

## 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 |
|---|---|---|---|---|
| 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 SAO UDIENNE DE MEDICAMENTS («SAS Pharma»). | Algeria | 80 | - | 80 |

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.

| | | | | |
|---|---|---|---|---|
| Tabuk Pharmaceutical Research Company. | Jordan | 100 | - | 100 |

The company was consolidated for the year 2009 as prior to 2009, the company was not considered material to the consilidated finnancial statements.

| | | | | |
|---|---|---|---|---|
| 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 Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem").

The company has the following foreign subsidiaries,

| | | | | |
|---|---|---|---|---|
| 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. | Jordan | 51 | | 51 |
| The company has the following fully owned subsidiary: | | | | |
| 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.

**Expenses**

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

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of cost of sales are 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.

**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:

| | % |
|---|---|
| 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.

**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 employee's lenghth 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

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

## 4. ACCOUNTS RECEIVABLE, NET

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

## 5. INVENTORIES, NET

| | SR | |
|---|---|---|
| | **2009** | **2008** |
| 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 |
| | **397,190,023** | 383,246,020 |
| **Less: Provision for obsolete and slow moving inventories** | **(11,561,996)** | (6,129,864) |
| | **385,628,027** | 377,116,156 |

## 6. Prepaid expenses and other ASSETS

| | SR | |
|---|---|---|
| | **2009** | **2008** |
| 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 |
| | **56,977,887** | 45,866,299 |

## 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:

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

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

| | SR | |
|---|---|---|
| | **2009** | **2008** |
| 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 (EU.R.L) | **827,895** | 827,895 |
| **Others** | **2,771,421** | 621,391 |
| | **96,307,701** | 127,147,347 |

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

| | SR | |
|---|---|---|
| **Current:** | **2009** | **2008** |
| 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 |
| | **37,568,289** | 7,676,580 |

| | SR | |
|---|---|---|
| **Non-current:** | **2009** | **2008** |
| Al Maseera Co. | **61,611,671** | - |
| Ali Al-Shamra | **17,812,500** | - |
| | **79,424,171** | - |

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.

## 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% |

| | | January 1, 2009 | Additions | Share in net income (loss) | December 31, 2009 |
|---|---|---|---|---|---|
| | Country | SR | SR | SR | 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) | **-** |
| | | **1,745,792** | 364,325 | 139,952 | **2,250,069** |

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

## 9. Property, PLANT and Equipment, NET

| | Land | Buildings | Leasehold improvement | Plant, machinery and equipment | Furniture, fixtures and office equipment | Vehicles | Projects under con-structions | 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 subsid - iary (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: SR45.4 million).

## 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:

| | SR |
|---|---|
| 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.

## 11. OTHER INTANGIBLE ASSETS, NET

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

## 12. accrued expenses AND OTHER LIABILITIES

| | SR | |
|---|---|---|
| | **2009** | **2008** |
| 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 |
| | **106,434,575** | **70,820,216** |

## 13. PROVISION FOR zakat AND INCOME TAX

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

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

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:

| | SR | |
|---|---|---|
| | **2009** | **2008** |
| **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 | (18,941,509) | (19,115,478) |
| **Balance, December 31** | **43,716,601** | **19,334,209** |

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

| | SR | | |
|---|---|---|---|
| | Zakat | Income tax | Total |
| **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 | (4,605,837) | - | (4,605,837) |
| **Balance, end of the year** | **18,318,565** | **343,258** | **18,661,823** |

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

| | SR | | |
|---|---|---|---|
| | Zakat | Income tax | Total |
| **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 | (9,435,661) | (4,900,011) | (14,335,672) |
| **Balance, end of the year** | **20,124,188** | **4,930,590** | **25,054,778** |

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:

| 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, 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.

## 15. SELLING and DISTRIBUTION Expenses

| | SR | |
|---|---|---|
| | **2009** | **2008** |
| 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 |
| | **190,983,064** | **165,614,451** |

## 16. General and Administrative Expenses

| | SR | |
|---|---|---|
| | **2009** | **2008** |
| 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 |
| | **82,410,442** | **69,379,865** |

## 17. OTHER INCOME, NET

| | SR | |
|---|---|---|
| | **2009** | **2008** |
| 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) |
| | **23,417,186** | **8,895,502** |

## 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:

| | SR | |
|---|---|---|
| | **2009** | **2008** |
| Letters of guarantee | 54,198,468 | 66,329,273 |
| Letters of credit | 60,619,509 | 24,186,661 |

## 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:

| | SR | | | | |
|---|---|---|---|---|---|
| **For the year ended December 31, 2009** | Pharmaceuticals | Specialty Chemicals | Steel Industries | Holding Company and Other | Total |
| 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** | **422,783,077** | **343,481,734** | **205,261,348** | **70,033,450** | **1,041,559,609** |
| 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 |

| | SR | | | | |
|---|---|---|---|---|---|
| **For the year ended December 31, 2008** | Pharmaceuti - cals | Specialty Chemicals | Steel Industries | Holding Company and Other | Total |
| 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 |

## 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.

**Astra Industrial Complex for Fertilizer & Agro Chemicals**

**Astrachem Head Office – Riyadh**

| | |
|---|---|
| Address: | P.O. Box 54061 Riyadh, 11514 Kingdom of Saudi Arabia |
| Trunk Line: | +966 1 477 2346 / 473 1130 |
| Fax: | +966 1 478 2102 |
| Email Contact: | info@astra-agri.com.sa / info@astrachem.net |
| Website: | www.astrachem.com.sa |

**AstraChem Plant – Dammam – 2nd Industrial City**

| | |
|---|---|
| Address: | P. O. Box 30447 Alkhobar 31952 Second Industrial City Dammam Kingdom of Saudi Arabia |
| Trunk Line: | +966 3 812 1464 / 8121494 |
| Fax: | +966 3 812 1347 |
| Email Contact: | astrachem@nournet.com.sa |
| Website: | www.astrachem.com.sa |

**Astra Polymer Compounding Co., Ltd.**

**Head Office**

| | |
|---|---|
| Address: | P.O. Box 30740 Al-Khobar 31952 Kingdom Of Saudi Arabia |
| Trunk Line: | +966 3 8121232 |
| Fax: | +966 3 8121342 |
| Email: | cutomer_serivce@astra-polymers.com info@astra-polymers.com |
| Website | www.astra-polymers.com |

**Sales Office - Riyadh**

| | |
|---|---|
| Address: | P.O Box 3863 Riyadh 11481 Kingdom of Saudi Arabia |
| Telephone: | +966 1 2654844 |
| Fax: | +966 1 2654330 |

**Sales Office - Jeddah**

| | |
|---|---|
| Address: | Salma Commercial Centre 2nd Floor, Flat No.243 Medina Road (Near Indian Embassy) Jeddah, Kingdom of Saudi Arabia |
| Telephone: | +966 2 6503811 |
| Fax | +966 2 6503811 |

**Jebel Ali Branch**

| | |
|---|---|
| Address | P.O. Box 261246 Plot No. S10129/S10130 Jafza South, Jebel Ali Free Zone Authority Dubai, United Arab Emirates |
| Telephone | +971 4 8860207 |
| Fax | +971 4 8860208 |

**Tabuk Pharmaceutical Manufacturing Co.**

**Head Office – Riyadh**

| | |
|---|---|
| Address: | P.O. Box: 11437 Riyadh 11437 Kingdom of Saudi Arabia |
| Trunk Line: | +966 1 4474946 |
| Fax: | +966 1 4778268 |
| Email: | ghilali@r.tpmc.com.sa |

**Tabuk Manufacturing Plant**

| | |
|---|---|
| Address: | P.O. Box: 3633 Al Madinah Road, Tabuk 71481 Saudi Arabia |
| Trunk Line: | +966 4 4283030 |
| Fax: | +966 4 4283031 |
| Email: | m.rabah@tpmc.com.sa |
| Website: | www.tpmc.com.sa |

**Sales Office- Jeddah**

| | |
|---|---|
| Address: | P.O. Box: 18791 Jeddah 21425 Kingdom of Saudi Arabia |
| Trunk Line: | +966 2 6525643 |
| Fax: | +966 2 6525647 |

**Sales Office- Dammam**

| | |
|---|---|
| Address | P.O. Box: 9531 Jeddah 31423 Kingdom of Saudi Arabia |
| Trunk Line: | +966 3 8341412 |
| Fax: | +966 3 8339092 |

**Arabian Co. for Comforters & Pillows**

**Head Office**

| | |
|---|---|
| Address: | Prince ameer Salman street Old Industrial area-1 P.O.Box:3863 Riyadh 11481 Saudi Arabia |
| Trunk Line: | +966 1-2410026 / 01-2413459 |
| Fax: | +966 1-2411553 |
| Email: | masri-khalaf@nournet.com.sa |

**Factory**

| | |
|---|---|
| Address: | New Industrial Area-2 P.O.Box:3863 Riyadh 11481 Saudi Arabia |
| Trunk Line: | +966 1-4982226 |
| Fax: | +966 1-4358061 |
| Email: | masri-khalaf@nournet.com.sa |

**Jeddah Branch**

| | |
|---|---|
| Address: | Makkah Madina Express Road Behind Al-Rashid Warehouse Suleimania P.O. 11946 Jeddah 21463 Saudi Arabia |
| Trunk Line: | +966 2-6293940 |
| Fax: | +966 2-6293975 |

**Al-Khobar Branch**

| | |
|---|---|
| Address: | Dammam Al-Khobar Highway Khalidia Area Next to Dalla Transport Al-Khobar Saudi Arabia |
| Trunk Line | +966 3-8593585 |
| Fax | +966 3-8595591 |

**Head Office – Riyadh**

| | |
|---|---|
| Address: | International Building Systems Factory Co., Ltd. 2nd Industrial Area, Opposite Fire Station P.O. Box 1737 Riyadh 11441, Saudi Arabia |
| Trunk Line: | +966 1 265 0004 |
| Fax: | +966 1 265 1756 |
| Email: | mail@ibsf.com |
| Website: | www.ibsf.com |

**Riyadh Office**

| | |
|---|---|
| Address: | International Building Systems Factory Co., Ltd. Salahuddin Road(Sitteen Al-Malaz) Platinum Center 2nd floor – office # 206, P.O. Box 18014 Riyadh 11415, Saudi Arabia |
| Trunk Line: | 01 475 2216/17/18/19 |
| Fax: | 01 475 5026 |
| Email: | riyadh@ibsf.com |

**Jeddah Office**

| | |
|---|---|
| Address | International Building Systems Factory Co., Ltd. Medina Road, Al Rajhi Center, 2nd Floor, Suite 3A P.O. Box 17531 Jeddah 21494, Saudi Arabia |
| Trunk Line | +966 2 667 1060 |
| Fax | +966 2 660 1932 |
| Email: | jeddah@ibsf.com |

**Al Khobar Office**

| | |
|---|---|
| Address: | International Building Systems Factory Co., Ltd. Dammam Khobar Highway, Fluor Arabia Building, Suite 207 P.O. Box 1458 Al Khobar 31952, Saudi Arabia |
| Trunk Line | +966 3 882 6371/ 882 6323 |
| Fax | +966 3 882 6374 |
| Email: | alkhobar@ibsf.com |

**Export Sales – Riyadh**

| | |
|---|---|
| Address | International Building Systems Factory Co., Ltd. 2nd Industrial Area, Opposite Fire Station P.O. Box 1737 Riyadh 11441, Saudi Arabia |
| Trunk Line | +966 1 265 0004 |
| Fax | +966 1 265 1756 |
| Email: | export@ibsf.com |

**Qatar Sales Office**

| | |
|---|---|
| Address | QATAR OFFICE IBSF / First Falcon Trading And Contracting PO Box 8254, Doha, Qatar |
| Trunk Line | +974 444 5472 |
| Fax | +974 442 4324 |
| Email: | femcqatar@qatar.net.qa |