

**ASTRA INDUSTRIAL GROUP COMPANY AND ITS  
SUBSIDIARIES (A Saudi Joint Stock Company)**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS**

**31 DECEMBER 2015**

ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES  
(A Saudi Joint Stock Company)

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
FOR THE YEAR ENDED 31 DECEMBER 2015

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## LIMITED REVIEW REPORT

To the shareholders of Astra Industrial Group Company  
(A Saudi Joint Stock Company)

### Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Astra Industrial Group Company (the "Company") - A Saudi Joint Stock Company - and its subsidiaries (the "Group") as of 31 December 2015 and the related interim consolidated statement of income for the three-month period and the year then ended 31 December 2015 and the interim consolidated statement of cash flows for the year then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organisation for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young



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Certified Public Accountant  
Registration No. 277



Riyadh: 10 Rabi Thani 1437H  
(20 January 2016)

ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2015

	Notes	2015 SR (Unaudited)	2014 SR (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		283,131,897	207,707,829
Accounts receivable, net		931,548,171	1,046,132,070
Amounts due from related parties		51,104,682	56,736,141
Inventories, net		757,666,828	719,066,716
Prepayments and other current assets		203,181,368	200,328,256
<b>Total current assets</b>		<b>2,226,632,946</b>	<b>2,229,971,012</b>
<b>Non-current assets</b>			
Investment in an associate		1,452,850	1,452,850
Property, plant and equipment		1,396,007,936	1,438,632,553
Goodwill		44,054,811	44,054,811
Other intangible assets		11,160,776	15,279,018
<b>Total non-current assets</b>		<b>1,452,676,373</b>	<b>1,499,419,232</b>
<b>TOTAL ASSETS</b>		<b>3,679,309,319</b>	<b>3,729,390,244</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short term murabaha and tawaroq loans	4	433,789,711	1,066,133,425
Current portion of Murabaha loan	5	128,640,000	-
Notes payable		7,540,832	7,346,248
Accounts payable		147,897,943	159,712,451
Amounts due to related parties		11,162,043	10,934,860
Accrued expenses and other current liabilities		225,637,456	215,710,536
Zakat and income tax payable		35,701,975	36,945,716
<b>Total current liabilities</b>		<b>990,369,960</b>	<b>1,496,783,236</b>
<b>Non-current liabilities</b>			
Murabaha loan	5	764,669,345	50,165,976
Amounts due to related parties		388,882,859	366,214,443
Employees' terminal benefits		107,693,179	89,013,154
<b>Total non-current liabilities</b>		<b>1,261,245,383</b>	<b>505,393,573</b>
<b>TOTAL LIABILITIES</b>		<b>2,251,615,343</b>	<b>2,002,176,809</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	6	800,000,000	741,176,470
Statutory reserve		406,568,677	406,568,677
Retained earnings	9	648,948,546	780,368,442
Foreign currency translation reserve		(108,623,032)	(67,487,656)
Effect of acquisition transaction with minority interest without change in control		(14,338,537)	(14,338,537)
<b>Total shareholders' equity</b>		<b>1,732,555,654</b>	<b>1,846,287,396</b>
<b>Minority interests</b>		<b>(304,861,678)</b>	<b>(119,073,961)</b>
<b>Total equity</b>		<b>1,427,693,976</b>	<b>1,727,213,435</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,679,309,319</b>	<b>3,729,390,244</b>

The accompanying notes 1 to 10 form an integral part of these interim consolidated financial statements.

ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)  
FOR THE YEAR ENDED 31 DECEMBER 2015

	<i>Notes</i>	<i>For the three-month period ended 31 December</i>		<i>For the year ended 31 December</i>	
		<i>2015 SR (Unaudited)</i>	<i>2014 SR (Unaudited)</i>	<i>2015 SR (Unaudited)</i>	<i>2014 SR (Audited)</i>
Revenues		<b>422,920,256</b>	491,785,850	<b>1,756,091,820</b>	1,918,806,481
Cost of revenues		<b>(315,115,996)</b>	(333,012,576)	<b>(1,173,691,098)</b>	(1,314,173,348)
<b>GROSS PROFIT</b>		<b>107,804,260</b>	158,773,274	<b>582,400,722</b>	604,633,133
<b>EXPENSES</b>					
Selling and marketing		<b>(106,365,890)</b>	(89,542,136)	<b>(382,568,502)</b>	(346,276,521)
General and administrative		<b>(42,679,522)</b>	(42,420,967)	<b>(180,590,157)</b>	(179,380,098)
Research and development		<b>(8,615,161)</b>	(6,246,971)	<b>(19,263,014)</b>	(19,080,104)
<b>TOTAL EXPENSES</b>		<b>(157,660,573)</b>	(138,210,074)	<b>(582,421,673)</b>	(544,736,723)
<b>(LOSS) INCOME FROM MAIN OPERATIONS</b>		<b>(49,856,313)</b>	20,563,200	<b>(20,951)</b>	59,896,410
Financing charges	4,5	<b>(19,969,539)</b>	(15,618,209)	<b>(53,800,776)</b>	(42,476,734)
Other expense, net		<b>(26,483,187)</b>	(3,263,443)	<b>(48,844,001)</b>	(7,633,364)
<b>(LOSS) INCOME BEFORE MINORITY INTERESTS</b>		<b>(96,309,039)</b>	1,681,548	<b>(102,665,728)</b>	9,786,312
Minority interests in the net results of subsidiaries		<b>31,114,916</b>	24,041,568	<b>109,134,123</b>	99,545,027
<b>NET (LOSS) INCOME FOR THE PERIOD/YEAR</b>		<b>(65,194,123)</b>	25,723,116	<b>6,468,395</b>	109,331,339
<b>EARNINGS PER SHARE:</b>					
Attributable to income from main operations		<b>(0.6232)</b>	0.2570	<b>(0.0003)</b>	0.7487
Attributable to net income for the period/year		<b>(0.8149)</b>	0.3215	<b>0.0809</b>	1.3666

The accompanying notes 1 to 10 form an integral part of these interim consolidated financial statements.

ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 SR (Unaudited)	2014 SR (Audited)
<b>OPERATING ACTIVITIES</b>		
Net income for the year	6,468,395	109,331,339
Adjustments for:		
Depreciation	100,263,424	111,236,919
Amortisation	8,841,123	5,845,927
Minority interests in the net results of subsidiaries	(109,134,123)	(99,545,027)
Changes in operating assets and liabilities:		
Accounts receivable, net	114,583,899	(40,426,048)
Amounts due from related parties	5,631,459	3,933,610
Inventories, net	(38,600,112)	69,111,162
Prepayments and other current assets	(2,853,112)	9,240,472
Accounts payable	(11,814,508)	26,746,484
Amounts due to related parties	227,183	(15,609,336)
Accrued expenses and other current liabilities	9,926,920	17,435,267
Employees' terminal benefits, net	18,680,025	13,209,769
Cash from operations	102,220,573	210,510,538
Zakat and income tax paid	(22,920,268)	(25,138,629)
<b>Net cash from operating activities</b>	<b>79,300,305</b>	<b>185,371,909</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(156,811,582)	(247,664,064)
Proceeds from sale of property, plant and equipment	25,449,376	23,623,179
Other intangible assets	(4,722,881)	(8,387,426)
<b>Net cash used in investing activities</b>	<b>(136,085,087)</b>	<b>(232,428,311)</b>
<b>FINANCING ACTIVITIES</b>		
(Repayment) proceeds from short term murabaha and tawaroq loans, net	(632,343,714)	123,078,014
Proceeds from murabaha loan	843,143,369	50,165,976
Notes payable	194,584	(1,648,793)
Due to related parties	16,098,097	20,267,081
Dividends paid	(55,588,235)	(129,705,882)
Board members' remuneration	(1,800,000)	(1,800,000)
Minority interests, net	3,640,125	(3,931,988)
<b>Net cash from financing activities</b>	<b>173,344,226</b>	<b>56,424,408</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>116,559,444</b>	<b>9,368,006</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>207,707,829</b>	<b>197,320,536</b>
Foreign currency translation reserve	(41,135,376)	1,019,287
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>283,131,897</b>	<b>207,707,829</b>
<b>Major non-cash transaction</b>		
Write down of capitalised borrowing cost pertaining to minority interests' long term loan	73,723,400	-

The accompanying notes 1 to 10 form an integral part of these interim consolidated financial statements.

# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES

## (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
31 DECEMBER 2015

### 1. ORGANIZATION AND ACTIVITIES

Astra Industrial Group Company (the "Company") is a Saudi Joint Stock Company licensed under foreign investment license number 030114989-01 issued in Riyadh by SAGIA and operating under commercial registration number 1010069607 issued in Riyadh on 9 Muharram 1409H (August 22, 1988).

The Company is engaged in the following activities:

- Building, managing, operating and investing in industrial plants after obtaining approvals from the Saudi Arabian General Investment Authority (SAGIA) for each project. .
- The wholesale and retail trade in clothing, towels, blankets, fertilizers, animal feed, insecticides, irrigation equipment, agricultural machinery and equipment, greenhouses, agricultural and animal products and gardening contracts.

The principal activities of the subsidiaries are as follows:

- Production, marketing and distribution of medicine and pharmaceutical products.
- 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 projects contracts.
- Production of steel pallets and steel rebar and generation of the required power of such activity.
- Exploration of all ores and minerals in all regions of the Kingdom of Saudi Arabia except for those land and marine areas that ate out of the scope of application of the mining investment regulations as stipulated in Article (8) of the said regulation.

### 2. BASIS OF CONSOLIDATION

The interim consolidated financial statements are comprised of the interim financial statements of the Company and its subsidiaries ("Group"), as adjusted by the elimination of significant inter-company balances and transactions. A subsidiary is an entity in which the Company has a direct or indirect equity investment of more than 50% or over which it exerts effective control. Minority interests represent the portion of equity, in the Company's subsidiaries, which are not attributable, directly or indirectly, to the Company. Minority interests are shown separately under equity in the interim consolidated balance sheet. The minority interests in the net results of subsidiaries are shown separately in the interim consolidated statement of income.

The financial statements of the subsidiaries are prepared using accounting policies which are consistent with those of the Company.

The subsidiary companies incorporated into these interim consolidated financial statements are as follows:

<i>Subsidiary Company</i>	<i>Country of incorporation</i>	<i>Percentage of ownership (directly or indirectly)</i>	
		<i>%</i>	
		<b>2015</b>	<b>2014</b>
<b>Tabuk Pharmaceutical Manufacturing Company ("TPMC")</b>	Kingdom of Saudi Arabia	<b>100</b>	100

TPMC has the following subsidiaries:

- Tabuk Pharmaceutical Research Company	Kingdom of Jordan	<b>100</b>	100
- Tabuk Pharmaceutical Company Limited	Republic of the Sudan	<b>100</b>	100
- Tabuk Pharmaceutical Manufacturing Company	Arab republic of Egypt	<b>100</b>	100
- Tabuk Pharmaceutical Company	Arab republic of Egypt	<b>100</b>	-
- Tabuk Eurl Algeria	People's Democratic Republic of Algeria	<b>100</b>	100
- Al Bareq Pharmaceutical Manufacturing Factory Company Limited	Kingdom of Saudi Arabia	<b>100</b>	100

**ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 DECEMBER 2015

**2. BASIS OF CONSOLIDATION (continued)**

<i>Subsidiary Company</i>	<i>Country of incorporation</i>	<i>Percentage of ownership (directly or indirectly)</i>	
		<i>2015</i>	<i>2014</i>
<b>Astra Polymer Compounding Company Limited (“Polymer”)</b>	Kingdom of Saudi Arabia	<b>100</b>	100
Polymer has the following subsidiaries:			
- Astra Polymers free zone Imalat Sanayi Ve Ticaret Anonim Sirketi.	Republic of Turkey	<b>100</b>	100
- Astra Polymer Pazarlama San. Ve Tic. A.Ş	Republic of Turkey	<b>100</b>	-
- Astra Specialty Compounds India Private Limited	Republic of India	<b>100</b>	100
<b>International Building Systems Factory Company Limited (“IBSF”)</b>	Kingdom of Saudi Arabia	<b>100</b>	100
IBSF has the following subsidiary:			
- Astra Heavy Industries Factory Limited (“AHI”)	Kingdom of Saudi Arabia	<b>100</b>	100
<b>Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals (“AstraChem”)</b>	Kingdom of Saudi Arabia	<b>100</b>	100
AstraChem has the following foreign subsidiaries:			
- AstraChem Saudia	People's Democratic Republic of Algeria	<b>100</b>	100
- AstraChem Morocco	Kingdom of Morocco	<b>100</b>	100
- Aggis International Limited	British Virgin Islands	<b>100</b>	100
- AstraChem Turkey	Republic of Turkey	<b>100</b>	100
- AstraChem Syria	Syrian Arab Republic	<b>100</b>	100
- AstraChem Tashqand	Republic of Uzbekistan	<b>100</b>	100
- Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, Jordan	Kingdom of Jordan	<b>50</b>	50
- Astra Nova, Turkey	Republic of Turkey	<b>92.4</b>	92.4
- AstraChem Ukraine Ltd.	Ukraine	<b>100</b>	100
- AstraChem Saudi Jordan Co.	Arab republic of Egypt	<b>100</b>	100
- Astra Agricultural Saudi Jordan Co.	Arab republic of Egypt	<b>100</b>	100
- Astra Industrial Complex for Fertilizers and Agrochemicals and Investments	Sultanate of Oman	<b>99</b>	99
- Green Highland Seeds Company Limited - Jordon	Kingdom of Jordan	<b>100</b>	-
<b>Al-Tanmiya Company for Steel Manufacturing (“Tanmiya”)</b>	Kingdom of Jordan	<b>51</b>	51
Tanmiya has the following subsidiary:			
- Al Inma’a Company (note 7)	Republic of Iraq	<b>100</b>	100
<b>Astra Energy LLC (“Astra Energy”)</b>	Kingdom of Jordan		
Astra Energy has the following subsidiary:			
- Fertile Crescent for Electricity Generation Company	Republic of Iraq	<b>76</b>	76
		<b>100</b>	100
<b>Astra Mining Company Limited (“Astra Mining”)</b>	Kingdom of Saudi Arabia	<b>60</b>	60



# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES

## (A Saudi Joint Stock Company)

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 DECEMBER 2015

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard on Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The significant accounting policies adopted by the Group in preparing these interim consolidated financial statements, summarised below, are in conformity with those described in the annual audited consolidated financial statements for the year ended 31 December 2014.

#### **Basis of preparation**

These interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2014. In management's opinion, the interim consolidated financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.

The Group's interim results may not be indicative of its annual results.

The principal accounting policies applied in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

#### **Accounting convention**

These interim consolidated financial statements are prepared under the historical cost convention.

#### **Use of estimates**

The preparation of these interim consolidated financial statements by management requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. The actual results ultimately may differ from these estimates.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

#### **Accounts receivable**

Accounts receivable are stated at the invoiced amount less provision for any doubtful debts. An estimate for doubtful debts is made when the collection of the receivable amount is considered doubtful and charged to the interim consolidated statement of income. Bad debts are written off as incurred.

#### **Inventories**

Inventories are stated at the lower of cost or market value. Cost of raw and packing materials, spare parts and consumables, and finished goods is principally determined on a weighted average cost basis. Inventories of work in progress and finished goods include cost of materials, labor and an appropriate proportion of direct overheads. When inventories become old or obsolete, a provision for slow moving and obsolete inventories is provided and charged to the interim consolidated statement of income.

# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES

## (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 DECEMBER 2015

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Investment in an associate**

The Group's investment in associate are accounted for using equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in associate is carried in the interim consolidated balance sheet at cost adjusted by the changes in the Group's share of net assets of the associate. The interim consolidated statement of income reflects the share of the results of operation of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any change and discloses this, when applicable, in shareholders' equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of interest in an associate.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation except for land and construction work in progress which are stated at cost. Expenditure for maintenance and repairs is expensed, while expenditure for improvements is capitalised. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method.

Leasehold improvements are amortised over the shorter of the estimated useful life or the remaining term of the lease. The capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The estimated useful lives of the principal classes of assets for the calculation of depreciation are as follows:

	Years
Buildings	10 - 33
Leasehold improvements	4 - 10
Machinery and equipment	5 - 12.5
Furniture, fixtures and office equipment	3 - 10
Vehicles	4

#### **Intangible assets**

##### *Goodwill*

The excess of consideration paid over the fair value of net assets acquired is recorded as goodwill. Goodwill is periodically re-measured and reported in the interim consolidated financial statements at carrying value after being adjusted for impairment, if any.

##### *Other intangible assets/amortisation*

Costs which have a long term future benefits are treated as other intangible assets and are amortised over the estimated period of benefit. Other intangible assets represent registration and license fees and are amortized on a straight-line method over a period of 4 to 7 years and charged to the interim consolidated statement of income.

The carrying values of other intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being their value in use. The excess of carrying value over the estimated recoverable amount is charged to the interim consolidated statement of income.

# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES

## (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 DECEMBER 2015

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Impairment**

The Group periodically reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered any 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group 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 or cash generating unit is reduced to its recoverable amount. Impairment is recognised in the interim consolidated statement of income.

Except for goodwill, where impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or cash generating unit in prior years. A reversal of impairment is recognised immediately in the interim consolidated statement of income.

#### **Accounts payable and accruals**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

#### **Provision**

Provision is recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

#### **Loans and borrowings**

Loans and borrowings are recognised at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of those assets. Other borrowing costs are charged to the interim consolidated statement of income.

#### **Murabaha investments**

Murabaha investments are short-term highly liquid investments with original maturities of three months or more but not more than one year from the purchase date. Commission income is recognised on an accrual basis using agreed commission rates.

#### **Zakat and income tax**

Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to retained earnings. Additional amounts, if any, that may become due on finalisation of an assessment are recorded in the year in which the assessment is finalised.

Taxation of foreign subsidiaries, if any, are provided for in accordance with income tax regulations of the countries in which they operate and charged to the interim consolidated statement of income.

Deferred income taxes are recognised on all major temporary differences between financial income and taxable income during the year in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognised to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilised. Deferred income taxes are determined using tax rates which have been enacted by the interim consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income taxes arising out of such temporary differences were not significant and, accordingly, were not recorded at period end.

The Group and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES

## (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 DECEMBER 2015

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Employees' terminal benefits**

Provision is made for amounts payable related to the accumulated periods of service at the balance sheet date in accordance with the employees' contracts of employment.

#### **Statutory reserve**

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income in each year until it has built up a reserve equal to one half of the capital. Also, the share premium is added to the statutory reserve. The reserve is not available for distribution.

#### **Revenue recognition**

Sales represent the invoiced value of goods supplied and services rendered by the Group during the period. Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably; normally on delivery to the customer. Revenues from rendering of services are recognised when contracted services are performed.

Royalty income is recognized on an accrual basis in accordance with the substance of agreements.

Contract revenue comprises the accrued value of work executed during the period. For long term contracts, revenue is recognised on the basis of costs incurred to date, using the percentage of completion method. In the case of unprofitable contracts, provision is made for foreseeable losses in full.

#### **Expenses**

Selling and marketing expenses are those that mainly relate to salesmen and sales department, where research and development expenses specifically relate to costs related to the research and development department. All other expenses are allocated on a consistent basis to cost of sales and general and administration expenses in accordance with allocation factors determined as appropriate by the Group.

#### **Operating leases**

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

#### **Earnings per share**

Basic earnings per share from main operations are calculated by dividing income (loss) from main operations for the period by the weighted average of number of shares outstanding during the period.

Basic earnings per share from net income are calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period. The outstanding number of shares is retrospectively adjusted for prior period to reflect the number of bonus shares issued during the period.

#### **Segmental reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

#### **Foreign currencies**

##### *Transactions*

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the interim consolidated balance sheet date. All differences are taken to the interim consolidated statement of income.

##### *Foreign currency translations*

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

# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES

## (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 DECEMBER 2015

#### 4. SHORT TERM MURABAHA AND TAWAROQ LOANS

The Group has bank facilities in the form of murabaha, short-term tawaroq and other credit facilities to meet the working capital requirements. As at the interim consolidated balance sheet date, SR 433 million was utilised (31 December 2014: 1,066 million). The facilities bear special commission at prevailing market rates. These facilities are secured by corporate guarantees.

#### 5. MURABAHA LOAN

The Group has a long-term Murabaha loan facility (the "facility") with a local bank to finance its capital expenditures. At the interim consolidated balance sheet date, SR 893.31 million was utilised (31 December 2014: 50 million). The facility is primarily denominated in Saudi Riyal, secured by corporate guarantees and bears special commission charges at an agreed fixed rate plus SIBOR. The loan is repayable within six years by semi-annual equal installments from the date the facility was availed, including one year grace period.

As at the balance sheet date, current portion of the long-term Murabaha loan is SR 128.6 million.

#### 6. SHARE CAPITAL

The share capital of the Company as of 31 December 2015 comprises of 80,000,000 shares (31 December 2014: 74,117,647 shares) of SR 10 each. The share capital is held as follows:

Shareholders	Shareholding %	
	2015	2014
Saudi founding shareholders	57.59%	57.57%
Non-Saudi founding shareholders	11.54%	11.11%
Public	30.87%	31.32%
	<u>100.00%</u>	<u>100.00%</u>

During the period, the Extraordinary General Assembly, in its meeting held on 9 Rajab 1436H (corresponding to 28 April 2015), resolved to increase the share capital by SR 58,823,530 from the retained earnings (by issuing five bonus shares for every 63 shares held). The legal formalities required to enforce the increase the share capital are completed.

#### 7. SEGMENT INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by board of directors in respect of the Group's activities. Transactions between the business segments are recorded based on the Group's transfer pricing policy. The Group operates principally through the following major business segments:

- (i) Pharmaceuticals;
- (ii) Specialty chemicals;
- (iii) Power and steel industries; and
- (iv) Company and other.

# ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES

## (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 DECEMBER 2015

### 7. SEGMENT INFORMATION (continued)

The Group's interim consolidated revenues, gross profit, net income, property, plant and equipment, total assets and total liabilities by business segments, are as follows:

	Pharmaceuticals SR	Specialty chemical SR	Power and steel industries SR	Company and other SR	Total SR
<u>31 December 2015 (Unaudited)</u>					
Revenues	835,826,233	588,544,942	331,720,645	-	<b>1,756,091,820</b>
Gross profit	499,619,801	171,744,469	(88,963,548)	-	<b>582,400,722</b>
Net income (loss)	28,593,954	45,378,089	(43,003,846)	(24,499,802)	<b>6,468,395</b>
Property, plant and equipment	520,002,621	170,917,480	665,647,826	39,440,009	<b>1,396,007,936</b>
Total assets	1,601,783,982	764,929,879	1,245,711,704	66,883,754	<b>3,679,309,319</b>
Total liabilities	918,690,115	410,674,755	737,901,485	184,348,988	<b>2,251,615,343</b>
<u>2014 December 2014 (Audited)</u>					
Revenues	925,994,493	586,807,278	406,004,710	-	1,918,806,481
Gross profit (loss)	563,328,451	158,994,408	(117,689,726)	-	604,633,133
Net income (loss)	167,435,248	46,161,575	(80,176,248)	(24,089,236)	109,331,339
Property, plant and equipment	452,771,861	161,448,303	797,323,802	27,088,587	1,438,632,553
Total assets	1,534,417,449	751,336,916	1,399,363,915	44,271,964	3,729,390,244
Total liabilities	580,315,214	375,652,381	655,790,358	390,418,856	2,002,176,809

The Group's operations are conducted principally in Saudi Arabia, in addition to Iraq and other countries. Selected financial information as of 31 December for the year then ended are summarized by geographic area, as follows:

	Kingdom of Saudi Arabia SR	Republic of Iraq SR	Other areas SR	Total SR
<u>31 December 2015 (Unaudited)</u>				
Revenues	1,009,737,549	83,771,010	662,583,261	<b>1,756,091,820</b>
Total assets	1,908,380,796	828,530,448	942,398,075	<b>3,679,309,319</b>
<u>31 December 2014 (Audited)</u>				
Revenues	1,120,328,794	196,421,511	602,056,176	1,918,806,481
Total assets	2,011,863,426	992,884,272	724,642,546	3,729,390,244

During the year, the Group has decided to suspend the production in Al Inma'a Company facility, which is owned by Tanmiya (a subsidiary company), and will likely resume production once a relative stability in the Republic of Iraq and recovery in demand is anticipated.

### 8. CONTINGENTIES

As at 31 December 2015, the Group had contingent liabilities arising in the normal course of business. The Group's bankers have issued letters of credit amounting to SR 56 million (31 December 2014: SR 80.53 million) and letters of guarantee amounting to SR 106.8 million (31 December 2014: SR 141.07 million) in the normal course of business.

### 9. DIVIDENDS DISTRIBUTION

The Extraordinary General Assembly approved the following distributions from the retained earnings:

- Cash dividends of SR 55.59 million (SR 0.75 per share).
- Payment of SR 1.8 million as Board of Directors' remuneration.

### 10. COMPARATIVE FIGURES

Certain of the prior period figures have been reclassified to conform with the current period's presentation.