

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

**CONSOLIDATED FINANCIAL STATEMENTS, ALONG WITH  
THE INDEPENDENT AUDITOR'S REPORT FOR  
THE YEAR ENDED DECEMBER 31, 2019**

**Astra Industrial Group Company and Its Subsidiaries  
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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## *Independent auditor's report to the shareholders of Astra Industrial Group Company*

### *Report on the audit of the consolidated financial statements*

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#### *Our opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Astra Industrial Group Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2019, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

#### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### *Our audit approach*

##### **Overview**

- |                   |  |
|-------------------|--|
| Key audit matters | <ul style="list-style-type: none"><li>• Implementation of IFRS 16 "Leases"</li><li>• Accounting for business combination – step acquisition of Tanmiya</li></ul> |
|-------------------|--|
- 

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

*Independent auditor's report to the shareholders of Astra Industrial Group Company  
(continued)*

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the Key audit matter</b>
<p><b>Implementation of IFRS 16 "Leases"</b></p> <p>The Group has adopted IFRS 16 "Leases" with effect from January 1, 2019. This new standard supersedes the requirements of IAS 17 'Leases'.</p> <p>Management performed a detailed analysis of each lease contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required. Management has also assessed the disclosure requirements of the new standard to be made in the consolidated financial statements.</p> <p>IFRS 16 principally modifies the accounting treatment of operating leases at inception, with the recognition of a right-of-use on the leased asset and a corresponding liability for the discounted amount of lease payments over the term of lease contract.</p> <p>The Group has chosen to apply IFRS 16 "Leases" under the modified retrospective approach. Therefore, the comparative financial statements have not been restated, and the cumulative impact of the first-time adoption of the standard has been recorded as at January 1, 2019.</p> <p>Accordingly, this resulted in recognition of right-of-use assets of Saudi Riyals 51.36 million as at January 1, 2019 and lease liabilities of Saudi Riyals 49.04 million as of that date.</p> <p>We considered this as a key audit matter because the calculations of amounts underlying the right-of-use assets and the corresponding lease liabilities involve a new process for collecting data, and calculation of right-of-use assets and lease liability and that has a material impact on the consolidated financial statements of the Group.</p> <p><i>Refer Note 5 which explains the impact of the adoption of the new standard, Note 2.3 for the accounting policy, and Note 7 and Note 15 for the related disclosures in the accompanying consolidated financial statements.</i></p>	<p>We performed the following as part of our audit:</p> <p>Reviewed management's assessment of the impact of IFRS 16 in terms of the classification and measurement of its right-of-use assets and lease liabilities, and understood the approach taken by the management towards implementation;</p> <p>Assessed the accuracy of the lease data by testing, on a sample basis, the lease data captured by management, through the inspection of lease documents;</p> <p>Tested lease schedules, on a sample basis, by recalculating the amounts underlying the right-of-use assets and lease liabilities, based on the terms of the lease contracts including extension options, where applicable. We also tested the arithmetical accuracy of those individual lease schedules and how these accumulated into the overall adjustment totals applied in the consolidated financial statements as at January 1, 2019;</p> <p>Tested completeness of the lease register by testing the reconciliation of lease liabilities recognised at January 1, 2019 to the Group's operating lease commitments as at December 31, 2018, and by testing management's assessment of contracts on a sample basis, for inclusion or exclusion of contracts from the lease register at the adoption date;</p> <p>Assessed the appropriateness of the discount rates used in the computation of lease liability obligations through review of borrowing facilities, performance of sensitivity analysis of discount rates and ensured the reasonableness of the discount rate as compared to discount rate used by certain other listed entities in the Kingdom of Saudi Arabia; and</p> <p>We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements in relation to the implementation of the new standard.</p>

*Independent auditor's report to the shareholders of Astra Industrial Group Company  
(continued)*

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Accounting for business combination – Step acquisition of Tanmiya</i></b></p> <p>On December 31, 2019, the shareholders of Al-Tanmiya Company for Steel Manufacturing L.L.C. (“Tanmiya”) decided to amend the Company’s By-laws that the majority approval will be required instead of unanimous approval for decision making. Therefore, on December 31, 2019 the Group, being a majority shareholder owning 65% of equity, obtained the control of Tanmiya.</p> <p>Accordingly, as per IFRS 3 – Business Combinations (IFRS 3), step acquisition accounting was performed based on the fair values of previously held interest and provisional fair values of identified assets acquired and fair values of liabilities assumed.</p> <p>We considered this as a key audit matter due to the significant financial impact and the nature of the judgments and assumptions made by the management in determining the appropriate accounting and associated fair valuation.</p> <p><i>Refer Note 2.7 for the accounting policy and note 3.2 and note 4 for the related disclosures in the consolidated financial statements.</i></p>	<p>We performed the following audit procedures in relation to business combination accounting and associated fair valuations:</p> <ul style="list-style-type: none"> <li>• Obtained management assessment of control over Tanmiya as of December 31, 2019 supported by Tanmiya’s shareholders resolution and subsequently updated the Company’s By-laws;</li> <li>• Obtained copy of the third-party valuation report related to the valuation of plant and machinery;</li> <li>• Engage our internal specialists to assess the business plan, fair valuations of previously held interest in a joint venture, plant and machinery and loans liabilities assumed; and</li> <li>• Assessed the appropriateness of the accounting of step acquisition and considered the presentation and disclosures in the consolidated financial statements.</li> </ul>

***Other information***

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group (but does not include the consolidated financial statements and our auditor’s report thereon), which is expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the 2019 Group Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## *Independent auditor's report to the shareholders of Astra Industrial Group Company (continued)*

### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

*Independent auditor's report to the shareholders of Astra Industrial Group Company  
(continued)*

*Auditor's responsibilities for the audit of the consolidated financial statements (continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**PricewaterhouseCoopers**



Mufaddal A. Ali  
License No. 447

March 11, 2020



**Astra Industrial Group Company and Its Subsidiaries  
(A Saudi Joint Stock Company)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	As at December 31,	
		2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5, 7	1,225,369,236	847,620,999
Intangible assets	8	29,524,564	27,679,775
Net investment in a joint venture	4, 9	-	334,804,164
Other non-current assets	19.4	18,918,685	5,035,935
		<b>1,273,812,485</b>	<b>1,215,140,873</b>
<b>Current assets</b>			
Inventories	10	610,647,301	533,721,230
Trade receivables	11	766,626,792	907,925,707
Due from related parties	12.3	2,599,951	2,041,584
Prepayments and other current assets	13	121,676,123	115,221,170
Cash and cash equivalents	14	45,279,521	65,465,034
		<b>1,546,829,688</b>	<b>1,624,374,725</b>
<b>TOTAL ASSETS</b>		<b>2,820,642,173</b>	<b>2,839,515,598</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and lease liabilities	15	143,160,166	11,210,578
Due to a related party – loan	12.5	86,735,702	-
Employees defined benefit liabilities	16	125,997,480	128,619,962
		<b>355,893,348</b>	<b>139,830,540</b>
<b>Current liabilities</b>			
Trade payables	17	145,893,885	153,863,257
Accrued expenses and other current liabilities	18	272,367,830	260,379,515
Due to related parties	12.4	16,014,969	16,186,372
Loans and lease liabilities	15	750,110,410	1,087,091,143
Zakat and income tax payable	19	76,913,594	133,022,477
		<b>1,261,300,688</b>	<b>1,650,542,764</b>
<b>Total liabilities</b>		<b>1,617,194,036</b>	<b>1,790,373,304</b>
<b>Equity</b>			
Share capital	20	800,000,000	800,000,000
Statutory reserve	21	406,568,677	406,568,677
Retained earnings		70,599,830	36,003,868
Foreign currency translation reserve	33.1.1	(61,887,098)	(184,372,579)
<b>Equity attributable to shareholders of the parent</b>		<b>1,215,281,409</b>	<b>1,058,199,966</b>
Non-controlling interests	30	(11,833,272)	(9,057,672)
<b>Total equity</b>		<b>1,203,448,137</b>	<b>1,049,142,294</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,820,642,173</b>	<b>2,839,515,598</b>

The accompanying notes (1) through (37) form an integral part of these consolidated financial statements.



**Astra Industrial Group Company and Its Subsidiaries  
(A Saudi Joint Stock Company)**

**CONSOLIDATED STATEMENT OF INCOME**

(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31	
		2019	2018
Revenue	27	1,867,111,703	1,796,902,246
Cost of revenue	22	(1,128,760,391)	(1,084,953,274)
<b>Gross profit</b>		<b>738,351,312</b>	<b>711,948,972</b>
Selling and distribution expenses	23	(349,820,738)	(336,431,115)
General and administrative expenses	24	(152,013,863)	(168,118,259)
Provision for impairment of financial assets	11, 12.3.1	(17,421,253)	(48,092,135)
Research expenses	27	(22,923,357)	(23,569,715)
<b>Income from operations</b>		<b>196,172,101</b>	<b>135,737,748</b>
Share of net loss in a joint venture	9.5	(31,204,088)	(30,769,295)
Finance costs	15	(80,164,575)	(70,338,851)
Other expenses, net	25	(72,356,791)	(137,221)
<b>Income before zakat and income tax</b>		<b>12,446,647</b>	<b>34,492,381</b>
Zakat reversal (charge), net	19	15,745,708	(6,880,268)
Income tax (charge)	19	(3,889,691)	(1,223,400)
Deferred tax	19	10,401,644	-
		<b>22,257,661</b>	<b>(8,103,668)</b>
<b>Net income for the year</b>		<b>34,704,308</b>	<b>26,388,713</b>
<b>Attributable to</b>			
Shareholders of the Parent		29,696,043	22,475,438
Non-controlling interests		5,008,265	3,913,275
		<b>34,704,308</b>	<b>26,388,713</b>
<b>Earnings per share attributable to shareholders of the parent (basic and diluted)</b>	26	<b>0.37</b>	<b>0.28</b>

The accompanying notes (1) through (37) form an integral part of these consolidated financial statements.

**Astra Industrial Group Company and Its Subsidiaries  
(A Saudi Joint Stock Company)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31	
		2019	2018
<b>Net income for the year</b>		<b>34,704,308</b>	<b>26,388,713</b>
<b>Other comprehensive income (OCI) to be reclassified to income in subsequent years:</b>			
Exchange gain / (loss) on translation of foreign operations	33.1.1	<u>3,380,947</u>	<u>(47,316,217)</u>
Reclassification of exchange gain from OCI to statement of income	25, 33.1.1 (a)	<u>119,104,534</u>	<u>-</u>
		<b>122,485,481</b>	<b>(47,316,217)</b>
<b>Other comprehensive income not to be reclassified to income in subsequent years:</b>			
Re-measurement gain on employee defined benefit liabilities	16	<u>4,885,761</u>	<u>1,972,972</u>
		<b>127,371,242</b>	<b>(45,343,245)</b>
<b>Total comprehensive income / (loss) for the year</b>		<b><u>162,075,550</u></b>	<b><u>(18,954,532)</u></b>
<b>Attributable to:</b>			
Shareholders of the Parent		<u>157,081,443</u>	<u>(23,208,483)</u>
Non-controlling interests		<u>4,994,107</u>	<u>4,253,951</u>
		<b><u>162,075,550</u></b>	<b><u>(18,954,532)</u></b>

The accompanying notes (1) through (37) form an integral part of these consolidated financial statements.

Astra Industrial Group Company and Its Subsidiaries  
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(All amounts are in Saudi Riyals unless otherwise stated)

	Attributable to shareholders of the Parent					Total equity		
	Notes	Issued capital	Statutory reserve	Retained earnings	Foreign currency translation reserve		Total	Non-controlling interests
<b>January 1, 2019</b>		800,000,000	406,568,677	36,003,868	(184,372,579)	1,058,199,966	(9,057,672)	1,049,142,294
Net income for the year		-	-	29,696,043	-	29,696,043	5,008,265	34,704,308
Other comprehensive income		-	-	4,899,919	122,485,481	127,385,400	(14,158)	127,371,242
<b>Total comprehensive income</b>		-	-	34,595,962	122,485,481	157,081,443	4,994,107	162,075,550
Dividend	30	-	-	-	-	-	(8,032,913)	(8,032,913)
Acquisition of a subsidiary	4, 30	-	-	-	-	-	263,206	263,206
<b>December 31, 2019</b>		<b>800,000,000</b>	<b>406,568,677</b>	<b>70,599,830</b>	<b>(61,887,098)</b>	<b>1,215,281,409</b>	<b>(11,833,272)</b>	<b>1,203,448,137</b>
December 31, 2017		800,000,000	406,568,677	162,485,932	(136,713,678)	1,232,340,931	(5,016,247)	1,227,324,684
Adoption of IFRS 9		-	-	(77,959,915)	-	(77,959,915)	-	(77,959,915)
Adoption of IFRS 15		-	-	(32,972,567)	-	(32,972,567)	-	(32,972,567)
<b>Restated at January 1, 2018</b>		<b>800,000,000</b>	<b>406,568,677</b>	<b>51,553,450</b>	<b>(136,713,678)</b>	<b>1,121,408,449</b>	<b>(5,016,247)</b>	<b>1,116,392,202</b>
Net income for the year		-	-	22,475,438	-	22,475,438	3,913,275	26,388,713
Other comprehensive loss		-	-	1,974,980	(47,658,901)	(45,683,921)	340,676	(45,343,245)
Total comprehensive loss		-	-	24,450,418	(47,658,901)	(23,208,483)	4,253,951	(18,954,532)
Dividends	30, 34	-	-	(40,000,000)	-	(40,000,000)	(8,295,376)	(48,295,376)
<b>December 31, 2018</b>		<b>800,000,000</b>	<b>406,568,677</b>	<b>36,003,868</b>	<b>(184,372,579)</b>	<b>1,058,199,966</b>	<b>(9,057,672)</b>	<b>1,049,142,294</b>

The accompanying notes (1) through (37) form an integral part of these consolidated financial statements.

**Astra Industrial Group Company and its Subsidiaries  
(A Saudi Joint Stock Company)**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31	
		2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before zakat and income tax		12,446,647	34,492,381
<b>Adjustments for non-cash items</b>			
Exchange loss on reclassification	25	119,104,534	-
Depreciation and amortization		82,412,348	71,575,378
Finance costs	15	80,164,575	70,338,851
Provision for near expiry, obsolete and slow-moving inventories	10	44,547,202	28,691,593
Share of net loss in a joint venture	9	31,204,088	30,769,295
Employee defined benefit costs	16	19,719,331	21,287,148
Provision for impairment of financial assets	11, 12.3	17,421,253	48,092,135
Loss on disposal of property, plant and equipment	25	4,298,320	-
Impairment loss on property, plant and equipment	7	-	5,353,810
Gain on disposal of Tanmiya	4, 25	(58,500,000)	-
<b>Changes in operating assets and liabilities:</b>			
Inventories		(21,377,159)	(49,523,240)
Trade receivables		123,877,662	(90,838,943)
Due from related parties		(558,367)	(2,953,754)
Prepayments and other assets		14,895,853	31,406,294
Trade payables		(7,969,372)	(54,690,623)
Accrued expenses and other current liabilities		(14,635,272)	(24,813,209)
Due to related parties		(11,046,252)	(10,448,295)
End of service benefits paid	16	(17,456,052)	(21,875,680)
Zakat and income tax paid	19	(44,252,866)	(12,519,791)
<b>Net cash generated from operating activities</b>		<b>374,296,473</b>	<b>74,343,350</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash acquired on acquisition of subsidiary	4	715,943	-
Investment in joint venture		(20,532,257)	(5,575,205)
Payments for property, plant and equipment	7	(36,911,251)	(57,056,212)
Proceeds from sale of property, plant and equipment		-	3,639,576
Other non-current assets		(3,481,106)	-
Additions to intangible assets		(3,034,858)	(274,136)
<b>Net cash used in investing activities</b>		<b>(63,243,529)</b>	<b>(59,265,977)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement in short-term borrowings	15	(340,750,424)	172,537,150
Proceeds from long-term loans	15	97,300,000	7,845,188
Repayment of long-term loans	15	(7,108,451)	(73,574,118)
Payment of lease liabilities		(5,564,026)	-
Finance costs paid		(78,109,080)	(70,338,851)
Dividends paid to the Company's shareholders	34	-	(40,000,000)
<b>Net cash used in financing activities</b>		<b>(334,231,981)</b>	<b>(3,530,631)</b>
<b>Net change in cash and cash equivalents</b>		<b>(23,179,037)</b>	<b>11,546,742</b>
Cash and cash equivalents at the beginning of the year		65,465,034	76,643,241
Net foreign exchange gain/ (loss)		2,993,524	(22,724,949)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>45,279,521</b>	<b>65,465,034</b>
<b>Supplement schedule of non-cash information *</b>			
Right-of-use assets	5, 7	46,264,194	-
Lease liabilities	5, 15	45,527,730	-
Additions to property, plant and equipment against trade receivables		7,087,269	-

\* For non-cash items related to step-acquisition refer note 4 of these consolidated financial statements.

The accompanying notes (1) through (37) form an integral part of these consolidated financial statements.

**Astra Industrial Group Company and Its Subsidiaries  
(A Saudi Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**  
(All amounts are in Saudi Riyals unless otherwise stated)

**1 ORGANIZATION AND ACTIVITIES**

Astra Industrial Group Company (the "Company" / "AIG") is a Saudi Joint Stock Company operating under commercial registration number 1010069607 issued in Riyadh on 9 Muharram 1409H (August 22, 1988). The address of the Group's head office is as follows:

Astra Industrial Group  
P.O. Box 1560  
Riyadh 11441  
Kingdom of Saudi Arabia (KSA)

The principal activities of the Group are as follows:

- Building, managing, operating and investing in industrial plants.
- Production, marketing and distribution of medicine and pharmaceutical products.
- Production of polymer compounds, plastic additives, color concentrates and other plastic products.
- Production of compounded fertilizers and agriculture pesticides and wholesale and retail trading of fertilizers, fungicides and insecticides.
- Metal based construction of industrial buildings and building frames.
- Operating plant for processing of minerals.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

These consolidated financial statements have been prepared under the historical cost convention. However, in line with IFRS requirements:

- Net investment in a joint venture accounted for using the equity method; and
- Employees defined benefit liabilities which is recognised at the present value of future obligations using the Projected Unit Credit Method.

**Astra Industrial Group Company and Its Subsidiaries  
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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Basis of consolidation**

The subsidiary companies included in these consolidated financial statements are as follows:

<i>Subsidiary Company</i>	<i>Country of incorporation</i>	<i>Percentage of effective ownership (directly or indirectly)</i>	
		<b>2019</b>	<b>2018</b>
<b>Tabuk Pharmaceutical Manufacturing Company ("TPMC")</b>			
TPMC has the following subsidiaries:	Kingdom of Saudi Arabia	<b>100</b>	100
	The Hashemite Kingdom of Jordan	<b>100</b>	100
- Tabuk Pharmaceutical Research Company	Republic of the Sudan	<b>100</b>	100
- Tabuk Pharmaceutical Company Limited	Arab republic of Egypt	<b>100</b>	100
- Tabuk Pharmaceutical Manufacturing Company	People's Democratic Republic of Algeria	<b>100</b>	100
- Tabuk Eurl Algeria			
<b>Astra Polymer Compounding Company Limited ("Polymer")</b>			
Polymer has the following subsidiaries:	Kingdom of Saudi Arabia	<b>100</b>	100
- Astra Polymers free zone Imalat Sanayi Ve Ticaret Anonim Sirketi. ("Astra Polymers Free Zone")	Republic of Turkey	<b>100</b>	100
- Astra Polymer Pazarlama San. Ve Tic. A.Ş	Republic of Turkey	<b>100</b>	100
- 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
<b>Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem")</b>			
AstraChem has the following subsidiaries:	Kingdom of Saudi Arabia	<b>100</b>	100
	People's Democratic Republic of Algeria	<b>100</b>	100
- AstraChem Saudia	Kingdom of Morocco	<b>100</b>	100
- AstraChem Morocco	British Virgin Islands	<b>100</b>	100
- Aggis International Limited	Republic of Turkey	<b>100</b>	100
- AstraChem Turkey	Syrian Arab Republic	<b>100</b>	100
- AstraChem Syria	Republic of Uzbekistan	<b>100</b>	100
- AstraChem Tashqand	The Hashemite Kingdom of Jordan	<b>100</b>	100
- Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, Jordan	Republic of Turkey	<b>100</b>	100
- Astra Nova, Turkey	Ukraine	<b>100</b>	100
- AstraChem Ukraine Ltd.	Arab republic of Egypt	<b>100</b>	100
- AstraChem Saudi Jordan Co.	Arab republic of Egypt	<b>100</b>	100
- Astra Agricultural Saudi Jordan Co.			
- Astra Industrial Complex for Fertilizers and Agrochemicals and Investments	Sultanate of Oman	<b>100</b>	100
	The Hashemite Kingdom of Jordan	<b>100</b>	100
- Green Highland Seeds Company Limited – Jordan	United Arab Emirates	<b>100</b>	100
- AstraChem Agriculture Co, LLC.	People's Republic of China	<b>100</b>	100
- Universal United Chemicals Co. Ltd.	Kingdom of Saudi Arabia	<b>100</b>	100
- Astra Agricultural Company Limited			
<b>Astra Energy LLC ("Astra Energy")*</b>	The Hashemite Kingdom of Jordan	<b>76</b>	76
Astra Energy has the following subsidiary:			
- Fertile Crescent for Electricity Generation Company	Republic of Iraq	<b>76</b>	76
<b>Astra Mining Company Limited ("Astra Mining")*</b>	Kingdom of Saudi Arabia	<b>60</b>	60
<b>Al-Tanmiya Company for Steel Manufacturing* (Note 4)</b>	The Hashemite Kingdom of Jordan	<b>65</b>	-
- Al Inma'a Company	Republic of Iraq	<b>65</b>	-

\*The Company exercises control over this investee company and therefore is considered a subsidiary.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("Group") as at December 31, 2019.

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Entities are deconsolidated from the date when the Group ceased to have control.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Consolidation is performed based on consistent accounting policies throughout the Group including all subsidiaries.

**2.3 New and amended standards adopted by the Group**

**2.3.1** The Group has not early adopted any new standards, interpretations or amendments that have been issued but that are not yet effective.

**2.3.2** The Group has adopted IFRS 16 'Leases' ("IFRS 16") on its effective date of January 1, 2019. The effect of adoption of new accounting policy is disclosed in Note 5 to these consolidated financial statements and the accounting policies affected by the new standard are as follows:

**IFRS 16 "Leases"**

**(a) Group as a lessee: Policy applicable from January 1, 2019**

Leases are recognized as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

**Lease liabilities**

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease payments include in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measure at amortized cost using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of income if the carrying amount of right-of-use asset is reduced to zero.

**Right-of-use ("ROU") assets**

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the consolidated statement of income over the lease term as part of the depreciation of that asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

**Lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

**Short-term and low value leases**

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

**(b) Group as a lessee: Policy applicable before January 1, 2019**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

**2.3.3 IFRIC 23, 'Uncertainty over income tax treatments'**

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS Interpretation Committee had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The adoption of this clarification does not have any material impact on the consolidated financial statements during the year.



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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**2.5 Financial instruments**

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the consolidated statement of income or through the consolidated statement of other comprehensive income ("OCI").

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

Initial measurement

Financial assets are initially measured at its fair value, plus transaction costs in the case of a financial asset not at fair value through income statement. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Subsequent measurement

*Debt instruments*

Currently, the Group subsequently measures its debt instruments at amortized cost.

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the consolidated statement of income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - a) Group has transferred substantially all the risks and rewards of the asset, or
  - b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables are grouped based on shared credit risk characteristics and the days past due. Expected loss rates are derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

The financial assets, other than trade receivables, of the Group are categorized as follows:

- 1- Performing: these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows. Less than 30 days past due balances do not result in significant increase in credit risk and are considered as performing.

The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

- 2- Underperforming: these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 30 days past due in making a contractual payment.

The Group measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses.

- 3- Non-performing: these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due.

The Group measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

A credit loss, including for the loans to joint venture, is calculated as the present value (at original effective profit rate) of the difference between:

- (a) The contractual cash flows that are due to the Group under the contract; and
- (b) The cash flows that the Group expects to receive.

Financial assets are written-off only when it is past due for at least three years and there is no reasonable expectation of recovery. Where financial assets are written off, the Group continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, they are presented as part of provision for impairment-net and are recognized as other income in the consolidated statement of comprehensive income/loss.

**2.6 Revenue recognition**

*(a) Revenue from sale of goods*

Revenue on the sale of the Group products is recognized when contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer. Revenue is recognized at the point in time of shipment, at the receipt of the products by the customer.

The pharmaceutical segment of the Group has arrangements with customers related to goods return. Therefore, a refund liability (included in accrued expenses and other liabilities) is recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method) and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

*(b) Revenue from rendering of services*

The service revenue is recognized when the related performance obligations are satisfied.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Group determines whether it is a principal or agent for each specified services promised to the customer. When the Group acts as an agent and satisfies a performance obligation, the Group recognises revenue at net amount of any fee or commission to which it expects to be entitled, from Principal, in exchange for rendering of services to the other party. In such cases, the Group does not recognize the related inventory in the consolidated financial statements.

Multiple performance obligations

Some contracts include multiple performance obligations, such as the delivery and installation of steel structures. In such cases, at contract inception the total selling price is allocated to goods based on the standalone selling prices of goods and the residual is allocated to installation services. The revenue is recognised when each performance obligation is satisfied under the terms of the contract. When contracts contain customer acceptance provisions, revenue is recognized upon the satisfaction of the acceptance criteria.

Financing components

The amount of revenue to be recognized is based on the consideration that the Group expects to receive, at contract inception, in exchange for its goods and services. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

See note 27 for the details of revenue recognized during 2019 and 2018.

**2.7 Business combination and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Contingent consideration, if any, to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.8 Investments in a joint venture**

**2.8.1 General**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

The consolidated statement of income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of joint venture is shown on the face of the consolidated statement of income below operating profit and represents profit or loss after tax and non- controlling interests, if any.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the Joint Venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Joint Venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated statement of income.

**2.8.2 Impairment of net investment in a joint venture**

The Group applies impairment requirements of IFRS 9 to loans (long term interests) in a joint venture before applying the requirement of the equity method.

If the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognizing its share of further losses. The interest in a joint venture is the carrying amount of the investment in the joint venture determined using the equity method together with any long-term interests that, in substance, form part of the entity's net investment in the joint venture. A long-term interest is an item for which settlement is neither planned nor likely to occur in the foreseeable future.

Losses recognised using the equity method in excess of the entity's investment in ordinary shares are applied to the other components of the entity's interest in a joint venture in the reverse order of their seniority (i.e. priority in liquidation).

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the loss in the consolidated statement of income.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.9 Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash and bank balances unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

**2.10 Foreign currencies**

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Company's functional and Group's presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of income reflects the amount that arises from using this method.

*(i) Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of income. Repayment of intercompany loans are considered as disposal or partial disposal. Tax charges and credits, if any, attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

*(ii) Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statement of income are translated at the average exchange rates. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of income.

**2.11 Zakat and income tax**

*(i) Zakat and Foreign Income Tax*

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*(ii) Deferred Tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**2.12 Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any, except for land and projects under construction which are stated at cost. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for qualifying assets if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repairs and maintenance costs are recognised in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation on a straight-line basis is calculated over the estimated useful lives of the assets as follows:

	Years
Buildings	10 - 33
Leasehold improvements	4 - 10
Machinery and equipment	5 - 20
Furniture, fixtures and office equipment	3 - 10
Vehicles	4

A units of production method of depreciation is applied where the Unit of Production method will depreciate the assets in a manner that more accurately reflects the economic benefits of the assets over their remaining useful life than the straight-line method. Currently, Astra Mining and Tanmiya for Steel Industries ("Tanmiya") are the only subsidiaries of the Group, where the unit of production method is being used to depreciate their machinery and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each period end and adjusted accordingly, if appropriate.

Leasehold improvements are depreciated 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.

**2.13 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**2.14 Intangible assets (other than goodwill and intangible assets with indefinite useful lives)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the consolidated statement of income when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives, which ranges from 2 to 7 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

**2.15 Impairment of goodwill and intangible assets with indefinite useful lives**

These are tested for impairment annually as at December 31, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill or intangible asset relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised.

Impairment losses relating to goodwill cannot be reversed in future periods.

**2.16 Research costs**

Research costs are expensed as incurred.

**2.17 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost of raw and packing materials, 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 based on normal level of activity. When inventories become old or obsolete, a provision for slow-moving and obsolete inventories is provided and charged to the consolidated statement of income.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.18 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed projections which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These projections are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

**2.19 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and, short-term deposits including Murabaha investments with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

**2.20 Expenses**

Selling and marketing expenses are those that mainly relate to salesmen of the Group. All other expenses are allocated to general and administration expenses in accordance with allocation factors determined as appropriate by the Group.

**2.21 Dividends to shareholders**

The Group recognises a liability to make cash or non-cash distributions to shareholders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Regulations for Companies of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**2.22 Provision**

*(i) General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement, if any.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.



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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(ii) Employee defined benefit liabilities*

The Group operates a defined benefit scheme for its employees in accordance with the applicable labor regulations. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in the retained earnings and are not reclassified to consolidated statement of income in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'general and administration expenses' and 'selling and distribution expenses' in the consolidated statement of income (by function).

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Significant accounting judgements, estimates and assumptions are described below:

**3.1 Going concern**

The Group operates in diversified industries including pharmaceutical, specialty chemical, power and steel and other. Further, the operations are geographically spread in various locations. Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Moreover, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis. Also see notes 31 (Capital management) and 33.3 (Liquidity risk).

**3.2 Fair value of previously held interest and fair values of assets acquired and liabilities assumed**  
(Notes 4 and 9)

The management has performed fair value assessment of previously held interest and fair valuation of assets acquired and liabilities assumed. The fair valuation considerations were as follows:

- Fair valuation of plant and machinery was based on a third-party report and therefore considered as level-3.
- The provisional fair valuation of buildings, inventory and other assets were performed by the management considering the location and condition of the assets, therefore consider as level-3.
- The fair valuation of loans was based on the expected cash flows discounted using market interest rate. Consider the significant estimation in cash flows the fair value was considered as level-3.
- The provisional fair valuation of previously held equity interest was assessed based on the discounted cash flows as well as component built-up approach i.e. fair values of individual assets and liabilities were considered. The management concluded the transaction and related accounting based on the later approach.
- The provisional fair values will be adjusted, if necessary, within one year of acquisition date.

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**3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**3.3 Defined benefit plan (Note 16)**

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial techniques. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates.

**3.4 Impairment of financial assets (Note 11)**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For additional details, refer to Note 2.5 of the significant accounting policies.

**3.5 Impairment of inventories (Note 10)**

The Group determines its provision for near expiry, obsolete and slow-moving inventories based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Group's provision for inventory could change from period to period, which could be due to assessment of the future usage of inventories.

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**4 STEP ACQUISITION OF TANMIYA (also see note 2.7, 3.2, and 9)**

On December 31, 2019, the shareholders of Tanmiya L.L.C., [a private entity, incorporated in Jordan which own 100% of Al Inma'a Company (incorporated and have principal place of business in Republic of Iraq)], decided to amend the Company's By-laws that the majority approval will be required instead of unanimous approval for decision making and accordingly the related clause in the Company's By-laws of Tanmiya was updated subsequent to the year end. Therefore, on December 31, 2019, the Group obtained the control of Tanmiya being a majority shareholder owning 65% of the equity. This change was accounted for as step acquisition and the accounting was performed based on the fair values of previously held interest and provisional fair values of identified assets acquired and fair value of liabilities assumed. Additional details about accounting for investment in Tanmiya before step acquisition was explained in note 9 of these consolidated financial statements.

The provisional fair values of identifiable assets and fair value of liabilities of Tanmiya as at the date of step acquisition were as follows:

	Amounts in SAR
<b><i>Asset acquired</i></b>	
Property, plant and equipment (note 7)	374,605,229
Inventories	100,096,114
Other assets	13,390,522
Cash and cash equivalent	715,943
<b><i>Total assets</i></b>	<b><u>488,807,808</u></b>
<b><i>Liabilities assumed</i></b>	
Due to shareholders	469,390,680
Other liabilities	18,665,111
<b>Total liabilities</b>	<b><u>488,055,791</u></b>
<b>Net assets acquired</b>	<b><u>752,017</u></b>
Goodwill computation	
Non-controlling interest represent 35% of the net liabilities acquired (Note 30)	263,206
Fair value of previously held interest	383,143,789
Less: fair value of net assets acquired (excluding inter group liabilities)	<u>(383,406,995)</u>
Goodwill	<u>-</u>
Gain on step-acquisition	
Fair value of previously held interest	383,143,789
Carrying value before acquisition	<u>(324,643,789)</u>
Gain – recognized as part of other income (Note 25)	<b><u>58,500,000</u></b>

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**5 ADOPTION OF IFRS 16**

The Group holds various properties and vehicles on lease. Rental contracts period after considering extension options reach between 2 to 22 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group has adopted the new standard IFRS 16 from January 1, 2019, using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 - Leases ("IAS 17") and IFRIC 4 - Determining whether an Arrangement contains a Lease ("IFRIC 4"). Accordingly, the information presented in these consolidated financial statements for 2018 is not comparable in relation to and due to adoption of IFRS 16.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019.

The weighted average incremental borrowing rate applied to discount lease liabilities was as follows:

<u>Country</u>	<u>Weighted average rate</u>
Saudi Arabia	4.4%
Other countries	4% - 24%

The ROU recognized as of January 1, 2019 related to foreign subsidiaries was only SAR 6.5 million.

On the adoption date, the variation in discount rates by 10% would result in a SAR 1 million change in lease liability and respective ROU.

The right-of use assets were measured at the amount equal to the lease liability. Therefore, there was no impact on the opening retained earnings as at January 1, 2019.

The right-of-use assets were adjusted by the amount of prepayments relating to that lease recognized in the consolidated statement of financial position as at December 31, 2019. Due to the adoption of IFRS 16, property, plant and equipment increased by SAR 51.4 million on January 1, 2019 and prepayments decreased by SAR 2.3 million.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and,
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4.

5.1 The consolidated statement of financial position included the following amounts relating to leases:

	<b>December 31, 2019</b>	<b>January 1, 2019</b>
<b>Right-of-use assets</b>		
Land and buildings	45,320,451	50,721,203
Vehicles	943,743	643,730
	<b>46,264,194</b>	<b>51,364,933</b>
<b>Lease liabilities</b>		
Non-current	41,250,423	43,120,003
Current	4,277,307	5,916,258
	<b>45,527,730</b>	<b>49,036,261</b>

Right-of-use assets and lease liabilities were included in the line item "Property plant and equipment" and "Loans and lease liabilities", respectively, in the consolidated statement of financial position.

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**5 ADOPTION OF IFRS 16 (continued)**

5.2 The consolidated statement of income for the year-ended December 31, 2019 included the following amounts related to leases:

Depreciation charge of right-of-use assets	<b>7,250,818</b>
Interest expense (included in finance costs)	<b>2,707,012</b>
	<b><u>9,957,830</u></b>

5.3 There were no additions to the right-of-use assets during the year ended December 31, 2019, except due to step acquisition of Tanmiya. The total cash outflow for leases during the year ended December 31, 2019 was SAR 5.620 million.

5.4 The following table reconciles (i) the operating lease commitments at December 31, 2018 disclosed in the annual consolidated financial statements of 2018 under IAS 17, discounted using the incremental borrowing rate at January 1, 2019, and (ii) lease liabilities recognized in the consolidated statement of financial position at January 1, 2019:

	<b><u>Saudi Riyals</u></b>
Operating lease commitment at December 31, 2018 as disclosed in the Group's annual consolidated financial statements	59,897,930
Discounted using the incremental borrowing rate at January 1, 2019	(12,546,896)
Other adjustments	1,685,227
<b>Lease liabilities recognized at January 1, 2019</b>	<b><u>49,036,261</u></b>

5.5 The contractual maturities of lease liabilities were as follows:

	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Up to three years	<b>20,604,174</b>	26,157,458
More than three years	<b>24,923,555</b>	22,878,803
	<b><u>45,527,729</u></b>	<b><u>49,036,261</u></b>

5.6 Short-term and low value leases expense for the year amounted to SAR 10.4 million.

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**6 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2020 and have not been applied in preparing these consolidated financial statements. None of these standards are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

***Amendments to IFRS 3, Business Combinations***

The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

***Amendments to IFRS 3 – definition of a business***

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

***Amendments to IAS 1 and IAS 8 on the definition of material***

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in IAS 1 about immaterial information.

***Annual Improvements to IFRSs 2015–2017 Cycle***

These improvements are effective on or after 1 January 2019:

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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**7 PROPERTY, PLANT AND EQUIPMENT ("PPE")**

2019	Land and buildings	Leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Projects under construction	Total
<b>Cost:</b>							
Opening balance	436,334,705	18,303,711	815,758,339	75,192,242	31,086,091	32,448,304	1,409,123,392
ROU assets - IFRS 16 adoption (Note 5)	50,721,203	-	-	-	643,730	-	51,364,933
ROU assets	487,055,908	18,303,711	815,758,339	75,192,242	31,729,821	32,448,304	1,460,488,325
Additions	7,691,735	242,902	9,613,648	3,443,193	1,997,643	13,922,130	36,911,251
Acquired under business combination (Note 4)	84,230,161	-	288,705,266	437,147	1,232,655	-	374,605,229
Transfers	4,759	-	3,435,270	3,023,277	557,654	(7,020,960)	-
Disposals/ write-offs	-	-	(64,761,140)	(14,023,564)	(1,768,583)	-	(80,553,287)
Exchange differences	179,823	(146,576)	(1,383,820)	(2,550)	(37,129)	1,930,101	539,849
Closing balance	579,162,386	18,400,037	1,051,367,563	68,089,745	33,712,061	41,279,575	1,791,991,367
<b>Accumulated depreciation and impairment loss:</b>							
Opening balance	109,569,870	10,550,607	355,522,444	56,503,165	24,002,497	5,353,810	561,502,393
Charges for the year	20,685,902	715,316	47,401,861	9,390,659	3,028,541	-	81,222,279
Disposals/ write-offs	-	-	(61,470,320)	(13,215,780)	(1,568,867)	-	(76,254,967)
Exchange differences	(149,972)	(20,243)	(556,998)	(12,632)	607	891,664	152,426
Closing balance	130,105,800	11,245,680	340,896,987	52,665,412	25,462,778	6,245,474	566,622,131
<b>Net book value:</b>							
December 31, 2019	449,056,586	7,154,357	710,470,576	15,404,333	8,249,283	35,034,101	1,225,369,236

No borrowing costs were capitalised during the year ended December 31, 2019 and 2018 considering that there were no qualifying assets, which necessary takes substantial period of time to get ready for its intended use.

As at December 31, 2019:

- The land and buildings include land amounting to SAR 47.44 million (2018: SAR 39.77 million).
- ROU net book value was SAR 46.26 million.
- Project under construction mainly includes advances to suppliers for construction projects.

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7 PROPERTY, PLANT AND EQUIPMENT (continued)

2018	Land and buildings	Leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Projects under construction	Total
<b>Cost:</b>							
Opening balance	411,519,757	17,543,914	794,491,937	74,175,743	32,147,645	66,565,973	1,396,444,969
Additions	13,379,893	1,582,376	22,655,203	4,467,146	3,124,580	11,847,014	57,056,212
Transfers	28,333,261	-	15,771,907	826,398	397,746	(45,329,312)	-
Disposals/ write-offs	(1,183,374)	-	(3,868,293)	(3,186,968)	(1,964,053)	(170,423)	(10,373,111)
Exchange differences	(15,714,832)	(822,579)	(13,292,415)	(1,090,077)	(2,619,827)	(464,948)	(34,004,678)
Closing balance	436,334,705	18,303,711	815,758,339	75,192,242	31,086,091	32,448,304	1,409,123,392
<b>Accumulated depreciation and impairment</b>							
Opening balance	102,276,946	10,340,378	313,361,120	50,874,994	24,641,380	-	501,494,818
Impairment charge during the year	-	-	-	-	-	5,353,810	5,353,810
Charges for the year	12,965,708	615,739	44,427,101	9,061,939	3,387,539	-	70,458,026
Disposals/ write-offs	(1,183,374)	-	(1,176,725)	(2,717,588)	(1,655,848)	-	(6,733,535)
Exchange differences	(4,489,410)	(405,510)	(1,089,052)	(716,180)	(2,370,574)	-	(9,070,726)
Closing balance	109,569,870	10,550,607	355,522,444	56,503,165	24,002,497	5,353,810	561,502,393
<b>Net book value:</b>							
December 31, 2018	326,764,835	7,753,104	460,235,895	18,689,077	7,083,594	27,094,494	847,620,999

During 2018, Tabuk Pharmaceutical Manufacturing Company, a subsidiary in Egypt recognized impairment loss amounting to SAR 5.4 million. The loss was recognized based on valuation, of building and machinery, performed by a third-party valuer.



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**8 INTANGIBLE ASSETS**

	2019	2018
Goodwill	25,206,754	25,206,754
Software and licenses	4,317,810	2,473,021
	29,524,564	27,679,775

The goodwill was generated from the acquisition of Astra Nova, Turkey (SAR 9 million) and Astra Polymers Free Zone, Turkey (SAR16 million).

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections which are based on financial budgets approved by management covering a five year period as well as the factors used in computing terminal value. Terminal value was calculated using earnings multiple / Gordon Growth Model for the final year of the forecast period.

The key assumptions used for value-in-use calculations were as follows:

	Astra Nova, Turkey		Astra Polymers Free Zone, Turkey	
	2019	2018	2019	2018
Revenue growth rate (average)	13.8%	16.2%	16.7%	8.8%
Estimated gross margin	38.1%	39.6%	21.0%	22.7%
Pre-tax and pre-Zakat discount rate	18.1%	19.0%	21.1%	19.0%
Terminal growth rate	2.5%	2.5%	2.5%	2.5%

The results of impairment test indicated no impairment charge.

**Sensitivity analysis as at December 31, 2019**

Given below is the impact of sensitivity analysis due to change in key assumptions used for the valuation of Goodwill, considering all other assumptions being constant:

**Astra Nova, Turkey**

	SAR in million
Revenue growth rate decrease by 5%	nil
Estimated gross margin decrease by 5%	nil
Pre-tax and pre-Zakat discount rate increase by 5%	nil
Terminal growth rate at 2%	nil

**Astra Polymers Free Zone, Turkey**

	SAR in million
Revenue growth rate decrease by 5%	(5)
Estimated gross margin decrease by 5%	nil
Pre-tax and pre-Zakat discount rate increase by 5%	nil
Terminal growth rate at 2%	nil

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**9 NET INVESTMENT IN A JOINT VENTURE**

9.1 As of December 31, 2018, the investment in a joint venture represented ownership interest of 51% in Tanmiya, a private entity, incorporated in Jordan which own 100% of Al Inma'a Company (incorporated and have principal place of business in Republic of Iraq), which was not operational since 2015.

During 2019, as part of restructuring and absorption of losses in Tanmiya, AIG equity ownership increased to 65%. Before December 31, 2019 based on the Company's By-laws of the investee, the Group had a joint control over the entity and accordingly it has been accounted for as investment in a Joint Venture.

On December 31, 2019, the shareholders of Tanmiya decided to amend the Company's By-laws that the majority approval will be required instead of unanimous approval for decision making. Therefore, on December 31, 2019, the Group obtained the control of Tanmiya. The Group has plan to start the operations of the Tanmiya plant in near future. Additional details about this step acquisition (business combination) was explained in note 4 of these accompanying consolidated financial statements.

9.2 Breakup of net investment in a joint venture was as follows:

	Note	2019	2018
Equity investment		-	-
Loans to joint venture*		-	1,314,474,427
Share of losses in excess of investment in equity shares		-	(604,908,290)
		-	709,566,137
Provision for impairment	9.3	-	(374,761,973)
		-	334,804,164

\*The loan amount in comparative period, was denominated in US Dollars, carried fixed interest rate and was repayable on demand. As part of restructuring and step acquisition, a loss of SAR 21 million was recognized as fair valuation of loans.

9.3 Reconciliation of the provision was as follows:

	2019	2018
Opening balance	374,761,973	280,553,796
IFRS 9 adoption	-	60,000,000
	374,761,973	340,553,796
Charge for the year (Note 9.3.1)	34,622,830	34,208,177
Adjusted on restructuring and step acquisition	(409,384,803)	-
Closing balance	-	374,761,973

9.3.1 The charge for the year was netted-off against the commission income on loans for the year.

9.4 Tanmiya functional and presentation currency is US Dollar. Financial information extracted from Tanmiya financial statements (converted to Saudi Riyals) was as follows:

	2019	2018
<b>Statement of financial position</b>		
Cash and cash equivalents	715,943	470,231
Total current assets	132,952,580	152,737,226
Total non-current assets	501,008,498	515,321,760
Current liabilities	(18,665,113)	(415,310,760)
Non-current liabilities	(737,473,698)	(1,438,842,926)
Total liabilities*	(756,138,811)	(1,854,153,686)
Equity	(122,177,733)	(1,186,094,700)

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**9 NET INVESTMENT IN A JOINT VENTURE (continued)**

**Statement of income**

Revenue	619,386	3,504,783
Depreciation	18,627,739	17,028,027
Loss from operations	(33,833,824)	(40,843,150)
Finance costs	(108,200,037)	(107,153,497)
Other comprehensive income	1,565,947	922,744
Total comprehensive loss	(150,302,733)	(147,073,903)

**Statement of cash flows**

Net cash (utilized in) operating activities	(61,546,632)	(17,425,515)
Net cash generated from (utilized in) investing activities	124,236,347	(1,774,406)
Net cash (utilized in) generated from financing activities	(62,444,002)	16,944,233

\* Adjusted as part of restructuring where loans were settled to absorb the losses in the Company.

9.5 Reconciliation of the extracted financial information from the Joint venture financial statements to the carrying amount:

	2019	2018
Joint venture - Total comprehensive loss	<u>(150,302,733)</u>	147,073,903
Share of loss from joint venture – 65% (2018: 51%)	(97,696,776)	(75,007,690)
Elimination of Group's share in losses from inter group transactions	66,492,688	44,238,395
Loss after elimination of intra group transactions	<u>(31,204,088)</u>	<u>(30,769,295)</u>

9.6 The Group recognized the share of losses amounting to SAR 31.2 million for the year ended December 31, 2019 (December 31, 2018: SAR 30.8 million) using the equity method as the net investment in a joint venture was having a positive carrying value.

**10 INVENTORIES**

	2019	2018
Raw and packing materials	346,623,584	294,490,875
Finished goods	252,974,132	214,928,669
Work-in-process	21,768,679	27,801,014
Goods in transit	28,836,310	7,925,621
Consumables	19,056,389	13,986,971
	<u>669,259,094</u>	559,133,150
Provision for near expiry, obsolete and slow-moving inventories	(58,611,793)	(25,411,920)
	<u>610,647,301</u>	<u>533,721,230</u>

Movements in the provision for near expiry, obsolete and slow-moving inventories were as follows:

	2019	2018
Opening balance	25,411,920	5,975,499
Addition related to acquisition of a subsidiary	14,026,908	-
Provision for the year (Note 22)	44,547,202	28,691,593
Write-offs during the year	(25,374,237)	(9,255,172)
Closing balance	<u>58,611,793</u>	<u>25,411,920</u>

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**11 TRADE RECEIVABLES**

	2019	2018
Trade receivables	872,307,199	1,007,662,412
Provision for impairment	<u>(105,680,407)</u>	<u>(99,736,705)</u>
	<b>766,626,792</b>	<b>907,925,707</b>
Provision to trade receivables coverage ratio	<b>12.12%</b>	<b>9.90%</b>

11.1 Trade receivables include retention receivables of SAR 24 million (2018: SAR 34.9 million) and unbilled receivables (contract assets) of SAR 32.8 million (2018: SAR 28.3 million).

11.2 Movements in the provision for impairment of trade receivables was as follows:

	2019	2018
Opening balance	99,736,705	42,545,965
IFRS 9 adoption	-	17,959,915
	<u>99,736,705</u>	<u>60,505,880</u>
Provision for the year	17,421,253	45,138,381
Acquisition of subsidiary (Note 11.4)	9,475,397	-
Reversals / write - offs during the year	<u>(20,952,948)</u>	<u>(5,907,556)</u>
Closing balance	<b>105,680,407</b>	<b>99,736,705</b>

11.3 Ageing analysis of the receivables was as follows:

December 31, 2019	Not past due	Past due				Total
		Less than 1 Year	1 - 2 Years	2 - 3 Years	More than 3 Years	
Gross receivables	494,301,230	202,831,415	80,440,046	51,958,675	42,775,833	872,307,199
Provision	<u>(2,451,818)</u>	<u>(8,090,007)</u>	<u>(20,726,966)</u>	<u>(31,635,783)</u>	<u>(42,775,833)</u>	<u>(105,680,407)</u>
Net receivables	<b>491,849,412</b>	<b>194,741,408</b>	<b>59,713,080</b>	<b>20,322,892</b>	<b>-</b>	<b>766,626,792</b>

December 31, 2018	Not past due	Past due				Total
		Less than 1 Year	1 - 2 Years	2 - 3 Years	More than 3 Years	
Gross receivables	530,819,737	320,453,052	87,118,356	29,137,616	40,133,651	1,007,662,412
Provision	<u>(2,170,388)</u>	<u>(10,307,227)</u>	<u>(40,521,968)</u>	<u>(14,520,908)</u>	<u>(32,216,214)</u>	<u>(99,736,705)</u>
Net receivables	<b>528,649,349</b>	<b>310,145,825</b>	<b>46,596,388</b>	<b>14,616,708</b>	<b>7,917,437</b>	<b>907,925,707</b>

11.4 As at December 31, 2019, because of Tanmiya acquisition (see note 4), the gross contractual amount receivables increased by SAR 13.1 million and expected credit loss of SAR 8.9 million recognised against those receivables. The fair value of the acquired receivables amounted to SAR 4.2 million.

11.5 For additional details about trade receivables please refer to note 27 - Segment reporting and note 33.2 - credit risk.

11.6 Movement in contract assets and contract liabilities were as follows:

<b>Contract assets – unbilled receivables</b>	2019	2018
Opening balance	28,322,608	34,446,834
Transfers from contract assets recognised at the beginning of the period to receivables	<u>(27,104,852)</u>	<u>(33,823,851)</u>
Increases as a result of changes in the measure of progress	31,608,778	27,699,625
	<b>32,826,534</b>	<b>28,322,608</b>

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**11 TRADE RECEIVABLES (continued)**

<b>Contract liabilities – deferred revenue (Note 18)</b>	<b>2019</b>	<b>2018</b>
Opening balance	<b>16,938,880</b>	18,709,493
Revenue recognised that was included in the contract liability balance at the beginning of the period	<b>(15,042,632)</b>	(17,469,159)
Increases due to cash received, excluding amounts recognised as revenue during the period	<b>10,695,093</b>	15,698,546
	<b><u>12,591,341</u></b>	<u>16,938,880</u>

**12 RELATED PARTY TRANSACTIONS AND BALANCES**

12.1 Significant transactions with related parties in the ordinary course of business included in the consolidated financial statements are summarized below:

<b>Relationship</b>	<b>Nature of transactions</b>	<b>2019</b>	<b>2018</b>
Affiliates	Revenue	<b>6,900,038</b>	7,525,933
	Purchases	<b>5,724,471</b>	4,503,363
Shareholder in a subsidiary (share of non-controlling interest)	Dividends declared	<b>8,032,913</b>	8,295,376
Joint venture	Finance income	<b>16,400,530</b>	16,936,393

12.2 Key management personnel include directors and key executives at the Group level. Transactions with those are summarized below:

	<b>2019</b>	<b>2018</b>
Short-term employee benefits (salaries and other allowances)	<b>9,103,971</b>	8,360,261
Post-employment benefit (end-of -service benefits)	<b>298,358</b>	197,513
	<b><u>9,402,329</u></b>	<u>8,557,774</u>

12.3 Due from related parties comprises of the following:

	<b>2019</b>	<b>2018</b>
<i>Current assets – unsecured (recoverable in cash):</i>		
Astra Farms Company - Saudi Arabia (Affiliate company)	<b>1,929,312</b>	1,590,670
Other	<b>670,639</b>	450,914
	<b><u>2,599,951</u></b>	<u>2,041,584</u>

12.3.1 Last year, an amount of SAR 2.95 million was fully provided for Tamron Astra Bio - Chemicals Private Limited - India (Affiliate company) and then written off.

12.4 Due to related parties comprises of the following:

	<b>2019</b>	<b>2018</b>
<i>Current liabilities – unsecured (payable in cash):</i>		
Al Maseera International Company – Bahraini off-shore company (shareholder in Tanmiya)	<b>6,570,320</b>	6,570,320
Tharawat Mining Company – Saudi Arabia (partner in a subsidiary)	<b>7,371,680</b>	7,428,039
Nour Communications Company – Saudi Arabia (Affiliate company)	<b>1,961,086</b>	1,491,032
Other	<b>111,883</b>	696,981
	<b><u>16,014,969</u></b>	<u>16,186,372</u>

12.5 Loan from a related party represents loan recognized as part of business combination (see note 4). The loan is denominated in US Dollars, is interest free and is repayable in installments by 2026.

12.6 For transactions and balances related to Tanmiya. Please refer to Note 4 and 9 of these consolidated financial statements.

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**13 PREPAYMENTS AND OTHER CURRENT ASSETS**

	2019	2018
<b>Financial assets</b>		
Restricted cash in bank	6,021,918	7,954,655
Refundable deposits and insurance claims	4,487,968	2,958,182
	<u>10,509,886</u>	<u>10,912,837</u>
<b>Non-financial assets</b>		
Prepaid expenses	28,998,003	36,402,607
Advances to suppliers	52,217,136	26,183,988
Value added tax	12,040,333	25,075,648
Employees' receivable	14,816,653	12,834,289
Other	3,094,112	3,811,801
	<u>111,166,237</u>	<u>104,308,333</u>
	<u>121,676,123</u>	<u>115,221,170</u>

**14 CASH AND CASH EQUIVALENTS**

	2019	2018
Bank balances	44,295,741	62,853,764
Cash in hand	983,780	2,611,270
	<u>45,279,521</u>	<u>65,465,034</u>

**15 LOANS AND LEASE LIABILITIES**

**2019**

	Current	Non-current	Total
Short-term loans	738,868,027	-	738,868,027
Long-term loans	6,965,076	101,909,743	108,874,819
	<u>745,833,103</u>	<u>101,909,743</u>	<u>847,742,846</u>
Lease liabilities	4,277,307	41,250,423	45,527,730
	<u>750,110,410</u>	<u>143,160,166</u>	<u>893,270,576</u>

**2018**

	Current	Non-current	Total
Short-term loans	1,079,618,451	-	1,079,618,451
Long-term loans	7,472,692	11,210,578	18,683,270
	<u>1,087,091,143</u>	<u>11,210,578</u>	<u>1,098,301,721</u>

15.1 Movement of short-term and long-term loans are as follow:

<b><u>2019</u></b>	Opening balance	Receipts during the year	Repayments during the year	Closing balance
<b>Short-term loans</b>				
Conventional	109,228,464	197,946,497	(168,002,587)	139,172,374
Murabaha	970,389,987	1,497,528,455	(1,868,222,789)	599,695,653
	<u>1,079,618,451</u>	<u>1,695,474,952</u>	<u>(2,036,225,376)</u>	<u>738,868,027</u>
<b>Long-term loans</b>				
Conventional	12,309,055	-	(5,667,009)	6,642,046
Murabaha	6,374,215	97,300,000	(1,441,442)	102,232,773
	<u>18,683,270</u>	<u>97,300,000</u>	<u>(7,108,451)</u>	<u>108,874,819</u>
<b>Total</b>	<u>1,098,301,721</u>	<u>1,792,774,952</u>	<u>(2,043,333,827)</u>	<u>847,742,846</u>

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**15 LOANS AND LEASE LIABILITIES (continued)**

<b>2018</b>	<b>Opening balance</b>	<b>Receipts during the year</b>	<b>Repayments during the year</b>	<b>Closing balance</b>
<b>Short-term loans</b>				
Conventional	122,177,639	121,226,073	(134,175,248)	109,228,464
Murabaha	784,903,662	1,804,295,323	(1,618,808,998)	970,389,987
	<u>907,081,301</u>	<u>1,925,521,396</u>	<u>(1,752,984,246)</u>	<u>1,079,618,451</u>
<b>Long-term loans</b>				
Conventional	18,787,200	-	(6,478,145)	12,309,055
Murabaha	65,625,000	7,845,188	(67,095,973)	6,374,215
	<u>84,412,200</u>	<u>7,845,188</u>	<u>(73,574,118)</u>	<u>18,683,270</u>
<b>Total</b>	<u>991,493,501</u>	<u>1,933,366,584</u>	<u>(1,826,558,364)</u>	<u>1,098,301,721</u>

Borrowing costs of SAR 80 million (2018: SAR 70 million) charged to the consolidated statement of income.

**15.2 Short-term loans**

The Group has bank facilities in the form of Murabaha, short-term tawarruq and other conventional credit facilities to meet the working capital requirements. As at December 31, 2019, facilities amounting to SAR 1.75 billion were undrawn (December 31, 2018: SAR 1.1 billion). The facilities bear special commission at prevailing market rates which are mostly based on SAIBOR and denominated in Saudi Riyals. These facilities are secured by corporate guarantees from AIG and are rolled over on a monthly or quarterly basis.

**15.3 Long-term loans**

During 2019, a subsidiary of the Group obtained a, non-commission bearing, long-term loan from Saudi Industrial Development Fund (SIDF) amounting to SAR 97.3 million, which is payable in full during April 2021. The agreement includes covenants, which among other things, require that certain financial ratios, such as current ratio and gearing ratio, will be maintained at the subsidiary level. As at December 31, 2019, the subsidiary was complied with the financial covenants.

The Group also have long-term loan facilities with banks to finance its working capital. As at December 31, 2019 an amount of SAR 10.16 million was undrawn (December 31, 2018: SAR 6.36 million). These facilities are secured by corporate guarantees from AIG and bear special commission charges at agreed fixed rates. The facilities are denominated in foreign currencies (mainly Indian Rupee) and repayable within five years through monthly and quarterly equal installments from the date these facilities were availed.

For additional details, see note 33.1.2 of these consolidated financial statements.

**16 EMPLOYEE DEFINED BENEFIT LIABILITIES**

	<b>2019</b>	<b>2018</b>
<b>Reconciliation of present value of liability</b>		
Opening balance	128,619,962	131,181,466
<i>Amount recognised in the consolidated statement of income</i>		
Current service costs	15,137,475	17,009,343
Commission expense on liability	4,581,856	4,277,805
	<u>19,719,331</u>	<u>21,287,148</u>
<i>Amount recognised in the consolidated statement of comprehensive income</i>		
Actuarial gains	(4,885,761)	(1,972,972)
Benefits paid	(17,456,052)	(21,875,680)
Closing balance	<u>125,997,480</u>	<u>128,619,962</u>

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**16 EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)**

The significant assumptions used in determining employees' end of service liability are shown below:

	2019	2018
Discount rate	2.90%	4.35%
Future salary increment rate	2.90%	6.00%
Retirement age	60 years	60 years

**Sensitivity analysis on significant actuarial assumptions: Actuarial liability**

	2019	2018
Discount rate +0.5%	(5,764,969)	(6,178,989)
Discount rate -0.5%	4,532,286	4,097,994
Long-term salary increases +0.5%	4,822,198	3,754,907
Long-term salary increases -0.5%	(6,080,737)	(5,907,647)

**17 TRADE PAYABLES**

	2019	2018
Trade payables	<u>145,893,885</u>	<u>153,863,257</u>

Trade payables are non-interest bearing and are normally settled within 90 days terms.

**18 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	2019	2018
Sales commission and promotional expenses	91,431,120	55,138,087
Accrued expenses	62,297,453	65,657,455
Employees' benefits	66,486,208	77,244,370
Contract liabilities - expected sales returns	28,413,792	34,035,611
Contract liabilities – deferred revenue (note 11.6)	12,591,341	19,938,880
Customers advances	4,677,643	5,247,329
Other	6,470,273	3,117,783
	<u>272,367,830</u>	<u>260,379,515</u>

**19 ZAKAT AND INCOME TAX**

19.1 Zakat and income tax reversals / (expense) for the year

	Note	2019	2018
Zakat charge for the year		26,254,292	16,993,587
Current income tax charge for the year		3,889,691	1,223,400
		<u>30,143,983</u>	<u>18,216,987</u>
Zakat and current income tax reversal for prior years		(42,000,000)	(10,113,319)
Zakat and current income tax	19.2	(11,856,017)	8,103,668
Deferred tax	19.4	(10,401,644)	-
		<u>(22,257,661)</u>	<u>8,103,668</u>



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**19 ZAKAT AND INCOME TAX**

19.2 Movement of Zakat and current income tax was as follows:

	2019	2018
2019		
Opening balance	133,022,477	137,438,600
Charges for the year	30,143,983	18,216,987
Reversals related to prior years	(42,000,000)	(10,113,319)
	<u>(11,856,017)</u>	<u>8,103,668</u>
Paid during the year	(44,252,866)	(12,519,791)
Closing balance	<u>76,913,594</u>	<u>133,022,477</u>

19.3 Status of assessments

The Company and its subsidiaries have filed zakat/income tax returns for the years through December 31, 2018. The consolidated Zakat return for the year ended December 31, 2019 will be filed in due course.

For the year 2018, the consolidated zakat return has been filed by the Group for all its 100% owned subsidiaries. Previously, the return was filed by each subsidiary based on the respective financial statements.

The Group has filed its consolidated Zakat return for 2018 based on consolidated financial statements and obtained final zakat certificates for all the Group local companies from the General Authority of Zakat and Tax ("GAZT"). The following are the final zakat and income tax assessments of the Company and its local subsidiaries that have been agreed with the "GAZT" as of the financial position date:

Entity	2019	2018
AIG	up to 2018	up to 2006
TPMC	up to 2002 and 2018	up to 2002
Polymer	up to 2012 and 2018	up to 2002
IBSF	up to 2018	up to 2002
Astra Chem	up to 2018	up to 2004
Astra Mining	up to 2016	Not yet issued

During 2019, the Group has finalized several year assessments with GAZT and therefore, the related provisions were reversed during the year.

19.4 Other non-current asset includes deferred tax asset amounted to SAR 15 million (2018: SAR 5 million). The increase of SAR 10 relates to a subsidiary company in Algeria, where the entity suffered losses in current and prior year and those losses would be deductible from future taxable profits.

**20 ISSUED CAPITAL**

The share capital of the Company as at December 31, 2019 comprises of 80,000,000 shares (December 31, 2018: 80,000,000 shares) of SAR 10 each. The share capital is held as follows:

	2019	2018
Saudi founding shareholders*	60.73%	60.73%
Public	39.27%	39.27%
	<u>100.00%</u>	<u>100.00%</u>

\*This include Arab Supply and Trading Company, Saudi Arabia which holds 47.14% (2018: 47.14%, where the major shareholders are Mr. Sabih Tahir Darwesh Masri and Mr. Khaled Sabih Tahir Darwesh Masri (ultimate controlling person).

**21 STATUTORY RESERVE**

In accordance with the Regulations for Companies in Saudi Arabia and the Company's By-laws, the Company has established a statutory reserve by the appropriation of 10% of net profit until the reserve equals at least 30% of the share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is not available for dividend distribution. The reserve includes SAR 332 million of share premium recorded in prior years.

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**22 COST OF REVENUES**

	Note	2019	2018
Material costs		711,399,707	713,900,025
Employees' salaries and benefits		229,350,466	213,046,847
Depreciation and amortization		67,968,113	57,872,392
Provision for near expiry, obsolete and slow-moving inventory	10	44,547,202	28,691,593
Other overheads		75,494,903	71,442,417
		<u>1,128,760,391</u>	<u>1,084,953,274</u>

**23 SELLING AND DISTRIBUTION EXPENSES**

	2019	2018
Employees' salaries and benefits	201,407,263	193,119,029
Marketing, advertising and promotions	83,647,582	74,980,757
Distribution, travel and freight charges	28,143,148	30,176,317
Rent and utilities	10,828,902	14,186,116
Depreciation	6,198,323	3,187,355
Other	19,595,520	20,781,541
	<u>349,820,738</u>	<u>336,431,115</u>

**24 GENERAL AND ADMINISTRATIVE EXPENSES**

	2019	2018
Employees benefits	94,411,679	104,659,214
Professional fees	17,997,455	20,082,338
Rent, Insurance and utilities	10,754,906	14,321,917
Depreciation and amortization	7,066,161	9,432,209
Travel and transportation	4,424,692	6,248,745
Repair and maintenance	2,180,284	2,866,205
Board of Directors' remuneration	2,116,000	1,012,000
Other	13,062,686	9,495,631
	<u>152,013,863</u>	<u>168,118,259</u>

**25 OTHER EXPENSES**

	Note	2019	2018
Reclassification of exchange loss from OCI to consolidated statement of income	33.1.1 (a)	(119,104,534)	-
Foreign exchange loss		(7,636,219)	(7,727,782)
		<u>(126,740,753)</u>	<u>(7,727,782)</u>
Gain on step acquisition of Al-Tanmiya	4	58,500,000	-
Income from sale of scraps		2,527,356	3,045,882
Income from insurance claim		-	9,258,443
Loss on disposal of property, plant and equipment		(4,298,320)	-
Other		(2,345,074)	(4,713,764)
		<u>(72,356,791)</u>	<u>(137,221)</u>

**26 EARNINGS PER SHARE**

**Basic and diluted, earnings per share**

Basic earnings per share (EPS) is calculated by dividing the profit / loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting interest on convertible shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, if any.

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**26 EARNINGS PER SHARE (continued)**

The following table reflects the income and weighted average number of ordinary shares used in the computations:

	2019	2018
Income attributable to shareholders of the Parent	29,696,043	22,475,438
Weighted average number of ordinary shares	80,000,000	80,000,000
Basic and diluted, loss per share	0.37	0.28

**27 SEGMENT REPORTING**

27.1 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.

For management purposes, the Group was organised into business units based on their products and services and has the following reportable segments:

***Pharmaceuticals***

Pharmaceuticals segment, which develops, manufactures, markets and distributes branded generic pharmaceuticals and under-licensed products globally.

***Specialty chemical***

Specialty chemical segment, which produces Masterbatch, dust-free additives and custom-made thermoplastic compounds plus liquid and paste colorants for polymer manufacturing, polymer converting and plastics processing industries in addition with manufacturing, importing and distributing a range of agrochemicals, fertilizers, public health and veterinary pesticides, seeds and other agricultural inputs.

***Power and steel***

Power and steel segment, which produces steel billets, pre-engineered steel buildings and steel structures and rebar for the construction industry.

***Other***

Other segment is the residual segment and comprises of Astra Industrial Group Holding Company and Astra Mining. Astra Mining Operating plant for processing of minerals.

No operating segments have been aggregated to form the above reportable operating segments.

27.2 The Group's Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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**27 SEGMENT REPORTING (continued)**

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

	Pharmaceuticals	Specialty chemical	Power and steel industries	Other	Total
<b>December 31, 2019</b>					
Revenue from sale of goods	892,776,164	538,012,204	204,947,528	32,847,378	1,668,583,274
Revenue from rendering of services	30,195,396	155,094,967	30,308,005	-	215,598,368
Total revenue	922,971,560	693,107,171	235,255,533	32,847,378	1,884,181,642
Inter segment revenue	-	-	(17,069,939)	-	(17,069,939)
Revenue from third parties	922,971,560	693,107,171	218,185,594	32,847,378	1,867,111,703
Gross profit	504,027,337	218,996,206	9,869,595	5,458,174	738,351,312
Depreciation and amortization	(43,681,309)	(23,042,471)	(8,871,741)	(6,816,827)	(82,412,348)
Research expenses	(20,732,920)	(2,190,437)	-	-	(22,923,357)
Share of net loss in a joint venture	-	-	(31,204,088)	-	(31,204,088)
Finance cost	(24,717,881)	(41,420,679)	(10,555,763)	(3,470,252)	(80,164,575)
Income (loss) before zakat and tax	(16,197,823)	57,480,727	3,563,459	(32,399,716)	12,446,647
Property, plant and equipment other than ROU assets	431,011,584	174,472,727	456,153,817	117,466,914	1,179,105,042
Right of use assets	23,532,606	16,718,306	4,274,147	1,739,135	46,264,194
Trade receivables	448,624,079	279,713,560	139,112,568	4,856,992	872,307,199
Provision for impairment of trade receivables	(27,993,313)	(46,952,416)	(30,734,678)	-	(105,680,407)
Trade receivables – net	420,630,766	232,761,144	108,377,890	4,856,992	766,626,792
Total assets	1,173,222,406	740,400,992	774,308,224	132,710,551	2,820,642,173
Total liabilities	678,525,886	390,749,620	396,532,627	151,385,903	1,617,194,036
<b>December 31, 2018</b>					
Revenue from sale of goods	843,943,481	538,300,276	191,156,160	30,983,557	1,604,383,474
Revenue from rendering of services	26,159,205	166,309,291	23,744,444	-	216,212,940
Total revenue	870,102,686	704,609,567	214,900,604	30,983,557	1,820,596,414
Inter segment revenue	-	-	(17,627,674)	(6,066,494)	(23,694,168)
Revenue from third parties	870,102,686	704,609,567	197,272,930	24,917,063	1,796,902,246
Gross profit	514,034,500	210,716,967	(13,436,840)	634,345	711,948,972
Depreciation and amortization	(37,934,680)	(17,480,224)	(8,855,378)	(7,305,096)	(71,575,378)
Impairment charge of PPE	(5,353,810)	-	-	-	(5,353,810)
Research expenses	(20,357,876)	(3,211,839)	-	-	(23,569,715)
Share of net loss in a joint venture	-	-	(30,769,295)	-	(30,769,295)
Finance cost	(17,600,199)	(34,411,874)	(6,882,186)	(11,444,592)	(70,338,851)
Income (loss) before zakat and tax	117,630,792	52,827,628	(93,926,940)	(42,039,099)	34,492,381
Property, plant and equipment	452,732,627	182,852,878	91,096,476	120,939,018	847,620,999
Trade receivables	553,539,501	285,094,365	166,190,217	2,838,329	1,007,662,412
Provision for impairment of trade receivables	(36,000,963)	(41,153,066)	(22,582,676)	-	(99,736,705)
Trade receivables – net	517,538,538	243,941,299	143,607,541	2,838,329	907,925,707
Total assets	1,272,349,204	763,198,764	666,434,430	137,533,200	2,839,515,598
Total liabilities	707,414,291	529,649,522	337,065,520	216,243,971	1,790,373,304

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**27 SEGMENT REPORTING (continued)**

27.3 The Group's operations are conducted principally in Saudi Arabia, in addition to Iraq, Africa and other areas. Selected financial information as at December 31, and for year then ended are summarised by geographic area, as follows:

	Kingdom of Saudi Arabia	Republic of Iraq	Africa	Other areas	Total
<b>2019</b>					
Revenues	1,244,534,545	61,072,747	190,987,741	370,516,670	1,867,111,703
Non-current assets	724,095,861	374,373,881	95,124,496	79,986,899	1,273,581,137
<b>2018</b>					
Revenue	1,162,362,932	48,269,719	182,777,121	403,492,474	1,796,902,246
Non-current assets	730,397,360	333,469,775	81,591,029	69,682,709	1,215,140,873

27.4 The Group's majority of the revenue was recognised at point in time. For limited number of contracts in IBSF, one of the subsidiary operating in power and steel industries, service revenue amounted to SAR 30.31 million (2018: SAR 23.7 million) was recognized over the period of time based on work certified. In general, the agreed performance period for such contracts were up to one year. IBSF provides assurance type warranty, where the company provide assurance that the product will function as expected. There was no history of warranty claims and there is no expectations that such claims will arise therefore, no provision was recognised (also see note 2.6 of these consolidated financial statements).

27.5 In the pharmaceutical and specialty chemical segments, there are few contracts where the Group provides toll manufacturing services to the customers i.e the Group receives the goods from Principal and after processing either returns the goods to the Principal or sell to the customers as per the Principal instructions. For such services, the Group act as an agent and accordingly recognised the net amount as service revenue.

**28 CONTINGENCIES**

As at December 31, 2019, the Group had contingent liabilities arising in the normal course of business. The Group's bankers have issued letters of credit amounting to SAR 91.67 million (December 31, 2018: SAR 104.57 million) and letters of guarantee amounting to SAR 115.64 million (December 31, 2018: SAR 180.94 million).

**29 COMMITMENTS**

The Group in the normal course of business has entered into arrangements with suppliers for the purchase of machines and equipment and other services. The capital commitments at December 31, 2019 amounted to SAR 34.1 million (December 31, 2018: SAR 25.5 million).

**30 NON-CONTROLLING INTERESTS**

Accumulated non-controlling interests as of the financial position date were as follows:

Entity	Note	2019	2018
Tanmiya	4, 9	263,206	-
Astra Mining	30 (a)	(12,099,017)	(9,060,211)
Other		2,539	2,539
		<b>(11,833,272)</b>	<b>(9,057,672)</b>

a) As at December 31, 2019, the total assets of Astra Mining amounted to SAR 128.5 million (2018: SAR 127.3 million), total liabilities amounted to SAR 158.8 million (2018: SAR 150 million) and accumulated losses were SAR 35.2 million (2018: SAR 27.7 million). Astra Mining revenue and loss for the year was SAR 32.8 million (2018: SAR 24.9 million) and SAR 7.6 million (2018: SAR 11 million), respectively.

b) During 2019, the Group's subsidiary Astra Energy declared a dividend of SAR 33.47 million (2018: SAR 34.56 million). The related share of non-controlling interest amounting to SAR 8 million (2018: 8.3 million) were included as part of 'Due to related parties'.

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**31 CAPITAL MANAGEMENT**

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. For capital management purposes, capital was considered as equal to the total equity of the Group.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2019 and 2018. At the statement of financial position date, gearing ratio analysis by the management was as follows:

	2019	2018
Equity	1,204,038,109	1,049,142,294
Liabilities	1,616,372,716	1,798,333,588
Total capital structure	<u>2,820,410,825</u>	<u>2,847,475,882</u>
Gearing ratio	<u>57.1%</u>	<u>63.16%</u>

**32 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

**Valuation techniques**

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Based on the contractual cash flows criteria and business model, the Group's all financial assets, excluding cash and bank balances, and financial liabilities are classified at amortized cost. The breakdown of financial assets and liabilities as at the financial position date was as follows:

	2019	2018
<b>Financial assets - current</b>		
Trade receivables	766,626,792	907,925,707
Due from related parties	2,599,951	2,041,584
Other current assets	10,509,886	10,912,837
<b>Financial liabilities</b>		
<b>Non- current liabilities</b>		
Loans and lease liabilities	143,160,166	11,210,578
Due to a related party – loan	86,735,702	-
<b>Current liabilities</b>		
Trade payables	145,893,885	153,863,257
Accrued expenses and other current liabilities	272,367,830	268,339,799
Due to related parties	16,014,969	16,186,372
Loans and lease liabilities	750,110,410	1,087,091,143

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**32 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

Management assessed that the fair values of current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Therefore, the related fair value hierarchy disclosure was not applicable. The non-current financial liabilities carried at amortized cost and the related carrying amounts approximate to fair value which falls under level 3. There have been no changes compared to prior year.

**33 FINANCIAL RISK MANAGEMENT**

The Group's activities are subject to financial risks such as market risk, credit risk and liquidity risk.

**33.1 MARKET RISK**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk relevant to the Group are:

- foreign currency exchange risk, and
- commission (interest) rate risk

Financial instruments affected by market risk includes financial assets and liabilities.

**33.1.1 FOREIGN CURRENCY RISK**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional and reporting currency is the Saudi Riyal. The Group's transactions are principally in Saudi Riyals and US Dollars, which are currently pegged. Management monitor the fluctuations in currency exchange rates and believes that the currency risk is not significant.

The net of financial assets and liabilities in multiple foreign currencies other than USD were less than SAR 50 million which considered as insignificant. Therefore, the related sensitivities for each currency was not disclosed.

Foreign currency translation reserve as of financial position date was as follows:

Country of operations	Note	2019	2018
Sudan	(a), (b), (c)	28,318,559	149,746,021
Egypt	(d)	28,300,953	29,505,858
Other		5,267,586	5,120,700
		<b>61,887,098</b>	<b>184,372,579</b>

- (a) During 2019, a subsidiary company in Sudan settled its intercompany loans. Therefore, the related foreign exchange loss was reclassified from OCI to the consolidated statement of income and was recognised as part of other income amounting to SAR 119.1 million (Note 25).
- (b) During the year, the Group has recognized a foreign exchange gain on translation of foreign operations (other than reclassification from OCI to statement of income) in Sudan amounted to SAR 2.3 million (2018: SAR 40.6 million) in the consolidated statement of comprehensive income.
- (c) As at December 31, 2019 the total assets of the Group in Sudan were of SAR 54.2 million (2018: SAR 37.8 million) including property, plant and equipment amounting to SAR 10.8 million (2018: SAR 9.1 million). Sudan was considered as a hyperinflationary economy during the year ended December 31, 2019 and December 31, 2018. Non-monetary assets and liabilities are required to be restated based on the rate prevailing on the reporting date i.e. December 31, 2019. The effect of using the prevailing rate in Sudan for the year ended December 31, 2019 was considered immaterial and accordingly, these consolidated financial statements were not restated because of Hyperinflation in Sudan.
- (d) As at December 31, 2019 the Group's total assets in Egypt were of SAR 47.7 million (2018: SAR 58.7 million) therefore the remaining exposure of Group's foreign operation in Egypt was considered to be not significant.

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**33 FINANCIAL RISK MANAGEMENT (continued)**

**33.1.2 INTEREST RATE RISK**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates and as of the financial position date the related exposure was not significant. The Group manages its exposure to interest rate risk by maintaining a balanced portfolio of long-term and short-term loans and continuously monitoring movements in interest rates.

The details of Group's borrowing in different currencies are as follows:

Borrowing currency		2019	2018
Saudi Riyals and United States Dollar	(a)	689,812,738	979,481,483
Turkish Lira	(b)	100,174,449	85,127,693
Others		57,755,659	33,692,545
		<u>847,742,846</u>	<u>1,098,301,721</u>

(a) The major borrowings of Group are short term which roll over on monthly or quarterly basis and priced based on Saudi Arabian Interbank Offered Rate (SIBOR) plus with an agreed fixed rate. The monthly average of three months SIBOR during the year was 2.6% (2018: 2.5%). As at December 31, 2019, the SIBOR was 2.2% (2018: 2.9%). The increase or decrease in by 0.1% will have less than SAR 1 million effect on the profitability of the Group.

(b) During the year, the interest expenses related to Turkey based subsidiaries was SAR 26.7 million (2018: SAR 21.2 million). As at December 31, 2019, the Turkish LIBOR (Lira Interbank Offered Rate) was 10.85% (2018: 23.44%). The increase or decrease in Turkish LIBOR by 100 basis points, will have effect of SAR 1 million on the profitability of the Group.

The Group's receivables carried at amortised cost are not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

**33.2 CREDIT RISK (Also see note 2.5, 3.4, and 11)**

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow-ups.

*Trade receivables*

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. In general, the Group's credit terms range between 30 days to 180 days. Outstanding customer receivables are regularly monitored. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due or it becomes probable a customer will enter into a bankruptcy.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively.

The expected credit loss is calculated based on a loss rate methodology. Loss rates are calculated using a 'roll rate' method (provision matrix approached) based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on the default probability calculated on flow rates of past 36 months. The loss rates are adjusted based on factor considering the future economic outlook. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, and type of customer i.e government or private. This assessment is performed at each subsidiary level. In segment reporting disclosure, trade receivables and related provision were specified which mainly represent the common risk characteristics.



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**33 FINANCIAL RISK MANAGEMENT (continued)**

In Pharmaceutical segment, the customer also grouped as government and private and the related details were as follows:

	2019	2018
Gross receivables:		
Government customers	133,696,867	175,947,290
Non-government customers	314,927,212	377,592,211
	<u>448,624,079</u>	<u>553,539,501</u>
Provision	(27,993,313)	(36,000,963)
Net receivables	<u>420,630,766</u>	<u>517,538,538</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in consolidated statement of financial position.

The Group does not hold collaterals as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

*Expected credit loss analysis as of December 31, 2019 was as follows:*

Buckets	Gross receivables	Provision	Net receivables	Average loss rates range
Current	494,301,230	(2,451,818)	491,849,412	0.07% to 3%
1 to 180 days	142,487,831	(5,011,617)	137,476,214	0.46% to 5%
181 to 360 days	60,343,584	(3,078,390)	57,265,194	2% to 12%
361 to 540 days	45,813,449	(11,221,713)	34,591,736	10% to 39%
541 to 720 days	34,626,597	(9,505,254)	25,121,343	16% to 37%
721 to 900 days	25,492,870	(13,136,920)	12,355,950	30% to 69%
901 to 1080 days	26,465,805	(18,498,862)	7,966,943	45% to 100%
More than 1080 days	42,775,833	(42,775,833)	-	100%
	<u>872,307,199</u>	<u>(105,680,407)</u>	<u>766,626,792</u>	

*Financial instruments and cash deposits*

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on bank balances is low considering the Group has outstanding loans balances and credit facilities with the various banks, in Saudi Arabia, with good credit ratings (in the range of A+ to BBB+) as aligned from external credit rating companies such as Moody's and Fitch, so concentration risk is also low. As at December 31, 2019, bank balances of SAR 13.6 million, were held with banks having ratings A-. As at year end, the balances of SAR 8 million was held in Algeria and Sudan.

**33.3 LIQUIDITY RISK**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The calculation of net debt was as follows:

	2019	2018
Cash and cash equivalents	45,279,521	65,465,034
Short-term loans	(738,868,027)	(1,079,618,451)
Long-term loans	(108,874,819)	(18,683,270)
Lease liabilities	(45,527,730)	-
Due to a related party – loan	(86,735,702)	-
Net debt	<u>(934,726,757)</u>	<u>(1,032,836,687)</u>

For gearing ratio and maturity profile of the Group's financial liabilities, refer to Note 31 and 33.4, respectively.

**Astra Industrial Group Company and Its Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**  
(All amounts are in Saudi Riyals unless otherwise stated)

**33 FINANCIAL RISK MANAGEMENT (continued)**

The Group's current liabilities approximate to its current assets. The management believes that this is not expected to significantly impact the Group's ability to meet its obligation as the Group manages its liquidity risk by ensuring that bank borrowing facilities from multiple banks are available thorough out the year (Note 15).

**33.4 MATURITY PROFILE OF THE GROUP'S FINANCIAL LIABILITIES (undiscounted basis)**

	Less than 3 months	3 to 12 Months	1 to 5 Years	Total
<b>2019</b>				
Lease liabilities	-	4,277,307	41,250,423	45,527,730
Short-term and long-term loans	738,868,027	6,965,076	101,909,743	847,742,846
Due to a related party - loan			86,735,702	86,735,702
Due to related parties	16,014,969	-	-	16,014,969
Trade payables	145,893,885	-	-	145,893,885
Accrued expenses and other liabilities	272,367,830	-	-	272,367,830
	<b>1,173,144,711</b>	<b>11,242,383</b>	<b>229,895,868</b>	<b>1,414,282,962</b>
<b>2018</b>				
Loans	1,081,329,911	5,134,382	11,837,428	1,098,301,721
Due to related parties	6,570,320	9,616,052	-	16,186,372
Trade payables	153,863,257	-	-	153,863,257
Accrued expenses and other liabilities	260,379,515	-	-	260,379,515
	<b>1,502,143,003</b>	<b>14,750,434</b>	<b>11,837,428</b>	<b>1,528,730,865</b>

**34 DIVIDENDS**

No dividend was declared or approved during 2019.

The Company's Annual General Assembly in its meeting held on 20 Sha'aban 1441H (corresponding May 16, 2018) approved the cash dividend of SAR 40 million at SAR 0.50 per share for distribution from the retained earnings.

**35 COMPARATIVES**

Certain comparative period amounts have been reclassified for purpose of better presentation. However, the effect of those reclassification was not significant. The key reclassifications were as follows:

Reclassification from	Reclassification to:	Amount (SAR in million)
<b>Statement of income:</b>		
Other income, net - service revenue from toll manufacturing	Revenue (based on the reassessment of recurrence of transaction and ordinary business activities of the Group)	22.4

**36 SUBSEQUENT EVENTS**

There were no significant subsequent events, adjusting or non-adjusting, since December 31, 2019 that would have a material impact on the financial position or financial performance of the Group as reflected in these consolidated financial statements.

**37 BOARD OF DIRECTORS' APPROVAL**

These consolidated financial statements were approved by the Group's Board of Directors on March 11, 2020.