

**Saudi Pharmaceutical Industries And Medical Appliances
Corporation (SPIMACO - ADDWAEIH) and its Subsidiaries
(SAUDI JOINT STOCK COMPANY)
RIYADH – SAUDI ARABIA
CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2009**

**SAUDI Pharmaceutical Industries And Medical Appliances Corporation
(SPIMACO - ADDWAEIH) and Its Subsidiaries**

CONSOLIDATED BALANCE SHEET
31 December 2009

(EXHIBT - A)

	<i>Note</i>	2009 SR	2008 SR
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	4	106,621,573	62,673,282
Trade accounts receivable	5	473,612,515	460,967,852
Amounts due from related parties	6	18,706,863	3,655,934
Inventories	7	195,177,670	203,053,886
Prepayments and other receivables	8	30,268,861	27,289,396
TOTAL CURRENT ASSETS		824,387,482	757,640,350
Long term trade receivables	5	10,847,258	10,738,710
Investments in available for sale securities	9	1,635,766,807	908,003,990
Investments in an associated company	10	10,271,098	11,481,539
Property, Plant and Equipments	11	206,462,008	204,882,116
Intangible assets	12	34,751,069	44,303,040
		2,722,485,722	1,937,049,745
<u>LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</u>			
CURRENT LIABILITIES:			
Islamic murabaha financing	13	60,000,000	40,000,000
Accounts payable and accruals	14	209,603,671	239,518,704
Amounts due to related parties	6	6,540,215	5,705,841
Zakat and income tax	15	16,661,889	13,900,163
Amounts due to shareholders	16	122,995,790	119,239,480
TOTAL CURRENT LIABILITIES		415,801,565	418,364,188
Employees' terminal benefits	17	111,625,408	108,027,854
TOTAL LIABILITIES		527,426,973	526,392,042
SHAREHOLDERS' EQUITY:			
Share capital	18	600,000,000	600,000,000
Statutory reserve	19	300,000,000	300,000,000
Consensual reserve	20	70,825,003	63,084,822
General reserve	21	220,000,000	220,000,000
Retained earnings		230,342,933	184,578,205
Unrealized gains on revaluation of investments in available for sale securities	9	756,858,515	29,095,698
SHAREHOLDERS' EQUITY		2,178,026,451	1,396,758,725
MINORITY INTERESTS	22	17,032,298	13,898,978
TOTAL SHAREHOLDERS' EQUITY		2,195,058,749	1,410,657,703
		2,722,485,722	1,937,049,745

The attached notes form part of these consolidated financial statements.

**SAUDI Pharmaceutical Industries And Medical Appliances Corporation
(SPIMACO - ADDWAEIH) and Its Subsidiaries**

CONSOLIDATED BALANCE SHEET
31 December 2009

(EXHIBT - A)

**Saudi Pharmaceutical Industries And Medical Appliances Corporation
(SPIMACO - ADDWAEIH) and Its Subsidiaries**

CONSOLIDATED STATEMENT OF INCOME

(EXHIBET – B)

Year ended 31 December 2009

	<i>Note</i>	2009 SR	2008 SR
Sales		950,741,212	871,938,868
Cost of sales		(531,149,429)	(508,966,699)
GROSS PROFIT		419,591,783	362,972,169
EXPENSES			
Selling and marketing	23	(231,981,585)	(208,527,328)
General and administration	24	(41,522,750)	(41,927,596)
INCOME FROM MAIN OPERATIONS		146,087,448	112,517,245
Investments income, net		24,249,021	26,565,146
Share in loss of an associated Company		(1,230,358)	(511,164)
Other income	25	1,517,387	3,397,511
Financial charges	13	(1,217,987)	(1,690,031)
INCOME BEFORE EXTRA ORDINARY ITEMS AND MINORITY PARTNERS' INTERESTS IN NET INCOME OF SUBSIDIARIES		169,405,511	140,278,707
Minority partners' interests in net income of subsidiaries	22	(11,300,803)	(8,117,477)
Extra ordinary items – capital increase expenses	26	(3,301,073)	(3,892,215)
NET INCOME FOR THE YEAR		154,803,635	128,269,015
Basic earnings per share	27	2,58	2,14

The attached notes form part of these consolidated financial statements.

**Saudi Pharmaceutical Industries And Medical Appliances Corporation
(SPIMACO - ADDWAEIH) and Its Subsidiaries**

CONSOLIDATED STATEMENT OF INCOME

(EXHIBET – B)

Year ended 31 December 2009

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2009

	2009 SR	2008 SR
OPERATING ACTIVITIES		
Net income for the year	154,803,635	128,269,015
Adjustments for:		
Depreciation	20,105,965	19,897,809
Amortization	9,623,038	9,738,777
Share in loss of an associated Company	1,230,358	511,164
Loss (Gain) on disposal/sale of property, plant and equipment, net	63,606	(297,528)
Provision for doubtful debts	2,000,000	-
Employees' terminal benefits	3,597,554	11,285,891
	<u>191,424,156</u>	<u>169,405,128</u>
Changes in operating assets and liabilities:		
Trade accounts receivable	(14,753,211)	(62,956,125)
Inventories	7,876,216	(13,969,746)
Prepayments and other receivables	(2,979,465)	1,196,682
Amounts due to/from related parties	(14,216,555)	10,245,347
Accounts payable and accruals	(29,915,033)	16,776,282
Zakat and income tax paid	(12,986,451)	(11,402,730)
	<u>124,449,657</u>	<u>109,294,838</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21,904,414)	(14,496,564)
Proceeds from sale of property, plant and equipment	154,950	298,205
Net change in intangible assets	(71,067)	(838,708)
Net change in investments	(19,918)	(157,481,660)
	<u>(21,840,449)</u>	<u>(172,518,727)</u>
FINANCING ACTIVITIES		
Islamic murabaha financing	20,000,000	40,000,000
Net change in amounts due to shareholders and proposed dividends	(80,394,238)	(81,376,217)
Minority interests	3,133,321	(1,647,314)
Board of directors' remuneration	(1,400,000)	(1,400,000)
	<u>(58,660,917)</u>	<u>(44,423,531)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	43,948,291	(107,647,420)
Cash and cash equivalents at the beginning of the year	<u>62,673,282</u>	<u>170,320,702</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 4)	<u>106,621,573</u>	<u>62,673,282</u>
<u>SUPPLEMENTAL INFORMATION ON NON-CASH TRANSACTIONS</u>		
Unrealized gains (losses) on revaluation of investments in available for sale securities	<u>727,762,817</u>	<u>(1,519,154,767)</u>

The attached notes form part of these consolidated financial statements.

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

31 DECEMBER 2009

	Share capital SR	Statutory reserve SR	Consensual reserve SR	General reserve SR	Retained earnings SR	Unrealized gains on reevaluation of investments in securities available for sale SR	Total SR
Balance at 1 January 2008	600,000,000	300,000,000	56,671,371	220,000,000	158,576,306	1,548,282,783	2,883,530,460
Net income for the year	-	-	-	-	128,269,015	-	128,269,015
Transfer to consensual reserve	-	-	6,413,451	-	(6,413,451)	-	-
Unrealized gains on revaluation of investments in available for sale securities	-	-	-	-	-	(1,519,187,085)	(1,519,187,085)
Provision for zakat and income tax	-	-	-	-	(10,148,250)	-	(10,148,250)
Dividends and zakat	-	-	-	-	(84,305,415)	-	(84,305,415)
Directors' remuneration	-	-	-	-	(1,400,000)	-	(1,400,000)
Balance at 31 December 2008	600,000,000	300,000,000	63,084,822	220,000,000	184,578,205	29,095,698	1,396,758,725
Net income for the year	-	-	-	-	154,803,635	-	154,803,635
Transfer to consensual reserve	-	-	7,740,181	-	(7,740,181)	-	-
Unrealized gains on revaluation of investments in available for sale securities	-	-	-	-	-	727,762,817	727,762,817
Provision for zakat and income tax	-	-	-	-	(15,748,177)	-	(15,748,177)
Dividends and tax	-	-	-	-	(84,150,549)	-	(84,150,549)
Directors' remuneration	-	-	-	-	(1,400,000)	-	(1,400,000)
Balance at 31 December 2009	600,000,000	300,000,000	70,825,003	220,000,000	230,342,933	756,858,515	2,178,026,451

The attached notes form part of these consolidated financial statements.

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

31 DECEMBER 2009

(1) ACTIVITIES

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH), is a Saudi Joint Stock Corporation formed pursuant to the Ministerial resolution No. 884 dated 10 Jumada Awwal 1406H. The Corporation operates under commercial registration No. 1131006650 dated 6 Rajab 1406H corresponding to 16 March 1986, with branches in Riyadh, Jeddah and Dammam, registered under commercial registrations No. 1010134224, 1131006650/001 and 1131006650/004, respectively. The address of the head office is at P O Box 2597, Buraidah.

The Corporation is engaged in the manufacturing, production, development and marketing of medicinal products and pharmaceutical formulations, medical supplies, basic and intermediary med-petrochemicals and their derivatives, and investments in related industries, inside and outside the Kingdom.

The subsidiary Companies owned by the Corporation are as follows:

<i>Subsidiary company</i>	<i>Commercial registration number</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Direct/ Indirect Shareholding</i>
ARAC Healthcare Company Ltd. (ARAC)	1010075320	Saudi Arabia	Sale and distribution of pharmaceutical products	100%
Arabian Medical Products Manufacturing Company Ltd. (ENAYAH)	1010089052	Saudi Arabia	Production of medical consumables	51%
Pharmaceutical Industries for Development Co. (**)	1010219726	Saudi Arabia	Establishment of medical centers	100%
Pharmaceutical industries for Marketing Co. (**)	1010219725	Saudi Arabia	Retail and wholesale trading of chemical industries.	100%
Pharmaceutical industries for Distribution Co. (**)	1010219722	Saudi Arabia	Retail and wholesale trading of medical systems and chemical industries.	100%
Saudi Dawaucom Co. (*)	1010235735	Saudi Arabia	Investments in petrochemical sector.	100%
Spimaco Misr for Marketing Co. (**)	35177	Egypt	Retail & Wholesale trading & medical advertising services, marketing of medicines & pharmaceutical products, toll manufacturing and providing consultations for pharmaceutical, nutritional & cosmetics products trading.	100%
Spimaco Misr for Marketing Co. (**)	35176	Egypt	Retail & Wholesale trading & medical advertising services, marketing of medicines & pharmaceutical products, toll manufacturing and providing consultations for pharmaceutical, nutritional & cosmetics products trading.	100%
Spimaco Egypt Co. (**)	36022	Egypt	Import, export, selling, marketing, distribution and toll manufacturing of pharmaceutical products and cosmetics and nutritional products and rendering technical consultation services (except for legal and financial consultancy)	100%

(*) Under Liquidation

(**) These companies have not performed any activity during the year ended 31 December 2009.

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

31 DECEMBER 2009

(2) **BASIS OF CONSOLIDATION**

- These consolidated financial statements include assets, liabilities and results of operations of Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) (the Corporation) and its subsidiaries (the Group) listed in note (1) above.
- A subsidiary Company is that in which the Corporation has, directly or indirectly, a long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. A subsidiary Company is consolidated from the date on which the Corporation obtains control until the date that control ceases.
- Subsidiaries' financial statements for the same period are prepared using accounting policies consistent with those used by the Corporation.
- All significant inter-company accounts and transactions, as well as gains (losses) arising from transactions with subsidiaries have been eliminated on consolidation.
- Minority interest is shown in the consolidated balance sheet separate from non-current liabilities and shareholders' equity. Minority partners' interest in net income of subsidiaries is shown in the consolidated statement of income separate from results of the main operations.

(3) **SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

3/1 Accounting convention :

The consolidated financial statements are prepared under the historical cost convention except for the measurement of fair value of investments in available for sale securities.

3/2 Use of estimates :

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

3/3 Accounts receivable :

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

3/4 Inventories :

Inventories are stated at the lower of cost or net realizable value. Cost is determined as follows:

Raw materials and spare parts	-	Purchase cost on a weighted average method
Finished goods and work in progress	-	Cost of direct labour and materials plus attributable overheads based on a normal level of activity, using standard cost which approximates weighted average.

A provision for slow moving inventories is estimated as needed.

3/5 Accounts payable and accruals :

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not

3/6 Provisions :

Provisions are recognized when the Corporation has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably .

Saudi Pharmaceutical Industries And Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2009

(3) SIGNIFICANT ACCOUNTING POLICIES (continued) :

3/7 Investments :

a) Investments in available for sale securities :

Investments, that are bought neither with the intention of being held to maturity nor for trading purposes, are stated at fair value and are included under non-current assets unless they will be sold in the next fiscal year. Changes in fair value are credited or charged to the consolidated statement of changes in shareholders' equity. A decline in value considered to be other than temporary, is charged to the consolidated statement of income. Income from such investments is recognized when officially declared.

Fair value is determined by reference to the market value if an open market exists or on the basis of most recent financial statements. Otherwise, cost is considered to be the fair value. Where partial holdings are sold, these are accounted for on a weighted average basis

b) Investments in associated companies :

Associated Company in which the Corporation has a long term investment comprising interest between 20% to 50% of the voting capital and over which it exerts significant influence.

Investments in associated companies are accounted for under the equity method whereby the original cost of investment is adjusted by the post acquisition retained earnings and reserves of those companies based on their latest financial statements.

3/8 Property, plant and equipment / Depreciation :

Land and projects in progress are not depreciated. The cost less estimated residual value of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Expenditure for repairs and maintenance are charged to income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

3/9 Intangible assets / Amortization :

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the group has resources to complete development. The expenditure capitalized includes the cost of materials, direct labour and an appropriate proportion of overheads. Other intangible assets are stated at cost less accumulated amortization and impairment loss, if any. Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditures are expensed as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. The group has no indefinite intangible assets. In tangible assets with finite lives re amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income on a straight line method over their useful lives.

3/10 Impairment :

An assessment is made at each balance sheet date to determine whether there is an objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of the asset is determined and any impairment loss is recognized by the difference between the asset's recoverable amount and the carrying value. Impairment loss is included in the consolidated statement of income.

3/11 Employees' terminal benefits :

Provision is made for amounts payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service at the consolidated balance sheet date.

3/12 Operating leases :

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

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

31 DECEMBER 2009

(3) SIGNIFICANT ACCOUNTING POLICIES (continued)

3/13 Zakat and income tax :

Zakat and income tax are provided for each Company separately, in accordance with Saudi Arabian fiscal regulations.

Provision for Zakat for the Corporation and its consolidated subsidiaries, is charged to the equity accounts of the Saudi shareholders. Provision for income tax is charged to the equity account of the foreign shareholder. Deferred income taxes, if significant, arising from the tax effects of temporary differences between taxable income and financial income are recognized during the period in which such differences arise, and are adjusted when the related temporary differences are reversed.

3/14 Foreign currencies :

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

3/15 Cash and cash equivalents :

For the purpose of consolidated statement of cashflows, cash and cash equivalents consist of bank balances and cash, Islamic Murabaha deposits.

3/16 Revenue :

Sales revenue is recognized upon the delivery of goods and the issuance of invoices to customers. Other revenue is recognized when earned.

3/17 Expenses :

Selling and marketing expenses are those that specifically relate to salesmen, warehousing, advertising, delivery vehicles as well as provision for doubtful debts. All other operating expenses are classified as general and administration expenses.

(4) CASH AND CASH EQUIVALENTS :

	2009	2008
	SR	SR
Bank balances and cash	58,809,743	37,986,356
Islamic Murabaha deposits	47,811,830	24,686,926
TOTAL	106,621,573	62,673,282

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2009

(5) TRADE ACCOUNTS RECEIVABLE :

following as of 31 December:

	2009	2008
	SR	SR
<u>Amounts due from affiliates:</u>		
Arabian Health Care Supply Corp (affiliate)	4,115,898	3,475,062
CAD Middle East for Pharmaceutical Industries (associated company)	5,936,997	180,872
Olayan Kimberly Clark Arabia (affiliate)	32,201	-
Tassili Arab Pharmaceutical Co. (TAPHYCO)- Algiers (affiliate)	8,621,767	-
	<hr/>	<hr/>
TOTAL	18,706,863	3,655,934
	<hr/> <hr/>	<hr/> <hr/>
<u>Amounts due to affiliates:</u>		
Kimberly Clark Corporation, USA (affiliate)	6,540,215	5,705,841
	<hr/> <hr/>	<hr/> <hr/>

The Group has transactions with related parties during its normal course of business. The following is a summary of the significant transactions with related parties as of 31 December:

	2009	2008
	SR	SR
Sales	28,381,521	23,004,863
Purchase of materials and services	15,038,255	13,951,897
Financing	14,558,764	180,872
Royalties	2,933,487	2,346,435

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2009

(7) **INVENTORIES** :

	2009 SR	2008 SR
Finished goods	92,326,679	92,406,772
Raw materials	78,834,541	81,734,117
Spare parts	16,271,633	14,794,315
Work in progress	5,407,319	1,722,998
Goods in transit	3,436,208	13,431,530
TOTAL	196,276,380	204,089,732
Less: Provision for slow moving inventories	(1,098,710)	(1,035,846)
NET	195,177,670	203,053,886

(8) **PREPAYMENTS AND OTHER RECEIVABLES** :

	2009 SR	2008 SR
Employees' advances and receivables	16,970,038	17,884,662
Advances to suppliers	5,124,089	5,540,584
Prepayments	3,954,956	2,081,511
Other receivables	4,219,778	1,782,639
TOTAL	30,268,861	27,289,396

(9) **INVESTMENTS IN AVAILABLE FOR SALE SECURITIES** :

	2009		2008	
	<u>Shareholding</u> %	<u>Value</u> (SR)	<u>Shareholding</u> %	<u>Value</u> (SR)
<u>Quoted</u>				
National Industrialization Company	5.25	679,218,279	5.25	315,437,670
Saudi Industrial Investment Group (SIIG)	3.12	304,606,575	3.12	140,749,245
Yanbu National Petrochemical Co. (YANSAB)	1.9	357,764,100	1.9	158,530,200
<u>Unquoted</u>				
Arabian Industrial Fibers Co. (Ibn Rushd)	4.17	256,331,200	4.17	256,331,200
Tassili Arab Pharmaceutical Co. (TAPHYCO)- Algiers	22	11,753,150	22	11,753,150
Qaseem Medical Services Company	10.99	21,978,000	10.99	21,978,000
TOTAL		1,631,651,304		904,779,465
<u>Investments in mutual funds</u>				
Riyad Equity Fund 2		4,115,503		3,224,525
TOTAL		1,635,766,807		908,003,990

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

31 DECEMBER 2009

- a) Investments in unquoted securities are stated at cost as their market value of such investments cannot be reliably measured as at 31 December 2009.
- b) Ibn Rushd's reported accumulated losses amounted to SR 4,886 million as reflected in its financial statements as at 31 December 2009. Based on the management's estimates, the Corporation has reduced this investment by SR 98,668,800 against these losses.
- d) Investments in mutual funds comprise investments in Saudi mutual funds and are recorded at market price as reported by the respective funds managers.

The movement of investments in the available for sale securities during the year was as follows:

	2009 SR	2008 SR
Cost:		
At the beginning of the year	878,908,292	733,717,550
Additions	-	174,965,742
Deletions	-	(29,775,000)
At the end of the year	<u>878,908,292</u>	<u>878,908,292</u>
Valuation adjustment:		
At the beginning the year	29,095,698	1,548,282,783
Unrealized (losses) gains during the year	727,762,817	(1,519,154,767)
Realized gain on the sales of mutual funds, net	-	(32,318)
At the end of the year	<u>756,858,515</u>	<u>29,095,698</u>
Carrying value	<u>1,635,766,807</u>	<u>908,003,990</u>

(10) INVESTMENTS IN ASSOCIATED COMPANY :

This represents the Corporation's interest @ 25% in the equity of CAD Middle East Pharmaceutical Industries Company (Mixed Limited Liability Company). This Company has not performed any activities during the year ended 31 December 2009.

The movement of investment in associated Company during the year was as follows:

	2009 SR	2008 SR
At the beginning of the year	11,481,539	742,703
Additions	-	11,250,000
Share in loss of associated Company	(1,210,441)	(511,164)
At the end of the year	<u>10,271,098</u>	<u>11,481,539</u>

Saudi Pharmaceutical Industries And Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 December 2009

(11) PROPERTY, PLANT AND EQUIPMENT :

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

	Land SR	Buildings SR	Machinery & equipment SR	Furniture & fixtures SR	Computers SR	Motor vehicles SR	Projects in progress SR	Total 2009 SR	Total 2008 SR
Cost:									
At the beginning of the year	29,346,742	210,098,626	305,361,339	93,817,192	14,850,487	11,738,625	3,807,522	669,020,533	657,802,027
Additions	-	325,821	3,945,474	489,852	514,390	1,909,416	14,719,461	21,904,414	14,504,442
Disposals	-	-	(366,287)	-	-	(1,016,700)	-	(1,382,987)	(3,285,936)
Transfers	-	3,690	2,605,952	47,480	93,272	163,000	(2,913,394)	-	-
At the end of the year	29,346,742	210,428,137	311,546,478	94,354,524	15,458,149	12,794,341	15,613,589	689,541,960	669,020,533
Depreciation:									
At the beginning of the year	-	100,911,653	256,341,718	87,094,837	13,020,686	6,769,523	-	464,138,417	447,517,989
Charge for the year	-	6,420,046	8,803,983	1,773,358	848,952	2,259,626	-	20,105,965	19,897,809
Disposals	-	-	(366,287)	-	-	(798,143)	-	(1,164,430)	(3,277,381)
At the end of the year	-	107,331,699	264,779,414	88,868,195	13,869,638	8,231,006	-	483,079,952	464,138,417
Net book value:									
At 31 December 2009	29,346,742	103,096,438	46,767,064	5,486,329	1,588,511	4,563,335	15,613,589	206,462,008	
At 31 December 2008	29,346,742	109,186,973	49,019,621	6,722,355	1,829,801	4,969,102	3,807,522		204,882,116

The plot of land on which the factory is constructed at the industrial Zone in Buraidah has been leased from the Ministry of Commerce and Industry for a nominal rent for a period of 25 years expiring during 2012 (corresponding to 1433 H), renewable for further period.

Saudi Pharmaceutical Industries And Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2009

(12) INTANGIBLE ASSETS :

The estimated useful lives of the intangible assets for the calculation of amortization are as follows:

Consultation and technical know-how fees	8 years
Product development costs	7 years
Computer software and consultation	7 years

	2009 SR	2008 SR
<u>Cost:</u>		
Consultation and technical know-how fees	66,563,105	66,563,105
Product development cost	42,433,320	42,432,806
Computer software and consultation	26,648,149	26,577,596
TOTAL	135,644,574	135,573,507
Less: Accumulated amortization	(100,893,505)	(91,270,467)
NET	34,751,069	44,303,040

Product development cost relates to products that are still under development as of 31 December 2009 and 2008.

The movement of intangible assets for the year ended 31 December is as follows:

	2009 SR	2008 SR
<u>Cost:</u>		
At the beginning of the year	135,573,507	134,734,800
Additions during the year	71,067	838,707
At the end of the year	135,644,574	135,573,507
<u>Amortization:</u>		
At the beginning of the year	91,270,467	81,531,690
Provided during the year	9,623,038	9,738,777
At the end of the year	100,893,505	91,270,467
Net book value	34,751,069	44,303,040

(13) ISLAMIC MURABAHA FINANCING :

- a) This represents the portion of a short term Islamic Murabaha Financing facility agreement signed with a local bank in Saudi Arabia during the year; the facility agreement covers a period of three years and will end at 1 June 2011. The sealing of the facility amounted to SR 100,000,000.
- b) a number of 18,341,400 shares of National Industrialization Company owned by the Corporation is mortgaged to the bank against the Financing facility agreement.
- c) the amount of financial charges of SR 1,217,987 recognized during the year ended 31 December 2009 (2008: SR 1,690,031)

**Saudi Pharmaceutical Industries And Medical Appliances Corporation
(SPIMACO - ADDWAEIH) and Its Subsidiaries**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2009

(14) **ACCOUNTS PAYABLE AND ACCRUED EXPENSES** :

	2009 SR	2008 SR
Trade accounts payable	159,362,277	203,197,096
Accrued expenses	49,098,135	35,281,368
Other payables	1,143,259	1,040,240
TOTAL	209,603,671	239,518,704

(15) **ZAKAT AND INCOME TAX** :

a) The Group's zakat and tax liabilities comprise zakat and income tax calculated on the basis of the unconsolidated financial statements for each Company separately.

b) **The movement in provision**

The movement in zakat and income tax provisions is as follows:

Zakat

	2009 SR	2008 SR
At the beginning of the year	10,625,388	10,399,176
Provided during the year	8,889,324	6,975,274
Paid during the year	(7,128,724)	(6,749,062)
At the end of the year	12,385,988	10,625,388

Income Tax

At the beginning of the year	3,274,775	5,796,386
Provided during the year	6,858,853	3,172,975
Prior year adjustments	(8,274)	27,047
Paid during the year	(5,849,453)	(5,721,633)
At the end of the year	4,275,901	3,274,775
TOTAL ZAKAT & TAX	16,661,889	13,900,163

Saudi Pharmaceutical Industries And Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2009

(15) ZAKAT AND INCOME TAX (continued) :

c) **Status of assessments**

The Group's companies have filed zakat and income tax declaration up to 2008, and obtained the final zakat and tax certificate up to 2008.

(16) AMOUNTS DUE TO SHAREHOLDERS :

These represent dividends declared in prior years and amounts due to shareholders attributable to shares issued in prior years. Such amounts have not been claimed by the respective shareholders.

(17) EMPLOYEES' TERMINAL BENEFITS :

	<i>2009</i>	<i>2008</i>
	<i>SR</i>	<i>SR</i>
Balance at the beginning of the year	108,027,854	96,741,963
Charge during the year	16,406,673	14,436,473
Payments during the year	(12,809,119)	(3,150,582)
Balance at the end of the year	<u>111,625,408</u>	<u>108,027,854</u>

(18) SHARE CAPITAL :

Authorized and paid up share capital consists of 60 million (2008: 60 million shares) of SR 10 each (2008: SR 10 each) and is held as follows as 31 December 2009:

	<i>Shareholding %</i>	
	<i><u>2009</u></i>	<i><u>2008</u></i>
Saudi Shareholders	80%	80%
Non-Saudi shareholder - Arab Company for Drug Industries and Medical Appliances, Jordan	20%	20%

(19) STATUTORY RESERVE :

In accordance with Saudi Arabian Regulations for Companies, the Corporation maintains a reserve that equals one-half of its share capital. This reserve is not available for dividend distribution.

(20) CONSENSUAL RESERVE :

In accordance with the Corporation's By-Laws, 5% of the annual net income is required to be transferred to a consensual reserve until this reserve equals 25% of the share capital, and will be used as authorized by the Corporation's General Assembly.

(21) GENERAL RESERVE :

The statutory reserve in excess of 50% of the share capital of the Corporation was transferred to the general reserve during 2001 and will be used to face any losses in the corporation's investments as approved by Corporation's General Assembly.

**Saudi Pharmaceutical Industries And Medical Appliances Corporation
(SPIMACO - ADDWAEIH) and Its Subsidiaries**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2009

(22) **MINORITY INTEREST** :

Minority interest represents the part of the net results of operations and of the net assets of Arabian Medical Products Manufacturing Company Limited (ENAYAH) attributable to interests not owned by the parent Company.

The minority partners' share in the subsidiary Company is analysed as follows:

	2009 SR	2008 SR
At the beginning of the year	13,898,978	15,546,292
Share in earnings of the subsidiary Company	11,300,803	8,117,477
Dividends	(7,840,000)	(9,800,000)
Share in provision of zakat and income tax	(1,211,961)	(876,144)
Share in zakat and income tax refunded	884,478	911,353
	<u>17,032,298</u>	<u>13,898,978</u>
At the end of the year	<u>17,032,298</u>	<u>13,898,978</u>

(23) **SELLING AND MARKETING EXPENSES** :

	2009 SR	2008 SR
Salaries and related costs	89,155,495	86,143,170
Advertising, promotions and provision for expired inventories	102,113,521	86,404,619
Freight and custom duties	9,019,628	10,213,448
Sales commission	9,769,237	8,968,569
Travel and training	6,783,789	6,050,367
Provision for doubtful debts	2,000,000	-
Depreciation and amortization	2,491,947	2,267,742
Office supplies	2,012,518	2,172,348
Insurance	1,552,885	1,242,975
Legal and professional fees	1,370,463	1,089,388
Telephone and postage	945,263	1,089,169
Rent	1,241,001	975,020
Utilities	825,090	826,409
Other	2,700,748	1,084,104
	<u>231,981,585</u>	<u>208,527,328</u>
TOTAL	<u>231,981,585</u>	<u>208,527,328</u>

**Saudi Pharmaceutical Industries And Medical Appliances Corporation
(SPIMACO - ADDWAEIH) and Its Subsidiaries**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2009

(24) **GENERAL AND ADMINISTRATION EXPENSES** :

	2009 SR	2008 SR
Salaries and related costs	27,381,231	26,922,918
Depreciation and amortization	3,629,000	4,096,808
Legal and professional fees	1,684,478	3,717,289
Travel and training	818,629	1,340,804
Utilities	1,361,209	1,053,009
Shareholders' register management expenses	400,000	678,193
Office Supplies	640,162	563,016
Repairs and maintenance	321,252	539,055
Insurance	376,742	458,006
Non commercial advertising	569,327	454,014
Telephone and postage	366,874	271,088
Rent	445,539	270,383
Other	3,528,307	1,563,013
TOTAL	41,522,750	41,927,596

(25) **OTHER INCOME** :

	2009 SR	2008 SR
Commission earned	99,991	1,430,791
Reversal of unclaimed payables	-	534,422
Rent income	641,490	398,320
Gain on disposal/sale of property, plant and equipment, net	-	297,528
Miscellaneous	775,906	736,450
TOTAL	1,517,387	3,397,511

(26) **EXTRA ORDINARY ITEMS – CAPITAL INCREASE EXPENSES** :

This represents consultation and professional fees incurred due to the proposal of the Board of Directors to increase the corporation's capital.

(27) **BASIC EARNINGS PER SHARE** :

Basic earnings per share are calculated on the basis of the net income for the year, divided by the weighted average number of shares outstanding during the year.

(28) **OPERATING LEASES** :

During the current year, an amount of SR 1,686,540 (2008 : SR 1,245,403) has been recognized as an expense in the consolidated statement of income in respect of operating leases.

Saudi Pharmaceutical Industries And Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2009

(29) SEGMENTAL INFORMATION :

These are attributable to Group's activities and business approved by the management to be used as a basis for the financial reporting and being consistent with the internal reporting process. Transactions between business segments are conducted on an arm's length basis.

The segments results and assets comprise items that are directly attributable to a certain segment and items that can reasonably be allocated between various business segments.

The Group is organized into the following main segments:

- | | |
|--|---|
| 1- Medical and pharmaceutical production | Comprises manufacturing, production, development and marketing of medicinal products and pharmaceutical formulations, medical supplies and production of medical consumables. |
| 2- Investment | Comprises investments in available of sale securities and investments held to maturity. |

	<i>Medical SR</i>	<i>Investment SR</i>	<i>Total SR</i>
<i>As of 31 December 2009</i>			
Revenue	952,258,599	23,018,663	975,277,262
Gross profit	419,591,783	-	419,591,783
Net book value of property, plant and equipment	206,462,008	-	206,462,008
Total assets	1,076,447,817	1,646,037,905	2,722,485,722
Total liabilities	527,426,973	-	527,426,973
 <i>As of 31 December 2008</i>			
Revenue	875,336,379	26,053,982	901,390,361
Gross profit	362,972,169	-	362,972,169
Net book value of property, plant and equipment	204,882,116	-	204,882,116
Total assets	1,017,564,216	919,485,529	1,937,049,745
Total liabilities	526,392,042	-	526,392,042

Substantially, all the Group's operating assets are located in the Kingdom of Saudi Arabia. The primary market for the Group's products is the Middle East. It is not practicable to disclose information pertaining to individual geographic areas.

(30) CONTINGENT LIABILITIES :

The Corporation's bankers have issued, on its behalf, letters of guarantee and acceptances limited to SR 63.6 million (2008 : SR 34.6 million) during its normal course of business

(31) RISK MANAGEMENT :

a- Commission rate risk :

The Group is subject to commission rate risk on its commission bearing assets and liabilities, including Islamic Murabaha deposits, and time deposits.

b- Credit risk :

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. At the consolidated balance sheet date, no significant concentrations of credit risk were identified by the management.

Saudi Pharmaceutical Industries And Medical Appliances Corporation (SPIMACO - ADDWAEIH) and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2009

(31) RISK MANAGEMENT (continued) :

c- Liquidity risk :

The Group limits its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid normally between 60 to 180 days of date of sale. Trade payables are normally settled within 120 days of the date of purchase.

d- Currency risk :

The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars, Swiss Francs and Euros during the year.

(32) FAIR VALUES OF FINANCIAL INSTRUMENTS :

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arms length transaction. Financial instruments comprise financial assets and financial liabilities.

The Group's financial assets consist of cash and cash equivalents and receivables, and its financial liabilities consist of accounts payable and accrued expenses.

The fair values of financial instruments are not materially different from their carrying amounts.

(33) SUBSEQUANT EVENTS :

The General Assembly in its Extra – Ordinary meeting held on 26 December 2009, has approved the increase of the corporation's capital by an amount of R 184,375,000 by offering a number of 18,437,500 right issue shares at a price of SR 16 per share (SR 10 as Par value and SR 6 as premium).

The right issue subscription period was set during the period from 2 January 2010 and up to 13 January 2010. The effect on the Corporation's equity will appear by the end of the first quarter ending 31 March 2010.

(34) APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DIVIDENDS :

The board of directors in its meeting held on 7 Rabei' 1 1431H (corresponding to 21 February 2010), has approved the consolidated financial statements and proposed an amount of SR 117,656,250 as dividend before deducting income taxes and SR 1,400,000 as board of directors' remuneration. Proposed dividends and board of directors' remuneration are not shown as liabilities in the consolidated financial statements.

The above are subject to the approval of the shareholders at the Annual General Assembly Meeting.
