SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 AND
<u>INDEPENDENT AUDITOR'S REPORT</u>

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS

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BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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Independent Auditor's Report

To the Shareholders of

Saudi Pharmaceutical Industries and Medical Appliances Corporation (Saudi Joint Stock Company)

Qualified opinion

We have audited the consolidated financial statements of **Saudi Pharmaceutical Industries and Medical Appliances Corporation** (Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of this report the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia.

Basis for qualified opinion

1. The related parties' reconciliations regarding the elimination of intercompany transactions do not reconcile with the financial statements of each subsidiary for the year ended 31 December 2019. We were unable to obtain sufficient appropriate evidence about the elimination of such transactions.
2. The financial statements of the Group's foreign subsidiary in Egypt have been prepared using Generally Accepted Accounting Principles ("GAAPs") applicable in Egypt. We could not obtain sufficient audit evidence to ensure those financial statements were appropriately converted to comply with International Financial Reporting Standards ("IFRS").
3. On 29 March 2020, the Company announced that it received a letter from one of its foreign subsidiaries stating that the subsidiary's management has evidences of suspected fraud at the subsidiary and has decided to appoint an expert to investigate the case. The management has initially reversed all the sales of this subsidiary and made necessary adjustments in these consolidated financial statements. The management cannot determine the total impact of the suspected fraud on the consolidated financial statements.

Consequently, we were unable to determine whether any adjustments to the above matters were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") endorsed in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter regarding prior period adjustments

We draw attention to note 44 of these consolidated financial statements, which describes the adjustments in prior periods due to errors. Accordingly, the accumulated retained earnings as at 1 January 2018, statement of financial position as at 31 December 2018 and statement of profit or loss and other comprehensive income for the year ended 31 December 2018, were restated to reflect the correction of errors. Our opinion has not been modified with respect to this matter.

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Other matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed a qualified opinion on 4 March 2019.

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 for the year ended 31 December 2019. 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. In addition to the matters described in the *Basis of qualified opinion* section we determined the matters described below to be the key audit matters to be communicated in our report:

<table>
<tr><td colspan="2">Key audit matters</td></tr>
<tr><td colspan="2">Principal Versus Agent Considerations</td></tr>
<tr><td>Key audit matter</td><td>How the Key audit matter was addressed in our audit</td></tr>
<tr><td>The Group recognized revenue of SR 1,553 million for the year ended 31 December 2019 (31 December 2018: SR 1,503 million).

During the year, the Group reassessed its revenue recognition resulting from its contracts with various distributors. The Group involved an idependant consultant to assess the contracts to establish if the revenue to be recognized as Principal or as an Agent. The assessment resulted in most of the Group's revenue to be recognized as Principal.

Revenue is considered a key audit matter due to judgements exercised by management to determine whether it is a principal or an agent for each specified good or service promised to the customer.</td><td>Our audit procedures included the following:
• Tested sales transactions taking place before and after the consolidate statement of financial position date to assess whether the revenue is recorded in the correct period;
• Challenged the technical study of Principal versus Agent assessment carried out by the management's external consultant under IFRS 15 "Revenue from contracts with customers". This was further achieved through reassessing major contracts and matching our results with the management regarding the accounting treatment of these contracts under IFRS 15; and
• Reviewed the adequacy of the Group's disclosure related to revenue.</td></tr>
<tr><td colspan="2">Refer to note 6.22 of the consolidated financial statements for the accounting policy and note 31 for related disclosures.</td></tr>
</table>

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Key audit matters (continued)

Rebates and returns

Key audit matter	*How the Key audit matter was addressed in our audit*
The Group's rebates and returns accruals amounted to SR 89 million as at 31 December 2019 (31 December 2018: SR 41 million and 1 January 2018: SR 47 million). The Group provides a right of return to its customers for certain products in accordance with contracts with customers. These contracts give rise to obligations for the Group to provide customers with rebates and the right of return and recognized as an accrual. This area is considered a key audit matter because establishing an appropriate accrual requires significant judgments and estimation by management.	Our audit procedures included the following: • Tested internal controls relevant to the calculation of accrual and returns; • Reviewed the historical settlement of actual rebates and returns to support our assessment of the current year accrual; • Performed substantive analytical procedures by developing an independent expectation of the accrual balance, based on historical claims received in the period including an assessment of the time lag between the initial point of sale and the claim receipt. We then compared this independent expectation to those of management to evaluate the appropriateness of management's ending accrual position; • Challenged the appropriateness of period-end adjustments to the liability made as part of the ongoing review of the estimated accrual.; and • Reviewed the adequacy of the Group's disclosure related to accrual.

Refer to note 6.22 of the consolidated financial statements for the accounting policy and note 25 for related disclosures.

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Key audit matters (continued)

Impairment assessment of intangible assets and goodwill

Key audit matter	***How the Key audit matter was addressed in our audit***
Intangible assets and goodwill amounts to SR 81 million as of 31 December 2019 (31 December 2018: SR 241 million, 1 January 2018: SR 260 million), which comprise goodwill, brand name, client relationship, and technologies, arising from past acquisition of subsidiaries, and software, and product licenses. The Group is required to, at least annually, perform impairment assessments of goodwill and intangible assets that have an indefinite useful life. For intangible assets with useful lives, the Group is required to review these for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives. To perform impairment assessments, all intangible assets including goodwill have been allocated to groups of cash-generating units ("CGUs"). The recoverable amount of the underlying CGUs is supported by value-in-use calculations which are based on the present value of future cash flows. Management concluded that goodwill related to Qassim Medical Service Company of SR 128 million and SPIMACO Egypt for Pharmaceutical Industries of SR 10 million required impairment, following the assessment of value in use by the external consultant. We considered impairment of intangible assets and goodwill as a key audit matter as the assessments made by management involved significant estimates and judgments, including sales growth rates, gross profit margin, net profit margin and perpetual growth rates used to estimate future cash flows and discount rates applied to these forecasted future cash flows of the underlying CGUs. These estimates and judgments may be affected by unexpected changes in future market or economic conditions or discount rates applied.	Our audit procedures included the following: • Tested internal controls relevant to the impairment assessment process of goodwill and intangible; • Compared the methodology used (value-in-use calculations based on the present value of future cash flows) by the Group to market practice; • Obtained management's future cash flow forecasts, testing the mathematical accuracy of the underlying value-in-use calculations and agreeing them to the financial budget and future forecasts. We also compared historical actual results to those budgeted to assess the quality of management's forecasts; • Assessed the reasonableness of significant assumptions used in the calculations, comprising sales growth rates, gross profit margin, net profit margin, perpetual growth rate, and discount rates. When assessing these significant assumptions, we discussed them with management to understand and evaluate management's basis for determining the assumptions, and compared them to external industry outlook reports and economic growth forecasts; • Reviewed the adequacy of the Group's disclosure related to intangible assets including goodwill.

Refer to notes 6.8 and 6.11 of the consolidated financial statements for the accounting policy and notes 14 and 15 for related disclosures.

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Key audit matters (continued)

Impairment assessment of other non-current assets	
Key audit matter	***How the Key audit matter was addressed in our audit***
Other non-current assets mainly comprise property and equipment, assets under construction and right of use assets. The total of Group's other non-current assets amounts to SR 1,725 million as at 31 December 2019 (31 December 2018: SR 1,468 million and 1 January 2018: SR 1,231 million). The Group assesses, at each reporting date, whether there is any indication that the asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of value in use and fair value less costs to sell. We considered recoverability of assets under construction as a key audit matter due to the assessment of the recoverable amounts of these assets requiring estimation and judgments by management around expected production profiles, the useful life of assets, future operating and capital expenditure, commodity prices and discount rates.	Our audit procedures included the following: • Considered the appropriateness of Group's policies related to assets under construction and assessing compliance with applicable accounting standards; • Assessed management's process for identification of impairment indications and impairment testing and evaluated the design and implementation of key controls over the process of impairment assessment; • Assessed the reasonableness of the model used by management to estimate the recoverable amount; • Assessed the methodologies used and the appropriateness of the significant assumptions used in the model based on our knowledge of the property industry and also the valuation techniques used by external valuer; and • Reviewed the adequacy of the related disclosures.
Refer to note 6.15 of the consolidated financial statements for the accounting policy and notes 16-18 for related disclosures.	

Other information

Management is responsible for the other information. The other information in the annual report comprises Directors' report and Corporate governance report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged With Governance ("TCWG") for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and versions endorsed by SOCPA and Regulations of Companies requirements, 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.

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Responsibilities of management and Those Charged With Governance ("TCWG") for the financial statements (continued)

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 have 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism 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.

We communicate with the management and TCWG 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 TCWG 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.

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

From the matters communicated with TCWG, 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.

For BDO Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh, on: 07 Sha'ban 1441(H)
Corresponding to: 31 March 2020(G)

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
(SAUDI RIYALS)

	Note	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
ASSETS				
Current assets:				
Cash and cash equivalents	7	**378,972,848**	267,300,520	333,916,892
Trade receivables	8	**937,157,442**	1,104,388,109	1,102,012,474
Inventories	9	**401,461,502**	480,888,872	454,866,632
Prepayments and other assets	10	**157,730,103**	222,667,310	188,850,609
		1,875,321,895	2,075,244,811	2,079,646,607
Non-current assets:				
Investment at fair value through profit or loss - FVTPL	11	**27,832,013**	13,105,159	35,452,873
Investments at fair value through other comprehensive income - FVOCI	12	**816,244,163**	873,905,333	1,023,354,665
Investment in equity-accounted associates and joint venture	13	**74,203,001**	70,426,756	65,268,211
Intangible assets	14	**81,280,609**	103,794,478	122,610,509
Goodwill	15	**-**	137,698,760	137,698,760
Assets under construction	16	**689,421,409**	744,242,074	513,840,564
Right of use assets	17	**12,031,632**	-	-
Property, plant and equipment	18	**1,023,860,222**	723,983,952	716,850,054
Deferred tax assets	19	**23,724,209**	16,301,282	16,029,766
		2,748,597,258	2,683,457,794	2,631,105,402
TOTAL ASSETS		**4,623,919,153**	4,758,702,605	4,710,752,009
EQUITY AND LIABILITIES				
Current liabilities:				
Loans and borrowings	20	**485,452,844**	539,347,332	122,538,779
Financial guarantees provision	21	**101,216,942**	-	-
Lease liability	22	**3,692,015**	-	-
Zakat and income tax payable	23	**37,122,426**	67,396,217	85,705,031
Accounts payable and other liabilities	24	**543,137,903**	401,229,451	504,982,764
Dividends payable	6.21	**154,578,580**	152,705,449	148,733,336
Contract liabilities	25	**88,818,026**	40,909,890	47,312,205
		1,414,018,736	1,201,588,339	909,272,115
Non-current liabilities:				
Loans and borrowings	20	**712,669,691**	479,117,977	681,844,780
Lease liability	22	**7,965,544**	-	-
Employees' end of service benefits	26	**311,450,683**	297,211,448	285,241,018
Deferred income	27	**40,642,215**	17,796,616	19,278,909
Contract liabilities	25	**17,500,202**	4,291,224	-
		1,090,228,335	798,417,265	986,364,707
TOTAL LIABILITIES		**2,504,247,071**	2,000,005,604	1,895,636,822
EQUITY				
Equity attributable to the owners of the parent:				
Share capital	28	**1,200,000,000**	1,200,000,000	1,200,000,000
Statutory reserve		**360,684,866**	360,684,866	360,684,866
General reserve		**150,000,000**	150,000,000	150,000,000
Consensual reserve		**96,274,794**	96,274,794	91,234,616
Fair value reserve	29	**426,632,021**	474,343,191	597,033,273
(Accumulated losses) / retained earnings		**(278,458,938)**	282,255,193	209,883,187
Foreign currency translation reserve		**(20,554,196)**	(23,050,875)	(27,531,318)
		1,934,578,547	2,540,507,169	2,581,304,624
Non-controlling interest	30	**185,093,535**	218,189,832	233,810,563
TOTAL EQUITY		**2,119,672,082**	2,758,697,001	2,815,115,187
TOTAL EQUITY AND LIABILITIES		**4,623,919,153**	4,758,702,605	4,710,752,009

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SAUDI RIYALS)

	Note	31 December 2019	31 December 2018 (Restated)
Revenue	31	**1,552,515,078**	1,503,323,481
Cost of revenue		**(1,001,765,083)**	(894,807,461)
Gross profit		**550,749,995**	608,516,020
Selling and marketing expenses	32	**(406,713,531)**	(349,535,744)
General and administrative expenses	33	**(212,686,330)**	(199,739,076)
Research and development expenses	34	**(32,062,093)**	(40,576,027)
Impairment (loss) / reversal on trade receivables	8	**(95,737,680)**	5,931,754
Impairment loss of goodwill	15	**(137,698,760)**	-
Other expenses		**(5,793,292)**	-
Other income	35	**26,055,937**	53,833,570
Operating (loss) / profit		**(313,885,754)**	78,430,497
Financial guarantee	21	**(101,216,943)**	-
Finance cost	36	**(41,037,876)**	(27,037,014)
Dividend income on investments - FVOCI	37	**21,007,350**	29,191,444
Share of loss from equity-accounted associates and joint venture	38	**(14,260,768)**	(6,402,607)
(Loss) / profit before zakat and income tax		**(449,393,991)**	74,182,320
Zakat and income tax	39	**(31,678,358)**	(25,500,164)
Net (loss) / profit for the year		**(481,072,349)**	48,682,156
Attributable to:			
Owners of the parent		**(435,507,618)**	74,248,347
Non-controlling interests	30	**(45,564,731)**	(25,566,191)
		(481,072,349)	48,682,156
Earnings per share			
Basic & diluted	40	**(3.63)**	0.62

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF OTHER COMREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(SAUDI RIYALS)

	Note	31 December 2019	31 December 2018
			(Restated)
Net (loss) / profit for the year		**(481,072,349)**	48,682,156
Items that will be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**2,496,679**	4,480,443
		2,496,679	4,480,443
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of investments - FVOCI	29	**(51,225,003)**	44,921,234
Actuarial (loss) / gain on employees' end of service benefits	26	**(2,009,251)**	16,834,799
Share of other comprehensive income in equity-accounted associates and joint venture	13	**280,326**	(224,448)
		(52,953,928)	61,531,585
Total other comprehensive (loss) / income for the year		**(50,457,249)**	66,012,028
Total comprehensive (loss) / income for the year		**(531,529,598)**	114,694,184
Attributable to:			
Owners of the parent		**(485,928,622)**	139,202,545
Non-controlling interests	30	**(45,600,976)**	(24,508,361)
		(531,529,598)	114,694,184

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements.

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(SAUDI RIYALS)

	Share capital	Statutory reserve	General reserve	Consensual reserve	Fair value reserve	(Accumulated losses) / Retained Earnings	Foreign currency translation reserve	Total attributable to the owners of the parent	Non-controlling interests	Total equity
Balance as at 1 January 2018 (Restated)	1,200,000,000	360,684,866	150,000,000	91,234,616	597,033,273	209,883,187	(27,531,318)	2,581,304,624	233,810,563	2,815,115,187
Profit for the year (Restated)	-	-	-	-	-	74,248,347	-	74,248,347	(25,566,191)	48,682,156
Other comprehensive income	-	-	-	-	44,921,234	15,552,521	4,480,443	64,954,198	1,057,830	66,012,028
Total comprehensive income (Restated)					44,921,234	89,800,868	4,480,443	139,202,545	(24,508,361)	114,694,184
Disposal of investments at FVOCI	-	-	-	-	(167,611,316)	167,611,316	-	-	-	-
Transfer to consensual reserve	-	-	-	5,040,178	-	(5,040,178)	-		-	
Dividends	-	-	-		-	(180,000,000)	-	(180,000,000)	-	(180,000,000)
Changes in non-controlling interest	-	-	-	-	-	-	-	-	8,887,630	8,887,630
Balance as at 31 December 2018 (Restated)	**1,200,000,000**	**360,684,866**	**150,000,000**	**96,274,794**	**474,343,191**	**282,255,193**	**(23,050,875)**	**2,540,507,169**	**218,189,832**	**2,758,697,001**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(435,507,618)**	**-**	**(435,507,618)**	**(45,564,731)**	**(481,072,349)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(51,225,003)**	**(1,692,680)**	**2,496,679**	**(50,421,004)**	**(36,245)**	**(50,457,249)**
Total comprehensive loss					**(51,225,003)**	**(437,200,298)**	**2,496,679**	**(485,928,622)**	**(45,600,976)**	**(531,529,598)**
Disposal of investments at FVOCI	**-**	**-**	**-**	**-**	**3,513,833**	**(3,513,833)**	**-**	**-**	**-**	**-**
Transfer to consensual reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends	**-**	**-**	**-**	**-**	**-**	**(120,000,000)**	**-**	**(120,000,000)**	**-**	**(120,000,000)**
Changes in non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,504,679**	**12,504,679**
Balance as at 31 December 2019	**1,200,000,000**	**360,684,866**	**150,000,000**	**96,274,794**	**426,632,021**	**(278,458,938)**	**(20,554,196)**	**1,934,578,547**	**185,093,535**	**2,119,672,082**

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SAUDI RIYALS)

	Note	31 December 2019	31 December 2018 (Restated)
Cash flows from operating activities:			
(Loss) / profit before zakat and income tax		**(449,393,991)**	74,182,320
Adjustments to reconcile (loss) / profit before zakat and tax to net cash flow:			
Depreciation	18	**70,039,968**	29,833,825
Depreciation on right of use assets	17	**6,160,330**	-
Amortization of intangible assets	14	**27,667,177**	23,167,829
Dividend income on investments - FVOCI	37	**(21,007,350)**	(29,191,444)
Disposal of intangible assets	14	**2,511,831**	9,035,161
Share of loss from equity-accounted associate & joint venture	13	**14,260,768**	6,402,607
Gain on disposal of property, plant, and equipment	18	**(2,038,218)**	(357,451)
Reversal of zakat provision		**-**	(7,064,451)
Contract liabilities	25	**61,117,114**	(2,111,091)
Provision for slow-moving and near expiry inventories	9	**19,071,008**	9,066,384
Profit on investments - FVTPL	11	**(726,854)**	(504,686)
Impairment of goodwill	15	**137,698,760**	-
Impairment loss / (reversal) on trade receivables	8	**95,737,680**	(5,931,754)
End of service benefits cost	26	**48,802,656**	44,426,220
Amortization of deferred income		**(1,617,876)**	(1,482,293)
Financial guarantees		**101,216,943**	-
Finance cost		**41,037,876**	27,037,014
Changes in the foreign currency translation reserve		**2,496,679**	4,480,443
Finance cost on lease liabilities	22	**5,247,005**	-
		158,281,506	180,988,633
Working capital changes:			
Trade receivables	8	**63,998,867**	3,556,120
Inventories	9	**60,356,362**	(35,088,624)
Prepayments and other assets		**64,937,207**	(33,816,701)
Accounts payables and other liabilities		**141,908,452**	(103,753,313)
Cash generated from operating activities		**489,482,394**	11,886,115
Finance cost paid		**(41,037,876)**	(27,037,014)
Zakat and income tax paid	23	**(61,880,956)**	(42,947,909)
Employees' end of service benefits paid	26	**(36,572,672)**	(15,620,991)
Net cash generated from / (used in) operating activities		**349,990,890**	(73,719,799)

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2019
(SAUDI RIYALS)

	Note	31 December 2019	31 December 2018 (Restated)
Cash flows from investing activities:			
Additions of property, plant and equipment	18	**(78,201,163)**	(64,069,855)
Additions to right of use asset	17	**(18,191,962)**	-
Additions to assets under construction	16	**(237,533,921)**	(203,587,929)
Additions to intangible assets	14	**(7,665,139)**	(13,386,959)
Proceeds from disposal of property, plant, and equipment	18	**2,677,729**	646,002
Dividend income from joint venture	13	**19,147,249**	8,922,770
Additional investment made in equity-accounted associate and joint venture	13	**(36,903,936)**	(20,708,370)
Addition made to Investment - FVTPL	11	**(20,000,000)**	(22,000,000)
Proceeds from sale of investment - FVTPL	11	**6,000,000**	44,852,400
Dividend received on investments - FVOCI	37	**21,007,350**	29,191,444
Proceeds from sale of investments - FVOCI	12	**6,436,167**	194,370,666
Net cash used in investing activities		**(343,227,626)**	(45,769,831)
Cash flows from financing activities:			
Loans and borrowings, net		**179,657,226**	214,081,750
Additions to lease liabilities	22	**16,904,564**	-
Lease liabilities paid	22	**(10,494,010)**	-
Dividends paid		**(118,126,865)**	(176,027,887)
Changes in non-controlling interest		**12,504,674**	14,819,395
Government grant received		**24,463,475**	-
Net cash flows generated from financing activities		**104,909,064**	52,873,258
Net changes in cash and cash equivalents during the period		**111,672,328**	(66,616,372)
Cash and cash equivalents at the beginning of the Period		**267,300,520**	333,916,892
Cash and cash equivalents at the end of the Period		**378,972,848**	267,300,520
Non-cash transactions			
Transfers from assets under construction to property, plant and equipment		**292,354,586**	-
Reclassification from property, plant and equipment to assets under construction		**-**	(26,813,581)
Addition to right of use assets		**(18,191,962)**	-
Changes in the fair value of investments - FVOCI		**(51,225,003)**	44,921,234

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements

(SAUDI RIYALS)

1. LEGAL STATUS AND NATURE OF OPERATIONS

Saudi Pharmaceutical Industries and Medical Appliances Corporation is a Saudi Joint Stock Company (the "Company") registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration number 1131006650 dated 6 Rajab 1406H corresponding to 16 March 1986G and formed according to the Ministerial Resolution No. 884 dated 10 Jumada Al-Awwal 1406H corresponding to 21 January 1986G. These consolidated financial statements ("financial statements") comprise the holding Company and its subsidiaries (together referred to as the "Group").

The Group is primarily involved in manufacturing of basic chemical substances and products, medicines for human use including cosmetics, pharmaceutical production and wholesale and retail of medicines and related products, development and marketing of medicinal and pharmaceutical products, research and development in medical science activities, operating and maintaining the healthcare facilities and any investments in related industries, inside and outside the Kingdom of Saudi Arabia.

The Company's head office is in Buraidah city, King Abdul Aziz Road, Industrial City of Al-Qassim.

The Company operates through following branches in the Kingdom of Saudi Arabia.

Branch Commercial Registration No.	Date of registration	Location
1010134224	02/11/1415	Riyadh
4030086146	12/09/1412	Jeddah
2051058378	15/10/1435	Khobar
4031222626	05/06/1440	Makkah
4650207091	05/06/1440	Medina

1.1 Interest in subsidiaries

			Percentage of ownership		
Name of subsidiary	**Principal activities**	**Country of incorporation**	**31 December 2019**	**31 December 2018**	**1 January 2018**
ARAC Healthcare Company (ARAC)	Pharmaceutical products distributor	Saudi Arabia	100%	100%	100%
Pharmaceutical Industries Company for Distribution (*)	Pharmaceutical products distributor	Saudi Arabia	100%	100%	100%
Dammam Pharmaceutical Company	Pharmaceutical manufacturer	Saudi Arabia	85%	85%	85%
Qassim Medical Service Company	Healthcare services provider	Saudi Arabia	57.2%	57.2%	57.2%
ARACOM Medical Company	Pharmaceutical products distributor	Saudi Arabia	100%	100%	100%
AL-WATAN Arabian Medical Company	Pharmaceutical manufacturer	Saudi Arabia	80%	80%	80%
ANORA Trading Company	Pharmacy - retail	Saudi Arabia	99%	99%	-
SPIMACO Saudi Foundation – Algeria	Pharmaceutical products distributor	Algeria	100%	100%	100%
SPIMACO Egypt Company for Marketing (*)	Pharmaceutical products marketing	Egypt	100%	100%	100%
SPIMACO Egypt Company for Distribution (*)	Pharmaceutical products distributor	Egypt	100%	100%	100%
SPIMACO Egypt Company (*)	Pharmaceutical products distributor	Egypt	100%	100%	100%
SPIMACO Egypt for Pharmaceutical industries	Pharmaceutical manufacturer	Egypt	51.6%	51.6%	51.6%
SPIMACO Morocco for Pharmaceutical Industries	Pharmaceutical manufacturer	Morocco	70.6%	70.6%	62.7%
SPIMACO ILAJ (*)	Pharmaceutical products distributor	Turkey	100%	100%	100%

(*) There has been no activity in these subsidiaries as they yet to start their operations.

(SAUDI RIYALS)

1.2 Interest in associates and joint venture

			Percentage of ownership		
Name of associates and joint venture	**Principal activities**	**Country of incorporation**	**31 December 2019**	**31 December 2018**	**1 January 2018**
Arabian Medical Products Manufacturing Company (ENAYAH) – Joint venture	Manufacturing of healthcare products	Saudi Arabia	51%	51%	51%
CAD Middle East Pharmaceutical Company (CAD) - Associate	Active Pharmaceutical Ingredients manufacturing	Saudi Arabia	46.08%	46.08%	44.05%
Tassili Arab Pharmaceutical Company (TAPHCO) - Associate	Pharmaceutical manufacturer	Algeria	22%	22%	22%

2. STATEMENT OF COMPLIANCE WITH IFRS

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), issued by the International Accounting Standards Board (IASB) as endorsed by Saudi Organization for Certified Public Accountants (“SOCPA”).

3. STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS

3.1 New standards, interpretations and amendments effective in the current year

The new standard impacting the Group that adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group’s accounting policies is:

Standards	Title	Effective date
IFRS 16	Leases	January 1, 2019

3.2 New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations that have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning 1 January 2020:

Standards	Title	Effective date
IFRS 3	Business Combinations	January 1, 2020
IAS 1	Presentation of Financial Statements	January 1, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2020
	Revised Conceptual Framework for Financial Reporting	January 1, 2020

IFRS 3 - Business Combinations

The amendments narrowed and clarified the definition of a business, the amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.

IAS 1 - Presentation of Financial Statements

Amendments to its definition of material to make it easier for companies to make materiality judgements. The materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The amendments are intended to make the definition of material easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

The Group yet to assess the impact of the above amendments in its financial statements.

4. BASIS OF PREPARATION

4.1 Overall considerations

These consolidated financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out in note 6. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in compliance IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing these consolidated financial statements and their effect are disclosed in note 5.

These financial statements have been prepared on the historical cost basis, except for the following:

- Trade receivables at amortised cost;
- Financial instruments - FVOCI;
- Financial instruments - FVPL;
- Murabaha loan at amortised cost;
- Government loan at amortised cost;
- Government granted land at fair value;
- Defined benefits plan are measured at the present value of future obligations using the Projected Unit Credit Method; and
- Investment in associates and joint ventures using the equity method accounting

Furthermore, these financial statements are prepared using the accrual basis of accounting and the going concern basis.

4.2 Functional and presentation currency

The financial statements are presented in Saudi Riyal, which is the Group's functional and presentation currency.

4.3 Basis of consolidation of financial statements

The consolidated financial statements present the results of the company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities, if any.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, another contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in these financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise of interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, these financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Financial year

The Group's financial year starts from 1 January and ends on 31 December in each Gregorian calendar year.

5. USE OF JUDGEMENT AND ESTIMATES

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

5.1 Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amount recognized in the consolidated financial statements is included in the following notes:

Determining whether the Group or component of the Group is acting as an agent or principal

Principles of IFRS 15 "Revenue from contracts with customers" are applied by identifying each specified (i.e. distinct) good or service promised to the customer in the contract and evaluating whether the entity under consideration obtains control of the specified good or service before it is transferred to the customer. This assessment requires significant judgment based on specific facts and circumstances (refer to note 6.22)

Consolidation

When the Group has de-facto control over an investee.

Joint arrangements

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

Joint arrangements (continued)

The group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as equity-accounted investments (i.e. using the equity method).

Impairment of trade receivable

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The allowance for expected credit losses on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis (refer to 6.6).

Leases

Lease liabilities are determined by calculating the present value of the lease payments using an appropriate discount rate. The Group uses the effective commission rate to calculate the present value of lease payments, which represents the long term incremental borrowing rate (refer to note 6.1)

5.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended 31 December 2019 are as follows:

Revenue recognition

Amounts recorded for revenue deductions can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. The methodology and assumptions used to estimate rebates, rejection rates, volume discounts, and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, experience, and projected market conditions (refer to note 6.22).

Useful lives and residual values of property and equipment and intangible assets

An estimate of the useful lives and residual values of property and equipment and intangible assets is made to calculate depreciation and amortization respectively. These estimates are made based on the expected useful lives of relevant assets. Residual value is determined based on experience and observable data where available.

The useful lives and residual values of the Group's assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology (refer to notes 6.13 and 6.8).

Impairment of goodwill

The recoverable amount of goodwill is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate to calculate the present value of the cash flows (refer to note 6.15).

Incremental borrowing rate used to measure lease liabilities

The determination of the incremental borrowing rate used to measure lease liabilities (refer to note 6.1).

Employees' benefits

Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates to be made of the various inputs (refer to note 6.19).

Estimate of Zakat, current and deferred income taxes

The Group's zakat and tax charge on ordinary activities is the sum of the total zakat, current and deferred tax charges. The calculation of the Group's zakat and total taxes charge involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process.

The final resolution of some of these items may give rise to material profits / (losses) and/or cash flows. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits (refer to note 6.17)

Impairment of non-financial assets

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate to calculate the present value of those cash flows. In the process of measuring expected future cash flow management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year (refer to note 6.15).

Determination of fair value for the disposal group

Fair value less costs to sell of the disposal group based on significant unobservable inputs (refer to note 4.3).

Recognition and measurement of provisions

Key assumptions about the likelihood and magnitude of an outflow of resources (refer to note 6.16).

Acquisition of subsidiary

The fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis (refer to note 6.9).

Disposal/liquidation of subsidiary

Fair value of the agreed consideration (including contingent consideration) and fair value of the assets disposed and liabilities released, measured on a provisional basis (refer to note 4.3).

5.3 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or liability, the Group 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 and liabilities.
- Level 2: inputs other than quoted priced included in 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).

5.3 Measurement of fair values (continued)

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between the levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 42 of these financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in these financial statements, except for the changes in accounting policies described below. Following are the significant accounting policies applied by the Group in preparing its financial statements:

6.1 Changes in accounting policies

Impact on adoption of IFRS 16

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on leases where the Group is the lessor.

In the current year, the Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 01 January 2019.

The Group elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also adopted the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied for the exemption not to recognize right-of-use assets and liabilities for leases that are expiring during 2019.
- Excluded initial direct cost from measuring the right-of-use asset at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’).

Prior to adoption of IFRS 16

The Group has lease contracts for various items of land and buildings. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date.

A lease was classified as a finance lease 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 to achieve a constant rate of interest on the remaining balance of the liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as operating expenses in profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognized under prepayments and other payables, respectively.

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After adoption of IFRS 16

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of the initial application. Under modified retrospective approach right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. Accordingly, the comparative information is not restated.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets of SR 18,191,962 were recognized and presented separately in the consolidated statement of financial position.
- Lease liabilities of SR 16,904,564 were recognized and included under Lease liabilities.
- Prepayments of SR 1,287,398 related to previous operating leases were reclassified to the right-of-use assets.

For the year ended 31 December 2019:

- Depreciation expense increased by SR 6,160,330 relating to the depreciation of additional assets recognized (i.e., increase in right-of-use assets).
- Rent expense decreased by SR 4,059,355 relating to previous operating leases.
- Finance costs increased by SR 5,247,005 relating to the interest expense on additional lease liabilities recognized.

Financial impact of adoption IFRS 16 is as follows:

Impact on the consolidated statement of financial position as at 1 January 2019:

Assets	**Amount**
Right-of-use assets	16,904,564
Prepayments	1,287,398
	18,191,962
Liabilities	
Lease liabilities	16,904,564

Impact on the consolidated statement of profit or loss for the year ended 31 December 2019:

	Amount
Depreciation expense of right-of-use assets	6,160,330
Rent expense	(4,059,355)
Impact on operating profit	2,100,975
Finance costs	5,247,005
Impact on profit for the year	7,347,980

Reconciliation of lease liabilities according to IFRS 16:

	Amount
Minimum lease payments under operating leases as of 1 January 2019	23,330,985
Recognition exemption:	
For short term leases	(25,940)
Effect from discounting at the incremental borrowing rate as of 1 January 2019	(6,400,931)
Liabilities additionally recognized based on the initial application of IFRS 16 as of 1 January 2019	16,904,114

After adoption of IFRS 16 (continued)

Amounts recognized in the statement of consolidated profit and loss:

	Amount
Depreciation expense of right-of-use assets	6,160,330
Interest expense on lease liabilities	5,247,005
Rent expense - short-term leases	1,210,820
	12,618,155

Below are the new accounting policies of the Group after the adoption of IFRS 16:

Lessee

The Group assesses whether a contract contains a lease, at the inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low-value assets as follows:

Right of use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of land and buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

6.2 Foreign currency translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when the fair value was determined.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Saudi Riyals at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Saudi Riyal at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest (NCI).

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

6.3 Cash and cash equivalents

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

For the consolidated statement of cash flow, cash and cash equivalents include bank balances and deposits with original maturities of three months or less, if any.

6.4 Trade receivables

Trade receivables are carried at original invoice amount less impairment losses at an amount equal to the lifetime ECLs. When an account receivable is uncollectible, it is written-off against the impairment losses. Any subsequent recoveries of amounts previously written off are credited against "Impairment losses on trade and other receivables" in the consolidated statement of profit or loss. Refer to note 6.6 for impairment of financial assets of these financial statements.

6.5 Inventories

Inventories are included in the financial statements at the lower of cost (including raw materials, direct labour, other direct costs and related production overheads) and net realizable value with due allowance for any obsolete or slow-moving items, near to expiry products and damages as per Group's policy. The cost of raw materials, consumables, spare parts, and finished goods is determined on a weightage average cost method.

6.6 Financial Instruments

i. Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

Financial assets are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss in the finance income or expense line.

Amortized cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within cost of sales in the statement of profit or loss. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

Amortized cost (continued)

The Group uses historical loss experience and derives loss rates based on the past 30 months and adjust the historical loss rates to reflect the information about current conditions and reasonable and supportable forecast of future economic conditions. The loss rates differ based on the ageing of the amounts that are past due and are generally higher for those with higher ageing.

The Group's financial assets measured at amortized cost comprise trade receivables, other assets, and cash and cash equivalents in the statement of consolidated financial position.

Fair value through other comprehensive income

The Group has several strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserves. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss unless the dividend represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserves.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade receivables and other assets are presented separately in the statement of profit or loss account.

ii. Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

Financial liabilities fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss account. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Interest-bearing liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Loans and borrowings, lease liabilities, contract liabilities, Accounts and other payables and other short-term monetary liabilities, which are initially recognized at fair value and subsequently carried at amortised cost using the effective interest method.

De-recognition

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

6.7 Investment in equity-accounted associates and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or 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 recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or 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.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or 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 associate or joint venture and its carrying value and recognizes the loss as impairment loss of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

6.8 Intangible assets

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 amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

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

6.8 Intangible assets (continued)

Intangible assets with finite lives are 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 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Intangible assets including technologies, software, brand name, and customers' list, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

The significant intangible assets recognized by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	**Useful economic life**
Technologies	7 years
Brand name	7 years
Customers list	7 years
Software	7 -8 years
Licenses	8 years

Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

6.9 Business combinations

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 acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9: Financial Instruments is measured at fair value with the changes in fair value recognized in the other comprehensive income.

6.10 Investment in subsidiaries

Where the company has control over an investee, it is classified as a subsidiary. The company control an investee if all three of the following elements are present:

- power over the investee;
- exposure to variable returns from the investee; and
- the ability of the investor to use its power to affect those variable returns

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group; plus
- any costs directly attributable to the acquisition of the subsidiary.

All subsidiaries have a reporting date of 31 December.

6.11 Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, if any, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in the cost at its acquisition-date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of profit or loss. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of the consideration paid, the excess is credited in full to the consolidated statement of profit or loss on the acquisition date.

6.12 Assets under construction

Assets under construction are stated at cost and not depreciated. Depreciation on assets under construction commences when the assets are ready for their intended use. When assets are ready for their intended use, they are transferred to property, plant and equipment or intangible assets. Finance costs on borrowings to finance the construction of qualified assets are capitalized during the period that is required to complete and prepare the asset for its intended use.

6.13 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation, and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. All other repair and maintenance costs are recognized in the income statement 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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss as other income.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Description	**Depreciation rate**
Buildings	2% to 3 %
Plant and machinery	4% to 10 %
Furniture and fixtures	10%
Office equipment and computers	25%
Vehicle	25%

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

6.14 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period 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.

6.15 Impairment testing of non-financial assets

Disclosures relating to impairment of non-financial assets are summarized in the following notes:

Accounting policy disclosures

Disclosures for significant assumptions and estimation uncertainties

Property and equipment

Capital work-in-progress

Intangible assets

Goodwill and intangible assets with indefinite lives

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. The recoverable amount 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. When 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 pre-tax 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 companies or other available fair value indicators.

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

6.15 Impairment testing of non-financial assets (continued)

Impairment losses of continuing operations are recognized in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such an indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

6.16 Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided as provision.

6.17 Zakat and income tax

The Company and its Saudi Arabian subsidiaries are subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Any differences between the provision and the final assessment are recorded at the approval of the final assessment when the provision is closed. The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. The foreign subsidiaries are subject to tax regulations in their countries of incorporation.

Zakat and foreign subsidiaries' income tax are charged in profit or loss.

Current tax

The current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. The current tax also includes any tax arising from dividends.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group can control the timing of the reversal of the temporary differences and, probably, they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that future taxable profits will probably be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from how the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

6.18 Payables and accruals

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

6.19 Employees' end of service benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution plans are expensed as the related service is provided of the employee. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plan

The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding finance expense) and the effect of the asset ceiling (if any, excluding finance expense) are recognized immediately in other comprehensive income. The Group determines the net finance expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net finance expense and other expenses related to defined benefit plans are recognized in statement of profit or loss.

Defined benefit plan (continued)

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employees' benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognized in profit or loss in the period in which they arise.

6.20 Government grants

Government grants including non-monetary grants at fair value received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of profit or loss or netted against the asset purchased.

Non-monetary asset, such as land or other resources, is assessed for the fair value of the non-monetary asset and accounted for both grant and asset at that fair value.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the market rate, the effect of this favorable interest is regarded as a government grant.

6.21 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period profits.

All transactions with owners of the parent are recorded separately within equity.

Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries of the Company and whose functional currencies are different from the Company's functional currency.

Statutory reserve

As required by the Saudi Arabian Regulations for Companies, 10% of the Group's net profit for the year is to be transferred to the statutory reserve. The Group may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

Consensual reserve

Under the provisions of the Articles of Association of the Company, it transfers 5% of the annual net income to consensual reserve until the reserve reaches 25% of the capital. The general assembly determines the purpose of using this reserve.

Fair value reserve

The fair value reserve comprises gains and losses on the fair value movements of the Group's investments at FVOCI.

Dividend payments

The Group recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the Companies Regulations, a distribution is authorized when it is approved by the shareholders.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in profit or loss.

6.22 Revenue

The Group receives revenue from the sales of goods to customers against orders received. The majority of contracts that the Company enters into relating to sales orders containing single performance obligation (PO) for the delivery of pharmaceutical and consumer healthcare products. The average duration of a sales order is less than 12 months.

Product revenue

Product revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer.

Product revenue represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, experience, and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, revenue is adjusted accordingly.

A contract liability is recognized for expected returns, rebates and volume discounts in relation to sales made until the end of the reporting period.

Value-added tax and other sales taxes are excluded from revenue.

Contract manufacturing services revenue

The Groups has arrangements with some licensors to do primary and secondary packaging as well as distribution on the behalf of licensors. Revenue under such arrangements is recognized to the extent that the services agreed in the contract with licensors have been rendered.

Distribution services revenue

Revenue is recognised when control of the goods is passed on to the customer after their distribution.

Principal versus Agent considerations

The Group has carried out a comprehensive reassessment of these arrangements to determine whether the Group is acting as a principal or an agent when delivering goods to a customer as this will impact whether revenue is recognized on a gross or net basis.

The Group considered factors like having primary responsibility to provide the goods, assuming inventory risk, and having the ability to establish prices. Where such indicators are met the Group is considered acting as a principal and therefore, sales transactions related to the above are recorded on a gross basis.

Rendering of clinical services

Revenue from services primarily comprises fees charged for inpatient and outpatient hospital services, net of any discount or rebates and expected rejections at the time of providing services to the patients. These include charges for accommodation, theatre, medical professional services, equipment, radiology, and laboratory. These services are sold either separately or bundled together with the sale of medicines and related products to a customer.

The Group concluded that revenue from bundled services will be recognized over time.

Volume discounts

Revenue is often sold with volume discounts based on aggregate sales over 12 months. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Historical experience is used to estimate and provide for discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

Dividend income

Dividend income is recognised in the profit and loss when the Group’s right to receive the payment is established which is generally when the shareholders approve the dividend.

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Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss.

6.23 Finance income and finance costs

The Group's finance income and finance costs include:

- Murabaha income on Sharia Compliant facilities and profit margin on other facilities;
- Murabaha charges on Sharia Compliant facilities and finance cost on other facilities;
- Finance cost on lease liabilities: and
- Finance cost for on loan from Saudi Industrial Development Fund ("SIDF")

Murabaha income/expense on Sharia Compliant facilities and profit margin/finance cost on other facilities is recognized using the effective interest method in the consolidated statement of profit loss.

Finance cost on SIDF is recognised using the market interest rate in the consolidated statement of profit loss.

6.24 Cost of revenue

Cost of revenue includes direct costs of sales, including costs of materials, contract services, and overheads directly attributable to revenue.

6.25 Selling, marketing, general and administrative expenses

Selling, marketing, general and administrative and other expenses include direct and indirect costs not specifically part of the cost of revenues. Allocations between cost of revenue and other operating expenses are made consistently when required.

6.26 Research and development cost

Development cost is capitalized when the following criteria for recognizing an asset is met:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group can sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of revenue in the consolidated statement of profit or loss.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of profit or loss as incurred.

7. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Cash in hand	**107,635**	1,820,439	56,135
Cash at banks	**281,532,508**	167,134,444	284,636,212
Short term deposits *	**97,332,705**	98,345,637	49,224,545
	378,972,848	267,300,520	333,916,892

* This represents short term Murabaha deposits held with various banks with profit margin ranging from 1.5% to 1.9% (31 December 2018: 1.5% and 1 January 2018: 0.6%) with a maturity of less than 3 months.

(SAUDI RIYALS)

8. TRADE RECEIVABLES

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Trade receivables	**1,109,515,272**	1,154,914,263	1,147,523,973
Less: Impairment loss	**(207,075,132)**	(111,337,452)	(117,269,206)
	902,440,140	1,043,576,811	1,030,254,767
Due from associates and joint venture	**34,717,302**	60,811,298	71,757,707
	937,157,442	1,104,388,109	1,102,012,474

Ageing analysis of trade receivables past due but not impaired is as follows:

	31 December 2019	31 December 2018	1 January 2018
Up to 3 months	**423,175,558**	311,169,876	253,555,184
3 to 6 months	**139,316,174**	332,078,796	326,147,988
6 to 12 months	**333,876,208**	217,848,220	243,130,878
Over 1 year	**213,147,332**	293,817,371	324,689,923
	1,109,515,272	1,154,914,263	1,147,523,973

Impairment loss movement of trade receivables:

	Specific impairment	**Impairment loss**	**Total**
Balance as at 1 January 2019	**30,248,416**	**81,089,036**	**111,337,452**
Impairment loss for the year	**11,947,540**	**83,790,140**	**95,737,680**
Balance as at 31 December 2019	**42,195,956**	**164,879,176**	**207,075,132**
Balance as at 1 January 2018 - Restated	17,600,000	99,669,206	117,269,206
Impairment loss for the year	12,648,416		12,648,416
Reversal of impairment for the year	-	(18,580,170)	(18,580,170)
Balance as at 31 December 2018 - Restated	30,248,416	81,089,036	111,337,452

9. INVENTORIES

	31 December 2019	**31 December 2018** (Restated)	**1 January 2018** (Restated)
Raw materials	**140,515,295**	167,705,160	157,937,571
Work in progress	**21,023,610**	48,044,912	38,945,304
Finished goods	**218,309,443**	245,826,802	229,799,132
Goods in transit	**27,939,605**	8,333,657	6,311,960
Stores and spares	**22,310,941**	20,544,725	22,372,665
	430,098,894	490,455,256	455,366,632
Less: Provision for slow-moving and near expiry	**(28,637,392)**	(9,566,384)	(500,000)
	401,461,502	480,888,872	454,866,632

Movement of provision for slow-moving and near expiry inventories

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Opening balance	**9,566,384**	500,000	500,000
Provision for the year	**19,071,008**	9,066,384	-
Closing balance	**28,637,392**	9,566,384	500,000

(SAUDI RIYALS)

10. PREPAYMENTS AND OTHER ASSETS

	31 December 2019	31 December 2018	1 January 2018
		(Restated)	(Restated)
Advances to suppliers	**66,837,568**	77,838,198	56,352,774
Receivables from employees	**38,258,659**	40,322,829	41,692,703
Prepaid insurance and other expenses	**15,466,897**	42,847,509	25,626,006
Receivable from distributors and agents	**19,816,069**	19,798,348	14,716,489
Dividend receivables	**10,503,675**	10,503,675	-
Advance payment of zakat and income tax	**190,850**	18,868,553	10,110,025
VAT refundable	**1,995,780**	6,569,447	-
Others	**4,660,605**	5,918,751	40,352,612
	157,730,103	222,667,310	188,850,609

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - FVTPL

	31 December 2019	31 December 2018	1 January 2018
		(Restated)	(Restated)
Opening balance	**13,105,159**	35,452,873	9,928,214
Additions during the year	**20,000,000**	22,000,000	34,000,000
Profit for the year	**726,854**	504,686	369,622
Disposals during the year	**(6,000,000)**	(44,852,400)	(8,844,963)
Closing balance	**27,832,013**	13,105,159	35,452,873

12. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - FVOCI

	31 December 2019	31 December 2018	1 January 2018
		(Restated)	(Restated)
Opening balance	**873,905,333**	1,023,354,665	1,097,681,899
Changes in fair value during the year	**(51,225,003)**	44,921,234	(18,189,700)
Disposals during the year	**(6,436,167)**	(194,370,566)	(56,137,534)
Closing balance	**816,244,163**	873,905,333	1,023,354,665

Portfolio of equity investments – FVOCI

	31 December 2019	31 December 2018	1 January 2018
		(Restated)	(Restated)
Cost			
National Industrialization Company (TASNEE)	**265,741,242**	265,741,242	265,741,242
Saudi Industrial Investment Group (SIIG)	**107,370,900**	107,370,900	107,370,900
Yanbu National Petrochemical Company (YANSAB)	**-**	-	26,759,250
Arabian Industrial Fibers Company (IBN RUSHD)	**16,500,000**	16,500,000	16,500,000
	389,612,142	389,612,142	416,371,392
Mutual fund			
Investment in mutual fund - Riyadh Equity Fund 2	**-**	9,950,000	9,950,000
	389,612,142	399,562,142	426,321,392
Unrealized gain on investments	**426,632,021**	474,343,191	597,033,273
	816,244,163	873,905,333	1,023,354,665

(SAUDI RIYALS)

Details of shareholdings percentages in investee companies and number of units in mutual fund

	31 December 2019	31 December 2018	1 January 2018
Equity Shares			
National Industrialization Company (TASNEE)	**5.25%**	5.25%	5.25%
Saudi Industrial Investment Group (SIIG)	**3.12%**	3.12%	3.12%
Yanbu National Petrochemical Company (YANSAB)	**-**	-	1.9%
Arabian Industrial Fibers Company (IBN RUSHD)	**4.17%**	4.17%	4.14%
Mutual Fund Units			
Investment in mutual fund - Riyadh Equity Fund 2	**-**	826,337 units	826,337 units

On disposal of equity investments measured at FVOCI, the accumulated fair value reserve of disposed of investments is reclassified from the fair value reserve to retained earnings. Investment in a mutual fund with a fair value of SR 6.44 million was disposed of during the year (31 December 2018: SAR 194.3 million) and the cumulative loss on this investment was SR. 3.53 million. (31 December 2018: cumulative gain SAR 167.6 million).

13. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES AND JOINT VENTURES

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Opening balance	**70,426,756**	65,268,211	77,129,328
Additions	**36,903,936**	20,708,370	-
Dividends	**(19,147,249)**	(8,922,770)	(8,528,383)
Share of loss recognized in the consolidated statement of profit or loss (note 38)	**(14,260,768)**	(6,402,607)	(2,792,525)
Share of other comprehensive income	**280,326**	(224,448)	(540,209)
Closing balance	**74,203,001**	70,426,756	65,268,211

Equity-accounted associates and joint ventures

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint Venture	**73,983,918**	68,757,962	55,929,845
CAD Middle East Pharmaceutical Company- Associate	**-**	-	6,229,139
Tassili Arab Pharmaceutical Company (TAPHCO) – Associate	**219,083**	1,668,794	3,109,227
	74,203,001	70,426,756	65,268,211

Percentages of ownership in equity-accounted investment

	31 December 2019	31 December 2018	1 January 2018
Equity Shares			
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint Venture	51%	51%	51%
CAD Middle East Pharmaceutical Company- Associate	46.08%	46.08%	44.05%
Tassili Arab Pharmaceutical Company (TAPHCO) – Associate	22%	22%	22%

(SAUDI RIYALS)

14. INTANGIBLE ASSETS

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Cost:			
As at 1 January	**263,852,290**	259,500,492	302,511,484
Additions	**7,631,845**	13,386,959	-
Disposals	**(73,022,447)**	(1,298,690)	(43,010,992)
Reclassified to assets under construction	**-**	(7,736,471)	-
Effect of foreign currency translation	**33,294**	-	-
As at 31 December	**198,494,982**	263,852,290	259,500,492
Accumulated amortization:			
As at 1 January	**160,057,812**	136,889,983	179,900,974
Charge for the year	**27,667,177**	23,167,829	-
Elimination on disposals	**(70,510,616)**	-	(43,010,991)
As at 31 December	**117,214,373**	160,057,812	136,889,983
Net book value	**81,280,609**	103,794,478	122,610,509

15. GOODWILL

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Opening balance	**137,698,760**	137,698,760	137,698,760
Impairment during the year	**(137,698,760)**	-	-
Closing balance	**-**	137,698,760	137,698,760

Goodwill relates to the Group's acquisition of SPIMACO Egypt Pharmaceutical Industries (“SEPI”) in 2015, and Qassim Medical Services Company (“QMSC”) in 2016.

During the year ended 31 December 2019, the Company carried out purchase price allocation (PPA) exercise on both subsidiaries which resulted in a change in the carrying value of net assets and reported goodwill. The Company applied the related adjustments resulted from the above change retrospectively in these financial statements. Refer to note 44 for details.

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate to calculate the present value of the cash flows.

During the year, the management performed the impairment assessment of the above goodwill which resulted in an impairment due to negative cash flows based on projected losses in future periods. The recoverable amounts of the above subsidiaries have been determined from the value in use calculations based on cash flow projections covering five years to 31 December 2024. Consequently, an impairment of SR 9.7 million related to SEPI and SR 128 million related to QMSC accounted for in these financial statements.

(SAUDI RIYALS)

16. ASSETS UNDER CONSTRUCTION

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Property, plant and equipment	**672,229,378**	736,505,603	513,840,564
Intangible assets	**17,192,031**	7,736,471	-
	689,421,409	744,242,074	513,840,564

Movement of assets under construction

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Opening balance	**744,242,074**	513,840,564	597,156,613
Additions during the year	**237,714,780**	203,587,929	134,133,511
Reclassified from property, plant and equipment (refer note 18)	**-**	26,813,581	-
Transfer to property, plant and equipment (refer note 18)	**(292,354,586)**	-	(217,449,560)
Effect of foreign currency translation	**(180,859)**	-	-
Closing balance	**689,421,409**	744,242,074	513,840,564

Movement of assets under construction- Intangible assets

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Opening balance	**7,736,471**	-	-
Additions during the year	**9,455,560**	7,736,471	-
Closing balance	**17,192,031**	7,736,471	-

17. RIGHT-OF-USE ASSETS

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
On transition as at 1 January 2019	**18,191,962**	-	-
Charge for the year	**(6,160,330)**	-	-
Closing balance	**12,031,632**	-	-

(SAUDI RIYALS)

18. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and Machinery	Furniture and fixtures	Office equipment and computers	Vehicles	Total
COST :							
As at 1 January 2018	137,346,590	467,823,880	660,676,385	141,072,833	30,402,556	15,900,032	1,453,222,276
Additions	-	22,528,437	27,001,930	11,222,432	593,825	2,723,231	64,069,855
Reclassified to / from assets under construction (refer note 16)	(15,305,992)	(13,013,507)	(8,802,375)	8,278,767	1,235,294	794,232	(26,813,581)
Disposals	-	(361,454)	(2,774,578)	(57,468)	(8,180)	(303,300)	(3,504,980)
As at 31 December 2018	**122,040,598**	**476,977,356**	**676,101,362**	**160,516,564**	**32,223,495**	**19,114,195**	**1,486,973,570**
Additions	**-**	**18,665,716**	**12,837,917**	**42,432,329**	**2,010,881**	**2,611,398**	**78,558,241**
Transfers from assets under construction (refer note 16)	**-**	**200,957,041**	**82,693,970**	**6,152,312**	**2,024,244**	**527,019**	**292,354,586**
Disposals	**-**	**-**	**(5,530,206)**	**(179,018)**	**(52,280)**	**(350,000)**	**(6,111,504)**
Effect of foreign currency translation	**1,082**	**220,911**	**(546,109)**	**7,085**	**(856)**	**(39,191)**	**(357,078)**
As at 31 December 2019	**122,041,680**	**696,821,024**	**765,556,934**	**208,929,272**	**36,205,484**	**21,863,421**	**1,851,417,815**
ACCUMULATED DEPRECIATION :							
As at 1 January 2018	-	202,789,892	402,917,973	98,021,970	20,886,141	11,756,246	736,372,222
Charge for the year	-	1,607,665	10,337,235	11,449,490	3,865,629	2,573,806	29,833,825
Disposals	-	(202,089)	(2,774,578)	(50,156)	(8,181)	(181,425)	(3,216,429)
As at 31 December 2018	**-**	**204,195,468**	**410,480,630**	**109,421,304**	**24,743,589**	**14,148,627**	**762,989,618**
Charge for the year	-	**13,352,944**	**38,171,238**	**11,509,740**	**4,409,085**	**2,528,671**	**69,971,678**
Disposals	**-**	**-**	**(5,151,484)**	**(104,571)**	**(21,146)**	**(194,792)**	**(5,471,993)**
Effect of foreign currency translation	**-**	**27,381**	**33,951**	**2,176**	**2,324**	**2,458**	**68,290**
As 31 December 2019	-	**217,575,793**	**443,534,335**	**120,828,649**	**29,133,852**	**16,484,964**	**827,557,593**
NET BOOK VALUE :							
31 December 2019	**122,041,680**	**479,245,231**	**322,022,599**	**88,100,623**	**7,071,632**	**5,378,457**	**1,023,860,222**
31 December 2018	122,040,598	272,781,888	265,620,732	51,095,260	7,479,906	4,965,568	723,983,952
1 January 2018	137,346,590	265,033,988	257,758,412	43,050,863	9,516,415	4,143,786	716,850,054

In 1992, the Governorate of Buraydah granted a plot of land with zero consideration to QMSC to construct and operate the hospital. As per the grant deed, this land is conditional for the construction and operation of the hospital only. In the event of liquidation of QMSC or the closure of the hospital operations, the land will be transferred back to the Governorate of Buraydah without any compensation. The grant deed also provides the renewal option after every 20 years without any additional charge. The Company recorded the land at fair value, determined by an independent valuer amounting to SR 31 million, with the corresponding effect in deferred income as a government grant, which is being amortized over the term of the grant deed.

In the opinion of management, there has been no impairment in the carrying value of the Group's property, plant and equipment as at 31 December 2019 (31 December 2018: SR nil).

19. DEFERRED TAX ASSETS

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Balance at beginning of the year	**16,301,282**	16,029,766	16,029,766
Charge during the year	**7,422,927**	271,516	-
	23,724,209	16,301,282	16,029,766

Deferred tax assets resulted from the temporary differences from the below items and after applying the tax rate applicable in relevant subsidiaries' jurisdictions**.**

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Deductible temporary difference			
Provision of expected credit losses	**5,952,445**	3,979,106	4,222,189
Provision for slow-moving inventory	**206,585**	20,490	20,490
Provisions - sales discounts and sales returns	**2,203,264**	1,643,555	1,549,954
Provision for financial guarantee	**4,553,572**	-	-
Provision for employee benefits	**9,724,459**	9,840,592	9,409,819
Deferred income	**1,719,671**	-	-
Depreciation of property, plant and equipment	**(635,787)**	817,539	827,314
	23,724,209	16,301,282	16,029,766

20. LOANS AND BORROWINGS

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Current			
Islamic financing (Murabaha)	**213,452,844**	156,666,668	110,000,000
Government loans	**22,000,000**	24,900,550	4,562,000
Short term loans	**250,000,000**	357,780,114	7,976,779
	485,452,844	539,347,332	122,538,779
Non-current			
Islamic financing (Murabaha)	**290,462,069**	425,017,977	631,721,780
Government Loans	**422,207,622**	54,100,000	50,123,000
	712,669,691	479,117,977	681,844,780

The Company has Murabaha finance contract of SR 1,660 million, with a local bank to finance the working capital needs and operations' expansion of the Company. The Murabaha contract is in Saudi Riyals and bears mark up ranging from SIBOR + 1% to 1.85%. The loan volume of Murabaha finance used by the Company is SR 611.7 million as at 31 December 2019 (31 December 2018: SR 858.3 million and 1 January 2018: SR 650 million). The unused portion of the total financing contract is SR 1,048.3 million as at 31 December 2019 (31 December 2018: SR 801.7 million and 1 January 2018: SR 1,010 million). The loan is repayable in quarterly installments for 5 years after a grace period of two years. A promissory note was signed by the Company for the financing bank.

On 7 January 2019, the Company obtained a loan from Saudi Industrial Development Fund ("SIDF") amounting to SR 258 million. The Company obtained this loan to finance the expansion of its manufacturing facility. This loan is repayable in semi-annual installments for 5 years.

On 31 October 2019, the Company obtained another loan from SIDF amounting to 150 million to finance the working capital requirements. The loan is repayable after two years in full.

During the year ended 31 December 2016, a subsidiary of the Company signed an Islamic financing contract with a local bank amounting to SR 90 million. The contract is in Saudi Riyals and bears mark up of SIBOR+1.5%. This loan is repayable in semi-annually installments for years. The loan is aimed to finance the construction of the manufacturing facility. The loan is secured against the corporate guarantee undertaken by the Company.

(SAUDI RIYALS)

20. LOANS AND BORROWINGS (continued)

During the year ended 31 December 2018, a foreign subsidiary of the Company obtained long term loans equivalent to SR 27 million and SR 21 million from two local banks in the country of its incorporation and bear mark up rates of 4.62% and 4.66% respectively. These loans are repayable in quarterly installments for 10 and 2 years respectively. The loans were obtained to finance the working capital needs and operations' expansion. This loan is secured against the land and buildings of the foreign subsidiary.

During the year ended 31 December 2016, a subsidiary of the Company obtained a loan from SIDF amounting to SR 79 million for the construction of a plant. This loan is repayable in semi-annual installments for 10 years. This loan is secured against all the assets related to the plant and a guarantee undertaken by the Company.

During the year ended 31 December 2019, the Group capitalized finance charges amounting to SR 8.6 million (31 December 2018: SR 4.45 million, 1 January 2018; SR 10.8 million).

The covenants of some credit facilities require the Group to maintain a certain level of financial indicators and some other requirements.

21. FINANCIAL GUARANTEE PROVISION

The Company provided a financial guarantee against loans issued by financial institutions to its associate, CAD Middle East Pharmaceutical Company (CAD). CAD is in continuous losses for the past few years and facing significant liquidity difficulties in discharging its financial liabilities. The Company's share of the outstanding balance of the total loan amount is SR 101 million and the Company has recorded the provision for the same amount in these financial statements.

22. LEASE LIABILITY

	31 December 2019	31 December 2018	1 January 2018
On transition as at 1 January 2019	**16,904,564**	-	-
Finance cost	**5,247,005**	-	-
Payments made during the year	**(10,494,010)**	-	-
	11,657,559	-	-
Less: current portion	**(3,692,015)**	-	-
	7,965,544	-	-

23. ZAKAT AND INCOME TAX PAYABLE

Provision for zakat

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
As at 1 January	**56,505,704**	57,361,616	51,370,871
Zakat charge for the year (refer note number 39)	**36,913,698**	30,621,553	30,104,349
Prior year adjustment	**-**	(426,363)	726,383
Zakat paid during the year	**(61,880,956)**	(31,051,102)	(24,839,987)
As at 31 December	**31,538,446**	56,505,704	57,361,616

Provision for income tax

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
As at 1 January	**10,890,513**	28,343,415	16,840,069
Tax charge for the year (refer note number 39)	**2,187,587**	6,290,208	11,140,081
Returned from foreign partner	**(7,494,120)**	(11,846,303)	12,877,658
Tax paid during the year	**-**	(11,896,807)	(12,514,393)
As at 31 December	**5,583,980**	10,890,513	28,343,415
Provision for zakat and income tax	**37,122,426**	67,396,217	85,705,031

(SAUDI RIYALS)

23. ZAKAT AND INCOME TAX PAYABLE (continued)

Zakat expenses are calculated based on net adjusted income or zakat base, whichever is higher according to the regulations of the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Income tax on foreign subsidiaries are calculated as per each respective country's tax laws.

The Company and its subsidiaries are subject to zakat per the regulations of GAZT. The provision of zakat is calculated as per the zakat base prepared based on the consolidated financial statements of the Company and its subsidiaries directly or indirectly owned by the Group. The calculated zakat provision is then distributed between the Company and its subsidiaries. Any differences between the provision and the final assessment are recorded at the approval of the final assessment when the provision is closed.

Status of assessment

Zakat assessments for the Group have been finalized with GAZT and final zakat certificates obtained for the years up to 2011. The Company has submitted the zakat returns for all the years up to 2018.

All subsidiaries are filing zakat and/or income tax returns regularly as per their country of incorporation regulations and no dispute requires any additional provisions.

24. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	31 December 2019	31 December 2018	1 January 2018
		(Restated)	(Restated)
Trade payables	**423,775,275**	278,195,566	401,091,272
Employees related accruals	**75,198,104**	62,494,558	60,725,144
Accrued expenses	**26,852,034**	34,327,437	16,591,683
VAT payable	**289,324**	-	-
Excess subscription money	**12,642,412**	12,642,412	12,642,412
Others	**4,380,754**	13,569,478	13,932,253
	543,137,903	401,229,451	504,982,764

25. CONTRACT LIABILITIES

	31 December 2019	31 December 2018	1 January 2018
Current liabilities		(Restated)	(Restated)
Sales discounts:			
Opening balance	**34,817,626**	35,605,399	80,000,000
Discounts provision against sales	**121,325,136**	111,808,823	102,660,937
Actual discounts adjusted during the year	**(113,833,717)**	(112,596,596)	(147,055,538)
Closing balance	**42,309,045**	34,817,626	35,605,399
Sales returns:			
Opening balance	**6,092,264**	11,706,806	30,523,502
Charge / (reversal) for the year	**40,416,717**	(5,614,542)	(18,816,696)
Closing balance	**46,508,981**	6,092,264	11,706,806
Contract liabilities - Current	**88,818,026**	40,909,890	47,312,205
Contract liabilities - Non-current*	**17,500,202**	4,291,224	-

The Group has changed its basis of sales returns estimate from 0.3% to 5%, which has resulted in an increase in the provision by SR 26 million.

* This relates to an advance received from AstraZeneca UK Limited per investment agreement dated June 2018.

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26. EMPLOYEES' END OF SERVICE BENEFITS

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Net defined benefit liability	**311,450,683**	297,211,448	285,241,018

The Group is committed to the following post-employment defined benefit plan:

In the Kingdom of Saudi Arabia, the plan entitles an employee who completed over two but less than five years of service, to receive a payment equal to one-third of their final salary for each completed year of service. Similarly, an employee who completed over five but less than ten years of service, to receive a payment equal to two-thirds of their final salary for each completed year of service. Further, an employee who completed over ten years of service, to receive a payment equal to their final salary for each completed year of service.

Movement in net defined benefit liability

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
As at 1 January	**297,211,448**	285,241,018	268,363,976
Included in profit or loss			
Current service cost	**35,484,453**	32,642,725	21,950,774
Finance expense	**13,318,203**	11,783,495	13,064,870
	48,802,656	44,426,220	35,015,644
Included in other comprehensive income			
Actuarial loss / (gain)	**2,009,251**	(16,834,799)	(12,475,925)
Benefits paid	**(36,572,672)**	(15,620,991)	(5,662,677)
As at 31 December	**311,450,683**	297,211,448	285,241,018

Actuarial assumptions on defined benefit liability

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Discount rate	**3.50% p.a.**	4.78% p.a.	4.30% p.a.
Future salary growth	**3.50% p.a.**	4.50% p.a.	4.25% p.a.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
INCREASE			
Discount rate (1% movement)	**272,476,331**	258,242,666	343,559,260
Future salary growth (1% movement)	**356,578,176**	247,094,187	330,800,170
DECREASE			
Discount rate (1% movement)	**355,406,603**	342,309,513	329,781,665
Future salary growth (1% movement)	**270,867,721**	256,607,049	245,635,586

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

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27. DEFERRED INCOME

	31 December 2019	31 December 2018	1 January 2018
Government grant - Land	**16,178,740**	17,796,616	19,278,909
Government grant – SIDF loan	**24,463,475**	-	-
	40,642,215	17,796,616	19,278,909

28. SHARE CAPITAL

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Share capital issued and fully paid @ SR 10 each	**1,200,000,000**	1,200,000,000	1,200,000,000

Percentage of shareholding

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Saudi Shareholding	**79.51%**	79.51%	79.51%
Non-Saudi Shareholding-Arab Company for Drug Industries and Medical Appliances - Jordan	**20.49%**	20.49%	20.49%

29. FAIR VALUE RESERVE

	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Opening balance	**474,343,191**	597,033,273	661,361,307
Changes of fair value during the year	**(51,225,003)**	44,921,234	(18,189,700)
Transferred to retained earnings on disposal	**3,513,833**	(167,611,316)	(46,138,334)
Closing balance	**426,632,021**	474,343,191	597,033,273

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30. NON-CONTROLLING INTERESTS (NCI)

The following table summarizes the information relating to each of the Group's subsidiaries that have NCI:

31 December 2019	Dammam pharmaceutical company	Qassim medical services company	Al-Watan Arabia Pharmaceutical	Anora Pharmacy Company	SPIMACO Egypt for Pharmaceuticals	SPIMACO Morocco for Pharmaceuticals	Total
NCI percentage	15%	42.8%	20%	1%	48.4%	29.4%	
Non-current assets	254,346,968	203,646,849	202,752	2,230,708	64,032,312	153,663,185	678,122,774
Current assets	69,273,615	67,626,857	76,505,168	2,499,751	12,300,718	52,113,533	280,319,642
Non-current liabilities	(89,670,667)	(31,039,272)	(2,054,789)	(2,714,701)	(11,344,269)	(48,988,644)	(185,812,342)
Current liabilities	(86,029,889)	(22,402,010)	(2,113,934)	(3,967,317)	(22,621,563)	(51,898,105)	(189,032,818)
Net assets	147,920,027	217,832,424	72,539,197	(1,951,559)	42,367,198	104,889,969	583,597,256
Net assets attributable to NCI	22,188,004	93,166,928	14,507,836	(19,516)	24,465,077	30,785,206	185,093,535
Revenue	17,726,229	77,867,940	1,032,928	2,746,489	7,939,126	-	107,312,712
Profit	(36,894,369)	47,672	(6,341,116)	(1,642,515)	(16,360,886)	(47,865,728)	(109,056,942)
Other comprehensive income	(322,572)	102,274	(158,040)	-	-	-	(378,338)
Total comprehensive income	(37,216,941)	149,946	(6,499,156)	(1,642,515)	(16,360,886)	(47,865,728)	(109,435,280)
Profit allocated to NCI	(11,200,839)	(5,011,894)	(1,268,223)	(16,425)	(14,018,758)	(14,048,592)	(45,564,731)
Other comprehensive income allocated to NCI	(48,386)	43,746	(31,605)	-	-	-	(36,245)
Cash flows from operating activities	(8,902,592)	35,669,230	31,530,854	2,534,335	(28,901,133)	(45,781,840)	(13,851,146)
Cash flows from investment activities	(20,080,718)	(24,698,253)	117,479	(2,518,043)	(17,909,957)	(71,978,526)	(137,068,018)
Cash flows from financing activities	60,266,439	(1,474,483)	(50,000,000)	-	33,753,866	48,929,032	91,474,854
Net increase / (decrease) in cash and cash equivalents	31,283,129	9,496,495	(18,351,667)	16,292	(13,057,224)	(68,831,334)	(59,444,310)

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30. NON-CONTROLLING INTERESTS (NCI) (Continued)

The following table summarizes the information relating to each of the Group's subsidiaries that have NCI.

31 December 2018 - Restated	Dammam pharmaceutical Company	Qassim medical services Company	Al-Watan Arabia Pharmaceutical	Anora Pharmacy Company	SPIMACO Egypt for Pharmaceuticals	SPIMACO Morocco for Pharmaceuticals	Total
NCI percentage	15%	42.8%	20%	1%	48.4%	29.4%	
Non-current assets	240,139,181	186,366,727	-	-	71,853,082	103,457,291	601,816,281
Current assets	53,497,939	95,352,576	132,621,257	-	13,195,626	75,473,400	370,140,798
Non-current liabilities	(107,290,170)	(33,582,523)	-	-	-	(6,508,311)	(147,381,004)
Current liabilities	(61,209,983)	(17,375,019)	(1,800,000)	-	(21,618,810)	(21,230,777)	(123,234,589)
Net assets	125,136,967	230,761,761	130,821,257	-	63,429,898	151,191,603	701,341,486
Net assets attributable to NCI	18,770,545	87,367,731	26,164,252	-	41,512,562	44,374,742	218,189,832
Revenue	24,256,233	93,064,320	-	-	4,799,355	17,588,481	139,708,389
Profit	2,830,468	(12,243,839)	(13,894,200)	-	(7,650,355)	(11,669,765)	(42,627,691)
OCI	(70,992)	2,498,024	-	-	-	-	2,427,032
Total comprehensive income	2,759,476	(9,745,815)	(13,894,200)	-	(7,650,355)	(11,669,765)	(40,200,659)
Profit allocated to NCI	424,570	(10,269,343)	(2,778,840)	-	(9,517,503)	(3,425,075)	(25,566,191)
OCI allocated to NCI	(10,650)	1,068,480	-	-	-	-	1,057,830
Cash flows from operating activities	(4,595,510)	(30,338,448)	3,772,116	-	1,776,431	(15,447,877)	(44,833,288)
Cash flows from investment activities	(12,013,075)	17,783,469	(53,763,486)	-	(402,872)	(40,131,918)	(88,527,882)
Cash flows from financing activities	(8,282,230)	(2,281,000)	50,000,000	-	1,921,877	8,120,156	49,478,803
Net increase / (decrease) in cash and cash equivalents	(24,890,815)	(14,835,979)	8,630	-	3,295,436	(47,459,639)	(83,882,367)

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30. NON-CONTROLLING INTERESTS (NCI) (Continued)

The following table summarizes the information relating to each of the Group's subsidiaries that have NCI.

1 January 2018 - Restated	Dammam pharmaceutical company	Qassim medical services company	Al Watan Arabia Pharmaceutical	Anora Pharmacy Company	SPIMACO Egypt for Pharmaceuticals	SPIMACO Morocco for Pharmaceuticals	Total
NCI percentage	15%	42.8%	20%	-	48.4%	37.3%	
Non-current assets	227,674,144	202,224,516	1,231,124	-	84,726,726	46,976,579	562,833,089
Current assets	68,403,496	100,839,576	93,501,429	-	13,693,373	135,248,115	411,685,989
Non-current liabilities	(157,665,818)	(36,349,372)	-	-	-	-	(194,015,190)
Current liabilities	(16,034,331)	(15,656,116)	(1,800,000)	-	(14,480,206)	(18,148,399)	(66,119,052)
Net assets	122,377,491	251,058,604	92,932,553	-	83,939,893	164,076,295	714,384,836
Net assets attributable to NCI	18,356,624	107,339,522	18,586,511	-	40,769,609	48,758,297	233,810,563
Revenue	28,077,020	90,564,078	-	-	12,647,433	23,786,558	155,075,089
Profit	4,667,312	6,104,061	(5,238,123)	-	(12,500,008)	3,294,948	(3,671,810)
Other comprehensive income	(2,031,268)	887,794	-	-	-	-	(1,143,474)
Total comprehensive income	2,636,044	6,991,855	(5,238,123)	-	(12,500,008)	3,294,948	(4,815,284)
Profit allocated to NCI	700,097	2,610,707	(1,047,625)	-	(6,042,504)	967,067	(2,812,258)
OCI allocated to NCI	(304,690)	379,736	-	-	-	-	75,046
Cash flows from operating activities	(27,284,475)	32,247,262	1,231,124	-	(15,292,794)	(3,613,289)	(12,712,172)
Cash flows from investment activities	(20,599,956)	(30,045,476)	(1,231,124)	-	5,835,841	(24,593,250)	(70,633,965)
Cash flows from financing activities	(17,562,895)	(2,281,000)	-	-	4,276,391	63,074	(15,504,430)
Net increase / (decrease) in cash and cash equivalents	(65,447,326)	(79,214)	-	-	(5,180,562)	(28,143,465)	(98,850,567)

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31. Revenue

	31 December 2019	31 December 2018 (Restated)
Product sales (net of rebates, discounts, allowances and returns)	**1,462,950,106**	1,414,716,762
Manufacturing services contract	**5,763,179**	5,216,596
Clinical services	**77,867,940**	78,368,404
Distribution services	**5,933,853**	5,021,719
	1,552,515,078	1,503,323,481

32. SELLING AND MARKETING EXPENSES

	31 December 2019	31 December 2018 (Restated)
Employees' salaries and benefits	**235,558,603**	227,391,286
Advertising and promotions	**119,844,324**	78,221,419
Travel and training	**10,989,775**	10,724,909
Depreciation and amortization	**7,792,118**	652,760
Freight	**6,272,135**	7,162,645
Library expenses	**5,605,332**	1,551,405
Legal and professional fees	**5,129,368**	4,410,475
Utilities	**3,486,466**	3,391,626
Insurance	**3,237,718**	2,412,493
Royalties	**2,226,628**	565,037
Communications	**1,353,404**	1,479,711
Repair and maintenance	**1,220,496**	403,846
Rent	**1,173,723**	3,631,936
Entertainment expenses	**1,039,088**	2,123,657
Bank charges	**300,743**	1,435,634
Stationery	**219,208**	1,664,216
Others	**1,264,402**	2,312,689
	406,713,531	349,535,744

33. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2019	31 December 2018 (Restated)
Employees' salaries and benefits	**122,254,530**	115,015,536
Depreciation and amortization	**34,079,970**	30,398,659
Legal and professional fees	**14,720,469**	21,987,676
Utilities	**10,330,109**	7,623,564
Board of directors expenses	**10,176,759**	8,987,844
Travel and training	**6,290,036**	5,044,014
Repairs and maintenance	**5,632,099**	1,722,477
Communications	**2,032,300**	1,371,013
Donations and public relations expenses	**1,938,909**	1,923,425
Insurance	**860,755**	623,119
Stationery	**828,242**	944,730
Bank charges	**288,138**	507,670
Rent	**37,097**	2,617,327
Others	**3,216,917**	972,022
	212,686,330	199,739,076

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34. RESEARCH AND DEVELOPMENT EXPENSES

	31 December 2019	31 December 2018 (Restated)
Employees' salaries and benefits	**16,874,644**	28,418,109
Depreciation and amortization	**6,073,999**	5,699,035
Laboratory expenses	**2,542,135**	3,682,928
Product registration	**2,370,840**	701,873
Clinical trials	**1,876,033**	272,624
Travel and training expenses	**819,786**	546,447
Legal & Professional	**514,184**	117,536
Utilities	**474,772**	517,909
Repairs and maintenance	**147,987**	141,528
Communications	**72,279**	67,168
Stationery	**39,533**	91,307
Insurance	**37,975**	26,216
Other	**217,926**	293,347
	32,062,093	40,576,027

35. OTHER INCOME

	31 December 2019	31 December 2018 (Restated)
Foreign exchange gain	**4,903,114**	26,025,983
Royalties	**5,058,836**	11,874,270
Rental income	**3,081,248**	906,520
Gain from disposal of property, plant and equipment	**2,038,217**	357,451
Government grant income	**2,037,206**	1,617,876
Scrap Sales	**1,158,123**	-
Income from licensing arrangements	**-**	4,990,043
Income from training	**724,428**	29,212
Reversal of provision - zakat and tax	**-**	7,064,451
Other income	**7,054,765**	967,764
	26,055,937	53,833,570

36. FINANCE COST

	31 December 2019	31 December 2018 (Restated)
Murabaha loan finance cost	**35,790,871**	27,037,014
Lease liabilities finance cost	**5,247,005**	-
	41,037,876	27,037,014

37. DIVIDEND INCOME ON INVESTMENTS - FVOCI

	31 December 2019	31 December 2018 (Restated)
Saudi Industrial Investment Group (SIIG)	**21,007,350**	24,508,575
Yanbu National Petrochemical Company (YANSAB)	**-**	4,682,869
	21,007,350	29,191,444

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38. SHARE OF PROFIT AND LOSS FROM EQUITY-ACCOUNTED ASSOCIATES AND JOINT VENTURE

	31 December 2019	31 December 2018 (Restated)
Arabian Medical Products Manufacturing Company	**24,092,881**	22,085,932
CAD Middle East Pharmaceutical Company	**(36,903,938)**	(27,048,107)
Tassili Arab Pharmaceutical Company	**(1,449,711)**	(1,440,432)
	(14,260,768)	(6,402,607)

39. ZAKAT AND INCOME TAX

	31 December 2019	31 December 2018 (Restated)
Zakat charge for the year	**36,913,698**	30,621,553
Income tax charge	**2,187,587**	6,290,208
Prior year tax adjustment	**-**	(11,140,081)
Deferred tax	**(7,422,927)**	(271,516)
	31,678,358	25,500,164

40. EARNINGS PER SHARE

	31 December 2019	31 December 2018 (Restated)
Earnings for the year	**(435,507,618)**	74,248,347
Weighted average number of ordinary shares	**120,000,000**	120,000,000
Earnings per share – basic and diluted	**(3.63)**	0.62

There is no dilutive effect on the basic earnings per share of the Company.

Basic earnings per share have been calculated by dividing the profit attributable to the shareholders of the Company over the weighted average number of outstanding ordinary shares during the year.

41. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include associates and joint ventures, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Related parties transactions are carried out on an arm's length basis and conditions approved either by the Company or its board of directors. The terms and conditions of these transactions were no more favorable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel and related companies on an arm's length basis.

Transactions

	Relation with the Company	**Nature of transactions**	**31 December 2019**	**31 December 2018**
Arabian Medical Products Manufacturing Company	Joint Venture	Dividend	**18,547,250**	8,322,770
CAD Middle East Pharmaceutical Company	Associate	Investment	**36,903,936**	-
Arab company for drugs industries and medica appliances (ACDIMA)	Key foreign shareholder	Research cost	**2,753,652**	-

Balances

	Relation with the Company	**Nature of transactions**	**31 December 2019**	**31 December 2018**
Arabian Medical Products Manufacturing Company	Joint Venture	Dividend & expenses	**2,485,819**	2,427,259
CAD Middle East Pharmaceutical Company	Associate	Investment	**175,271**	26,324,394
Tassili Arab Pharmaceutical Company	Associate	Sales	**32,056,213**	32,059,645
			34,717,303	60,811,298

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Remuneration of key management personnel

	Managerial remuneration	House rent	End of service benefits	Allowances	Total
31 December 2019					
Chief Executive	**95,400**	**381,600**	**181,617**	**23,366**	**681,983**
Directors	**640,124**	**1,920,372**	**18,596,324**	**228,932**	**21,385,752**
Executives	**272,869**	**976,376**	**3,647,662**	**77,112**	**4,974,019**
	1,008,393	**3,278,348**	**22,425,603**	**329,410**	**27,041,754**
31 December 2018					
Chief Executive	79,007	316,028	5,257,950	20,635	5,673,620
Directors	565,942	1,697,826	17,650,738	209,951	20,124,457
Executives	291,207	1,164,828	10,483,918	78,701	12,018,654
	936,156	3,178,682	33,392,606	309,287	37,816,731

42. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Investments in quoted and unquoted equity securities
- Trade and other payables
- Floating-rate bank loans
- Lease liabilities

Fair value and fair value hierarchy

The Group measures financial instruments, such as equity accounted investees at fair value at each statement of financial position date.

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.

Fair value and fair value hierarchy (continued)

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. External valuers are involved in the valuation of significant assets. The involvement of external valuers is decided by the Group after discussion with the Group's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with its external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing with the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The Group has not disclosed the fair value for financial instruments such as short term trade and other receivables, trade and other payables and, short term investments and cash and bank balances, because their carrying amounts are a reasonable approximation of fair values largely because of short term maturity of these instruments. The company has disclosed the fair values of long term Murabaha finance measured. The fair value of Murabaha finance facility is approximately the same as the carrying value.

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Financial instrument by category

	Carrying amount				Fair value			
31 December 2019	**FVOCI – equity instrument**	**FVTPL**	**Financial assets at amortized cost**	**Total Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Current:								
Cash and cash equivalents	-	-	378,972,848	378,972,848	-	-	-	378,972,848
Trade receivables	-	-	937,157,442	937,157,442	-	-	-	937,157,442
Other assets	-	-	19,816,069	19,816,069	-	-	-	19,816,069
Non-current:								
Investment at FVTPL	-	27,832,013	-	27,832,013	27,832,013	-	-	27,832,013
Investment at FVOCI	816,244,163	-	-	816,244,163	816,244,163	-	-	816,244,163
Total financial assets	816,244,163	27,832,013	1,335,946,359	2,180,022,535	844,076,176	-	-	2,180,022,535
Financial liabilities								
Non-current:								
Loans and borrowings	-	-	712,669,691	712,669,691	-	-	-	712,669,691
Lease liability	-	-	7,965,544	7,965,544	-	-	-	7,965,544
Current:								
Loans and borrowings	-	-	485,452,844	485,452,844	-	-	-	485,452,844
Accounts payables	-	-	423,775,275	423,775,275	-	-	-	423,775,275
Lease liability	-	-	3,692,015	3,692,015	-	-	-	3,692,015
Total financial liabilities	-	-	1,633,555,369	1,633,555,369	-	-	-	1,633,555,369

(SAUDI RIYALS)

Financial instrument by category (continued)

	Carrying amount				Fair value			
31 December 2018	**FVOCI – equity instrument**	**FVTPL**	**Financial assets at amortized cost**	**Total Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Current:								
Cash and cash	-	-	267,300,520	267,300,520	-	-	-	267,300,520
Trade receivables	-	-	1,104,388,109	1,104,388,109	-	-	-	1,104,388,109
Other assets	-	-	19,798,348	19,798,348	-	-	-	19,798,348
Non-current:								
Investment at FVTPL	-	13,105,159	-	13,105,159	13,105,159	-	-	13,105,159
Investment at FVOCI	873,905,333	-	-	873,905,333	857,405,333	-	16,500,000	873,905,333
Total financial assets	**873,905,333**	**13,105,159**	**1,391,486,977**	**2,278,497,469**	**870,510,492**	**-**	**16,500,000**	**2,278,497,469**
Financial liabilities								
Non-current:								
Loans and borrowings	-	-	479,117,977	479,117,977	-	-	-	479,117,977
Current:								
Loans and borrowings	-	-	539,347,332	539,347,332	-	-	-	539,347,332
Accounts payables	-	-	278,195,566	278,195,566	-	-	-	278,195,566
Total financial liabilities	**-**	**-**	**1,296,660,875**	**1,296,660,875**	**-**	**-**	**-**	**1,296,660,875**

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Financial instruments by category (continued)

	Carrying amount				Fair value			
1 January 2018	**FVOCI – equity instrument**	**FVTPL**	**Financial assets at amortized cost**	**Total Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Current:								
Cash and cash equivalents	-	-	333,916,892	333,916,892	-	-	-	333,916,892
Trade receivables	-	-	1,102,012,474	1,102,012,474	-	-	-	1,102,012,474
Other assets	-	-	14,716,489	14,716,489	-	-	-	14,716,489
Non-current:								
Investment at FVTPL	-	35,452,873	-	35,452,873	35,452,873	-	-	35,452,873
Investment at FVOCI	1,023,354,665	-	-	1,023,354,665	1,006,854,665	-	16,500,000	1,023,354,665
Total financial assets	**1,023,354,665**	**35,452,873**	**1,450,645,855**	**2,509,453,393**	**1,042,307,538**	**-**	16,500,000	**2,509,453,393**
Financial liabilities								
Non-current:								
Loans and borrowings	-	-	681,844,780	681,844,780	-	-	-	681,844,780
Current:								
Loans and borrowings	-	-	122,538,779	122,538,779	-	-	-	122,538,779
Accounts payables	-	-	401,091,272	401,091,272	-	-	-	401,091,272
Total financial liabilities	**-**	**-**	**1,205,474,831**	**1,205,474,831**	**-**	**-**	**-**	**1,205,474,831**

(SAUDI RIYALS)

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables, other assets, loans and borrowings, accounts payables and lease liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade receivables, other assets, loans and borrowings (current), accounts payables approximates their fair value.

There were no transfers between levels during the period.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee.

The Risk Management Committee determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with the approval of the Risk Management Committee, otherwise, payment in advance is required.

Credit risk also arises from cash and cash equivalents and short term deposits with banks and financial institutions.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	31 December 2019	31 December 2018	1 January 2018
Cash at bank (note 7)	**378,865,213**	265,480,081	333,860,757
Trade receivables - third parties (note 8)	**902,440,140**	1,043,576,811	1,030,254,767
Trade receivables – related parties (note 8)	**34,717,302**	60,811,298	71,757,707
Investment at FVTPL	**27,832,013**	13,105,159	35,452,873
Investment at FVOCI	**816,244,163**	873,905,333	1,023,354,665
Other receivables	**19,816,069**	19,798,348	14,716,489
	2,179,914,900	2,276,677,030	2,509,397,258

The carrying amount of financial assets represents the maximum credit exposure.

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Credit risk (continued)

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings.
- Trade receivables are shown net of allowance for impairment of trade receivables.
- The financial position of related parties is stable.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. Trade receivables outstanding balance comprises 80% in KSA, 13% in the Middle East and 7% in Africa.

As at 31 December 2019, 31 December 2018 and 1 January 2018, the ageing of trade receivables was as follows:

	31 December 2019	31 December 2018	1 January 2018
Neither past due nor impaired	**168,005,375**	112,202,551	118,181,648
Past due 1-30 days	**129,268,597**	150,898,818	70,501,299
Past due 31-90 days	**125,901,586**	48,068,507	64,872,239
Past due 91-180 days	**139,316,174**	332,078,796	326,147,988
Past due 181-365 days	**333,876,208**	217,848,220	243,130,878
Past due over 365 days	**213,147,332**	293,817,371	324,689,923
	1,109,515,272	1,154,914,263	1,147,523,975

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Total impairment
As at 1 January 2018 - restated	117,269,206
Reversal	(5,931,754)
Impairment loss on 31 December 2018 - restated	**111,337,452**
Impairment loss	**95,737,680**
As at 31 December 2019	**207,075,132**

The Risk Management Committee monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss.

Market risk

Market risk arises from the Group's use of interest-bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commission rates (commission rate risk), foreign exchange rates (foreign currency risk) or other market factors (other price risks). The details related to these risks are more fully described below:

Commission rate risk

Fair value and cash flow interest rate risks are the exposures to the various risk associated with the effect of fluctuations in the prevailing interest rates on the Group’s financial position and cash flows. The Group is not exposed to fair value and cash flow commission rate risks as investments in long term Murabaha finance have a fixed income rate or a fixed finance rate.

Management of the Group does not enter into future agreement to hedge its interest rate risk. However, these are monitored on a regular basis and corrective measures initiated wherever required.

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Foreign Currency risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency) with the cash generated from their operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

To monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analyzed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserves.

The Group is predominantly exposed to currency risk on purchases and sales made from major suppliers and customers based in EGP, EUR, DZD, MAD, and USD. Management of the Group does not enter into future agreements to hedge its currency risk. However, these are monitored regularly and corrective measures initiated wherever required.

Apart from these particular cash-flows, the Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

The summary of quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

31 December 2019	**EGP**	**EUR**	**DZD**	**MAD**	**USD**
Cash and cash equivalents	31,259,975	-	11,714,294	3,758,779	5,350,372
Trade receivables	11,432,849	-	43,522,405	22,295,336	101,310,161
Investment in equity-accounted associate	-	-	219,083	-	-
Lease liabilities	251,535	-	-	59,611	-
Loans and borrowings	(11,325,401)	-	-	(50,618,592)	-
Accounts payable and other liabilities	(4,146,710)	(17,368,220)	(19,042,874)	(31,949,724)	(97,645,272)
Net statement of financial position exposure	27,472,248	(17,368,220)	36,412,908	(56,454,590)	9,015,261

31 December 2018	**EGP**	**EUR**	**DZD**	**MAD**	**USD**
Cash and cash equivalents	30,933,386	-	16,202,938	6,013,278	4,720,516
Trade receivables	4,433,737	-	56,834,690	60,122,590	110,977,846
Investment in equity-accounted associate	-	-	1,668,794	-	-
Loans and borrowings	(6,168,270)	-	-	(8,120,156)	-
Accounts payable and other liabilities	-	(33,057,415)	(20,873,254)	(13,920,166)	(85,767,930)
Net statement of financial position exposure	29,198,853	(33,057,415)	53,833,168	44,095,546	29,930,432

1 January 2018	**EGP**	**EUR**	**DZD**	**MAD**	**USD**
Cash and cash equivalents	32,872,173	-	33,231,259	82,557,421	5,142,030
Trade receivables	8,707,196	-	66,169,481	34,951,868	100,704,749
Investment in equity-accounted associate	-	-	3,109,227	-	-
Loans and borrowings	(7,913,705)	-	-	(63,074)	-
Cash and cash equivalents	33,466,915	(20,408,187)	88,941,223	99,692,371	13,092,922
Net statement of financial position exposure	67,132,579	(20,408,187)	191,451,190	217,138,586	118,939,701

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Foreign Currency risk (continued)

Sensitivity Analysis

A reasonably possible strengthening (weakening) of the Egyptian pound, Euros, Algerian Dinars, Moroccan Dinars and US dollars against all other currencies at year-end would have affected the measurement of financial instruments denominated in a foreign currency and would have increased / (decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular commission rates, remain constant and ignores any impact of forecast sales and purchases.

	Strengthening	**Weakening**
31 December 2019		
EGP (1%)	(274,722)	274,722
EURO (1%)	173,682	(173,682)
DZD (1%)	(364,129)	364,129
MAD (1%)	564,546	(564,546)
USD (1%)	(90,153)	90,153
31 December 2018		
EGP (1%)	(291,989)	291,989
EURO (1%)	330,574	(330,574)
DZD (1%)	(538,332)	538,332
MAD (1%)	(440,955)	440,955
USD (1%)	(299,304)	299,304
1 January 2018		
EGP (1%)	(334,669)	334,669
EURO (1%)	204,082	(204,082)
DZD (1%)	(889,412)	889,412
MAD (1%)	(996,924)	996,924
USD (1%)	(130,929)	130,929

Other price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to price risk with respect to strategic equity investments in other companies where those complement the Group's operations. The directors believe that the exposure to market price risk from this activity is acceptable in the Group's circumstances.

The Group has diversified its investment portfolio to manage the price risk arising from investments in equity securities.

Liquidity risk

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

The Group’s liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet the, monitoring of liquidity ratios and maintaining debt financing plans.

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

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Liquidity risk (continued)

Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted, and include estimated interest payments.

31 December 2019	Up to three months	More than three months and up to year	More than one year and up to five year	More than five year	Total
Financial liabilities					
Loans and borrowings	**101,216,942**	**384,235,902**	**712,669,691**	**-**	**1,198,122,535**
Lease liability	**3,692,015**	**-**	**7,965,544**	**-**	**11,657,559**
Employees' end of service benefits	**-**	**-**	**311,450,683**	**-**	**311,450,683**
Accounts payable and other liabilities	**-**	**543,137,903**	**-**	**-**	**543,137,903**
Dividends payable	**-**	**154,578,580**	**-**	**-**	**154,578,580**
	104,908,957	**1,081,952,385**	**1,032,085,918**	**-**	**2,218,947,260**

31 December 2018 - Restated	Up to three months	More than three months and up to year	More than one year and up to five year	More than five year	Total
Financial liabilities					
Loans and borrowings	-	539,347,332	479,117,977	-	1,018,465,309
Employees' end of service benefits	-	-	297,211,448	-	297,211,448
Accounts payable and other liabilities	-	401,229,451	-	-	401,229,451
Dividends payable	-	152,705,449	-	-	152,705,449
	-	1,093,282,232	776,329,425	-	1,869,611,657

1 January 2018 - Restated	Up to three months	More than three months and up to year	More than one year and up to five year	More than five year	Total
Financial liabilities					
Loans and borrowings	-	122,538,779	681,844,780	-	804,383,559
Employees' end of service benefits	-	-	285,241,018	-	285,241,018
Accounts payable and other liabilities	-	504,982,764	-	-	504,982,764
Dividends payable	-	148,733,336	-	-	148,733,336
	-	776,254,879	967,085,798	-	1,743,340,677

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle.
- Held primarily for trading.
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent 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.

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Current versus non-current classification (continued)

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.

43. SEGMENT INFORMATION

The Board of Directors (BOD), which has been identified as the Chief Operating Decision Maker (CODM), monitors the operating results of its reportable segments separately to make decisions about resource allocation and performance assessment. Transactions between the operating segments are on terms approved by the management.

The following table represents the segregation of revenue by type:

Revenue

Type of revenue	**31 December 2019**	31 December 2018 (Restated)
Revenue from sale of products	**1,462,950,106**	1,414,716,762
Revenue from services	**89,564,972**	88,606,719
	1,552,515,078	1,503,323,481
Other revenue		
Dividend received from equity-accounted associate	**21,007,350**	29,191,444
Share of loss from equity-accounted associates and joint venture	**(14,260,768)**	(6,402,607)
	6,746,582	22,788,837
Total revenue	**1,559,261,660**	1,526,112,318

In the following table, revenue is disaggregated by the primary geographical market. The table also includes a reconciliation of the disaggregated revenue with the Group's four strategic divisions, which are its reportable segments.

31 December 2019

Primary geographical markets	**Sale of goods**	**Distribution Services**	**Contract manufacturing arrangements**	**Medical services**	**Total**
Kingdom of Saudi Arabia	**1,278,517,366**	**5,933,853**	**5,592,981**	**77,867,940**	**1,367,912,140**
Egypt	**14,317,050**	**-**	**170,198**	**-**	**14,487,248**
Middle East	**161,167,438**	**-**	**-**	**-**	**161,167,438**
Algeria	**8,948,252**	**-**	**-**	**-**	**8,948,252**
	1,462,950,106	**5,933,853**	**5,763,179**	**77,867,940**	**1,552,515,078**
Timing of revenue recognition					
PO satisfied at a point in time	**1,462,950,106**	**5,933,853**	**5,763,179**	**6,396,293**	**1,481,043,431**
PO satisfied over time	**-**	**-**	**-**	**71,471,647**	**71,471,647**
	1,462,950,106	**5,933,853**	**5,763,179**	**77,867,940**	**1,552,515,078**

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43. SEGMENT INFORMATION (continued)

31 December 2018 - Restated

Primary geographical markets	Sale of goods	Distribution Services	Contract manufacturing arrangements	Medical services	Total
Kingdom of Saudi Arabia	1,288,582,145	5,021,719	5,216,596	78,368,404	1,377,188,864
Egypt	4,690,600	-	-	-	4,690,600
Middle East	113,271,426	-	-	-	113,271,426
Algeria	8,172,591	-	-	-	8,172,591
	1,414,716,762	5,021,719	5,216,596	78,368,404	1,503,323,481
Timing of revenue recognition					
PO satisfied at a point in time	1,414,716,762	5,021,719	5,216,596	11,296,464	1,436,251,541
PO satisfied over time	-	-	-	67,071,940	67,071,940
	1,414,716,762	5,021,719	5,216,596	78,368,404	1,503,323,481

(SAUDI RIYALS)

44. CORRECTION OF ACCOUNTING ERRORS

The Group has restated its financial information and the impact on retained earnings stated is as follows:

Reconciliation to consolidated statement of financial position as at 1 January 2018:

	Note	1 January 2018 (Audited)	Re-classification	Re-measurement	1 January 2018 (Restated)
ASSETS					
Current assets:					
Cash and cash equivalents	A,B	356,683,420	(35,402,693)	12,636,165	333,916,892
Trade and other receivables	C,D	1,183,468,631	-	(81,456,157)	1,102,012,474
Inventories	E	456,925,556	-	(2,058,924)	454,866,632
Prepayments and other assets	O,F	211,626,234	(36,562)	(22,739,063)	188,850,609
		2,208,703,841	(35,439,255)	(93,617,979)	2,079,646,607
Non-current assets:					
Investments at fair value through profit or loss - FVPNL	A	-	35,452,873	-	35,452,873
Investments at fair value through other comprehensive income - FVOCI		1,023,354,665	-	-	1,023,354,665
Equity accounted associates and joint venture		65,268,211	-	-	65,268,211
Intangible assets	G	15,969,136	-	106,641,373	122,610,509
Goodwill	G	198,283,078	-	(60,584,318)	137,698,760
Assets under construction	O,G	-	514,547,814	(707,250)	513,840,564
Property, plant and equipment	O,G	1,165,113,246	(514,547,814)	66,284,622	716,850,054
Deferred tax assets		16,029,766	-	-	16,029,766
		2,484,018,102	35,452,873	111,634,427	2,631,105,402
TOTAL ASSETS		4,692,721,943	13,618	18,016,448	4,710,752,009
EQUITY AND IABILITIES					
Current liabilities:					
Loans and borrowings		122,538,779	-	-	122,538,779
Zakat and income tax payable		85,705,031	-	-	85,705,031
Accounts payable and other liabilities	B,O,I,J	478,574,675	13,618	26,394,471	504,982,764
Dividends payable	B	148,733,336	-	-	148,733,336
Contract liabilities		47,312,205	-	-	47,312,205
		882,864,026	13,618	26,394,471	909,272,115
Non-current liabilities:					
Loans and borrowings		681,844,780	-	-	681,844,780
Employee's end of service benefits		285,241,018	-	-	285,241,018
Deferred income		19,414,492	-	(135,583)	19,278,909
		986,500,290	-	(135,583)	986,364,707
TOTAL LIABILITIES		1,869,364,316	13,618	26,258,888	1,895,636,822
EQUITY					
Equity attributable to the owners of the parent :					
Share capital		1,200,000,000	-	-	1,200,000,000
Statutory reserve		360,684,866	-	-	360,684,866
General reserve		150,000,000	-	-	150,000,000
Consensual reserve		91,234,616	-	-	91,234,616
Fair value reserve		597,033,273	-	-	597,033,273
Retained earnings	C,D,E,F, G,H	285,074,174	-	(75,190,987)	209,883,187
Foreign currency translation reserve		(27,531,318)	-	-	(27,531,318)
		2,656,495,611	-	(75,190,987)	2,581,304,624
Non-controlling interest	G,L	166,862,016	-	66,948,547	233,810,563
TOTAL EQUITY		2,823,357,627	-	(8,242,440)	2,815,115,187
TOTAL EQUITY AND LIABILITIES		4,692,721,943	13,618	18,016,448	4,710,752,009

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Reconciliation to consolidated statement of financial position as at 31 December 2018:

	Note	31 December 2018 (Audited)	Re-classification	Re-measurement	31 December 2018 (Restated)
ASSETS					
Current assets:					
Cash and cash equivalents	A,B	267,732,952	(13,068,597)	12,636,165	267,300,520
Trade and other receivables	O,C,D,N	1,160,861,664	41,886,379	(98,359,934)	1,104,388,109
Inventories	E, N	480,093,794	-	795,078	480,888,872
Prepayments and other assets	O,F	270,031,252	(24,624,879)	(22,739,063)	222,667,310
		2,178,719,662	4,192,903	(107,667,754)	2,075,244,811
Non-current assets:					
Investments at fair through profit or loss - FVPNL	A	-	13,105,159	-	13,105,159
Investments at fair value through other comprehensive income - FVOCI		873,905,333	-	-	873,905,333
Equity accounted associates and joint venture		70,426,756	-	-	70,426,756
Intangible assets	O,G	25,597,077	(7,736,470)	85,933,871	103,794,478
Goodwill	G	198,283,078		(60,584,318)	137,698,760
Assets under construction	O,H	-	750,645,786	(6,403,712)	744,242,074
Property, plant and equipment	O,G	1,404,303,080	(742,909,316)	62,590,188	723,983,952
Deferred tax assets		16,301,282	-	-	16,301,282
		2,588,816,606	13,105,159	81,536,029	2,683,457,794
TOTAL ASSETS		4,767,536,268	17,298,062	(26,131,725)	4,758,702,605
EQUITY AND LIABILITIES					
Current liabilities:					
Loans and borrowings	O	392,680,665	146,666,667	-	539,347,332
Zakat and income tax payable		67,396,217	-	-	67,396,217
Accounts payable and other liabilities	O,B,I,J	366,324,773	7,298,062	27,606,616	401,229,451
Dividends payable		152,705,449	-	-	152,705,449
Contract liabilities		40,909,890	-	-	40,909,890
		1,020,016,994	153,964,729	27,606,616	1,201,588,339
Non-current liabilities:					
Loans and borrowings	O	615,784,644	(136,666,667)	-	479,117,977
Employee's end of service benefits		297,211,448	-	-	297,211,448
Deferred income		17,796,616	-	-	17,796,616
Contract liabilities	K	-	-	4,291,224	4,291,224
		930,792,708	(136,666,667)	4,291,224	798,417,265
TOTAL LIABILITIES		1,950,809,702	17,298,062	31,897,840	2,000,005,604
EQUITY					
Equity attributable to the owners of the parent :					
Share capital		1,200,000,000	-	-	1,200,000,000
Statutory reserve		360,684,866	-	-	360,684,866
General reserve		150,000,000	-	-	150,000,000
Consensual reserve		96,274,794	-	-	96,274,794
Fair value reserve		474,343,191	-	-	474,343,191
Retained earnings	C,D,E,F, G,H	383,692,488	-	(101,437,295)	282,255,193
Foreign currency translation reserve		(23,050,875)	-	-	(23,050,875)
		2,641,944,464	-	(101,437,295)	2,540,507,169
Non-controlling interest	G,L	174,782,102	-	43,407,730	218,189,832
TOTAL EQUITY		2,816,726,566	-	(58,029,565)	2,758,697,001
TOTAL EQUITY AND LIABILITIES		4,767,536,268	17,298,062	(26,131,725)	4,758,702,605

(SAUDI RIYALS)

Reconciliation to consolidated statement of profit or loss for the year ended 31 December 2018:

	Note	31 December 2018 (Audited)	Re-classification	Re-measurement	31 December 2018 (Restated)
Revenue	M,N,D	1,274,819,488	265,817,416	(37,313,423)	1,503,323,481
Cost of revenue	M,N,E	(654,417,739)	(239,549,291)	(840,431)	(894,807,461)
Gross profit		620,401,749	26,268,125	(38,153,854)	608,516,020
Selling and marketing expenses	O	(334,622,930)	(14,912,814)	-	(349,535,744)
General and administrative expenses	O,G	(145,404,111)	(32,673,063)	(21,661,902)	(199,739,076)
Research and development expenses	O, H	(34,699,435)	77,613	(5,954,205)	(40,576,027)
Impairment reversal on trade receivables	O	-	5,931,754	-	5,931,754
Other income	O,C,K	25,385,583	12,465,148	15,982,839	53,833,570
Operating profit		131,060,856	(2,843,237)	(49,787,122)	78,430,497
Finance cost	O	(27,545,960)	508,946	-	(27,037,014)
Dividend income on investments - FVOCI		29,191,444	-	-	29,191,444
Share of loss from equity-accounted associates and joint venture		(6,402,607)	-	-	(6,402,607)
Profit before zakat and income tax		126,303,733	(2,334,291)	(49,787,122)	74,182,320
Zakat and income tax		(25,500,164)	-	-	(25,500,164)
Net profit for the year		100,803,569	(2,334,291)	(49,787,122)	48,682,156
Attributable to:					
Owners of the parent	G,L	102,828,944	(2,334,291)	(26,246,306)	74,248,347
Non-controlling interests	G,L	(2,025,375)	-	(23,540,816)	(25,566,191)
		100,803,569	(2,334,291)	(49,787,122)	48,682,156
Earnings per share					
Basic & diluted		0.86		(0.24)	0.62

Notes to the reconciliation of the statement of financial position as at 1 January 2018, 31 December 2018 and profit and loss and other comprehensive income for the year ended 31 December 2018

A. An investment in mutual funds recorded in cash and cash equivalents reclassified to investments at fair value through profit or loss.

B. An un-identified bank balance related to subscription in excess of additional share capital in the financial year 2010, is recorded as cash and cash equivalents and the corresponding amount as other liability.

C. The Company's management identified that the closing balance recorded in SPIMACO Saudi Foundation – Algeria's financial statements were not adjusted using the closing foreign exchange rate in the relevant year. The Group adjusted the impact resulted from foreign exchange translation retrospectively in retained earnings.

D. The Ministry of Health (MOH) in its circular 45/23/773416 dated 4 Rabi' al-Thani 1437 H (corresponding to 14 January 2016 G) announced the revised rates for hospitals to bill MOH. QMSC was charging MOH using the old rates, which resulted in a dispute on outstanding payment between MOH and QMSC. The Group adjusted the excess amount charged to MOH retrospectively in these financial statements.

E. The expired finished goods as part of the inventory in prior years adjusted retrospectively in these financial statements.

F. An advance payment to GAZT related to an ongoing zakat assessment against the Group was recorded under prepayments and other assets in prior years. This payment was later adjusted by GAZT on finalization of the ongoing assessment, but the Group did not adjust this against zakat charge in the year the assessment was finalized. The said payment adjusted in prior year's opening retained earnings.

Advances to suppliers for services received in prior years adjusted in prior year's opening retained earnings.

Notes to the reconciliation of the statement of financial position as at 1 January 2018, 31 December 2018 and profit and loss and other comprehensive income for the year ended 31 December 2018 (continued)

G. IFRS 3 "Business Combinations" requires the acquirer to measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The Company acquired QMSC through step acquisition by 40.52% additional stake on 31 May 2016, which resulted in the Company's total stake in QMSC 57.22%. This also resulted in a gain on the deemed-disposal of the Company's stake of 16.7% in QMSC. The Company also acquired a 51.66% stake in SEPI on 5 November 2015. The Company did not carry out a Purchase Price Allocation (PPA) exercise on both the above subsidiaries within 12 months from the date of acquisition to ascertain the fair value of identifiable assets and liabilities assumed. During the year, the Company carried out PPA exercise on both subsidiaries which resulted in a change in carrying value of their net assets. The Company applied the related adjustments retrospectively, which resulted in an increase in intangible and tangible assets and the corresponding adjustment to previously recorded goodwill. The increase in fair value of tangible and intangible assets has been depreciated and amortised as per the useful lives of relevant assets and the incremental effect has been recorded in these financial statements.

H. An amount related to research cost recorded in assets under construction adjusted in the prior year's consolidated statement of profit or loss.

I. An amount related to foreign exchange loss recorded in other liabilities adjusted in the prior year's opening retained earnings.

J. This adjustment relates to recognition of various accruals in the prior year's consolidated statement of financial position and profit or loss.

K. The Company agreed with AstraZeneca UK Limited ("AUL") to build and operate a specialized plant. Resultantly, AUL funded the Company on meeting certain milestones as per the terms of the agreement. The Company recognized the payments received from AUL as grant income for the year ended 31 December 2018. The Company reassessed the terms of the agreement and hence transferred the above amount from the consolidated statement of profit or loss to liabilities.

L. The Group historically has been allocating foreign currency translation differences to its non-controlling interests (NCI). The said allocation was incorrectly treated in the financial statements, as none of the Group's subsidiaries had such reserve in their respective financial statements. The Group has retrospectively reversed the allocation of foreign currency translation reserve from NCI to foreign currency reserves.

M. The Group's Principal vs. Agent relationship with its distributors was reassessed in accordance with IFRS 15 by an independent advisor. The reassessment resulted in Group being Principal in most of its agreements with distributors. Consequently, the presentation of revenue was amended and recorded as gross and cost of revenue recorded separately as compared to netting off against the revenue in prior years.

N. The sales and trade receivables recorded in SPIMACO Morocco for Pharmaceutical's financial statements have been reversed in the prior year as they were related to consignment and not the actual sales to end customers.

O. Certain comparative figures have been reclassified to comply with the current year presentation of these consolidated financial statements.

45. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

As at 31 December 2019, the Group has letters of guarantees amounting to SR 138 million (31 December 2018: SR 131.6 million and 1 January 2018: SR 127 million).

As at 31 December 2019, the Group has a contingent liability in the form of bank guarantees amounting SR 69.3 million which have been issued on behalf of the Group in the normal course of business (31 December 2018: SR 81.7 million and 1 January 2018: SR 97 million).

During the year ended 31 December 2019, the Ministry of Health (MOH) imposed a financial penalty against the Company for a certain regulatory non-compliance amounting SR 1.8 million. The Company has filed an appeal against the penalty. The management cannot determine the outcome of this case.

Capital commitments

As at 31 December 2019, the Group has capital commitments amounting to SR 120.5 million (31 December 2018: SR 28.3 million and 1 January 2018: SR 25.4 million).

46. SUBSEQUENT EVENTS

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across the globe, causing disruptions to businesses, economic activity, and a decline in the stock market. The Company has been continuously assessing the potential exposure to its business. To avoid shortages in raw materials, the Company accelerated the procurement of strategic raw materials for the year 2020. The Company considers this outbreak to be a post balance sheet event and it did not require adjusted to the accompanying financial statements of the Group. As the situation is rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

47. APPROVAL ON THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors on 7 Sha'ban 1441 H (corresponding to 31 March 2020).