

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL
APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)**

(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2021

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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Independent Auditor's Report**To the Shareholders****SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)**

(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial statement**Opinion**

We have audited the consolidated financial statements of **Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH)** (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, consolidated statement of 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Group's consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 current year. 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. The following is description of each key audit matter and how we addressed it during our audit.

Independent Auditor's Report (Continued)

To the Shareholders

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

Key audit matters (Continued)

1- Revenue recognition

<i>Key audit matter</i>	<i>How the Key audit matter was addressed in our audit</i>
<p>The Group recognized revenue of SR 1,460 million for the year ended December 31, 2021 (December 31, 2020: SR 1,555 million).</p> <p>The Group mainly manufactures medicines, medical supplies, and medical products related to medicines in addition to the medical services. Accordingly, revenues from sales and service arrangements are recognized based on a specific point in time or over a period of time.</p> <p>Revenue recognition is considered a key audit matter due to the risk associated with management's estimates and judgment regarding the revenue recognition and the estimation of contractual discounts and returns, as well as in view of the significance of revenue amount and the inherent risks.</p>	<p>Our audit procedures included among other:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the Group's accounting policies related to revenues, taking into consideration the requirements of the relevant international accounting standards. • Evaluating key contractual arrangements by referring to relevant documents and agreements with clients. • Evaluating the design and implementation of the group's controls, and testing their effectiveness in terms of revenue recognition, in accordance with the Group's policy. • Examining a sample of sales transactions made during the year, before and after the year end to assess whether revenue has been recognized in the proper accounting period along with the supporting documentation. • Conducting analytical procedures and reconciliations between the various reports and examining any resulting material deviations. • Evaluating the adequacy of the Group's consolidated financial statements disclosures in line with the requirements of relevant International Financial Reporting Standards.
Refer to note 6 for the accounting policy and note 30 for related disclosures.	

2- Assessment of impairment in value of non-current assets

<i>Key audit matter</i>	<i>How the Key audit matter was addressed in our audit</i>
<p>Non-current assets mainly comprise property, plant and equipment and assets under construction. The total of those assets amounted to SR 1,817 million as at December 31, 2021 (December 31, 2020: SR 1,831 million).</p> <p>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.</p> <p>We considered recoverability of property, plant and equipment and assets under construction as a key audit matter since the assessment requires from management to make judgments related to the assumptions and estimation of expected production levels and the estimates revenues, the useful life of assets, commodity prices and discount rates.</p>	<p>Our audit procedures included among others matters:</p> <ul style="list-style-type: none"> • Assessing the assumptions and estimates applied by the management when calculating the recoverable amount of the property, plant and equipment and assets under construction, including those related to the production, expected revenues, useful life of assets, commodity prices and discount rates. • Ensuring the correctness of the cash flows used in impairment assessment and matching the relevant financial information with the approved budgets. • Involving our valuation specialists in reviewing the main assumptions used and evaluating the appropriateness of the applied discount rate. • Assessing the management mechanism in identifying internal and external indicators of the impairment and testing for impairment.
Refer to note 6 for the accounting policy and notes 7 & 8 for related disclosures.	

Independent Auditor's Report (Continued)

To the Shareholders

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

Key audit matters (Continued)

3- Expected credit loss on trade receivables

<i>Key audit matter</i>	<i>How the Key audit matter was addressed in our audit</i>
<p>The gross balance of trade receivables amounted to SR 1,116 million as at December 31, 2021 (December 31, 2020: SR 1,143 million) against which the Group has established expected credit loss (ECL) allowance of SR 128 million as at December 31, 2021 (December 31, 2020: SR 146 million) in accordance with the requirements of IFRS 9, "Financial Instruments."</p> <p>Management has applied the simplified ECL approach to determine the allowance.</p> <p>The loss allowances for financial assets are based on assumptions related default risk and expected loss rates. The group uses judgment in making these assumptions and selecting inputs to calculate impairment, based on the Group's prior experience, current market conditions as well as future estimates at the end of each reporting period.</p> <p>We considered this as a key audit matter due to the level of judgment applied and the estimates made in the ECL calculation.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Evaluating the suitability of the Group's policy for determining the allowances for impairment with the requirements of the International Financial Reporting Standard (9) and related disclosures in the consolidated financial statements. • Evaluating the suitability of the expected credit loss model on related financial assets and its suitability to the requirements of the standard. • Obtaining an understanding of management's procedures in establishing the allowance and evaluating the design and implementation of controls in determining the ECL provision. • Verifying the main data sources and inputs used in the ECL model and evaluating the appropriateness of judgments and estimates that were used in the ECL calculation. • Obtaining the aging report for the trade receivables and making sure of its accuracy and its use in the calculation of the allowance. • We tested the mathematical accuracy of the ECL calculation. • Perform a sensitivity analysis of key assumptions such as historical loss rates and future economic factor.
Refer to note 6 for the accounting policy and note 14 for related disclosures.	

Independent Auditor's Report (Continued)

To the Shareholders

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

Other information included in the Group's annual report for the year 2021

Other information consists of the information included in the Group's annual report for the year 2021, other than the consolidated financial statements and the auditor's report thereon. Management is responsible for the other information included in its annual report. It is expected that the annual report of the Group for the year 2021 will be available to us after the date of this report.

Our opinion on the consolidated financial statements does not cover this 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 to those charged with governance.

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

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

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

Those charged with governance, i.e. the Board of Directors, are 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 the 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.

Independent Auditor's Report (Continued)

To the Shareholders

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

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

- 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 a 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.

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.

Baker Tilly MKM & Co.
Certified Public Accountants



Majed Muneer Al Nemer
(Certified Public Accountant – License No. 381)

Riyadh on Sha'ban 21, 1443H
Corresponding to March 24, 2022G



SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

(SAUDI RIYALS)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets:			
Property, plant and equipment	7	1,097,782,937	1,138,663,891
Assets under construction	8	718,799,460	692,066,130
Intangible assets	9	39,107,568	63,257,900
Right of use assets	10	33,830,180	16,337,884
Investments in associates and joint venture	11	63,300,064	80,409,122
Deferred tax assets	12	18,929,094	17,503,656
Total Non-Current Assets		1,971,749,303	2,008,238,583
Current assets:			
Inventories	13	419,092,503	458,060,227
Trade and other receivables	14	1,016,688,920	1,015,854,118
Investments at fair value through OCI	15	-	128,990,471
Investments at fair value through profit or loss	16	567,674,308	614,561,295
Prepaid expenses and other debit balances	17	125,955,824	123,004,616
Cash and cash equivalents	18	328,317,600	331,073,337
Total Current Assets		2,457,729,155	2,671,544,064
Assets from discontinued operations	19	4,595,562	3,007,889
TOTAL ASSETS		4,434,074,020	4,682,790,536
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	1,200,000,000	1,200,000,000
Statutory reserve	21	360,684,866	360,684,866
General reserve		150,000,000	150,000,000
Consensual reserve	21	34,709,740	41,751,842
Fair value reserve	21	-	57,649,689
Foreign currency translation reserve		(11,914,760)	(6,606,020)
Retained earnings		104,282,191	112,052,824
Equity attributable to the Shareholders of the Parent:		1,837,762,037	1,915,533,201
Non-controlling interests	22	155,642,581	155,429,857
TOTAL EQUITY		1,993,404,618	2,070,963,058
LIABILITIES			
Non-current liabilities:			
Loans and borrowings	23	417,124,634	649,071,182
Lease liabilities	10	17,688,706	12,712,912
Employees' end of service benefit obligations	24	295,886,961	310,678,933
Deferred income	25	36,364,283	40,114,187
Contract liabilities	26	33,861,020	27,576,174
Total Non-Current Liabilities		800,925,604	1,040,153,388
Current liabilities:			
Loans and borrowings	23	852,748,232	686,534,743
Provision for financial guarantees	27	45,665,966	108,231,183
Lease liabilities	10	7,255,079	3,315,437
Zakat and income tax payable	28	28,842,314	39,657,892
Trade payable and other liabilities	29	461,365,242	471,825,928
Dividends payable		157,492,830	155,603,299
Contract liabilities	26	83,692,445	102,322,611
Total Current Liabilities		1,637,062,108	1,567,491,093
Liabilities from discontinued operations	19	2,681,690	4,182,997
Total Liabilities		2,440,669,402	2,611,827,478
TOTAL EQUITY AND LIABILITIES		4,434,074,020	4,682,790,536

The accompanying notes form an integral part of these consolidated financial statements


Chief Financial Officer

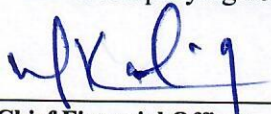

Chief Executive Officer


Chairman

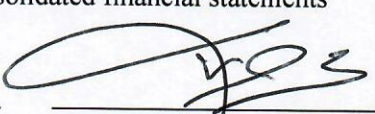
SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYALS)

	Note	2021	2020
Revenue	30	1,459,783,969	1,555,286,483
Cost of revenue		(839,918,411)	(864,809,280)
Gross profit		619,865,558	690,477,203
Selling and marketing expenses	31	(332,202,823)	(319,105,111)
General and administrative expenses	32	(238,787,371)	(206,264,501)
Research and development expenses	33	(8,065,962)	(20,413,140)
Reversal / (impairment loss) on trade receivables	15	13,855,271	(1,475,224)
Other income, net	34	838,100	10,514,696
Operating profit		55,502,773	153,733,923
Financial guarantee expenses		(1,494,227)	299,247
Finance cost	35	(39,490,183)	(44,064,679)
Dividends income from investees	36	-	7,002,450
Share of profit from associates and joint venture	11	11,406,008	38,212,917
Profit from investments at fair value through profit or loss	16	7,805,295	3,518,190
Profit before zakat, income tax and discontinued operations		33,729,666	158,702,048
Zakat and income tax	28	(12,345,725)	(43,896,566)
Net profit for the year before discontinued operations		21,383,941	114,805,482
Discontinued operations			
Loss from discontinued operations	19	(3,282,453)	(5,264,515)
Net profit for the year		18,101,488	109,540,967
Attributable to:			
Shareholders of the Parent Company		26,454,090	124,787,295
Non-controlling interests	22	(8,352,602)	(15,246,328)
		18,101,488	109,540,967
Earning per share attributable to the Shareholders of the Parent Company			
Basic and diluted	37	0.22	1.04

The accompanying notes form an integral part of these consolidated financial statements


Chief Financial Officer

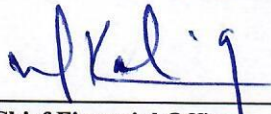

Chief Executive Officer


Chairman

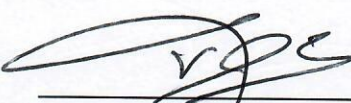
SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYALS)

	Note	2021	2020
Net profit for the year		18,101,488	109,540,967
Items that may be reclassified to profit or loss subsequently:			
Foreign currency translation differences		(5,308,740)	13,948,176
Items that will not be reclassified to profit or loss subsequently:			
Change from revaluation of the investments at FVOCI	21	12,472,530	(107,760,385)
Actuarial gain on employees' end of service benefits	24	9,418,078	1,657,640
Share of other comprehensive loss of associates and joint venture	11	(331,447)	(550,335)
Total other comprehensive income / (loss) for the year		16,250,421	(92,704,904)
Total comprehensive income for the year		34,351,909	16,836,063
Attributable to:			
Shareholders of the Parent Company		42,228,836	31,991,901
Non-controlling interests	22	(7,876,927)	(15,155,838)
		34,351,909	16,836,063

The accompanying notes form an integral part of these consolidated financial statements


Chief Financial Officer


Chief Executive Officer


Chairman

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

(SAUDI RIYALS)

	Share capital	Statutory reserve	General reserve	Consensual reserve	Fair value reserve	Foreign currency translation reserve	(Accumulated losses) / retained earnings	Shareholders of the Parent	Non-controlling interests	Total equity
Balance as at January 1, 2020	1,200,000,000	360,684,866	150,000,000	96,274,794	443,132,021	(20,554,196)	(285,996,185)	1,943,541,300	170,585,695	2,114,126,995
Net profit for the year	-	-	-	-	-	-	124,787,295	124,787,295	(15,246,328)	109,540,967
Other comprehensive loss	-	-	-	-	(107,760,385)	13,948,176	1,016,815	(92,795,394)	90,490	(92,704,904)
Total comprehensive income	-	-	-	-	(107,760,385)	13,948,176	125,804,110	31,991,901	(15,155,838)	16,836,063
Transfer on disposal of investments at FVOCI	-	-	-	-	(277,721,947)	-	277,721,947	-	-	-
Transfer to consensual reserve	-	-	-	5,477,048	-	-	(5,477,048)	-	-	-
Dividends (note 21.4)	-	-	-	(60,000,000)	-	-	-	(60,000,000)	-	(60,000,000)
Balance as at December 31, 2020	1,200,000,000	360,684,866	150,000,000	41,751,842	57,649,689	(6,606,020)	112,052,824	1,915,533,201	155,429,857	2,070,963,058
Net profit for the year	-	-	-	-	-	-	26,454,090	26,454,090	(8,352,602)	18,101,488
Other comprehensive income	-	-	-	-	12,472,530	(5,308,740)	8,610,956	15,774,746	475,675	16,250,421
Total comprehensive income	-	-	-	-	12,472,530	(5,308,740)	35,065,046	42,228,836	(7,876,927)	34,351,909
Transfer on disposal of investments at FVOCI	-	-	-	-	(70,122,219)	-	70,122,219	-	-	-
Transfer to consensual reserve	-	-	-	905,074	-	-	(905,074)	-	-	-
Dividends (note 21.4)	-	-	-	(7,947,176)	-	-	(112,052,824)	(120,000,000)	-	(120,000,000)
Changes in non-controlling interest	-	-	-	-	-	-	-	-	8,089,651	8,089,651
Balance as at December 31, 2021	1,200,000,000	360,684,866	150,000,000	34,709,740	-	(11,914,760)	104,282,191	1,837,762,037	155,642,581	1,993,404,618


The accompanying notes form an integral part of these consolidated financial statements



Chief Financial Officer



Chief Executive Officer



Chairman

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYALS)

	2021	2020
Cash flows from operating activities:		
Profit before zakat and income tax	33,729,666	158,702,048
Loss from discontinued operations before zakat	(2,174,225)	(3,594,166)
	31,555,441	155,107,882
Adjustments to reconcile profit before zakat and tax to net cash flows:		
Depreciation of property, plant and equipment	59,030,739	57,718,375
Depreciation on right of use assets	3,924,032	3,906,728
Amortization of intangible assets	25,151,092	25,793,589
Dividend income on investments	-	(7,002,450)
Intangible assets written off	-	2,388,460
Share of profit from associates and joint venture	(11,406,008)	(38,212,917)
Loss on disposal of property, plant and equipment	451,740	-
Provision for sales/services discounts and returns	(12,345,320)	23,580,557
Provision for slow-moving inventories or nearly expired	19,194,610	(4,180,898)
Profit from investments at FVTPL	(7,805,295)	(3,518,190)
(Reversal) / impairment loss on trade receivables	(13,855,271)	1,475,224
End of service benefits cost incurred	34,213,566	32,334,240
Amortization of deferred income	(3,749,904)	(3,210,270)
Provision / (reversal) of financial guarantees	1,494,227	(299,247)
Finance cost	39,490,183	44,233,610
	165,343,832	290,114,693
Working capital changes:		
Trade and other receivables	13,020,469	(51,666,131)
Inventories	18,023,666	(44,346,871)
Prepaid expenses and other debit balances	(2,995,144)	18,380,002
Trade payable and other liabilities	(14,266,001)	(105,852,876)
Cash generated from operating activities	179,126,822	106,628,817
Finance cost paid	(20,257,167)	(26,731,311)
Zakat and income tax paid	(24,586,741)	(30,079,843)
Employees' end of service benefit obligations paid	(47,570,225)	(40,081,984)
Net cash generated from operating activities	86,712,689	9,735,679

The accompanying notes form an integral part of these consolidated financial statements


Chief Financial Officer


Chief Executive Officer


Chairman

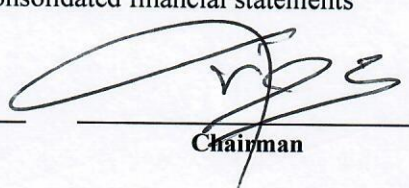
SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYALS)

	2021	2020
Cash flows from investing activities:		
Purchase of property, plant and equipment	(13,009,660)	(49,826,410)
Additions to right of use assets	(6,631,769)	(8,212,980)
Net changes in assets under construction	(63,233,226)	(114,926,330)
Additions to intangible assets	(1,003,872)	(10,395,244)
Proceeds from disposal of property, plant, and equipment	1,016,006	2,033,161
Dividends from joint venture	30,600,000	33,586,443
Additional investments in associate and joint venture	(2,416,381)	(2,129,982)
Additions to investments at FVTPL	(145,307,718)	(593,211,092)
Proceeds from sale of investments at FVTPL	200,000,000	10,000,000
Dividend received on investments at FVOCI	-	7,002,450
Proceeds from sale of investments at FVOCI	141,463,001	579,493,307
Net cash generated from / (used in) investing activities	141,476,381	(146,586,677)
Cash flows from financing activities:		
Net changes in loans and borrowings	(76,018,865)	131,557,198
Additions to lease liabilities	14,473,859	7,991,143
Financial guarantees paid	(64,059,444)	-
Lease liabilities paid	(5,327,088)	(4,400,890)
Dividends paid	(118,110,469)	(58,975,281)
Changes in non-controlling interest	8,089,651	-
Government grant received	-	2,682,242
Net cash (used in) / generated from financing activities	(240,952,356)	78,854,412
Net changes in cash and cash equivalents during the year	(12,763,286)	(57,996,586)
Cash and cash equivalents at the beginning of the year	334,081,226	378,972,848
Foreign exchange translation	8,345,365	13,104,964
Cash and cash equivalents at the end of the year	329,663,305	334,081,226
Non-cash transactions		
Transfers from assets under construction to:		
- Property, plant and equipment	7,185,061	148,133,016
- Right of use assets	15,916,031	-
Change from revaluation of investments at FVOCI	(12,472,530)	(107,760,385)

The accompanying notes form an integral part of these consolidated financial statements


Chief Financial Officer


Chief Executive Officer


Chairman

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1. ORGANIZATION AND ACTIVITY

Saudi Pharmaceutical Industries and Medical Appliances Corporation (the "Company" or "Parent Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration number 1131006650 dated Rajab 6, 1406H (corresponding to March 16, 1986) and formed according to the Ministerial Resolution No. 884 dated Jumada Al-Awwal 10, 1406H (corresponding to January 21, 1986).

These consolidated financial statements ("financial statements") comprise the holding Company and its subsidiaries (together referred to as the "Group").

The Company's headquarters is located in Buraidah - King Abdul Aziz Road - Qassim Industrial City.

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 operates through following branches in the Kingdom of Saudi Arabia.

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

1.1 Subsidiaries

Name of subsidiary	Principal activities	Country of incorporation	Percentage of ownership	
			December 31, 2021	December 31, 2020
ARAC Healthcare Company (ARAC)	Pharmaceutical products distributor	Saudi Arabia	100%	100%
Pharmaceutical Industries Company for Distribution (*)	Pharmaceutical products distributor	Saudi Arabia	100%	100%
ARACOM Medical Company	Pharmaceutical products distributor	Saudi Arabia	100%	100%
AL-WATAN Arabian Pharmaceutical Industries (**)	Pharmaceutical manufacturer	Saudi Arabia	100%	100%
ANORA Trading Company(***)	Pharmacy - retail	Saudi Arabia	99%	99%
Dammam Pharmaceutical Company	Pharmaceutical manufacturer	Saudi Arabia	85%	85%
Qassim Medical Service Company	Healthcare services provider	Saudi Arabia	57.27%	57.27%
SPIMACO Saudi Foundation Algeria	Pharmaceutical products distributor	Algeria	100%	100%
SPIMACO Misr Company for Marketing (*)	Pharmaceutical products marketing	Egypt	100%	100%
SPIMACO Misr Company for Distribution (*)	Pharmaceutical products distributor	Egypt	100%	100%
SPIMACO Egypt Company	Pharmaceutical products distributor	Egypt	100%	100%
SPIMACO Misr for Pharmaceutical Industries	Pharmaceutical manufacturer	Egypt	51.6%	51.6%
SPIMACO Morocco for Pharmaceutical Industries	Pharmaceutical manufacturer	Morocco	72.54%	70.65%
SPIMACO ILAJ (*)	Pharmaceutical products distributor	Turkey	100%	100%

(*) There has been no activity in these subsidiaries.

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1. ORGANIZATION AND ACTIVITY (CONTINUED)

1.1 Subsidiaries (Continued)

(**) On September 16, 2020, the shareholders of AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") (a subsidiary Limited Liability Company) resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. SPIMACO will produce some of the subsidiary's products from the Company's factory in Al Qassim and there is no financial impact from the liquidation of Al-Watan Pharma since the subsidiary did not start its commercial activity and does not have capital projects. Accordingly, the Group stopped consolidating the financial statements of Al-Watan Pharma (note 19).

(***) On November 17, 2021, the shareholders of ANORA Trading Company (a subsidiary Limited Liability Company), resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. The financial impact from the liquidation of ANORA Trading Company is immaterial as it has insignificant commercial activity and does not have financial commitments. The Group stopped consolidating the financial statements of ANORA Trading Company and its financial results for the previous years have been reflected in the consolidated financial statements of the Group. It should be noted that ANORA Trading Company is a limited liability company, with a paid-up capital of SR 300 thousand, and it is 99% owned by ARAC Healthcare Company (a wholly owned subsidiary of SPIMACO Group) (note 19).

1.2 Associates and joint venture

Name	Principal activities	Country of incorporation	Percentage of ownership%	
			December 31, 2021	December 31, 2020
Arabian Medical Products Manufacturing Company (ENAYAH) – Joint venture	Manufacturing of healthcare products	Saudi Arabia	51%	51%
CAD Middle East Pharmaceutical Company (CAD) – Associate	Active Pharmaceutical Ingredients manufacturing	Saudi Arabia	46.08%	46.08%
Tassili Arab Pharmaceutical Company (TAPHCO) – Associate	Pharmaceutical manufacturer	Algeria	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 that are endorsed in the kingdom of Saudi Arabia ("IFRS") and others standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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3. BASIS OF PREPARATION

3.1 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 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 4.

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

- Trade receivables at amortised cost;
- Financial instruments at FVOCI;
- Financial instruments at FVTPL;
- Murabaha loan at amortised cost;
- Government loan at amortised cost;
- Government granted land at fair value;
- Defined benefits plan is 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.

3.2 Functional and presentation currency

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

3.3 Basis of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries subject to control as set out in Note 1.1

Specifically, the Group controls an investee if, and only if, the Group has:

- Control over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its direct involvement and relationship with the investee;
- The ability to use its power over the investee to affect its returns.

The Group performs a re-evaluation to ascertain whether or not it exercises control over the investee Company, when facts and circumstances indicate that there is a change in one or more of the elements of control mentioned above.

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3. BASIS OF PREPARATION (CONTINUED)

3.3 Basis of consolidation of financial statements (Continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of the investee, the Group considers all relevant facts and circumstances in assessing whether it has power or control over the investee, including:

- The contractual arrangement (or arrangements) with the other voting rights holders within the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those followed by the Group.

All assets, liabilities, equity, revenues, expenses and cash flows related to intercompany transactions are completely eliminated upon consolidation of the consolidated financial statements.

3.4 Business combination

Business combinations are accounted for using the acquisition method. The consideration transferred upon business combination is measured at fair value at the acquisition date of the assets transferred by the Group, the liabilities that the Group incurs to the previous owners of the acquiring Company, and any equity rights issued by the Group in exchange for control of the acquiring Company. The costs related to the acquisition are recognized in profit or loss.

4. 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:

A- 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.

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4. USE OF JUDGEMENT AND ESTIMATES (CONTINUED)

A- Judgments (Continued)

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.

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.

Leases

Lease liabilities are determined by calculating the present value of the lease payments using an appropriate discount rate. The Group uses the effective interest rate to calculate the present value of lease payments, which represents the long-term incremental borrowing rate.

B- 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 December 31, 2021 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.

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4. USE OF JUDGEMENT AND ESTIMATES (CONTINUED)

B- Judgments (Continued)

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.

Employees' benefits

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

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.

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.

Recognition and measurement of provisions

Key assumptions about the likelihood and magnitude of an outflow of resources.

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.

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5. APPLICATION OF NEW AND REVISED IFRS'S

5.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2021, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

<u>New standards or amendments</u>	<u>Effective Date</u>
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021

5.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

<u>New standards or amendments</u>	<u>Effective date</u>
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

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

Assets are current when they are:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period or;
- Cash and cash equivalents unless restricted from being exchanged or used to settle any liabilities for at least twelve months after the reporting period. All other assets are classified as "non-current".

All liabilities are determined to be current when:

- They are expected to be settled in the normal operating cycle;
- Are held primarily for the purpose of trading;
- Are due to be settled within twelve months after the reporting period or;
- There is no unconditional right to defer the settlement of the liabilities for at least twelve months after the reporting period.
- The Group classifies all other liabilities as "non-current".

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.

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 depreciation rate 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%
Vehicles	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.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The cost of internally generated asset is initially recognised at cost when:

- It is probable that there will be future economic benefits from the assets and,
- The cost of the assets can be reliably measured.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Expenditure for an intangible item, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

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.

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 and amortization rate are as follows:

Intangible asset	Amortization rate
Technologies	14% to 15%
Brand name	14% to 15%
Customers list	14% to 15%
Computer Software	12% to 15%
Deferred Charge, Product Knowledge and Licenses	12.5%

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Investments in fair value through other comprehensive income

The Group has a strategic investment in a listed entity which is not accounted for as a subsidiary, associate or a jointly controlled entity. For this investment, the Group has made an irrevocable election to classify the investment 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.

This is 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.

Investment in 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.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in associates and joint venture (continued)

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 consolidated 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 consolidated statement of profit or loss.

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.

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 4.A for impairment of financial assets of these financial statements.

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.

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.

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 general assembly of 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.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings and murabaha financing

Borrowings and Murabaha financing are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings and Murabaha financing are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss over the year of the borrowings using the Effective Interest Rate ("EIR") method. Fees paid on loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalized as prepayments for liquidity services and amortised over the year of the facilities to which it relates.

Borrowings and Murabaha financing are derecognised from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings and Murabaha financing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the date of the preparation of the financial statements.

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.

Leases

Lease contracts

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:

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.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease contracts (continued)

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.

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.

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.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants (Deferred revenue)

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.

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.

Zakat and income tax

The Company and its Saudi Arabian subsidiaries are subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") 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.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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 are 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.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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 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.

Cost of revenue

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

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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).

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

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment testing of non-financial assets (continued)

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.

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.

Financial Instruments

A- 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:

Investment at 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.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

A- Financial assets

Amortized cost

These assets arise principally from the sale 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.

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.

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 debit balances are presented separately in the statement of profit or loss account.

B- 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:

Financial liabilities at 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.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B- Financial liabilities (continued)

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.

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7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and Machinery	Furniture and fixtures	Office equipment and computers	Vehicles	Total
COST :							
As at January 1, 2020	122,046,219	696,271,871	764,483,826	173,411,265	35,791,622	21,473,365	1,813,478,168
Additions during the year	-	15,492,585	29,079,563	2,536,923	1,836,387	880,952	49,826,410
Transferred from assets under construction (note 8)	-	-	-	-	-	-	-
Disposals	-	65,867,001	75,874,608	5,509,628	881,779	-	148,133,016
Effect of foreign currency translation	-	(1,136,000)	(4,098,650)	(1,065,040)	(6,881)	(3,110,922)	(9,417,493)
As at December 31, 2020	228,058	465,439	874,184	(296,726)	320,187	14,129	1,605,271
Additions during the year	122,274,277	776,960,896	866,213,531	180,096,050	38,823,094	19,257,524	2,003,625,372
Transferred from assets under construction (note 8)	-	-	6,388,085	2,128,060	1,223,116	3,270,399	13,009,660
Disposals	-	-	7,019,892	47,694	117,475	-	7,185,061
Effect of foreign currency translation	-	-	(9,111,889)	(3,380,854)	(305,347)	(3,721,522)	(16,519,612)
Attributable to discontinued operations	(224,673)	(202,127)	(719,964)	(43,898)	(53,228)	1,638	(1,242,252)
As at December 31, 2021	122,049,604	776,758,769	869,786,035	178,424,128	39,713,310	18,768,289	2,005,500,135
ACCUMULATED DEPRECIATION :							
As at January 1, 2020	-	216,288,715	433,566,719	118,335,522	29,392,596	16,063,593	813,647,145
Charge for the year	-	17,615,731	26,887,418	7,941,073	3,157,652	2,116,501	57,718,375
Disposals	-	-	(4,098,650)	(1,043,216)	(313)	(2,242,153)	(7,384,332)
Effect of foreign currency translation	-	226,862	748,505	(299,941)	300,480	4,387	980,293
As at December 31, 2020	-	234,131,308	457,103,992	124,933,438	32,850,415	15,942,328	864,961,481
Charge for the year	-	16,812,506	29,289,402	8,205,184	2,959,239	1,764,408	59,030,739
Disposals	-	-	(9,102,063)	(2,441,709)	(285,309)	(3,222,785)	(15,051,866)
Effect of foreign currency translation	-	(204,880)	(666,979)	(64,005)	(50,124)	(4,075)	(990,063)
Attributable to discontinued operations	-	-	(1,020)	(134,591)	(70,983)	(26,499)	(233,093)
As at December 31, 2021	-	250,738,934	476,623,332	130,498,317	35,403,238	14,453,377	907,717,198

NET BOOK VALUE :

December 31, 2021	122,049,604	526,019,835	393,162,703	47,925,811	4,310,072	4,314,912	1,097,782,937
December 31, 2020	122,274,277	542,829,588	409,109,539	55,162,612	5,972,679	3,315,196	1,138,663,891

In 1992, the Governorate of Buraidah 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 Buraidah 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.

Management determined that there is no impairment in the carrying amount of the Group's property, plant and equipment as at December 31, 2021 (December 31, 2020: SR nil).

As at December 31, 2021 a property with a carrying value of SR 7.8 million (December 31, 2020: SR 8.02 million) has been pledged to secure borrowings of an associated entity (refer note 27).

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8. ASSETS UNDER CONSTRUCTION

	December 31, 2021	December 31, 2020
Property, plant and equipment	686,462,395	672,488,298
Intangible assets	32,337,065	19,577,832
	<u>718,799,460</u>	<u>692,066,130</u>
Movement of assets under construction		
	December 31, 2021	December 31, 2020
Opening balance	692,066,130	725,419,777
Additions during the year	63,506,716	134,562,667
Transfer to property, plant and equipment (note 7)	(7,185,061)	(148,133,016)
Transfer to right of use asset	(15,916,031)	-
Disposals	(273,490)	(19,636,337)
Effect of foreign currencies translation	(13,398,804)	(146,961)
Closing balance	<u>718,799,460</u>	<u>692,066,130</u>

9. INTANGIBLE ASSETS

	Brand name, list of clients, and technologies	Deferred Charge, Product Knowledge and Licenses	Computer Software	Total
Cost:				
As at January 1, 2020	144,394,454	21,804,644	31,694,788	197,893,886
Additions during the year	-	216,007	10,179,237	10,395,244
Written off	-	(20,196,341)	(2,438,063)	(22,634,404)
Effect of foreign currency translation	-	-	365,195	365,195
As at December 31, 2020	144,394,454	1,824,310	39,801,157	186,019,921
Additions during the year	-	706,195	297,677	1,003,872
Written off	(9,616,770)	-	-	(9,616,770)
Effect of foreign currency translation	(14,787)	-	-	(14,787)
As at December 31, 2021	<u>134,762,897</u>	<u>2,530,505</u>	<u>40,098,834</u>	<u>177,392,236</u>
Accumulated amortization:				
As at January 1, 2020	79,168,084	20,053,183	17,993,109	117,214,376
Charge for the year	20,707,501	417,746	4,668,342	25,793,589
Written off	-	(20,196,341)	(49,603)	(20,245,944)
As at December 31, 2020	99,875,585	274,588	22,611,848	122,762,021
Charge for the year	20,707,501	352,632	4,090,959	25,151,092
Written off	(9,616,770)	-	-	(9,616,770)
Effect of foreign currency translation	(11,675)	-	-	(11,675)
As at December 31, 2021	<u>110,954,641</u>	<u>627,220</u>	<u>26,702,807</u>	<u>138,284,668</u>
Net book value				
As at December 31, 2021	<u>23,808,256</u>	<u>1,903,285</u>	<u>13,396,027</u>	<u>39,107,568</u>
As at December 31, 2020	<u>44,518,869</u>	<u>1,549,722</u>	<u>17,189,309</u>	<u>63,257,900</u>

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10. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The following is the net book value for right of use assets and lease liabilities of the Group during the year 2021:

	Right of use assets	Lease liabilities
Cost		
As at January 1, 2021	16,337,884	16,028,349
Additions during the year	22,586,815	14,473,859
Depreciation	(3,924,032)	-
Interest expense	-	854,985
Payments / Accrued	-	(5,350,869)
Transferred to discontinued operations	(1,170,487)	(1,062,539)
December 31, 2021	33,830,180	24,943,785
Less: current portion		(7,255,079)
Non-current portion		17,688,706

The following is the net book value for right of use assets and lease liability of the group and transactions during the year 2020:

	Right of use assets	Lease liabilities
As at January 1, 2020	12,031,632	11,657,559
Additions during the year	8,212,979	7,991,143
Depreciation	(3,906,728)	-
Interest expense	-	780,537
Payments / Accrued	-	(4,400,890)
December 31, 2020	16,337,884	16,028,349
Less: current portion		(3,315,437)
Non-current portion		12,712,912

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

	December 31, 2021	December 31, 2020
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint Venture	63,300,064	80,409,122
Tassili Arab Pharmaceutical Company (TAPHCO) Algeria – Associate	-	-
CAD Middle East Pharmaceutical Company (CAD) – Associate	-	-
	63,300,064	80,409,122

The movement of the investments is as follows:

	December 31, 2021	December 31, 2020
Opening balance	80,409,122	74,203,001
Additions during the year	2,416,381	2,129,982
Dividends	(30,600,000)	(33,586,443)
Share of profit during the year	11,406,008	38,212,917
Share of OCI during the year	(331,447)	(550,335)
Closing balance	63,300,064	80,409,122

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11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

Share of profit / (loss) in investments in associates and joint venture

	December 31, 2021	December 31, 2020
Arabian Medical Products Manufacturing Company (ENAYAH)	11,406,008	40,561,982
CAD Middle East Pharmaceutical Company (CAD)	-	(2,129,982)
Tassili Arab Pharmaceutical Company (TAPHCO)	-	(219,083)
	11,406,008	38,212,917

12. DEFERRED TAX ASSETS

	December 31, 2021	December 31, 2020
Opening balance	17,503,656	23,724,209
Charge during the year	1,425,438	(6,220,553)
Closing balance	18,929,094	17,503,656

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

	December 31, 2021	December 31, 2020
Deductible temporary differences		
Provision of expected credit losses	1,841,550	1,396,060
Provision for slow-moving inventory	579,710	316,417
Provisions - sales discounts and sales returns	745,019	1,396,548
Provision for financial guarantee	2,324,398	4,435,313
Provision for employee benefits	10,795,708	9,349,040
Deferred income	1,061,281	939,406
Depreciation of property, plant and equipment	260,687	(329,128)
Accrued expenses and other liabilities	5,643,275	-
Prepaid expenses and other debit balances	(4,331,773)	-
Right of use assets	(265,171)	-
Lease liabilities	274,410	-
	18,929,094	17,503,656

13. INVENTORIES

	December 31, 2021	December 31, 2020
Raw materials	159,548,869	156,122,511
Work in progress	21,095,604	21,286,703
Finished goods	235,845,827	272,962,035
Goods in transit	23,130,553	10,428,131
Stores and spares	23,122,754	21,717,341
	462,743,607	482,516,721
Less: Provision for slow-moving and near expiry inventories	(43,651,104)	(24,456,494)
	419,092,503	458,060,227

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13. INVENTORIES (CONTINUED)

Movement of provision for slow-moving and near expiry inventories

	December 31, 2021	December 31, 2020
Opening balance	24,456,494	28,637,392
Provision / (reversal) for the year	19,194,610	(4,180,898)
Closing balance	43,651,104	24,456,494

14. TRADE AND OTHER RECEIVABLES

	December 31, 2021	December 31, 2020
Trade receivables	1,116,498,159	1,142,747,011
Less: impairment provision	(174,455,371)	(188,310,642)
	942,042,788	954,436,369
Due from associates and joint venture (note 38)	74,646,132	61,417,749
	1,016,688,920	1,015,854,118

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

	December 31, 2021	December 31, 2020
Up to 3 months	646,355,743	367,494,335
3 to 6 months	74,396,312	60,772,220
6 to 12 months	116,554,760	301,773,036
Over 1 year	279,191,344	412,707,420
	1,116,498,159	1,142,747,011

Impairment provision movement of trade receivables:

	Specific provision	ECL provision	Total
Balance as at January 1, 2020	42,195,956	164,879,176	207,075,132
Written off during the year	-	(20,239,714)	(20,239,714)
Impairment loss for the year	-	1,475,224	1,475,224
Balance as at December 31, 2020	42,195,956	146,114,686	188,310,642
(Reversal) / impairment loss for the year	4,157,474	(18,012,745)	(13,855,271)
Balance as at December 31, 2021	46,353,430	128,101,941	174,455,371

15. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2021	December 31, 2020
Opening balance	128,990,471	816,244,163
Changes in fair value during the year	12,472,530	(385,679,425)
Disposals during the year	(141,463,001)	(301,574,267)
Closing balance	-	128,990,471
Current portion	-	128,990,471
Non-current portion	-	-

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15. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

	December 31, 2021	December 31, 2020
Cost		
National Industrialization Company (TASNEE)	-	71,340,782
Arabian Industrial Fibers Company (IBN RUSHD)	-	-
	-	71,340,782
Unrealized gain on investments	-	57,649,689
	-	128,990,471

On disposal of equity investments measured at FVOCI, the accumulated fair value reserve of disposed off investments is reclassified from the fair value reserve to retained earnings. Investments at fair value through other comprehensive income were disposed off during the year and the cumulative gain on these investments were SR 70.2 million (December 31, 2020: cumulative gain SR 277.7 million).

16. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2021	December 31, 2020
Opening balance	614,561,295	27,832,013
Additions during the year	145,307,718	593,211,092
Profit for the year	7,805,295	3,518,190
Disposals during the year	(200,000,000)	(10,000,000)
Closing balance	567,674,308	614,561,295

17. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	December 31, 2021	December 31, 2020
VAT refundable	38,962,648	36,609,694
Advances to suppliers	45,627,379	31,407,628
Due from employees *	10,438,802	18,815,438
Prepaid insurance and other expenses	23,990,707	18,601,655
Zakat and income tax advance payment	2,208,126	1,110,276
Due from distributors and agents	-	12,117,471
Others	4,728,162	4,342,454
	125,955,824	123,004,616

* These represents advance against salaries and other short-term loans given to employees as per Company policy which are deductible from employees' salaries on monthly basis or from end services benefits in the case of resignation or termination of the employment contract.

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18. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash in hand	259,238	174,587
Cash at banks	260,270,756	219,713,173
Short term deposits *	67,787,606	111,185,577
	328,317,600	331,073,337

* This represents short term Murabaha deposits held with various banks with profit margin ranging from 0.15% to 1.9% (December 31, 2020: 0.15% to 1.9%) with a maturity of less than 3 months.

For the purposes of preparing the consolidated statement of cash flows, total cash and cash equivalents consist of the following:

	December 31, 2021	December 31, 2020
Total cash and cash equivalents	328,317,600	331,073,337
Cash and cash equivalents from discontinued operations	1,345,705	3,007,889
	329,663,305	334,081,226

19. DISCONTINUED OPERATIONS

As disclosed in Note 1.1, the Group resolved to voluntarily liquidate Al-Watan Pharma and ANORA Trading Company on September 16, 2020 and November 17, 2021 respectively. Accordingly, the Group has not consolidated these subsidiaries in these financial statements and classified them as discontinued operations. The results of the operations of Al-Watan Pharma and ANORA Trading Company for the current and previous year have been presented in the consolidated statement of profit or loss as follows:

	December 31, 2021	December 31, 2020
Revenue	2,732,401	4,190,545
Cost of revenue	(2,049,301)	(2,849,805)
Gross profit	683,100	1,340,740
Selling and marketing expenses	(1,080,451)	(1,079,715)
General and administrative expenses	(1,810,386)	(3,806,465)
Other income	33,512	-
Finance charge	-	(168,931)
Operating loss	(2,174,225)	(3,714,371)
Term deposit income	-	120,205
Loss before zakat	(2,174,225)	(3,594,166)
Zakat	(1,108,228)	(1,670,349)
Net loss for the year from discontinued operations	(3,282,453)	(5,264,515)
Earnings per share		
Basic & diluted	(0.03)	(0.04)

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19. DISCONTINUED OPERATIONS (CONTINUED)

The following is the statement of the main classes of assets and liabilities of AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") and ANORA Trading Company as discontinued operations:

	December 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	1,345,705	3,007,889
Inventories	1,749,448	-
Prepaid expenses and other debit balances	43,936	-
Property, plant and equipment	325,001	-
Right of use assets	1,131,472	-
Assets from discontinued operations	4,595,562	3,007,889
Liabilities		
Accrued expenses	50,154	161,219
Zakat provision	1,435,756	1,859,842
Employees' end of service benefits	109,460	2,161,936
Lease obligation	1,086,320	-
Liabilities from discontinued operations	2,681,690	4,182,997

The following is the statement of cash flows incurred by AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") and ANORA Trading Company:

	December 31, 2021	December 31, 2020
Operating activities	(1,896,939)	(28,954,392)
Investing activities	-	-
Financing activities	-	-
Net changes in cash and cash equivalents during the year	(1,896,939)	(28,954,392)

During the current year, there was no impairment in the carrying value of the assets directly related to the discontinued operations.

20. SHARE CAPITAL

	December 31, 2021	December 31, 2020
Share capital issued and fully paid @ SR 10 each	1,200,000,000	1,200,000,000
Percentage of shareholding		
	December 31, 2021	December 31, 2020
Saudi Shareholding	74.55%	74.55%
Non-Saudi Shareholding-Arab Company for Drug Industries and Medical Appliances – Jordan (ACDIMA)	20.48%	20.48%
Non-Saudi Shareholding-others	4.97%	4.97%

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21. RESERVE

21.1 STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group transfers 10% of its net profits for the year to the statutory reserve until this reserve reaches 30%.

21.2 CONSENSUAL RESERVE

In accordance with the provisions of the Company's by-laws, it transfers 5% of the net annual income to the consensual reserve until this reserve reaches 25% of the Capital. The General Assembly shall determine the purposes for the use of this reserve.

During the years 2021 and 2020, consensual reserve was reduced by SR 7,947,176 and SR 60,000,000 respectively to accommodate dividend distribution due to unavailability of sufficient earning.

21.3 FAIR VALUE RESERVE

The fair value reserve includes gains and losses from movements in fair value of the Group's investments at FVOCI, and this is stated as follows:

	December 31, 2021	December 31, 2020
Opening balance	57,649,689	443,132,021
Changes of fair value during the year (note 15)	12,472,530	(107,760,385)
Transferred to retained earnings on disposal	(70,122,219)	(277,721,947)
Closing balance	-	57,649,689

21.4 Dividends

During year 2021, based on the approval of the general assembly of the Company to distribute dividends amounting to SR 120,000,000 (2020: SR 60,000,000).

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22. NON-CONTROLLING INTERESTS (NCI)

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

	Damman					SPIMACO Egypt for Pharmaceuticals		SPIMACO Morocco for Pharmaceuticals		Total
	pharmaceutical Company	Qassim medical services Company	Anora Trading Company	Pharmaceuticals	Pharmaceuticals	Pharmaceuticals	Pharmaceuticals	Pharmaceuticals	Pharmaceuticals	
December 31, 2021	15%	42.8%	1%	48.4%	27.46%					
NCI percentage										
Non-current assets	241,958,620	141,466,603	1,456,473	16,415,420	171,561,717					572,858,833
Current assets	21,404,647	152,709,502	1,953,139	38,981,742	44,215,845					259,264,875
Non-current liabilities	(7,036,568)	(24,181,241)	(1,195,780)	-	(46,224,289)					(78,637,878)
Current liabilities	(121,326,965)	(40,319,406)	(7,085,479)	(65,712,555)	(15,915,546)					(250,359,951)
Net assets	134,999,734	229,675,458	(4,871,647)	(10,315,393)	153,637,727					503,125,879
Net assets attributable to NCI	20,249,960	98,239,084	(48,716)	(4,986,667)	42,188,920					155,642,581
Revenue	35,069,437	105,748,205	2,732,401	9,343,913	19,274,679					172,168,635
(Loss) / Profit	(22,343,673)	10,891,627	(1,933,369)	(16,414,590)	(6,209,948)					(36,009,953)
Other comprehensive income	1,042,471	745,731	33,190	-	-					1,821,392
Total comprehensive income / (loss)	(21,301,202)	11,637,358	(1,900,179)	(16,414,590)	(6,209,948)					(34,188,561)
(Loss) / Profit allocated to NCI	(3,351,551)	4,658,676	(19,334)	(7,935,141)	(1,705,252)					(8,352,602)
Other comprehensive income allocated to NCI	156,371	318,972	332	-	-					475,675
Total comprehensive income allocated to NCI	(3,195,180)	4,977,648	(19,002)	(7,935,141)	(1,705,252)					(7,876,927)
Cash flows from operating activities	2,180,513	37,781,249	(75,000)	40,073	3,446,223					43,373,058
Cash flows from investment activities	(307,209)	(5,663,358)	-	(1,508)	(32,021,329)					(37,993,404)
Cash flows from financing activities	1,149,271	(2,931,870)	-	32,233,279	18,451,455					48,902,135
Net increase / (decrease) in cash and cash equivalents	3,022,575	29,186,021	(75,000)	32,271,844	(10,123,651)					54,281,789

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22. NON-CONTROLLING INTERESTS (NCI) (CONTINUED)

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

	Damman					SPIMACO	
	pharmaceutical Company		Qassim medical services Company	Anora Trading Company	SPIMACO Egypt for Pharmaceuticals	Morocco for Pharmaceuticals	Total
	15%	42.8%	1%	48.4%	29.4%		
December 31, 2020							
NCI percentage							
Non-current assets	249,487,158	156,446,329	1,635,398	65,501,162	174,368,021		647,438,068
Current assets	10,549,468	128,449,235	3,151,916	8,194,583	60,417,789		210,762,991
Non-current liabilities	(52,738,927)	(29,249,498)	(1,174,995)	-	(62,931,320)		(146,094,740)
Current liabilities	(86,719,494)	(37,702,935)	(6,612,664)	(35,252,952)	(84,739,337)		(251,027,382)
Net assets	120,578,205	217,943,131	(3,000,345)	38,442,793	87,115,153		461,078,937
Net assets attributable to NCI	18,086,733	93,220,815	(30,004)	18,584,015	25,568,298		155,429,857
Revenue	42,987,742	93,940,755	4,190,545	7,214,605	20,504,956		168,838,603
Profit / (loss)	(25,794,098)	(671,093)	(728,277)	(21,096,051)	(3,014,076)		(51,303,595)
Other comprehensive income / (loss)	(1,547,724)	761,825	(320,509)	-	-		(1,106,408)
Total comprehensive income / (loss)	(27,341,822)	90,732	(1,048,786)	(21,096,051)	(3,014,076)		(52,410,003)
Loss allocated to NCI	(3,869,115)	(287,046)	(7,283)	(10,198,253)	(884,631)		(15,246,328)
Other comprehensive income / (loss) allocated to NCI	(232,159)	325,854	(3,205)	-	-		90,490
Total comprehensive income allocated to NCI	(4,101,274)	38,808	(10,488)	(10,198,253)	(884,631)		(15,155,838)
Cash flows from operating activities	(21,437,573)	1,766,939	50,844	2,131,528	575,829		(16,912,433)
Cash flows from investment activities	(1,504,181)	(6,536,444)	-	(581,337)	(6,267,087)		(14,889,049)
Cash flows from financing activities	(9,019,631)	(2,798,500)	-	(1,733,957)	(12,340,024)		(25,892,112)
Net increase / (decrease) in cash and cash equivalents	(31,961,385)	(7,568,005)	50,844	(183,766)	(18,031,282)		(57,693,594)

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23. LOANS AND BORROWINGS

	December 31, 2021	December 31, 2020
Current		
Islamic financing (Murabaha)	565,879,601	197,462,563
Government loans	116,716,213	218,901,751
Short term loans	170,152,418	270,170,429
	852,748,232	686,534,743
Non-current		
Islamic financing (Murabaha)	259,300,097	399,259,720
Government Loans	157,824,537	249,811,462
	417,124,634	649,071,182

The Company has Murabaha financing contract of SR 1,100 million, with a local bank to finance the working capital needs and operations' expansion of the Company. The loan volume of Murabaha finance used by the Company is SR 730 million as at December 31, 2021 (December 31, 2020: SR 730 million). The unused portion of the total financing contract is SR 370 million as at December 31, 2021 (December 31, 2020: SR 300 million). The loan is repayable in semi-annual instalments for 3 years after a grace period of one year. A promissory note was signed by the Company for the financing bank.

On January 7, 2019, the Company obtained a loan from Saudi Industrial Development Fund ("SIDF") amounting to SR 287.1 million. The Company obtained this loan to finance the expansion of its manufacturing facility. This loan is repayable in semi-annual instalments over 5 years.

On December 26, 2021, the Company obtained a loan from a local bank amounting to SR 150 million to finance the working capital requirements. The loan is repayable after one year in full.

In 2016, a subsidiary of the Company obtained a loan from Saudi Industrial Development Fund ("SIDF") amounting to SR 54.1 million to finance an expansion project of the Company. The loan is secured against a corporate guarantee from the Company.

In 2016, a subsidiary of the Company obtained a loan from a local bank amounting to SR 90 million. This loan is repayable in semi-annual instalment and is aimed to finance the construction of the manufacturing facility. The loan is secured against the corporate guarantee undertaken by the Company. As at December 31, 2021 the loan outstanding balance is SR 45.4 million and the subsidiary management is negotiating with the bank to reschedule the loan instalments.

In 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. During the year 2021, these loans converted to sale and lease back arrangements and classified as lease liabilities in accordance with International Financial Reporting Standard – 16 "Leases".

During the year ended December 31, 2021, the Group capitalized finance charges amounting to SR 9.6 million (December 31, 2020: SR 10.4 million).

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

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24. EMPLOYEES' END OF SERVICE BENEFITS

	December 31, 2021	December 31, 2020
Net defined benefit liability	<u>295,886,961</u>	<u>310,678,933</u>

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

	December 31, 2021	December 31, 2020
As at January 1	310,678,933	311,450,683
Included in profit or loss		
Current service cost	34,213,566	32,334,240
Finance expense	<u>8,092,225</u>	<u>10,795,570</u>
	42,305,791	43,129,810
Included in other comprehensive income		
Actuarial gain	(9,418,078)	(1,657,640)
Benefits paid	(47,570,225)	(40,081,984)
Transfer to discontinued operations	<u>(109,460)</u>	<u>(2,161,936)</u>
As at December 31	<u>295,886,961</u>	<u>310,678,933</u>

Actuarial assumptions on defined benefit liability

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

	December 31, 2021	December 31, 2020
Discount rate	3% p.a.	3% p.a.
Future salary growth	3% p.a.	3% 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.

	December 31, 2021	December 31, 2020
<u>INCREASE</u>		
Discount rate (1% movement)	260,153,542	270,387,278
Future salary growth (1% movement)	326,091,815	344,652,510
<u>DECREASE</u>		
Discount rate (1% movement)	325,037,194	345,285,153
Future salary growth (1% movement)	263,709,429	270,224,895

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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25. DEFERRED INCOME

	December 31, 2021	December 31, 2020
Government grant - land	13,967,175	15,519,075
Government grant – SIDF loan	20,850,308	22,923,512
Government grant – plant	1,546,800	1,671,600
	<u>36,364,283</u>	<u>40,114,187</u>

26. CONTRACT LIABILITIES

	December 31, 2021	December 31, 2020
Contract liabilities - Current		
Sales discounts:		
Opening balance	65,124,139	42,309,045
Discounts provision against sales	160,044,299	164,121,913
Actual discounts adjusted during the year	(162,559,703)	(141,306,819)
Closing balance	<u>62,608,735</u>	<u>65,124,139</u>
Sales returns:		
Opening balance	37,198,472	46,508,981
Charge / (reversal) for the year	5,627,079	(9,310,509)
Adjusted during the year	(21,741,841)	-
Closing balance	<u>21,083,710</u>	<u>37,198,472</u>
Contract liabilities - Current	<u>83,692,445</u>	<u>102,322,611</u>
Contract liabilities - Non-current*	<u>33,861,020</u>	<u>27,576,174</u>

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

27. PROVISION FOR FINANCIAL GUARANTEES

The Company provided financial guarantees 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 46 million (December 31, 2020: SR 108 million) and the Company has recorded the provision for the same amount in these consolidated financial statements. During the year 2021, SPIMACO settled an amount of SR 64 million against such financial guarantee

28. ZAKAT AND INCOME TAX PAYABLE

Provision for zakat

	December 31, 2021	December 31, 2020
As at January 1	39,796,120	31,538,446
Zakat charge for the year	13,035,515	36,226,844
Prior year adjustment	(370,706)	-
Zakat paid during the year	(24,045,779)	(26,109,328)
Transfer to discontinued operations	-	(1,859,842)
As at December 31	<u>28,415,150</u>	<u>39,796,120</u>

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28. ZAKAT AND INCOME TAX PAYABLE (CONTINUED)

Provision for income tax

	December 31, 2021	December 31, 2020
As at January 1	(138,228)	5,583,980
Tax charge for the year	735,648	3,689,159
Returned from foreign partner	-	(5,440,852)
Prior year adjustment	370,706	-
Tax paid during the year	<u>(540,962)</u>	<u>(3,970,515)</u>
As at December 31	<u>427,164</u>	<u>(138,228)</u>
Provision for zakat and income tax	<u>28,842,314</u>	<u>39,657,892</u>

Zakat and income tax

	December 31, 2021	December 31, 2020
Zakat charge for the year	13,035,515	36,226,844
Transfer to discontinued operations – Note 20	-	(1,670,349)
Income tax charge	735,648	3,689,159
Deferred tax	<u>(1,425,438)</u>	<u>5,650,912</u>
	<u>12,345,725</u>	<u>43,896,566</u>

Provision for zakat and income tax

Zakat expenses are calculated based on net adjusted income or zakat base, whichever is higher according to the regulations of the Zakat, Tax and Customs Authority (“ZATCA”) 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 ZATCA. 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 zakat and income tax assessments

Zakat assessments for the Group have been finalized with ZATCA and final zakat certificates obtained for the years up to 2020. The Company has obtained the final zakat certificates for all the years up to 2020.

Late 2021, the Company received inquiries from ZATCA regarding the Group Zakat returns for the years 2019 and 2020. The Company responded to ZATCA inquiries within the deadline. The outcome of the zakat assessments on those years is still to be received and it is too early to determine the impact of any additional zakat liability that may arise as a result of the final zakat assessment. Management believes that the zakat as per the final assessment will not vary significantly from the zakat paid and reported on zakat returns previously submitted.

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.

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29. TRADE PAYABLE AND OTHER LIABILITIES

	December 31, 2021	December 31, 2020
Trade payables	303,650,697	345,985,940
Due from employees	75,118,640	78,666,488
Accrued expenses	63,297,536	24,379,748
Excess subscriptions	12,592,411	12,642,412
Withholding tax	2,952,000	5,844,413
VAT payable	-	1,085,492
Others	3,753,958	3,221,435
	<u>461,365,242</u>	<u>471,825,928</u>

30. REVENUE

	December 31, 2021	December 31, 2020
Product sales (net of rebates, discounts, allowances and returns)	1,334,529,223	1,442,129,950
Clinical services	103,877,081	92,635,660
Distribution services	7,277,191	14,246,544
Contract Manufacturing / Agency Services	14,100,474	6,274,329
	<u>1,459,783,969</u>	<u>1,555,286,483</u>

31. SELLING AND MARKETING EXPENSES

	December 31, 2021	December 31, 2020
Employees' salaries and benefits	234,604,818	232,803,220
Advertising and promotions	40,654,395	35,976,668
Freight	12,880,336	8,720,589
Depreciation and amortization	10,973,562	6,824,378
Travel and training	8,125,642	7,131,402
Legal and professional fees	5,574,941	6,419,787
Library expenses	3,912,373	4,291,973
Communications	3,701,196	3,367,154
Utilities	3,655,950	3,869,235
Insurance	3,128,022	3,386,365
Repair and maintenance	2,147,842	653,409
Stationery	453,080	169,269
Bank charges	413,810	210,821
Rent	365,755	185,940
Hospitality	192,226	231,160
Distribution expenses	166,093	2,346,268
Commission	105,348	1,689,704
Others	1,147,434	827,769
	<u>332,202,823</u>	<u>319,105,111</u>

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32. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2021	December 31, 2020
Employees' salaries and benefits	147,306,256	130,841,915
Depreciation and amortization	30,029,481	26,898,144
Legal and professional fees	18,702,516	12,048,360
Stationery	8,377,143	1,677,697
Utilities	7,794,076	7,392,090
Board of Directors expenses	7,778,042	5,413,335
Repairs and maintenance	3,853,887	4,435,723
Product registration	3,118,059	2,798,745
Communications	2,581,960	3,083,632
Travel and training	2,325,621	2,441,946
Donations and public relations expenses	1,935,687	1,700,792
Insurance	1,019,537	665,202
Expenses related to Board of Directors	856,021	804,749
Non commercial expenses	599,361	697,569
Rent	448,211	1,397,273
Bank charges	396,843	222,533
Others	1,664,670	3,744,796
	<u>238,787,371</u>	<u>206,264,501</u>

33. RESEARCH AND DEVELOPMENT EXPENSES

	December 31, 2021	December 31, 2020
Employees' salaries and benefits	-	1,700,419
Depreciation and amortization	4,912,221	5,275,927
Write off researches	-	5,106,351
Clinical trials	-	4,042,151
Product registration	-	2,292,604
Laboratory expenses	2,554,476	1,322,245
Utilities	471,350	552,376
Repairs and maintenance	43,594	66,140
Travel and training expenses	36,880	38,715
Others	47,441	16,212
	<u>8,065,962</u>	<u>20,413,140</u>

34. OTHER INCOME, NET

	December 31, 2021	December 31, 2020
Government grant income	3,749,904	3,210,270
Rental income	2,925,218	2,030,393
Foreign exchange gain / (loss)	15,030,518	(467,343)
Scrap Sales	213,217	576,061
Income from training	-	250,515
Products recall expenses	(28,838,639)	-
Loss from disposal of property, plant and equipment	(451,740)	-
Legal consultant expenses	(5,000,000)	-
Other income	13,209,622	4,914,800
	<u>838,100</u>	<u>10,514,696</u>

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35. FINANCE COST

	December 31, 2021	December 31, 2020
Murabaha loan	20,257,167	27,022,253
Long term loan	10,343,250	5,926,192
End of service benefit obligations	8,089,023	10,454,884
Lease liabilities	800,743	561,350
	39,490,183	44,964,679

36. DIVIDEND INCOME ON INVESTMENTS AT FVOCI

	December 31, 2021	December 31, 2020
Saudi Industrial Investment Group (SIIG)	-	7,002,450

37. EARNINGS PER SHARE

	December 31, 2021	December 31, 2020
Earnings for the year	26,454,090	124,787,295
Weighted average number of ordinary shares	120,000,000	120,000,000
Earnings per share – basic and diluted	0.22	1.04

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.

38. 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.

Transactions

Related party	Relation with the Company	Nature of transactions	December 31, 2021	December 31, 2020
Arabian Medical Products Manufacturing Company (ENAYA)	Joint Venture	Dividend	28,183,684	35,820,732
CAD Middle East Pharmaceutical Company	Associate	Finance / Investment	9,380,425	3,813,936
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Key foreign shareholder	Research cost	-	1,620,993
		Interest paid	1,580,936	-
		Dividends	17,089,950	12,293,087
Tassili Arab Pharmaceutical Company (TAPHCO)	Associate	Sales	4,363,996	5,751,567
		Finance	-	454,366

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38. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

Balances due from

Related party	Nature of balance	December 31, 2021	December 31, 2020
Tassili Arab Pharmaceutical Company (TAPHCO)	Non-commercial	32,531,511	32,537,825
Tassili Arab Pharmaceutical Company (TAPHCO)	Commercial	29,754,328	26,082,337
Arabian Medical Products Manufacturing Company (ENAYAH)	Non-commercial	2,847,368	2,665,087
CAD Middle East Pharmaceutical Company	Non-commercial	9,512,925	132,500
		74,646,132	61,417,749

Balance due to

Related party	Nature of balance	December 31, 2021	December 31, 2020
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Non-commercial	-	20,000,000
		-	20,000,000

Remuneration of key management personnel

Related party	December 31, 2021	December 31, 2020
Remuneration of key management personnel	22,264,212	29,597,213
Compensation of key management personnel consists of salaries, benefits, end of service benefits and other provisions.		

39. FINANCIAL INSTRUMENTS

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

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39. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial instrument by category		Financial assets/liabilities at amortized cost			Financial assets at FVOCI		Financial assets/liabilities at FVPL		Fair value		Level 1	Level 2	Level 3
December 31, 2021	Total	Financial assets/liabilities at amortized cost	Financial assets at FVOCI	Financial assets/liabilities at FVPL	Fair value		Level 1	Level 2	Level 3				
Financial assets													
Current:													
Investments at FVPL	567,674,308	-	-	567,674,308	567,674,308	567,674,308	567,674,308	-	-				
Trade and other receivables	1,016,688,920	1,016,688,920	-	-	N/A	-	-	-	-				
Cash and cash equivalents	329,663,305	329,663,305	-	-	N/A	-	-	-	-				
Total financial assets	1,914,026,533	1,346,352,225	-	567,674,308	567,674,308	567,674,308	567,674,308	-	-				
Financial liabilities													
Non-current:													
Loans and borrowings	417,124,634	417,124,634	-	-	N/A	-	-	-	-				
Lease liabilities	17,688,706	17,688,706	-	-	N/A	-	-	-	-				
Current:													
Loans and borrowings	852,748,232	852,748,232	-	-	N/A	-	-	-	-				
Trade payables	303,650,697	303,650,697	-	-	N/A	-	-	-	-				
Lease liabilities	7,255,079	7,255,079	-	-	N/A	-	-	-	-				
Total financial liabilities	1,598,467,348	1,598,467,348	-	-	-	-	-	-	-				

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial instrument by category (Continued)

December 31, 2020	Total	Financial assets/liabilities at amortized cost	Financial assets at FVOCI	Financial assets/liabilities at FVTPL	Fair value	Level 1	Level 2	Level 3
Financial assets								
Current:								
Investment at FVOCI	128,990,471	-	128,990,471	-	128,990,471	128,990,471	-	-
Investment at FVPL	614,561,295	-	-	614,561,295	614,561,295	614,561,295	-	-
Trade and other receivables	1,015,854,118	1,015,854,118	-	-	N/A	-	-	-
Cash and cash equivalents	334,081,226	334,081,226	-	-	N/A	-	-	-
Total financial assets	2,093,487,110	1,349,935,344	128,990,471	614,561,295	743,551,766	743,551,766	-	-
Financial liabilities								
Non-current:								
Loans and borrowings	649,071,182	649,071,182	-	-	N/A	-	-	-
Lease liabilities	12,712,912	12,712,912	-	-	N/A	-	-	-
Current:								
Loans and borrowings	686,534,743	686,534,743	-	-	N/A	-	-	-
Trade payables	345,985,940	345,985,940	-	-	N/A	-	-	-
Lease liabilities	3,315,437	3,315,437	-	-	N/A	-	-	-
Total financial	1,697,620,214	1,697,620,214	-	-	-	-	-	-

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39. FINANCIAL INSTRUMENTS (CONTINUED)

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, trade 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), and trade 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:

	December 31, 2021	December 31, 2020
Cash at banks (note 18)	329,404,067	333,906,639
Trade receivables - third parties (note 14)	942,042,788	954,436,369
Trade receivables – related parties (note 14)	74,646,132	61,417,749
Investments at FVTPL	567,674,308	614,561,295
Investments at FVOCI	-	128,990,471
Other receivables	-	12,117,471
	1,913,767,295	2,105,429,994

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

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

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.

Refer to note 14 for trade receivables ageing and movement in the allowance for impairment in respect of trade receivables.

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.

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 counties other than Kingdom of Saudi Arabia and denominated in Egyptian pound, Euros, Algerian Dinars, Moroccan Dinars and US dollars. 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.

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign Currency risk (Continued)

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:

<u>December 31, 2021</u>	EGP	EUR	DZD	MAD	USD
Cash and cash equivalents	59,932,388	789,802	3,186,497	5,576,254	5,734,433
Trade receivables	4,499,702	-	4,337,657	9,808,790	130,397,266
Due from related parties	-	-	62,285,840	-	-
Right of use assets	-	-	338,527	-	-
Lease liabilities	-	-	(244,442)	-	-
Deferred income	-	-	-	(1,546,800)	-
Loans and borrowings	(10,467,861)	-	-	(39,300,097)	-
Trade payable and other liabilities	(43,043,795)	(5,257,492)	(20,128,490)	(8,785,977)	(80,256,867)
Net statement of financial position exposure	10,920,434	(4,467,690)	49,775,589	(34,247,830)	55,874,832
<u>December 31, 2020</u>	EGP	EUR	DZD	MAD	USD
Cash and cash equivalents	39,223,987	-	7,036,340	16,482,347	3,672,855
Trade receivables	3,716,933	-	4,789,953	14,610,158	154,000,050
Due from related parties	-	-	58,620,162	-	-
Right of use assets	-	-	599,585	-	-
Lease liabilities	-	-	(498,272)	-	-
Loans and borrowings	(9,569,787)	-	-	(61,259,720)	-
Trade payable and other liabilities	(7,160,638)	(25,212,818)	(18,541,805)	(29,305,660)	(91,706,601)
Net statement of financial position exposure	26,210,495	(25,212,818)	52,005,963	(59,472,875)	65,966,304

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
<u>December 31, 2021</u>		
EGP (1%)	(109,204)	109,204
EURO (1%)	44,677	(44,677)
DZD (1%)	(497,756)	497,756
MAD (1%)	342,478	(342,478)
USD (1%)	(558,748)	558,748
<u>December 31, 2020</u>		
EGP (1%)	(262,105)	262,105
EURO (1%)	252,128	(252,128)
DZD (1%)	(520,060)	520,060
MAD (1%)	594,729	(594,729)
USD (1%)	(659,663)	659,663

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Price other 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.

December 31, 2021 Financial liabilities	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
Loans and borrowings	45,665,966	852,748,232	417,124,634	-	1,315,538,832
Lease liabilities	7,255,079	-	17,688,706	-	24,943,785
Employees' end of service benefits	-	-	295,886,961	-	295,886,961
Trade payable and other liabilities	-	461,365,242	-	-	461,365,242
Dividends payable	-	157,492,830	-	-	157,492,830
	52,921,045	1,471,606,304	730,700,301	-	2,255,227,650
December 31, 2020 Financial liabilities	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
Loans and borrowings	108,231,183	686,534,743	649,071,182	-	1,443,837,108
Lease liabilities	3,315,437	-	12,712,912	-	16,028,349
Employees' end of service benefits	-	-	311,450,683	-	311,450,683
Trade payable and other liabilities	-	471,825,932	-	-	471,825,932
Dividends payable	-	155,603,299	-	-	155,603,299
	111,546,620	1,313,963,974	973,234,777	-	2,398,745,371

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40. 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	December 31, 2021	December 31, 2020
Revenue from sale of products	1,334,529,223	1,442,129,950
Revenue from services	125,254,746	113,156,533
	<u>1,459,783,969</u>	<u>1,555,286,483</u>
Other revenue		
Dividend received from investments at FVOCI	-	7,002,450
Dividend received from Associates and Joint Venture	11,406,008	38,212,917
	<u>11,406,008</u>	<u>45,215,367</u>
Total revenue	<u>1,471,189,977</u>	<u>1,600,501,850</u>

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.

December 31, 2021

	<u>Sale of goods</u>	<u>Distribution Services</u>	<u>Contract manufacturing arrangements</u>	<u>Medical services</u>	<u>Total</u>
Kingdom of Saudi Arabia	1,149,189,650	5,406,067	14,560,718	103,877,081	1,273,033,516
Middle East	138,407,419	-	-	-	138,407,419
Egypt	21,630,859	-	1,185,396	-	22,816,255
Morocco	19,049,195	-	225,484	-	19,274,679
Algeria	6,252,100	-	-	-	6,252,100
	<u>1,334,529,223</u>	<u>5,406,067</u>	<u>15,971,598</u>	<u>103,877,081</u>	<u>1,459,783,969</u>
Timing of revenue recognition					
PO satisfied at a point in time	1,334,529,223	5,406,067	15,971,598	-	1,355,906,888
PO satisfied over time	-	-	-	103,877,081	103,877,081
	<u>1,334,529,223</u>	<u>5,406,067</u>	<u>15,971,598</u>	<u>103,877,081</u>	<u>1,459,783,969</u>

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40. SEGMENT INFORMATION (Continued)

December 31, 2020

	<u>Sale of goods</u>	<u>Distribution Services</u>	<u>Contract manufacturing arrangements</u>	<u>Medical services</u>	<u>Total</u>
Kingdom of Saudi Arabia	1,300,774,444	14,246,544	6,073,332	92,635,660	1,413,729,980
Middle East	100,297,912	-	-	-	100,297,912
Egypt	15,076,740	-	155,285	-	15,232,025
Morocco	20,459,244	-	45,712	-	20,504,956
Algeria	5,521,610	-	-	-	5,521,610
	<u>1,442,129,950</u>	<u>14,246,544</u>	<u>6,274,329</u>	<u>92,635,660</u>	<u>1,555,286,483</u>
Timing of revenue recognition PO satisfied at a point in time	1,442,129,950	14,246,544	6,274,329	-	1,462,650,823
PO satisfied over time	-	-	-	92,635,660	92,635,660
	<u>1,442,129,950</u>	<u>14,246,544</u>	<u>6,274,329</u>	<u>92,635,660</u>	<u>1,555,286,483</u>

41. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

As at December 31, 2021, the Group has letters of guarantees amounting to SR 77.8 million (December 31, 2020: SR 79.7 million).

As at December 31, 2021, the Group has a contingent liability amounting to SR 3.2 million which have been issued on behalf of the Group in the normal course of business (December 31, 2020: SR 0.7 million).

During its normal business operations, some cases may arise against the Company and some of the Group's subsidiaries, and are currently being defended, but the ultimate outcome of these cases cannot be currently determined with certainty. The management believes that the results of these cases will not have a material impact on the Group's consolidated financial statements for the year ended December 31, 2021.

Capital commitments

As at December 31, 2021, the Group has capital commitments amounting to SR 57.7 million (December 31, 2020: SR 76.9 million).

42. SUBSEQUENT EVENTS

The board of directors of the company recommended in its meeting held on March 24, 2022 the general assembly to distribute cash dividends to the shareholders of the company amounting to SR 72 millions for the year ended on December 31, 2021 at the rate of 0.6 Saudi riyals per share.

43. IMPORTANT MATTERS DURING THE PERIOD AND THE RELATED FINANCIAL AND OPERATIONAL RISKS

The emerging pandemic of the Coronavirus (COVID-19) continues to evolve and spread. The management of the Company has been monitoring the consequences of (COVID-19) and believe that there is no significant impact needed to reflect in the consolidated financial statements for year ended December 31, 2021.

44. COMPARATIVE FIGURES

Certain amounts of the prior year have been reclassified to conform with the presentation of the current year.

45. APPROVAL ON THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on Sha'ban 21, 1443H (corresponding to March 24, 2022).