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, 2023

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, 2023

BAKER TILLY MKM & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P O Box 300467, Riyadh 11372
Kingdom of Saudi Arabia
T: +966 (0)11 835 1600
F: +966 (0) 11 835 1601

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

Opinion

We have audited the consolidated financial statements of Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) (the "Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, 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 material 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") 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. 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 International Code of Conduct and Ethics for Professional Accountants, adopted in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements. We have also fulfilled our other behavioral 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.

Independent Auditor's Report (Continued)

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

Key audit matters (Continued)

Key Audit Matters	**How our audit addressed the key audit matter**
Revenue recognition	
The Group recognized revenue of SR 1,653 million for the year ended December 31, 2023 (December 31, 2022: SR 1,422 million). The Group is engaged in the manufacturing and retail of medicines, medical supplies, and medical products related to medicines in addition to medical services. Accordingly, revenues from sales and service arrangements are recognized based on a specific point in time or over a period of time. 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. Refer to note 6 for the material accounting policy and note 30 for related disclosures.	We have performed the following procedures to address this matter: • Evaluating the appropriateness of the Group's accounting policies related to revenues, taking into consideration the requirements of the relevant international financial reporting standard (IFRS 15). • 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 correct 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 Standard (IFRS 15).

Independent Auditor's Report (Continued)

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

Key audit matters (Continued)

Key Audit Matters	**How our audit addressed the key audit matter**
Expected credit loss on trade receivables	
The gross balance of trade receivables amounted to SR 981 million as at December 31, 2023 (December 31, 2022: SR 881 million) against which the Group has established an expected credit loss (ECL) allowance of SR 79 million as at December 31, 2023 (December 31, 2022: SR 138 million) in accordance with the requirements of IFRS 9, "Financial Instruments." Management has applied the simplified ECL approach to determine the allowance. The loss allowances for the assets are based on assumptions related to default risks 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. We considered this as a key audit matter due to the level of judgment applied and the estimates made in the ECL calculation. Refer to note 6 for the material accounting policy and note 14 for related disclosures.	We have performed the following procedures to address this matter: • 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 ageing report for the trade receivables and making sure of its accuracy and its use in the calculation of the allowance. • Testing the mathematical accuracy of the ECL calculation. • Performing a sensitivity analysis of key assumptions such as historical loss rates and future economic factors.

Other information

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

The Group's annual report for 2023 is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's annual report for 2023, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report (Continued)

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standard as endorsed in the Kingdom of Saudi Arabia and 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 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 International Standards on Auditing 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast 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.

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)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: (Continued)

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

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

From the matters communicated with those charged with governance, we determined 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

Majid Muneer Alnemer
License No. 381

Riyadh on Ramadan 21, 1445H
Corresponding to March 31, 2024

بيكر تيلي
م ك م وشركاه ك
محاسبون قانونيون
C P A
C.R: 1010428101 :س.ت
BAKER TILLY
M K M & CO.

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	**December 31, 2023**	December 31, 2022
ASSETS			
Non-Current Assets			
Property, plant and equipment	7	**1,271,710**	1,039,968
Assets under construction	8	**583,244**	790,217
Intangible assets	9	**17,066**	20,592
Right-of-use assets	10	**32,204**	35,200
Due from related parties	37	**57,564**	-
Investments in associates and joint venture	11	**58,186**	46,526
Deferred tax assets	12	**28,602**	23,481
Total Non-Current Assets		**2,048,576**	1,955,984
Current Assets			
Inventories	13	**589,208**	494,685
Trade and other receivables	14	**924,093**	833,841
Investments at fair value through profit or loss (FVTPL)	15	**459**	420
Prepayments and other assets	16	**163,534**	165,218
Time deposits		**115,500**	45,000
Cash and cash equivalents	17	**160,066**	335,349
		1,952,860	1,874,513
Assets held for sale	18	**22,425**	1,255
Total Current Assets		**1,975,285**	1,875,768
TOTAL ASSETS		**4,023,861**	3,831,752
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19	**1,200,000**	1,200,000
Statutory reserve	20	**360,685**	360,685
General reserve	20	**-**	150,000
Consensual reserve	20	**-**	34,710
Treasury shares	21	**(8,002)**	-
Foreign currency translation reserve		**(42,032)**	(26,785)
Accumulated losses		**(4,002)**	(179,102)
Equity attributable to the Shareholders of the Parent		**1,506,649**	1,539,508
Non-controlling interests	22	**161,382**	153,596
TOTAL EQUITY		**1,668,031**	1,693,104
LIABILITIES			
Non-Current Liabilities			
Loans and borrowings - non-current portion	23	**575,277**	379,832
Lease liabilities - non-current portion	10	**11,295**	18,806
Employees' end-of-service benefit obligations	24	**282,705**	313,238
Deferred income	25	**37,795**	35,367
Contract liabilities	26	**44,132**	42,581
Total Non-Current Liabilities		**951,204**	789,824
Current Liabilities			
Loans and borrowings	23	**525,458**	676,960
Provision for financial guarantees	27	**28,119**	24,945
Lease liabilities - current portion	10	**7,210**	6,145
Zakat and income tax payable	28	**48,450**	33,136
Trade payables and other liabilities	29	**506,992**	403,453
Dividends payable		**158,294**	158,755
Contract liabilities	26	**125,498**	45,392
		1,400,021	1,348,786
Liabilities directly associated with assets classified as held for sale	18	**4,605**	38
Total Current Liabilities		**1,404,626**	1,348,824
TOTAL LIABILITIES		**2,355,830**	2,138,648
TOTAL EQUITY AND LIABILITIES		**4,023,861**	3,831,752

Atef Zouari — **Chief Financial Officer**

Jerome Cabannes — **Chief Executive Officer**

Authorized Board Member

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

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, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	**2023**	2022
Continuing Operations			
Revenues	30	**1,653,084**	1,421,810
Cost of revenues		**(944,986)**	(854,813)
Gross profit		**708,098**	566,997
Selling and marketing expenses	31	**(349,309)**	(369,516)
General and administrative expenses	32	**(255,359)**	(252,839)
Research and development expenses	33	**(41,459)**	(42,645)
Impairment loss on trade and other receivables	14 & 37	**(13,712)**	(10,049)
Other income (expenses)	34	**41,139**	(6,316)
Operating profit (loss)		**89,398**	(114,368)
Financial guarantee expense	27	**(3,174)**	-
Finance costs	35	**(70,074)**	(42,293)
Share of results of a joint venture	11	**19,995**	20,442
Profit from revaluation of investments at FVTPL	15	**39**	3,634
Profit (loss) before zakat and income tax		**36,184**	(132,585)
Zakat and income tax	28	**(45,260)**	(25,895)
Loss for the year from continuing operations		**(9,076)**	(158,480)
Discontinued Operations			
Profit (loss) from discontinued operations, net of Zakat and income tax	18	**6,489**	(12,753)
Loss for the year		**(2,587)**	(171,233)
Loss from continuing operations attributable to:			
Shareholders of the Parent		**(19,553)**	(152,312)
Non-controlling interests		**10,477**	(6,168)
		(9,076)	(158,480)
Loss for the year attributable to:			
Shareholders of the Parent		**(13,711)**	(165,135)
Non-controlling interests	22	**11,124**	(6,098)
		(2,587)	(171,233)
Basic and diluted loss per share from loss attributable to shareholders of the Parent (SR)			
Loss from continuing operations	36	**(0.16)**	(1.27)
Loss for the year	36	**(0.11)**	(1.38)

Atef Zouari — **Chief Financial Officer**

Jerome Cabannes — **Chief Executive Officer**

Authorized Board Member

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, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	**2023**	2022
Loss for the year		**(2,587)**	(171,233)
Items that will be reclassified to profit or loss subsequently:			
Foreign currency translation differences		**(15,247)**	(14,870)
Items that will not be reclassified to profit or loss subsequently:			
Actuarial gain (loss) on employees' end-of-service benefits	24	**10,121**	(17,731)
Share of other comprehensive income (loss) of a joint venture	11	**417**	(912)
Other comprehensive loss for the year		**(4,709)**	(33,513)
Total comprehensive loss for the year		**(7,296)**	(204,746)
Total comprehensive loss attributable to:			
Shareholders of the Parent Company		**(18,678)**	(198,987)
Non-controlling interests	22	**11,382**	(5,759)
		(7,296)	(204,746)
Total comprehensive loss attributable to shareholders of the Parent:			
Continuing operations		**9,075**	(177,104)
Discontinued operation		**(27,753)**	(21,883)
		(18,678)	(198,987)

Atef Zouari — **Chief Financial Officer**

Jerome Cabannes — **Chief Executive Officer**

Authorized Board Member

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

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, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Consensual reserve	Treasury shares	Foreign currency translation reserve	Retained earnings (Accumulated losses)	**Equity attributable to the Shareholders of the Parent**	Non-controlling interests	**Total equity**
Balance as at January 1, 2022	1,200,000	360,685	150,000	34,710	-	(11,915)	104,282	1,837,762	155,643	1,993,405
Loss for the year	-	-	-	-	-	-	(165,135)	(165,135)	(6,098)	(171,233)
Other comprehensive loss	-	-	-	-	-	(14,870)	(18,982)	(33,852)	339	(33,513)
Total comprehensive loss	-	-	-	-	-	(14,870)	(184,117)	(198,987)	(5,759)	(204,746)
Dividends (note 20.4)	-	-	-	-	-	-	(72,000)	(72,000)	-	(72,000)
Acquisition of non-controlling interest (note 1.1 (e))	-	-	-	-	-	-	(27,267)	(27,267)	3,712	(23,555)
Balance as at December 31, 2022	1,200,000	360,685	150,000	34,710	-	(26,785)	(179,102)	1,539,508	153,596	1,693,104
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(13,711)**	**(13,711)**	**11,124**	**(2,587)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(15,247)**	**10,280**	**(4,967)**	**258**	**(4,709)**
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(15,247)**	**(3,431)**	**(18,678)**	**11,382**	**(7,296)**
Purchase of treasury shares (note 21)	**-**	**-**	**-**	**-**	**(8,002)**	**-**	**-**	**(8,002)**	**-**	**(8,002)**
Transfer from general reserve	**-**	**-**	**(150,000)**	**-**	**-**	**-**	**150,000**	**-**	**-**	**-**
Transfer from consensual reserve	**-**	**-**	**-**	**(34,710)**	**-**	**-**	**34,710**	**-**	**-**	**-**
Changes in non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,168)**	**(3,168)**
Acquisition of non-controlling interest (note 1.1(e))	**-**	**-**	**-**	**-**	**-**	**-**	**(6,179)**	**(6,179)**	**(428)**	**(6,607)**
Balance as at December 31, 2023	**1,200,000**	**360,685**	**-**	**-**	**(8,002)**	**(42,032)**	**(4,002)**	**1,506,649**	**161,382**	**1,668,031**

Atef Zouari
Chief Financial Officer

Jerome Cabannes
Chief Executive Officer

Authorized Board Member

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

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, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	2023	2022
OPERATING ACTIVITIES:		
Profit (loss) before zakat and income tax from continuing operations	**36,184**	(132,585)
Profit (loss) before zakat and income tax from discontinued operations	**6,489**	(13,664)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**64,565**	59,722
Depreciation of right of use assets	**4,565**	5,057
Amortization of intangible assets	**9,417**	24,038
Intangible assets written off	**48**	-
Share of results of a joint venture	**(19,995)**	(20,442)
Gain on disposal of property, plant and equipment	**(6,383)**	(135)
Provision (reversal) for sales/services discounts and returns, net	**81,657**	(29,580)
Provision for slow-moving and obsolete items	**49,808**	795
Profit from revaluation of investments at FVTPL	**(39)**	(3,634)
Impairment on trade and other receivables	**13,712**	10,049
Employees' end-of-service benefits incurred	**40,335**	41,097
Amortization of deferred income	**(1,552)**	(1,552)
Finance costs	**70,074**	42,293
Provision for financial guarantee	**3,174**	-
Adjustments to lease liabilities	**1,319**	123
Change in working capital:		
Inventories	**(143,025)**	(76,561)
Trade and other receivables	**(161,739)**	172,692
Prepayment and other assets	**1,684**	(44,370)
Trade payable and other liabilities	**103,539**	(57,959)
Cash generated from (used in) operating activities	**153,837**	(24,616)
Zakat and income tax paid	**(34,516)**	(25,243)
Employees' end-of-service benefit obligations paid	**(71,587)**	(49,438)
Net cash generated from (used in) operating activities	**47,734**	(99,297)
INVESTING ACTIVITIES:		
Additions to property, plant and equipment	**(6,707)**	(7,256)
Net changes in assets under construction	**(104,710)**	(70,955)
Additions to intangible assets	**(5,938)**	-
Additions to time deposits	**(70,500)**	(45,000)
Proceeds from disposal of property, plant, and equipment	**7,533**	645
Dividends from a joint venture	**8,752**	36,304
Proceeds from sale of investments at FVTPL	**-**	570,889
Net cash (used in) generated from investing activities	**(171,570)**	484,627

Atef Zouari
Chief Financial Officer

Jerome Cabannes
Chief Executive Officer

Authorized Board Member

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

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, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	2023	2022
FINANCING ACTIVITIES:		
Net changes in loans and borrowings	**43,943**	(213,081)
Finance costs paid	**(58,411)**	(33,405)
Financial guarantees paid	**-**	(20,721)
Lease liabilities paid	**(10,158)**	(7,470)
Net changes in dividends payable	**(461)**	(70,738)
Purchase of treasury shares	**(8,002)**	-
Changes in non-controlling interest	**(3,168)**	3,712
Government grant received	**3,980**	554
Net cash used in financing activities	**(32,277)**	(341,149)
Net changes in cash and cash equivalents during the year	**(156,113)**	44,181
Foreign exchange translation differences	**(16,146)**	(38,495)
Cash and cash equivalents at the beginning of the year	**335,349**	329,663
Cash and cash equivalents at the end of the year	**163,090**	335,349
Non-cash transactions		
Transfers from assets under construction to property, plant and equipment	**307,043**	843

Atef Zouari
Chief Financial Officer

Jerome Cabannes
Chief Executive Officer

Authorized Board Member

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

1. ORGANIZATION AND ACTIVITY

Saudi Pharmaceutical Industries and Medical Appliances Corporation (the "Company" Or the "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-Oula 10, 1406H (corresponding to January 21, 1986). These consolidated financial statements ("financial statements") comprise the parent Company and its subsidiaries (together referred to as the "Group").

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

The Group is primarily involved in the manufacturing of pharmaceutical products, medicines for human use and wholesale and retail of medicines and related products, development and marketing of medical 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.

These Consolidated financial statements include the assets, liabilities and activities of the Company and its following branches:

Commercial Registration No.	Date of registration	Location
4030086146	15-03-1992	Jeddah
1010134224	01-04-1995	Riyadh
2051058378	10-08-2014	Khobar
4031222626	09-02-2019	Makkah
4650207091	09-02-2019	Medina

1.1 The consolidated financial statements comprise the financial statements of the Company and its subsidiaries listed below:

Subsidiary Name	Main activities	Country of incorporation	Ownership 2023	Ownership 2022
ARAC Healthcare Co. (ARAC)	Pharmaceutical products distributor	Saudi Arabia	**100%**	100%
Pharmaceutical Industries Company for Distribution (a)	Pharmaceutical products distributor	Saudi Arabia	**100%**	100%
ARACOM Medical Company	Pharmaceutical products distributor	Saudi Arabia	**100%**	100%
AL-WATAN Arabian Pharmaceutical Industries (b)	Pharmaceutical manufacturer	Saudi Arabia	-	100%
ANORA Trading Company (c)	Pharmacy – retail	Saudi Arabia	**99%**	99%
Dammam Pharmaceutical Co. (d)	Pharmaceutical manufacturer	Saudi Arabia	**85%**	85%
Qassim Medical Service Co.	Healthcare services provider	Saudi Arabia	**57.27%**	57.27%
SPIMACO Saudi Foundation Algeria	Pharmaceutical products distributor	Algeria	**100%**	100%
SPIMACO Misr Company for Marketing (a)	Pharmaceutical products marketing	Egypt	**100%**	100%
SPIMACO Misr Company for Distribution (a)	Pharmaceutical products distributor	Egypt	**100%**	100%
SPIMACO Egypt Co.	Pharmaceutical products distributor	Egypt	**100%**	100%
SPIMACO Misr for Pharmaceutical Industries (e) & (f)	Pharmaceutical manufacturer	Egypt	**90.59%**	78.51%
SPIMACO Morocco for Pharmaceutical Industries	Pharmaceutical manufacturer	Morocco	**72.54%**	72.54%

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

1. ORGANIZATION AND ACTIVITY (Continued)

1.1 The consolidated financial statements comprise the financial statements of the Company and its subsidiaries listed below (Continued)

(b) On September 16, 2020, the partners of AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") (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. As of October 30, 2022, the management approved the liquidation of AL-WATAN Pharma. The liquidation process was completed on September 25, 2023, with the Ministry of Commerce.

(c) On November 17, 2021, the partners of ANORA Trading Company (Limited Liability Company), resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. The financial impact of the liquidation of ANORA Trading Company is immaterial as it has insignificant commercial activity and does not have financial commitments. Accordingly, The Group stopped consolidating the financial statements of ANORA Trading Company. It should be noted that ANORA Trading Company has a paid-up capital of SR 300 thousand, and it is 99% owned by ARAC Healthcare Company (a wholly owned subsidiary of SPIMACO Group).

(d) During the year, Saudi Pharmaceutical Industries and Medical Appliances Corporation ("SPIMACO – ADDWAEIH") ("Parent Company") acquired full ownership in Dammam Pharmaceutical Company through an agreement dated December 14, 2023. By virtue of this agreement, SPIMACO – ADDWAEIH purchased a 15% stake in Dammam Pharmaceutical Company for SR 27 million, from the Moroccan Pharmaceutical Company "Cooper Pharma". In parallel, SPIMACO - ADDWAEIH, as part of its asset consolidation initiative, transferred 20% of Dammam Pharmaceutical Company equity interest from its wholly owned subsidiary "ARAC Healthcare Company (ARAC)", to SPIMACO - ADDWAEIH. The arrangements and associated legal procedures have not been completed as of December 31, 2023.

(e) On August 4, 2022, SPIMACO Misr for Pharmaceutical Industries increased the paid-up share capital from 100,000 shares to 225,000 shares. The Company subscribed to the additional shares bringing the revised percentage holding to 78.51%. On September 19, 2023, the Company concluded the purchase of additional shares in SPIMACO Misr for Pharmaceutical Industries for a cash consideration of SR 6.6 million bringing the revised percentage holding to 90.59%. The transaction was approved by the Board of Directors on June 28, 2021; however, the regulatory process was completed as of said date.

(f) On November 14, 2023, the Group management decided to acquire a 68% equity stake in a Swiss-based pharmaceutical innovator, Osmopharm S.A. ("Osmopharm"), while divesting a shareholding of 76.4% in SPIMACO Misr for Pharmaceutical Industries ("SPIMACO Misr"). The transaction, with a total value of SR 16.1 million, involves a share swap supplemented with a cash consideration and is expected to be completed in the first half of 2024, contingent on regulatory approvals. The Board of Directors of both companies have approved the share swap. Accordingly, the Group stopped consolidating the financial statements of SPIMACO Misr for Pharmaceutical Industries and classified it as discontinued operations.

1.2 Associates and joint venture

Associates and joint venture Name	Main activities	Country of incorporation	Ownership 2023	Ownership 2022
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. BASIS OF PREPARATION

The Consolidated financial statements of the Group for the year ended December 31, 2023, have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (IFRS). Details of the Group's material accounting policies are disclosed in note 6.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured 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. The consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the group, and all amounts are rounded to the nearest thousands of Saudi Riyals (SR), except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risk and uncertainties include:

- Risk management of financial instruments Note 38
- Sensitivity analysis disclosures Note 24

3.1 Judgements

In the process of applying the Group's material accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

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.

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 receivables

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 the 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)
3.1 Judgements (Continued)

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.

3.2 Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values of property, plant and equipment and intangible assets
An estimate of the useful lives and residual values of property, plant 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. Their 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.

Extension and termination options of lease agreements
Extension and termination options are included in a number of lease agreements. These terms are used to increase operational flexibility in terms of contract administration. Most extension and termination options held are exercisable by both the Group and the lessor.

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

Determining the discount rate for Lease payments
Lease payments are discounted using the Group's Incremental Borrowing Rate ("IBR"). Management exercises judgment in determining IBR at the commencement of a lease.

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.

Long-term assumptions of employees' end-of-service benefit obligations
employees' end-of -service benefit obligations represent obligations which will be paid in the future upon the termination of employment contracts. Management has to make assumptions about the variables such as discount factor, salary increase rate, mortality rates and employee turnover. The Group's management periodically takes advice from actuaries on these assumptions. Changes in key assumptions could materially affect the provision for employees' end-of -service benefit obligations.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Estimates and assumptions (Continued)

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

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 light of contractual and legal obligations, historical trends, experience, and projected market conditions.

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 tax charge involves a degree of estimation and judgment with respect to certain items whose treatment cannot be finally determined until a 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.

4. CHANGES TO THE Group'S ACCOUNTING POLICIES

The material accounting policies and methods of computation adopted in the preparation of the consolidated financial statements for the year ended December 31, 2023, are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2022, except for the adoption of a new standard and certain amendments which became effective for annual periods starting on or after 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, the following standards and amendments:
- IFRS 17 'Insurance Contracts.
- Amendments to IAS 8: Definition of Accounting Estimates.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 12: International Tax Reform—Pillar Two Model Rules.

These new standards and these new amendments had no material impact on the consolidated financial statements of the Group.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The group intends to adopt these new and amended standards and interpretations, if applicable when they become effective. The following new and amended standards and interpretations are not expected to have a material impact on the Group's consolidated financial statements:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1: Non-current liabilities with covenants
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements
- Amendments to IAS 21: Lack of exchangeability

6. MATERIAL ACCOUNTING POLICIES

The following are the material accounting policies applied by the Group in preparing its consolidated financial statements:

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the reporting date.

Control is achieved when the Company is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company directly or indirectly has:

- Power 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 involvement with the investee.
- The ability to use its power over the investee to affect its returns.

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

- Any contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") is attributed to the shareholders of the Company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full-on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

BUSINESS COMBINATIONS AND GOODWILL

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the asset given or liabilities incurred or assumed at the date of acquisition, plus the amount of any non-controlling interests in the acquiree. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

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

6. MATERIAL ACCOUNTING POLICIES (Continued)
BUSINESS COMBINATIONS AND GOODWILL (Continued)

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss as a bargain purchase gain.

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

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

FAIR VALUE MEASUREMENT

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 consolidated 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 consolidated 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.

6. MATERIAL ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

Foreign currency transactions and balances

Foreign currency transactions are translated into 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 the 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).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

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 Group.

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. The 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.

6. MATERIAL 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 of the date of acquisition.

The cost of internally generated assets is initially recognized 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, is not capitalized and expenditure is recognized in the consolidated 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 consolidated statement of profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from the 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 consolidated statement of profit or loss when the asset is derecognized.

Intangible assets including technologies, software, brand names, and customer lists, 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%

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group classifies non-current assets of discontinued operations and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and Disposal Groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expenses.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset or Disposal Group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

6. MATERIAL ACCOUNTING POLICIES (Continued)

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

Property, plant, and equipment and intangible assets are not depreciated or amortized once classified as assets held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized 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

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Group as a lessee

A- 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 remeasurement 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. The recognized right-of-use assets are depreciated on a straight-line basis over their estimated useful life.

B- 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 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 expenses 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 remeasured 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.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Group's capitalization threshold and are considered to be insignificant for the consolidated statement of financial position of the Group as a whole. Payments for short-term leases and leases of low-value assets are recognized on a straight-line basis in profit or loss.

Group as a lessor

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

Investments 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 consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in the 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 consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture.

The 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 the 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 the consolidated statement of profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

Impairment losses of continuing operations are recognized in profit or loss from continuing operations.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Such reversal is recognized in profit or loss.

6. MATERIAL ACCOUNTING POLICIES (Continued)

Inventories

Inventories are included in the consolidated 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.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortized cost

After initial measurement, financial assets at amortized cost are measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Derecognition

A financial asset is primarily derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the v also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach to calculating ECLs. Therefore, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

6. MATERIAL ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents in the consolidated 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.

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 a provision.

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 by 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 the 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 comprises 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 expenses and other expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss.

6. MATERIAL ACCOUNTING POLICIES (Continued)

Employees' end of service benefits (Continued)

Defined benefit plan (Continued)

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

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefits 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.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

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 amortized 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.

Borrowings and Murabaha financing are derecognized 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 consolidated financial statements.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged cancelled or expires.

OFFSETTING OF FINANCIAL INSTRUMENTS

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

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 the consolidated statement of profit or loss.

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

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

Statutory reserve

The new Saudi Companies law which became effective on January 19, 2023, removed the requirement of maintaining a statutory reserve which existed in the previous law. The Company is in the process of updating its bylaws to align it with the new law. To date, the company has decided to continue with the old Companies law and maintain the previously established statutory reserve while continuing to transfer 10% of the year's profit to the statutory reserve until this reserve reaches 30% of the share capital. This reserve is not distributable as profits.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

Revenue

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

Product revenue

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

Product revenue represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in 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.

6. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue (Continued)

Product revenue (Continued)

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

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

Contract manufacturing services revenue

The Group has arrangements with some licensors to do primary and secondary packaging as well as distribution on 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 healthcare 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, operation 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 both at a point in time as well as 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 of the investee Group 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.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

ACCOUNTS PAYABLE AND ACCRUALS

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

Cost of revenue

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

Selling, marketing, general and administrative expenses

Selling, marketing, general administrative and other expenses include direct and indirect costs which are not specifically part of the cost of revenues. Allocations between the 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 are 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 expenditures not satisfying the above criteria and expenditures on the research phase of internal projects or the product failing to get approval from the Saudi Foods and Drug Authority are recognised in the consolidated statement of profit or loss as incurred.

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 costs on other facilities;
- Finance cost on lease liabilities: and
- Finance cost on loan from Saudi Industrial Development Fund ("SIDF")
- Finance cost resulting from employees' end-of-service benefits

Murabaha income/expense on Sharia Compliant facilities and profit margin/finance cost on other facilities are 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.

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 is charged to profit or loss.

Current tax

The current tax comprises the expected tax payable or receivable on the taxable income or loss attributable to the non-Saudi shareholders 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.

6. MATERIAL ACCOUNTING POLICIES (Continued)

Deferred tax

Deferred tax is recognized with respect to 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 in 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.

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.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value-added tax, except:

- Where the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value-added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of value-added tax included.

The net amount of value-added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the consolidated statement of financial position.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and Machinery	Furniture and fixtures	Office equipment and computers	Vehicles	Total
Cost:							
As at January 1, 2022	122,050	776,759	869,786	178,424	38,314	18,768	2,004,101
Additions	-	35	2,747	1,560	837	2,077	7,256
Transferred from assets under construction (note 8)	-	397	434	-	12	-	843
Disposals	-	-	(1,228)	-	(343)	(2,522)	(4,093)
Effect of foreign currency translation	(15)	(4,437)	(3,828)	1,161	(161)	(268)	(7,548)
As at December 31, 2022	122,035	772,754	867,911	181,145	38,659	18,055	2,000,559
Additions	**-**	**145**	**4,699**	**1,376**	**351**	**136**	**6,707**
Transferred from assets under construction (note 8)	**-**	**240,534**	**41,211**	**15,995**	**8,731**	**572**	**307,043**
Disposals	**(1,020)**	**-**	**(3,451)**	**(438)**	**(23)**	**(141)**	**(5,073)**
Effect of foreign currency translation	**(61)**	**(1,630)**	**(919)**	**(309)**	**(69)**	**(95)**	**(3,083)**
Attributable to discontinued operations	**(29)**	**(6,092)**	**(15,806)**	**(1,176)**	**(255)**	**(368)**	**(23,726)**
As at December 31, 2023	**120,925**	**1,005,711**	**893,645**	**196,593**	**47,394**	**18,159**	**2,282,427**
Accumulated Depreciation:							
As at January 1, 2022	-	250,739	476,623	130,498	34,354	14,453	906,667
Charge for the year	-	16,871	29,611	9,222	2,242	1,776	59,722
Disposals	-	-	(1,213)	-	(315)	(2,055)	(3,583)
Effect of foreign currency translation	-	(838)	(1,848)	793	(134)	(188)	(2,215)
As at December 31, 2022	-	266,772	503,173	140,513	36,147	13,986	960,591
Charge for the year	**-**	**21,536**	**28,337**	**9,343**	**3,650**	**1,699**	**64,565**
Disposals	**-**	**-**	**(3,437)**	**(429)**	**(19)**	**(38)**	**(3,923)**
Effect of foreign currency translation	**-**	**(379)**	**(332)**	**(229)**	**(55)**	**(77)**	**(1,072)**
Attributable to discontinued operations	**-**	**(1,331)**	**(6,625)**	**(915)**	**(229)**	**(344)**	**(9,444)**
As at December 31, 2023	**-**	**286,598**	**521,116**	**148,283**	**39,494**	**15,226**	**1,010,717**
Net Book Value:							
December 31, 2023	**120,925**	**719,113**	**372,529**	**48,310**	**7,900**	**2,933**	**1,271,710**
December 31, 2022	122,035	505,982	364,738	40,632	2,512	4,069	1,039,968

In 1992, the Governorate of Buraydah granted a plot of land with zero consideration to QMSC to construct and operate the hospital. As per the grant deed, this land is conditional for the construction and operation of the hospital only. In the event of liquidation of QMSC or the closure of the hospital operations, the land will be transferred back to the Governorate of Buraydah without any compensation. The grant deed also provides the renewal option after every 20 years without any additional charge. The subsidiary recorded the land at fair value at the date of grant, 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, 2023 (December 31, 2022: SR nil). As at December 31, 2023, a property with a carrying value of SR 7.8 million (December 31, 2022: SR 7.8 million) has been pledged to secure borrowings of an associated entity (refer note 27). As at December 31, 2023, a property with a carrying value of SR 165.6 million (December 31, 2022: SR 156.7 million) has been pledged to secure the borrowings of a subsidiary entity.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

8. ASSETS UNDER CONSTRUCTION

	December 31, 2023	December 31, 2022
Property, plant and equipment	**533,996**	753,811
Intangible assets	**49,248**	36,406
	583,244	790,217

The movement of assets under construction during the years ended December 31, is as follows:

	2023	2022
As at January 1	**790,217**	718,799
Additions during the year	**104,710**	76,950
Transfer to property, plant and equipment (note 7)	**(307,043)**	(843)
Transfer to intangible assets (note 9)	**-**	(49)
Disposals	**-**	(5,995)
Effect of foreign currencies translation	**(3,332)**	1,355
Attributable to discontinued operations	**(1,308)**	-
As at December 31	**583,244**	790,217

9. INTANGIBLE ASSETS

	Brand Name, Clients List, and Technologies	**Deferred Charge, Product Knowledge and Licenses**	**Computer Software**	**Total**
Cost:				
As at January 1, 2022	134,763	2,531	41,498	178,792
Reclassification	-	5,123	-	5,123
Transfer from AUC (note 8)	-	-	49	49
Written off	-	-	(340)	(340)
As at December 31, 2022	134,763	7,654	41,207	183,624
Additions	**-**	**3,620**	**2,318**	**5,938**
Disposals / written off	**-**	**-**	**(49)**	**(49)**
Effect of foreign currency translation	**-**	**-**	**(2)**	**(2)**
Attributable to discontinued operations	**(82,874)**	**-**	**-**	**(82,874)**
As at December 31, 2023	**51,889**	**11,274**	**43,474**	**106,637**
Accumulated amortization:				
As at January 1, 2022	110,955	627	27,752	139,334
Charge for the year	20,151	361	3,526	24,038
Written off	-	-	(340)	(340)
As at December 31, 2022	131,106	988	30,938	163,032
Charge for the year	**-**	**3,738**	**5,679**	**9,417**
Written off	**-**	**-**	**(1)**	**(1)**
Effect of foreign currency translation	**-**	**-**	**(3)**	**(3)**
Attributable to discontinued operations	**(82,874)**	**-**	**-**	**(82,874)**
As at December 31, 2023	**48,232**	**4,726**	**36,613**	**89,571**
Net book value:				
As at December 31, 2023	**3,657**	**6,548**	**6,861**	**17,066**
As at December 31, 2022	3,657	6,666	10,269	20,592

(All amounts in thousands of Saudi Riyals unless otherwise stated)

10. LEASES

10.1 RIGHT OF USE ASSETS

The movement of right-of-use assets during the years ended December 31, is as follows:

	2023	2022
As at January 1	**35,200**	33,830
Additions	**1,569**	6,427
Depreciation charge for the year	**(4,565)**	(5,057)
As at December 31	**32,204**	35,200

10.2 LEASE LIABILITIES

The movement of lease liabilities during the years ended December 31, is as follows:

	2023	2022
As at January 1	**24,951**	24,944
Additions	**1,569**	6,427
Adjustments	**1,319**	123
Finance cost	**824**	927
Paid	**(10,158)**	(7,470)
As at December 31	**18,505**	24,951
Current portion	**7,210**	6,145
Non-current portion	**11,295**	18,806

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

	December 31, 2023	December 31, 2022
Arabian Medical Products Manufacturing Company (ENAYAH)	**58,186**	46,526
Tassili Arab Pharmaceutical Company (TAPHCO)	**-**	-
CAD Middle East Pharmaceutical Company	**-**	-
	58,186	46,526

The movement of investment of Joint Venture during the years ended December 31, is as follows:

	2023	2022
As at January 1	**46,526**	63,300
Share of results during the year	**19,995**	20,442
Share of OCI during the year	**417**	(912)
Dividends, net of zakat and tax	**(8,752)**	(36,304)
As at December 31	**58,186**	46,526

The following table illustrates the summarized financial information of Arabian Medical Products Manufacturing Company (ENAYAH) as at December 31, and for the years then ended:

	December 31, 2023	December 31, 2022
Current assets	**174,788**	183,819
Non-current assets	**12,018**	11,217
Current liabilities	**(54,830)**	(84,840)
Non-current liabilities	**(17,886)**	(18,969)
	114,090	91,227
Company's share in equity (%)	**51%**	51%
Company's share in equity (in SR)	**58,186**	46,526
Investment carrying amount	**58,186**	46,526

(All amounts in thousands of Saudi Riyals unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (Continued)

The following table illustrates the summarized financial information of Arabian Medical Products Manufacturing Company (ENAYAH) as at December 31, and for the years then ended: (Continued)

	2023	2022
Revenue	**204,000**	198,840
Direct costs	**(131,609)**	(132,147)
Selling and distribution expenses	**(12,538)**	(9,721)
General and administrative expenses	**(15,124)**	(12,285)
Impairment loss on trade receivable and related parties	**(1,711)**	(249)
Other income	**1,002**	400
Profit before tax and zakat	**44,020**	44,838
Zakat and tax expense	**(4,813)**	(4,755)
Profit for the year	**39,207**	40,083
Company's share of results	**19,995**	20,442
Other comprehensive income	**818**	**(1,789)**
Company's share of OCI	**417**	**(912)**

12. DEFERRED TAX ASSETS

The movement in the deferred tax asset during the years ended December 31, is as follows:

	2023	2022
As at January 1	**23,481**	18,929
Income during the year	**4,570**	3,641
Attributable to discontinued operations	**910**	911
Effect of foreign currency translation	**(359)**	-
As at December 31	**28,602**	23,481

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

	December 31, 2023	December 31, 2022
Temporary differences		
Provision for employee benefits	**11,541**	12,156
Provisions - sales discounts and sales returns	**5,193**	644
Accrued expenses and other liabilities	**4,949**	6,183
Contract liabilities	**2,338**	2,189
Provision for slow-moving inventory and obsolete	**2,120**	881
Depreciation of property, plant and equipment	**1,921**	2,111
Provision for employees' legal claims	**1,653**	-
Provision for financial guarantee	**1,490**	1,283
Provision for expected credit losses	**1,205**	1,304
Deferred income	**1,105**	1,072
Attributable to discontinued operations	**551**	-
Lease liabilities	**396**	462
Right of use assets	**(377)**	(455)
Prepayments and other assets	**(5,483)**	(4,349)
	28,602	23,481

(All amounts in thousands of Saudi Riyals unless otherwise stated)

13. INVENTORIES

	December 31, 2023	December 31, 2022
Finished goods	**375,681**	244,939
Raw materials	**214,046**	216,510
Work in progress	**33,221**	45,385
Stores and spares	**27,564**	23,667
Goods in transit	**2,933**	97
	653,445	530,598
Less: Provision for slow-moving and obsolete items	**(64,237)**	(35,913)
	589,208	494,685

The movement of provision for slow-moving and obsolete items during the years ended December 31, is as follows:

	2023	2022
As at January 1	**35,913**	43,651
Charge during the year	**49,808**	795
Written off during the year	**(20,178)**	(8,533)
Effect of foreign currency translation	**(996)**	-
Attributable to discontinued operations	**(310)**	-
As at December 31	**64,237**	35,913

14. TRADE AND OTHER RECEIVABLES

	December 31, 2023	December 31, 2022
Trade receivables	**981,231**	881,371
Less: impairment provision	**(95,170)**	(154,005)
	886,061	727,366
Due from related parties - current portion (note 37)	**38,032**	106,475
	924,093	833,841

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

	December 31, 2023	December 31, 2022
Up to 3 months	**643,979**	530,537
3 to 6 months	**71,746**	35,775
6 to 12 months	**75,463**	71,104
Over 1 year	**190,043**	243,955
	981,231	881,371

The movement of impairment provision during the years ended December 31, is as follows:

	Specific provision	**ECL provision**	**Total**
As at January 1, 2022	46,353	128,101	174,455
Charges for the year	-	10,049	10,049
Written off during the year	(30,203)	(402)	(30,605)
Attributable to discontinued operations		(69)	(69)
Effect of foreign currency translation	-	176	176
As at December 31, 2022	16,150	137,855	154,005
Impairment reversal for the year	-	**(3,751)**	**(3,751)**
Written off during the year	-	**(55,275)**	**(55,275)**
Attributable to discontinued operations	-	**(20)**	**(20)**
Effect of foreign currency translation	-	**211**	**211**
As at December 31, 2023	**16,150**	**79,020**	**95,170**

(All amounts in thousands of Saudi Riyals unless otherwise stated)

15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	2023	2022
As at January 1	**420**	567,675
Revaluation during the year	**39**	3,634
Disposals during the year	**-**	(570,889)
As at December 31	**459**	420

16. PREPAYMENTS AND OTHER ASSETS

	December 31, 2023	December 31, 2022
Advances to suppliers	**97,123**	57,940
VAT refundable	**28,987**	63,603
Prepaid insurance and other expenses	**22,975**	23,731
Due from employees *	**3,831**	8,583
Others	**10,618**	11,361
	163,534	165,218

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

17. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash in hand	**788**	243
Cash at banks	**126,061**	212,150
Short-term deposits *	**33,217**	122,956
	160,066	335,349

* This represents short-term Murabaha deposits held with various banks with profit margins ranging from 4.30% to 5.93% (December 31, 2022: 0.30% to 4.35%) 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, 2023	December 31, 2022
Total cash and cash equivalents	**160,066**	335,349
Cash and cash equivalents from discontinued operations	**3,024**	-
	163,090	335,349

(All amounts in thousands of Saudi Riyals unless otherwise stated)

18. ASSETS HELD FOR SALE / DISCONTINUED OPERATIONS

As disclosed in Note 1.1, the Group resolved to voluntarily liquidate ANORA Trading Company and divest equity stake in SPIMACO Misr. Accordingly, the Group has not consolidated these subsidiaries in these consolidated financial statements and classified them as discontinued operations. The results of the operations of these subsidiaries for the current and previous years have been presented in the consolidated statement of profit or loss as follows:

	2023	2022
Revenue	**2,357**	4,527
Cost of revenue	**(4,850)**	(5,203)
Gross loss	**(2,493)**	(676)
Selling and marketing expenses	**(1,509)**	(3,562)
General and administrative expenses	**(450)**	(12,167)
Impairment (loss) reversal on trade receivables	**(29)**	69
Other income	**10,912**	4,627
Operating profit (loss)	**6,431**	(12,709)
Finance cost	**58**	(955)
Profit (loss) before zakat and income tax	**6,489**	(13,664)
Zakat and income tax	**-**	911
Net profit (loss) for the year from discontinued operations	**6,489**	(12,753)
Earnings (loss) per share (SR) Basic and diluted	**0.05**	(0.11)

The following is the statement of the main classes of assets and liabilities of ANORA Trading Company and SPIMACO Misr as discontinued operations:

	December 31, 2023	December 31, 2022
Assets		
Property, plant and equipment	**15,589**	-
Inventories	**2,105**	1,226
Trade and other receivables	**1,346**	
Prepayment and other assets	**361**	29
Cash and cash equivalents	**3,024**	-
Assets held for sale	**22,425**	1,255
Liabilities		
Employees' end-of-service benefits	**-**	35
Contract liabilities	**1,268**	-
Accrued expenses	**2,427**	3
Deferred tax liability	**910**	-
Liabilities directly associated with assets classified as held for sale	**4,605**	38

The following is the statement of cash flows incurred by ANORA Trading Company and SPIMACO Misr:

	2023	2022
Operating activities	**(1,848)**	(4,756)
Investing activities	**(18)**	-
Financing activities	**(9,203)**	(396)
Net changes in cash and cash equivalents during the year	**(11,069)**	(5,152)

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

(All amounts in thousands of Saudi Riyals unless otherwise stated)

19. SHARE CAPITAL

	December 31, 2023	December 31, 2022
Share capital issued and fully paid @ SR 10 each	**1,200,000**	1,200,000

Percentage of shareholding

	December 31, 2023	December 31, 2022
Saudi Shareholding	**72.78%**	74.30%
Non-Saudi Shareholding – Arab Company for Drug Industries and Medical Appliances - Jordan (ACDIMA)	**20.48%**	20.48%
Non-Saudi Shareholding - others	**6.74%**	5.22%

20. RESERVES

20.1 STATUTORY RESERVE

The new Saudi Companies law which became effective on January 19, 2023, removed the requirement of maintaining a statutory reserve which existed in the previous law. The Company is in the process of updating its bylaws to align it with the new law. To date, the company has decided to continue with the old Companies law and maintain the previously established statutory reserve while continuing to transfer 10% of the year's profit to the statutory reserve until this reserve reaches 30% of the share capital. This reserve is not distributable as profits.

20.2 GENERAL RESERVE

In accordance with the Company's bylaws, the General Assembly can establish a general reserve as an appropriation of retained earnings. This general reserve can be increased or decreased by a resolution of the shareholders.

The Company's Extraordinary General Assembly resolved in its meeting held on Rabi Al'Akhir 30, 1445H (corresponding to November 15, 2023) to transfer from the general reserve balance an amount of SR 150 million to the retained earnings to write off the accumulated losses.

20.3 CONSENSUAL RESERVE

In accordance with the provisions of the Company's bylaws, the Company transfers 5% of the net annual profits to the consensual reserve until this reserve reaches 25% of the share capital. The General Assembly shall determine the purposes for the use of this reserve.

The Company's Extraordinary General Assembly resolved in its meeting held on Rabi Al'Akhir 30, 1445H (corresponding to November 15, 2023) to transfer from the consensual reserve balance and amount of SR 34.71 million to the retained earnings to write off the accumulated losses.

20.4 Dividends

During 2023, the Company did not distribute dividends (2022: SR 72 million) based on the approval of the General Assembly of the Company.

21. TREASURY SHARES

During 2023, the Extraordinary General Assembly in its meeting held on Rabi Al'Akhir 30, 1445H (corresponding to November 15, 2023) approved the purchase of the Company's shares, with a maximum of 815,000 shares. The Company completed the purchase of 244,436 shares for an amount of SR 8 Million to be allocated to the Employees' Long-term Incentives Program and be granted to high-performing employees. The program intends to attract, motivate, and retain employees responsible for the achievement of the Group's goals and strategies. The program provides a share-based payment plan for all eligible employees participating in the program by granting them shares in the Company upon completing the duration of service. The group accounts for the share-based payment plan program as an equity-settled share-based payment. As at December 31, 2023, the program was not launched.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

22. NON-CONTROLLING INTERESTS (NCI)

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

December 31, 2023	Dammam Pharmaceutical Company	Qassim Medical Services Company	Anora Trading Company	SPIMACO Misr for Pharmaceuticals Industries	SPIMACO Morocco for Pharmaceuticals Industries	Total
NCI percentage	15%	42.80%	1%	9.41%	27.46%	
Non-current assets	232,208	84,982	-	8,406	177,326	502,922
Current assets	23,028	237,594	-	6,836	43,902	311,360
Non-current liabilities	(96,790)	(23,991)	-	(910)	(30,649)	(152,340)
Current liabilities	(27,526)	(58,348)	(7,087)	23,816	(61,651)	(130,796)
Net assets / (liability)	130,920	240,237	(7,087)	38,148	128,928	531,146
Net assets / (liability) attributable to NCI	19,638	102,821	(71)	3,590	35,404	161,382
Revenue	36,842	161,753	-	2,357	24,116	225,068
(Loss) / profit	(21,042)	36,358	(1,214)	7,703	(7,259)	14,546
Other comprehensive income	366	473	-	-	-	839
Total comprehensive (loss) / income	(20,676)	36,831	(1,214)	7,703	(7,259)	15,385
(Loss) / profit allocated to NCI	(3,156)	15,561	(12)	725	(1,993)	11,124
Other comprehensive income allocated to NCI	55	203	-	-	-	258
Total comprehensive (loss) / income allocated to NCI	(3,101)	15,764	(12)	725	(1,993)	11,382
Operating activities	12,578	34,524	(1,682)	(1,848)	(9,075)	34,497
Investing activities	(913)	(77,388)	-	-	(5,410)	(83,711)
Financing activities	(13,752)	(358)	-	(9,203)	(17,433)	(40,746)
Net decrease in cash and cash equivalents	(2,087)	(43,222)	(1,682)	(11,051)	(31,918)	(89,960)

(All amounts in thousands of Saudi Riyals unless otherwise stated)

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

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

December 31, 2022	Dammam Pharmaceutical Company	Qassim Medical Services Company	Anora Trading Company	SPIMACO Misr for Pharmaceuticals Industries	SPIMACO Morocco for Pharmaceuticals Industries	Total
NCI percentage	15%	42.8%	1%	21.49%	27.46%	
Non-current assets	238,625	126,663	-	18,448	176,338	560,074
Current assets	31,236	182,134	1,255	22,243	40,567	277,435
Non-current liabilities	(111,912)	(23,455)	-	(551)	(42,436)	(178,354)
Current liabilities	(28,342)	(45,179)	(7,128)	(74,083)	(33,235)	(187,967)
Net assets / (liability)	129,607	240,163	(5,873)	(33,943)	141,234	471,188
Net assets / (liability) attributable to NCI	19,441	102,725	(59)	(7,294)	38,783	153,596
Revenue	22,047	129,311	-	4,527	20,330	176,215
(Loss) / profit	(31,175)	9,984	(1,001)	(11,755)	(11,493)	(45,440)
Other comprehensive income	879	484	-	-	-	1,363
Total comprehensive (loss) / income	(30,296)	10,468	(1,001)	(11,755)	(11,493)	(44,077)
(Loss) / profit allocated to NCI	(4,676)	4,270	(10)	(2,526)	(3,156)	(6,098)
Other comprehensive income allocated to NCI	132	207	-	-	-	339
Total comprehensive (loss) / income allocated to NCI	(4,544)	4,477	(10)	(2,526)	(3,156)	(5,759)
Operating activities	4,492	19,142	(938)	(3,804)	(9,348)	9,544
Investing activities	(1,404)	(10,438)	-	-	(4,722)	(16,564)
Financing activities	(6,502)	(2,711)	-	(527)	5,316	(4,424)
Net (decrease) / increase in cash and cash equivalents	(3,414)	5,993	(938)	(4,331)	(8,754)	(11,444)

(All amounts in thousands of Saudi Riyals unless otherwise stated)

23. LOANS AND BORROWINGS

	December 31, 2023	December 31, 2022
Short-term loans and current portion of long-term loans		
Islamic financing	**421,425**	400,000
Government loans	**101,982**	79,637
Short-term loans	**2,051**	197,323
	525,458	676,960
Non-current		
Islamic financing	**545,431**	245,856
Government loans	**29,846**	133,976
	575,277	379,832

The Company has a Murabaha financing contracts of SR 3,937 million with local and international banks to finance the working capital needs and operations expansion of the Company. The volume of Murabaha financing used by the Company is SR 967 million as at December 31, 2023 (December 31, 2022: SR 646 million). The unused portion of the total financing contract is SR 2,970 million as at December 31, 2023 (December 31, 2022: SR 2,513 million).

On January 7, 2019, the Company obtained a loan from the 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.

In 2016, a subsidiary of the Group obtained a loan from the 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 Parent Company.

Included in Islamic financing borrowing facilities in the form of Tawarruq obtained by a subsidiary of the Group from a local commercial bank to finance the working capital requirements and bear financial charges at the market prevailing rate. These facilities are secured against corporate guarantees. Total outstanding balance as at December 31, 2023, amounted to SR 10 million (December 31, 2022: SR 3 million).

During 2022, a subsidiary of the Group entered into a facility amounting to SR 65 million with a local commercial bank to settle its existing short-term revolving loan of SR 20 million and a long-term loan of SR 45.3 million from another local commercial bank. The facility is repayable in 24 quarterly instalments commencing from December 2024 with a grace period of 2 years. The facility carries financial charges at the market prevailing rate. These loans are secured against the corporate guarantee of the Parent Company.

During 2023, a subsidiary of the Group obtained from local banks short-term bank facilities (Short term Murabaha) amounting to SR 28 million (December 31, 2022: SR 20 million) and (Tawarruq) amounting to SR 27 million (December 31, 2022: SR 25 million), guaranteed by the Parent Company and promissory notes.

In 2023, the Company acquired long-term loans amounting to SR 500 million from two local commercial banks to settle the short-term revolving loans. The facility is repayable in semi-annual instalments over 5 years after a grace period of one to one and a half years. Furthermore, the Company also acquired a loan from Saudi EXIM Bank amounting to SR 150 million, which is being utilised to finance the export operations of the business.

During the year ended December 31, 2023, the Group capitalized finance costs amounting to SR 4.6 million (December 31, 2022: SR 7.6 million).

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

(All amounts in thousands of Saudi Riyals unless otherwise stated)

24. EMPLOYEES' END OF SERVICE BENEFIT OBLIGATIONS

The movement in employee end-of-service benefits, a defined benefit plan, during the years ended December 31, is as follows:

	2023	2022
As at January 1	**313,238**	295,887
Expense charged to profit or loss		
Current service cost	**41,047**	38,276
Past service cost	**(712)**	2,821
Finance cost	**10,840**	7,961
	51,175	49,058
Actuarial remeasurement charged to OCI		
Actuarial (gain) / loss	**(10,121)**	17,731
Benefits paid	**(71,587)**	(49,438)
As at December 31	**282,705**	313,238

Significant actuarial assumptions

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

	2023	2022
Discount rate	**4.55%**	4.40%
Future salary growth	**7.03%**	4.00%

Sensitivity analysis of key actuarial assumptions are as follows:

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.

	2023	2022
INCREASE		
Discount rate (1% movement)	**267,502**	293,459
Future salary growth (1% movement)	**301,111**	335,622
DECREASE		
Discount rate (1% movement)	**299,722**	334,205
Future salary growth (1% movement)	**265,975**	291,845

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.

25. DEFERRED INCOME

	December 31, 2023	December 31, 2022
Government grant - SIDF loan	**20,850**	20,850
Government grant - land	**10,864**	12,416
Government grant - plant	**6,081**	2,101
	37,795	35,367

(All amounts in thousands of Saudi Riyals unless otherwise stated)

26. CONTRACT LIABILITIES

	2023	2022
Contract liabilities		
Sales/services discounts:		
As at January 1	**25,909**	62,609
Discounts provision against sales/services	**230,905**	213,069
Actual discounts adjusted during the year	**(153,525)**	(249,769)
As at December 31	**103,289**	25,909
Sales returns:		
As at January 1	**19,483**	21,084
Charge for the year	**2,957**	515
Adjusted during the year	**(231)**	(2,116)
As at December 31	**22,209**	19,483
Contract liabilities - Current	**125,498**	45,392
Contract liabilities - Non-current *	**44,132**	42,581

* This relates to an advance received from AstraZeneca UK Limited per the 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 has been in continuous losses for the past few years and facing significant liquidity difficulties in discharging its financial liabilities. The Company's guaranteed portion of the outstanding balance of total loans amounted to SR 28 million (December 31, 2022: SR 25 million) and the Company has recorded the provision for the same amount in these consolidated financial statements.

28. ZAKAT AND INCOME TAX PAYABLE

28.1 Basis for Zakat and income tax:

The Parent Company is subject to zakat and income tax. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted profit. Income tax is payable at 20% of adjusted profit. The significant components of the zakat base under zakat and income tax regulation principally comprise shareholders' equity, provisions and long-term borrowings at the beginning of the year and adjusted net income, less a deduction for the net book value of non-current assets.

Income tax on foreign subsidiaries is calculated as per each respective country's tax laws.

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.

28.2 Zakat and income taxes charged to profit or loss:

	2023	2022
Zakat charge	**48,331**	27,983
Income tax charge	**1,499**	1,553
Deferred tax	**(4,570)**	(3,641)
	45,260	25,895

28.3 The movement in the zakat and income tax payable:

	2023	2022
As at January 1	**33,136**	28,843
Charge for the year	**49,830**	29,536
Paid during the year	**(34,516)**	(25,243)
As at December 31	**48,450**	33,136

(All amounts in thousands of Saudi Riyals unless otherwise stated)

28. ZAKAT AND INCOME TAX PAYABLE (Continued)

28.4 Status of certificates and assessments:

Zakat self-assessments for the Group have been finalized with ZATCA and final zakat certificates obtained for the years up to 2022.

During the 2023 fiscal year, ZATCA issued the final assessment for 2019 and preliminary assessment for 2020, which resulted in additional liabilities of SR 28.7 million while settling SR 8.6 million and finalizing the 2019 status. The Company has objected against the Zakat assessment of 2020 and the management undertakes to accrue the necessary provision and will continue the objection in front of the General Secretariat of Zakat, Tax and Customs Committees (GSZTC) in case the preliminary assessment is not amended by ZATCA.

The Tax and Zakat returns for 2021 and 2022 are currently under audit from ZATCA and the final Tax/Zakat assessment is yet to be issued at the date of these consolidated financials.

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.

29. TRADE PAYABLES AND OTHER LIABILITIES

	December 31, 2023	December 31, 2022
Trade payables	**333,486**	223,006
Accrued expenses	**103,043**	58,918
Due from employees	**38,495**	103,967
Provision for terminated employees' legal claims	**14,777**	-
Excess subscriptions	**12,592**	12,592
VAT payable	**2,498**	2,314
Withholding tax	-	1,924
Others	**2,101**	732
	506,992	403,453

30. REVENUES

	2023	2022
Product sales (net of rebates, discounts, allowances and returns)	**1,472,807**	1,271,170
Healthcare services	**140,568**	128,380
Distribution services	**13,342**	9,330
Contract Manufacturing / Agency Services	**26,367**	12,930
	1,653,084	1,421,810

31. SELLING AND MARKETING EXPENSES

	2023	2022
Employees' salaries and benefits	**230,642**	266,234
Advertising and promotions	**56,746**	41,887
Depreciation and amortization	**11,620**	11,684
Travel and training	**9,784**	10,779
Freight	**7,824**	12,899
Library expenses	**4,592**	4,876
Utilities	**4,537**	4,782
Repair and maintenance	**4,504**	3,528
Legal and professional fees	**4,436**	5,204
Entertainment expenses	**3,664**	-
Distribution expenses	**2,704**	-
Communications	**2,635**	4,013
Others	**5,621**	3,630
	349,309	369,516

(All amounts in thousands of Saudi Riyals unless otherwise stated)

32. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Employees' salaries and benefits	**140,066**	151,158
Depreciation and amortization	**29,641**	16,138
Legal and professional fees	**23,723**	19,427
Subscriptions	**11,619**	12,744
Utilities	**9,746**	11,521
Repairs and maintenance	**8,980**	6,159
Board of Directors expenses	**7,417**	8,357
Communications	**4,283**	3,333
Travel and training	**3,886**	10,877
Stationery	**3,034**	1,732
Meals and entertainment expenses	**3,010**	2,796
Insurance	**2,309**	1,046
Non-commercial expenses	**1,260**	-
Others	**6,385**	7,551
	255,359	252,839

33. RESEARCH AND DEVELOPMENT EXPENSES

	2023	2022
Employees' salaries and benefits	**20,745**	18,607
Clinical trials	**5,587**	4,456
Depreciation and amortization	**4,742**	5,064
Product registration	**3,866**	2,224
Laboratory expenses	**3,806**	3,721
Write off research expenses	**-**	5,995
Others	**2,713**	2,578
	41,459	42,645

34. OTHER INCOME (EXPENSES)

	2023	2022
Bad debts recovered	**15,778**	-
Scrap Sales	**6,444**	293
Gain on disposal of property, plant and equipment	**6,383**	135
Amortization of deferred income	**1,552**	1,552
Foreign exchange loss	**(4,322)**	(14,381)
Terminated employees' legal claims (note 34.1)	**(20,467)**	-
Other income (note 34.2)	**35,771**	6,085
	41,139	(6,316)

34.1 During the year, certain claims have been filed by terminated employees and the Group is working with external legal counsels to assess the validity and potential liabilities associated with these claims. Based on the opinion of the Group's legal advisors, provisions have been made in the consolidated financial statements to account for the potential liabilities arising from these labour law claims. These provisions are subject to reassessment as new information becomes available or as the legal proceedings progress. Furthermore, some of these claims have been decided against the Group by the Labor Law Court, and the associated costs have been recorded in the consolidated statement of profit or loss. These costs represent the actual financial impact of the resolved claims. The Group has taken steps to ensure that the consolidated financial statements accurately reflect the potential impact on its financial position, results of operations, and cash flows. Also, refer to contingent liabilities note 40.

34.2 As per the Board of Directors' decision, it was resolved not to pay any bonuses to employees for the years 2022 and 2023. Accordingly, all 2022 accrued expenses related to bonuses have been reversed to other income.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

35. FINANCE COST

	2023	2022
Loans and borrowings	**58,411**	33,405
End-of-service benefit obligations	**10,840**	7,961
Lease liabilities	**823**	927
	70,074	42,293

36. LOSS PER SHARE

The following reflects the loss for the year and share date used in the basic and diluted loss per share computations:

	2023	2022
Loss for the year attributable to the Shareholders of the Parent	**(13,711)**	(165,135)
Weighted average number of ordinary shares	**119,969,446**	120,000,000
Loss per share from loss for the year attributable to the Shareholders of the parent (SR)	**(0.11)**	(1.38)
Loss from continuing operations for the year attributable to the Shareholders of the Parent	**(19,553)**	(152,312)
Weighted average number of ordinary shares	**119,969,446**	120,000,000
Loss per share from loss from continuing operations attributable to the Shareholders of the Parent (SR)	**(0.16)**	(1.27)

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

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

Basic loss per share has been calculated by dividing the loss attributable to the Shareholders of the Company over the weighted average number of outstanding ordinary shares during the year.

37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include associates and joint ventures, other related companies, and key management personnel. The Group 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 are conditions approved either by the Board of Directors.

37.1 Transactions

Related party	**Relation with the**	**Nature of transactions**	**2023**	2022
CAD Middle East Pharmaceutical Co.	Associate	Finance / Expenses	**21,938**	9,158
Arabian Medical Products Manufacturing Co. (ENAYAH)	Joint Venture	Dividend	**8,752**	36,304
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Key foreign shareholder	Dividends / Tax	**2,398**	14,752
		Research cost	**1,625**	4,175
Tassili Arab Pharmaceutical Co. (TAPHCO)	Associate	Sales	**1,947**	3,539

(All amounts in thousands of Saudi Riyals unless otherwise stated)

37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

37.2 Due from related parties

Related party	Nature of balance	December 31, 2023	December 31, 2022
CAD Middle East Pharmaceutical Co.	Non-commercial	**42,444**	18,672
Tassili Arab Pharmaceutical Co. (TAPHCO)	Commercial	**35,426**	31,538
Tassili Arab Pharmaceutical Co. (TAPHCO)	Non-commercial	**32,583**	34,293
Arabian Medical Products Manufacturing Co. (ENAYAH)	Non-commercial	**2,606**	21,972
		113,059	106,475
Less: impairment loss		**(17,463)**	-
		95,596	106,475
Non-current		**57,564**	-
Current portion (note 14)		**38,032**	106,475

The movement of impairment provision during the years ended December 31, is as follows:

	2023	2022
As at January 1	**-**	-
Charge during the year	**17,463**	-
As at December 31	**17,463**	-

37.3 Remuneration of key management personnel

Related party	2023	2022
Remuneration of key management personnel	**17,152**	12,198

Compensation of key management personnel consists of salaries, benefits, end-of-service benefits and other provisions.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

38.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets, other than cash and cash equivalents, and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

December 31, 2023	Total	Financial assets/liabilities at amortized cost	Financial assets/liabilities at FVTPL	Fair value	Level 1	Level 2	Level 3
Financial assets							
Non-current:							
Due from related parties	57,564	57,564	-	-	-	-	-
Current:							
Investments at FVTPL	459	-	459	459	-	459	-
Trade and other receivables	924,093	924,093	-	N/A	-	-	-
Time deposits	115,500	115,500	-	-	-	-	-
Total financial assets	1,097,616	1,097,157	459	459	-	459	-
Financial liabilities							
Non-current:							
Loans and borrowings	575,277	575,277	-	N/A	-	-	-
Lease liabilities	11,295	11,295	-	N/A	-	-	-
Current:							
Loans and borrowings	525,458	525,458	-	N/A	-	-	-
Trade payables	333,486	333,486	-	N/A	-	-	-
Lease liabilities	7,210	7,210	-	N/A	-	-	-
Dividends payable	158,294	158,294	-	-	-	-	-
Total financial liabilities	1,611,020	1,611,020	-	-	-	-	-

(All amounts in thousands of Saudi Riyals unless otherwise stated)

38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

December 31, 2022	Total	Financial assets/liabilities at amortized cost	Financial assets/liabilities at FVTPL	Fair value	Level 1	Level 2	Level 3
Financial assets							
Current:							
Investments at FVTPL	420	-	420	420	-	420	-
Trade and other receivables	833,841	833,841	-	N/A	-	-	-
Time deposits	45,000	45,000	-	N/A	-	-	-
Total financial assets	879,261	878,841	420	420	-	420	-
Financial liabilities							
Non-current:							
Loans and borrowings	379,832	379,832	-	N/A	-	-	-
Lease liabilities	18,806	18,806	-	N/A	-	-	-
Current:							
Loans and borrowings	676,960	676,960	-	N/A	-	-	-
Trade payables	223,006	223,006	-	N/A	-	-	-
Lease liabilities	6,145	6,145	-	N/A	-	-	-
Dividends payable	158,755	158,755					
Total financial liabilities	1,463,504	1,463,504	-	-	-	-	-

38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

38.2 Risk Management of 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 the 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 with respect to 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 risk arises, are as follows:

- Due from realted parties.
- Trade and other receivables
- Time deposits
- Cash and cash equivalents
- Investments at fair value through profit or loss (FVTPL)
- Trade payables and other liabilities
- Loans and borrowings
- Lease liabilities

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 Management 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.

The Management Committee determines concentrations of credit risk by 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.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

38.2 Risk Management of Financial Instruments (Continued)

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, 2023	December 31, 2022
Cash at banks (note 17)	**162,302**	335,106
Time deposits	**115,500**	45,000
Trade receivables - third parties (note 14)	**886,061**	727,366
Trade receivables - related parties (note 37)	**95,596**	106,475
Investments at FVTPL	**459**	420
	1,259,918	1,214,367

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 87% in KSA, 9% in the Middle East and 4% 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 risks 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 agreements to hedge its interest rate risk. However, these are monitored on a regular basis and corrective measures are initiated wherever required.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

38.2 Risk Management of Financial Instruments (Continued)

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.

The Group is predominantly exposed to currency risk on purchases and sales made from major suppliers and customers based in countries other than the Kingdom of Saudi Arabia and denominated in Egyptian pounds, 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 are initiated wherever required.

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

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

December 31, 2023	**EGP**	**EUR**	**DZD**	**MAD**	**USD**
Cash and cash equivalents	**23,690**	**1,349**	**3,374**	**2,699**	**20,471**
Trade receivables	**4,239**	**2,462**	**4,928**	**10,925**	**162,539**
Due from related parties	-	-	**35,426**	-	-
Right-of-use assets	-	-	**107**	**15,643**	-
Lease liabilities	-	-	-	**(2,438)**	-
Deferred income	-	-	-	**(6,081)**	-
Loans and borrowings	-	-	-	**(26,619)**	-
Trade payable and other liabilities	**(3,759)**	**(7,879)**	**(44,943)**	**(18,126)**	**(37,102)**
Net statement of financial position exposure	**24,170**	**(4,068)**	**(1,108)**	**(23,997)**	**145,908**

December 31, 2022	EGP	EUR	DZD	MAD	USD
Cash and cash equivalents	34,988	3,275	3,517	518	1,188
Trade receivables	4,183	-	5,801	11,288	130,397
Due from related parties	-	-	65,832	-	-
Right-of-use assets	-	-	105	-	-
Lease liabilities	-	-	-	-	-
Deferred income	-	-	-	(1,550)	-
Loans and borrowings	(5,084)	-	-	(35,972)	-
Trade payable and other liabilities	(4,937)	(15,222)	(28,381)	(19,424)	(23,174)
Net statement of financial position exposure	29,150	(11,947)	46,874	(45,140)	108,411

(All amounts in thousands of Saudi Riyals unless otherwise stated)

38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

38.2 Risk Management of Financial Instruments (Continued)

Sensitivity Analysis

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

	Strengthening	Weakening
<u>December 31, 2023</u>		
EGP (1%)	**(242)**	**242**
EURO (1%)	**65**	**(65)**
DZD (1%)	**11**	**(11)**
MAD (1%)	**240**	**(240)**
USD (1%)	**(1,459)**	**1,459**
<u>December 31, 2022</u>		
EGP (1%)	(292)	292
EURO (1%)	(33)	33
DZD (1%)	(469)	469
MAD (1%)	451	(451)
USD (1%)	(1,316)	1,316

Price risk

The risk is 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.

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, and 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 from the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

38.2 Risk Management of Financial Instruments (Continued)

December 31, 2023	Up to three months	More than three months and up to a year	More than one year and up to five years	More than five years	Total
Financial liabilities					
Loans and borrowings	-	**525,458**	**575,277**	-	**1,100,735**
Financial guarantees	**3,174**	-	**24,945**		**28,119**
Lease liabilities	**7,210**	-	**11,295**	-	**18,505**
Employees' end-of-service benefits	-	-	**282,705**	-	**282,705**
Trade payables and other liabilities	-	**506,992**	-	-	**506,992**
Dividends payable	-	**158,294**	-	-	**158,294**
	35,329	**1,190,744**	**869,277**	-	**2,095,350**

December 31, 2022	Up to three months	More than three months and up to a year	More than one year and up to five years	More than five years	Total
Financial liabilities					
Loans and borrowings	-	676,960	379,832	-	1,056,792
Financial guarantees	-	-	24,945	-	24,945
Lease liabilities	6,145	-	18,806	-	24,951
Employees' end-of-service benefits	-	-	313,238	-	313,238
Trade payables and other liabilities	-	403,452	-	-	403,452
Dividends payable	-	158,755	-	-	158,755
	31,090	1,239,167	711,876	-	1,982,133

39. SEGMENT INFORMATION

The Group's principal business activities involve the manufacturing of pharmaceutical products under SPIMACO and its subsidiaries' brand names. The trading and distribution segment involves sales, marketing, and distribution of pharmaceutical, veterinary, medical equipment, and cosmetics products. Healthcare services represent maintaining and operating a secondary care hospital. Other include strategic investment in a joint venture as well as discontinued operations which involve entities under liquidation and currently have no operations.

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	**2023**	2022
Revenue from sale of products	**1,472,806**	1,271,169
Revenue from services	**180,278**	150,641
	1,653,084	1,421,810
Other revenue		
Share of results of a joint venture	**19,995**	20,442
	19,995	20,442
Total revenue	**1,673,079**	1,442,252

(All amounts in thousands of Saudi Riyals unless otherwise stated)

39. SEGMENT INFORMATION (Continued)

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, 2023	**Pharmaceutical Manufacturing**	**Trading & Distribution Services**	**Healthcare Services**	**Other**	**Total**
Kingdom of Saudi Arabia	**1,127,093**	**183,691**	**161,393**	**-**	**1,472,177**
Middle East	**143,151**	**-**	**-**	**-**	**143,151**
Egypt	**-**	**4,982**	**-**	**2,357**	**7,339**
Morocco	**24,116**	**-**	**-**	**-**	**24,116**
Algeria	**-**	**8,658**	**-**	**-**	**8,658**
	1,294,360	**197,331**	**161,393**	**2,357**	**1,655,441**
Timing of revenue recognition					
At a point in time	**1,294,360**	**197,331**	**49,237**	**2,357**	**1,514,382**
Over time	**-**	**-**	**112,156**	**-**	**141,059**
	1,294,360	**197,331**	**161,393**	**2,357**	**1,655,441**
December 31, 2022					
Kingdom of Saudi Arabia	227,449	877,278	129,311	195	1,234,233
Middle East	137,478	-	-	-	137,478
Egypt	-	15,005	-	4,527	19,532
Morocco	20,330	-	-	-	20,330
Algeria	7,479	7,479	-	-	14,958
	392,736	899,762	129,311	4,722	1,426,531
Timing of revenue recognition					
At a point in time	392,736	899,762	36,990	4,722	1,308,714
Over time	-	-	92,321	-	117,817
	392,736	899,762	129,311	4,722	1,426,531

Selected financial information categorized by these business segments as follows:

December 31, 2023	**Pharmaceutical Manufacturing**	**Trading & Distribution Services**	**Healthcare Services**	**Other**	**Total**
Revenues	**1,294,360**	**197,331**	**161,393**	**2,357**	**1,655,441**
Depreciation and amortization	**(63,193)**	**(2,205)**	**(12,007)**	**(1,142)**	**(78,547)**
Share of results of a joint venture	**19,995**	**-**	**-**	**-**	**19,995**
Profit / (loss) for the year	**22,082**	**(68,146)**	**36,989**	**6,488**	**(2,587)**
Profit / (loss) attributable to Shareholders of the Parent	**27,491**	**(68,146)**	**21,168**	**5,776**	**(13,711)**
Total Assets	**3,204,818**	**474,142**	**322,478**	**22,423**	**4,023,861**
Total Liabilities	**1,938,935**	**330,060**	**82,230**	**4,605**	**2,355,830**

(All amounts in thousands of Saudi Riyals unless otherwise stated)

39. SEGMENT INFORMATION (Continued)

December 31, 2022	Pharmaceutical Manufacturing	Trading & Distribution Services	Healthcare Services	Other	Total
Revenues	392,737	899,763	129,311	4,722	1,426,533
Depreciation and amortization	(58,266)	(2,087)	(12,762)	(17,158)	(90,273)
Share of results of a joint venture	20,442	-	-	-	20,442
Profit / (loss) for the year	(137,694)	(42,740)	(1,001)	10,202	(171,233)
Profit / (loss) attributable to Shareholders of the Parent	(127,243)	(42,740)	(991)	5,839	(165,135)
Total Assets	2,677,874	888,765	1,255	263,858	3,831,752
Total Liabilities	1,821,992	241,113	7,128	68,415	2,138,648

40. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

As at December 31, 2023, the Group has letters of guarantee amounting to SR 192.51 million (December 31, 2022: SR 87.3 million).

In addition, the Group has contingent liability amounting to SR 9.78 million which has been issued on behalf of the Group in the normal course of business (December 31, 2022: SR 6.8 million).

Legal Contingencies

Terminated Employees' Legal Cases

As mentioned in note 34.1, certain claims have been filed by terminated employees during the period and the Group is working with external legal counsels to assess the validity and potential liabilities associated with these claims. Due to the inherent uncertainty of litigation, the financial impact on the Group cannot be reliably estimated at this stage. It is important to note that the ultimate resolution of these legal cases, including potential settlements, judgments, or dismissals, may have a material impact on the Group's financial position, results of operations, and cash flows in future reporting periods. The Group will provide updates as significant developments occur or when more information becomes available.

Other Legal Contingencies

Also, during its normal business operations, some cases arise against the Group 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, 2023.

Capital commitments

As at December 31, 2023, the Group has capital commitments amounting to SR 142.55 million (December 31, 2022: SR 83.6 million).

41. SUBSEQUENT EVENTS

There are no subsequent events that require disclosure or amendment to the accompanying consolidated financial statements.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

42. COMPARATIVE FIGURES

Certain amounts of the prior year have been reclassified to conform with the presentation of the current year, the below table represents all changes in comparative figures:

42.1 Consolidation statement of financial position as at December 31, 2022:

	December 31, 2022	Reclassification	December 31, 2022
	As previously		After reclassification
Property, plant and equipment	1,040,186	(218)	1,039,968
Intangible assets	15,251	5,341	20,592
Prepayments and other assets	170,341	(5,123)	165,218

42.1 Consolidation statement of profit or loss for the year ended December 31, 2022:

	2022	Discontinued Operations	2022
	As previously	(note 18)	After reclassification
Revenues	1,426,337	(4,527)	1,421,810
Cost of revenues	(860,016)	5,203	(854,813)
Gross profit	566,321	676	566,997
Selling and marketing expenses	(373,078)	3,562	(369,516)
General and administrative expenses	(265,006)	12,167	(252,839)
Research and development expenses	(42,645)	-	(42,645)
Impairment loss on trade and other receivables	(9,980)	(69)	(10,049)
Other income (expenses)	(1,689)	(4,627)	(6,316)
Operating profit (loss)	(126,077)	11,709	(114,368)
Finance costs	(43,248)	955	(42,293)
Share of results of a joint venture	20,442	-	20,442
Profit from revaluation of investments at FVTPL	3,634	-	3,634
Profit (loss) before zakat and income tax	(145,249)	13,664	(132,585)
Zakat and income tax	(24,984)	(911)	(25,895)
Loss for the year	(170,233)	12,753	(158,480)

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on Ramadan 19, 1445H (corresponding to March 29, 2024).