

**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, 2022**

**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, 2022**

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<b><u>INDEX</u></b>	<b><u>PAGE</u></b>
INDEPENDENT AUDITOR'S REPORT	1 – 5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	7
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONSOLIDATED STATEMENT OF CASH FLOWS	10 – 11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	12 - 58

**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 (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and endorsed in the Kingdom of Saudi Arabia ("IESBA Code"), and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following is description of each key audit matter and how we addressed it during our audit.

## Independent Auditor's Report (Continued)

To the Shareholders

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

**Key audit matters** (Continued)

### 1- Revenue recognition

<b>Key audit matter</b>	<b>How the Key audit matter was addressed in our audit</b>
<p>The Group recognized revenue of SR 1,426 million for the year ended December 31, 2022 (December 31, 2021: SR 1,460 million).</p> <p>The Group mainly manufactures medicines, medical supplies, and medical products related to medicines in addition to the medical services. Accordingly, revenues from sales and service arrangements are recognized based on a specific point in time or over a period of time.</p> <p>Revenue recognition is considered a key audit matter due to the risk associated with management's estimates and judgment regarding the revenue recognition and the estimation of contractual discounts and returns, as well as in view of the significance of revenue amount and the inherent risks.</p>	<p>Our audit procedures included among other:</p> <ul style="list-style-type: none"> <li>• Evaluating the appropriateness of the Group's accounting policies related to revenues, taking into consideration the requirements of the relevant international accounting standards.</li> <li>• Evaluating key contractual arrangements by referring to relevant documents and agreements with clients.</li> <li>• 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.</li> <li>• Examining a sample of sales transactions made during the year, before and after the year end to assess whether revenue has been recognized in the proper accounting period along with the supporting documentation.</li> <li>• Conducting analytical procedures and reconciliations between the various reports and examining any resulting material deviations.</li> <li>• Evaluating the adequacy of the Group's consolidated financial statements disclosures in line with the requirements of relevant International Financial Reporting Standards.</li> </ul>
Refer to note 6 for the accounting policy and note 29 for related disclosures.	

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

<b>Key audit matter</b>	<b>How the Key audit matter was addressed in our audit</b>
<p>Non-current assets mainly comprise property, plant and equipment and assets under construction. The total of those assets amounted to SR 1,830 million as at December 31, 2022 (December 31, 2021: SR 1,817 million).</p> <p>The Group assesses at each reporting date whether there is any indication that the asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of value in use and fair value less costs to sell.</p> <p>We considered recoverability of property, plant and equipment and assets under construction as a key audit matter since the assessment requires from management to make judgments related to the assumptions and estimation of expected production levels and the estimates revenues, the useful life of assets, commodity prices and discount rates.</p>	<p>Our audit procedures included among others matters:</p> <ul style="list-style-type: none"> <li>• Assessing the assumptions and estimates applied by the management when calculating the recoverable amount of the property, plant and equipment and assets under construction, including those related to the production, expected revenues, useful life of assets, commodity prices and discount rates.</li> <li>• Ensuring the correctness of the cash flows used in impairment assessment and matching the relevant financial information with the approved budgets.</li> <li>• Assessing the management mechanism in identifying internal and external indicators of the impairment and testing for impairment.</li> </ul>
Refer to note 6 for the accounting policy and notes 7 & 8 for related disclosures.	

## Independent Auditor's Report (Continued)

To the Shareholders

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

### Key audit matters (Continued)

#### **3- Expected credit loss on trade receivables**

<b><i>Key audit matter</i></b>	<b><i>How the Key audit matter was addressed in our audit</i></b>
<p>The gross balance of trade receivables amounted to SR 881 million as at December 31, 2022 (December 31, 2021: SR 1,116 million) against which the Group has established expected credit loss (ECL) allowance of SR 138 million as at December 31, 2022 (December 31, 2021: SR 128 million) in accordance with the requirements of IFRS 9, "Financial Instruments."</p> <p>Management has applied the simplified ECL approach to determine the allowance.</p> <p>The loss allowances for financial assets are based on assumptions related default risk and expected loss rates. The group uses judgment in making these assumptions and selecting inputs to calculate impairment, based on the Group's prior experience, current market conditions as well as future estimates at the end of each reporting period.</p> <p>We considered this as a key audit matter due to the level of judgment applied and the estimates made in the ECL calculation.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Evaluating the suitability of the expected credit loss model on related financial assets and its suitability to the requirements of the standard.</li> <li>• Obtaining an understanding of management's procedures in establishing the allowance and evaluating the design and implementation of controls in determining the ECL provision.</li> <li>• 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.</li> <li>• Obtaining the aging report for the trade receivables and making sure of its accuracy and its use in the calculation of the allowance.</li> <li>• We tested the mathematical accuracy of the ECL calculation.</li> <li>• Perform a sensitivity analysis of key assumptions such as historical loss rates and future economic factor.</li> </ul>
Refer to note 6 for the accounting policy and note 14 for related disclosures.	

## **Independent Auditor's Report (Continued)**

### **To the Shareholders**

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

#### **Other information**

Other information consists of the information included in the Group's annual report for the year 2022, other than the consolidated financial statements and the auditor's report thereon. Management is responsible for the other information included in its annual report. It is expected that the annual report of the Group for the year 2022 will be available to us after the date of this report.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact to those charged with governance.

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

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

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

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

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

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

## Independent Auditor's Report (Continued)

To the Shareholders

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

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

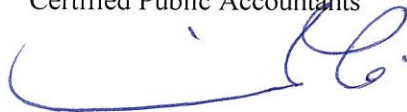
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies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

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

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

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

**Baker Tilly MKM & Co.**  
Certified Public Accountants



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

Riyadh on Shaban 30, 1444H  
Corresponding to March 22, 2023G





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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2022**

**(SAUDI RIYALS)**

	<u>Note</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	7	1,040,186,478	1,097,782,937
Assets under construction	8	790,216,809	718,799,460
Intangible assets	9	15,250,406	39,107,568
Right of use assets	10	35,200,309	33,830,180
Investments in associates and joint venture	11	46,525,501	63,300,064
Deferred tax assets	12	23,481,393	18,929,094
<b>Total Non-Current Assets</b>		<b>1,950,860,896</b>	<b>1,971,749,303</b>
<b>Current assets:</b>			
Inventories	13	494,685,062	419,092,503
Trade and other receivables	14	833,841,496	1,016,688,920
Investments at fair value through profit or loss (FVTPL)	15	419,761	567,674,308
Prepaid expenses and other debit balances	16	170,340,767	125,955,824
Time deposits		45,000,000	-
Cash and cash equivalents	17	335,349,298	328,317,600
		<b>1,879,636,384</b>	<b>2,457,729,155</b>
Assets held for sale	18	1,254,780	4,595,562
<b>Total Current Assets</b>		<b>1,880,891,164</b>	<b>2,462,324,717</b>
<b>TOTAL ASSETS</b>		<b>3,831,752,060</b>	<b>4,434,074,020</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	19	1,200,000,000	1,200,000,000
Statutory reserve	20	360,684,866	360,684,866
General reserve		150,000,000	150,000,000
Consensual reserve	20	34,709,740	34,709,740
Foreign currency translation reserve		(26,784,713)	(11,914,760)
(Accumulated losses) / retained earnings		(179,102,274)	104,282,191
<b>Equity attributable to the Shareholders of the Parent</b>		<b>1,539,507,619</b>	<b>1,837,762,037</b>
Non-controlling interests	21	153,595,514	155,642,581
<b>TOTAL EQUITY</b>		<b>1,693,103,133</b>	<b>1,993,404,618</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities:</b>			
Loans and borrowings – non-current portion	22	379,832,278	417,124,634
Lease liabilities – non-current portion	10	18,806,045	17,688,706
Employees' end of service benefit obligations	23	313,238,474	295,886,961
Deferred income	24	35,366,822	36,364,283
Contract liabilities	25	42,581,465	33,861,020
<b>Total Non-Current Liabilities</b>		<b>789,825,084</b>	<b>800,925,604</b>
<b>Current liabilities:</b>			
Loans and borrowings – current portion	22	676,959,955	852,748,232
Provision for financial guarantees	26	24,945,000	45,665,966
Lease liabilities – current portion	10	6,144,923	7,255,079
Zakat and income tax payable	27	33,135,748	28,842,314
Trade payable and other liabilities	28	403,452,822	461,365,242
Dividends payable		158,755,124	157,492,830
Contract liabilities	25	45,392,146	83,692,445
		<b>1,348,785,718</b>	<b>1,637,062,108</b>
Liabilities directly associated with assets classified as held for sale	18	38,125	2,681,690
<b>Total current liabilities</b>		<b>1,348,823,843</b>	<b>1,639,743,798</b>
<b>Total Liabilities</b>		<b>2,138,648,927</b>	<b>2,440,669,402</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,831,752,060</b>	<b>4,434,074,020</b>

  
Chief Financial Officer

  
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, 2022**  
**(SAUDI RIYALS)**

	Note	2022	2021
<b>Continuing Operations</b>			
Revenues	29	1,426,337,088	1,459,783,969
Cost of revenues		(860,015,553)	(839,078,916)
<b>Gross profit</b>		<b>566,321,535</b>	<b>620,705,053</b>
Selling and marketing expenses	30	(373,078,127)	(330,826,098)
General and administrative expenses	31	(265,006,066)	(219,949,251)
Research and development expenses	32	(42,645,351)	(29,120,302)
Impairment (loss) / reversal on trade receivables	14	(9,980,470)	13,855,271
Other (expense) / income, net	33	(1,688,831)	838,100
<b>Operating (loss) / profit</b>		<b>(126,077,310)</b>	<b>55,502,773</b>
Financial guarantee expenses		-	(1,494,227)
Finance cost	34	(43,247,492)	(39,490,183)
Share of profit from associates and joint venture	11	20,441,973	11,406,008
Profit from investments at fair value through profit or loss	15	3,634,444	7,805,295
<b>(Loss) / profit before zakat and income tax</b>		<b>(145,248,385)</b>	<b>33,729,666</b>
Zakat and income tax	27	(24,983,386)	(12,345,725)
<b>(Loss) / profit for the year from continuing operations</b>		<b>(170,231,771)</b>	<b>21,383,941</b>
<b>Discontinued operation</b>			
Loss from discontinued operations, net of zakat	18	(1,001,453)	(3,282,453)
<b>(Loss) / profit for the year</b>		<b>(171,233,224)</b>	<b>18,101,488</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company		(165,135,465)	26,454,090
Non-controlling interests	21	(6,097,759)	(8,352,602)
		<b>(171,233,224)</b>	<b>18,101,488</b>
<b>(Loss) / earning per share attributable to the Shareholders of the Parent Company</b>			
Basic and diluted	35	(1.38)	0.22



Chief Financial Officer



Chief Executive Officer



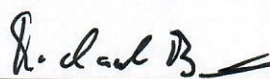
Authorized Board Member

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 COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(SAUDI RIYALS)**

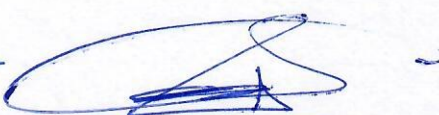
	<u>Note</u>	<u>2022</u>	<u>2021</u>
<b>(Loss) / profit for the year</b>		<b>(171,233,224)</b>	<b>18,101,488</b>
<b>Items that may be reclassified to profit or loss subsequently:</b>			
Foreign currency translation differences		<b>(14,869,953)</b>	<b>(5,308,740)</b>
<b>Items that will not be reclassified to profit or loss subsequently:</b>			
Change from revaluation of the investments at FVOCI	20.3	-	12,472,530
Actuarial (loss) / gain on employees' end of service benefits	23	<b>(17,730,769)</b>	<b>9,418,078</b>
Share of other comprehensive loss of associates and joint venture	11	<b>(912,273)</b>	<b>(331,447)</b>
<b>Total other comprehensive (loss) / income for the year</b>		<b>(33,512,995)</b>	<b>16,250,421</b>
<b>Total comprehensive (loss) / income for the year</b>		<b>(204,746,219)</b>	<b>34,351,909</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company		<b>(198,987,286)</b>	<b>42,228,836</b>
Non-controlling interests	21	<b>(5,758,933)</b>	<b>(7,876,927)</b>
		<b>(204,746,219)</b>	<b>34,351,909</b>



Chief Financial Officer



Chief Executive Officer



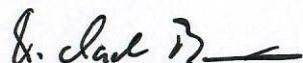
Authorized Board Member

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**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, 2022**  
**(SAUDI RIYALS)**

	Share capital	Statutory reserve	General reserve	Consensual reserve	Fair value reserve	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, 2021	1,200,000,000	360,684,866	150,000,000	41,751,842	57,649,689	(6,606,020)	112,052,824	1,915,533,201	155,429,857	2,070,963,058
Profit for the year	-	-	-	-	-	-	26,454,090	26,454,090	(8,352,602)	18,101,488
Other comprehensive income	-	-	-	-	12,472,530	(5,308,740)	8,610,956	15,774,746	475,675	16,250,421
Total comprehensive income	-	-	-	-	12,472,530	(5,308,740)	35,065,046	42,228,836	(7,876,927)	34,351,909
Transfer on disposal of investments at FVOCI	-	-	-	-	(70,122,219)	-	70,122,219	-	-	-
Transfer to consensual reserve	-	-	-	905,074	-	-	(905,074)	-	-	-
Dividends (note 20.4)	-	-	-	(7,947,176)	-	-	(112,052,824)	(120,000,000)	-	(120,000,000)
Changes in non-controlling interest	-	-	-	-	-	-	-	-	8,089,651	8,089,651
Balance as at December 31, 2021	1,200,000,000	360,684,866	150,000,000	34,709,740	-	(11,914,760)	104,282,191	1,837,762,037	155,642,581	1,993,404,618
Loss for the year	-	-	-	-	-	-	(165,135,465)	(165,135,465)	(6,097,759)	(171,233,224)
Other comprehensive loss	-	-	-	-	-	(14,869,953)	(18,981,868)	(33,851,821)	338,826	(33,512,995)
Total comprehensive loss	-	-	-	-	-	(14,869,953)	(184,117,333)	(198,987,286)	(5,758,933)	(204,746,219)
Dividends (note 20.4)	-	-	-	-	-	-	(72,000,000)	(72,000,000)	-	(72,000,000)
Acquisition of non-controlling interest (note 1.1(d))	-	-	-	-	-	-	(27,267,132)	(27,267,132)	3,711,866	(23,555,266)
Balance as at December 31, 2022	1,200,000,000	360,684,866	150,000,000	34,709,740	-	(26,784,713)	(179,102,274)	1,539,507,619	153,595,514	1,693,103,133



Chief Financial Officer



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, 2022**

**(SAUDI RIYALS)**

	2022	2021
<b>Cash flows from operating activities:</b>		
(Loss) / profit before zakat and income tax from continuing operations	(145,248,385)	33,729,666
Loss before zakat from discontinued operations	(1,001,453)	(2,174,225)
	<u>(146,249,838)</u>	<u>31,555,441</u>
<b>Adjustments for non-cash items:</b>		
Depreciation of property, plant and equipment	60,177,641	59,030,739
Depreciation of right of use assets	6,188,807	3,924,032
Amortization of intangible assets	23,906,135	25,151,092
Profits from investments in associates and joint venture	(20,441,973)	(11,406,008)
(Gain) / loss on disposal of property, plant and equipment	(134,783)	451,740
Provision for sales/services discounts and returns	(29,579,854)	(12,345,320)
(Reversal) / provision for slow-moving inventories or nearly expired	(7,737,982)	19,194,610
Profit from investments at FVTPL	(3,634,444)	(7,805,295)
Loss / (reversal) of impairment on trade receivables	10,155,634	(13,855,271)
Provision for employees' end of services benefits	49,058,476	34,213,566
Amortization of deferred income	(1,551,900)	(3,749,904)
Provision for financial guarantees	-	1,494,227
Finance cost	43,247,492	39,490,183
	<u>(16,596,589)</u>	<u>165,343,832</u>
<b>Working capital changes:</b>		
Inventories	(68,028,116)	13,020,469
Trade and other receivables	172,691,790	18,023,666
Prepaid expenses and other debit balances	(44,370,017)	(2,995,144)
Trade payable and other liabilities	(57,959,391)	(14,266,001)
<b>Cash (used in) / generated from operating activities</b>	<u>(14,262,323)</u>	<u>179,126,822</u>
Finance cost paid	(33,745,552)	(20,257,167)
Zakat and income tax paid	(26,678,007)	(24,586,741)
Employees' end of service benefit obligations paid	(49,512,250)	(47,570,225)
<b>Net cash (used in) / generated from operating activities</b>	<u>(124,198,132)</u>	<u>86,712,689</u>

  
Chief Financial Officer

  
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, 2022**

**(SAUDI RIYALS)**

	2022	2021
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(7,255,923)	(13,009,660)
Additions to right of use assets	(6,427,464)	(6,631,769)
Net changes in assets under construction	(70,906,150)	(63,233,226)
Additions to intangible assets	(48,696)	(1,003,872)
Additions to the time deposits	(45,000,000)	-
Proceeds from disposal of property, plant, and equipment	643,777	1,016,006
Dividends from joint venture	36,304,263	30,600,000
Additional investments in associate and joint venture	-	(2,416,381)
Additions to investments at FVTPL	-	(145,307,718)
Proceeds from sale of investments at FVTPL	570,888,991	200,000,000
Proceeds from sale of investments at FVOCI	-	141,463,001
<b>Net cash generated from investing activities</b>	<b>478,198,798</b>	<b>141,476,381</b>
<b>Cash flows from financing activities:</b>		
Net changes in loans and borrowings	(222,582,573)	(76,018,865)
Additions to lease liabilities	7,477,353	14,473,859
Financial guarantees paid	(20,720,966)	(64,059,444)
Lease liabilities paid	(8,556,490)	(5,327,088)
Dividends paid	(70,737,706)	(118,110,469)
Changes in non-controlling interest	-	8,089,651
Acquisition of non-controlling interest	3,711,866	-
Government grant received	554,439	-
<b>Net cash used in financing activities</b>	<b>(310,854,077)</b>	<b>(240,952,356)</b>
<b>Net changes in cash and cash equivalents during the year</b>	<b>43,146,589</b>	<b>(12,763,286)</b>
Cash and cash equivalents at the beginning of the year	329,663,305	334,081,226
Foreign exchange translation differences	(37,460,596)	8,345,365
<b>Cash and cash equivalents at the end of the year</b>	<b>335,349,298</b>	<b>329,663,305</b>
<b>Non-cash transactions</b>		
Transfers from assets under construction to:		
- Property, plant and equipment	843,697	7,185,061
- Right of use assets	-	15,916,031
Change from revaluation of investments at FVOCI	-	(12,472,530)

  
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Chief Executive Officer

  
Authorized Board Member

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**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**1. ORGANIZATION AND ACTIVITY**

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

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

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

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

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

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

**1.1 Subsidiaries**

<b>Name of subsidiary</b>	<b>Principal activities</b>	<b>Country of incorporation</b>	<b>Percentage of ownership</b>	
			<b>December 31, 2022</b>	<b>December 31, 2021</b>
ARAC Healthcare Company (ARAC)	Pharmaceutical, cosmetics and veterinary products distributor	Saudi Arabia	100%	100%
Pharmaceutical Industries Company for Distribution (a)	Pharmaceutical products distributor	Saudi Arabia	100%	100%
ARACOM Medical Company AL-WATAN Arabian	Pharmaceutical products distributor	Saudi Arabia	100%	100%
Pharmaceutical Industries (b)	Pharmaceutical manufacturer	Saudi Arabia	100%	100%
ANORA Trading Company (c)	Pharmacy - retail	Saudi Arabia	99%	99%
Dammam Pharmaceutical Company	Pharmaceutical manufacturer	Saudi Arabia	85%	85%
Qassim Medical Service Company	Healthcare services provider	Saudi Arabia	57.27%	57.27%
SPIMACO Saudi Foundation Algeria	Pharmaceutical products distributor	Algeria	100%	100%
SPIMACO Misr Company for Marketing (a)	Pharmaceutical products marketing	Egypt	100%	100%
SPIMACO Misr Company for Distribution (a)	Pharmaceutical products distributor	Egypt	100%	100%
SPIMACO Egypt Company	Pharmaceutical products distributor	Egypt	100%	100%
SPIMACO Misr for Pharmaceutical Industries (d)	Pharmaceutical manufacturer	Egypt	78.51%	51.6%
SPIMACO Morocco for Pharmaceutical Industries	Pharmaceutical manufacturer	Morocco	72.54%	72.54%
SPIMACO ILAJ (e)	Pharmaceutical products distributor	Turkey	100%	100%

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**1. ORGANIZATION AND ACTIVITY (CONTINUED)**

**1.1 Subsidiaries (Continued)**

- (b) On September 16, 2020, the shareholders of AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") (a subsidiary Limited Liability Company) resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. SPIMACO will produce some of the subsidiary's products from the Company's factory in Al Qassim and there is no financial impact from the liquidation of Al-Watan Pharma since the subsidiary did not start its commercial activity and does not have capital projects. Accordingly, the Group stopped consolidating the financial statements of Al-Watan Pharma (note 19). As on October 30, 2022, the management approved the liquidation of AL-WATAN Arabian Pharmaceutical Industries. The liquidation phase is in under process to finalize with the Ministry of Commerce and ZATCA.
- (c) On November 17, 2021, the shareholders of ANORA Trading Company (a subsidiary Limited Liability Company), resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. The financial impact from the liquidation of ANORA Trading Company is immaterial as it has insignificant commercial activity and does not have financial commitments. The Group stopped consolidating the financial statements of ANORA Trading Company and its financial results for the previous years have been reflected in the consolidated financial statements of the Group. It should be noted that ANORA Trading Company is a limited liability company, with a paid-up capital of SR 300 thousand, and it is 99% owned by ARAC Healthcare Company (a wholly owned subsidiary of SPIMACO Group) (note 19)
- (d) 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%
- (e) During the year, SPIMACO Ilaj has been liquidated

**1.2 Associates and joint venture**

Name	Principal activities	Country of incorporation	Percentage of ownership%	
			December 31, 2022	December 31, 2021
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%

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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**2. STATEMENT OF COMPLIANCE WITH IFRS**

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards that are endorsed in the Kingdom of Saudi Arabia ("IFRS") and others standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

**3. BASIS OF PREPARATION**

**3.1 Overall considerations**

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

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

The preparation of financial statements in compliance IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing these consolidated financial statements and their effect are disclosed in note 4.

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

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

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

**3.2 Functional and presentation currency**

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

**3.3 Basis of consolidation of financial statements**

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

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

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

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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**3. BASIS OF PREPARATION (CONTINUED)**

**3.3 Basis of consolidation of financial statements (Continued)**

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

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

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

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

**3.4 Business combination**

Business combinations are accounted for using the acquisition method. The consideration transferred upon business combination is measured at fair value at the acquisition date of the assets transferred by the Group, the liabilities that the Group incurs to the previous owners of the acquiring Company, and any equity rights issued by the Group in exchange for control of the acquiring Company. The costs related to the acquisition are recognized in profit or loss. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

**4. USE OF JUDGEMENT AND ESTIMATES**

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

**A- Judgments**

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

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

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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**4. USE OF JUDGEMENT AND ESTIMATES (CONTINUED)**

**A- Judgments (Continued)**

**Consolidation**

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

**Joint arrangements**

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

The group classifies its interests in joint arrangements as either:

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

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

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

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

**Impairment of trade receivable**

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

**Leases**

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

**B- Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended December 31, 2022 are as follows:

**Revenue recognition**

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



**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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**4. USE OF JUDGEMENT AND ESTIMATES (CONTINUED)**

**B- Assumptions and estimation uncertainties (Continued)**

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

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

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

**Employees' benefits**

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

**Estimate of Zakat, current and deferred income taxes**

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

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

**Impairment of non-financial assets**

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

**Recognition and measurement of provisions**

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

**Liquidation of subsidiary**

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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**5. APPLICATION OF NEW AND REVISED IFRS'S**

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

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous
- Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.

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

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

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2024
Amendments to IFRS 16 Leases regarding the treatment for sale and leaseback transactions.	1 January 2024
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Current versus non-current classification**

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

**Assets are current when they are:**

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

**All liabilities are determined to be current when:**

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

The Group classifies all other liabilities as “non-current”.

**Property, plant and equipment**

**Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation, and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. All other repair and maintenance costs are recognized in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

**Subsequent expenditure**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the 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. Land is not depreciated.

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

<b><u>Description</u></b>	<b><u>Depreciation rate</u></b>
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.

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets under construction**

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

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

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

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

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

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

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

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

The significant intangible assets recognized by the Group and amortization rate are as follows:

<u>Intangible asset</u>	<u>Amortization rate</u>
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%

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Right of use assets**

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

**Investment in associates and joint venture**

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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

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

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

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

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



**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

---

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories**

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

**Trade receivables**

Trade receivables are carried at original invoice amount less impairment losses at an amount equal to the lifetime ECLs. When an account receivable is uncollectible, it is written-off against the impairment losses. Any subsequent recoveries of amounts previously written off are credited against "Impairment losses on trade and other receivables" in the consolidated statement of profit or loss. Refer to note 4.A for impairment of financial assets of these financial statements.

**Cash and cash equivalents**

Cash and cash equivalents in the 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.

**Foreign currency translation reserve**

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

**Dividend payments**

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

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

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

**Borrowings and murabaha financing**

Borrowings and Murabaha financing are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings and Murabaha financing are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss over the year of the borrowings using the Effective Interest Rate ("EIR") method. Fees paid on loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw down occurs.

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

---

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Borrowings and murabaha financing** (continued)

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

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

**Borrowing costs**

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

**Leases**

**Lease contracts**

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

**Lease liabilities**

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

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

**Short-term leases**

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

---

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Employees' end of service benefits**

**Short-term employee benefits**

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

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

**Defined benefit plan**

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

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

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

**Other long-term employees' benefits**

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

**Government grants (Deferred revenue)**

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

Non-monetary asset, such as land or other resources, is assessed for the fair value of the non-monetary asset as at 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 favorable interest is regarded as a government grant.

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

---

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Provisions and contingent liabilities**

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

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

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided as provision.

**Zakat and income tax**

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

**Current tax**

The current tax comprises the expected tax payable or receivable on the taxable income or loss 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..

**Deferred tax**

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

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

---

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred tax (Continued)**

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

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

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

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

**Payables and accruals**

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

**Revenue**

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

**Product revenue**

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

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

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

**Contract manufacturing services revenue**

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

---

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 Company approve the dividend.

**Rental income**

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

**Finance income and finance costs**

The Group's finance income and finance costs include:

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

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

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

**Cost of revenue**

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

---

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Selling, marketing, general and administrative expenses**

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

**Research and development cost**

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

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

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

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects or the product failed to get approval from Saudi Foods and Drug Authority are recognised in the consolidated statement of profit or loss as incurred.

**Foreign currency translation**

**Foreign currency transactions and balances**

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

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

**Foreign operations**

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

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

**Impairment testing of non-financial assets**

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

- Accounting policy disclosures
- Disclosures for significant assumptions and estimation uncertainties
- Property and equipment
- Capital work-in-progress
- Intangible assets



**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION  
(SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

---

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment testing of non-financial assets (continued)**

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

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

**Financial Instruments**

**A- Financial assets**

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

**Investment at fair value through profit or loss**

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION**  
**(SPIMACO - ADDWAEIH)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Instruments (continued)**

**A- Financial assets**

**Amortized cost**

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

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

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

**Presentation of impairment**

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

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

**B- Financial liabilities**

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

**Financial liabilities at fair value through profit or loss**

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

**Other financial liabilities**

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

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION**  
**(SPIMACO - ADDWAEIH)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

---

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B- Financial liabilities (continued)**

**De-recognition**

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

**Offsetting of financial instruments**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

(SAUDI RIYALS)

**7. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Plant and Machinery	Furniture and fixtures	Office equipment and computers	Vehicles	Total
<b>COST :</b>							
As at January 1, 2021	122,274,277	776,960,896	866,213,531	180,096,050	38,823,094	19,257,524	2,003,625,372
Additions during the year	-	-	6,388,085	2,128,060	1,223,116	3,270,399	13,009,660
Transferred from assets under construction (note 8)	-	-	7,019,892	47,694	117,475	-	7,185,061
Disposals	-	-	(9,111,889)	(3,380,854)	(305,347)	(3,721,522)	(16,519,612)
Effect of foreign currency translation	(224,673)	(202,127)	(719,964)	(43,898)	(53,228)	1,638	(1,242,252)
Attributable to discontinued operations	-	-	(3,620)	(422,924)	(91,800)	(39,750)	(558,094)
As at December 31, 2021	122,049,604	776,758,769	869,786,035	178,424,128	39,713,310	18,768,289	2,005,500,135
Additions during the year	-	35,425	2,746,981	1,560,168	837,496	2,075,853	7,255,923
Transferred from assets under construction (note 8)	-	397,801	434,094	-	11,802	-	843,697
Disposals	-	-	(1,228,005)	-	(342,510)	(2,521,526)	(4,092,041)
Effect of foreign currency translation	(15,051)	(4,437,402)	(3,828,375)	1,160,987	(160,993)	(268,428)	(7,549,262)
As at December 31, 2022	122,034,553	772,754,593	867,910,730	181,145,283	40,059,105	18,054,188	2,001,958,452
<b>ACCUMULATED DEPRECIATION :</b>							
As at January 1, 2021	-	234,131,308	457,103,992	124,933,438	32,850,415	15,942,328	864,961,481
Charge for the year	-	16,812,506	29,289,402	8,205,184	2,959,239	1,764,408	59,030,739
Disposals	-	-	(9,102,063)	(2,441,709)	(285,309)	(3,222,785)	(15,051,866)
Effect of foreign currency translation	-	(204,880)	(666,979)	(64,005)	(50,124)	(4,075)	(990,063)
Attributable to discontinued operations	-	-	(1,020)	(134,591)	(70,983)	(26,499)	(233,093)
As December 31, 2021	-	250,738,934	476,623,332	130,498,317	35,403,238	14,453,377	907,717,198
Charge for the year	-	16,871,185	29,610,688	9,221,578	2,373,440	1,775,749	59,852,640
Disposals	-	-	(1,213,203)	-	(315,204)	(2,054,640)	(3,583,047)
Effect of foreign currency translation	-	(838,483)	(1,847,893)	793,403	(134,175)	(187,669)	(2,214,817)
As December 31, 2022	-	266,771,636	503,172,924	140,513,298	37,327,299	13,986,817	961,771,974

**NET BOOK VALUE :**

December 31, 2022	122,034,553	505,982,957	364,737,806	40,631,985	2,731,806	4,067,371	1,040,186,478
December 31, 2021	122,049,604	526,019,835	393,162,703	47,925,811	4,310,072	4,314,912	1,097,782,937

In 1992, the Governorate of Buraydah granted a plot of land with zero consideration to QMSC to construct and operate the hospital. As per the grant deed, this land is conditional for the construction and operation of the hospital only. In the event of liquidation of QMSC or the closure of the hospital operations, the land will be transferred back to the Governorate of Buraydah without any compensation. The grant deed also provides the renewal option after every 20 years without any additional charge. The Company recorded the land at fair value 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, 2022 (December 31, 2021: SR nil).

As at December 31, 2022 a property with a carrying value of SR 7.8 million (December 31, 2021: SR 8.02 million) has been pledged to secure borrowings of an associated entity (refer note 26). As at December 31, 2022 a property with a carrying value of SR 156.7 million (December 31, 2021: SR 151.8 million) has been pledged to secure borrowings of a subsidiary entity.

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

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

(SAUDI RIYALS)

**8. ASSETS UNDER CONSTRUCTION**

	December 31, 2022	December 31, 2021
Property, plant and equipment	753,811,444	686,462,395
Intangible assets	36,405,365	32,337,065
	<u>790,216,809</u>	<u>718,799,460</u>

**Movement of assets under construction**

	December 31, 2022	December 31, 2021
<b>Opening balance</b>	<b>718,799,460</b>	<b>692,066,130</b>
Additions during the year	76,949,749	63,506,716
Transfer to property, plant and equipment (note 7)	(843,697)	(7,185,061)
Transfer to right of use assets	-	(15,916,031)
Transfer to intangible assets	(48,696)	-
Disposals	(5,994,903)	(273,490)
Effect of foreign currencies translation	1,354,896	(13,398,804)
<b>Closing balance</b>	<b><u>790,216,809</u></b>	<b><u>718,799,460</u></b>

**9. INTANGIBLE ASSETS**

	Brand Name, Clients List, and Technologies	Deferred Charge, Product Knowledge and Licenses	Computer Software	Total
<b>Cost:</b>				
As at January 1, 2021	144,394,454	1,824,310	39,801,157	186,019,921
Additions during the year	-	706,195	297,677	1,003,872
Written off	(9,616,770)	-	-	(9,616,770)
Effect of foreign currency translation	(14,787)	-	-	(14,787)
As at December 31, 2021	<u>134,762,897</u>	<u>2,530,505</u>	<u>40,098,834</u>	<u>177,392,236</u>
Additions during the year	-	-	48,696	48,696
Written off	-	-	(340,429)	(340,429)
Effect of foreign currency translation	-	-	613	613
As at December 31, 2022	<u>134,762,897</u>	<u>2,530,505</u>	<u>39,807,714</u>	<u>177,101,116</u>
<b>Accumulated amortization:</b>				
As at January 1, 2021	99,875,585	274,588	22,611,848	122,762,021
Charge for the year	20,707,501	352,632	4,090,959	25,151,092
Written off	(9,616,770)	-	-	(9,616,770)
Effect of foreign currency translation	(11,675)	-	-	(11,675)
As at December 31, 2021	<u>110,954,641</u>	<u>627,220</u>	<u>26,702,807</u>	<u>138,284,668</u>
Charge for the year	20,149,446	361,348	3,395,341	23,906,135
Written off	-	-	(340,429)	(340,429)
Effect of foreign currency translation	-	-	336	336
As at December 31, 2022	<u>131,104,087</u>	<u>988,568</u>	<u>29,758,055</u>	<u>161,850,710</u>
<b>Net book value</b>				
As at December 31, 2022	<u>3,658,810</u>	<u>1,541,937</u>	<u>10,049,659</u>	<u>15,250,406</u>
As at December 31, 2021	<u>23,808,256</u>	<u>1,903,285</u>	<u>13,396,027</u>	<u>39,107,568</u>

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

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

(SAUDI RIYALS)

**10. RIGHT OF USE ASSETS AND LEASE LIABILITIES**

The following is the net book value for right of use assets and lease liabilities of the Group during the year 2022:

	<b>Right of use assets</b>	<b>Lease liabilities</b>
As at January 1, 2022	33,830,180	24,943,785
Additions during the year	6,427,464	6,550,026
Depreciation	(5,057,335)	-
Interest expense	-	927,327
Payments / Accrued	-	(7,470,170)
<b>December 31, 2022</b>	<b>35,200,309</b>	<b>24,950,968</b>
<b>Less: current portion</b>		<b>(6,144,923)</b>
<b>Non-current portion</b>		<b>18,806,045</b>

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

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

**11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint Venture	<b>46,525,501</b>	<b>63,300,064</b>

The movement of the investments is as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Opening balance</b>	<b>63,300,064</b>	<b>80,409,122</b>
Dividends, net of Zakat	(36,304,263)	(28,183,619)
Share of profit during the year	20,441,973	11,406,008
Share of OCI during the year	(912,273)	(331,447)
<b>Closing balance</b>	<b>46,525,501</b>	<b>63,300,064</b>

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO -  
ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(SAUDI RIYALS)

**11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)**

**Share of profit from associates and joint venture**

	December 31, 2022	December 31, 2021
Arabian Medical Products Manufacturing Company (ENAYAH)	<u>20,441,973</u>	<u>11,406,008</u>

**12. DEFERRED TAX ASSETS**

	December 31, 2022	December 31, 2021
Opening balance	18,929,094	17,503,656
Charge during the year	4,552,299	1,425,438
<b>Closing balance</b>	<u>23,481,393</u>	<u>18,929,094</u>

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

	December 31, 2022	December 31, 2021
<b>Deductible temporary differences</b>		
Provision for employee benefits	12,156,437	10,795,708
Accrued expenses and other liabilities	6,182,835	5,643,275
Contract liabilities	2,189,369	-
Depreciation of property, plant and equipment	2,111,225	260,687
Provision for financial guarantee	1,282,572	2,324,398
Deferred income	1,072,039	1,061,281
Provision of expected credit losses	1,303,855	1,841,550
Provision for slow-moving inventory	881,487	579,710
Provisions - sales discounts and sales returns	643,760	745,019
Lease liabilities	461,503	274,410
Right of use assets	(454,771)	(265,171)
Prepaid expenses and other debit balances	(4,348,918)	(4,331,773)
	<u>23,481,393</u>	<u>18,929,094</u>

**13. INVENTORIES**

	December 31, 2022	December 31, 2021
Finished goods	244,939,256	235,845,827
Raw materials	216,510,251	159,548,869
Work in progress	45,384,876	21,095,604
Stores and spares	23,667,160	23,122,754
Goods in transit	96,641	23,130,553
	<u>530,598,184</u>	<u>462,743,607</u>
<b>Less: Provision for slow-moving and near expiry inventories</b>	<u>(35,913,122)</u>	<u>(43,651,104)</u>
	<u>494,685,062</u>	<u>419,092,503</u>



SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO -  
ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(SAUDI RIYALS)

**13. INVENTORIES (CONTINUED)**

**Movement of provision for slow-moving and near expiry inventories**

	December 31, 2022	December 31, 2021
Opening balance	43,651,104	24,456,494
Provision for the year	794,834	19,194,610
Written off during the year	(8,532,816)	-
Closing balance	35,913,122	43,651,104

**14. TRADE AND OTHER RECEIVABLES**

	December 31, 2022	December 31, 2021
Trade receivables	881,371,448	1,116,498,159
Less: impairment provision	(154,005,488)	(174,455,371)
	727,365,960	942,042,788
Due from associates and joint venture (note 36)	106,475,536	74,646,132
	833,841,496	1,016,688,920

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

	December 31, 2022	December 31, 2021
Up to 3 months	530,537,413	646,355,743
3 to 6 months	35,775,236	74,396,312
6 to 12 months	71,104,084	116,554,760
Over 1 year	243,954,715	279,191,344
	881,371,448	1,116,498,159

**Impairment provision movement of trade receivables:**

	Specific provision	ECL provision	Total
Balance as at January 1, 2021	42,195,956	146,114,686	188,310,642
(Reversal) / impairment loss for the year	4,157,474	(18,012,745)	(13,855,271)
Balance as at December 31, 2021	46,353,430	128,101,941	174,455,371
Impairment loss for the year	-	9,980,470	9,980,470
Written off during the year	(30,203,036)	(402,481)	(30,605,517)
Effect of foreign currency translation	-	175,164	175,164
Balance as at December 31, 2022	16,150,394	137,855,094	154,005,488

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

	December 31, 2022	December 31, 2021
Opening balance	567,674,308	614,561,295
Additions during the year	-	145,307,718
Profit for the year	3,634,444	7,805,295
Disposals during the year	(570,888,991)	(200,000,000)
Closing balance	419,761	567,674,308

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

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

(SAUDI RIYALS)

**16. PREPAID EXPENSES AND OTHER DEBIT BALANCES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
VAT refundable	<b>63,603,414</b>	38,962,648
Advances to suppliers	<b>57,940,372</b>	45,627,379
Prepaid insurance and other expenses	<b>23,730,608</b>	23,990,707
Due from employees *	<b>8,583,351</b>	10,438,802
Zakat and income tax advance payment	<b>1,340,055</b>	2,208,126
Others	<b>15,142,967</b>	4,728,162
	<b><u>170,340,767</u></b>	<b><u>125,955,824</u></b>

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

**17. CASH AND CASH EQUIVALENTS**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash in hand	<b>242,962</b>	259,238
Cash at banks	<b>212,150,256</b>	260,270,756
Short term deposits *	<b>122,956,080</b>	67,787,606
	<b><u>335,349,298</u></b>	<b><u>328,317,600</u></b>

\* This represents short term Murabaha deposits held with various banks with profit margin ranging from 0.30% to 4.35% (December 31, 2021: 0.15% to 1.9%) with a maturity of less than 3 months.

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total cash and cash equivalents	<b>335,349,298</b>	328,317,600
Cash and cash equivalents from discontinued operations	<b>-</b>	1,345,705
	<b><u>335,349,298</u></b>	<b><u>329,663,305</u></b>

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

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

(SAUDI RIYALS)

**18. ASSETS HELD FOR SALE / DISCONTINUED OPERATIONS**

As disclosed in Note 1.1, the Group resolved to voluntarily liquidate ANORA Trading Company on November 17, 2021. Accordingly, the Group has not consolidated the subsidiary in these financial statements and classified it as a discontinued operation. The results of the operations of ANORA Trading Company for the current and previous year have been presented in the consolidated statement of profit or loss as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Revenue	<b>195,281</b>	2,732,401
Cost of revenue	<b>(144,507)</b>	(2,049,301)
<b>Gross profit</b>	<b>50,774</b>	683,100
Selling and marketing expenses	<b>(151,008)</b>	(1,080,451)
General and administrative expenses	<b>(901,219)</b>	(1,810,386)
Other income	<b>-</b>	33,512
<b>Loss before zakat</b>	<b>(1,001,453)</b>	(2,174,225)
Zakat	<b>-</b>	(1,108,228)
<b>Net loss for the year from discontinued operations</b>	<b>(1,001,453)</b>	(3,282,453)
<b>Loss per share</b>		
Basic & diluted	<b>(0.01)</b>	(0.03)

The following is the statement of the main classes of assets and liabilities of ANORA Trading Company as a discontinued operation:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>		
Cash and cash equivalents	-	1,345,705
Inventories	<b>1,225,770</b>	1,749,448
Prepaid expenses and other debit balances	<b>29,010</b>	43,936
Property, plant and equipment	-	325,001
Right of use assets	-	1,131,472
<b>Assets from discontinued operations</b>	<b>1,254,780</b>	4,595,562
<b>Liabilities</b>		
Accrued expenses	<b>3,183</b>	50,154
Zakat payable	-	1,435,756
Employees' end of service benefits	-	109,460
Lease obligation	<b>34,942</b>	1,086,320
<b>Liabilities from discontinued operations</b>	<b>38,125</b>	2,681,690

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Operating activities	<b>(938,038)</b>	(1,896,939)
Investing activities	-	-
Financing activities	-	-
<b>Net changes in cash and cash equivalents during the year</b>	<b>(938,038)</b>	(1,896,939)

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

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO -  
ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(SAUDI RIYALS)

**19. SHARE CAPITAL**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Share capital issued and fully paid @ SR 10 each	<b>1,200,000,000</b>	1,200,000,000
<b>Percentage of shareholding</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Saudi Shareholding	<b>74.30%</b>	74.55%
Non-Saudi Shareholding – Arab Company for Drug Industries and Medical Appliances – Jordan (ACDIMA)	<b>20.48%</b>	20.48%
Non-Saudi Shareholding – others	<b>5.22%</b>	4.97%

**20. RESERVE**

**20.1 STATUTORY RESERVE**

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

**20.2 CONSENSUAL RESERVE**

In accordance with the provisions of the Company's by-laws, 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.

During the years 2022 and 2021, consensual reserve was reduced by SR Nil and SR 7,947,176 respectively to accommodate dividend distribution due to unavailability of sufficient earning.

**20.3 FAIR VALUE RESERVE**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Opening balance</b>	-	57,649,689
Changes of fair value during the year	-	12,472,530
Transferred to retained earnings on disposal	-	(70,122,219)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

**20.4 Dividends**

During year 2022, the Company distributed dividends amounting to SR 72,000,000 (2021: SR 120,000,000) based on the approval of the general assembly of the Company.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

(SAUDI RIYALS)

**21. NON-CONTROLLING INTERESTS (NCI)**

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

December 31, 2022	Damman				SPIMACO Egypt for Pharmaceuticals		SPIMACO Morocco for Pharmaceuticals		Total
	Pharmaceutical Company	Qassim Medical Services Company	Anora Trading Company						
NCI percentage	15%	42.8%	1%		21.49%		27.46%		
Non-current assets	238,624,809	126,663,307	-		18,447,668		176,337,508		560,073,292
Current assets	31,236,407	182,133,859	1,254,780		22,242,683		40,566,517		277,434,246
Non-current liabilities	(111,912,489)	(23,454,543)	-		(551,239)		(42,435,702)		(178,353,973)
Current liabilities	(28,342,013)	(45,179,148)	(7,127,880)		(74,083,449)		(33,234,701)		(187,967,191)
Net assets / (liability)	129,606,714	240,163,475	(5,873,100)		(33,944,337)		141,233,622		471,186,374
Net assets / (liability) attributable to NCI	19,441,007	102,725,123	(58,731)		(7,294,638)		38,782,753		153,595,514
Revenue	22,046,543	129,310,640	-		4,526,898		20,330,401		176,214,482
(Loss) / profit	(31,174,647)	9,984,444	(1,001,453)		(11,755,245)		(11,493,049)		(45,439,950)
Other comprehensive income	879,367	483,766	-		-		-		1,363,133
Total comprehensive (loss) / income	(30,295,280)	10,468,210	(1,001,453)		(11,755,245)		(11,493,049)		(44,076,817)
(Loss) / profit allocated to NCI	(4,676,197)	4,270,646	(10,015)		(2,526,202)		(3,155,991)		(6,097,759)
Other comprehensive income allocated to NCI	131,905	206,921	-		-		-		338,826
Total comprehensive (loss) / income allocated to NCI	(4,544,292)	4,477,567	(10,015)		(2,526,202)		(3,155,991)		(5,758,933)
Cash flows from operating activities	4,492,410	19,141,569	(938,038)		(3,803,913)		(9,347,802)		9,544,226
Cash flows from investment activities	(1,404,019)	(10,438,241)	-		-		(4,721,716)		(16,563,976)
Cash flows from financing activities	(6,502,337)	(2,711,435)	-		(526,663)		5,315,548		(4,424,887)
Net (decrease) / increase in cash and cash equivalents	(3,413,946)	5,991,893	(938,038)		(4,330,576)		(8,753,970)		(11,444,637)

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(SAUDI RIYALS)

**21. NON-CONTROLLING INTERESTS (NCI) (CONTINUED)**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

(SAUDI RIYALS)

**22. LOANS AND BORROWINGS**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Current</b>		
Islamic financing (Murabaha)	<b>400,000,000</b>	565,879,601
Government loans	<b>79,636,545</b>	116,716,213
Short-term loans	<b>197,323,410</b>	170,152,418
	<b><u>676,959,955</u></b>	<b><u>852,748,232</u></b>
<b>Non-current</b>		
Islamic financing (Murabaha)	<b>245,855,761</b>	259,300,097
Government loans	<b>133,976,517</b>	157,824,537
	<b><u>379,832,278</u></b>	<b><u>417,124,634</u></b>

The Company has Murabaha financing contract of SR 3,159 million, with the local and international banks to finance the working capital needs and operations' expansion of the Company. The loan volume of Murabaha finance used by the Company is SR 680 million as at December 31, 2022 (December 31, 2021: SR 730 million). The unused portion of the total financing contract is SR 2,479 million as at December 31, 2022 (December 31, 2021: SR 370 million). The loan is repayable in semi-annual instalments for 6 years after a grace period of two years. A promissory note was signed by the Company for the financing bank.

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

On December 26, 2021, the Company obtained a loan from a local bank amounting to SR 150 million to finance the working capital requirements. The loan was repaid at the end of 2022.

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

In 2018, a foreign subsidiary of the Company obtained long-term loans equivalent to SR 27 million and SR 21 million from two local banks in the country of its incorporation. During the year 2021, these loans converted to sale and lease back arrangements and classified as lease liabilities in accordance with International Financial Reporting Standard – 16 "Leases".

During 2022, a subsidiary of the Company 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 market prevailing rate. These loans are secured against the corporate guarantee of the parent Company.

During the year ended December 31, 2022, the Group capitalized finance charges amounting to SR 7.6 million (December 31, 2021: SR 9.6 million).

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



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

(SAUDI RIYALS)

**23. EMPLOYEES' END OF SERVICE BENEFIT OBLIGATIONS**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Net defined benefit liability	<b>313,238,474</b>	<b>295,886,961</b>

**Movement in net defined benefit liability**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>As at January 1</b>	<b>295,886,961</b>	<b>310,678,933</b>
<b>Included in profit or loss</b>		
Current service cost	40,438,786	34,213,566
Past service cost	659,021	-
Finance expense	7,960,669	8,092,225
	<b>49,058,476</b>	<b>42,305,791</b>
<b>Included in other comprehensive income</b>		
Actuarial loss / (gain)	17,730,769	(9,418,078)
Benefits paid	(49,437,732)	(47,570,225)
Transfer to discontinued operations	-	(109,460)
<b>As at December 31</b>	<b>313,238,474</b>	<b>295,886,961</b>

**Actuarial assumptions on defined benefit liability**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Discount rate	4.40% p.a.	3% p.a.
Future salary growth	4% p.a.	3% p.a.

**Sensitivity analysis**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b><u>INCREASE</u></b>		
Discount rate (1% movement)	293,459,167	260,153,542
Future salary growth (1% movement)	335,621,516	326,091,815
<b><u>DECREASE</u></b>		
Discount rate (1% movement)	334,205,187	325,037,194
Future salary growth (1% movement)	291,845,491	263,709,429

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.

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(SAUDI RIYALS)

**24. DEFERRED INCOME**

	December 31, 2022	December 31, 2021
Government grant – SIDF loan	20,850,308	20,850,308
Government grant - land	12,415,275	13,967,175
Government grant – plant	2,101,239	1,546,800
	<u>35,366,822</u>	<u>36,364,283</u>

**25. CONTRACT LIABILITIES**

	December 31, 2022	December 31, 2021
<b>Contract liabilities - Current</b>		
<b>Sales discounts:</b>		
Opening balance	62,608,735	65,124,139
Discounts provision against sales	213,068,503	160,044,299
Actual discounts adjusted during the year	(249,767,704)	(162,559,703)
Closing balance	<u>25,909,534</u>	<u>62,608,735</u>
<b>Sales returns:</b>		
Opening balance	21,083,710	37,198,472
Charge for the year	515,207	5,627,079
Adjusted during the year	(2,116,305)	(21,741,841)
Closing balance	<u>19,482,612</u>	<u>21,083,710</u>
<b>Contract liabilities - Current</b>	<u>45,392,146</u>	<u>83,692,445</u>
<b>Contract liabilities - Non-current*</b>	<u>42,581,465</u>	<u>33,861,020</u>

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

**26. PROVISION FOR FINANCIAL GUARANTEES**

The Company provided financial guarantees against loans issued by financial institutions to its associate, CAD Middle East Pharmaceutical Company (CAD). CAD is in continuous losses for the past few years and facing significant liquidity difficulties in discharging its financial liabilities. The Company's share of the outstanding balance of the total loan amount is SR 25 million (December 31, 2021: SR 46 million) and the Company has recorded the provision for the same amount in these consolidated financial statements. During the year 2022, SPIMACO settled an amount of SR 21 million against such financial guarantee

**27. ZAKAT AND INCOME TAX PAYABLE**

**Zakat payable**

	December 31, 2022	December 31, 2021
As at January 1	28,415,150	39,796,120
Zakat charge for the year	27,983,034	13,035,515
Reclassification during the year	-	(370,706)
Zakat paid during the year	(23,787,600)	(24,045,779)
As at December 31	<u>32,610,584</u>	<u>28,415,150</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

(SAUDI RIYALS)

**27. ZAKAT AND INCOME TAX PAYABLE (CONTINUED)**

**Income tax payable**

	<b>December 31, 2022</b>	December 31, 2021
<b>As at January 1</b>	<b>427,164</b>	(138,228)
Tax charge for the year	<b>1,552,651</b>	735,648
Reclassification during the year	-	370,706
Tax paid during the year	<b>(1,454,651)</b>	(540,962)
<b>As at December 31</b>	<b>525,164</b>	427,164
<b>Provision for zakat and income tax</b>	<b>33,135,748</b>	28,842,314

**Zakat and income tax expense**

	<b>December 31, 2022</b>	December 31, 2021
Zakat charge for the year	<b>27,983,034</b>	13,035,515
Income tax charge	<b>1,552,651</b>	735,648
Deferred tax income	<b>(4,552,299)</b>	(1,425,438)
	<b>24,983,386</b>	12,345,725

**Zakat and income tax payable**

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

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

**Status of zakat and income tax assessments**

Zakat self-assessments for the Group have been finalized with ZATCA and final zakat certificates obtained for the years up to 2021. The Company has obtained the final zakat certificates for all the years up to 2021.

The zakat and income tax returns for the fiscal years 2019 and 2020 are currently under audit by ZATCA and the final Tax/Zakat assessment is yet to be issued at the date of these consolidated financial statements.

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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**(SAUDI RIYALS)**

**28. TRADE PAYABLE AND OTHER LIABILITIES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Trade payables	223,005,924	303,650,697
Due from employees	103,967,343	75,118,640
Accrued expenses	58,917,916	63,297,536
Excess subscriptions	12,592,411	12,592,411
VAT payable	2,313,765	-
Withholding tax	1,923,752	2,952,000
Others	731,711	3,753,958
	<b>403,452,822</b>	<b>461,365,242</b>

**29. REVENUES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Product sales (net of rebates, discounts, allowances and returns)	1,275,464,998	1,334,529,223
Healthcare services	128,380,206	103,877,081
Distribution services	9,330,345	7,277,191
Contract Manufacturing / Agency Services	13,161,539	14,100,474
	<b>1,426,337,088</b>	<b>1,459,783,969</b>

**30. SELLING AND MARKETING EXPENSES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Employees' salaries and benefits	268,659,960	233,446,564
Advertising and promotions	42,590,907	40,433,135
Freight	12,899,417	10,992,878
Depreciation and amortization	11,709,537	10,973,562
Travel and training	10,843,831	8,125,642
Legal and professional fees	5,203,704	5,574,941
Library expenses	4,876,185	3,912,373
Utilities	4,782,475	3,655,950
Communications	4,023,858	3,701,196
Repair and maintenance	3,527,723	3,756,824
Insurance	775,832	3,128,022
Rent	638,778	365,755
Stationery	593,310	453,080
Bank charges	319,491	413,810
Others	1,633,119	1,892,366
	<b>373,078,127</b>	<b>330,826,098</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

(SAUDI RIYALS)

**31. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Employees' salaries and benefits	151,442,251	135,434,805
Depreciation and amortization	27,551,108	29,422,357
Legal and professional fees	19,731,436	15,909,674
Subscriptions	12,744,475	6,701,704
Utilities	11,521,029	7,793,078
Travel and training	10,893,457	2,286,076
Board of Directors expenses	8,383,095	7,778,042
Repairs and maintenance	6,168,492	3,847,845
Communications	3,343,439	2,549,950
Donations and public relations expenses	3,105,582	2,509,350
Meals and entertainments expenses	2,795,733	760,739
Stationery	1,747,175	1,587,599
Insurance	1,059,835	1,007,140
Bank charges	535,418	396,843
Product registration	386,566	-
Shareholders register management expenses	255,215	856,021
Rent	106,154	241,954
Others	3,235,606	866,074
	<b>265,006,066</b>	<b>219,949,251</b>

**32. RESEARCH AND DEVELOPMENT EXPENSES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Employees' salaries and benefits	18,607,463	13,841,160
Write off research expenses	5,994,903	-
Depreciation and amortization	5,063,681	5,527,598
Clinical trials	4,456,492	2,141,830
Laboratory expenses	3,720,702	2,946,109
Product registration	2,224,261	3,118,059
Legal and professional fees	778,208	651,012
Utilities	696,850	472,350
Travel and training expenses	450,592	232,305
Repairs and maintenance	176,429	49,635
Stationery	109,868	56,781
Insurance	7,877	12,397
Communications	1,200	32,010
Other	356,825	39,056
	<b>42,645,351</b>	<b>29,120,302</b>

**33. OTHER (EXPENSE) / INCOME, NET**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other income	4,713,710	13,209,622
Government grant income	1,551,900	3,749,904
Rental income	1,040,168	2,925,218
Scrap Sales	292,531	213,217
Income from training	262,331	-
Gain / (loss) from disposal of property, plant and equipment	134,783	(451,740)
Foreign exchange (loss) / gain	(9,684,254)	15,030,518
Products recall expenses	-	(28,838,639)
Legal consultant expenses	-	(5,000,000)
	<b>(1,688,831)</b>	<b>838,100</b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(SAUDI RIYALS)

**34. FINANCE COST**

	December 31, 2022	December 31, 2021
Murabaha loan	33,762,294	20,257,167
End of service benefit obligations	7,943,927	8,089,023
Lease liabilities	927,327	800,743
Long-term loan	613,944	10,343,250
	<b>43,247,492</b>	<b>39,490,183</b>

**35. (LOSS) / EARNINGS PER SHARE**

	December 31, 2022	December 31, 2021
(Loss) / profit for the year	<b>(165,135,465)</b>	26,454,090
Weighted average number of ordinary shares	<b>120,000,000</b>	120,000,000
(Loss) / earnings per share – basic and diluted	<b>(1.38)</b>	0.22

There is no dilutive effect on the basic (loss) / earnings per share of the Company.

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

**36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Related parties include associates and joint ventures, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Related parties transactions are carried out on an arm's length basis and conditions approved either by the Company or its board of directors.

**Transactions**

Related party	Relation with the Company	Nature of transactions	December 31, 2022	December 31, 2021
Arabian Medical Products Manufacturing Company (ENAYA)	Joint Venture	Dividend	36,304,263	28,183,684
CAD Middle East Pharmaceutical Company	Associate	Finance / Investment	9,158,499	9,380,425
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Key foreign shareholder	Research cost Interest paid Dividends	4,175,447 - 14,751,704	- 1,580,936 17,089,950
Tassili Arab Pharmaceutical Company (TAPHCO)	Associate	Sales	3,538,689	4,363,996

**Balances due from**

Related party	Nature of balance	December 31, 2022	December 31, 2021
Tassili Arab Pharmaceutical Company (TAPHCO)	Non-commercial	34,293,443	32,531,511
Tassili Arab Pharmaceutical Company (TAPHCO)	Commercial	31,538,302	29,754,328
Arabian Medical Products Manufacturing Company (ENAYAH)	Non-commercial	21,972,367	2,847,368
CAD Middle East Pharmaceutical Company	Non-commercial	18,671,424	9,512,925
		<b>106,475,536</b>	<b>74,646,132</b>



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(SAUDI RIYALS)

**36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)**

**Balance due to**

<b><u>Related party</u></b>	<b><u>Nature of balance</u></b>	<b><u>December 31, 2022</u></b>	<b><u>December 31, 2021</u></b>
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Non-commercial	-	-
		-	-

**Remuneration of key management personnel**

<b><u>Related party</u></b>	<b><u>December 31, 2022</u></b>	<b><u>December 31, 2021</u></b>
Remuneration of key management personnel	41,401,616	22,264,212
Compensation of key management personnel consists of salaries, benefits, end of service benefits and other provisions.		

**37. FINANCIAL INSTRUMENTS**

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

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

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

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

**Principal financial instruments**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(SAUDI RIYALS)

**37. FINANCIAL INSTRUMENTS (CONTINUED)**

**Fair value and fair value hierarchy**

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

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

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

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

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

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

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

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

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

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(SAUDI RIYALS)**

**37. FINANCIAL INSTRUMENTS (CONTINUED)**

Financial instrument by category		Fair value			Level 2			Level 3		
December 31, 2022		Fair value			Level 1			Level 2		
Financial assets		Fair value			Level 1			Level 2		
Current:		Fair value			Level 1			Level 2		
Investments at FVPL		Fair value			Level 1			Level 2		
Trade and other receivables		Fair value			Level 1			Level 2		
Time deposits		Fair value			Level 1			Level 2		
Cash and cash equivalents		Fair value			Level 1			Level 2		
Total financial assets		Fair value			Level 1			Level 2		
Financial liabilities		Fair value			Level 1			Level 2		
Non-current:		Fair value			Level 1			Level 2		
Loans and borrowings		Fair value			Level 1			Level 2		
Lease liabilities		Fair value			Level 1			Level 2		
Current:		Fair value			Level 1			Level 2		
Loans and borrowings		Fair value			Level 1			Level 2		
Trade payables		Fair value			Level 1			Level 2		
Lease liabilities		Fair value			Level 1			Level 2		
Total financial liabilities		Fair value			Level 1			Level 2		

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(SAUDI RIYALS)**

**37. FINANCIAL INSTRUMENTS (CONTINUED)**

**Financial instrument by category (Continued)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(SAUDI RIYALS)

**37. FINANCIAL INSTRUMENTS (CONTINUED)**

**Financial instruments not measured at fair value**

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

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

There were no transfers between levels during the period.

**General objectives, policies and processes**

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

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

**Credit risk**

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

The 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.

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, 2022	December 31, 2021
Cash at banks (note 17)	380,106,336	329,404,067
Time deposits	45,000,000	-
Trade receivables - third parties (note 14)	727,365,960	942,042,788
Trade receivables – related parties (note 14)	106,475,536	74,646,132
Investments at FVTPL	419,761	567,674,308
	<u>1,259,367,593</u>	<u>1,913,767,295</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(SAUDI RIYALS)

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**37. FINANCIAL INSTRUMENTS (CONTINUED)**

**Credit risk** (Continued)

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

Credit risk on receivable and bank balances is limited as:

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

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

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

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

**Market risk**

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

**Commission rate risk**

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

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

**Foreign Currency risk**

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

The Group is predominantly exposed to currency risk on purchases and sales made from major suppliers and customers based in counties other than Kingdom of Saudi Arabia and denominated in Egyptian pound, Euros, Algerian Dinars, Moroccan Dinars and US dollars. Management of the Group does not enter into future agreements to hedge its currency risk. However, these are monitored regularly and corrective measures initiated wherever required.



SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(SAUDI RIYALS)

**37. FINANCIAL INSTRUMENTS (CONTINUED)**

**Foreign Currency risk (Continued)**

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

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

<u>December 31, 2022</u>	EGP	EUR	DZD	MAD	USD
Cash and cash equivalents	34,987,682	3,275,162	3,517,461	517,551	1,187,622
Trade receivables	4,183,396	-	5,801,078	11,288,089	130,397,266
Due from related parties	-	-	65,831,745	-	-
Right of use assets	-	-	104,938	-	-
Lease liabilities	-	-	-	-	-
Deferred income	-	-	-	(1,550,000)	-
Loans and borrowings	(5,083,728)	-	-	(35,971,469)	-
Trade payable and other liabilities	(4,937,253)	(15,222,093)	(28,381,141)	(19,423,823)	(23,174,273)
<b>Net statement of financial position exposure</b>	<b>29,150,097</b>	<b>(11,946,931)</b>	<b>46,874,081</b>	<b>(45,139,652)</b>	<b>108,410,615</b>
<u>December 31, 2021</u>	EGP	EUR	DZD	MAD	USD
Cash and cash equivalents	59,932,388	789,802	3,186,497	5,576,254	5,734,433
Trade receivables	4,499,702	-	4,337,657	9,808,790	130,397,266
Due from related parties	-	-	62,285,840	-	-
Right of use assets	-	-	338,527	-	-
Lease liabilities	-	-	(244,442)	-	-
Deferred income	-	-	-	(1,546,800)	-
Loans and borrowings	(10,467,861)	-	-	(39,300,097)	-
Trade payable and other liabilities	(43,043,795)	(5,257,492)	(20,128,490)	(8,785,977)	(80,256,867)
<b>Net statement of financial position exposure</b>	<b>10,920,434</b>	<b>(4,467,690)</b>	<b>49,775,589</b>	<b>(34,247,830)</b>	<b>55,874,832</b>

**Sensitivity Analysis**

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

	Strengthening	Weakening
<u>December 31, 2022</u>		
EGP (1%)	(291,501)	291,501
EURO (1%)	(32,752)	32,752
DZD (1%)	(468,741)	468,741
MAD (1%)	451,397	(451,397)
USD (1%)	(1,315,849)	1,315,849
<u>December 31, 2021</u>		
EGP (1%)	(109,204)	109,204
EURO (1%)	44,677	(44,677)
DZD (1%)	(497,756)	497,756
MAD (1%)	342,478	(342,478)
USD (1%)	(558,748)	558,748

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

(SAUDI RIYALS)

**37. FINANCIAL INSTRUMENTS (CONTINUED)**

**Price risk**

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

**Liquidity risk**

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

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

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

<b>December 31, 2022</b>	<b>Up to three months</b>	<b>More than three months and up to year</b>	<b>More than one year and up to five year</b>	<b>More than five year</b>	<b>Total</b>
<b>Financial liabilities</b>					
Loans and borrowings	24,945,000	676,959,955	379,832,278	-	1,081,737,233
Lease liabilities	6,144,923	-	18,806,045	-	24,950,968
Employees' end of service benefits	-	-	313,238,474	-	313,238,474
Trade payable and other liabilities	-	403,452,821	-	-	403,452,821
Dividends payable	-	158,755,124	-	-	158,755,124
	<b>31,089,923</b>	<b>1,239,167,900</b>	<b>711,876,797</b>	<b>-</b>	<b>1,982,134,620</b>
<b>December 31, 2021</b>	<b>Up to three months</b>	<b>More than three months and up to year</b>	<b>More than one year and up to five year</b>	<b>More than five year</b>	<b>Total</b>
<b>Financial liabilities</b>					
Loans and borrowings	45,665,966	852,748,232	417,124,634	-	1,315,538,832
Lease liabilities	7,255,079	-	17,688,706	-	24,943,785
Employees' end of service benefits	-	-	295,886,961	-	295,886,961
Trade payable and other liabilities	-	461,365,242	-	-	461,365,242
Dividends payable	-	157,492,830	-	-	157,492,830
	<b>52,921,045</b>	<b>1,471,606,304</b>	<b>730,700,301</b>	<b>-</b>	<b>2,255,227,650</b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(SAUDI RIYALS)

**38. SEGMENT INFORMATION**

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

The following table represents the segregation of revenue by type:

**Revenue**

Type of revenue	December 31, 2022	December 31, 2021
Revenue from sale of products	1,275,464,998	1,334,529,223
Revenue from services	150,872,090	125,254,746
	<u>1,426,337,088</u>	<u>1,459,783,969</u>
<b>Other revenue</b>		
Share of profit from associates and joint ventures	20,441,973	11,406,008
	<u>20,441,973</u>	<u>11,406,008</u>
<b>Total revenue</b>	<u>1,446,779,061</u>	<u>1,471,189,977</u>

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

**December 31, 2022**

	<u>Sale of goods</u>	<u>Distribution Services</u>	<u>Contract manufacturing arrangements</u>	<u>Medical services</u>	<u>Total</u>
Kingdom of Saudi Arabia	1,090,875,906	16,609,960	4,720,343	129,310,640	1,241,516,849
Middle East	137,478,159	-	-	-	137,478,159
Egypt	19,301,238	-	231,147	-	19,532,385
Morocco	20,330,401	-	-	-	20,330,401
Algeria	7,479,294	-	-	-	7,479,294
	<u>1,275,464,998</u>	<u>16,609,960</u>	<u>4,951,490</u>	<u>129,310,640</u>	<u>1,426,337,088</u>
<b>Timing of revenue recognition</b>					
PO satisfied at a point in time	1,275,464,998	16,609,960	4,951,490	-	1,297,026,448
PO satisfied over time	-	-	-	129,310,640	129,310,640
	<u>1,275,464,998</u>	<u>16,609,960</u>	<u>4,951,490</u>	<u>129,310,640</u>	<u>1,426,337,088</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(SAUDI RIYALS)

**38. SEGMENT INFORMATION (Continued)**

December 31, 2021

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

**39. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

**Contingent liabilities**

As at December 31, 2022, the Group has letters of guarantees amounting to SR 87.3 million (December 31, 2021: SR 77.8 million).

As at December 31, 2022, the Group has a contingent liability amounting to SR 6.8 million which have been issued on behalf of the Group in the normal course of business (December 31, 2021: SR 3.2 million).

During its normal business operations, some cases may arise against the Company and some of the Group's subsidiaries, and are currently being defended, but the ultimate outcome of these cases cannot be currently determined with certainty. The management believes that the results of these cases will not have a material impact on the Group's consolidated financial statements for the year ended December 31, 2022.

**Capital commitments**

As at December 31, 2022, the Group has capital commitments amounting to SR 83.6 million (December 31, 2021: SR 76.9 million).

**40. SUBSEQUENT EVENTS**

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

**41. COMPARATIVE FIGURES**

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

**42. APPROVAL ON THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been approved by the Board of Directors on Shaban 30, 1444H (corresponding to March 22, 2023).