SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019 AND
INDEPENDENT AUDITOR'S REVIEW REPORT

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Independent Auditors' Review Report

To the shareholders of Saudi Pharmaceutical Industries and Medical Appliances Corporation (Saudi Joint Stock Company)

Review of Interim Condensed Consolidated Financial Statements

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of **Saudi Pharmaceutical Industries and Medical Appliances Corporation**, ("the Company") and its subsidiaries (collectively referred as the "Group") as at 30 September 2019 and the related interim consolidated statements of profit or loss, other comprehensive income for the three and nine months period then ended, the interim consolidated statement of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other selected explanatory notes.

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – ("IAS 34") *"Interim Financial Reporting"* endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Condensed Financial Information Performed by the Independent Auditor of the Entity"*, endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Other matter

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

"During 2015, the Group recognized goodwill approximately SR 51 million, resulted from a Business Combination related to the acquisition of SPIMACO Egypt Pharmaceutical Industries ("SEPI") (formerly "MEIVO"). As of 31 December 2018, the impairment test on goodwill was not performed by the management and hence the carrying value of goodwill could not be reliably measured.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

3 November 2019 (G)
6 Rabi ' I 1441 (H)

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019
(SAUDI RIYALS)

	Note	30 September 2019 (Unaudited)	31 December 2018 (Restated)	1 January 2018 (Restated)
ASSETS				
Current assets:				
Cash and cash equivalents		**312,149,404**	267,732,952	356,683,420
Trade and other receivables	8	**1,321,092,809**	1,078,864,143	1,115,929,030
Inventories		**459,362,886**	480,093,794	456,925,556
Prepayments and other assets		**229,036,763**	209,305,751	162,217,184
		2,321,641,862	2,035,996,640	2,091,755,190
Non-current assets:				
Equity instruments - FVOCI	9	**797,941,858**	873,905,333	1,023,354,665
Investment in equity-accounted associates and joint venture	10	**71,857,614**	70,426,756	65,268,211
Intangible assets		**103,709,324**	111,530,948	122,610,509
Goodwill		**137,698,760**	137,698,760	137,698,760
Property, plant and equipment		**1,634,058,847**	1,466,443,761	1,230,690,618
Right of use asset		**13,733,106**	-	-
Deferred tax assets		**16,141,432**	16,301,282	16,029,766
		2,775,140,941	2,676,306,840	2,595,652,529
TOTAL ASSETS		**5,096,782,803**	4,712,303,480	4,687,407,719
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to the owners of the parent:				
Share capital		**1,200,000,000**	1,200,000,000	1,200,000,000
Statutory reserve		**360,684,866**	360,684,866	360,684,866
General reserve		**150,000,000**	150,000,000	150,000,000
Consensual reserve		**96,274,794**	96,274,794	91,234,616
Fair value reserve - FVOCI	9	**414,879,716**	474,343,191	597,033,273
Retained earnings		**2,337,308**	307,304,491	235,211,325
Foreign currency translation reserve		**(20,612,404)**	(24,163,252)	(27,531,318)
		2,203,564,280	2,564,444,090	2,606,632,762
Non-controlling interest		**224,909,893**	233,162,361	241,876,602
TOTAL EQUITY		**2,428,474,173**	2,797,606,451	2,848,509,364
Current liabilities:				
Current portion of loans and borrowings	11	**697,500,632**	479,347,331	122,538,779
Financial guarantees provision	15	**108,900,000**	-	-
Current portion of lease liability		**1,463,316**	-	-
Zakat and income tax payable		**18,506,440**	67,396,217	85,705,031
Accounts payable and other liabilities		**574,015,360**	330,212,100	448,108,714
Dividends payable		**155,152,459**	152,705,449	148,733,336
Provisions	12	**102,145,708**	40,909,890	47,312,205
		1,657,683,915	1,070,570,987	852,398,065
Non-current liabilities:				
Long-term loans and borrowings	11	**641,723,616**	529,117,978	681,844,780
Long-term lease liability		**13,477,972**	-	-
Employees' end of service benefits		**318,428,283**	297,211,448	285,241,018
Deferred income		**36,994,844**	17,796,616	19,414,492
		1,010,624,715	844,126,042	986,500,290
TOTAL LIABILITIES		**2,668,308,630**	1,914,697,029	1,838,898,355
TOTAL EQUITY AND LIABILITIES		**5,096,782,803**	4,712,303,480	4,687,407,719

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019
(SAUDI RIYALS)

	Note	Three months ended		Nine months ended	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from sale of products	13	238,417,387	172,409,399	820,781,923	793,694,153
Revenue from sale of services	13	41,797,193	52,544,692	116,031,235	108,841,191
Total revenue		280,214,580	224,954,091	936,813,158	902,535,344
Cost of sales		(105,442,002)	(87,065,023)	(502,934,612)	(421,807,748)
Gross profit		174,772,578	137,889,068	433,878,546	480,727,596
Selling and marketing expenses		(68,825,899)	(67,536,113)	(251,164,103)	(242,315,036)
General and administrative expenses		(46,662,915)	(58,599,357)	(141,998,179)	(144,489,646)
Research and development expenses		(8,021,549)	(8,163,570)	(24,025,240)	(24,534,356)
Impairment loss on trade receivables		(2,208,908)	-	(40,065,344)	(4,451,841)
Impairment of receivable from an associate		-	-	(21,248,101)	-
Other income		2,330,248	226,744	8,673,197	6,707,379
Operating profit / (loss)		51,383,555	3,816,772	(35,949,224)	71,644,096
Financial guarantee expense		-	-	(108,900,000)	-
Finance cost		(11,122,252)	(8,032,167)	(27,560,752)	(21,395,605)
Dividends received from equity-accounted associates		-	-	10,503,675	18,687,769
Share of (loss) / profit from equity-accounted associates and joint venture	13	(3,762,971)	1,029,942	4,922,272	2,152,212
Profit / (loss) before zakat and income tax		36,498,332	(3,185,453)	(156,984,029)	71,088,472
Zakat and income tax		(6,435,509)	(244,870)	(20,740,151)	(21,340,761)
Net profit / (loss) for the period		30,062,823	(3,430,323)	(177,724,180)	49,747,711
Attributable to:					
Owners of the parent		32,154,998	(12,116,502)	(165,967,183)	57,573,980
Non-controlling interests		(2,092,175)	8,686,179	(11,756,997)	(7,826,269)
		30,062,823	(3,430,323)	(177,724,180)	49,747,711
Earnings per share					
Basic & diluted	14	0.27	(0.10)	(1.38)	0.48

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019
(SAUDI RIYALS)

	Three months ended		Nine months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net profit / (loss) for the period	**30,062,823**	(3,430,323)	**(177,724,180)**	49,747,711
Items that are or may be reclassified subsequently to profit or loss:				
Exchange difference on translation of foreign operations	**694,680**	221,414	**3,550,848**	6,170,194
Items that will not be reclassified to profit or loss:				
Changes in fair value of investment in equity instruments	**(162,435,587)**	(108,736,222)	**(59,463,475)**	104,072,765
Fair valuation gain realized on sale of investments in equity instruments	**-**	-	**-**	167,611,316
Impairment of investment in equity instruments	**-**	-	**(16,500,000)**	-
	(162,435,587)	(108,736,222)	**(75,963,475)**	271,684,081
Total other comprehensive (loss) / income for the period	**(161,740,907)**	(108,514,808)	**(72,412,627)**	277,854,275
Total comprehensive (loss) / income for the period	**(131,678,084)**	(111,945,131)	**(250,136,807)**	327,601,986
Attributable to:				
Owners of the parent	**(129,565,910)**	(120,631,310)	**(238,379,810)**	335,428,255
Non-controlling interests	**(2,112,174)**	8,686,179	**(11,756,997)**	(7,826,269)
	(131,678,084)	(111,945,131)	**(250,136,807)**	327,601,986

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019
(SAUDI RIYALS)

	Share capital	Statutory reserve	General reserve	Consensual reserve	Fair value reserve - FVOCI	Retained Earnings	Foreign currency translation reserve	Total attributable to the owners of the parent	Non-controlling interests	Total equity
Balance as at 1 January 2019 **(Restated)**	1,200,000,000	360,684,866	150,000,000	96,274,794	474,343,191	307,304,491	(24,163,252)	2,564,444,090	233,162,361	2,797,606,451
Loss for the period	-	-	-	-	-	(165,967,183)	-	(165,967,183)	(11,756,997)	(177,724,180)
Other comprehensive income for the period	-	-	-	-	(59,463,475)	(16,500,000)	3,550,848	(72,412,627)	-	(72,412,627)
Total comprehensive loss for the period	-	-	-	-	(59,463,475)	(182,467,183)	3,550,848	(238,379,810)	(11,756,997)	(250,136,807)
Dividends paid	-	-	-	-	-	(120,000,000)	-	(120,000,000)	-	(120,000,000)
Directors' remuneration- Dividend	-	-	-	-	-	(2,500,000)	-	(2,500,000)	-	(2,500,000)
Changes in non-controlling interest	-	-	-	-	-	-	-	-	3,504,529	3,504,529
Balance as at 30 September 2019	**1,200,000,000**	**360,684,866**	**150,000,000**	**96,274,794**	**414,879,716**	**2,337,308**	**(20,612,404)**	**2,203,564,280**	**224,909,893**	**2,428,474,173**
Balance as at 1 January 2018 **(Restated)**	1,200,000,000	360,684,866	150,000,000	91,234,616	597,033,273	235,211,325	(27,531,318)	2,606,632,762	241,876,602	2,848,509,364
Profit for the period	-	-	-	-	-	57,573,980	-	57,573,980	(7,826,269)	49,747,711
Other comprehensive income for the period	-	-	-	-	104,072,765	167,611,316	6,170,194	277,854,275	-	277,854,275
Total comprehensive income for the period	-	-	-	-	104,072,765	225,185,296	6,170,194	335,428,255	(7,826,269)	327,601,986
Dividends paid	-	-	-	-	-	(180,000,000)	-	(180,000,000)	-	(180,000,000)
Directors' remuneration- Dividend	-	-	-	-	-	(2,334,289)	-	(2,334,289)	-	(2,334,289)
Balance as at 30 September 2018	1,200,000,000	360,684,866	150,000,000	91,234,616	701,106,038	278,062,332	(21,361,124)	2,759,726,728	234,050,333	2,993,777,061

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019
(SAUDI RIYALS)

	30 September 2019	30 September 2018
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
(Loss) / profit before zakat and tax	(156,984,029)	71,088,472
Adjustments to reconcile (loss) / profit before zakat and tax to net cash flow:		
Depreciation	36,257,301	31,042,001
Amortization	19,076,017	17,334,638
Deferred income amortization	(1,213,407)	(1,213,406)
Share of profit from equity-accounted associate & joint venture	(4,922,272)	(2,152,212)
Gain on disposal of property, plant and equipment	(254,651)	(176,037)
Provision for discounts and sales returns	56,759,347	24,973,070
Impairment loss on trade receivable	40,065,344	4,451,841
Impairment of receivables from an associate	21,248,101	-
Provision for employees' end of service benefits	36,076,889	27,904,331
Financial guarantees provision	108,900,000	-
Dividends income	(10,503,675)	(18,687,769)
Finance cost	22,983,337	21,135,808
	167,488,302	175,700,737
Working capital changes:		
Trade and other receivables	(303,542,111)	(253,302,979)
Inventories	20,730,908	27,702,515
Prepayments and other assets	(19,731,012)	(31,600,583)
Accounts payables and other liabilities	243,803,260	(34,351,596)
Cash generated from / (used in) operating activities	108,749,347	(115,851,906)
Finance cost paid	(22,983,337)	(21,135,808)
Zakat and income tax paid	(63,223,822)	(42,191,182)
Employees' end of service benefits paid	(14,860,054)	(10,917,832)
Net cash generated / (used in) operating activities	7,682,134	(190,096,728)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(203,920,839)	(185,851,622)
Proceeds from disposal of property, plant and equipment	303,103	342,489
Net change in intangible assets	(11,254,393)	(7,851,377)
Dividends income received	10,503,675	18,687,769
Proceeds from sale of investments	-	195,476,321
Net change in investments	38,649,291	17,193,795
Net cash flows (used in) / generated from investing activities	(165,719,163)	37,997,375
Cash flows from financing activities:		
Net changes in long-term loans and borrowings	330,758,939	208,300,573
Dividends paid	(117,552,990)	(175,116,504)
Net change in non-controlling interest	(8,252,468)	(191,165)
Directors' remuneration - Dividend	(2,500,000)	(2,334,289)
Net cash flows generated from financing activities	202,453,481	30,658,615
Net changes in cash and cash equivalents during the period	44,416,452	(121,440,738)
Cash and cash equivalents at the beginning of the Period	267,732,952	356,683,420
Cash and cash equivalents at the end of the Period	312,149,404	235,242,682
Non-cash transactions		
Changes in investment in equity instruments – FVOCI	(59,463,475)	104,072,765
Impairment investment in equity instruments - FVOCI	(16,500,000)	-

The accompanying notes from 1 to 19 are an integral part of these interim condensed consolidated financial statements

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1. LEGAL STATUS AND NATURE OF OPERATIONS

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO- ADDWAEIH) ("the Company"), is a Saudi Joint Stock Company formed pursuant to the Ministerial Resolution No. 884 dated 10 Jumada Al-Awwal 1406H corresponding to 21 January 1986G. These interim condensed consolidated financial statements ("interim financial statements") comprise the Company and its subsidiaries (together referred to as the "Group").

The Company operates under CR. No. 1131006650, issued to its head office, situated in Buraidah city- King Abdul Aziz Road- Industrial City of Al-Qassim dated 6 Rajab 1406H corresponding to 16 March 1986G, with the following branches:

Branch	CR. No.
Riyadh	1010134224
Jeddah	4030086146
Khobar	2051058378

The Group is primarily involved in manufacturing, production, development and marketing of medicinal products and pharmaceutical formulations, production supplies, medical equipment and supplies, basic and intermediary med-petrochemicals and their derivatives, and any investments in related industries, inside and outside the Kingdom of Saudi Arabia.

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

1.1 Interest in subsidiaries

		Percentage of ownership	
Name of subsidiaries	Country of incorporation	30 September 2019	30 September 2018
ARAC Healthcare Company (ARAC)	Saudi Arabia	100%	100%
Pharmaceutical Industries Company for Distribution (*)	Saudi Arabia	100%	100%
Dammam Pharmaceutical Company	Saudi Arabia	85%	85%
Qassim Medical Service Company	Saudi Arabia	57.2%	57.2%
ARACOM Medical Company	Saudi Arabia	100%	100%
AL-WATAN Arabian Medical Company	Saudi Arabia	80%	100%
ANORA Trading Company	Saudi Arabia	99%	-
SPIMACO Saudi Foundation – Algeria	Algeria	100%	100%
SPIMACO Egypt Company for Marketing (*)	Egypt	100%	100%
SPIMACO Egypt Company for Distribution (*)	Egypt	100%	100%
SPIMACO Egypt Company (*)	Egypt	100%	100%
SPIMACO Egypt for Pharmaceutical industries – (formerly known as "MEIVO")	Egypt	51.6%	50.2%
Moroccan Arab Company for Pharmaceuticals ("I PHARMA")	Morocco	70.7%	70.7%

(*) These companies are yet to start their operations.

1.2 Interest in associates and joint venture

			Percentage of ownership	
Name of associates and joint venture	Nature of relationship	Country of incorporation	30 September 2019	30 September 2018
Arabian Medical Products Manufacturing Company (ENAYAH)	Joint Venture	Saudi Arabia	51%	51%
CAD Middle East Pharmaceutical Company	Associate	Saudi Arabia	46.08%	44.05%
Tassili Arab Pharmaceutical Company (TAPHCO)	Associate	Algeria	22%	22%

2. STATEMENT OF COMPLIANCE

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants SOCPA ("IFRSs"). These interim financial statements should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ('last annual financial statements'). The accompanying financial statements do not include all the information that is required to prepare a complete set of financial statements in accordance with International Financial Reporting Standards as endorsed by SOCPA. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

Changes to significant accounting policy are described in note 3.

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

3.1 New standards, interpretations and amendments adopted

In preparing the Group's interim financial statements, the significant accounting policies adopted are based on IFRSs effective on 30 September 2019.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

IFRS 16 Leases - New (effective for accounting period beginning on or after 1 January 2019)

Impact on adoption of IFRS 16

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

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

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

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

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

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

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

Nature of the effect of adoption of IFRS 16

Prior to adoption of IFRS 16

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

A lease was classified as a finance lease that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

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Prior to adoption of IFRS 16 (continued)

In an operating lease, the leased property was not capitalized and the lease payments were recognized as operating expense in profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognized under prepayments and other payables, respectively.

After adoption of IFRS 16

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

The change in accounting policy affected the following items in the balance sheet on 01 January 2019:

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

For the nine months ended 30 September 2019:

- Depreciation expense increased by SR 3,806,249 relating to the depreciation of additional assets recognized (i.e., increase in right-of-use assets).
- Rent expense decreased by SR 3,579,997 relating to previous operating leases.
- Finance costs increased by SR 609,469 relating to the interest expense on additional lease liabilities recognized.

Financial impact of adoption IFRS 16 is as follows:

i. Impact on the interim condensed consolidated statement of financial position (increase/ (decrease)) as at 1 January 2019:

	Saudi Riyals
Assets	
Right of use	16,904,564
Prepayments	1,287,398
	18,191,962
Liabilities	
Lease Liabilities	16,904,564

ii. Impact on the interim condensed consolidated statement of profit or loss (increase / (decrease)) for the nine-month period ended 30 September 2019:

	Saudi Riyals
Depreciation expense of right-of-use assets	3,806,249
Rent expense	(3,579,997)
Impact on operating profit	226,252
Finance costs	609,469
Impact on profit for the period	835,721

iii. Reconciliation of lease liabilities pursuant to IFRS 16:

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

After adoption of IFRS 16 (continued)

iv. Amounts recognized in the statement of interim condensed consolidated profit and loss:

	Saudi Riyals
Depreciation expense of right-of-use assets	3,806,249
Interest expense on lease liabilities	609,469
Rent expense - short-term leases	1,223,084
	5,638,802

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

Lessee

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

Right of use assets

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

Lease liabilities

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

4. BASIS OF PREPARATION

These interim financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense.

The preparation of interim financial statements in compliance with adopted 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 the interim financial statements and their effect are disclosed in note 5.

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

- Equity instruments at fair value through other comprehensive income; and
- Defined benefits plan is measured at the present value of future obligations using Projected Unit Credit Method.

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

5. USE OF JUDGEMENT AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial.

5.1 Measurement of fair values

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

5.1 Measurement of fair values (continued)

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

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted priced included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

6. BASIS OF CONSOLIDATION OF THE FINANCIAL STATEMENTS

The interim financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2019.

Business combination

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

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

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

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in these financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests (NCI)

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

Loss of control

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

Interests in equity-accounted investees

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

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

Interests in equity-accounted investees (continued)

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

Transactions eliminated on consolidation

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

7. FUNCTIONAL AND PRESENTATION CURRENCY

These interim financial statements are presented in Saudi Riyal ("SR"), which is the Group's functional and presentation currency. All amounts shown in these financial statements are rounded to the nearest Saudi Riyals, unless otherwise stated.

8. TRADE AND OTHER RECEIVABLES

	30 September 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Trade receivables from third parties	**1,476,703,517**	1,168,803,242	1,159,862,759
Impairment loss on trade receivables	**(200,589,940)**	(150,750,397)	(115,691,437)
	1,276,113,577	1,018,052,845	1,044,171,322
Due from related parties, net	**44,979,232**	60,811,298	71,757,708
	1,321,092,809	1,078,864,143	1,115,929,030

9. EQUITY INSTRUMENTS - FVOCI

	30 September 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Fair value of investments:			
National Industrialization Company (TASNEE)	**265,741,242**	265,741,242	265,741,242
Saudi Industrial Investment Group (SIIG)	**107,370,900**	107,370,900	107,370,900
Yanbu National Petrochemical Company	**-**	-	26,759,250
Investment in mutual fund - Riyadh Equity Fund 2	**9,950,000**	9,950,000	9,950,000
Arabian Industrial Fibers Company (IBN RUSHD)	**16,500,000**	16,500,000	16,500,000
Impairment	**(16,500,000)**	-	-
	383,062,142	399,562,142	426,321,392
Unrealized gain on investments	**414,879,716**	474,343,191	597,033,273
	797,941,858	873,905,333	1,023,354,665

(SAUDI RIYALS)

10. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES AND JOINT VENTURE

	30 September 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint Venture	**70,688,820**	68,757,962	55,929,845
CAD Middle East Pharmaceutical Company-Associate	**-**	-	6,229,139
Tassili Arab Pharmaceutical Company (TAPHCO) –Associate	**1,168,794**	1,668,794	3,109,227
	71,857,614	70,426,756	65,268,211

11. LOANS AND BORROWINGS

	30 September 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Current			
Islamic financing (Murabaha)	**172,348,632**	446,666,667	110,000,000
Government loans	**15,152,000**	24,900,550	4,562,000
Short term loans (Tawarruq)	**510,000,000**	7,780,114	7,976,779
	697,500,632	479,347,331	122,538,779
Non-current			
Islamic financing (Murabaha)	**324,594,852**	425,017,978	631,721,780
Government Loans	**317,128,764**	104,100,000	50,123,000
	641,723,616	529,117,978	681,844,780

Islamic financing (Murabaha)

On 26 Jumada I 1437 (corresponding to 06 March 2016) the Group signed an Islamic financing contract with a local bank amounting SR 1,660 million. This financing will be repaid in quarterly and Semi-annually instalments for 7 and 5 years with a grace year of 2 years. The Group aims to finance the working capital and capital expenditure requirement. A promissory note with a total of SR 1,660 million was signed by the Group for the financing bank.

The volume of murabaha financing obtained by the Group is approximately SR 1,107 million (31 December 2018: SR 858.3 million) and (30 September 2018: SR 1,510 million), of which SR 200 million represents the unused portion as at 30 September 2019 (31 December 2018 SR 801.7 million) and (30 September 2018: SR 617 million)

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

Government loans – ('Saudi Industrial Development Fund' and 'Ministry of Finance')

During the period, SPIMACO - ADDWAEIH obtained a loan from the Saudi Industrial Development Fund (SIDF) amounting to 258 million and will be repaid in 6 years. This financing is secured by a mortgage on fixed assets of the project covering the entire value of the loan.

During the period, a subsidiary of the Group obtained a loan from the Saudi Industrial Development Fund (SIDF) secured by a mortgage on all the fixed assets of the project and a guarantee provided by the Company.

A subsidiary of the Group, which was acquired and consolidated in the financial statements for the year ended 31 December 2016, was granted loan by the Ministry of Finance which is secured by mortgaging the land granted by the Ministry of Finance and National Economy.

During the nine-months period ended 30 September, 2019, the Group capitalized financial charges amounted to SR 5.19 million (31 December 2018: SR 4.45 million)

(SAUDI RIYALS)

12. PROVISIONS FOR SALES RETURNS

The movement in provisions for sales discounts and sales returns during the year is as follows:

	30 September 2019	31 December 2018	1 January 2018
Sales discounts			
At the beginning of the year	**34,817,626**	35,605,399	80,000,000
Charge for the year	**84,723,013**	111,808,823	102,660,937
Adjusted during the year	**(49,261,708)**	(112,596,596)	(147,055,538)
At the end of the year	**70,278,931**	34,817,626	35,605,399
Sales returns			
At the beginning of the year	**6,092,264**	11,706,806	30,523,502
Charge / (reversal) for the year	**25,774,513**	(5,614,542)	(18,816,696)
At the end of the year	**31,866,777**	6,092,264	11,706,806
Total	**102,145,708**	40,909,890	47,312,205

The Group has changed basis of sales return estimation from 0.3% to 5%, which has resulted in the increase of provision by 26 million.

13. 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 for the purpose of making 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

		Three Months		Nine Months	
Type of revenue		**30 September 2019**	30 September 2018	**30 September 2019**	30 September 2018
Revenue from sale of products	13.1	**238,417,387**	172,409,399	**820,781,923**	793,694,153
Revenue from services	13.2	**41,797,193**	52,544,692	**116,031,235**	108,841,191
		280,214,580	224,954,091	**936,813,158**	902,535,344
Other revenue					
Dividend received from equity-accounted associate	13.3	-	-	**10,503,675**	18,687,769
Share of (loss) / profits from equity-accounted associates and joint venture	13.4	**(3,762,971)**	1,029,942	**4,922,272**	2,152,212
		(3,762,971)	1,029,942	**15,425,947**	20,839,981
		276,451,609	225,984,033	**952,239,105**	923,375,325

13.1 Revenue from sales of products represents sales of pharmaceutical products which include oral solid tablets, injectable, antiseptic and aseptic products.

13.2 Revenue from services represents toll manufacturing of pharmaceutical products like secondary packaging and distribution of products of licensors to their customers.

13.3 Dividend income represents dividend received by SPIMACO being the shareholders of Saudi Industrial Investment Group.

13.4 Share of profit or loss from equity-accounted associates and joint venture belongs to Group's share of loss in CAD (an associate), ENAYAH (joint venture) and TAPHACO (associate).

(SAUDI RIYALS)

13. SEGMENT INFORMATION (continued)

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

30 September 2019 (Three months)

Primary geographical markets	Sale of goods	Distribution Services	Contract manufacturing arrangements	Medical services	Total
Kingdom of Saudi Arabia	151,691,823	5,799,744	13,960,950	21,265,610	192,718,127
Morocco	9,313,600	-	-	-	9,313,600
Egypt	2,927,985	770,889	-	-	3,698,874
Middle East	72,928,756	-	-	-	72,928,756
Algeria	1,555,223	-	-	-	1,555,223
	238,417,387	6,570,633	13,960,950	21,265,610	280,214,580
Timing of revenue					
Services transferred at a point in time	238,417,387	6,570,633	13,960,950	21,265,610	280,214,580
Services transferred over time	-	-	-	-	-
	238,417,387	6,570,633	13,960,950	21,265,610	280,214,580

30 September 2018 (Three months)

Primary geographical markets	Sale of goods	Distribution Services	Contract manufacturing arrangements	Medical Services	Total
Kingdom of Saudi Arabia	87,831,444	666,525	17,217,029	34,262,769	139,977,767
Morocco	5,812,092	-	-	-	5,812,092
Egypt	1,836,260	398,369	-	-	2,234,629
Middle East	75,474,484	-	-	-	75,474,484
Algeria	1,455,119	-	-	-	1,455,119
	172,409,399	1,064,894	17,217,029	34,262,769	224,954,091
Timing of revenue					
Services transferred at a point in time	172,409,399	1,064,894	17,217,029	34,262,769	224,954,091
Services transferred over time	-	-	-	-	-
	172,409,399	1,064,894	17,217,029	34,262,769	224,954,091

(SAUDI RIYALS)

13. SEGMENT INFORMATION (continued)

30 September 2019 (nine months)

Primary geographical markets	Sale of goods	Distribution Services	Contract manufacturing arrangements	Medical services	Total
Kingdom of Saudi Arabia	680,560,287	8,737,341	44,013,073	62,457,819	795,768,520
Morocco	22,668,095	-	-	-	22,668,095
Egypt	10,898,377	823,002		-	11,721,379
Middle East	100,671,276	-	-	-	100,671,276
Algeria	5,983,888	-	-	-	5,983,888
	820,781,923	9,560,343	44,013,073	62,457,819	936,813,158
Timing of revenue					
Services transferred at a point in time	820,781,923	9,560,343	44,013,073	62,457,819	936,813,158
Services transferred over time	-	-	-	-	-
	820,781,923	9,560,343	44,013,073	62,457,819	936,813,158

30 September 2018 (nine months)

Primary geographical markets	Sale of goods	Distribution Services	Contract manufacturing arrangements	Medical services	Total
Kingdom of Saudi Arabia	645,695,147	4,420,496	48,683,763	54,657,420	753,456,826
Morocco	24,619,089	-	-	-	24,619,089
Egypt	5,555,709	1,079,512	-	-	6,635,221
Middle East	113,271,426	-	-	-	113,271,426
Algeria	4,552,782	-	-	-	4,552,782
	793,694,153	5,500,008	48,683,763	54,657,420	902,535,344
Timing of revenue					
Services transferred at a point in time	793,694,153	5,500,008	48,683,763	54,657,420	902,535,344
Services transferred over time	-	-	-	-	-
	793,694,153	5,500,008	48,683,763	54,657,420	902,535,344

Change in Estimate:

During the period, the management changed its estimate related to sales return provision i.e. increased from 0.5% to 3%. This resulted in decrease in Group's revenue by SR 22.4 million.

14. EARNINGS PER SHARE

	30 September 2019	30 September 2018
(Loss) / profit for the period attributable to shareholders of the Company	**(165,967,183)**	57,573,980
Weighted average number of ordinary shares outstanding	**120,000,000**	120,000,000
Earnings per share (SAR)		
- Basic and Diluted EPS	**(1.38)**	0.48

(SAUDI RIYALS)

15. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 30 September 2019, the Group has capital commitments of SR 175 million (31 December 2018: 28.3 SR million).

Contingencies

As at 30 September 2019, the Group has letters of guarantees totaling SR 138 million (31 December 2018: SR 131 million.

Financial guarantee

The Company provided a financial guarantee against loans issued by financial institutions to its associate, CAD Middle East Pharmaceutical Company (CAD). CAD is in continuous losses for the past few years and facing significant liquidity difficulties in discharging its financial liabilities. The Company's share of financial guarantees provided against the total loan sum of SR 307 million is SR 131 million. The Company's share of the outstanding balance of the total loan amount is SR 108.9 million and the Company has recorded the financial guarantees provision of SR 108.9 million in its interim financial statements.

16. FAIR VALUATION AND FINANCIAL INSTRUMENTS

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

	Carrying amount			Fair value			
30 September 2019	FVOCI – equity instrument	Financial assets at amortized cost	Total carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Equity investment -FVOCI	797,941,858	-	797,941,858	797,941,858	-	-	797,941,858
Current:							
Cash and cash equivalents	-	312,149,404	312,149,404	-	-	-	312,149,404
Trade and other receivables	-	1,276,113,577	1,276,113,577	-	-	-	1,276,113,577
Due from related parties	-	44,979,232	44,979,232	-	-	-	44,979,232
Total financial assets	797,941,858	1,633,242,213	2,431,184,071	797,941,858	-	-	2,431,184,071
Financial liabilities							
Non-current:							
Loans and borrowings	-	641,723,616	641,723,616	-	-	-	641,723,616
Long term lease liability	-	13,477,972	13,477,972	-	-	-	13,477,972
	-	655,201,588	655,201,588	-	-	-	655,201,588
Current:							
Loans and borrowings	-	697,500,632	697,500,632	-	-	-	697,500,632
Current portion of lease liability	-	1,463,316	1,463,316	-	-	-	1,463,316
Accounts payable and other liabilities	-	574,015,360	574,015,360	-	-	-	574,015,360
Dividends payable	-	155,152,459	155,152,459	-	-	-	155,152,459
Total financial liabilities	-	2,083,333,355	2,083,333,355	-	-	-	2,083,333,355

(SAUDI RIYALS)

16. FAIR VALUATION AND FINANCIAL INSTRUMENTS (continued)

	Carrying amount			Fair value			
31 December 2018	**FVOCI – equity instrument**	**Financial assets at amortized cost**	**Total Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Equity investment - FVOCI	873,905,333	-	873,905,333	857,405,333	-	16,500,000	873,905,333
Current:							
Cash and cash equivalents	-	267,732,952	267,732,952	-	-	-	267,732,952
Trade and other receivables	-	1,018,052,845	1,018,052,845	-	-	-	1,018,052,845
Due from related parties	-	60,811,298	60,811,298	-	-	-	60,811,298
Total financial assets	873,905,333	1,346,597,095	2,220,502,428	857,405,333	-	16,500,000	2,220,502,428
Financial liabilities							
Non-current:							
Loans and borrowings	-	529,117,978	529,117,978	--	-	-	529,117,978
	-	529,117,978	529,117,978	--	-	-	529,117,978
Current:							
Loans and borrowings	-	479,347,331	479,347,331	---	-	-	479,347,331
Accounts payables other liabilities	-	330,212,100	330,212,100	---	-	-	330,212,100
Dividends payable	-	152,705,449	152,705,449	---	-	-	152,705,449
Total financial liabilities	-	1,491,382,858	1,491,382,858	--	-	-	1,491,382,858

(SAUDI RIYALS)

17. CORRECTION OF ACCOUNTING ERRORS

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

Reconciliation to the Group's equity as at 1 January 2018 is as follow:

	Note	1 January 2018	Re-classification	Re-measurement	1 January 2018
ASSETS		**Audited**			**Restated**
Current assets:					
Cash and cash equivalents		356,683,420	-	-	356,683,420
Trade and other receivables	A,E	1,183,468,631	-	(67,539,601)	1,115,929,030
Inventories		456,925,556	-	-	456,925,556
Prepayments and other assets	G,F	211,626,234	(30,569,929)	(18,839,121)	162,217,184
		2,208,703,841	(30,569,929)	(86,378,722)	2,091,755,190
Non-Current Assets					
Equity instruments - FVOCI		1,023,354,665	-	-	1,023,354,665
Investments in equity-accounted associates and joint venture		65,268,211	-	-	65,268,211
Intangible assets	B	15,969,136	-	106,641,373	122,610,509
Goodwill	B	198,283,078	-	(60,584,318)	137,698,760
Property, plant and equipment	B	1,165,113,246	-	65,577,372	1,230,690,618
Deferred tax Assets		16,029,766		-	16,029,766
		2,484,018,102	-	111,634,427	2,595,652,529
TOTAL ASSETS		4,692,721,943	(30,569,929)	25,255,705	4,687,407,719
EQUITY AND LIABILITIES					
Equity attributable to the owners of the parent:					
Share capital		1,200,000,000	-	-	1,200,000,000
Statutory reserve		360,684,866	-	-	360,684,866
General reserve		150,000,000	-	-	150,000,000
Consensual reserve		91,234,616	-	-	91,234,616
Fair value reserve - FVOCI		597,033,273	-	-	597,033,273
Retained earnings	A,B,E, & F	285,074,174	-	(49,862,849)	235,211,325
Foreign currency translation reserve		(27,531,318)	-	-	(27,531,318)
		2,656,495,611	-	(49,862,849)	2,606,632,762
Non-controlling interest		166,862,016	-	75,014,586	241,876,602
TOTAL EQUITY		2,823,357,627	-	25,151,737	2,848,509,364
Current liabilities:					
Current portion of loans and borrowings		122,538,779	-	-	122,538,779
Zakat and income tax payable		85,705,031	-	-	85,705,031
Accounts payable and other liabilities	G	478,574,675	(30,569,929)	103,968	448,108,714
Dividends payable		148,733,336	-	-	148,733,336
Provisions		47,312,205	-	-	47,312,205
		882,864,026	(30,569,929)	103,968	852,398,065
Non-current liabilities:					
Long-term loans and borrowings		681,844,780	-	-	681,844,780
Employees' end of service benefits		285,241,018	-	-	285,241,018
Deferred Income		19,414,492	-	-	19,414,492
		986,500,290	-	-	986,500,290
TOTAL LIABILITIES		1,869,364,316	(30,569,929)	103,968	1,838,898,355
TOTAL EQUITY AND LIABILITIES		4,692,721,943	(30,569,929)	25,255,705	4,687,407,719

(SAUDI RIYALS)

17. CORRECTION OF ACCOUNTING ERRORS (continued)

Reconciliation to the Group's reconciliation as at 31 December 2018 is as follow:

		31 December 2018	Re-classification	Re-measurement	31 December 2018
ASSETS		**Audited**			**Restated**
Current Assets:					
Cash and cash equivalents		267,732,952	-	-	267,732,952
Trade and other receivables	G,A&E	1,160,861,664	237,996	(82,235,517)	1,078,864,143
Inventories		480,093,794	-	-	480,093,794
Prepayments and other assets	G,F	270,031,252	(41,886,380)	(18,839,121)	209,305,751
		2,178,719,662	(41,648,384)	(101,074,638)	2,035,996,640
Non-Current Assets					
Equity instruments - FVOCI		873,905,333	-	-	873,905,333
Investments in equity-accounted associates and joint venture		70,426,756	-	-	70,426,756
Intangible assets	B	25,597,077	-	85,933,871	111,530,948
Good will	B	198,283,078	-	(60,584,318)	137,698,760
Property, plant and equipment	B	1,404,303,080	-	62,140,681	1,466,443,761
Deferred tax assets		16,301,282	-	-	16,301,282
		2,588,816,606	-	87,490,234	2,676,306,840
TOTAL ASSETS		4,767,536,268	(41,648,384)	(13,584,404)	4,712,303,480
EQUITY AND LIABILITIES					
Equity attributable to the owners of the parent:					
Share Capital		1,200,000,000	-	-	1,200,000,000
Statutory reserve		360,684,866	-	-	360,684,866
General reserve		150,000,000	-	-	150,000,000
Consensual reserve		96,274,794	-	-	96,274,794
Fair value reserve - FVOCI		474,343,191	-	-	474,343,191
Retained earnings	A,B,E,F &C	383,692,488	-	(76,387,997)	307,304,491
Foreign currency translation reserve	D	(23,050,875)	-	(1,112,377)	(24,163,252)
		2,641,944,464	-	(77,500,374)	2,564,444,090
Non-controlling interest		174,782,102	-	58,380,259	233,162,361
TOTAL EQUITY		2,816,726,566	-	(19,120,115)	2,797,606,451
Current liabilities:					
Current portion of loans and borrowings	G	392,680,665	86,666,666	-	479,347,331
Zakat and income tax payable		67,396,217	-	-	67,396,217
Accounts payable and other liabilities	G,C	366,324,773	(41,648,384)	5,535,711	330,212,100
Dividends payable		152,705,449	-	-	152,705,449
Provisions		40,909,890	-	-	40,909,890
		1,020,016,994	45,018,282	5,535,711	1,070,570,987
Non-current liabilities:					
Long-term loans and borrowings	G	615,784,644	(86,666,666)	-	529,117,978
Employees' end of service benefits		297,211,448	-	-	297,211,448
Deferred income		17,796,616	-	-	17,796,616
		930,792,708	(86,666,666)	-	844,126,042
TOTAL LIABILITIES		1,950,809,702	(41,648,384)	5,535,711	1,914,697,029
TOTAL EQUITY AND LIABILITIES		4,767,536,268	(41,648,384)	(13,584,404)	4,712,303,480

(SAUDI RIYALS)

17. CORRECTION OF ACCOUNTING ERRORS (continued)

Reconciliation to the Group statement of profit or loss is as follow

	Note	30 September 2018	Re-classification	Re-measurement	30 September 2018
		Audited			**Restated**
Revenue from sale of products		793,694,153	-	-	793,694,153
Revenue from sale of services	E	123,537,107	-	(14,695,916)	108,841,191
Total revenues		917,231,260	-	(14,695,916)	902,535,344
Cost of sales	G,B	(439,268,891)	20,231,968	(2,770,825)	(421,807,748)
Gross profit		477,962,369	20,231,968	(17,466,741)	480,727,596
Selling and marketing expenses	G	(246,762,047)	4,447,011	-	(242,315,036)
General and administrative expenses	G,B	(107,986,190)	(20,227,138)	(16,276,318)	(144,489,646)
Research and development expenses		(24,534,356)	-	-	(24,534,356)
Impairment loss on trade receivables	G	-	(4,451,841)	-	(4,451,841)
Other income	G,C	10,933,563	(3,170,754)	(4,485,981)	3,276,828
Operating profit		109,613,339	(3,170,754)	(38,229,040)	68,213,545
Finance cost	G	(21,135,808)	3,170,754	-	(17,965,054)
Dividends received from investments in equity		18,687,769	-	-	18,687,769
Share of profit from equity accounted associates & joint venture		2,152,212	-	-	2,152,212
Profit before zakat and income tax		109,317,512	-	(38,229,040)	71,088,472
Zakat and income tax		(21,340,761)	-	-	(21,340,761)
Profit for the period		87,976,751	-	(38,229,040)	49,747,711

Explanatory notes

A. This represents the difference between the balance receivable by the Company from SPIMACO Saudi Foundation – Algeria ("SFA"). The Company's management identified that the closing balance recorded in SFA's financial statements were not adjusted using the closing foreign exchange rate in the relevant year. Therefore, the Group has adjusted the above difference in its retained earnings as foreign exchange loss as these balances are more than 3 years old.

B. IFRS 3 *"Business Combinations"* requires the acquirer to measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The Company acquired Qasim Medical Services Company (QMSC) through step acquisition by 40.52% additional stake on 31 May 2016, which resulted in Company's total stake in QMSC 57.22%. This also resulted in a gain on deemed-disposal of Company's stake of 16.7% in QMSC. The Company also acquired 51.66% stake in SPIMACO Egypt for Pharmaceutical on 5 November 2015. The Company did not carry out a Purchase Price Allocation (PPA) exercise on both the above subsidiaries within 12 months from the date of acquisition to ascertain the fair value of identifiable assets and liabilities assumed. During the period ended 30 June 2019 the Company carried out PPA exercise on both subsidiaries which resulted in change in carrying value of their assets. The Company applied the related adjustments retrospectively, which resulted in an increase in intangible and tangible assets and the corresponding adjustment to previously recorded goodwill amount. The increase in fair value of tangible and intangible assets has been depreciated and amortised as per the useful lives of relevant assets and the incremental effect has been recorded in interim financial statements.

Explanatory notes (continued)

C. The Company entered into an agreement with AstraZeneca UK Limited ("AUL") on 18 June 2018, to build and operate a plant to produce specialized pharmaceutical products, mainly related to cancer patients. As per the agreement AUL will fund the Company to build the plant and make payments to the Company on meeting certain milestones as per the terms of the agreement. The Company recognized the payments received from AUL as grant income for the year ended 31 December 2018. The Company reviewed the agreement again in the first quarter of 2019 and decided that the payments received from AUL to build the plant should not be treated as grant income and also that it should not be recognized as income in the Company's financial statements until the plant is ready to operate.

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

E. The Ministry of Health (MOH) in its circular 45/23/773416 to QMSC dated 4 Rabi' al-Thani 1437 H (corresponding to 14 January 2016 G) announced the revised rates to be charged to MOH. QMSC kept charging MOH using the old rates, which resulted in a dispute between MOH and QMSC on outstanding payment to QMSC. The group management decided to adjust an amount of SR 39 million retrospectively in Group's interim financial statements.

F. The group made a provision against zakat as per the return prepared by it's consultant for the year ended 31 December 2015. General authority of zakat and tax (GAZT) assessed an additional amount of SR 18.8 million for the year ended 31 December 2015. The difference between the provision made against zakat and actual amount paid after the assessment was recorded as advance to GAZT. This has now been corrected in the relevant financial year of the Group.

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

18. SUBSEQUENT EVENTS

There are no subsequent events that require disclosure or amendments to the accompanying interim financial statements.

19. APPROVAL ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim financial statements have been approved by the board of directors on 6 Rabi Al-Awal 1441H (corresponding to 3 November 2019 G).