Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO)

Annual Report
Thirty-fourth
2020

سبيماكو الدوائية
SPIMACO ADDWAEIH

Saudi Arabia›s Vision 2030 is a roadmap for a better future for everyone living in this ambitious country.

King Salman bin Abdulaziz - May God protect him

Saudi Arabia’s Vision 2030 will create a better health sector with better services and much less corruption

Prince Mohammed bin Salman - May God protect him

Board of Directors:

HIS EXCELLENCY MR. MOHAMMED TALAL ALNAHAS
Chairman of the Board of Directors

MR. AMMAR ALKHUDAIRY
Deputy Chairman

MR. THAMER ALHAMOUD
Board Member

MR. TURKI ABDULLAH ALJAWINI
Board Member

MR. FAISAL MOHAMMED SHAKER
Board Member

MR. SALEH A. ALHENAKI
Board Member

DR. MOHAMMAD KHALIL MOHAMMAD MOHAMMAD
Board Member

MR. KHALID A. ALGWAIZ
Board Member

ENG. ADIL KAREEM
Board Member

Statement by the Chairman

M/s: Shareholders of Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO ADDWAEIH)

On behalf of the Board of Directors of the Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO ADDWAEIH), I am pleased to submit to you the thirty-fourth annual report for the year of 2020, containing the Board Reports, the Auditors' Report and the consolidated financial statements for the fiscal year ended 31/12/2020.

During 2020, Coronavirus pandemic affected the world economy in general. However, in Saudi Arabia and under the support and directives of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, to empower 'human first' principle, and under the close supervision of His Royal Highness Prince Mohammed bin Salman, as well as proactive cooperation amongst government institutions, i.e. Ministry of Health (MOH), and the Saudi Food and Drug Authority (SFDA), we were able to continue to supply pharmaceutical products to the Saudi market.

During 2020 , sales revenue increased by SAR 73 million (5%) due to increase in the private sector sales. Cost of sales decreased by SAR 122 million (12%) as a major result of improving production efficiency. This significantly increased total profit by SAR 194 million (39%) and improved the profit margin from (33%) in 2019 to (44%) in 2020.

In order to strengthen strategic alliances, SPIMACO ADDWAEIH signed several strategic agreements in the area of manufacturing and marketing for a number of pharmaceutical groups with a number of global companies, reflecting SPIMACO ADDWAEIH's ability to achieve high level of conformity with global regulations and requirements and to ensure high-quality pharmaceutical products and global standards.

During 2020, 97% of the Oncology and High-Potency Drug Factory Project was completed, and the project is expected to entirely completed in the second quarter of 2021. The Company continuously seeks to modernize and develop its manufacturing facilities, in Al-Qassim, to meet the requirements of the Good Manufacturing Practices (GMP). The Company is expecting to finalize licenses for its Headquarter tower in Riyadh during 2021.

SPIMACO ADDWAEIH continued to play a leading role in attracting and training Saudi talents. The percentage of Saudization has reached 45% of the total number of employees. The Company has also trained many national cadres and organized many training courses in various fields.

The Company managed to promote the remote working environment for employees using a secure connection with IT services. It also provided the necessary tools for communication between its employees to perform their work easily during the pandemic of coronavirus.

The Company continued to implement its social responsibility initiatives in its programs by supporting the efforts of the Ministry of Health with SAR 11 million donation of pharmaceutical products to enhance national efforts against the spread of coronavirus. It also sponsored conferences of specialized scientific societies, the Society of Disabled Children's Association, the Self-made Youth Award, and the rehabilitation centers and charities with sterilizers produced by the Company.

In conclusion, we are enormously grateful for efforts made by the government of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud and his Crown Prince. We also extend our gratitude to all relevant government agencies, and the Company's shareholders for their constant confidence and support. Furthermore, we thank directors, executive management members, and all employees of the Company and its subsidiaries inside and outside the Kingdom of Saudi Arabia for their dedicated efforts. And we are looking forward for further success and achievements during 2021.

Muhammad bin Talal Al-Nahas
Chairman
SPIMACO ADDWAEIH

Introduction:

The Board of Directors of the Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO ADDWAEIH) is pleased to submit its thirty-fourth annual report reviewing all SPIMACO's activities and investments inside and outside Saudi Arabia and a summary of the Company's overall situation during 2020. The Report is attached to the consolidated financial statements for the fiscal year ending 31/12/2020, and the auditor's report on the Company's financial results, including the most important developments, results and operating activities. The Report also includes a summary of the application of corporate governance and detailed information on the Board of Directors and the emerging Committees.

SPIMACO ADDWAEIH's main activities:

SPIMACO ADDWAEIH and its subsidiaries are mainly engaged in pharmaceutical and medical appliances production.

The main activities include manufacturing, production, development, marketing, sale and distribution of

- pharmaceutical materials
- pharmaceutical products
- production supplies and equipment
- medical and pharmaceutical supplies
- production of consumer medical supplies

Since 2014, SPIMACO ADDWAEIH has ranked first in drug sales in the private sector in the Kingdom of Saudi Arabia

SPIMACO ADDWAEIH has a strong presence in various medical government sectors and it aspires to strengthen its presence inside and outside the Kingdom of Saudi Arabia and to enter new countries and continents.

Future plans and expectations:

Since 2014, SPIMACO ADDWAEIH has been ranked first in drug sales to the private sector in the Kingdom of Saudi Arabia and it exists in (14) Arab and African countries. In addition, SPIMACO ADDWAEIH has a strong presence in various medical government sectors and it aspires to strengthen its presence inside and outside the Kingdom of Saudi Arabia and to enter new countries and continents.

SPIMACO ADDWAEIH has strategic alliances with many multinational companies and partnerships with the pioneers of the pharmaceutical industry. This helped the Company to localize the production of the latest innovative pharmaceutical products in the Kingdom of Saudi Arabia. Most recently, the Company signed a Memorandum of Understanding with Janssen Pharmaceutical Company which is a pioneer in producing and manufacturing cancer treatment drugs and antihypertensive drugs. The Memorandum of Understanding states that SPIMACO ADDWAEIH will fully manufacture a number of pharmaceutical products products owned by Johnson & Johnson with transfer of manufacturing technology to the Company's factory in Al-Qassim. In the beginning, two pharmaceutical products products will be manufactured. The first one will be used for some cancer treatments and the other will be used to treat hypertensive pulmonary disease.

SPIMACO ADDWAEIH has also concluded an agreement with (Amgen) American Company under which the marketing rights will be localized and the technology of a high-quality (biological) biotechnology product, which is used to treat some immune diseases, will be transferred.

During 2020 , SPIMACO ADDWAEIH introduced

9 pharmaceutical products

with different concentrations and uses, including (3) products for treating cancerous tumors in the Saudi pharmaceutical market.

This is in line with Saudi Arabia's Vision 2030 to urge the localization of high-tech pharmaceutical industries and increasing of local content. This, in turn, reflects on the patient who obtains high-quality and high-tech medications locally manufactured at reasonable prices.

In 2020 , the strategic transformation plan for SPIMACO ADDWAEIH and its subsidiaries was introduced. The plan lasts for three years.

The goal of implementing the strategic transformation plan for SPIMACO ADDWAEIH and its subsidiaries is to:

- Increase revenues and production efficiency.
- Improve the working mechanism.
- Expand into new markets and improve the performance of subsidiaries
- Restructure in line with achieving the companys goals.

In the following are the main activities during the 2020 for SPIMACO and its subsidiaries: -

First: Capital Projects Work in Progress:

Administrative tower project in Riyadh:

All systems have been installed, and the administrative tower building in North Riyadh was delivered and furnished. The land area is 2430 m2. It consists of 24 floors and 4 underground floors and contains administrative offices. In addition, civil defense requirements have been completed and currently waiting for necessary approvals to move. The tower is expected to be delivered during the second quarter of 2021

Oncology and High-PotencyDrug Factory Project:

The installations of all systems have been completed and manufacturing equipment is being installed inside the oncology drug factory, which is located inside the Company's factory in Al-Qassim. The area of the project is 2785 m2. The production capacity of the small manufacturing unit is 20 million pills for both products (tablets and capsules). The production capacity of the large manufacturing unit is 80 million pills, on an annual basis for one work shift. It should be noted that completion rate of civil works reached 97.5% and electromechanical works reached 96%. They are expected to be completed in the second quarter 2021.

SPIMACO Morocco Factory Project:

The Company's project is located in the Greater Casablanca region (Berrechid City). The project produces solid and liquid pharmaceutical products, and it consists of production lines for solid and liquid materials, warehouses, an administrative building and a facility building. The completion rate in the mechanical installation of the factory has reached 90%. It is expected that commissioning will begin in the fourth quarter of 2021.

Development and Expansion of the Company›s Factory Projects in Al-Qassim:

Rehabilitation of the Oral Solid manufacturing area:

The Project and commissioning were completed in accordance with the timetable set out for rehabilitating and developing the manufacturing area in the current Oral Solid Department to meet the Current Good Manufacturing Practices (GMP). The Project was completed in the first quarter of 2020.

Rehabilitation of the Oral Liquid manufacturing area:

The Project and commissioning were completed in accordance with the timetable set out for rehabilitating and developing the Oral Liquid Department to meet the Current GMP.

Automated warehouse Project:

The project includes: (i) establishing an automatic warehouse for finished goods; and (2) automatically linking all outputs of production plants. Shipments are prepared and robots are used to transport them to storage units. The Project area is 3500 m2. The construction works have been completed, and the equipment installation works have been completed.

Fire and Safety Systems Development Project:

The Project includes the development of the fire detection and extinguishing system in accordance with requirements set out by the Saudi Authority for Industrial Cities and Technology Zones Authority (MODON). Technical designs and licenses have been completed and the Project is being offered to local contractors accredited by (MODON). The Project covers all buildings of the plant, including the administrative building, the manufacturing building, and warehouses.

SPIMACO building and warehouse project in the Eastern Province:

The Project includes an administrative building and a warehouse in Al-Khobar on an area of 6400 square meters. The tower consists of 7 floors. The capacity of the warehouse is 3500 pallets, and the Project was completed in the fourth quarter of 2020.

Second The Company›s leadership in the Saudi market for the private sector:

The Company kept the first position among companies competing in the Saudi private pharmaceutical market with a market share of 8% until the end of 2020 and a growth rate of 0.7% according to IQVIA statistics for 2020 . The Company's products achieved three positions in the ten best-selling product list in terms of value at the level of the drug market in the private sector, and these pharmaceutical products are: Snafi is in second place, Rofenac is in third place, and Clavox is in fourth place. In addition, there are also two products in the ten best-selling product list in terms of the number of units sold. Fevadol ranked second in terms of the number of units sold, while Rofenac ranked third. Regarding prescriptions, three of the Company's pharmaceutical products were among the top ten list. These pharmaceutical products are: Fevadol in first place, Rofenac in the sixth place, and Clavox in eighth place. The Company maintained a well-deserved first position with 12.2 million prescriptions during 2020 with the highest market share among all international and local companies in the private sector. It achieved 11.6% with a difference of 1.7 million prescriptions compared to the nearest competitor, and with a decline of 4.5% compared to the same period of the previous year.

Third: Increasing the Company›s product portfolio by developing, registering and introducing new products:

The Company was able to register 56 pharmaceutical products, 7 cosmetics, and 16 veterinary pharmaceutical products with the Saudi Food and Drug Authority (SFDA). It should be noted that 38 pharmaceutical products were registered for SPIMACO ADDWAEIH and 12 pharmaceutical products were registered for Dammam Pharma Company. There are still 44 pharmaceutical products being registered by the Saudi Food and Drug Authority (SFDA) for SPIMACO ADDWAEIH. In addition, the Company registered 20 products abroad until the number of pharmaceutical productsunder registration reached 80 products under registration in foreign markets in 17 different countries.

Fourth New alliances to market and manufacture licensed products:

Based on the Company's strategy and in line with the Kingdom Vision 2030, the Company has successfully managed, over the current year 2020, to sign 10 agreements with a view to obtaining the rights to manufacture, market and distribute a number of new pharmaceutical products to increase the Company's portfolio of pharmaceutical products. Moreover, the Company negotiates to improve the contractual terms of some strategic agreements, and the signed agreements include the following:

and the signed agreements include the following:

Partial Manufacturing and Marketing Contract with "Amgen Biotechnology Company" which is a leading company in biotechnology of "Adalimumab" for treating autoimmune system diseases.

A licensing and supply agreement with the Spanish company "Aurora" for (Enzymax Forte), which is used to treat indigestion diseases.

Renewal of partial manufacturing and distribution agreement with "Hoffmann La Roche International" Company for biotechnology products (Herceptin and Mabthera) for the treatment of breast cancer and the digestive system, and Lymphoma.

Renewal of the licensing, supply, and marketing agreements with the American Company "Merck Sharp & Dome" for (4) pharmaceutical products for the treatment of diabetes, chest allergies and bone pain. Certain contractual items were amended and improved.

A licensing and supply agreement with the Chinese company "Hengrui" for (Tolvaptan), which is used to treat Hyponatremia.

A manufacturing technology transfer agreement with the Greek company "Pharmathin Pharmaceutical Company" for the injection product "Paricalcitol", which is used to treat secondary hyperthyroidism associated with chronic renal failure, contributing to enriching the injection unit.

Manufacturing technology transfer agreement with the Indian company "Macleods" for two pharmaceutical products to treat high blood pressure and a third pharmaceutical product to treat prostate diseases.

A licensing and supply agreement with the Indian company "Macleods" to meet the need of the Saudi market based on the important medication list of the Saudi Food and Drug Authority to provide two medications to treat HIV (the approval of the US Food and Drug Administration "FDA" is obtained.)

In addition, fifty-three confidentiality agreements have been signed to explore a number of new opportunities, which will contribute to increasing the Company's portfolio of pharmaceutical products.

A number of memoranda of understanding were also signed with some international companies, including the memorandum of understanding concluded with Janssen, which was recently signed to localize (2) pharmaceutical products for treating tumors and high lung pressure. The Memorandum of Understanding was signed in the presence of His Excellency the Minister of Investment and His Excellency the Minister of Industry and Mineral Resources.

Subsidiaries and sister companies

Below is a description of subsidiaries and sister companies:

Direct and Indirect ownership percentage	Commercial Register number and the country of incorporation	The Company's main activities	Headquarters of the Company's operations	Commercial Register number and the country of incorporation	Subsidiaries
ARAC Healthcare (ARAC)	1010075320 issued by Riyadh KSA	KSA	Selling and distributing pharmaceutical products	50,000,000 SAR	100%
Arabian Medical Products Manufacturing Company (ENAYAH)	1010089052 issued by Riyadh KSA	KSA	Producing consumer medical supplies	20,000,000 SAR	51%
Dammam Pharma Company Dammam Pharma	2050088711 Issued by Dammam, KSA	KSA	Manufacturing, marketing and selling pharmaceutical products	180,000,000 SAR	85%
SPIMACO Morocco for Pharmaceutical Industries	15555 The Kingdom of Morocco	The Kingdom of Morocco	Manufacturing, marketing and selling pharmaceutical products	470,000,000 (Moroccan dirham)	70.65%
CAD Middle East Pharmaceutical Industries [4]	1010221859 issued by Riyadh KSA	KSA	Manufacturing active raw materials used in the pharmaceutical industry	266,000,000 SAR	46.05%
Al-Qassim Medical Services Co	1131011745 KSA	KSA	Owning, managing and maintaining hospitals and medical units and medical equipment trade	200,000,000 SAR	57.22%
SPIMACO Misr for Pharmaceutical Industries	137914 Egypt	Egypt	Manufacturing, selling, and marketing pharmaceutical products	66,879,000 (EGP)	51.66%
ARACOM Medical Company [2]	1010438142 RUH	KSA	Managing and operating pharmacies, medical centers and wholesale trade in the health sector	5,000,000 SAR	100%
Al-Watan Arabian Pharmaceutical Industries Co. [3]	1131169001 RUH	KSA	Producing pharmaceutical products and semi-medical cosmetics	100,000,000 SAR	100%
SPIMACO Algeria	0011047N00 Republic of Algeria	Republic of Algeria	Importing and exporting pharmaceutical products, raw materials, medical supplies and equipment, consumables and semi-pharmaceutical materials	160,000,000 (Algerian Dinar)	100%
Pharmaceutical Industries Company for Distribution [1]	1010219722 issued by Riyadh KSA	KSA	Wholesale and retail trade in medical devices and chemical industries	1,000,000 SAR	100%
SPIMACO Egypt for Distribution [1]	35176 Egypt	Egypt	Working in the field of selling, distribution, medical advertising, and manufacturing for third parties	20,000 (EGP)	100%
SPIMACO Egypt for Marketing [1]	35177 Egypt	Egypt	Working in the field of selling, distribution, medical advertising, and manufacturing for third parties	20,000 (EGP)	100%
SPIMACO Egypt	36022 Egypt	Egypt	Importing, exporting, selling, distributing and marketing of pharmaceutical products	2,000,000 (EGP)	100%
Tassili Arab Pharmaceutical Company (TAPHCO) - Algeria	00B14160 Republic of Algeria	Republic of Algeria	Producing, marketing and selling pharmaceutical products	1,083,482,400 (Algerian Dinar)	22%
ANORA Trading Company [5]	1010932393 KSA	KSA	Activities of pharmaceutical establishments	300,000 SAR	99%

1 The Company has not yet been operational.

2 The Company is 80% owned by ARAC Healthcare and 20% by the Pharmaceutical Industries Company for Distribution.

3 On 16 September 2020, shareholders of Al-Watan Arabian Pharmaceutical Industries Co. (Al-Watan Pharma) resolved to voluntarily liquidate the Company, appoint a liquidator of the Company in accordance with the provisions of Article (205) of the Saudi Companies Law, and grant him all the necessary powers to carry out liquidation works. It should be noted that Al-Watan Pharma is 85% owned by SPIMACO ADDWAEIH and 15% by ARAC Healthcare.

4 During 2018, shareholders in CAD Middle East Pharmaceutical Industries decided to increase the Company's capital to SAR 266 million, and the legal procedures have not yet been completed. SPIMACO ADDWAEIH has paid its share in the capital increase, and SPIMACO shareholding percentage will increase to 46% after completion of legal procedures.

5 The Company is 99% owned by ARAC Healthcare.

a competitive advantage

value chains in the health sector

The main activities of the subsidiary companies:

Activities of SPIMACO and its subsidiaries include the entire pharmaceutical sector chain, from research and development activity as well as manufacture of raw materials for medications, to marketing and distribution of medications in addition to providing healthcare services. This gives the Company a strategic importance and a competitive advantage in value chains in the health sector.

ARAC Healthcare:

ARAC is one of the largest marketing and distribution agents for medications and pharmaceutical products in Saudi Arabia in the healthcare sector. Its activity is to sell licensed products, provide logistics services such as distribution and storage. It is also an agent for a number of global companies. It also provides solutions in supply chain management, sales and distribution to SPIMACO Group and to a number of local and global companies. The Company operates 5 warehouses with a total area of 10,500 square meters, in Riyadh, Jeddah, Khobar, Abha and Al-Qassim, allowing it to cover all geographical areas in the Kingdom of Saudi Arabia. In addition, the company also owns a transport fleet of 40 trucks to ensure that customers' needs are met on the same day. The Company's headquarters are located in Riyadh.

company ARAC Healthcare:

- ARAC's product portfolio includes many medical and veterinary pharmaceutical products as well as cosmetic and nutritional supplements. It accounts for 39% of ARAC's business volume. In addition, the distribution sector and commercial agencies account for 61% of revenue.
- ARAC introduced a number of human medications during the second and third quarter of 2020.
- ARAC has listed and registered various cosmetic and veterinary products. Seven cosmetics products were listed and 16 veterinary products were registered. In addition, the marketing licenses of some products distributed by ARAC to some of the agent companies have also been renewed.
- During 2020 , ARAC succeeded to maintain ISO 9001-2015 Certification and renew it for the next three years. It also continued to maintain the Good Storage Practice Certification and the Good Distribution Practice Certification as required by the World Health Organization (WHO) after passing the certification assessments by donors.

company
Dammam Pharma Company (Dammam Pharma):

The headquarters of Dammam Pharma Company are located in the First Industrial City in Dammam. The Company is producing and marketing pharmaceutical products with a production capacity of 250 million tablets, 60 million capsules, and 10.5 million packages for packaging lines. Dammam Pharma began to manufacture its products (before the Company's factory is completed) through a manufacturing agreement with SPIMACO ADDWAEIH. The Company has obtained the factory license from the Food and Drug Authority in mid-2017. Then, the Company worked on manufacturing its products by transferring manufacturing technology from SPIMACO ADDWAEIH factory in Al-Qassim to the Company's factory in Dammam. In addition, the Company concluded a distribution and marketing agreement for some products with ARAC Healthcare. The Company manufactures pharmaceutical products for various treatment groups that integrate with the current portfolio of SPIMACO to take advantage of the Group's development, marketing and distribution capabilities to achieve operating efficiency and gain a competitive advantage over the .competitors

Dammam Pharma's registered portfolio includes 23 products with 57 concentrations for various therapeutic categories such as heart disease, arthritis, respiratory and men's health medications, in addition to antibiotics, nervous system medications, and blood pressure medications. During 2020 , the Company obtained the ISO 9001 quality management system certification for the factory, and the approval of SFDA to register a group of the Company's products, increasing the number of registered products by 5 products (12 concentrations).

Al-Qassim Medical Services Co.:

- A joint stock (closed) company engaged in establishing, equipping, owning, managing, maintaining and operating hospitals and health centers. Al-Qassim Medical Services Co. owns Al-Qassim National Hospital with a capacity of 100 beds. It was officially opened in 2010 and it includes a group of Saudi consultant doctors and specialists in various specialties. It further has high-efficiency equipment. Al Qassim National Hospital provides various types of health services through various clinics, emergency department, inpatient department, general and cardiac intensive care, as well as intensive care for children and newborns. In addition, it provides a center specialized in cardiac catheterization, which is the first and only center in the private sector in Al-Qassim Province. It also includes the Department of Continuing Education and Training which offers many seminars, scientific conferences and short courses approved by the Saudi Commission for Health Specialties.

- Al Qassim National Hospital is looking forward every year to developing the medical services it provides to achieve the highest quality standards in health care by obtaining an accreditation certificate from the Saudi Central Board for Accreditation of Healthcare Institutes (CBAHI) and achieving the American JCI accreditation standards.

company SPIMACO Misr for Pharmaceutical Industries:

- It is a pharmaceutical manufacturing company that manufactures, markets and distributes pharmaceutical products. The Company's factory is located in Burj Al Arab in Alexandria on an area of 8,500 square meters. SPIMACO's pharmaceutical investment in SPIMACO Misr is in line with the Group's ambition to increase its share in the Egyptian market. The Company's investment in SPIMACO Misr focuses on enhancing the product portfolio and the Group's presence in the Egyptian market.
- SPIMACO Misr's product portfolio includes (65) products registered and marketed for multiple treatment categories covering the following diseases: Digestive system diseases, heart disease, musculoskeletal diseases, respiratory system, men's health in addition to the group of antibiotics and there are about (45) other pharmaceutical products for them in various registration stages.

SPIMACO Morocco Factory:

- The Company is engaged in manufacturing, marketing, importing and distributing medications and pharmaceutical products. The Company's production capacity is 2.6 million packages of liquid products on annual basis. The production capacity of the capsule filling line is about one million capsules on annual basis through the Company's current factory in Tangier.
- The Company has 28 pharmaceutical products and food supplements with 56 concentrations. It should be noted that five pharmaceutical products were introduced during 2020. The Company has many products under registration and development, i.e., more than 30 pharmaceutical products and five medical supplies.
- The current portfolio includes 3 registered pharmaceutical products (10 SKUs) which are imported as ready-to-sale products from SPIMACO.
- In addition, the current portfolio includes three products registered in 10 concentrations that are manufactured and exported by SPIMACO ADDWAEIH in the form of ready-to-sale pharmaceutical products.
- The Company's new project was 90 percent completed in Casablanca, which is based on the latest technologies of the pharmaceutical industry. It further adopted good manufacturing rules for producing solid pharmaceutical products for the local market as well as for export abroad. It consists of an integrated industrial unit for solid materials, i.e., tablets and capsules with a maximum production capacity of 570 million tablets and 242 million capsules per year. There are warehouses which can store about 2,300 pallets. There is also an administrative building as well as a building for facilities and services. Commissioning is expected to commence during the fourth quarter of 2021. The syrup production line will also be transferred from the current factory to this new factory during the fourth quarter of 2021.
- The Company signed agreements with local partners as well as some international companies with regard to contractual manufacturing and registration according to the Company's strategic plan and joint marketing.

Foundation SPIMACO Algeria:

- The headquarters of SPIMACO Algeria are located in Algiers. It distributes and imports pharmaceutical products. SPIMACO's pharmaceutical investment in SPIMACO Algeria is consistent with the Group's ambition. The Company's investment is based on enhancing the Group's presence in the Algerian market and increasing the market share. SPIMACO Algeria imports, sells and distributes SPIMACO pharmaceutical products on the Algerian market in its various therapeutic categories. SPIMACO Algeria also imports raw materials from SPIMACO ADDWAEIH and they are manufactured by handling with local factories.
- The local manufacturing was expanded by adding 12 registration files and local manufacturing with TAPHCO Company.
- headquarters of SPIMACO Algeria applied for registration to import 7 pharmaceutical products that are not manufactured in Algeria, such as medications for treating tumors and its complications, medications for treating kidney failure and vital medications, in addition to importing a number of nutritional supplements.

company ARACOM Medical:

ARACOM Medical Company operates in the field of wholesale and retail trade. ARACOM is currently distributing medical products inside the Kingdom through its main warehouse in Riyadh. SPIMACO ADDWAEIH's investment in ARACOM contributes to achieving the Company's goals of integration in the main group of activities relied upon by the pharmaceutical industry, from manufacturing to retail.

company Watan Pharma:

It was established in 2016 with a capital of SAR 100 million. The general strategy of Watan Pharma was developed to enter the human pharmaceutical market. Due to the partners' agreement to liquidate the Company, Partners met in Al-Watan Arabian Pharmaceutical Industries Co. on 1/28/1442 H corresponding to 16/9/2020 and unanimously decided to liquidate the Company. It is currently in the process of liquidation.

company ANORA Trading:

ANORA's idea was to set up pharmacies specialized in the field of skin and health care as a first stage. The first branch was opened by the Company at the beginning of the first quarter of 2019 G. The Company currently has two branches in Riyadh according to a study of the market situation, transformations, and competition in the retail sector in respect of pharmacies in the rest of the major cities of the Kingdom.

The Company›s investments in the petrochemical sector:

SPIMACO ADDWAEIH owns 4.17% of the capital of the Arabian Industrial Fibers Company (Ibn Rushd). Moreover, SPIMACO ADDWAEIH is following up the steps taken to restructure the Company and to enhance the profit return chances. It should be noted that SPIMACO ADDWAEIH reduced the value of its investments in the Arabian Industrial Fibers Company (Ibn Rushd) in 2016 by 95% of the total investment. The investment value remainder was reduced during 2019 G.

SPIMACO ADDWAEIH also held shares as a founder in other companies in the petrochemical sector as part of the private placement prior to the IPO of these companies. Moreover, SPIMACO ADDWAEIH held shares in the Saudi Industrial Investment Group (SIIG). Besides, large percentage of shares were fully sold during 2020 . It should be noted that 1.07% of the Company's capital remains at a market value of SAR 129 million as at 31/12/2020 .

Realized profits on sale of investments during 2020 amounted to SAR 278 million and they were directly transferred through other comprehensive income to the retained earnings.

Financial results of SPIMACO ADDWAEIH: -

Financial results for 2020 compared to the previous years (SAR'000)

Description	G 2019 (SAR '000)	2020 (SAR '000)	(-) Change + or (SAR '000)	Change percentage
Total Operational Revenue	1,486,846	1,559,477	72,631	5%
Cost of revenues	(989,209)	(867,659)	121,550	(12%)
Gross profit	497,637	691,818	194,181	39%
Operating income	(293,277)	153,175	446,451	(152%)
Financial guarantees	(108,530)	299	108,830	(100%)
Finance expenses	(53,643)	(44,234)	9,410	(18%)
Net income from investments and Associate companies	7,473	48,734	41,260	552%
Loss from discontinued operations	(6,125)	(4,536)	1,589	(26%)
Loss from discontinued operations Income / (loss) after zakat and tax and before the minority interest in the net income of the subsidiaries	(484,038)	109,541	593,579	(123%)
Net income/ (loss) attributable to the shareholders of the Company	(439,742)	124,787	564,529	(128%)

In 2020, SPIMACO ADDWAEIH achieved total sales of SAR 1,559 million, i.e., revenue from selling goods of 93% of total revenue of SAR 1,446 million and a rise of 4% compared to realized revenue from selling goods in 2019. It should be noted that revenue from services accounts for 7% of total revenue of SAR 113 million. These revenues are generated from contracts for manufacturing services for third parties, health care services, and distribution services, i.e., 26% higher compared to revenue earned in 2019.

The following table shows the distribution of income across different sectors: -

Sector	G 2019 (SAR '000)	2020 (SAR '000)	Change percentage
Private sector	751,915	815,842	9%
Ministry of Health and other government institutions	464,514	447,793	(4%)
Export revenue	146,208	149,645	2%
Revenues from foreign subsidiaries	34,805	33,241	(4%)
Revenue from services	89,403	112,956	26%
Total	1,486,846	1,559,477	5%

The Company's sales in Saudi Arabia account for 88% of the total sales of SAR 1,368 million and the rest of the foreign markets account for 12%, i.e., SAR 191 million. Moreover, foreign market sales also include those of joint procurement tender for Ministries of Health in the GCC countries. With regard to sales of SPIMACO ADDWAEIH (without its subsidiaries), the private sector revenues account for 45% of the total revenues, distributed geographically as follows: Revenues in the central and northern province account for 34%; revenues in the western province account for 36%; revenues in the eastern province account for 24% and revenues in the southern province account for 6%.

Financial results of SPIMACO ADDWAEIH: -

Financial results for 2020 compared to the previous years (SAR›000)

Comparison between 2020 and 2019 G	Change percentage	Main causes of change
Revenues	5%	Sales revenue increased by SAR 73 million (i.e. 5%) due to increase of sales in the private sector by SAR 64 million. In addition, revenue from health-care services also increased by SAR 15 million, and revenue from the government sector fell by SAR 17 million.
Operating profit	-	The rise in operating profits is due to the lower sales cost of SAR 122 million (12%) as a major result of improved production efficiency and improved sold product mix. This significantly increased the gross profit by SAR 194 million (39%) and improved the profit margin from (33%) in 2019 to (44%) in 2020. Sales and marketing expenses have also fallen by SAR 34 million (10%) due to lockdown during the pandemic, resulting in a total suspension of marketing activity. Furthermore, impairment of trade receivables decreased by SAR 94 million. Certain one-off expenses registered during 2019 had a positive impact on performance during 2020. These expenses include impairment losses on goodwill of SAR 137 million.
Net Income attributable to the Company's shareholders	-	In addition to higher operating profits, the cost of financing decreased by SAR 9 million, and the profits of investments in the associate companies and joint venture increased by SAR 52 million. Certain one-off expenses registered during 2019 had a positive impact on performance during 2020. These expenses include financial guarantees expenses totaling SAR 108 million.

Revenues of subsidiaries (both inside and outside Saudi Arabia) for 2020 are as follows:

Company	Revenues (SAR '000)	Percentage of total revenues (%)
ARAC Healthcare	169,856	11%
.Al-Qassim Medical Services Co	93,941	6%
ARACOM Medical Company	46,886	3%
Dammam Pharma Company	42,988	3%
Anura Trading Company	4,191	0%
SPIMACO Morocco Factory	20,505	1%
SPIMACO Misr for Pharmaceutical Industries	7,215	0%
SPIMACO Egypt	8,017	1%
SPIMACO Algeria	5,522	0%
Total	**399,120**	**26%**

The company is currently launching marketing campaigns in (12) countries outside the Kingdom, which are as follows:

North Arab countries: Lebanon - Jordan - Iraq.

N

Gulf countries and Yemen: United Arab Emirates - Kuwait - Bahrain - Sultanate of Oman - Yemen.

GCC

African countries: Algeria - Egypt - Sudan - Morocco.

The export revenues during 2020 reached SAR 170.2 million, with a decline of 10% compared to the revenues of the previous year 2019.

It includes export revenues in each country:

Country	Revenue (Millions of (riyals	(%) Percentage of sales
UAE	68,162	40.0%
Kuwait	29,378	17.3%
Sultanate of Oman	22,490	13.2%
Sudan	15,128	8.9%
Bahrain	13,785	8.1%
Egypt	8,062	4.7%
Algeria	6,195	3.6%
Lebanon	2,477	1.5%
Jordan	2,276	1.3%
Iraq	1,606	0.9%
Morocco	651	0.4%
Total	170,210	100%

The export revenues during 2020 reached SAR 170.2 million, with a decline of 10% compared to the revenues of the previous year 2019 G.

During 2020 , the Company carried out many activities in some countries according to the following:

Iraq: Purchase orders were executed with Afaq Company and a distribution agreement was signed with a new second agent of the company (Dara Company) to market the Company's products in the private sector.
Libya: A distribution agreement has been signed with a new agent of the company (Danube Company) to market the Company's products in the private and public sectors, and work is underway to re-register the Company.

Libya: A distribution agreement has been signed with a new agent of the company (Danube company) to market the company's products in the private and public sectors, and work is underway to re-register the company.

Lebanon: The marketing business model was changed to be through the agent instead of the Company's scientific office, with the aim of improving profitability.
Egypt: The role of import for SPIMACO Egypt was promoted and the marketing model was standardized in accordance with the Company's strategy in Egypt with the aim of reducing expenses.

Sudan: Distribution agreements have been added and signed with (2) new agents with the aim of expanding the customer base and pursuing all available opportunities.

According to the company's strategic directions in overseas markets, the Company currently aims to enter into new markets .

(Kenya - Ethiopia - Uzbekistan - Uganda - Tanzania). It also aims to study investment opportunities to acquire a tumor treatment factory in Indonesia. The Company has evaluated these markets and opportunities, and has searched for suitable agents. It further identified registration requirements, and studied suitability of prices for selecting pharmaceutical products, according to the following:

Ethiopia: A distribution agreement has been signed with ATMA and work is under way to follow up on the registration of products and the execution of purchase orders for the products that have been registered.

Uganda: A distribution agreement has been signed with Benzina agent to engage in public sector tenders in the Ugandan market.

Kenya: A distribution agreement was signed with the LIMERIDGE distribution agent and a standard registration agreement was signed with J. Kamau & Associates Pharma Consultants to cover the registration in Kenya - Uganda - Tanzania.

Tanzania: A distribution agreement was signed with WIDE SPECTRUM distribution agent.

Uzbekistan: The Agent (ASIA PHARMA) was appointed to distribute the Company's products and to study a business model with Nikapharm LLC and work is underway to evaluate the business opportunities.

Challenges of 2020 :

During 2020, the Company faced many challenges, the most prominent of which was the temporary export ban due to COVID-19 and the development of new restrictions and procedures that were applied by Food and Drug Authority and Customs Authority. This led to a longer period of time for export authorization approvals after export was allowed in mid-2020. Some products were not exported to ensure provision of stocks for the local market. In addition, some markets have seen sharp fluctuations and decline in revenues. Some of them are summarized as follows:

GCC:
- Reducing prices of some products according to the reference price policy in some GCC countries.
- Price competition in bidding and direct procurement in the government sector.

Sudan:
- Volatility in the national currency's exchange rate against foreign currencies
- Ministry of Health decision to reduce prices of some products to levels that are discouraging for export, based on the common prices in Sudan, due to the presence of similar generic medications from cheap sources.
- Late issuance of import approvals by banks due to restrictions on provision of foreign exchange.
- Obstacles to customs clearance at ports.

Lebanon:
- Political and Economic Instability
- Decline in purchasing power due to the deteriorating economic and political conditions in the country, making the agent reluctant to increase purchase orders and control stock levels.

Algeria:
- ecline in import programs for fully manufactured products has a negative impact on revenue
- Financial difficulties for local factories to cover contract manufacturing organization business.

Yemen and Libya:
- Political and Economic Instability

Qatar:
- Continued export ban to the country's market

Comparison of the income statement for the 5 year period (2016-2020)

Below is a description of the income statement for 2020 compared to the previous 4 fiscal years (more details can be found by reviewing the financial statements and accompanying notes)

Description (in 000s)	G 2016	2017 G	2018G	2019 G	2020
Revenues	1,516,550	1,640,903	1,503,323	1,486,846	1,559,477
Cost of revenues	(804,013)	(936,442)	(894,807)	(989,209)	(867,659)
Gross profit	712,537	704,461	608,516	497,637	691,818
Selling and marketing expenses	(458,927)	(358,348)	(349,536)	(354,096)	(320,185)
General and administrative expenses	(125,923)	(132,306)	(199,739)	(210,141)	(207,085)
Research and development expenses	(31,306)	(37,492)	(40,576)	(13,502)	(20,413)
Impairment of trade receivables	(49,261)	3,418	5,932	(95,738)	(1,475)
Impairment of the goodwill value	-	-	-	(137,699)	-
Other Revenues (Expenses)	5,869	13,730	53,834	20,262	10,515
Income from main operations	52,989	193,463	78,431	(293,277)	153,175
Share of profits from associates and joint ventures	(8,669)	(2,793)	(6,403)	(14,261)	38,213
Finance expenses	(22,312)	(14,715)	(27,037)	(53,643)	(44,233)
Financial guarantee expenses	-	-	-	(108,530)	299
Dividends received	25,440	15,780	29,191	21,007	7,002
Investment profits at FVTPL	-	-	-	727	3,518
Zakat and foreign income tax	(43,682)	(43,204)	(25,500)	(29,936)	(43,897)
Losses from discontinued operations	-	-	-	(6,125)	(4,536)
Net profit before minority interest	3,766	148,531	48,682	(484,038)	109,541
Non-controlling interest	(5,169)	(9,630)	25,566	44,297	15,246
Net Profit	(1,403)	138,901	74,248	(439,741)	124,787
Earnings per share	(0.01)	1.16	0.62	(3.66)	1.04

Some figures for previous years have been reclassified to match the classification of 2020 as shown in the consolidated financial statements.

Comparison of the statement of financial position for the five-year period (2016-2020)

Below is a description of the statement of financial position for 2020 compared to the previous four fiscal years (more details can be found by reviewing the financial statements and accompanying notes)

Comparison of the statement of financial position for the five-year period (2016-2020)

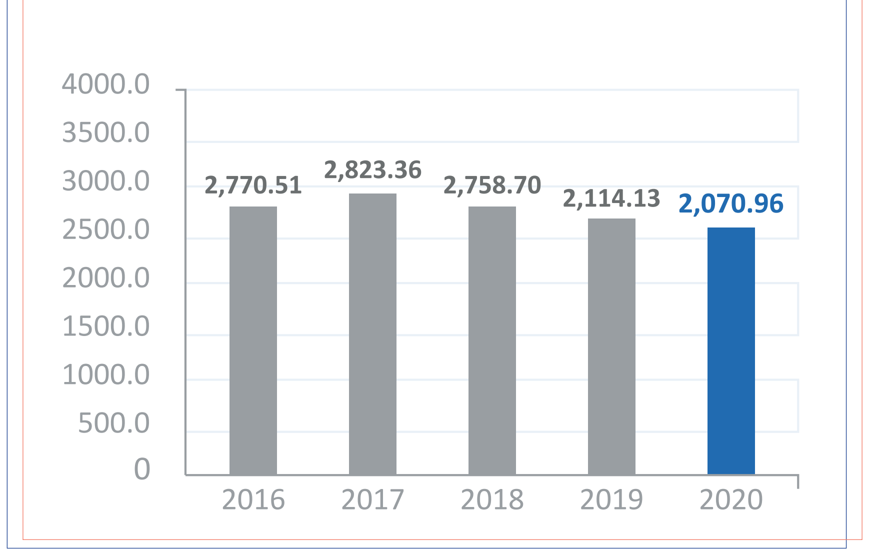
Description (in 000s)	2016 G	2017 G	2018G	2019 G	2020
Statement of financial position	SAR	SAR	SAR	SAR	SAR
Total current assets	2,204,954	2,079,647	2,100,510	1,923,385	2,674,552
Total current liabilities	849,513	909,272	1,215,727	1,499,975	1,571,674
Working capital	1,355,441	1,170,374	884,783	423,410	1,102,878
Investments at FVTOCI	1,097,682	1,058,808	873,905	816,244	0
Property, plant and equipment	973,486	1,230,691	1,468,226	1,725,251	1,830,730
Total assets	4,583,684	4,710,752	4,770,262	4,655,518	4,682,791
Total liabilities	1,813,178	1,895,637	2,014,144	2,541,391	2,611,827
Paid-up capital	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Reserves, retained earnings, unrealized earnings	1,446,037	1,381,305	1,353,735	743,541	715,533
Non-controlling interest	124,469	233,811	202,382	170,586	155,430
Shareholders' equity	2,770,506	2,815,115	2,756,118	2,114,127	2,070,963
Total liabilities and shareholders' equity	4,583,684	4,710,752	4,770,262	4,655,518	4,682,791

Some figures for previous years have been reclassified to match the classification of 2020 as shown in the consolidated financial statements.

Change in Shareholders' Equity

In millions of Saudi riyals

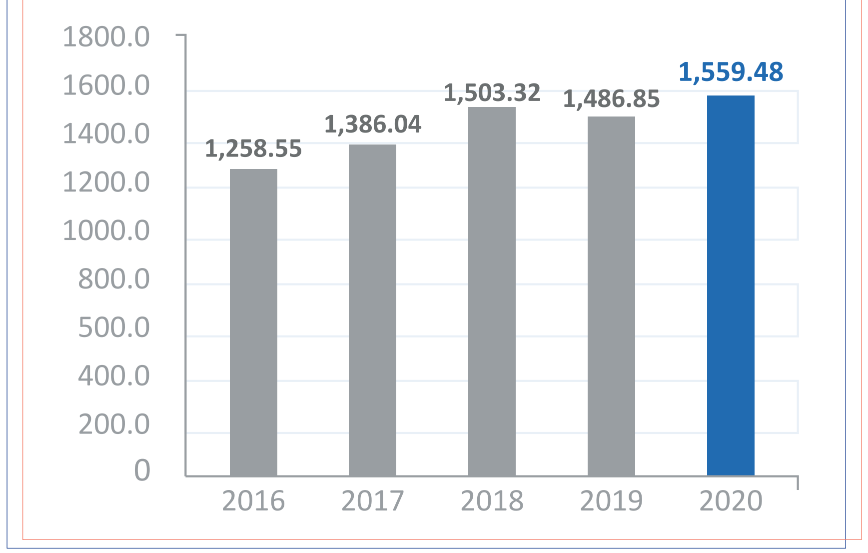
2020-2016



SPIMACOs pharmaceutical Revenue Growth

In millions of Saudi riyals

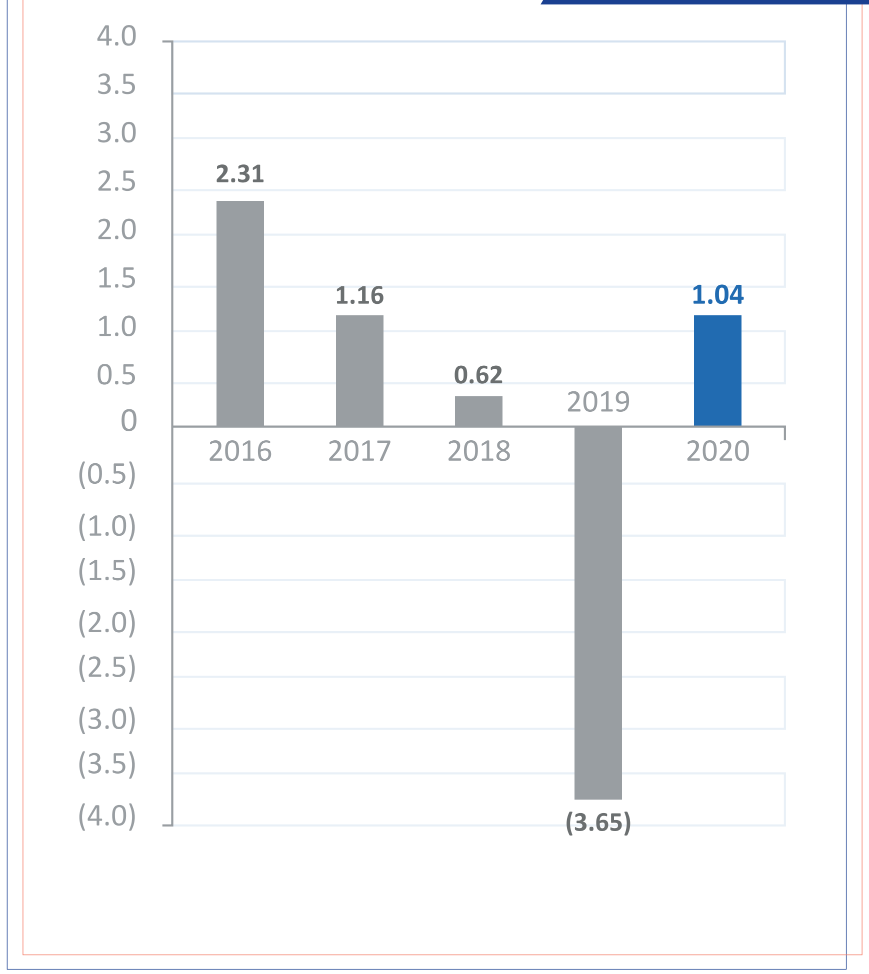
2020-2016



Change in share profits

In Saudi riyals

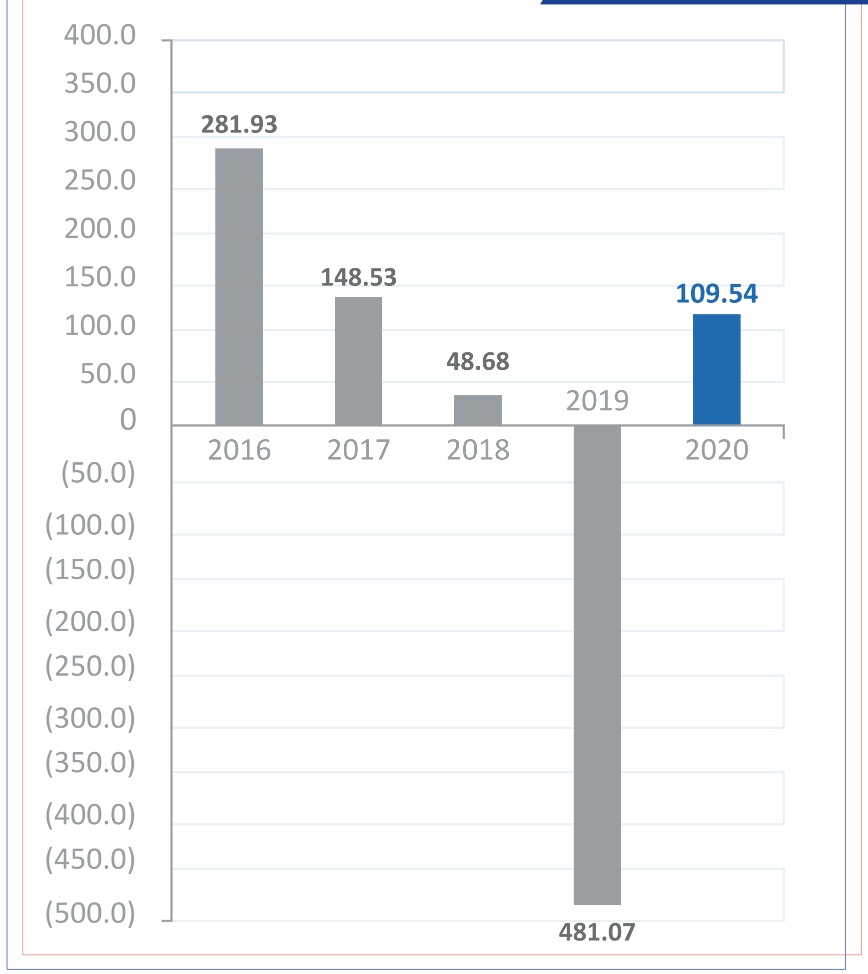
2020-2016



SPIMACOs pharmaceutical Net Revenue Growth

In millions of Saudi riyals

2020-2016



Available production capacities: -

Production in different production departments increased by 13% during 2020 compared to 2019 production as planned despite coronavirus pandemic conditions. The oral solid unit (1) and the oral liquid unit were operated after the rehabilitation and development process during 2020 to conform to the GMP. In addition, the final aggregation system technology (serial number) has been operated and activated in all production lines. The final product was automatically transferred to the new automated warehouse. Moreover, new products were produced and added to various production lines. Below is a breakdown of the available production capacities as well as the percentage of utilization:

The Company's factory in Al-Qassim:

Production line		Production capacity on a single shift basis	Exploited production capacity on a single shift basis
Oral solids	Tablets, capsules and dry syrups	650 million	239%
Oral liquids	Syrup bottle (100-150 ml)	x18 million	128%
Antibiotics	Tablets, capsules and dry syrups	150 million	61.6%
Disinfectants	Package	2.5 million	11.6%
Sterile pharmaceutical products	Needle	6.6 million	88%
Creams and ointments	Tube	10 million	121%
Suppositories	Suppository	18 million	276%

Dammam Pharma Factory:

Dammam Pharma Factory has a production capacity of 250 million tablets and 60 million capsules.

SPIMACO Egypt Factory:

The production capacity of SPIMACO Egypt Factory for capsules is 52.5 million hard gelatin capsules, and 125 million tablets.

SPIMACO Morocco Factory:

The current production capacity of SPIMACO Morocco Factory is 1.4 million bottles per year for liquid medications. It is expected that the production capacity of the new factory will reach 570 million tablets and 242 million capsules for one year.

Production quantity for 2020 compared to what was produced in 2019.

Production Department	Unit	Quantities produced annually	
		G 2019	2020
Antibiotics Department	Tablets, capsules, and dry syrups	77,387,845	91,339,571
Solid Tablet Department	Tablets, capsules, and dry syrups	1,356,548,299	1,541,637,701
Syrup Department	Bottle	19,387,420	22,987,470
Ointment and Cream Department	Tube	15,984,220	12,145,286
	Suppository	44,256,930	49,716,105
Sterile Pharmaceutical products Department	Injection	8,666,975	5,769,634
Disinfectants	Package	1,410,449	291,184

List of pharmaceutical products that were registered during 2020 inside the Kingdom:

Product name	Concentrations	Treatment
Floxag	320 mg (5 and 7 Tabs)	Antibiotic
Amlovan-HCT	10 mg/320 mg/25 mg 10 mg/160 mg/25 mg 10 mg/160 mg/12.5 mg 5 mg/160 mg/25 mg 5 mg/160 mg/12.5 mg	Hypertension
Kinzado	600 mg	Antibiotic
Resedra	1 mg/ml	Psychosis
Zolinda	1 mg/ml	Psychosis
Ozapin (Dammam Pharma)	15 mg 20 mg	Psychosis
Lezal	0.5 mg/ml	Antihistamine
Palipra	3 mg 6 mg 9 mg	Psychosis
Maxair (Dammam Pharma)	10 mg	To treat chronic asthma
Banoriv	2.5 mg (60 Tabs)	Anticoagulants
Lejam	60 mg (8 Tabs) 30 mg (8 Tabs)	Premature Ejaculation
Glatiject	40 mg/ml 20 mg/ml	Multiple Sclerosis (relapses)
Crotal	0.5 mg 1 mg 5 mg	Immunosuppressant
Calmar	10 %	To reduce the symptoms of rash
Tumasti	2.5/120 mg	To treat symptoms associated with nose sensitivity
Hygex	0.5%,0.1% (30 g, 50 g and 100 g)	Used for disinfection
Oxira Rapid	8 mg	Anti – inflammatory & Analgesics (NSAIDs)
Maxaier (Dammam Pharma)	4 mg 5 mg	To treat chronic asthma
Co-zansor Zansor (Dammam Pharma)	300/12.5mg 300/25mg 150/12.5mg	Hypertension
Atox (Dammam Pharma)	60 mg 90 mg 120 mg	Anti – inflammatory & Analgesics (Selective COX2 -NSAIDs)
Fancata	50 mg 100 mg	Antiplatelets (for intermittent claudication)
Aripex (Dammam Pharma)	2 mg	Psychosis
X Wart	10%	Reduces skin blisters
Vantra	50 mg (4, 12 and 30 Tabs) 100 mg (4 and 12 Tabs) 200 mg (4 and 12 Tabs)	Erectile Dysfunction

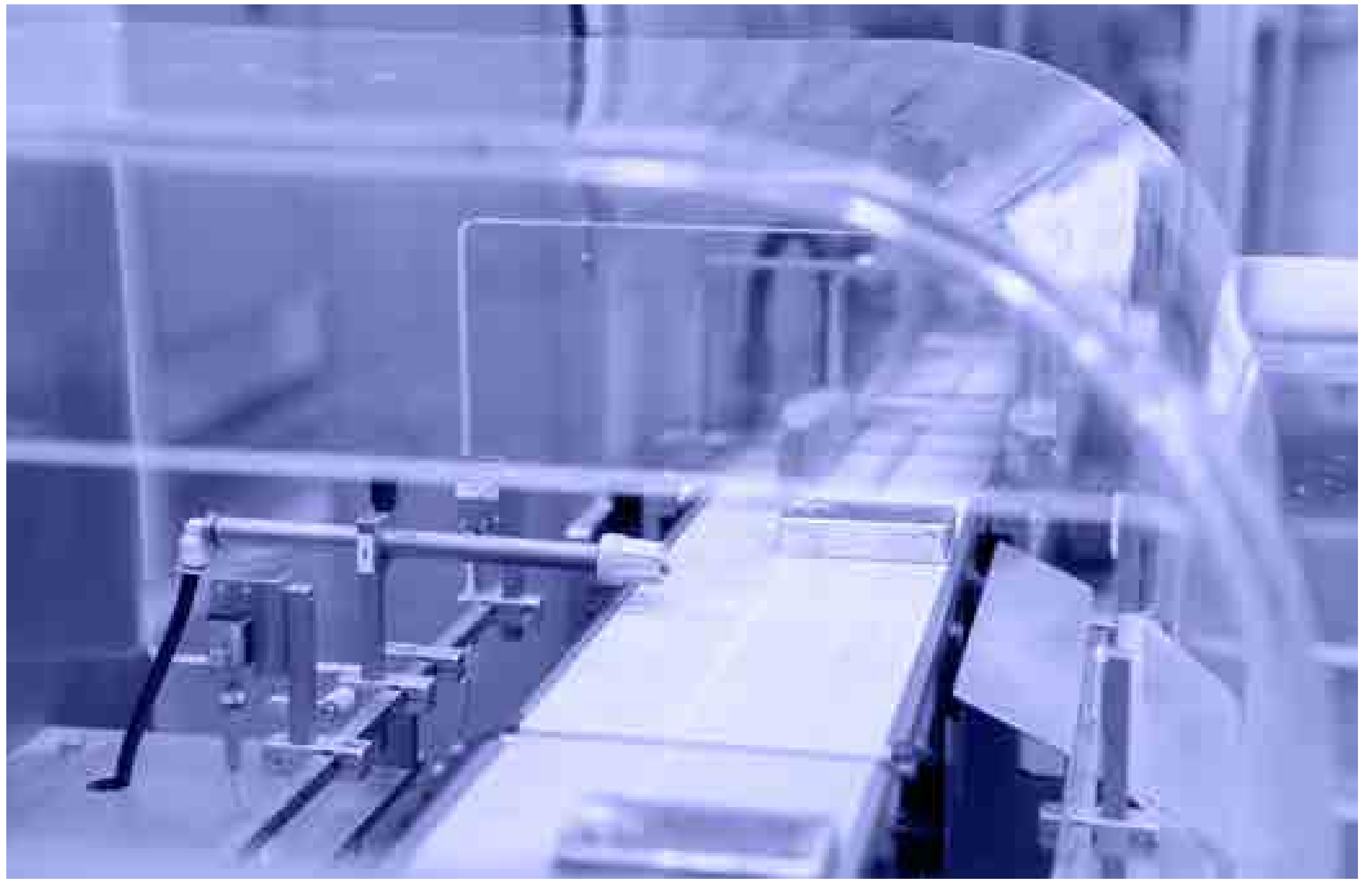
The Company has 45 products that are currently under development, and the Company has completed the development of 19 products. In addition, 35 pharmaceutical products for multinational companies were localized. There was also a list of pharmaceutical products that have been submitted to the Food and Drug Authority for registration.

List of pharmaceutical products that were registered during the year outside the Kingdom:

Product name	Concentrations	Country	Treatment
Glandy	30mg 60mg	Kuwait	To treat hyperactivity of the thyroid gland
Zemanta	10mg	Kuwait	Alzheimer's Disease
Benzaflex	5mg 10mg	Kuwait	Muscle relaxant
Oxira	8mg	UAE	Anti – inflammatory & Analgesics (Selective COX2 -NSAIDs)
Lamira	50mg 100mg	UAE	Epilepsy and bipolar disorder
Carpazio	300mg 600mg	UAE	Epilepsy
Renomer	800mg	UAE	To treat High level of phosphate in blood
Glandy	30mg 60mg 90mg	Morocco	To treat hyperactivity of the thyroid gland
Zolanda	5mg 10mg 15mg	Health Council of the Cooperation Council States	Psychosis
Valdatin	50mg	Health Council of the Cooperation Council States	For diabetes
Hepavir	0.5mg 1MG	Sultanate of Oman	Hepatitis B (HBV)

New pharmaceutical products that were launched during 2020:

Product name	Available concentrations	Treatment group
Oxira	mg 8	Pain medication
Banoriv	mg / 10 mg / 15 mg / 20 mg2.5	Anticoagulants
Imutine	mg / 400 mg 100	Leukemia
Roflast	Mcg 500	Respiratory diseases
Fungiska	mg / 70 mg 50	Antifungals
Recormon	IU / 3000 IU / 4000 IU 2000	Anemia and kidney disease
Mircera	Mcg / 100 Mcg 50	Anemia and kidney disease
Rozlet	mg 2.5	Breast cancer
Ezoloc	mg 25	Breast cancer
Kinzado	mg 600	Antibiotics



During 2020 , the Company signed (My Prescription - Wasfati) Agreement, which aims to raise the level of health services, as it allows the patient to pick up the medication free of charge from the closest pharmacy at the appropriate time. Recently, number of important items (14 products) with good profit have been listed. The Company was able to achieve successes during the last period and under the coronavirus pandemic conditions (Covid-19), despite the expected shortage in some exported or imported products. Countries maintain their strategic stocks of medications, especially due to repercussions of this crisis. The Company made sales through Etimad platform as well as through NUPCO's direct purchase platform. It should be noted that a number of direct purchase orders and agreements were entered into with Saudi Aramco Johns Hopkins Hospital. Moreover, new items were added.

The most prominent treatment groups in which the Company operates and an overview of the drug market in the Kingdom:

The size of the Saudi drug market reached to SAR 34.2 billion in 2020 in its public and private sectors, with a decline in growth by 4.5%. The public sector represented 52% of sales of the Saudi drug market (i.e. SAR 17.7 billion), with a decline of 10 %. However, the private sector accounts for 48% of the market size (i.e. SAR 16.5 billion), with a growth rate of 3.1%.

The most prominent treatment groups in which the company operates and an overview of the drug market in the Kingdom:

The most prominent treatment groups in which the Company operates

Treatment groups	Treatment group sales value (SAR billion)	The treatment group percentage of the market (%)	The company's sales value in the treatment group (SAR million)	Percentage of the company's sales (%)	The company's market share of the treatment group (%)
Antibiotic medications - Oral	1.4	4	310.5	16.1	21.3
Antibiotic medications - injection	1.1	3.2	41.8	2.1	3.8
Antifungal medications	304.0	0.9	8.5	0.4	2.8
Liver treatment medications	0.259	0.7	116	6	44.6
Pain medications	2.2	6.4	378.8	19.7	17.2
Digestive medication and diabetes	5.1	14.9	323.7	16.8	6.3
Men's Health medications	0.493	1.4	165.3	8.6	33.5
Respiratory medications	1.7	4.9	180.2	9.3	10.6
Iron deficiency treatment medications	0.245	0.7	57.8	3	23.6
Heart disease medications	2.5	7.3	184.5	9.5	7.4
Psychological and neurological medications	2.4	7	69.4	3.6	2.9

Human resources:

SPIMACO ADDWAEIH and its subsidiary companies continued the Saudi Talent Acquisition Policy. 46 Saudi employees were appointed during the year. Women's employment accounted for 33%, and Saudization accounted for 45% of the total number of employees of SPIMACO ADDWAEIH.

During the year, the Company trained 34 male and female students in specialized and administrative departments, and adopted the Employment Plan for 2021 to provide more than 200 job opportunities.

> In the past year, SPIMACO ADDWAEIH has organized numerous training courses for its staff in various fields, benefiting 191 employees
>
> as it continues to qualify and develop staff working in the company.

Information Technology:

The Company was able to activate Remote working environment for employees using a secure connection with IT services. It further provided the necessary tools for communication between them in order to enable them to perform their work easily during coronavirus period. The Company began to implement digital transformation plans, including digitizing paper files and relying on technology to archive files. It has also initiated planning for the implementation of the S/4HANA project as an essential part of the digital transformation plan.
The Company was also able to operate the new automated warehouse management system by linking it to the main system, and to the Food and Drug Authority monitoring system to track the medication. The automated warehouse system tracks every product packet from the moment of packaging until it reaches the customer.

Moreover, the Company has worked on a comprehensive vulnerability assessment and penetration testing for all networks, servers and sensitive systems, including a vulnerability analysis of the international standard ISO 27001. This would help prepare the necessary infrastructure to operate and protect all IT services. In addition, urgent indicative measures from the Cybersecurity Authority were adhered to by addressing the potential security vulnerabilities to reduce risks of successive cyber-attacks.
The Company's operations will continue to be expanded to transfer them into digital systems to add a higher level of governance and commitment to day-to-day operations.

Quality, Environment, Health and Safety:

Despite coronavirus pandemic conditions, the Company experienced extraordinary growth in quality management this year. The most important tasks for 2020 are as follows:

- The Company seeks to localize the pharmaceutical industry and support Saudi pharmaceutical exports, the quality management has been assessed and the conditions and requirements of the European Medicines and Healthcare Products Regulatory Agency (EUGMP) have been met for registration and accreditation of SPIMACO ADDWAEIH factory in the European Union. It is the body responsible for ensuring that medications and medical devices are effective and safe. We are currently in the final phase of the examination to schedule a visit by the European Union inspection team to complete the registration and accreditation process and it is expected to be in mid-2021.

- The Company managed to link all product manufacturing stages and ensure its quality, starting from receiving, storing and dispensing raw materials for all different pharmaceutical forms and stages of their packaging as well as storage and distribution stages to markets. Electronic tracking system for the pharmaceutical product was applied in all its stages and reviewed by all government agencies and international pharmaceutical companies with which we share these accomplishments at the global level. SPIMACO was one of the first companies to achieve this advanced stage, which reflects complete transparency and confidence in the quality of all products manufactured by the Company.

- The Company is introducing (the Lean Manufacturing) system to support the streamlined manufacturing products with an automated system that helps the continuity of manufacturing products in sequential stages and with high quality. The Company further increases the efficiency of manufacturing productivity and reduces unwanted outputs. For instance: The automatic check master system available in the production lines has been activated to control the quality of products through continuous automatic checks and to reduce reliance on manual inspection results. This would increase confidence in the quality of pharmaceutical product (Quality By Design) and avoid waste product quantity due to repeated manual checks.

- The Company has implemented the electronic quality management system "eQMS" which is used in all international companies. It allows measuring the effectiveness of quality systems in order to keep pace with the continuous improvement and development of all of the Company's systems.

- A new automated document archive and management room has been built and electronically linked to comply with all requirements of current GMP for collecting, classifying, arranging and archiving documents with backup copies.

- As part of the promotion and development of human capital, a new training program has been established for all staff and a series of multi-subject training courses have been held on the effective quality management system. This is the optimal application of good manufacturing practices (GMP). The outputs of this training contributed to acquisition of knowledge and skills by the employees, assisting them in carrying out their job roles efficiently and effectively.

Risks to works of the Company: -

Potential risk factors for the company include the information set out below. They should be carefully taken into account by investors/shareholders. Where possible, the management of the Company makes all necessary professional efforts to minimize the impact of these risks for the Company or risk factors for the market and the drug industry in general.

- The pharmaceutical sector in the Kingdom is a highly legislated sector, and the price of the medication is determined by the legislator. The Company therefore seeks to raise efficiency of its production and reduce costs in a way that does not pose any risks to the quality of its products. Besides, product diversification policy helps reduce the risks of price change.

- The Company operates in the pharmaceutical manufacturing sector, which is highly competitive, whether through domestic or foreign companies competing for the same customer base. The Company has developed some criteria that distinguish it from other competitors, such as multiplicity of products, external expansion, quality and competitive prices. The Company will continue to monitor market movements to remain in the forefront.

- With regard to purchase of some raw materials and sale of its final products in foreign markets, the Company deals in US dollars as the basis currency. However, some raw materials are purchased in other currencies, such as Euro and GBP. Changes in their exchange rate may have a slight impact on production costs. The Company is taking the necessary measures to avoid the impact of the risk by continuously updating currency exchange rates.

- The Company and its production departments rely heavily on key raw materials (efficient raw materials) purchased from many main suppliers that supply these materials and have established a firm working relationship with the Company. Any fundamental change in the terms under which SPIMACO ADDWAEIH purchases raw materials can have a negative impact on the operations and profitability of the Company. The Company seeks to continuously search and add suppliers once they are approved by the Saudi Food and Drug Authority (SFDA).

- The Company's business success depends on its ability to successfully develop, manufacture and market its products on time. Introducing our new generic products is an important component of our business. Our future programs now consist of a number of pharmaceutical products under development and other products under registration. The Company seeks to establish new strategic alliances with leading research-based pharmaceutical companies to increase the number of our products and pharmaceutical groups. The Company will continue to develop, test and market new products that should meet and comply with safety standards and obtain legal approvals for registration and pricing. Failure to meet these standards or obtain the necessary approvals may have a negative impact on its activities. The Company adopts a policy of taking the highest standards of quality to enable it to meet the necessary requirements.

- SPIMACO ADDWAEIH work is spread in the Kingdom, the Gulf Cooperation Council and a number of countries in the Middle East and North Africa, for example, Egypt, Sudan, Algeria and Lebanon. These businesses abroad expose it to some political and economic risks, such as imposing new conditions on the Company and registering its products or reducing the export prices of its products. Any change in the policies of one of the States in which SPIMACO ADDWAEIH operates could affect its profitability. The Company continuously evaluates its actions within such States to keep pace with changes in laws and regulations that reduce risks and preserve the Company's rights.

- As part of its transactions with other parties, the Company faces credit risks. Cash has been deposited with national and multinational banks with good credit ratings that show credit risk on receivables. The Company adopts rules and policy for credit and collection and applies them to avoid credit risk.

- As part of the Company's liquidity risk management, it monitors liquidity requirements on an orderly basis and ensures that sufficient funds are available to meet any future obligations. In the same context, the Company adopted a hedge strategy to control exposure to interest rate fluctuations.

- The aim of the Company is to better manage the Company's capital, which includes shareholder equity, to maintain an appropriate credit reputation to conduct and support the Company's business, by ensuring the fulfillment of the financial covenants associated with facilities and loans and avoiding failure to achieve financial guarantees for Murabaha or loan interest during the year.

- Covid-19 pandemic risks and plans of the Company:

From the early onset of the pandemic, the management of the Company developed plans to avoid its effects and even contribute with national efforts to preventing the effects of the pandemic. The Company's management has taken several measures and has played its role in addressing the enormous challenges that the Kingdom has faced in providing medications that contribute to treatment. It accelerated production by 39% and provided products (i.e. Zmax, Fevadol, Handisept, and Kafosed) at satisfactory levels. At the level of personnel management, the Department has taken several steps to secure the Company's employees and that they are not exposed to risks of the pandemic by taking all necessary physical distancing requirements. It also provided remote working in terms of hardware and software, and the Company is still playing its role in contributing to drug security. It also signed a memorandum of understanding with the German company, CureVac Company, to bring the Company's vaccine to the Kingdom.

Governance and compliance:

SPIMACO ADDWAEIH Board pays great attention to corporate governance and imparting transparency in order to protect the rights of shareholders and stakeholders to achieve fairness, competitiveness and transparency in the market as well as the work environment to keep pace with the tremendous economic developments in the Kingdom. In line with the existing financial, economic and investment legislation developed in the Kingdom as well as the directives of the Capital Market Authority (CMA), the Board of Directors has approved procedures, regulations and policies that include the most accurate rules and best standards derived from the esteemed international systems and norms. They ensure best management and operational practices that govern the various relationships between the Board, the executive management, shareholders and stakeholders, so as to ensure the continuity of giving and contribute to improving the Company. The "Corporate Governance and Compliance Department" is concerned with corporate governance affairs and procedures for compliance with bylaws of the Company as well as laws and regulations of regulatory authorities, such as the Ministry of Commerce and Investment, the Capital Market Authority and Food and Drug Authority. The general assembly of shareholders held on 24/03/2017 G approved the corporate governance regulations and a number of policies related to the work of the board of directors and committees. In line with the Capital Market Authority's instructions to update the Corporate Governance Regulations, the Company has updated its Corporate Governance Regulations and approved the relevant policies and regulations by the General Shareholders 'Association, which are:

- The Nomination and Remuneration Committee Regulations, including controls and procedures for the committee work, its tasks, and rules for selecting its members, how to nominate them, the term of their membership, their remuneration, and the mechanism for temporarily appointing its members in the event that one of the committee seats becomes vacant.
- The Audit Committee Regulations, including controls and procedures for the committee work, its tasks, and rules for selecting its members, how to nominate them, the term of their membership, their remuneration, and the mechanism for temporarily appointing its members in the event that one of the committee seats becomes vacant.
- Conflict of interest regulations and regulations of the relationship with stakeholders
- Policies, criteria, and procedures for Board membership
- Remuneration policy for members of the Board of Directors, its emerging committees, and the executive management.

SPIMACO ADDWAEIH

The Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO ADDWAEIH) is proud as an entity with moral and social responsibility in fair working practices to create an attractive and ethical work environment to affirm its commitment to its values. The Company pays close attention to fair and equal treatment of its shareholders, employees, clients and government and public entities. It should be noted that integration is important and essential to the Company.
SPIMACO ADDWAEIH has a compliance program, which is implemented to ensure compliance with internal regulations and policies that govern how the Company and its employees interact with other parties such as suppliers, partners and society.

The Code of Conduct and Work Ethics describe the high standards expected to be achieved and adhered to by all employees of the Company while carrying out their work tasks. Existing and new employees are required to review these rules on annual basis.
In addition, all employees of the Company are required, on an annual basis, to disclose conflicts of interest through an electronic form.
The Company employees can confidentially report any unethical or statutory actions or activities by e-mail to the Governance and Compliance Department, and they are investigated in a manner that ensures the safety of the amount in accordance with the approved reporting regulations.

Board of Directors and its Committees:

In its eleventh session, which commenced on 04/03/2019 G according to the Company's Articles of Association, the current board of directors of the Company consists of nine non-executive members who have been appointed through the General Shareholders Association, three of whom are independent members, and the members of the board have experiences, qualifications and skills that enable them to exercise their duties efficiently and effectively.

Most prominent responsibilities of the Board:

1. Developing, reviewing, and directing the Company's comprehensive strategy, main work plans, and risk management policies and procedures;
2. Developing regulations for internal control systems and supervising them;
3. Developing clear and specific policies, standards, and procedures for board membership and implementing them after general assembly's approval.
4. Developing a written policy that regulate the relationship with stakeholders in accordance with the provisions of these Regulations.
5. Developing policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to shareholders, creditors and other stakeholders, and ensuring the executive management's compliance with the same.
6. Supervising and monitoring the executive management, and how it functions.
7. Selecting, appointing, supervising, and terminating the Company's chief executive officer.
8. Selecting, assessing, and removing the Company's chief executive officer.
9. Developing the Company's preliminary and annual financial statements and approving them before publication.

Current and previous positions, experiences, and qualifications for members of the Board of Directors and members of the committees:

Name	Current position	Previous positions	Qualifications and experience
His Excellency Mr. Muhammad bin Talal Al-Nahhas	Governor of the Public Pension Agency	General Manager-Branch Banking - Alinma Bank	He holds a bachelor's degree in accounting from King Saud University. He also holds an Executive Management Program degree for business administration from the University of Michigan. Furthermore, he began his career at Samba Financial Group and then held many senior positions. He was then appointed as the General Manager of Alinma Bank. Currently, he is the Governor of the Public Pension Agency.
Mr. Ammar bin Abdul Wahid Al-Khudairy	Chairman of Samba Financial Group Managing Director of Amwal Al Khaleej Commercial Investment .company Ltd	Regional Director (Central Region) - Banque Saudi Fransi	He holds a master's degree in engineering management from George Washington University, and held the position of regional director for the central region at Banque Saudi Fransi. He is currently the Managing Director of Amwal Al Khaleej Investment Company and Chairman of the Board of Samba Financial Group.
Dr. Fayyad Bin Assad Al Dandash*	Assistant Undersecretary for Health Investment Development	Adviser to the Minister of Economy and Planning	He holds a bachelor's degree in medicine and surgery from King Abdulaziz University in Jeddah. In addition, he has executive experiences in the private sector, and was the advisor to the Minister of Economy and Planning. Currently, he is working as the Assistant Undersecretary for Health Investment Development.
Mr. Faisal bin Mohammed Shaker	Founder and Executive Partner of Nahdat Al Emaar company for Real Estate Development and Investment	Executive Director and Head of Wealth and Investment Management for Audi Capital	He holds a bachelor's degree in marketing from King Saud University, and a master's degree in economics from Old Dominion University - Norfolk City in the United States. He began his career as a new business development manager at General Dynamics Arabia. He served as: (i) Assistant Director of Wealth Management at Merrill American Corporation during the Master's Program; (ii) Head of Banking Services at SABB Bank; and (iii) Head of Wealth Management and Business Development in Gulf Investments Company. In addition, he held the position of Head of Wealth Management at Audi Capital. Furthermore, he served as the Head of Wealth and Investment Management at Barclays and the Head of Markets for both Saudi Arabia and Bahrain. Moreover, .he held the position of CEO and Head of Wealth and Investment Management for Audi Capital Currently, he is the Founder and Executive Partner of Nahdat Al Emaar Company for Real Estate .Development and Investment
Dr. / Muhammad Khalil Muhammad	General Manager of Arab company for Drug Industries and Medical Appliances ((ACDIMA	Executive Director of ACDIMA Center for Bioequivalence and Pharmaceutical Studies	He holds a bachelor's degree in pharmacy and a doctorate in medicinal and pharmacological chemistry. He also obtained the American Board of Pharmacy from National Association of Boards of Pharmacy. He started his career as an expert and a member of various committees in the Jordanian Food and Drug Administration (JFDA), and he also worked as an expert in the field of biological medicines. Moreover, he worked as a teacher at the Faculty of Pharmacy at the University of Toledo in USA. He was a pharmacist in-charge in the American Company (CVS). He also held the position of associate professor at the College of Pharmacy at the University of Jordan. Besides, he served as the Executive Director of ACDIMA Center for Bioequivalence and Pharmaceutical Studies. Currently, he is working as the General Manager of Arab Company for Drug Industries and Medical Appliances - ACDIMA.
Mr. Saleh bin Abdullah Al-Hanaki	CEO of Mohammed I. Alsubeaei & Sons Investment (company (MASIC	CEO of Al-Inma Investment company	He holds a bachelor's degree in administrative sciences from King Saud University, and a master's degree in Economics from the University of Colorado and a master's degree in science (mathematics) from the University of Michigan, USA. He began his career as Director of Investment Portfolio Management at Al-Rajhi Bank, and held the position of General Manager of Asset Management at FALCOM Financial Services. He held the position of CEO of Alinma Investment Company. Currently, he is the CEO of Mohammed I. Alsubeaei & Sons Investment Company (MASIC).
Dr. Mohammed bin Ahmed Al-Sudairy*	Professor of Information Systems and Business Administration, College of Business Administration, King Saud University	Director General of Resources "Development Fund "HADAF	He holds a bachelor's degree in business administration from King Saud University, and a master's degree in Economics and Management Information Systems (MIS) from California State University. He holds a doctorate degree in business administration in Management Information Systems from the University of Leicester in Britain. He served as King Saud University Vice-Rector for Business Development. He held the position of General Manager of Human Resources Development Fund "HADAF".
Mr. Khalid bin Abdulrahman Al-Gwaiz	Retired	Managing Director of the Arabian company for Water and Power (Development (ACWA Holding	He holds a bachelor's degree in urban planning from the University of Washington, Seattle, USA. He began his career at the Saudi Industrial Development Fund and hold many senior positions. He worked in Cooperative Insurance (Tawuniya) and held positions in insurance underwriting and claims departments. The last position he held was Director of Financial and Administrative Affairs. He obtained a fellowship from the British Insurance Institute in Britain. Moreover, he worked at the Arab National Bank (ANB) as the General Manager of the Credit Group, and worked in Samba Financial Group as Assistant General Manager of Credit Risk Management, then General Manager of Corporate Banking Group in the Central Region. He then held the position of CEO of Astra Industrial Group. He also served as the Managing Director of the Arabian Company for Water and Power Development (ACWA Holding).
Mr. Thamer bin Abdullah Al-Hamoud	Legal Director at Rayadah Investment company	Director of CMA Board's Resolutions and instructions Unit	He holds a bachelor's degree in law from King Saud University, and a master's degree in financial law and securities from the University of California - USA. Besides, he began his career as a legal advisor at the Food and Drug Authority, and worked as a seconded legal advisor at Norton Rose Fulbright Law Firm. In addition, he served as the Director of CMA Board's Resolutions and instructions Unit. He is currently serving as the Legal Director at Rayadah Investment Company.
Engineer Adel Karim Ahmed	Undersecretary of the Ministry of Industry and Minerals for Technical Affairs	Member of the Arab Industrial Development and Mining Organization	He holds a bachelor's degree in engineering obtained in 1983. Currently, he is the Undersecretary of the Ministry of Industry and Minerals for Technical Affairs in the Republic of Iraq. He held the position of Chairman of the Board of Directors of the Arab Federation for Chemical Fertilizers. In addition, he served as: (1) the Chairman of the Board of Directors of Tassili Arab Pharmaceutical company (TAPHCO)/ Algeria; (2) the Chairman of the Board of Directors of Arab company for Antibiotics Industry (ACAI)/ Republic of Iraq; (3) Member of Akbetra for Veterinary Medicines Industry, affiliated to ACDIMA Pharmaceutical Industries; (4) Member of the Arab Industrial Development and Mining Organization; (5) Member of the Board of Directors of ACDIMA Pharmaceutical Industries; and Representative of the Council for Iraq from 2006 until now.
Mr. Turki bin Abdullah Al-Jawini	Director General of Resources Development Fund ""HADAF	CEO of Dammam Airports	He holds a bachelor's degree in Management Information Systems from Clarion University, USA. He is now the Director General of Human Resources Development Fund "HADAF". He held many senior positions in the Saudi British Bank (SABB), NAS Holding company, and NAS JET Private Aviation Co. In addition, Al-Jawini served as a consultant to the Assistant to the President of the Airports Sector at the General Authority of Civil Aviation and General Manager of King Fahd International Airport in Dammam. He was also CEO of Dammam Airports Co. (DACO).

Resigned Member*

Current and previous executive management positions, qualifications and experiences:

Senior Executives	Current position	Previous positions	Qualifications and experience
Mr. Khalid bin Saleh Al-Khattaf*	Current CEO of SPIMACO ADDWAEIH From 1/5/2021 G	Vice President for Financial Affairs and Chief Financial Officer at the (Saudi Mining Company (Maaden	He holds a bachelor's degree from King Saud University with a major in accounting and has continued his education in finance and accounting at the University of Colorado. He holds a degree in Applied Economics from the American University in Washington State. He holds the Certified Public Accountant (CPA) Certificate and CME-1. Besides, he held several positions in many financial institutions such as the Saudi Arabian Monetary Agency (SAMA), the World Bank, Tadawul, Nomura Bank and Lavana Holding. He also served on the board of directors of investment committees in many financial and investment institutions such as Gulf Investment Corporation, Bupa Insurance, Reza Investment Company, Samba Capital and the Saudi Arabia Insurance Company.
Dr. Muhammad bin Sultan al-Sultan	Former CEO of the Company until 12/14/2020	Acting CEO of the Company Vice CEO for business development and pharmaceutical legislation	He holds a PhD in Pharmacology from the University of Rhode Island, USA. His previous practical experience includes the position of Professor of Pharmacoeconomics at the College of Pharmacy, King Saud University, and Chairman of the Board of Directors of the Saudi Pharmaceutical Association. He also worked on a number of advisory and research projects for the Food and Drug Authority and for some local and international pharmaceutical companies. He joined the company at the beginning of 2018 as a consultant to the CEO and was assigned to manage the strategic planning until he was appointed as Vice CEO for business development and pharmaceutical legislation from August 2018 G. He was assigned as CEO of the Company on 5/4/2019 for a period of 6 months, and he was appointed as CEO of the Company on 24/10/2019 and the contract concluded with him was terminated on 14/12/2020 .
Dr. Mohammed bin Abdulrahman Al-Omar	Factory General Manager	Acting Director General of SPIMACO ADDWAEIH Factory Technical Director of SPIMACO ADDWAEIH Factory	He holds a PhD in pharmaceutical chemistry from the University of Bradford, United Kingdom. His previous experience includes holding the position of Professor of Pharmaceutical Chemistry at the College of Pharmacy at King Saud University, Head of the Pharmaceutical Factory Programming Audit Team and Chairman of the Veterinary Medicines Committee for Registration of Drugs and Companies with Food and Drug Authority. He joined the Company in September 2018 as a technical director of SPIMACO ADDWAEIH Factory until being was assigned to serve as the General Manager of SPIMACO ADDWAEIH Factory on 6/5/2019. He was appointed as the General Manager of SPIMACO ADDWAEIH Factory on 6/11/2019 G.
Mr. Mahmoud Abdel Khaliq	Chief Financial Officer	Vice CEO At Dar Al Dawa Company, Amman, .Jordan	He holds a Bachelor's degree in Accounting from the University of Jordan. In addition, he holds the American Certified Public Accountants (CPA) fellowship. His previous experiences include holding the position of Financial Auditing Director at EY Company, and Chief Financial Officer and Vice CEO at Dar Al Dawa Development & Investment. He has been working for the company since February 2019.
Dr. Mohammed bin Abdulaziz AlFadhli**	Chief Scientific Officer	Senior Manager, Business Unit at Fresenius	He holds a doctorate in synthetic organic chemistry from Ryan Technical University in 1997, and a master's degree in Business Administration from Wallace University - Britain in 2010. He has more than 20 years of practical experience in the field of pharmaceutical manufacturing. He has been credited with more than 90 international patents and as the head of the chemical research and development department. He has experience which developed new narcotic chemotherapy drugs which will undergo advanced clinical trials and will be introduced to global markets. Before joining SPIMACO by Dr. Bernd, he promoted in several positions, the most recent of which was Senior Manager, Business Unit at Fresenius.
Dr. Bernd Sunderman	Chief Scientific Officer	Senior Manager, Business Unit at Fresenius	He holds a doctorate in synthetic organic chemistry from Ryan Technical University in 1997, and a master's degree in Business Administration from Wallace University - Britain in 2010. He has more than 20 years of practical experience in the field of pharmaceutical manufacturing. He has been credited with more than 90 international patents and as the head of the chemical research and development department. He has experience which developed new narcotic chemotherapy drugs which will undergo advanced clinical trials and will be introduced to global markets. Before joining SPIMACO by Dr. Bernd, he promoted in several positions, the most recent of which was Senior Manager, Business Unit at Fresenius.
Mr. Waleed Abu Eleiz	Chief Strategy and Transformation Officer	Chief Financial & Operating Officer .of Al-Qassim Medical Services Co	Waleed holds a bachelor's degree in Commerce-Accounting from Macquarie University-Sydney. He has obtained several certificates in accounting, KPI measurement, and strategy innovation. He held many positions in his professional career, and served as a Chief Financial Officer-Acting GM at Retail Group Gulf (Fawaz Al Hokair Group) in 2009 G, a General Manager-Finance at Abdul Mohsen Al Hokair Company in 2010 G, and Business Analyst at AMP Company Ltd-Sydney in 2012. He held the position of Regional Chief Financial Officer - North Africa at International Retail Morocco (Fawaz Al Hokair Group) - Casablanca in 2013. He served also as Group Chief Financial & Operating Officer at Alfa International Company - Riyadh in 2014. He held the position of Strategy & Business Development Advisor at Alfa International Company, Saudi Rakeen Group, and Hawiyat Al Tamayoz Company in 2018. Moreover, he served as Chief Strategy Officer and Executive Board Member of the Arab Fashion Council, and as Chief Financial & Operating Officer for Al-Qassim Medical Services Co. for 2019. He worked at SPIMACO ADDWAEIH in February 2020 as an Advisor to the Group CEO. In April 2020, he assumed the position of Group Chief Strategy & Transformation Officer.

Senior Executives	Current position	Previous positions	Qualifications and experience
Dr. Sakher Abdel Wahab	Chief Commercial Officer	.CEO of Sebaste Marketing Solutions	He holds a bachelor's degree in pharmacy and a master's degree in project management from Britain. In addition, he worked for nearly 22 years in various positions at Al-Hikma Pharmaceutical Company. In 2014, he held the position of General Manager at Philadelphia Pharmaceuticals Company. Moreover, he worked in 2015 as CEO of Sebaste Marketing Solutions.
Mr. Amjad Ali	Chief Internal Audit Officer	Vice President and Head of Internal Auditing in Vision Invest (ACWA (Holding	He holds a bachelor's degree in commerce from the University of Karachi, Pakistan. He is also a Certified Professional Accounting Affiliate from the Institute of Chartered Accountants in Pakistan. He holds a Certified Internal Auditor (CIA) Certificate from Institute of Internal Auditors (IIA) in the United States of America. He also holds a Certified Fraud Auditor Certificate from the Association of Certified Fraud Examiners in the United States of America. Moreover, he holds an accredited certificate in risk and information systems controls from the Information Systems Audit and Control Association (ISACA) from the United States of America. He is also a Certified Board Director (Cert. Dir.) from GCC BDI Institute. He had been Audit and Risk Committee Member of various organizations in KSA. It should be noted that he has more than 21 years of practical experience in the field of internal auditing and risk management with many companies, including Ernst & Young and ACWA Holding.

* Mr. Saleh bin Khaled Al-Khattaf was appointed as CEO of the Company from 05/01/2021 for a period of three years.

** Dr. Mohammed bin Abdulaziz AlFadhli was assigned the position of Acting CEO of the Company from 15/12/2020 until 04/01/2021 G.

Board Meetings: -

During 2020 in the eleventh session, (25) board meetings were held, including (14) meetings by circulation.

The table below shows attendance by Directors of the Board of SPIMACO ADDWAEIH during the eleventh session of 2020 :

Board of Directors	Title	Adjective	10th Meeting	11th Meeting	12th Meeting	13th Meeting	14th Meeting	15th Meeting	16th Meeting	17th Meeting	18th Meeting	19th Meeting	20th Meeting
			2020/1/26	2020/2/8	2020/3/22	2020/3/26	2020/3/31	2020/4/7	2020/4/23	2020/5/12	2020/5/20	2020/6/22	2020/7/11
His Excellency Mr. Muhammad bin Talal Al-Nahhas	Chairman	Non-Executive	By circulation	✓	By circulation	✓	✓	✓	By circulation	By circulation	✓	By circulation	By circulation
Mr. Ammar bin Abdul Wahid Al-Khudairy	Deputy Chairman of the Board	Non-Executive	By circulation	✓	By circulation	✓	✓	-	By circulation	By circulation	✓	By circulation	By circulation
Dr. Fayyad Bin Assad Al *Dandash	Member	Non-Executive											
Mr. Faisal bin Mohammed Shaker	Member	Non-Executive	By circulation	✓	By circulation	✓	✓	✓	By circulation	By circulation	✓	By circulation	By circulation
Dr. / Muhammad Khalil Muhammad Muhammad	Member	Non-Executive	By circulation	✓	By circulation	✓	✓	✓	By circulation	By circulation	✓	By circulation	By circulation
Mr. Saleh bin Al-Hanaki	Member	Independent	By circulation	✓	By circulation	✓	✓	✓	By circulation	By circulation	✓	By circulation	By circulation
Dr. Mohammed bin Ahmed Al-Sudairy	Member	Independent											
Mr. Khalid bin Abdulrahman Al-Gwaiz	Member	Non-Executive	By circulation	✓	By circulation	✓	✓	-	By circulation	By circulation	✓	By circulation	By circulation
Mr. Thamer bin Abdullah Al-Hamoud	Member	Independent	By circulation	✓	By circulation	✓	✓	✓	By circulation	By circulation	✓	By circulation	By circulation
Engineer Adel Karim Ahmed	Member	Non-Executive			By circulation	✓	✓	✓	By circulation	By circulation	✓	By circulation	By circulation
Mr. Turki bin Abdullah Al-Jawini	Member	Independent			By circulation	✓	✓	✓	By circulation	By circulation	✓	By circulation	By circulation

The table below shows attendance by Directors of the Board of SPIMACO ADDWAEIH during the eleventh session of 2020 :

21th Meeting	22th Meeting	23th Meeting	24th Meeting	25th Meeting	26th Meeting	27th Meeting	28th Meeting	29th Meeting	30th Meeting	31th Meeting	32th Meeting	33th Meeting	34th Meeting
2020/7/27	2020/8/9	2020/8/26	2020/9/16	2020/10/1	2020/10/7	2020/11/7	2020/11/12	2020/11/18	2020/11/23	2020/12/12	2020/12/13	2020/12/19	2020/12/28
By circulation	By circulation	✓	By circulation	✓	✓	By circulation	✓	By circulation	By circulation	✓	By circulation	By circulation	✓
By circulation	By circulation	✓	By circulation	✓	✓	By circulation	✓	By circulation	By circulation	✓	By circulation	By circulation	✓
By circulation	By circulation	✓	By circulation	✓	✓	By circulation	✓	By circulation	By circulation	✓	By circulation	By circulation	✓
By circulation	By circulation	✓	By circulation	✓	✓	By circulation	✓	By circulation	By circulation	✓	By circulation	By circulation	✓
By circulation	By circulation	-	By circulation	✓	-	By circulation	✓	By circulation	By circulation	✓	By circulation	By circulation	✓
By circulation	By circulation	✓	By circulation	✓	-	By circulation	✓	By circulation	By circulation	✓	By circulation	By circulation	-
By circulation	By circulation	✓	By circulation	✓	✓	By circulation	✓	By circulation	By circulation	✓	By circulation	By circulation	✓
By circulation	By circulation	✓	By circulation	✓	✓	By circulation	✓	By circulation	By circulation	✓	By circulation	By circulation	✓
By circulation	By circulation	✓	By circulation	✓	-	By circulation	-	By circulation	By circulation	✓	By circulation	By circulation	✓

* Resigned Member

** Resigned Member

(1) Engineer Adel Karim (non-executive member) was appointed as a representative of Arab Company for Drug Industries and Medical Appliances (ACDIMA) on 08/02/2020 .

(2) Mr. Turki bin Abdullah Al-Jaouini (independent member) was appointed as the representative of the Human Resources Development Fund "HADAF" on 08/02/2020 .

Ms. Afaf bint Faisal Al-Fakhry assumed the duties of Secretary of the Board of Directors until 21/8/2020 . Mr. Abdulrahman bin Majid Qabbani took over the secretariat of the Board of Directors.

Through meetings, the Chairman of the Board of Directors informs all directors of shareholders 'suggestions and notes concerning the Company and its performance. They shall be submitted during the shareholders' meeting with the Executive Management or the General Shareholders 'Assemblies. This is one of means through which shareholders communicate with the Company.

The following table shows the date of holding the general assembly of shareholders during the last fiscal year and the names of board of directors attending this meeting as follows:

(Members of the Board (Attendees	**Assembly type**	**Date of the meeting**
1. His Excellency Mr. Muhammad bin Talal Al-Nahhas 2. Mr. Ammar bin Abdul Wahid Al-Khudairy 3. Engineer Adel Karim Ahmed 4. Dr. Muhammad Khalil Muhammad 5. Mr. Faisal bin Mohammed Shaker 6. Mr. Saleh bin Abdullah Al-Hanaki 7. Mr. Thamer bin Abdullah Al-Hamoud 8. Mr. Khalid bin Abdulrahman Al-Gwaiz Mr. Turki bin Abdullah Al-Jawini missed the meeting.	Ordinary general	14/05/2020
1. His Excellency Mr. Muhammad bin Talal Al-Nahhas 2. Mr. Ammar bin Abdul Wahid Al-Khudairy 3. Engineer Adel Karim Ahmed 4. Dr. Muhammad Khalil Muhammad Muhammad 5. Mr. Faisal bin Mohammed Shaker 6. Mr. Saleh bin Abdullah Al-Hanaki 7. Mr. Thamer bin Abdullah Al-Hamoud 8. Mr. Khalid bin Abdulrahman Al-Gwaiz 9. Mr. Turki bin Abdullah Al-Jawini	Extraordinary general	27/10/2020

The following table shows names of companies, inside or outside the Kingdom, in which the Board director is a director of its current and previous boards of directors or is a chairman thereof;

Names of companies inside or outside the Kingdom:

Board of Directors	Current memberships	Seat of the company	Legal Entity of the company	Previous memberships	Seat of the company	Legal Entity of the company
His Excellency Mr. Muhammad bin Talal Al-Nahhas	Riyad Bank	KSA	Joint stock	Tibbiyah Holding	KSA	Joint stock
	Raza Real Estate	KSA	Limited liability company			
	ASMA Capital	Bahrain	Closed joint stock			
	STC	KSA	Joint stock			
	Saudi Basic Industries Corporation	KSA	Joint stock			
	ACWA Power	KSA	Closed joint stock	Traveler's Check company	KSA	Closed joint stock
	Tawuniya Real Estate	KSA	Closed joint stock			
	Rayadah Investment company	KSA	Closed joint stock			
	Dammam Pharma	KSA	Limited liability company			
Mr. Ammar bin Abdul Wahid Al-Khudairy	Almarai company	KSA	Joint stock	Goldman Sachs S	KSA	
	Samba Financial Group	KSA	Joint stock Altayar Co.	KSA	Joint stock	
	Sports Clubs company	KSA	Limited liability company Morgan Stanley	Allianz Saudi KSA	KSA	Joint stock
	Al-Farabi Medical company	KSA	Limited liability company Kingdom Holding company	SAVOLA Group KSA	KSA Joint stock	Joint stock
	SPIMACO Egypt for Pharmaceutical Industries	Egypt	Closed joint stock	Herfy Corporation	KSA	Joint stock
	Waffer International Energy company	KSA	Limited liability company	Banque Saudi Fransi	KSA	Joint stock
	Global Co. For Downstream Industries	KSA	Limited liability company			
	Global Co. For Chemical Industries	KSA	Limited liability company			
	Ateba2acom	KSA	Limited liability company			
	Dubai Saudi Arabian Contracting company	KSA	Limited liability company			
	Dubai Contracting company (DCC)	UAE	Limited liability company			
	Amwal Capital company	UAE	Limited liability company			
Dr. Fayyad Bin *Assad Al Dandash	Arab company for Drug Industries (and Medical Appliances (ACDIMA	Jordan	Government holding			
	Dammam Pharma company	KSA	Limited liability company			
	SPIMACO Morocco for Pharmaceutical Industries	Morocco	Closed joint stock			
	CAD Middle East Pharmaceutical Industries	KSA	Limited liability company			
Dr. Fayyad Bin *Assad Al Dandash	Arab company for Drug Industries and (Medical Appliances (ACDIMA	Jordan	Government holding			
	Dammam Pharma company	KSA	Limited liability company			
	SPIMACO Morocco for Pharmaceutical Industries	Morocco	Closed joint stock			
	CAD Middle East Pharmaceutical Industries	KSA	Limited liability company			
Mr. Faisal bin Mohammed Shaker	.Al-Qassim Medical Services Co	KSA	Closed joint stock	Falcon Plastic Products company	KSA	Limited liability company
	SPIMACO Morocco for Pharmaceutical Industries	Morocco	Closed joint stock			
	SPIMACO Egypt for Pharmaceutical Industries	Egypt	Closed joint stock			
	ARAC Healthcare	KSA	Limited liability company			
	Modern Food company	KSA	Limited liability company			
	Aseer Trading, Tourism & .Manufacturing Co	KSA	Joint stock			
	National Wealth Management company	KSA	Closed joint stock			
Dr. / Muhammad Khalil Muhammad	Arab company for Pharmaceutical (Industry (Saif	Tunisia	Joint Arab company			
	Arab company for Drug Industries ((Akbetra	Syria	Limited liability company			
	Al-Watan Arabian Pharmaceutical .Industries Co	KSA	Limited liability company			
	Tassili Arab Pharmaceutical company ((TAPHCO	Algeria	Closed joint stock			
	CAD Middle East Pharmaceutical Industries	Morocco	Closed joint stock			
	SPIMACO Egypt for Pharmaceutical Industries	Egypt	Closed joint stock			
Mr. Saleh bin Abdullah Al-Hanaki	Thakher Development company Ltd	KSA	Limited liability company	Alinma Investment company	KSA	Closed joint stock
	MASIC Logistics	KSA	Limited liability company	Wafa Insurance company	KSA	Joint stock
	Al Fadhili Field Housing company for Real Estate Development	KSA	Limited liability company			
	(National Housing company (NHC	KSA	Closed joint stock			
	NAS Airlines	KSA	Joint stock			
	Al Rajhi Bank	KSA	Joint stock			
Dr. Mohammed bin Ahmed Al-Sudairy	Al Hadaf Businessmen Service	KSA	Limited liability company			
	National Gas and Industrialization Co.	KSA	Joint stock			

Mr. Khalid bin Abdulrahman Al-Gwaiz	Riyadh Cables Group	KSA	Closed joint stock	Unique Solutions for Chemical Industries (USCI)	KSA	Limited liability company
	Al Rajhi Bank	KSA	Joint stock	Saudi Refrigeration company		
	EMCOR Facilities Management	KSA	Limited liability company	Swicorp company		
	Bawan company	KSA	Joint stock			
	Synergy Management Consulting company	KSA	Limited liability company			
	Arabian Medical Products Manufacturing company	KSA	Limited liability company			
Mr. Thamer bin Abdullah Al-Hamoud	N\A					
Engineer Adel Karim Ahmed	Arab company for Antibiotics Industry (ACAI)	Iraq				
	Tassili Arab Pharmaceutical company (TAPHCO)	Algeria	Closed joint stock			
	ACDIMA for Veterinary Medicines Industry (Akbetra)	Syria	Limited liability company			
	SPIMACO Morocco for Pharmaceutical Industries	Morocco	Closed joint stock			
Mr. Turki bin Abdullah Al-Jawini	Takamol Holding for Business Services	KSA	Closed joint stock			
	Future Work company	KSA	Closed joint stock			
	Al Hadaf Businessmen Service	KSA	Limited liability company			
	National Gas and Industrialization Co. (GASCO)	KSA	Listed joint stock company			
	East Gas company (EGC)	KSA	Limited liability company			

A statement of the interest of the members of the Board of Directors in shares or debt instruments of the Company or its subsidiaries and their relatives during 2020 :

Name	Total Number of Shares from 01/01/2020	Total Number of Shares until 12/31/2020	Total ownership (%) percentage	Net change
His Excellency Mr. Muhammad bin Talal Al-Nahhas	-	-	-	-
Mr. Ammar bin Abdul Wahid Al-Khudairy	1000	1000	0.000833	-
Dr. Fayyad Bin Assad Al Dandash	1	1	0.0000008	-
Mr. Faisal bin Mohammed Shaker	1000	1000	0.000833	-
Dr. Muhammad Khalil Muhammad	-	-	-	-
Mr. Saleh bin Abdullah Al-Hanaki	20	20	0.0000166	-
Dr. Mohammed bin Ahmed Al-Sudairy	2738	2738	0.0022816	-
Mr. Khalid bin Abdulrahman Al-Gwaiz	10	10	0.0000083	-
Mr. Thamer bin Abdullah Al-Hamoud	100	100	0.0000833	-
Engineer Adel Karim Ahmed	-	-	-	-
Mr. Turki bin Abdullah Al-Jawini	-	-	-	-

* Board of Directors Wives or their minor children have no ownership except for that is stated above.

A statement of the interest of senior executives in shares or debt instruments of the Company or its subsidiaries and their relatives during 2020 : ـ

Name	Title	Total Number of Shares from 01/01/2020	Total Number of Shares until 12/31/2020	Total ownership (%) percentage	Net change
Dr. Muhammad bin Sultan al-Sultan	Former CEO of the Company	10,000	498	0004150	-
Dr. Mohammed bin Abdulrahman Al-Omar	Director General of SPIMA-CO ADDWAEIH Factory	-	-	-	-
Mr. Mahmoud Abdel Khaliq	Chief Financial Officer	-	-	-	-
Dr. Mohammed bin Abdulaziz AlFadhli	Vice CEO of Marketing and Sales	-	-	-	-
Dr. Bernd Sunderman	Head of the Scientific Sector of SPIMACO	-	-	-	-
Mr. Walid Abu Al-Ezz	Head of Strategy and Transformation Sector for SPIMACO	-	-	-	-
Dr. Sakher Abdel Wahab	Head of the Commercial Sector of SPIMACO	-	-	-	-
Mr. Amjad Ali	Head of Internal Audit Sec-tor of SPIMACO	-	-	-	-

Board Committees: -

In accordance with Corporate Governance Regulations, the Board of Directors of the company shall be entitled to set up specialized committees, depending on the needs, circumstances, and conditions of the company, enabling it to perform its tasks effectively.

The Board has the following Committees:

- Executive Committee
- Audit Committee
- Nomination and Remuneration Committee
- Governance and Risk Committee
- Investment Committee

Its duties, responsibilities, powers, term of membership, and modus operandi are specified in .its regulations

Executive Committee

A committee established pursuant to the decision of the Board of Directors of the Company at its first meeting, the eleventh session, held on 3/4/2019. The table below shows the current and previous positions, experience and qualifications of the members of the Executive Committee: _

current and previous positions, experience and qualifications of the members of the Executive Committee: _

Name	Current position	Previous positions	Qualifications and experience
His Excellency Mr. Muhammad bin Talal Al-Nahhas	Their current and previous positions, qualifications, and experiences are stated, among current Board of Directors, in this Report.		
Mr. Ammar bin Abdul Wahid Al-Khudairy			
Mr. Faisal bin Mohammed Shaker			
Dr. / Muhammad Khalil Muhammad Muhammad			

In 2020 , the committee held (6) meetings, and the table below shows attendance of committee meetings by committee members:

Name	Title	First meeting 8/3/2020	Second meeting 11/5/2020	Third meeting 14/08/2020	Fourth meeting 6/11/2020	Fifth meeting 11/17/2020	Sixth meeting 18/12/2020
His Excellency Mr. Muhammad bin Talal Al-Nahhas	Committee Chairman	✓	✓	✓	✓	✓	✓
Mr. Ammar bin Abdul Wahid Al-Khudairy	member	✓	✓	✓	✓	✓	✓
Dr. Muhammad Khalil Muhammad Muhammad	member	✓	✓	✓	✓	✓	✓
Mr. Faisal bin Mohammed Shaker	member	✓	✓	✓	✓	✓	✓

Ms. Afaf bint Faisal Al-Fakhry assumed the duties of Secretary. Then, Mr. Abdulrahman bin Majid Qabbani took over the secretariat of the committee.

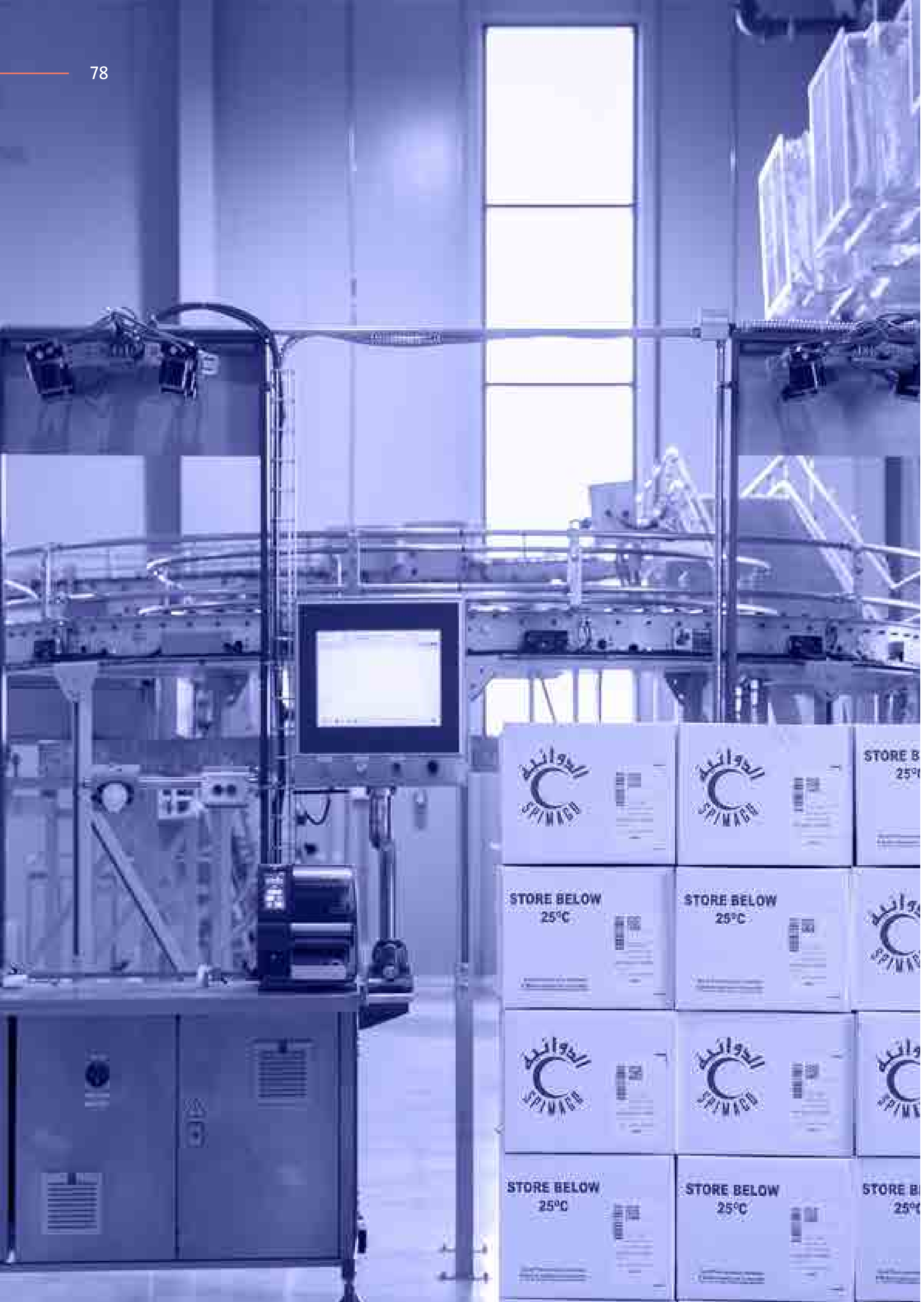
Committee duties and authorities: _

1. Reviewing periodic management reports, evaluating performance, reviewing new investments or reinvestments, and approving them before submitting them to the Board for approval.
2. Reviewing budgets and annual plans; investigating the fundamental differences related to budgets, if any, before they are presented to the Board of Directors, following up and receiving reports on implementation and completion of major projects or major expansion works of the Company or subsidiary or associate companies.
3. Following up on the Company's performance and seeking explanations for any deviations from the approved plans, budget and expectations.
4. Assisting the Board in carrying out its responsibilities, especially with regard to tasks assigned to it by the Board when time is crucial.
5. Recommending that the Articles of Association be amended.
6. Making recommendations concerning mergers and acquisitions to the Board.
7. Making recommendations regarding the purchase of shares by the Company.
8. Receiving management reports periodically through the CEO on the performance of the Company to be presented at Executive Committee meetings for discussion and review prior to submission to the Board, if needed.
9. Managing the committee's regulation and keeping it by the committee secretary, and ensuring flexibility of the regulation to better adapt to changing circumstances and regulatory requirements.
10. The committee shall be responsible for the related authorities set out in the Authority Matrix approved by the Board of Directors.
11. In addition to the above, the Committee shall be responsible for the relevant functions set out in the organizational structure of SPIMACO and its subsidiaries and which is approved by the Board of Directors.

Nomination and Remuneration Committee:

A committee established pursuant to the decision of the Board of Directors of the Company at its first meeting, the eleventh session, held on 3/4/2019. The table below contains information of Nomination and Remuneration Committee members: _

Name	Current position	Previous position	Qualifications and experience
Mr. Thamer bin Abdullah Al-Hamoud Mr. Turki bin Abdullah Al-Jawini		members	
Mr. Muhammad bin Nazal Al-Khalidi	Assistant Governor for Administrative Affairs - Retirement Agency in Riyadh	General Manager, Human Capital Operations and Business Partners - Advanced Selling company in Riyadh	He holds an Executive Master's Degree in Business Administration - Al Yamamah University. He holds a bachelor's degree in Business Administration and Human Resources Management - King Abdulaziz University.
Mr. Ahmed bin Misfer Al-Ghamdi	Vice President of Human Resources - STC	General Director of Human Resources Planning - STC	He holds a BSc in Industrial Engineering from King Fahd University for Petroleum and Minerals. He holds an Executive Master's Degree in Business Administration - University of Hull - UK. He holds a Certificate of Executive Strategy Program - INSEAD
Ms. Munira bint Abdulaziz Al-Muhammad	Director of Human Resources and Administration at Rayadah Investment company	Human Resources Project / Director of Organizational Development at Arabian Centers company	She holds a bachelor's degree in languages and translation (English language) from King Saud University. Besides, she holds many professional certificates in the field of human resources: (i) Certificate in Human Resources Management (CHRM); and (ii) Chartered Institute of Personnel and Development (CIPD) Certificate from Oakwood International. She also has extensive experience in human resources and held positions in the field. She served as a recruitment manager at Novartis, and as a director of human resources / organizational development in the Arabian Centers Company. She is currently working as a director of human and administrative resources in Rayadah Investment Company.



During 2020 in the eleventh session, the Committee held (12) meetings. The table below shows attendance of committee meetings by Nomination and Remuneration Committee members: _

Names of the committee members	Title	11th Meeting 19 February	12th Meeting 10 March	13th Meeting 25 March	14th Meeting 6 April	15th Meeting 16 April	16th Meeting 18 May	17th Meeting 21 June	18th Meeting 8 July	19th Meeting 17 August	20th Meeting 1 November	21st Meeting 23 November	22nd Meeting 2 December
Mr. Thamer bin Abdullah Al-Hamoud	Committee Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Turki bin Abdullah Al-Jawini	member	-	-	-	-	-	-	✓	✓	✓	✓	✓	✓
Mr. Muhammad bin Nazal Al-Khalidi	member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Ahmed bin Misfer Al-Ghamdi	member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Munira bint Abdulaziz Al-Muhammad	member	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	✓

* Mr. Nawaf Al-Muhareb assumed the duties of Secretary of the Committee, from the eleventh meeting on 19 February.

Tasks of the Nomination and Remuneration Committee include making recommendations to the Board regarding memberships to the Board, reviewing the structure of the Board of Directors, identifying weaknesses and strengths in the Board of Directors, ensuring the independence of independent members, and supervising the remuneration policies and plans of the Board of Directors and senior executives, in addition to tasks and responsibilities set out in the governance regulation issued by the Capital Market Authority, the Company's governance regulations, and the committee's regulation.

Most important duties and authorities of the Committee: _

- Making recommendations to the Board regarding memberships to the Board and nomination according to approved policies and standards, taking into account that nomination shall not include any person convicted of a crime of dishonesty or moral turpitude.
- Annually reviewing needed skills of Board membership and describing the capacities and qualifications required for the Board membership; including specification of the time that shall be allocated by the member for the activities of the Board.
- Reviewing the structure of the Board and executive management and making recommendations regarding the possible changes to the Board.
- Defining the Board's strengths and weaknesses, and suggesting solutions that serve the Company's interest;
- Ensuring, on an annual basis, the independence of each independent Director, the absence of any conflict of interest in the event a Director also serves as a member of the board of directors of another company, and that he has no transactions in relation to the Company's activities;
- Developing clear policies regarding compensations and remunerations for the Directors and senior executives, and submitting them to the Board for consideration in preparation for its adoption by the General Assembly, and disclosure and verification of the implementation thereof. Such policies shall be developed in accordance with standards related to performance.
- Regularly reviewing the remuneration policy and assessing the proficiency thereof in respect of achieving its objectives;
- Making recommendations to the Board with respect to the remunerations of the Board and its committees and the senior executives of the Company as per the approved policy;
- Proposing clear policies and standards for the memberships to the Board and Executive Management
- Preparing description of the required skills and qualifications for Board membership and Executive Management;
- Determining the time that shall be allocated by the Member for the activities of the Board;
- Setting job descriptions for executive, non-executive and independent members and senior executives;
- Setting special procedures in case the position of a Board member and senior executive is empty;
- Supervising the Company's remuneration and incentive plans and the procedures and practices regulating it, including executive management remuneration plans and incentive bonuses, and developing an annual report demonstrating amounts received by the executive management during the year and including the same in the Company's annual report.

Audit Committee: -

The current Audit Committee was formed by the Board of Directors under a decision by the Company's general assembly held on 2/5/2019 until the end of the eleventh session of the board of directors on 2/4/2022. The table below shows the current and previous positions, experience and qualifications of the Audit Committee members:

Name	Current position	Previous positions	Qualifications and experience
Mr. Khalid bin Abdulrahman Al-Gwaiz	Their current and previous positions, qualifications, and experiences are stated, among current Board of Directors, in this Report.		
Mr. Saleh bin Abdullah Al-Hanaki			
Mr. Khalid bin Dawood Al-Faddagh	Retired	The general auditor of Aramco and the secretary of the internal audit committee of the company's Board of Directors	He holds a PhD in mechanical engineering obtained in 1983 from the University of London. It should be noted that he started his career at Aramco and served there for 30 years until he retired in 2015. At that time, he was the company's general auditor and the internal audit secretary to the Board of Directors of Saudi Aramco. Moreover, he served as the CEO of the Joint Venture company in the Philippines and participated in a number of different board memberships and managed the quality, specifications and industrial safety program.
Ms. Kholoud Bint Abdul Aziz Al-Dakhil	Managing Director of Al-Dakhil Financial Group	Assistant General Manager at Al-Dakhil Financial Group	She holds a master's degree in business administration in finance from the American University (Washington DC), and began her career as an assistant director at the International Bank Group (IFC) from 1994 to 1995. She served as a credit analyst at the Saudi British Bank (SABB) from 1997 until 1998 and an Assistant General Manager at Samba Financial Group 1998 until 2006. She is currently a managing director of Al-Dakhil Financial Group from 2006 until now, and she has participated in a number of committees and boards of directors.

In 2020 , the Committee held 9 meetings. The table below shows the members of the Audit Committee from the current Board and their attendance percentage at the meetings of the Committee:

Members of the Audit Committee	Title	First 1/13/2020	Second 3/30/2020	Third 5/20/2020	Fourth 6/16/2020	Fifth 8/11/2020	Sixth 9/27/2020	Seventh 11/8/2020	Eighth 11/16/2020	Ninth 11/30/2020
Mr. Khalid bin Abdulrahman Al-Gwaiz	Chairman	✓	✓	✓	✓	✓	By circulation	✓	✓	✓
Mr. Saleh bin Abdullah Al-Hanaki	member	✓	✓	✓	✓	✓		✓	✓	✓
Dr. Khalid bin Dawood Al-Faddagh	member	✓	✓	✓	✓	✓		✓	✓	✓
Ms. Kholoud Bint Abdul Aziz Al-Dakhil	member	✓	✓	✓	✓	✓		✓	✓	✓

The following table shows a statement of the Audit Committee members 'ownership in the company's shares as follows:

Name	Title	Total Number of Shares From 4/3/2020	Total Number of Shares From 12/31/2020	Total ownership (%) percentage
Mr. Khalid bin Abdulrahman Al-Gwaiz	Chairman	-	-	-
Mr. Saleh bin Abdullah Al-Hanaki	member	-	-	-
Dr. Khalid bin Dawood Al-Faddagh	member	-	-	-
Ms. Kholoud Bint Abdul Aziz Al-Dakhil	member	-	-	-

The Audit Committee shall be responsible for monitoring the Company's business and verifying the integrity of reports, financial statements, and internal control systems. It shall develop a report on its opinion regarding adequacy of the internal control system in the Company and on the other activities it has carried out within the scope of its competence. This report addresses the work carried out by the audit committee during 2020 , based on functions and responsibilities set out in SPIMACO's Audit Committee Regulations, which were developed based on requirements of the Companies' Law and the Corporate Governance Regulations issued by the Board of the Capital Market Authority.

During 2020, the Audit Committee carried out several tasks assigned to it according to the Law:

Works conducted by the Audit Committee during 2020

- There shall be examination of offers made by Offices of Chartered Accountants to audit accounts of SPIMACO ADDWAEIH for three consecutive years as of the first quarter of 2020 , until the end of the first quarter of 2023 G. They shall be technically and commercially evaluated according to specific controls. Three Chartered Accountants Firms (Dr. Mohamed Al Omari and Partners, BDO Member, and Baker Tilly & Partners, KPMG Al Fouzan & Partners Co. Chartered Accountants) were nominated after ensuring their independence and reviewing the scope of their works as well as terms of contracting.
- Holding a meeting with the Company's Auditor to review his action plan, and verify that he has not submitted technical or administrative works that are outside the scope of the audit work.
- Initial financial statements (First quarter, second quarter and third quarter) and annual statements shall be examined for 2020 to verify their fairness and transparency based on the offer. In addition, information contained in financial statements shall be disclosed in accordance with international accounting standards recognized and approved in the Kingdom of Saudi Arabia, prior to being published on the Company's website in Tadawul on the date specified by the Capital Market Authority. In addition, the recommendation shall be submitted to the Board of Directors for approval of the annual consolidated financial statements to be presented to the General Assembly for approval.
- Reports and notes submitted by the external auditor shall be examined and a meeting shall be held with him to review the financial statements before approval in order to verify his independence, objectivity, fairness and effectiveness of the audit work. Besides, his inquiries will be answered and it will be ensured that there are no obstacles that may affect the progress of his work.
- The Internal Audit Department shall be supported by appointing an executive head for the Group's internal audit, expanding the scope of its work, and developing an internal audit plan that includes SPIMACO ADDWAEIH and its subsidiaries.

Most important duties of the Committee:

- Recommending to the Board to nominate chartered accountants, dismiss them, and determine their fees, as well as assess their performance, after verifying their independence and reviewing the scope of their work and the terms of their contract.
- Reviewing the Company's auditor plan and his works , and verifying that he has not submitted technical or administrative works that are outside the scope of the audit work, and expressing their views thereon;
- Studying the public accountant report and notes in respect of the financial statements and following up on them;
- Reviewing and evaluating the Company's internal and financial control systems.
- Monitoring and supervising the Company's Internal Audit Department to verify the availability of the necessary resources and its effectiveness in executing the activities and duties specified by the Board of Directors.
- Considering reports of Internal Audit and following up on implementing corrective actions for the notes therein contained.
- Considering the preliminary and annual financial statements of the Company before submitting them to the Board of Directors and expressing opinions and recommendations thereon to ensure their fairness and transparency.
- Considering any significant or unusual issues included in the financial reports.
- Verifying the Company's compliance with relevant laws, regulations, policies, and instructions;
- Reviewing contracts and transactions to be concluded between the Company and related parties, and making its recommendations to the Board with regard thereto.
- Reporting matters, as it deems necessary for action to be taken, to the Board and making its recommendations on the actions to be taken.

Investment Committee:

It is a committee established pursuant to the decision of the Board of Directors of the Company at its first meeting, the eleventh session, held on 3/4/2019 G. The table below shows the current and previous positions, experiences and qualifications of the Investment Committee members from among the Board members. The existing Board of Directors shall abide by its eleventh session which began on 3/4/2019 G: _

Name	Current position	Previous positions	Qualifications and experience
Mr. Ammar bin Abdul Wahid Al-Khudairy	Their current and previous positions, qualifications, and experiences are stated, among current Board of Directors, in this Report.		
Dr. Fayyad Bin Assad Al Dandash			
Mr. Saleh bin Abdullah Al-Hanaki			
Mr. Khalid bin Abdulrahman Al-Gwaiz			
Mr. Abdul Latif Bin Ali Al-Saif	CEO and Managing Director of Raed Investment Company	Executive Vice President and Investment Director at King Abdullah Humanitarian Foundation	He holds a master's degree in business administration and a master's in economics from Boston University and he is also a certified financial analyst and certified chartered accountant who began his career as an analyst at Saudi Aramco. He held several positions until he became the head of Investment Portfolio Management. It should be noted that he managed massive portfolios invested across asset classes. He served as the Executive Vice President and Investment Director at King Abdullah Humanitarian Foundation. He was the Head of the Portfolio Management at Mohammed I. Alsubeaei & Sons Investment Company (MASIC). He is currently the CEO and Managing Director of Raed Investment Company.

During 2020 , the Committee held (7) meetings. The table below shows attendance of Investment Committee Meetings by members:

Names of the committee members	Title	Ninth meeting 6/7/2020	Tenth meeting 7/9/2020	Eleventh meeting 10/15/2020	Twelfth meeting 10/20/2020	Thirteenth meeting 11/1/2020	Fourteenth meeting 11/23/2020	Fifteenth meeting 12/17/2020
Mr. Ammar bin Abdul Wahid Al-Khudairy	Committee Chairman	✓	✓	✓	✓	✓	✓	✓
Engineer Adel Karim Kak Ahmed*	member	✓	✓	✓	✓	✓	✓	✓
Mr. Saleh bin Abdullah Al-Hanaki	member	✓	✓	✓	✓	✓	✓	✓
Mr. Khalid bin Abdulrahman Al-Gwaiz	member	✓	✓	✓	✓	✓	✓	✓
Mr. Abdul Latif Bin Ali Al-Saif	member	-	-	✓	✓	✓	✓	✓

The Investment Committee aims to assist the Board of Directors in carrying out its responsibilities in relation to developing policies, strategies and principles of capital investment activities and operations, developmental investment, strategic investment, mergers and acquisitions (M&A), activities and investments in respect of the Company's short, medium and long-term assets inside and outside the Kingdom.

Committee duties and authorities: -

- Recommending to the Board of Directors and proposing policies and strategies for the Company's investments in accordance with the strategic plan of SPIMACO ADDWAEIH and its subsidiaries.
- Recommending to the Board of Directors to approve the assessment of new investment opportunities, mergers and acquisitions, in accordance with the strategic plan of the Company and its subsidiaries, after being examined by the executive management and the committee.
- Recommending to the Board of Directors the best options to exit from poor investments or to redirect investments.
- Making recommendation to the Board of Directors, after coordination with the Audit Committee, to form financial provisions to hedge against poor investments.
- Recommending to the Board of Directors to conclude contracts with investment managers and external investment advisors.
- Making recommendation to the Board of Directors, after coordination with the Risk Committee, regarding investment risk policies, to ensure that the total risks of the Company remain within an acceptable range.
- Reporting to the Board of Directors on the views of the Special Committee on performance of the Company's investments.

Governance, Risk and Compliance Committee:

It is a committee established pursuant to the decision of the Board of Directors of the Company at its first meeting, the eleventh session, held on 3/4/2019 G. The table below shows the current and previous positions, experiences and qualifications of the Governance and Risk Committee members. The existing Board of Directors shall abide by its eleventh session which began on 3/4/2019 G:

Name	Current positions	Previous positions	Qualifications and experience
Mr. Faisal bin Mohammed Shaker	Their current and previous positions, qualifications, and experiences are stated, among current Board of Directors, in this Report.		
Dr. / Muhammad Khalil Muhammad Muhammad	Their current and previous positions, qualifications, and experiences are stated, among current Board of Directors, in this Report.		
Mr. Thamer bin Abdullah Al-Hamoud	Their current and previous positions, qualifications, and experiences are stated, among current Board of Directors, in this Report.		
Mr. Khalid bin Saleh Al-Khattaf*	CEO of SPIMACO Vice President for Financial Affairs and Chief Financial Officer Maaden	CEO of Lafana Holding Company	He holds a bachelor›s degree from King Saud University with a major in accounting and has continued his education in finance and accounting at the University of Colorado. He holds a degree in Applied Economics from the American University in Washington State. He holds the Certified Public Accountant (CPA) Certificate and CMEI-. Besides, he held several positions in many financial institutions such as the Saudi Arabian Monetary Agency (SAMA), the World Bank, Tadawul, Nomura Bank and Lavana Holding. He also served on the board of directors of investment committees in many financial and investment institutions such as Gulf Investment Corporation, Bupa Insurance, Reza Investment Company, Samba Capital and the Saudi Arabia Insurance Company.
Mr. Khaldoun Abdullah Al Fakhry	Head of Risk Management - Alawwal Bank (formerly, Saudi Hollandi Bank	**Head of Risk Management (represented) in Al Rajhi Bank**	He holds a degree from King Saud University - College of Medicine. He holds a Bachelor's degree in Computer Information Systems from Weber State University, Ogden, Utah - United States of America. In addition, he holds MSC in Accountancy – Colorado State University, Colorado, USA. He has 28 years of experience in banking management. Besides, he has extensive experience in leading organizational change by building partnerships / strategic relationships with all levels. He attended several different training courses.

* Mr. Khalid bin Saleh Al-Khattaf resigned from the committee on 1/1/2020, and HE Mr. Khaldoun Abdullah Al Fakhry was appointed by a decision of the Board of Directors on 8/2/2020.

In 2020 , the committee held (9) meetings including one meeting by circulation, and the table below shows attendance of committee meetings by committee members:

Names of the committee members	Title	First meeting 4/2/2020	Second meeting 19/03/2020	Third meeting 22/03/2020	Fourth meeting 25/3/2020	Fifth meeting 5/4/2020	Sixth meeting 14/06/2020	Seventh meeting 23/08/2020	Eighth meeting 14/12/2020	Ninth meeting 24/12/2020
Mr. Faisal bin Mohammed Shaker	Committee Chairman	✓	✓	✓	✓	By circulation	✓	✓	✓	✓
Dr. Muhammad Khalil Muhammad Muhammad	member	✓	✓	✓	✓	By circulation	✓	✓	✓	✓
Mr. Thamer bin Abdullah Al-Hamoud	member	✓	✓	✓	✓	By circulation	✓	✓	✓	✓
Mr. Khaldoun Abdullah Al Fakhry	member		✓	✓	✓	By circulation	✓	✓	✓	✓
Mr. Khalid Saleh Al-Khattaf	member									

Mr. Abdulrahman bin Majid Qabbani assumed the duties of the Secretary of the Committee.

Most important duties and authorities of the Committee:

- Reviewing and updating policies, rules, and regulations in accordance with legal requirements and best practices.
- Reviewing and developing the code of conduct and business ethics representing the company, and other internal policies and procedures in accordance with regulatory requirements and best practices.
- Informing the Board of Directors on governance developments in general and of best practices in this regard or authorizing anyone required to do so.
- Developing a comprehensive risk management strategy and policies commensurate with the nature and size of the company›s activities and recommending them to the Board of Directors for approval, verifying their implementation, and reviewing and updating them based on the internal and external changes in the company.
- Establishing a framework to identify and maintain an acceptable level of risk to which the company may be exposed and ensuring that the company does not go beyond the Risk Appetite Framework (RAF), and holding the company's management responsible for the integrity of that framework, including the timely identification of violations, addressing violations of risk limits and reporting cases of exposures to significant risks.
- Verifying whether it is feasible that company continues its successful activity and identifying the risks that threaten its continuation during the next twelve months.
- Ensuring that the company›s management is in place to assure that timely action is taken to achieve the effectiveness required to mitigate risks and serious exposures stemming from any negative risks, particularly those that are close to or beyond the companys ability to address risks.
- Periodically reassessing the company›s ability to tolerate, and periodically be exposed to, risk (by conducting, for example, stress tests,) and other risk limits, when necessary, in strategic discussions, including those related to scale up in business sector or expansion in products.
- Supervising the company›s risk management system, discussing its periodic reports, and evaluating the effectiveness of systems and mechanisms for identifying, measuring, and following up the risks that the company may be exposed to.
- Assessing low-performance investments risk to the company and making recommendations in this regard.
- Reviewing the organizational structure of the Department of Governance, and Risk Management and Compliance Department and making recommendations regarding the same before approval by the Board of Directors.
- Exercising oversight and ensuring the effective implementation of risk management.
- Ensuring that subsidiaries of SPIMACO ADDWAEIH play their role in managing risks, i.e. understanding risks related to the company and their potential impacts.
- Reviewing emerging committees' issues that may affect risk management in the company.

Dividend and remuneration policy for members of the Board of Directors, its emerging committees, and the executive management.

The company articles of association shall set out the dividend distribution method. According to Article (42), the Company shall distribute the annual net profits after deducting all general expenses and other costs, including legal Zakat, as follows:

1. Ten percent (10%) of the net profit shall be set aside to form a statutory reserve. Such allocations to the statutory reserve may be discontinued by the Ordinary General Assembly when the statutory reserve amounts to 30% of the capital.
2. Five percent (5%) of the net profit shall be set aside to form a statutory reserve which shall be used solely for such purposes as may be specified by the Ordinary General Assembly. Such allocation shall be discontinued when the statutory reserve amounts to 25% of the capital.
3. Out of the balance of the profits, Shareholders shall be paid an initial payment of 5% of the paid-up capital.
4. Holders of preferred shares shall receive their profit percentage prescribed in accordance with laws and regulations.
5. If it is decided that the Board of Directors' remuneration is part of profits, then out of the balance, the Board of Directors shall be remunerated of not more than 10% (the aggregate of the remuneration and cash or in-kind benefits earned by the board member shall not exceed five hundred thousand riyals per year). The rest shall be distributed to the shareholders as an additional share of the profits.
6. The Company may also distribute interim dividends to its shareholders on a semi-annual or quarterly basis under an annually renewed authorization provided by the Ordinary General Assembly to the Board.

The purpose of the remuneration policy for board members and emerging committees is to regulate remuneration to attract members of a board or committees with appropriate scientific, technical and administrative competence and experience, and to enable them to professionally and efficiently perform their tasks and duties, taking into account the sector in which the Company operates and the skills required to manage it. The Company also aims to create an attractive working environment, through which it can attract and retain human resources with the requisite skills and expertise to sustain its growth and realize its vision, depending on the regulatory framework for remuneration of chief executives, in line with relevant regulations, legislations and applications.
The company shall pay remunerations to the board of directors, the emerging committees, and the executive management as applicable in the remuneration policy approved by the shareholders' assembly. There shall be no material deviation from this policy.

Under provisions regulating remunerations of board members and emerging committees as out in the Company's Articles of Association, the Corporate Governance Regulations, and the regulatory controls and procedures issued in implementation of the Companies Law for Listed Companies, and the Company's Articles of Association, remunerations of board members, emerging committees, and the Executive Management shall be paid in accordance with the following principles and rules:

Board members and emerging committees

1. The Company's Articles of Association shall set out the method of distributing the remuneration to board members.
2. Based on a recommendation by the Nomination and Remuneration Committee, the Board of Directors shall determine remunerations of Board members and emerging committees in accordance with the following principles:
   - Regulation of remuneration shall be consistent with the Company's strategic goals. Besides, it shall motivate the board members and emerging committees to achieve those goals, and enhance the Company's ability to develop and sustain its business.
   - It shall be appropriate to the nature, activity and size of the business, skills and experience required.
   - It shall attract board members who have the required expertise and qualifications to enhance the Company's ability to achieve its goals.
3. Based on a recommendation by the Nomination and Remuneration Committee, a member of the Board of Directors is entitled to an annual remuneration in accordance with the relevant laws and regulations for being a board member.
4. Based on a recommendation by the Nomination and Remuneration Committee, a member taking part in emerging committees is entitled to an annual remuneration in accordance with the relevant laws and regulations.
5. The Company is entitled to claim for damage to its reputation and to recover the remunerations, compensations and any other costs incurred by the Company if:
   - A member committed any act of dishonesty or has been convicted of forgery or violated laws and regulations in the Kingdom of Saudi Arabia or in any other country/
   - A member failed to carry out his responsibilities, tasks and duties, causing harm to the interest of the Company.
   - Membership is terminated under a resolution by the general assembly due to absence of three consecutive meetings in one year without a legitimate excuse to be accepted by the Board.
6. When approving the remuneration of the Board member and the emerging committees, consideration shall be taken of the member's contribution, attendance and participation in raised issues, as well as any contributions that serve the interest of the Company.
7. The remuneration of the Board members and emerging committees may be approved in a varying manner according to the achieved tasks, responsibilities and accomplishments.
8. If the remuneration approved for a board member or emerging committees is based on inaccurate information or erroneous results, then the case shall be submitted to the board of directors to take the appropriate decision, and the relevant laws shall be taken into consideration when considering them.

Executive Management

Based on a recommendation by the Nomination and Remuneration Committee, the Board of Directors shall determine remunerations of the Executive Management in accordance with the following principles:

- Remunerations and compensations shall be consistent with the Company's strategic goals. Besides, it shall motivate the Executive Management to achieve those goals, and enhance the Company's ability to develop and sustain its business.
- It shall be appropriate to the nature, activity and size of the business, skills and experience required.
- It shall enable the Company to hire executives with skills and qualifications necessary for the Company to achieve its goals.
- It shall not cause any conflict of interest that would negatively affect the interest of the Company and its ability to achieve its goals.

- The policies adopted in the Company in this regard shall be taken into account when determining the remuneration of the Executive Management to achieve the intended goals.
- The remuneration approved for each employee in the executive management may vary based on results achieved during the year under appraisal.
- The ceiling limit for executive management remuneration may be reviewed annually, and any proposed amendments may be submitted to the Board in accordance with applicable regulations.
- This policy shall be consistent with the Company's strategy and objectives, as well as the performance and evaluation applicable to the Company with regard to the remuneration of the executive management.
- If the remuneration approved for the Executive management is based on inaccurate information or erroneous results, then the case shall be submitted to the board of directors to take the appropriate decision The relevant laws shall be taken into consideration when considering them.

The following table shows the amounts received by board members according to laws and regulations during the year 2020 :

Board of Directors	Remuneration amount	Board session attendance fees	Committees' Meetings Attendance Fees	Allowance In kind	Remuneration for technical, administrative and advisory works	Remuneration of the Chairman of the Board, the Managing Director or the Secretary, if he/she is a member	Total	Expenses Allowance
				Fixed Remunerations				
Independent Directors								
Mr. Saleh bin Abdullah Al-Hanaki	-	27,000	48,000	-	-	-	75,000	-
Dr. Mohammed bin Ahmed Al-Sudairy	-	-	-	-	-	-	-	-
Mr. Thamer bin Abdullah Al-Hamoud	-	33,000	51,000	-	-	-	84,000	5,450
Mr. Turki bin Abdullah Al-Jawini	-	21,000	15,000	-	-	-	36,000	-
			Total				**195,000**	**5,450**
				Non-Executive Directors				
His Excellency Mr. Muhammad bin Talal Al-Nahhas	-	33,000	18,000	**	-	112,192	163,192	5,450
Mr. Ammar bin Abdul Wahid Al-Khudairy	-	30,000	42,000	-	-	-	72,000	-
Dr. Fayyad Bin Assad Al Dandash	-	-	3,000	-	-	-	3,000	-
Mr. Faisal bin Mohammed Shaker	-	33,000	36,000	-	-	-	69,000	-
Dr. Muhammad Khalil Muhammad Muhammad	-	33,000	36,000	-	-	-	69,000	38,700
Mr. Khalid bin Abdulrahman Al-Gwaiz	-	24,000	48,000	-	-	-	72,000	-
Engineer / Adel Karim	-	27,000	21,000	-	-	-	48,000	-
			Total				**496,192**	**44,150**

No variable remuneration shall be paid to the Chairman or members -
Medical insurance shall be provided to the members of the Board of Directors and their families *
A vehicle shall be secured every three years **

The following table shows the amounts received by the current board committees members during 2020 :

Members	Fixed Remunerations (excluding session attendance allowance)	Session attendance fees	Total
Members of the Audit Committee			
Mr. Khalid bin Abdulrahman Al-Gwaiz	149,589	24,000	173,589
Mr. Saleh bin Abdullah Al-Hanaki	149,589	24,000	173,589
Mr. Khalid bin Dawood Al-Faddagh	112,192	24,000	136,192
Ms. Kholoud Bint Abdul Aziz Al-Dakhil	112,192	24,000	136,192
Total	**523,562**	**96,000**	**619,592**
Nomination and Remuneration Committee Members			
Dr. Mohammed bin Ahmed Al-Sudairy (Resigned)	149,589	-	149,589
Dr. Fayyad Bin Assad Al Dandash (Resigned)	149,589	-	149,589
Mr. Thamer bin Abdullah Al-Hamoud	149,589	33,000	182,589
Ms. Munira bint Abdulaziz Al-Muhammad*	74,795	33,000	107,795
Mr. Turki bin Abdullah Al-Jawini	-	15,000	15,000
Mr. Ahmed bin Misfer Al-Ghamdi*	-	33,000	33,000
Mr. Muhammad bin Nazal Al-Khalidi*	-	33,000	33,000
Total	**523,562**	**147,000**	**670,562**
Governance, Risk and Compliance Committee Members			
Mr. Faisal bin Mohammed Shaker	149,589	18,000	167,589
Dr. Muhammad Khalil Muhammad Muhammad	149,589	18,000	167,589
Mr. Thamer bin Abdullah Al-Hamoud	-	18,000	18,000
Mr. Khalid bin Saleh Al-Khattaf (Resigned)	74,795	-	74,795
Mr. Khaldoun Abdullah Al Fakhry*	-	15,000	15,000
Total	**373,973**	**69,000**	**442,973**
Investment Committee Members			
Mr. Ammar bin Abdul Wahid Al-Khudairy	149,589	24,000	173,589
Dr. Fayyad Bin Assad Al Dandash (Resigned)	-	3,000	3,000
Mr. Saleh bin Abdullah Al-Hanaki	-	24,000	24,000
Mr. Khalid bin Abdulrahman Al-Gwaiz	-	24,000	24,000
Mr. Abdul Latif Bin Ali Al-Saif*	53,425	24,000	77,425
Engineer / Adel Karim	-	21,000	21,000
Total	**203,014**	**120,000**	**323,014**
Members of the Executive Committee			
His Excellency Mr. Muhammad bin Talal Al-Nahhas	149,589	18,000	167,589
Mr. Ammar bin Abdul Wahid Al-Khudairy	-	18,000	18,000
Dr. Muhammad Khalil Muhammad Muhammad	-	18,000	18,000
Mr. Faisal bin Mohammed Shaker	-	18,000	18,000
Total	**149,589**	**72,000**	**221,589**

Members from outside the Board *

Total amount paid during 2020 to senior executives, including the Company's CEO and Chief Financial Officer, is SAR 6,879,541 according to the following details: -

Description	Six of the senior executives who received the highest remuneration and compensation (Including CEO and Chief Financial Officer)
Salaries and compensations	4,049,782
Allowances	2,141,223
Periodic and annual remunerations	688,536
Motivational plans	N/A
Any compensation or other benefits in kind paid monthly or annually	Transportation - and medical insurance for them and their families

Waiver of interests by members of the board of directors or a senior executive or shareholder: -

Shares belonging to persons (other than members of the Company's board of directors, senior executives and their spouses and minor children) as well as the changes that occurred to them during the fiscal year: -

Name	Total number of shares on 1/1/2020	Total number of shares on 12/31/2020	Total ownership percentage at the end of the year	Net change
Arab Company for Drug Industries and Medical Appliances (ACDIMA)	24,586,173	24,586,173	20.48	0%
Amin Muhammad Amin Shaker	15,424,764	15,939,650	13.28	0.43%
Public Pension Agency	9,789,734	9,789,734	8.15	0%

Regular payments made and payable for any Zakat, taxes, fees or other dues:

The following table shows regular payments made and payable for any Zakat, taxes, fees or other dues, with a brief description and explanation of their causes: -

Description	Paid amount	Due and unpaid amount until the end of the financial period	Description	Description of Reasons
Zakat	27,520,979.85	-	Zakat paid for 2019 G	-
Tax	20,169,770.94	1,971,444.96	Tax due for 2020	To be paid during 2021 G
GOSI	23,001,970.42	1,972,846.70	Employee contributions for December 2020	Paid during January 2021 G
Labor and Passport Office	9,963,895.11	-	Work permit, residence and visa fees for the Company's employees	-
SFDA fees	2,338,310.00	-	Medication registration and certification fees	-

Loans:
SPIMACO ADDWAEIH and its subsidiaries have a financing agreement with a local bank, as well as funding from government agencies and other banks, as follows:

Company	Type of loan Donor	Loan principal amount	Amounts paid in repayment of the loan during the year	Loan term	The remaining amount of the loan
SPIMACO ADDWAEIH	Islamic banking facilities Murabaha - Riyad Bank	400,000,000	-	2020-2021	400,000,000
SPIMACO ADDWAEIH	Islamic banking facilities Murabaha - Riyad Bank	330,000,000	-	2020-2024	330,000,000
SPIMACO ADDWAEIH	Financing loan - SIDF	287,100,000	-	2019-2024	261,848,958
SPIMACO ADDWAEIH	Export Financing - SIDF	150,000,000	-	2019-2021	150,000,000
Dammam Pharma	Islamic banking facilities Murabaha - Riyad Bank	54,000,000	8,107,224	7 Years	45,892,776
Dammam Pharma	Islamic banking facilities Murabaha - Riyad Bank	20,000,000	-	One year	20,170,429
Dammam Pharma	Saudi Industrial Development Fund (SIDF)	54,100,000	1,797,745	7 Years	52,302,255
Qassem Clinics	Ministry of Finance	36,540,000	2,281,000	15 Years	4,562,000
SPIMACO Misr for Pharmaceutical Industries	Banking facilities	11,088,033	1,518,246	2020-2021	9,569,787
SPIMACO Morocco	Financing loan	61,259,720	-	7 Years	61,259,720
Total indebtedness of the Company and its subsidiaries (in SAR)					1,335,605,925

Requesting shareholders' register

During 2020 , the shareholders' register was requested (18) times, and the table below shows dates and reasons.

Sr.	Request date	Reason
1	22/01/2020	Company's Procedures
2	06/02/2020	Company's Procedures
3	12/02/2020	Company's Procedures
4	12/02/2020	Company's Procedures
5	12/02/2020	Company's Procedures
6	12/02/2020	Company's Procedures
7	12/02/2020	Company's Procedures
8	12/02/2020	Company's Procedures
9	16/02/2020	Company's Procedures
10	16/02/2020	Company's Procedures
11	16/02/2020	Company's Procedures
12	16/02/2020	Company's Procedures
13	30/03/2020	Company's Procedures
14	11/5/2020	General Assembly
15	13/05/2020	Profit file
16	25/06/2020	Company's Procedures
17	27/10/2020	General Assembly
18	22/11/2020	Company's Procedures

- Other investments or reserves created for the benefit of the Company's employees: -
  - There are currently no investments or any other reserves created for the benefit of the Company's employees.

- External Auditors: -

The General Assembly of the Company's shareholders on its meeting held on 14/05/2020 approved the appointment of Baker Tilly Partners to examine, review and audit the financial statements for three consecutive years, as follows: For the first, second, third and annual quarters of 2020 ; for the first, second, third and annual quarters of 2021 G; for the first, second, third and annual quarters of 2022 G; and for the first quarter of 2023 G.

- Accounting policies used by the Company: -
  - The consolidated financial statements of the Company were prepared during the fiscal year ended 31/12/2020 in accordance with the International Financial Reporting Standards adopted in Saudi Arabia, as well as other standards and issues adopted by the Saudi Organization for Certified Public Accountants (SOCPA).

- Treasury shares held by the Company and description of uses of these shares: -
  - No treasury shares were held by the Company during 2020 .

- Debt instruments, option rights, transfer rights: -
  - There are no transferable debt instruments and any contractual securities, subscription right notes, or similar rights issued or granted by the Company during the fiscal year. In addition, there are no transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the Company. Besides, there is no redemption, purchase or cancellation of any recoverable debt instruments by the Company during 2020 .

- Penalties:
  - There are no penalties, sanctions or precautionary measures imposed on the Company.

- Waiver of interests by members of the board of directors or a senior executive or shareholder: -
  - No information has been found regarding arrangements or agreements under which a member of the Board of Directors or a senior executive has waived any remunerations, or any of the Company's shareholders has waived his interests or rights to profit.

- Works and contracts with related parties: -

During 2020 , a number of transactions were conducted with related parties according to the following:

1. Works and contracts that have been concluded between the Company and ARAC Healthcare (a subsidiary company), namely transactions in form of sales and marketing by ARAC Healthcare (of SPIMACO ADDWAEIH products on an annual basis. It should be noted that the representative of the board of directors of SPIMACO ADDWAEIH, who is a member of the board of directors, Mr. / Faisal Muhammad Shaker, has an indirect interest. The volume of transactions during 2020 amounted to SAR 652,013,416. There are also other transactions, i.e. sales and marketing commission contract, with an amount of SAR 21,167,073 without preferential terms.
2. Works and contracts that have been concluded between the Company and Dammam Pharma Company (a subsidiary company), namely annual sales of pharmaceutical products. The Chairman of the Board of Directors, His Excellency Mr. Muhammad Talal Al-Nahhas, has an indirect interest, and he is a representative of the Board of Directors in Dammam Pharma Company. The volume of transactions during 2020 amounted to SAR 4,968,739 without preferential terms.
3. Works and contracts that have been concluded between the Company and SPIMACO Morocco (a subsidiary company), namely annual sales of pharmaceutical products. The representatives of SPIMACO's Board, namely, Director Mr. Faisal Muhammad Shaker, Director Mr. Muhammad Khalil Muhammad, and Director, Mr. Adel Karim Ahmed, have an indirect interest. The volume of transactions during 2020 amounted to SAR 651,258 without preferential terms.
4. Works and contracts that have been concluded between the Company and SPIMACO Egypt (a subsidiary company), namely annual sales of pharmaceutical products. The representatives of SPIMACO's Board, namely, the Chairman Mr. Ammar Al-Khudairi, Director Mr. Muhammad Khalil Muhammad, and Director, Mr. Faisal Muhammad Shaker, have an indirect interest. The volume of transactions during 2020 amounted to SAR 276,930 without preferential terms.
5. Works and contracts that have been concluded between the Company and ACDIMA Center for Bioequivalence and Pharmaceutical Studies. They are annual agreements and contracts for biopharmaceutical studies. The Director, Mr. Adel Karim Ahmed, who is the Chairman of ACDIMA has an indirect interest. The volume of transactions during 2020 amounted to SAR 2,973,726 without preferential terms.
6. Works and contracts that have been concluded between the Company and CAD Middle East Pharmaceutical Industries (an associate company), namely purchases of raw materials on an annual basis. The Director Mr. Muhammad Khalil Muhammad has an indirect interest. The volume of transactions during 2020 amounted to SAR 1,321,331 without preferential terms.
7. Works and contracts that have been concluded between the Company and CAD Middle East Pharmaceutical Industries (an associate company), namely the consulting service contract. The Director Mr. Muhammad Khalil Muhammad has an indirect interest. The volume of transactions during 2020 amounted to SAR 132,500 without preferential terms.
8. Works and contracts that have been concluded between the Company and CAD Middle East (an associate company). The Director Mr. Muhammad Khalil Muhammad has an indirect interest. The total volume of transactions during 2020 amounted to SAR 1,954,716 without preferential terms.
9. Works and contracts that have been concluded between the Company and Tassili Arab Pharmaceutical Company (TAPHCO) (an associate company), namely annual sales

of pharmaceutical products. Representatives of SPIMACO ADDWAEIH, namely, Director Mr. Adel Karim Ahmed, and Director Mr. Muhammad Khalil Muhammad, have an indirect interest. The volume of transactions during 2020 amounted to SAR 5,751,567 without preferential terms.

10. Works and contracts that have been concluded between the Company and Tassili Arab Pharmaceutical Company (TAPHCO) (an associate company), namely a financing to Tassili Arab Pharmaceutical Company (TAPHCO). Representatives of SPIMACO ADDWAEIH, namely, Director Mr. Adel Karim Ahmed, and Director Mr. Muhammad Khalil Muhammad, have an indirect interest. The total volume of financing during 2020 amounted to SAR 464,366 without preferential terms.

11. Works and contracts that have been concluded between the Company and Arabian Medical Products Manufacturing Company (ENAYAH) (an associate company), namely annual purchases from Arabian Medical Products Manufacturing Company (ENAYAH). Director Mr. Khalid bin Abdulrahman Al-Gwaiz has an indirect interest and he is a representative of SPIMACO ADDWAEIH. The total volume of transactions during 2020 amounted to SAR 114,598 without preferential terms.

12. Works and contracts that have been concluded between the Company and Arabian Medical Products Manufacturing Company (ENAYAH) (an associate company), namely apartment rental contract with the Company for employees of Arabian Medical Products Manufacturing Company (ENAYAH). Director Mr. Khalid bin Abdulrahman Al-Gwaiz has an indirect interest and he is a representative of SPIMACO ADDWAEIH. The total volume of transactions during 2020 amounted to SAR 179,280 without preferential terms.

13. Works and contracts that have been concluded between ARAC Healthcare (a subsidiary company), and Dammam Pharma Company (a subsidiary company) namely pharmaceutical products sold by ARAC Healthcare (a subsidiary company) to Dammam Pharma Company (a subsidiary company). It should be noted that SPIMACO ADDWAEIH has a representative in ARAC Healthcare, and he is Director Mr. / Faisal Muhammad Shaker. It also has a representative of Dammam Pharma Company, and he is the Chairman Mr. Muhammad Talal Al-Nahhas. The volume of transactions during 2020 amounted to SAR 13,006,198 without preferential terms.

14. Works and contracts that have been concluded between ARAC Healthcare (a subsidiary company), and ARACOM Medical Company (a subsidiary company) namely pharmaceutical products sold by ARAC Healthcare (a subsidiary company) to ARACOM Medical Company (a subsidiary company). Director Mr. / Faisal Muhammad Shaker who is the representative of SPIMACO ADDWAEIH in ARAC Healthcare has an indirect interest. The volume of transactions during 2020 amounted to SAR 4,409,258 without preferential terms.

15. Works and contracts that have been concluded with STC during 2020 , namely contract agreements to provide fixed, mobile and internet services with STC during 2020 , with different annual terms that are automatically renewed. The Chairman of SPIMACO ADDWAEIH, His Excellency Mr. Muhammad Talal Al-Nahhas, has an indirect interest, and he is a Director in STC Board. The volume of transactions amounted to SAR 900,650 without preferential terms.

16. Voting on works and contracts have been concluded between the Company and the SAUDI BASIC INDUSTRIES CORP (SABIC) during 2020 , namely annual purchases of SAR 62,370 without preferential conditions. The Chairman of SPIMACO ADDWAEIH, His Excellency Mr. Muhammad Talal Al-Nahhas, has an indirect interest, and he is a Director in the SAUDI BASIC INDUSTRIES CORP (SABIC).

17. Voting on works and contracts have been concluded between the Company and Al Rajhi Bank, namely an agreement to provide dividend distribution services to the Company's shareholders for 2019 G with Al-Rajhi Bank during 2020 for SAR 96,724 G without preferential terms. In addition, there were certain regular transactions through the current account. Board Director of SPIMACO ADDWAEIH Mr. Khalid Al-Gwaiz has an indirect interest and he is a director in Al Rajhi Bank.

18. Works and contracts that have been concluded between the Company and Riyad Bank, namely renewal of an Islamic financing and credit facility agreement with Riyad Bank for SAR 330 million. Together with Riyad Bank, the Company also has bank accounts in various currencies and multiple services through branches, the treasury and the Bank's Trade Finance Centre without preferential conditions. The Chairman of SPIMACO ADDWAEIH, His Excellency Mr. Muhammad bin Talal Al-Nahhas, has an indirect interest, and he is a Director in Riyad Bank.

Social Responsibility -

SPIMACO ADDWAEIH strongly believes in the importance of social and humanitarian responsibilities. It further believes that such responsibility goes beyond its activities in manufacturing and business as well as profit-making.

- The Company takes the social responsibility according to modern concepts. The company has made many in-kind donations in the form of medications and cash donations to some social centers and associations. The Company will continue to exercise its social responsibility towards the community by supporting and sponsoring many conferences and educational and awareness campaigns across the Kingdom.

During 2020 , the Company organized and sponsored a number of events and activities in various regions of the Kingdom, as follows: -

- Supporting the Ministry of Health with medicinal products of SAR 11 million to strengthen national efforts with the objective of limiting the spread of coronavirus, sponsoring conferences of specialized scientific societies, supporting the Disabled Children's Association, as well as supporting the self-made youth award, together with supporting rehabilitation centers and charities with sterilizers produced by the Company.

Dividends distributed to shareholders of the Company during the fiscal year 2020 : -

The General Assembly of the Company's shareholders on its meeting held on 14/05/2020 approved the recommendation of the Board of Directors to distribute

- cash dividends for 2019 G, as follows:

1. The total amount to be distributed is SAR 60,000,000.
2. The number of the shares receiving dividends is (120,000,000) shares.
3. Earning per share is SAR (0.5).
4. The distribution ratio of the share nominal value is (5%).
5. The entitlement date for shareholders registered with the Securities Depository Center at the end of the second trading day after the date of the Ordinary General Assembly meeting.
6. Profits will be disbursed through Al-Rajhi Bank as of 11/06/2020 .

Recommendation by the Board:

The Board of Directors recommended that an amount of SAR (120,000,000) be distributed to shareholders for the year ended 12/31/2020 , by SAR (1) per share, representing (10%) of the Company's par value, after the approval of the Next General Assembly. The entitlement date for shareholders owning shares shall be at the end of the day on which the Company's General Assembly meeting is convened, and the entitlement date for those registered with the Company's shareholders with the Securities Depository Center shall be at the end of the second trading day after the date of the Company's Ordinary General Assembly meeting. The meeting date will subsequently be determined after obtaining the approval from the official authorities.

Declaration by the Board: -

Based on best information available to the Board in all material respects, it declares as follows: -

- The account records were properly prepared.
- The internal control system was well-founded and effectively implemented.
- There is no doubt about the Company's ability to continue its activity.

- **Auditor's opinion on the annual financial statements:**
  An unmodified opinion.

- **Recommendation by the Board of Directors to replace the auditor and reasons thereof:**
  The Board of Directors did not recommend that the auditor be replaced before the end of his prescribed term.

- **The Audit Committee Recommendations that are in conflict with resolutions of the Board of Directors, or which the board refused to take into consideration with regard to the auditor:**
  There are no recommendations in this regard.

- **Applicable and non-applicable provisions of the Corporate Governance Regulations with reasons thereof:**

The Company shall implement all provisions of the Corporate Governance Regulations issued by the Capital Market Authority with the exception of the indicative provisions below:

Number of Article/ Paragraph	Title of Article/ Paragraph	Reasons
41	Assessment	guiding article
85	Staff Incentives	guiding article
87	Social Responsibility Policy	guiding article
88	Social work initiatives	guiding article

The Board of Directors would like to commend continuous generous support made by the government of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud and his Crown Prince. Such support had a good impact on the development of the Company's manufacturing and investment process. The Board also extend their thanks to all relevant government agencies. In conclusion, the Board thank you for accepting the invitation to attend, and to commend the dedicated efforts of the Company's employees who have had a direct impact on the Company's outcomes and achievements this year.

God bestows success to all,
Board of Directors

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATIO
(SPIMACO - ADDWAEIH)

(A SAUDI JOINT STOCK COMPANY)

CONSOLIDTED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Page
INDEPENDEDNT AUDITOR'S REPORT	1 – 5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	7
CONSOLIDATED STATEMENT OF OTHER COMPREHENISVE INCOME	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONSOLIDATED STATEMENT OF CASH FLOWS	10 – 11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	12 - 66

bakertilly

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

Independent Auditor's Report

To the Shareholders of

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

(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial statement

Opinion

We have audited the consolidated financial statements of **Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH)** (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, 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, 2020, 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 Certified Public Accountants ("SOCPA").

Basis for opinion

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

Emphasis of matter regarding prior year adjustments

We draw attention to note 42 of these consolidated financial statements, which describes the adjustments in prior years due to errors. consequently, the retained earnings as at January 1, 2019, consolidated statement of financial position as at December 31, 2019 and consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended December 31, 2019, were restated to reflect the correction of these errors. Our opinion has not been modified with respect to this matter.

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.

bakertilly

Independent Auditor's Report (Continued)

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

Key audit matters (Continued)

1- Revenue recognition

Key audit matter	*How the Key audit matter was addressed in our audit*
The Group recognized revenue of SR 1,559 million for the year ended December 31, 2020 (December 31, 2019: SR 1,487 million). 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. 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.	Our audit procedures included among other: • Evaluating the appropriateness of the Group's accounting policies related to revenues, taking into consideration the requirements of the relevant international accounting standards. • Evaluate key contractual arrangements by referring to relevant documents and agreements with clients. • Evaluating the design and implementation of the group's controls, and testing their effectiveness in terms of revenue recognition, in accordance with the Group's policy. • Examining a sample of sales transactions made during the year, before and after the year end to assess whether revenue has been recognized in the proper accounting period along with supporting document. • Conducting analytical procedures and reconciliations between the various reports and examining any resulting material deviations. • Evaluate the adequacy of the Group's consolidated financial statements disclosures in line with the requirements of relevant International Financial Reporting Standards.
Refer to note 6 for the accounting policy and note 31 for related disclosures.	

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

Key audit matter	*How the Key audit matter was addressed in our audit*
Non-current assets mainly comprise property, plant and equipment and assets under construction. The total of those assets amounted to SR 1,831 million as at December 31, 2020 (December 31, 2019: SR 1,725 million). The Group assesses, at each reporting date, whether there is any indication that the asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of value in use and fair value less costs to sell. We considered recoverability of 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.	Our audit procedures included among others matters: • Assessed the assumptions and estimation applied by the management when calculating the recoverable amount of the property, plant and equipment and assets under construction, including those related to production, expected revenues, useful life of assets, commodity prices and discount rates. • Ensuring the correctness of the cash flows used in impairment assessment and matching the relevant financial information with the approved budgets. • The involvement of our valuation specialists in reviewing the main assumptions used and evaluating the appropriateness of the applied discount rate. • Assessed the management mechanism in identifying internal and external indicators of impairment and testing for impairment.
Refer to note 6 for the accounting policy and note 7 for related disclosures.	

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

Key audit matters (Continued)

3- Expected credit loss on trade receivables

Key audit matter	*How the Key audit matter was addressed in our audit*
The total balance of trade receivables amounted to SR 1,143 million as at December 31, 2020 (December 31, 2019: SR 1,117 million) against which the Group has established expected credit loss (ECL) allowances of SR 188 million as at December 31, 2020 (December 31, 2019: SR 207 million) in accordance with the requirements of IFRS 9, "Financial Instruments." Management has applied the simplified ECL approach to determine the allowance. The loss allowances for 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. We considered this a key audit matter due to the level of judgment applied and the estimates made in the ECL calculation.	Our audit procedures included, among others: • Evaluating the suitability of the Group's policy for determining the allowances for impairment with the requirements of the International Financial Reporting Standard (9) and related disclosures in the consolidated financial statements. • Evaluating the suitability of the expected credit loss model on related financial assets and its suitability to the requirements of the standard. • Obtaining an understanding of management's procedures in establishing the allowance and evaluating the design and implementation of controls in determining the ECL provision. • Verifying the main data sources and inputs used in the ECL model and evaluating the appropriateness of judgments and estimates that were used in the ECL calculation. • Obtaining the aging report for the trade receivables and making sure of its accuracy and its use in the calculation of the allowance. • We tested the mathematical accuracy of the ECL calculation. • Perform a sensitivity analysis of key assumptions such as historical loss rates and future economic factor.
Refer to note 6 for the accounting policy and note 16 for related disclosures.	

Other matter
The consolidated financial statements of the Group for the year ended December 31, 2019 were audited by another auditor who expressed a qualified opinion on the consolidated financial statements on March 31, 2020.

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

Other information included in the Group's annual report for the year 2020
The other information consists of the information included in the Group's annual report for the year 2020, 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 2020 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. We have nothing to report in this regard.

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 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 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.

bakertilly

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 significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Baker Tilly MKM & Co.
Certified Public Accountants

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

Riyadh on Sha'ban 10, 1442H
Corresponding to March 22, 2021G

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(SAUDI RIYALS)

	Note	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
ASSETS				
Non-current assets:				
Property, plant and equipment	7	1,138,663,891	999,831,023	723,983,952
Assets under construction	8	692,066,130	725,419,777	744,242,074
Intangible assets	9	63,257,900	80,679,510	103,193,379
Right of use assets	10	16,337,884	12,031,632	-
Investments at fair value through OCI	11	-	816,244,163	873,905,333
Investments in associates and joint venture	12	80,409,122	74,203,001	70,426,756
Deferred tax assets	13	17,503,656	23,724,209	16,301,282
Goodwill	14	-	-	137,698,760
Total Non-Current Assets		2,008,238,583	2,732,133,315	2,669,751,536
Current assets:				
Inventories	15	458,060,227	409,532,458	480,888,872
Trade and other receivables	16	1,015,854,118	965,663,211	1,132,893,878
Investments at fair value through OCI	11	128,990,471	-	-
Investments at fair value through profit or loss	17	614,561,295	27,832,013	13,105,159
Prepaid expenses and other assets	18	123,004,616	141,384,618	206,321,825
Cash and cash equivalents	19	331,073,337	378,972,848	267,300,520
Total current assets		2,671,544,064	1,923,385,148	2,100,510,254
Assets from discontinued operations	20	3,007,889	-	-
TOTAL ASSETS		4,682,790,536	4,655,518,463	4,770,261,790
EQUITY AND LIABILITIES				
EQUITY				
Share capital	21	1,200,000,000	1,200,000,000	1,200,000,000
Statutory reserve	22	360,684,866	360,684,866	360,684,866
General reserve		150,000,000	150,000,000	150,000,000
Consensual reserve	22	41,751,842	96,274,794	96,274,794
Fair value reserve	22	57,649,689	443,132,021	474,343,191
Foreign currency translation reserve		(6,606,020)	(20,554,196)	(23,050,875)
Retained earnings / (Accumulated losses)		112,052,824	(285,996,185)	295,483,484
Equity attributable to the owners of the parent:		1,915,533,201	1,943,541,300	2,553,735,460
Non-controlling interest	23	155,429,857	170,585,695	202,382,161
TOTAL EQUITY		2,070,963,058	2,114,126,995	2,756,117,621
Non-current liabilities:				
Loans and borrowings	24	649,071,182	663,858,141	479,117,977
Lease liabilities	10	12,712,912	7,965,544	-
Employees' end of service benefit obligations	25	310,678,933	311,450,683	297,211,448
Deferred income	26	40,114,187	40,642,215	17,796,616
Contract liabilities	27	27,576,174	17,500,202	4,291,224
Total Non-Current Liabilities		1,040,153,388	1,041,416,785	798,417,265
Current liabilities:				
Loans and borrowings	24	686,534,743	534,264,394	539,347,332
Provision for financial guarantees	28	108,231,183	108,530,430	-
Lease liabilities	10	3,315,437	3,692,015	-
Zakat and income tax payable	29	39,657,892	37,122,426	67,396,217
Trade payable and other liabilities	30	471,825,928	572,968,812	415,368,016
Dividends payable		155,603,299	154,578,580	152,705,449
Contract liabilities	27	102,322,611	88,818,026	40,909,890
		1,567,491,093	1,499,974,683	1,215,726,904
liabilities from discontinued operations	20	4,182,997	-	-
Total Liabilities		2,611,827,478	2,541,391,468	2,014,144,169
TOTAL EQUITY AND LIABILITIES		4,682,790,536	4,655,518,463	4,770,261,790

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

Chief Financial Officer | **Chief Executive Officer** | **Chairman**

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SAUDI RIYALS)

	Note	2020	2019 (Restated)
Revenue	31	**1,559,477,028**	1,486,845,888
Cost of revenue		**(867,659,085)**	(989,209,382)
Gross profit		**691,817,943**	497,636,506
Selling and marketing expenses	32	**(320,184,826)**	(354,096,331)
General and administrative expenses	33	**(207,084,872)**	(210,141,433)
Research and development expenses	34	**(20,413,140)**	(13,501,723)
Impairment loss on trade receivables	16	**(1,475,224)**	(95,737,680)
Impairment loss of goodwill	14	-	(137,698,760)
Other income (expenses) - net	35	**10,514,696**	20,262,645
Operating profit / (loss)		**153,174,577**	(293,276,776)
Financial guarantee expenses		**299,247**	(108,530,431)
Finance cost	36	**(44,233,610)**	(53,643,173)
Gains from investments at fair value through profit or loss	17	**3,518,190**	726,854
Dividends income from investees	37	**7,002,450**	21,007,350
Profit/(loss) from investments in associates and joint venture	12	**38,212,917**	(14,260,768)
Profit / (loss) before zakat and income tax		**157,973,771**	(447,976,944)
Zakat and income tax	29	**(43,896,566)**	(29,936,135)
Net profit / (loss) for the year before discontinued operations		**114,077,205**	(477,913,079)
Discontinued operations			
Loss from discontinued operations	20	**(4,536,238)**	(6,124,977)
Net profit / (loss) for the year		**109,540,967**	(484,038,056)
Attributable to:			
Shareholders of the Parent Company		**124,787,295**	(439,741,550)
Non-controlling interests	23	**(15,246,328)**	(44,296,506)
		109,540,967	(484,038,056)
Earnings per share	38		
Basic & diluted		**1.04**	(3.66)

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

Chief Financial Officer | Chief Executive Officer | Chairman

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(SAUDI RIYALS)

	Note	2020	2019 (Restated)
Net profit / (loss) for the year		**109,540,967**	(484,038,056)
Items that may be reclassified to profit or loss subsequently:			
Foreign currency translation differences		**13,948,176**	2,496,679
Items that will not be reclassified to profit or loss subsequently:			
Change from revaluation of the investments at FVOCI	22	**(107,760,385)**	(34,725,003)
Impairment in fair value of investments at FVOCI	11	-	(16,500,000)
Actuarial (loss) / gain on employees' end of service benefits	25	**1,657,640**	(2,009,251)
Share of other comprehensive income in equity-accounted associates and joint venture	12	**(550,335)**	280,326
Total other comprehensive loss for the year		**(92,704,904)**	(50,457,249)
Total comprehensive income / (loss) for the year		**16,836,063**	(534,495,305)
Attributable to:			
Shareholders of the Parent Company		**31,991,901**	(490,194,160)
Non-controlling interests		**(15,155,838)**	(44,301,145)
		16,836,063	(534,495,305)

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

Chief Financial Officer | Chief Executive Officer | Chairman

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(SAUDI RIYALS)

	Share capital	Statutory reserve	General reserve	Consensual reserve	Fair value reserve	Foreign currency translation reserve	(Accumulated losses) / Retained Earnings	Total Equity attributable to the shareholders	Non-controlling interests	Total equity
Balance as at January 1, 2019 (Restated)	1,200,000,000	360,684,866	150,000,000	96,274,794	474,343,191	(23,050,875)	295,483,484	2,553,735,460	202,382,161	2,756,117,621
Net loss for the year (Restated)	-	-	-	-	-	-	(439,741,550)	(439,741,550)	(44,296,506)	(484,038,056)
Other comprehensive loss for the year	-	-	-	-	(34,725,003)	2,496,679	(18,224,286)	(50,452,610)	(4,639)	(50,457,249)
Total comprehensive Loss (Restated)					(34,725,003)	2,496,679	(457,965,836)	(490,194,160)	(44,301,145)	(534,495,305)
Disposal of investments at FVOCI	-	-	-	-	3,513,833	-	(3,513,833)	-	-	-
Dividends	-	-	-	-	-	-	(120,000,000)	(120,000,000)	-	(120,000,000)
Changes in non-controlling interest	-	-	-	-	-	-	-	-	12,504,679	12,504,679
Balance as at 31 December 2019 (Restated)	1,200,000,000	360,684,866	150,000,000	96,274,794	443,132,021	(20,554,196)	(285,996,185)	1,943,541,300	170,585,695	2,114,126,995
Profit for the year	-	-	-	-	-	-	**124,787,295**	**124,787,295**	**(15,246,328)**	**109,540,967**
Other comprehensive loss	-	-	-	-	**(107,760,385)**	**13,948,176**	**1,016,815**	**(92,795,394)**	**90,490**	**(92,704,904)**
Total comprehensive Income					**(107,760,385)**	**13,948,176**	**125,804,110**	**31,991,901**	**(15,155,838)**	**16,836,063**
Transfer from fair value reserve due to disposal of investments in fair value through FVOCI	-	-	-	-	**(277,721,947)**	-	**277,721,947**	-	-	-
Transfer to consensual reserve	-	-	-	**5,477,048**	-	-	**(5,477,048)**	-	-	-
Dividends	-	-	-	**(60,000,000)**	-	-	-	**(60,000,000)**	-	**(60,000,000)**
Balance as at 31 December 2020	**1,200,000,000**	**360,684,866**	**150,000,000**	**41,751,842**	**57,649,689**	**(6,606,020)**	**112,052,824**	**1,915,533,201**	**155,429,857**	**2,070,963,058**

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

Chief Financial Officer **Chief Executive Officer** **Chairman**

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SAUDI RIYALS)

	2020	2019 (Restated)
Cash flows from operating activities:		
Profit / (loss) before zakat and income tax	157,973,771	(447,976,944)
Loss from discontinued operations before zakat	(2,865,889)	(4,382,752)
	155,107,882	(452,359,696)
Adjustments to reconcile (loss) / profit before zakat and tax to net cash flow:		
Depreciation of property, plant and equipment	57,718,375	68,045,873
Depreciation on right of use assets	3,906,728	6,160,330
Amortization of intangible assets	25,793,589	27,667,177
Dividend income on investments	(7,002,450)	(21,007,350)
Intangible assets written off	2,388,460	2,511,834
Share of (gain) / loss from equity-accounted associate and joint venture	(38,212,917)	14,260,768
Gain on disposal of property, plant and equipment	-	(2,038,217)
Provision for sales/services discounts and returns	23,580,557	61,117,114
Provision for slow-moving inventories or nearly expired	(4,180,898)	19,071,008
Profit on investments – FVPL	(3,518,190)	(726,854)
Impairment of goodwill	-	137,698,760
Impairment loss on trade receivables	1,475,224	95,737,680
End of service benefits cost incurred	32,334,240	35,484,453
Amortization of deferred income	(3,210,270)	(2,037,206)
(reversal) / Provision of financial guarantees	(299,247)	108,530,430
Finance cost	44,233,610	53,643,173
	290,114,693	151,759,277
Working capital changes:		
Trade and other receivables	(51,666,131)	58,284,009
Inventories	(44,346,871)	52,285,406
Prepayments and other assets	18,380,002	64,937,207
		157,600,797
Trade payable and other liabilities	(105,852,876)	
Cash generated from operating activities	106,628,817	484,866,696
Finance cost paid	(26,731,311)	(34,090,266)
Zakat and income tax paid	(30,079,843)	(61,880,955)
Employees' end of service benefit obligations paid	(40,081,984)	(36,572,672)
Net cash generated from operating activities	9,735,679	352,322,803

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

Chief Financial Officer **Chief Executive Officer** **Chairman**

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SAUDI RIYALS)

	2020	2019 (Restated)
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(49,826,410)**	(40,634,064)
Additions to right of use asset	**(8,212,980)**	(18,191,962)
Net changes in assets under construction	**(114,926,330)**	(285,682,318)
Additions to intangible assets	**(10,395,244)**	(7,631,845)
Proceeds from disposal of property, plant, and equipment	**2,033,161**	-
Dividend income from joint venture	**33,586,443**	19,147,249
Additional investment made in equity-accounted associate and joint venture	**(2,129,982)**	(36,903,936)
Addition made to Investment through FVPL	**(593,211,092)**	(20,000,000)
Proceeds from sale of investment through FVPL	**10,000,000**	6,000,000
Dividend received on investments	**7,002,450**	21,007,350
Proceeds from sale of investments	**579,493,307**	6,436,167
Net cash used in investing activities	**(146,586,677)**	(356,453,359)
Cash flows from financing activities:		
Net changes in loans and borrowings	**131,557,198**	184,904,231
Additions to lease liabilities	**7,991,143**	16,904,564
Lease liabilities obligation	**(4,400,890)**	(10,494,010)
Dividends paid	**(58,975,281)**	(118,126,869)
Changes in non-controlling interest	**-**	12,504,679
Changes in contract liabilities	**-**	13,208,978
Government grant received	**2,682,242**	22,845,599
Net cash flows generated from financing activities	**78,854,412**	121,747,172
Net changes in cash and cash equivalents during the year	**(57,996,586)**	117,616,616
Cash and cash equivalents at the beginning of the year	**378,972,848**	267,300,520
Foreign exchange translation	**13,104,964**	(5,944,288)
Cash and cash equivalents at the end of the year	**334,081,226**	378,972,848
Non-cash transactions		
Transfers from assets under construction to property, plant and equipment	**148,133,016**	304,323,756
Addition to right of use assets	**(8,212,979)**	(18,191,962)
Change from revaluation of investments at FVOCI	**(107,760,385)**	(34,725,003)

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

Chief Financial Officer | **Chief Executive Officer** | **Chairman**

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, 2020
(SAUDI RIYALS)

1. ORGANAIZATION AND ACTIVITY

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

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

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

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

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

1.1 Subsidiaries

Name of subsidiary	Principal activities	Country of incorporation	Percentage of ownership December 31, 2020	December 31, 2019	January 1, 2019
ARAC Healthcare Company (ARAC)	Pharmaceutical products distributor	Saudi Arabia	**100%**	100%	100%
Pharmaceutical Industries Company for Distribution (*)	Pharmaceutical products distributor	Saudi Arabia	**100%**	100%	100%
ARACOM Medical Company	Pharmaceutical products distributor	Saudi Arabia	**100%**	100%	100%
AL-WATAN Arabian Pharmaceutical Industries (**)	Pharmaceutical manufacturer	Saudi Arabia	**100%**	100%	100%
ANORA Trading Company	Pharmacy - retail	Saudi Arabia	**99%**	99%	99%
Dammam Pharmaceutical Company	Pharmaceutical manufacturer	Saudi Arabia	**85%**	85%	85%
Qassim Medical Service Company	Healthcare services provider	Saudi Arabia	**57.2%**	57.2%	57.2%
SPIMACO Saudi Foundation – Algeria	Pharmaceutical products distributor	Algeria	**100%**	100%	100%
SPIMACO Misr Company for Marketing (*)	Pharmaceutical products marketing	Egypt	**100%**	100%	100%
SPIMACO Misr Company for Distribution (*)	Pharmaceutical products distributor	Egypt	**100%**	100%	100%
SPIMACO Egypt Company	Pharmaceutical products distributor	Egypt	**100%**	100%	100%
SPIMACO Misr for Pharmaceutical industries	Pharmaceutical manufacturer	Egypt	**51.6%**	51.6%	51.6%
SPIMACO Morocco for Pharmaceutical Industries	Pharmaceutical manufacturer	Morocco	**70.6%**	70.6%	62.7%
SPIMACO ILAJ (*)	Pharmaceutical products distributor	Turkey	**100%**	100%	100%

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

1. ORGANAIZATION AND ACTIVITY (CONTINUED)

1.1 Subsidiaries (Continued)

(**) The Saudi Pharmaceutical Industries and Medical Appliances Corporation, in accordance with the partners' decision that took place on September 16, 2020 in AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") (a subsidiary Limited Liability Company), to voluntarily liquidate and appointed a legal liquidator for the Company in accordance with the Article 205 of the Saudi Company's laws and granting him all the necessary powers to complete the liquidation process. It was previously announced on Tadawul website on Rajab 5, 1439H corresponding to March 22, 2018 that the share capital of Watan Pharma will be increased from SR 100 million to SR 150 million for the purpose of increasing the company's activities and joining of a third partner. However, the procedures for increasing the share capital in the Ministry of Commerce were not completed due to the inability to completely provide the regulatory documents related to joining of the third partner. SPIMACO will produce some of the subsidiary's products from the Corporation's factory in Al Qassim and there is no financial impact from the liquidation of Al-Watan Pharma since the Company did not start its commercial activity, does not have capital projects, and its financial results for the previous years have been reflected in the consolidated financial statements of the Group. The Group stopped consolidating the financial statements of AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") in accordance with what is stated in Note (20) to these consolidated financial statements.

1.2 Associates and joint venture

Name	Principal activities	Country of incorporation	Percentage of ownership% December 31, 2020	December 31, 2019	January 1, 2019
Arabian Medical Products Manufacturing Company (ENAYAH)	Manufacturing of healthcare products	Saudi Arabia	**51%**	51%	51%
CAD Middle East Pharmaceutical Company	Active Pharmaceutical Ingredients manufacturing	Saudi Arabia	**46.08%**	46.08%	46.08%
Tassili Arab Pharmaceutical Company – TAPHCO Algeria	Pharmaceutical manufacturer	Algeria	**22%**	22%	22%

2. STATEMENT OF COMPLIANCE WITH IFRS

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

3. 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.

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, 2020
(SAUDI RIYALS)

3. BASIS OF PREPARATION (CONTINUED)

3.1 Overall considerations (Continued)

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

- Trade receivables at amortised cost;
- Financial instruments - FVOCI;
- Financial instruments - 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, set out in Note (1-1) till the December 31 from each year.

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.

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. BASIS OF PREPARATION (CONTINUED)

3.4 Business combination and goodwill

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.

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. In the subsequent period recognition and initial measurement, the goodwill is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units. If the recoverable amount of the cash-generating unit is less than the unit's carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to other assets. Goodwill is not reversed in subsequent periods.

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.

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).

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, 2020
(SAUDI RIYALS)

4. USE OF JUDGEMENT AND ESTIMATES (CONTINUED)

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 commission 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, 2020 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.

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.

Incremental borrowing rate used to measure lease liabilities

The determination of the incremental borrowing rate used to measure lease liabilities.

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.

4. USE OF JUDGEMENT AND ESTIMATES (CONTINUED)

B- Assumptions and estimation uncertainties (Continued)

Estimate of Zakat, current and deferred income taxes (Continued)

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.

5. APPLICATION OF NEW AND REVISED IFRS'S

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2020, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Revised 'Conceptual Framework for Financial Reporting'.
- Amendments to IFRS 3 Business Combinations to clarify the definition of a business.
- Amendments to IFRS 7 Financial Instruments; Disclosures and IFRS 9 Financial Instruments regarding pre-replacement issues in the context of the IBOR reform.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding the definition of material.
- Amendments to IFRS 16 Leases provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

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, 2020
(SAUDI RIYALS)

5. APPLICATION OF NEW AND REVISED IFRS'S

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:

New and revised IFRSs	**Effective for annual periods beginning on or after**
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 2023
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
Amendments IFRS 3 *Business Combination* updating a reference to the Conceptual Framework	1 January 2022
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	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* regarding the costs to include when assessing whether a contract is onerous	1 January 2022
Amendments to IFRS 4 *Insurance Contracts*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments* and IFRS 16 *Leases* regarding replacement issues in the context of the IBOR reform	1 January 2021
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022

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.

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".

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation, and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. All other repair and maintenance costs are recognized in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Subsequent expenditure

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

Depreciation

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

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

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

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

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

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

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

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

Right of use assets

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

Investments in fair value through other comprehensive income

The Group has several strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets.

They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserves. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of profit or loss.

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

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.B for impairment of financial assets of these financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Foreign currency translation reserve

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

Dividend payments

The Group recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the Companies Regulations, a distribution is authorized when it is approved by the shareholders.
Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.
Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in profit or loss.

Borrowings and murabaha financing

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

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:

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined benefit plan (Continued)

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

Other long-term 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 and accounted for both grant and asset at that fair value.

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

Provisions and contingent liabilities

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

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

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat and income tax

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

Current tax

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

Deferred tax

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

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

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

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

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

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

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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Product revenue

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

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

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

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

Contract manufacturing services revenue

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

Distribution services revenue

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

Principal versus Agent considerations

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

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

Rendering of clinical services

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend income

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

Rental income

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

Finance income and finance costs

The Group's finance income and finance costs include:

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

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

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

Cost of revenue

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

Selling, marketing, general and administrative expenses

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

Research and development cost

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

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment testing of non-financial assets (Continued)

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

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

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

Financial Instruments

A- Financial assets

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

Investment at fair value through profit or loss

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

Amortized cost

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

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

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

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, 2020
(SAUDI RIYALS)

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

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:

Investment at fair value through profit or loss

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

Other financial liabilities

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

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

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, 2020
(SAUDI RIYALS)

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and Machinery	Furniture and fixtures	Office equipment and computers	Vehicles	Total
COST :							
As at January 1, 2019	122,040,598	476,977,356	676,101,362	160,516,564	32,223,496	19,114,195	1,486,973,571
Additions during the year	-	18,665,716	12,837,917	4,508,154	2,010,880	2,611,397	40,634,064
Transferred from assets under construction (note 8)	-	201,699,505	92,894,904	7,819,380	1,351,635	558,332	304,323,756
Disposals	-	(1,287,079)	(16,804,248)	(179,018)	(52,280)	(521,371)	(18,843,996)
Effect of foreign currency translation	5,621	216,373	(546,109)	7,085	257,891	(39,191)	(98,330)
As at December 31, 2019	122,046,219	696,271,871	764,483,826	172,672,165	35,791,622	21,723,362	1,812,989,065
Additions during the year	-	**15,492,585**	**29,079,563**	**2,536,923**	**1,836,387**	**880,952**	**49,826,410**
Transferred from assets under construction (note 8)	-	**65,867,001**	**75,874,608**	**5,509,628**	**881,779**	-	**148,133,016**
Disposals	-	**(1,136,000)**	**(4,098,650)**	**(1,065,040)**	**(6,881)**	**(3,110,922)**	**(9,417,493)**
Effect of foreign currency translation	**228,058**	**465,439**	**874,184**	**(296,726)**	**320,187**	**14,129**	**1,605,271**
As at December 31, 2020	**122,274,277**	**776,960,896**	**866,213,531**	**179,356,950**	**38,823,094**	**19,507,521**	**2,003,136,269**
ACCUMULATED DEPRECIATION :							
As at January 1, 2019	-	204,195,468	410,480,631	109,421,305	24,743,587	14,148,628	762,989,619
Charge for the year	-	13,352,944	39,477,663	8,277,510	4,409,085	2,528,671	68,045,873
Disposals	-	(1,287,079)	(16,425,526)	(104,569)	(21,146)	(366,163)	(18,204,483)
Effect of foreign currency translation	-	27,382	33,951	2,176	261,070	2,454	327,033
As at December 31, 2019	-	216,288,715	433,566,719	117,596,422	29,392,596	16,313,590	813,158,042
Charge for the year	-	**17,615,731**	**26,887,418**	**7,941,073**	**3,157,652**	**2,116,501**	**57,718,375**
Disposals	-	-	**(4,098,650)**	**(1,043,216)**	**(313)**	**(2,242,153)**	**(7,384,332)**
Effect of foreign currency translation	-	**226,862**	**748,505**	**(299,941)**	**300,480**	**4,387**	**980,293**
As December 31, 2020	-	**234,131,308**	**457,103,992**	**124,194,338**	**32,850,415**	**16,192,325**	**864,472,378**
NET BOOK VALUE :							
December 31, 2020	**122,274,277**	**542,829,588**	**409,109,539**	**55,162,612**	**5,972,679**	**3,315,196**	**1,138,663,891**
December 31, 2019	122,046,219	479,983,156	330,917,107	55,075,743	6,399,026	5,409,772	999,831,023
January 1, 2019	122,040,598	272,781,888	265,620,731	51,095,259	7,479,909	4,965,567	723,983,952

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

Management determined that there is no impairment in the carrying amount of the Group's property, plant and equipment as at December 31, 2020 (December 31, 2019: SR nil and January 1, 2019: SR nil).

8. ASSETS UNDER CONSTRUCTION

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Property, plant and equipment	**672,488,298**	708,227,746	736,505,603
Intangible assets	**19,577,832**	17,192,031	7,736,471
	692,066,130	725,419,777	744,242,074

Movement of assets under construction

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Opening balance	**725,419,777**	744,242,074	513,840,564
Additions during the year	**134,562,667**	285,682,318	203,587,929
Reclassified from property, plant and equipment	-	-	26,813,581
Transfer to property, plant and equipment (Refer note 7)	**(148,133,016)**	(304,323,756)	-
Disposals	**(19,636,337)**		-
Effect of foreign currencies translation	**(146,961)**	(180,859)	-
Closing balance	**692,066,130**	725,419,777	744,242,074

Movement of assets under construction- Intangible assets

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Opening balance	**17,192,031**	7,736,471	-
Additions during the year	**2,385,801**	9,455,560	7,736,471
Closing balance	**19,577,832**	17,192,031	7,736,471

9. INTANGIBLE ASSETS

	Brand name, list of clients, and technologies	**Licenses**	**Programs**	**Total**
Cost:				
As at January 1, 2019	**144,394,454**	86,719,531	32,137,206	263,251,191
Additions during the year	-	7,631,845	-	7,631,845
Disposals	-	(72,546,732)	(475,715)	(73,022,447)
Effect of foreign currency translation	-	-	33,297	33,297
As at December 31, 2019	**144,394,454**	21,804,644	31,694,788	197,893,886
Additions during the year	-	**216,007**	**10,179,237**	**10,395,244**
Disposals	-	**(20,196,341)**	**(2,438,063)**	**(22,634,404)**
Effect of foreign currency translation	-	-	**365,195**	**365,195**
As at December 31, 2020	**144,394,454**	**1,824,310**	**39,801,157**	**186,019,921**
Accumulated amortization and impairment:				
As at January 1, 2019	58,460,583	86,273,756	15,323,473	160,057,812
Charge for the year	20,707,501	341,443	6,618,233	27,667,177
Written off	-	(66,562,016)	(3,948,597)	(70,510,613)
As at December 31, 2019	79,168,084	20,053,183	17,993,109	117,214,376
Charge for the year	**20,707,501**	**417,746**	**4,668,342**	**25,793,589**
Written off	-	**(20,196,341)**	**(49,603)**	**(20,245,944)**
Net book value	**99,875,585**	**274,588**	**22,611,848**	**122,762,021**
As at December 31, 2020	**44,518,869**	**1,549,722**	**17,189,309**	**63,257,900**
As at December 31, 2019	65,226,370	1,751,461	13,701,679	80,679,510
As at January 1, 2019	85,933,871	445,775	16,813,733	103,193,379

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, 2020
(SAUDI RIYALS)

10. RIGHT OF USE ASSETS AND LEASE LIABILITY

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

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

The following is the net book value for right of use assets and lease liability of the group and transactions during the year 2019:

	Right of use	Lease liability
As at January 1, 2019	18,191,962	16,904,564
Depreciation	(6,160,330)	-
Interest expense	-	5,247,005
Payments / Accrued	-	(10,494,010)
December 31, 2019	12,031,632	11,657,559
Current portion		(3,692,015)
Non-current portion		7,965,544

11. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Opening balance	**816,244,163**	873,905,333	1,023,354,665
Changes in fair value during the year	**(385,679,425)**	(51,225,003)	44,921,234
Disposals during the year	**(301,574,267)**	(6,436,167)	(194,370,566)
Closing balance	**128,990,471**	816,244,163	873,905,333
Current portion	**128,990,471**	-	-
Non-current portion	-	816,244,163	873,905,333

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, 2020
(SAUDI RIYALS)

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

Portfolio of equity investments through FVOCI

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Cost			
National Industrialization Company (TASNEE)	**71,340,782**	265,741,242	265,741,242
Arabian Industrial Fibers Company (IBN RUSHD)	-	-	16,500,000
Saudi Industrial Investment Group (SIIG)	-	107,370,900	107,370,900
	71,340,782	373,112,142	389,612,142
Mutual fund			
Investment in mutual fund - Riyadh Equity Fund 2	-	-	9,950,000
	71,340,782	373,112,142	399,562,142
Unrealized gain on investments	**57,649,689**	443,132,021	474,343,191
	128,990,471	816,244,163	873,905,333

On disposal of equity investments measured at FVOCI, the accumulated fair value reserve of disposed of investments is reclassified from the fair value reserve to retained earnings. Investment in a equity share of TASNEE & SIIG with a fair value were disposed of during the year and the cumulative gain on these investment were SR. 277.7 million. (December 31, 2019: cumulative loss SR 3.53 million).

12. INVESTMENTS IN EQUITY AND JOINT VENTURES

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint Venture	**80,409,122**	73,983,918	68,757,962
Tassili Arab Pharmaceutical Company (TAPHCO) Algeria –Associate	-	219,083	1,668,794
	80,409,122	74,203,001	70,426,756

The movement of the investments is as follows:

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Opening balance	**74,203,001**	70,426,756	65,268,211
Additions during the year	**2,129,982**	36,903,936	20,708,370
Dividends	**(33,586,443)**	(19,147,249)	(8,922,770)
Share of profit / (loss) during the year	**38,212,917**	(14,260,768)	(6,402,607)
Share of OCI during the year	**(550,335)**	280,326	(224,448)
Closing balance	**80,409,122**	74,203,001	70,426,756

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, 2020
(SAUDI RIYALS)

15. INVENTORIES

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Raw materials	**156,122,511**	140,515,295	167,705,160
Work in progress	**21,286,703**	21,023,610	48,044,912
Finished goods	**272,962,035**	226,380,399	245,826,802
Goods in transit	**10,428,131**	27,939,605	8,333,657
Stores and spares	**21,717,341**	22,310,941	20,544,725
	482,516,721	438,169,850	490,455,256
Less: Provision for slow-moving and near expiry	**(24,456,494)**	(28,637,392)	(9,566,384)
	458,060,227	409,532,458	480,888,872

Movement of provision for slow-moving and near expiry inventories

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Opening balance	**28,637,392**	9,566,384	500,000
Provision for the year	**(4,180,898)**	19,071,008	9,066,384
Closing balance	**24,456,494**	28,637,392	9,566,384

16. TRADE AND OTHER RECEIVABLES

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Trade receivables	**1,142,747,011**	1,116,772,282	1,165,157,757
Less: Impairment loss	**(188,310,642)**	(207,075,132)	(111,337,452)
	954,436,369	909,697,150	1,053,820,305
Due from associates and joint venture (note 39)	**61,417,749**	55,966,061	79,073,573
	1,015,854,118	965,663,211	1,132,893,878

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

	December 31, 2020	December 31, 2019	January 1, 2019
Up to 3 months	**367,494,335**	423,175,555	311,169,876
3 to 6 months	**60,772,220**	139,316,174	332,078,796
6 to 12 months	**301,773,036**	333,876,208	217,848,220
Over 1 year	**412,707,420**	220,404,345	304,060,865
	1,142,747,011	1,116,772,282	1,165,157,757

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Impairment loss movement of trade receivables:

	Specific impairment	Impairment loss	Total
Balance as at January 1, 2019	30,248,416	81,089,036	111,337,452
Impairment loss for the year	11,947,540	83,790,140	95,737,680
Balance as at December 31, 2019	42,195,956	164,879,176	207,075,132
Impairment loss for the year	-	1,475,224	1,475,224
Reversal of impairment for the year	-	(20,239,714)	(20,239,714)
Balance as at December 31, 2020	42,195,956	146,114,686	188,310,642

17. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2020	December 31, 2019 (Restated)
Opening balance	**27,832,013**	13,105,159
Additions during the year	**593,211,092**	20,000,000
Profit for the year	**3,518,190**	726,854
Disposals during the year	**(10,000,000)**	(6,000,000)
Closing balance	**614,561,295**	27,832,013

18. PREPAYMENTS AND OTHER ASSETS

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
VAT refundable	**36,609,694**	1,995,780	6,569,447
Advances to suppliers	**31,407,628**	66,736,074	77,736,704
Due from employees	**18,815,438**	38,258,659	40,322,829
Prepaid insurance and other expenses	**18,601,655**	15,466,897	42,847,509
Due from distributors and agents	**12,117,471**	3,572,078	3,554,357
Zakat and income tax advance payment	**1,110,276**	190,850	18,868,553
Dividends	-	10,503,675	10,503,675
Others	**4,342,454**	4,660,605	5,918,751
	123,004,616	141,384,618	206,321,825

* 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 end of service contract.

19. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Cash in hand	**174,587**	107,635	1,820,439
Cash at banks	**219,713,173**	255,225,588	167,134,444
Short term deposits *	**111,185,577**	123,639,625	98,345,637
	331,073,337	378,972,848	267,300,520

* This represents short term Murabaha deposits held with various banks with profit margin ranging from 0.15% to 1.9% (December 31, 2019: 1.5% to 1.9% and January 1, 2019: 1.5%) with a maturity of less than 3 months.

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, 2020
(SAUDI RIYALS)

19. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Total cash and cash equivalents	**331,073,337**	378,972,848	267,300,520
cash and cash equivalents from discontinued operations	**3,007,889**	-	-
	334,081,226	378,972,848	267,300,520

20. DISCONTINUED OPERATIONS

The Saudi Pharmaceutical Industries and Medical Appliances Corporation, in accordance with the partners' decision that took place on September 16, 2020 in AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") (a subsidiary Limited Liability Company), to voluntarily liquidate and appointed a legal liquidator for the Company in accordance with the Article 205 of the Saudi Company's laws and granting him all the necessary powers to complete the liquidation process. Accordingly, the Group has not affects this subsidiary in its consolidated financial statements. Hence, AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") was classified as a discontinued operation in the previous period. The results of the operations of AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") for the current and previous period have been presented in the consolidated statement of profit or loss as follows:

	December 31, 2020	December 31, 2019
Revenue	-	1,032,928
Cost of revenue	-	(860,773)
Gross profit	-	172,155
General and administrative expenses	**(2,986,094)**	(4,745,528)
Research and development expenses	-	(1,032,051)
Operating profit / (loss)	**(2,986,094)**	(5,605,424)
Term deposit income	**120,205**	1,222,672
Loss before zakat	**(2,865,889)**	(4,382,752)
Zakat	**(1,670,349)**	(1,742,225)
Net loss for the year from discontinued operations	**(4,536,238)**	(6,124,977)

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

	December 31, 2020
Assets	
Cash and cash equivalents	**3,007,889**
Assets from discontinued operation	**3,007,889**
Liabilities	
Accrued expenses	**161,219**
Zakat provision	**1,859,842**
Employees' end of service benefits	**2,161,936**
Non-current portion	**4,182,997**

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, 2020
(SAUDI RIYALS)

20. DISCONTINUED OPERATIONS(CONTINUED)

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

	December 31, 2020	December 31, 2019
Operating activities	(28,954,392)	31,703,407
Investing activities	-	(55,074)
Financing activities	-	(50,000,000)
Net changes in cash and cash equivalents during the period	(28,954,392)	(18,351,667)

Earnings per share

Basic & diluted	(0.04)	(0.05)

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

21. SHARE CAPITAL

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Share capital issued and fully paid @ SR 10 each	1,200,000,000	1,200,000,000	1,200,000,000

Percentage of shareholding

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Saudi Shareholding	79.51%	79.51%	79.51%
Non-Saudi Shareholding-Arab Company for Drug Industries and Medical Appliances - Jordan	20.49%	20.49%	20.49%

22. FAIR VALUE RESERVE

22.1 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%.

22.2 CONSENSUAL RESERVE

In accordance with the provisions of the Company's Articles of Association, it transfers 5% of the net annual income to the consensual reserve until this reserve reaches 25% of the Capital. The General Assembly shall determine the purposes for the use of this reserve. The board of directors of the company recommended in its meeting held on March 31, 2020, to distribute cash dividends to the shareholders of the company for the year ended on December 31, 2019 amounting to SR 60,000,000. This recommendation was approved by the company's general assembly convened on May 14, 2020. Dividends were credited to the consensual reserve account due to the unavailability of retained earnings.

22.3 FAIR VALUE RESERVE

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

	December 31, 2020	December 31, 2019 (Restated)
Opening balance	443,132,021	474,343,191
Changes of fair value during the year	(107,760,385)	(34,725,003)
Transferred to retained earnings on disposal	(277,721,947)	3,513,833
Closing balance	57,649,689	443,132,021

22.4 Dividends

During year 2020, based on the approval of the general assembly of the company to distribute dividends amounting to SR 60,000,000. (2019: SR 120,000,000).

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, 2020
(SAUDI RIYALS)

23. NON-CONTROLLING INTERESTS (NCI)

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

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

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, 2020
(SAUDI RIYALS)

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

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

December 31, 2019 (Restated)	Dammam pharmaceutical Company	Qassim medical services Company	Anora Pharmacy Company	SPIMACO Egypt for Pharmaceuticals	SPIMACO Morocco for Pharmaceuticals	Total
NCI percentage	15%	42.8%	1%	48.4%	29.4%	
Non-current assets	254,346,968	203,646,849	2,230,708	72,275,528	153,663,185	686,163,238
Current assets	69,273,615	67,626,857	2,499,751	12,300,718	52,113,533	203,814,474
Non-current liabilities	(89,670,667)	(31,039,272)	(2,714,701)	(11,344,269)	(48,988,644)	(183,757,553)
Current liabilities	(86,029,889)	(22,402,010)	(3,967,317)	(22,621,563)	(51,898,105)	(186,918,884)
Net assets	147,920,027	217,832,424	(1,951,559)	50,610,414	104,889,969	519,301,275
Net assets attributable to NCI	22,188,004	93,166,928	(19,516)	24,465,074	30,785,205	170,585,695
Revenue	17,726,229	77,867,940	2,746,489	7,939,126	-	106,279,784
Profit / (loss)	(74,672,253)	(11,718,238)	1,103,972	(29,000,327)	(47,865,728)	(162,152,574)
Other comprehensive income /(loss)	(322,572)	102,274	-	-	-	(220,298)
Total comprehensive income / (loss)	(74,994,825)	(11,615,964)	1,103,972	(29,000,327)	(47,865,728)	(162,372,872)
Profit allocated to NCI	(11,200,839)	(5,011,893)	(16,425)	(14,018,758)	(14,048,591)	(44,296,506)
Other comprehensive income / (loss) allocated to NCI	(48,386)	43,747	-	-	-	(4,639)
Cash flows from operating activities	(8,902,592)	35,669,230	2,534,335	(28,901,133)	(45,781,840)	(45,382,000)
Cash flows from investment activities	(20,080,718)	(24,698,253)	(2,518,043)	(17,909,957)	(71,978,526)	(137,185,497)
Cash flows from financing activities	60,266,439	(1,474,483)	-	33,753,865	48,929,033	141,474,854
Net increase / (decrease) in cash and cash equivalents	31,283,129	9,496,494	16,292	(13,057,225)	(68,831,333)	(41,092,643)

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, 2020
(SAUDI RIYALS)

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

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

January 1, 2019 (Restated)	Dammam pharmaceutical Company	Qassim medical services Company	Anora Pharmacy Company	SPIMACO Egypt for Pharmaceuticals	SPIMACO Morocco for Pharmaceuticals	Total
NCI percentage	15%	42.8%	1%	48.4%	29.4%	
Non-current assets	240,139,181	186,366,727	-	88,654,642	121,688,509	636,849,059
Current assets	53,497,939	68,864,210	s-	29,195,626	75,473,400	227,031,175
Non-current liabilities	(107,290,170)	(33,582,523)	-	-	(6,508,311)	(147,381,004)
Current liabilities	(61,209,983)	(17,375,019)	-	(21,618,810)	(21,230,777)	(121,434,589)
Net assets	125,136,967	204,273,395	-	96,231,458	169,422,821	595,064,641
Net assets attributable to NCI	18,770,545	87,367,731	-	46,518,287	49,725,598	202,382,161
Revenue	24,256,233	93,064,320	-	4,799,355	17,588,481	139,708,389
Profit / (loss)	2,830,468	(24,010,844)	-	(19,688,670)	(11,669,765)	(52,538,811)
Other comprehensive income /(loss)	(70,992)	2,498,024	-	-	-	2,427,032
Total comprehensive income / (loss)	2,759,476	(21,512,820)	-	(19,688,670)	(11,669,765)	(50,111,779)
Profit allocated to NCI	424,570	(10,269,343)	-	(9,517,503)	(3,425,076)	(22,787,352)
Other comprehensive income / (loss) allocated to NCI	(10,649)	1,068,480	-	-	-	1,057,831
Cash flows from operating activities	(4,595,510)	(30,338,448)	-	1,776,431	(15,447,877)	(48,605,404)
Cash flows from investment activities	(12,013,075)	17,783,469	-	(402,872)	(40,131,918)	(34,764,396)
Cash flows from financing activities	(8,282,230)	(2,281,000)	-	1,921,877	8,120,156	(521,197)
Net increase / (decrease) in cash and cash equivalents	(24,890,815)	(14,835,979)	-	3,295,436	(47,459,639)	(83,890,997)

24. LOANS AND BORROWINGS

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Current			
Islamic financing (Murabaha)	**197,462,563**	151,583,730	156,666,668
Government loans	**218,901,751**	24,900,550	24,900,550
Short term loans	**270,170,429**	357,780,114	357,780,114
	686,534,743	534,264,394	539,347,332
Non-current			
Islamic financing (Murabaha)	**399,259,720**	609,758,141	425,017,977
Government Loans	**249,811,462**	54,100,000	54,100,000
	649,071,182	663,858,141	479,117,977

The Company has Murabaha finance contract of SR 1,660 million, with a local bank to finance the working capital needs and operations' expansion of the Company. The Murabaha contract is in Saudi Riyals and bears mark up ranging from SIBOR + 1% to 1.25%. The loan volume of Murabaha finance used by the Company is SR 730 million as at December 31, 2020 (December 31, 2019: SR 611.7 million and January 1, 2019: SR 858.3 million). The unused portion of the total financing contract is SR 300 million as at December 31, 2020 (December 31, 2019: SR 1,048.3 million and January 1, 2019: SR 801.7 million). The loan is repayable in quarterly instalments for 5 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 258 million. The Company obtained this loan to finance the expansion of its manufacturing facility. This loan is repayable in semi-annual instalments for 5 years.

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

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

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

During the year ended December 31, 2016, a subsidiary of the Company obtained a loan from SIDF amounting to SR 54.1 million for the construction of a plant. This loan is repayable in semi-annual instalments for 10 years. This loan is secured against all the assets related to the plant and a guarantee undertaken by the Company.

During the year ended December 31, 2020, the Group capitalized finance charges amounting to SR 10.4 million (December 31, 2019: SR 8.6 million, January 1, 2019: SR 4.45 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, 2020
(SAUDI RIYALS)

25. EMPLOYEES' END OF SERVICE BENEFITS

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Net defined benefit liability	**310,678,933**	311,450,683	297,211,448

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

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

Movement in net defined benefit liability

	December 31, 2020	December 31, 2019 (Restated)
As at January 1	**311,450,683**	297,211,448
Included in profit or loss		
Current service cost	**32,334,240**	35,484,453
Finance expense	**10,795,570**	13,318,203
	43,129,810	48,802,656
Included in other comprehensive income		
Actuarial gain / (loss)	**(1,657,640)**	2,009,251
Benefits paid	**(40,081,984)**	(36,572,672)
Transfer to discontinued operations	**(2,161,936)**	-
As at December 31	**310,678,933**	311,450,683

Actuarial assumptions on defined benefit liability

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

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Discount rate	**3% p.a.**	3.50% p.a.	4.78% p.a.
Future salary growth	**3% p.a.**	3.50% p.a.	4.50% p.a.

Sensitivity analysis

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

	December 31, 2020	December 31, 2019 (Restated)
<u>**INCREASE**</u>		
Discount rate (1% movement)	**270,387,278**	272,476,331
Future salary growth (1% movement)	**344,652,510**	356,578,176
<u>**DECREASE**</u>		
Discount rate (1% movement)	**345,285,153**	355,406,603
Future salary growth (1% movement)	**270,224,895**	270,867,721

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 RIYALS)

26. DEFERRED INCOME

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Government grant - Land	15,519,075	16,178,740	17,796,616
Government grant – SIDF loan	24,595,112	24,463,475	-
	40,114,187	40,642,215	17,796,616

27. CONTRACT LIABILITIES

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
Current liabilities			
Sales discounts:			
Opening balance	42,309,045	34,817,626	35,605,399
Discounts provision against sales	164,121,913	121,325,136	111,808,823
Actual discounts adjusted during the year	(141,306,819)	(113,833,717)	(112,596,596)
Closing balance	65,124,139	42,309,045	34,817,626
Sales returns:			
Opening balance	46,508,981	6,092,264	11,706,806
Charge / (reversal) for the year	(9,310,509)	40,416,717	(5,614,542)
Closing balance	37,198,472	46,508,981	6,092,264
Contract liabilities - Current	102,322,611	88,818,026	40,909,890
Contract liabilities - Non-current*	27,576,174	17,500,202	4,291,224

During the year 2019, the Group has changed its basis of sales returns estimate from 0.3% to 5%, which has resulted in an increase in the provision by SR 26 million.

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

28. FINANCIAL GUARANTEE PROVISION

The Company provided a financial guarantee against loans issued by financial institutions to its associate, CAD Middle East Pharmaceutical Company (CAD). CAD is in continuous losses for the past few years and facing significant liquidity difficulties in discharging its financial liabilities. The Company's share of the outstanding balance of the total loan amount is SR 108 million and the Company has recorded the provision for the same amount in these consolidated financial statements.

29. ZAKAT AND INCOME TAX PAYABLE

Provision for zakat

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
As at January 1	31,538,446	56,505,704	57,361,616
Zakat charge for the year	36,226,844	36,913,697	30,621,553
Prior year adjustment	-	-	(426,363)
Zakat paid during the year	(26,109,328)	(61,880,955)	(31,051,102)
Transfer to discontinued operation	(1,859,842)	-	-
As at December 31	39,796,120	31,538,446	56,505,704

29. ZAKAT AND INCOME TAX PAYABLE (CONTINUED)

Provision for income tax

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
As at January 1	5,583,980	10,890,513	28,343,415
Tax charge for the year	3,689,159	2,187,587	6,290,208
Returned from foreign partner	(5,440,852)	(7,494,120)	(11,846,303)
Tax paid during the year	(3,970,515)	-	(11,896,807)
As at December 31	(138,228)	5,583,980	10,890,513
Provision for zakat and income tax	39,657,892	37,122,426	67,396,217

Zakat and income tax

	December 31, 2020	December 31, 2019 (Restated)
Zakat charge for the year	36,226,844	36,913,698
Transfer to discontinued operations – Note 20	(1,670,349)	(1,742,225)
Income tax charge	3,689,159	2,187,587
Deferred tax	5,650,912	(7,422,927)
	43,896,566	29,936,135

Provision for zakat and income tax

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

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

Status of zakat and income tax assessments

The group has submitted zakat / tax returns to the General Authority for Zakat and Income till the year 2019. The Company has obtained the final zakat certificates for all the years up to 2019.

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, 2020
(SAUDI RIYALS)

33. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2020	December 31, 2019
Employees' salaries and benefits	131,561,079	129,857,260
Depreciation and amortization	26,917,071	21,677,493
Legal and professional fees	12,060,612	13,412,732
Utilities	7,392,090	10,234,185
Board of Directors expenses	5,421,335	10,067,738
Repairs and maintenance	4,438,223	5,644,138
Communications	3,083,632	2,100,144
Product registration	2,798,745	2,370,840
Travel and training	2,441,946	6,825,799
Donations and public relations expenses	1,700,792	1,943,720
Stationery	1,678,004	844,820
Rent	1,397,273	37,097
Expenses related to Board of Directors	804,749	790,290
Insurance	721,032	885,155
Bank charges	222,591	280,930
Others	4,445,698	3,169,092
	207,084,872	210,141,433

34. RESEARCH AND DEVELOPMENT EXPENSES

	December 31, 2020	December 31, 2019
Employees' salaries and benefits	1,700,419	3,315,849
Depreciation and amortization	5,275,927	5,420,918
Write off researches	5,106,351	-
Clinical trials	4,042,151	1,876,033
Product registration	2,292,604	-
Laboratory expenses	1,322,245	2,015,600
Utilities	552,376	474,592
Repairs and maintenance	66,140	135,947
Travel and training expenses	38,715	228,558
Other	16,212	34,226
	20,413,140	13,501,723

35. OTHER (EXPENSES) / INCOME, NET

	December 31, 2020	December 31, 2019
Government grant income	3,210,270	2,037,206
Rental income	2,030,393	3,081,248
Foreign exchange gain	(467,343)	4,903,114
Scrap Sales	576,061	1,158,123
Income from training	250,515	724,428
Royalty	-	5,058,836
Gain from disposal of property, plant and equipment	-	2,038,217
Other income	4,914,800	1,261,473
	3,210,270	1,261,473

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, 2020
(SAUDI RIYALS)

36. FINANCE COST

	December 31, 2020	December 31, 2019
Murabaha loan finance cost	26,731,311	34,090,266
Long term loan finance cost	5,926,192	987,699
Actuarial finance cost – Note 25	10,795,570	13,318,203
Lease liabilities finance cost	780,537	5,247,005
	44,233,610	53,643,173

37. DIVIDEND INCOME ON INVESTMENTS - FVOCI

	December 31, 2020	December 31, 2019
Saudi Industrial Investment Group (SIIG)	7,002,450	21,007,350
	7,002,450	21,007,350

38. EARNINGS PER SHARE

	December 31, 2020	December 31, 2019
Earnings / (losses) for the year	124,787,295	(439,741,550)
Weighted average number of ordinary shares	120,000,000	120,000,000
Earnings (losses) per share – basic and diluted	1.04	(3.66)

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

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

39. 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

	Relation with the Company	Nature of transactions	December 31, 2020	December 31, 2019
Arabian Medical Products Manufacturing Company (ENAYA)	Joint Venture	Dividend	35,820,732	19,147,249
CAD Middle East Pharmaceutical Company	Associate	Finance / Investment	3,813,936	36,903,936
Arab company for drugs industries and medical appliances (ACDIMA)	Key foreign shareholder	Research cost	-	2,753,652
Tassili Arab Pharmaceutical Company (TAPHCO)	Associate	Sales	5,751,567	3,857,977
		Finance	464,366	-

39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

Balances due from

Related party	Nature of balance	December 31, 2020	December 31, 2019	January 1, 2019
Tassili Arab Pharmaceutical Company (TAPHCO)	Non-commercial	**32,537,825**	32,056,213	32,059,645
Tassili Arab Pharmaceutical Company (TAPHCO)	Commercial	**26-082,337**	21,248,756	18,262,275
Arabian Medical Products Manufacturing Company (ENAYAH)	Non-commercial	**2,665,087**	2,485,819	2,427,259
CAD Middle East Pharmaceutical Company	Non-commercial	**132,500**	175,273	26,324,394
		61,417,749	55,966,061	79,073,573

Balance due to

Related party	Nature of balance	December 31, 2020	December 31, 2019	January 1, 2019
Arab company for drugs industries and medical appliances (ACDIMA)	Non-commercial	-	20,000,000	20,000,000
		-	20,000,000	20,000,000

Remuneration of key management personnel

Related party	December 31, 2020	December 31, 2019
Remuneration of key management personnel	**29,597,213**	27,041,754

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

40. 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 and other payables
- Floating-rate bank loans
- Lease liabilities

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, 2020
(SAUDI RIYALS)

40. 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.

DUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
ANY)
ED FINANCIAL STATEMENTS
MBER 31, 2020

ONTINUED)
(Continued)

	Financial assets/liabilities at amortized cost	Financial assets at FVOCI	Financial assets/liabilities at FVTPL	Fair value	Level 1	Level 2	Level 3
63	-	816,244,163	-	816,244,163	816,244,163	-	-
13	-	-	27,832,013	27,832,013	27,832,013	-	-
11	965,663,211	-	-	N/A	-	-	-
78	3,572,078	-	-	N/A	-	-	-
48	378,972,848	-	-	N/A	-	-	-
13	1,348,208,137	816,244,163	27,832,013	844,076,176	844,076,176	-	-
41	663,858,141	-	-	N/A	-	-	-
44	7,965,544	-	-	N/A	-	-	-
94	534,264,394	-	-	N/A	-	-	-
75	423,775,275	-	-	N/A	-	-	-
15	3,692,015	-	-	N/A	-	-	-
69	1,633,555,369	-	-	-	-	-	-

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, 2020
(SAUDI RIYALS)

40. 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, accounts payables and lease liabilities.

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

There were no transfers between levels during the period.

General objectives, policies and processes

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

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

Credit risk

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

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

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

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

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

	December 31, 2020	December 31, 2019	January 1, 2019
Cash at banks (note 19)	**333,906,639**	378,865,213	265,480,081
Trade receivables - third parties (note 16)	**954,436,369**	909,697,150	1,053,820,305
Trade receivables – related parties (note 16)	**61,417,749**	55,966,860	79,073,573
Investment at FVTPL	**614,561,295**	27,832,013	13,105,159
Investment at FVOCI	**128,990,471**	816,244,163	873,905,333
Other receivables	**12,117,471**	3,572,078	3,554,357
	2,105,429,994	2,192,177,477	2,288,938,808

40. 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.

As at December 31, 2020, December 31, 2019 and January 1, 2019, the ageing of trade receivables was as follows:

	December 31, 2020	December 31, 2019	January 1, 2019
Neither past due nor impaired	**136,856,398**	168,005,372	112,202,551
Past due 1-30 days	**122,940,404**	129,268,597	150,898,818
Past due 31-90 days	**107,697,533**	125,901,586	48,068,507
Past due 91-180 days	**60,772,220**	139,316,174	332,078,796
Past due 181-365 days	**301,773,036**	333,876,208	217,848,220
Past due over 365 days	**412,707,420**	220,404,345	304,060,865
	1,142,747,011	1,116,772,282	1,165,157,757

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

	Total impairment
As at January 1, 2019 - restated	111,337,452
Impairment loss	95,737,680
Impairment loss on December 31, 2019 - restated	207,075,132
Impairment loss	1,475,224
As at December 31, 2020	**208,550,356**

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:

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, 2020
(SAUDI RIYALS)

40. FINANCIAL INSTRUMENTS (CONTINUED)

Commission rate risk

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

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

Foreign Currency risk

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

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

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

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

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

December 31, 2020	**EGP**	**EUR**	**DZD**	**MAD**	**USD**
Cash and cash equivalents	**39,223,987**	-	**7,036,340**	**16,482,347**	**3,672,855**
Trade receivables	**3,716,933**	-	**4,789,953**	**14,610,158**	**154,000,050**
Due from related party	-	-	**58,620,162**	-	-
Investment in equity-accounted associate	-	-	**599,585**	-	-
Lease liabilities	-	-	**(498,272)**	-	-
Loans and borrowings	**(9,569,787)**	-	-	**(61,259,720)**	-
Trade payable and other liabilities	**(7,160,638)**	**(25,212,818)**	**(18,541,805)**	**(29,305,660)**	**(91,706,601)**
Net statement of financial position exposure	**26,210,495**	**(25,212,818)**	**52,005,963**	**(59,472,875)**	**65,966,304**

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

(SAUDI RIYALS)

40. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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

December 31, 2020	**Up to three months**	**More than three months and up to year**	**More than one year and up to five year**	**More than five year**	**Total**
Financial liabilities					
Loans and borrowings	**108,231,183**	**686,534,743**	**649,071,182**	-	**1,443,837,108**
Lease liability	**3,315,437**	-	**12,712,912**	-	**16,028,349**
Employees' end of service benefits	-	-	**311,450,683**	-	**311,450,683**
Accounts payable and other liabilities	-	**471,825,932**	-	-	**471,825,932**
Dividends payable	-	**155,603,299**	-	-	**155,603,299**
	111,546,620	**1,313,963,974**	**973,234,777**	-	**2,398,745,371**

December 31, 2019	Up to three months	More than three months and up to year	More than one year and up to five year	More than five year	Total
Financial liabilities					
Loans and borrowings	108,530,430	534,264,394	663,858,141	-	1,306,652,965
Lease liability	3,692,015	-	7,965,544	-	11,657,559
Employees' end of service benefits	-	-	311,450,683	-	311,450,683
Accounts payable and other liabilities	-	572,968,813	-	-	572,968,813
Dividends payable	-	154,578,580	-	-	154,578,580
	112,222,445	1,261,811,787	983,274,368	-	2,357,308,600

January 1, 2019	More than three months and up to year	More than one year and up to five year	Total
Financial liabilities			
Loans and borrowings	539,347,332	479,117,977	1,018,465,309
Employees' end of service benefits	-	297,211,448	297,211,448
Accounts payable and other liabilities	401,229,451	-	401,229,451
Dividends payable	152,705,449	-	152,705,449
	1,093,282,232	776,329,425	1,869,611,657

41. 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, 2020**	December 31, 2019
Revenue from sale of products	**1,446,320,495**	1,397,280,916
Revenue from services	**113,156,533**	89,564,972
	1,559,477,028	1,486,845,888
Other revenue		
Dividend received from investment in companies	**7,002,450**	21,007,350
Dividend received from equity-accounted associate	**38,212,917**	(14,260,768)
	45,215,367	6,746,582
Total revenue	**1,604,692,395**	1,493,592,470

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, 2020

	Sale of goods	**Distribution Services**	**Contract manufacturing arrangements**	**Medical services**	**Total**
Kingdom of Saudi Arabia	**1,304,964,989**	**14,246,544**	**6,073,332**	**92,635,660**	**1,417,920,525**
Egypt	**100,297,912**	-	-	-	**100,297,912**
Middle East	**15,076,740**	-	**155,285**	-	**15,232,025**
Morocco	**20,459,244**	-	**45,712**	-	**20,504,956**
Algeria	**5,521,610**	-	-	-	**5,521,610**
	1,446,320,495	**14,246,544**	**6,274,329**	**92,635,660**	**1,559,477,028**
Timing of revenue recognition					
PO satisfied at a point in time	**1,446,320,495**	**14,246,544**	**6,274,329**	-	**1,466,841,368**
PO satisfied over time	-	-	-	**92,635,660**	**92,635,660**
	1,446,320,495	**14,246,544**	**6,274,329**	**92,635,660**	**1,559,477,028**

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, 2020
(SAUDI RIYALS)

41. SEGMENT INFORMATION (CONTINUED)

December 31, 2019

	Sale of goods	Distribution Services	Contract manufacturing arrangements	Medical services	Total
Kingdom of Saudi Arabia	1,212,848,174	5,933,853	5,592,981	77,867,940	1,302,242,948
Egypt	14,317,050	-	170,200	-	14,487,250
Middle East	161,167,438	-	-	-	161,167,438
Algeria	8,948,252	-	-	-	8,948,252
	1,397,280,914	5,933,853	5,763,181	77,867,940	1,486,845,888
Timing of revenue recognition					
PO satisfied at a point in time	1,397,280,914	5,933,853	5,763,181	-	1,408,977,948
PO satisfied over time	-	-	-	77,867,940	77,867,940
	1,397,280,914	5,933,853	5,763,181	77,867,940	1,486,845,888

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, 2020
(SAUDI RIYALS)

42. PRIOR YEARS ADJUSTMENTS

The group has restated its financial statements and below are the adjustments to the consolidated statement of financial position as at December 31, 2019:

	Note	December 31, 2019 (Audited)	Re-classification	Re-measurement	December 31, 2019 (Restated)
ASSETS					
Non-current assets					
Property, plant and equipment	A, F	1,023,860,222	(35,998,368)	11,969,169	999,831,023
Assets under construction	A	689,421,409	35,998,368	-	725,419,777
Intangible assets	G	81,280,609	-	(601,099)	80,679,510
Right of use assets		12,031,632	-	-	12,031,632
Investments at fair value through profit or loss	A	27,832,013	(27,832,013)	-	-
Investments at fair value through other comprehensive income		816,244,163	-	-	816,244,163
Investment in equity accounted associates and joint venture		74,203,001	-	-	74,203,001
Deferred tax assets		23,724,209	-	-	23,724,209
Total non-current assets		2,748,597,258	(27,832,013)	11,368,070	2,732,133,315
Current assets:					
Inventories	B	401,461,502	-	8,070,956	409,532,458
Trade and other receivables	C	937,157,442	-	28,505,769	965,663,211
Investments at fair value through profit or loss	A	-	27,832,013	-	27,832,013
Prepaid expenses and other assets	A, D	157,730,103	(9,862,500)	(6,482,985)	141,384,618
Cash and cash equivalents		378,972,848	-	-	378,972,848
Total current assets:		1,875,321,895	17,969,513	30,093,740	1,923,385,148
TOTAL ASSETS		4,623,919,153	(9,862,500)	41,461,810	4,655,518,463
EQUITY AND LIABILITIES					
Share capital		1,200,000,000	-		
Statutory reserve		360,684,866	-	-	1,200,000,000
General reserve		150,000,000	-	-	360,684,866
Consensual reserve		96,274,794	-	-	150,000,000
Fair value reserve	H	426,632,021	-	16,500,000	443,132,021
Foreign currency translation reserve		(20,554,196)	-	-	(20,554,196)
Accumulated losses	D, E, F, H, I	(278,458,938)	-	(7,537,247)	(285,996,185)
Equity attributable to the owners of the parent:		1,934,578,547	-	8,962,753	1,943,541,300
Non-controlling interest	I	185,093,535	-	(14,507,840)	170,585,695
TOTAL EQUITY		2,119,672,082	-	(5,545,087)	2,114,126,995
Non-current liabilities					
Loans and borrowings	A	712,669,691	(48,811,550)		663,858,141
Lease liability		7,965,544	-	-	7,965,544
Employees' end of service benefit obligations		311,450,683	-	-	311,450,683
Deferred income		40,642,215	-	-	40,642,215
Contract liabilities		17,500,202	-	-	17,500,202
Total non-current liabilities		1,090,228,335	(48,811,550)	-	1,041,416,785
Current liabilities				-	
Loans and borrowings	A	485,452,844	48,811,550	-	534,264,394
Financial guarantees provision	E	101,216,942	-	7,313,488	108,530,430
Lease liability		3,692,015	-	-	3,692,015
Zakat and income tax payable		37,122,426	-	-	37,122,426
Trade payable and other liabilities	A, I, J	543,137,903	(9,862,500)	39,693,409	572,968,812
Dividends payable		154,578,580	-	-	154,578,580
Lease liability		88,818,026	-	-	88,818,026
Total current liabilities		1,414,018,736	38,949,050	47,006,897	1,499,974,683
TOTAL LIABILITIES		2,504,247,071	(9,862,500)	47,006,897	2,541,391,468
TOTAL EQUITY AND LIABILITIES		4,623,919,153	(9,862,500)	41,461,810	4,655,518,463

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, 2020
(SAUDI RIYALS)

42. PRIOR YEARS ADJUSTMENTS(CONTINUED)

The group has restated its financial statements and below are the adjustments to the consolidated statement of financial position as at January 1, 2019:

	Note	January 1, 2019 (Audited)	Re-classification	Re-measurement	January 1, 2019 (Restated)
ASSETS					
Non-current assets					
Property, plant and equipment		723,983,952	-	-	723,983,952
Assets under construction		744,242,074	-	-	744,242,074
Intangible assets	G	103,794,478	-	(601,099)	103,193,379
Right of use assets		-	-	-	-
Investments at fair value through profit or loss - FVPNL	A	13,105,159	(13,105,159)	-	-
Investments at fair value through other comprehensive income - FVOCI		873,905,333	-	-	873,905,333
Equity accounted associates and joint venture		70,426,756	-	-	70,426,756
Deferred tax assets		16,301,282	-	-	16,301,282
Goodwill		137,698,760	-	-	137,698,760
Total non-current assets		2,683,457,794	(13,105,159)	(601,099)	2,669,751,536
Current assets:					
Inventories		480,888,872	-	-	480,888,872
Trade and other receivables	C	1,104,388,109	-	28,505,769	1,132,893,878
Investments at fair value through profit or loss - FVPNL	A	-	13,105,159	-	13,105,159
Prepaid expenses and other assets	A, D	222,667,310	(9,862,500)	(6,482,985)	206,321,825
Cash and cash equivalents		267,300,520	-	-	267,300,520
Total current assets:		2,075,244,811	3,242,659	22,022,784	2,100,510,254
TOTAL ASSETS		4,758,702,605	(9,862,500)	21,421,685	4,770,261,790
EQUITY AND LIABILITIES					
Share capital		1,200,000,000	-	-	1,200,000,000
Statutory reserve		360,684,866	-	-	360,684,866
General reserve		150,000,000	-	-	150,000,000
Consensual reserve		96,274,794	-	-	96,274,794
Fair value reserve		474,343,191	-	-	474,343,191
Foreign currency translation reserve		(23,050,875)	-	-	(23,050,875)
Accumulated losses	C, D, G, L	282,255,193	-	13,228,291	295,483,484
Equity attributable to the owners of the parent:		2,540,507,169	-	13,228,291	2,553,735,460
Non-controlling interest		218,189,832	-	(15,807,671)	202,382,161
TOTAL EQUITY		2,758,697,001	-	(2,579,380)	2,756,117,621
Non-current liabilities					
Loans and borrowings		479,117,977	-	-	479,117,977
Lease liability		-	-	-	-
Employees' end of service benefit obligations		297,211,448	-	-	297,211,448
Deferred income		17,796,616	-	-	17,796,616
Contract liabilities		4,291,224	-	-	4,291,224
Total non-current liabilities		798,417,265	-	-	798,417,265
Current liabilities					
Loans and borrowings		539,347,332	-	-	539,347,332
Financial guarantees provision		-	-	-	-
Lease liability		-	-	-	-
Zakat and income tax payable		67,396,217	-	-	67,396,217
Trade payable and other liabilities	A, I, J	401,229,451	(9,862,500)	24,001,065	415,368,016
Dividends payable		152,705,449	-	-	152,705,449
Lease liability		40,909,890	-	-	40,909,890
Total current liabilities		1,201,588,339	(9,862,500)	24,001,065	1,215,726,904
TOTAL LIABILITIES		2,000,005,604	(9,862,500)	24,001,065	2,014,144,169
TOTAL EQUITY AND LIABILITIES		4,758,702,605	(9,862,500)	21,421,685	4,770,261,790

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, 2020
(SAUDI RIYALS)

42. PRIOR YEARS ADJUSTMENTS (CONTINUED)

Reconciliation to consolidated statement of profit or loss for the year ended December 31, 2019:

	Note	December 31, 2019 (Audited)	Re-classification	Re-measurement	December 31, 2019 (Restated)
Revenue	A, K	1,552,515,078	(49,976,846)	(15,692,344)	1,486,845,888
Cost of revenue	A, B, K	(1,001,765,083)	4,484,745	8,070,956	(989,209,382)
Gross profit		550,749,995	(45,492,101)	(7,621,388)	497,636,506
Selling and marketing expenses	A	(406,713,531)	52,617,200	-	(354,096,331)
General and administrative expenses	A, K, F	(212,686,330)	(9,424,272)	11,969,169	(210,141,433)
Research and development expenses	A	(32,062,093)	18,560,370	-	(13,501,723)
Impairment reversal on trade receivables		(95,737,680)	-	-	(95,737,680)
Impairment in goodwill		(137,698,760)	-	-	(137,698,760)
Other income		20,262,645	-	-	20,262,645
Operating loss		(313,885,754)	16,261,197	4,347,781	(293,276,776)
Financial guarantees expenses	E	(101,216,943)	-	(7,313,488)	(108,530,431)
Finance cost	A, K	(41,037,876)	(12,605,297)		(53,643,173)
Gain financial investments through profit or loss	K	-	726,854	-	726,854
Dividend income on investments - FVOCI		21,007,350	-	-	21,007,350
Share of profits / (losses) from equity-accounted associates and joint venture		(14,260,768)	-	-	(14,260,768)
Profit before zakat and income tax		(449,393,991)	4,382,754	(2,965,707)	(447,976,944)
Zakat and income tax	K	(31,678,358)	1,742,223	-	(29,936,135)
Net loss for the year		(481,072,349)	6,124,977	(2,965,707)	(477,913,079)
Discontinued operations					
Loss for the year from discontinued operations	K	-	(6,124,977)	-	(6,124,977)
Net loss for the year		(481,072,349)	-	(2,965,707)	(484,038,056)
Attributable to:					
Owners of the parent	M	(435,507,618)	-	(4,233,932)	(439,741,550)
Non-controlling interests	M	(45,564,731)	-	1,268,225	(44,296,506)
		(481,072,349)	-	(2,965,707)	(484,038,056)
Loss of stock attributable to the shareholders of the parent company:					
Basic & diluted		(3.63)			(3.66)
Other comprehensive (loss) profit items:					
Items that will be reclassified subsequently to profit or loss:					
Exchange difference on translation of foreign operations		2,496,679	-	-	2,496,679
Items that will not be reclassified subsequently to profit or loss:					
Changes in fair value of investments - FVOCI	H	(51,225,003)	16,500,000	-	(34,725,003)
Impairment in fair value of investments - FVOCI	H	-	(16,500,000)	-	(16,500,000)
Actuarial (loss) / gain on employees' end of service benefits		(2,009,251)	-	-	(2,009,251)
Share of other comprehensive income in equity-accounted associates and joint venture		280,326	-	-	280,326
Total other comprehensive loss for the year		(50,457,249)	-	-	(50,457,249)
Total comprehensive income / (loss) for the year		(531,529,598)	-	(2,965,707)	(534,495,305)
Owners of the parent	M	(485,928,622)	-	(4,265,538)	(490,194,160)
Non-controlling interests	M	(45,600,976)	-	1,299,831	(44,301,145)
		(531,529,598)	-	(2,965,707)	(534,495,305)

42. PRIOR YEARS ADJUSTMENTS (CONTINUED)

Notes to the adjustments of the consolidated statement of financial position as at December 31, 2019 and consolidated statement of profit and loss and consolidate statement other comprehensive income for the year ended December 31, 2019

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

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

C. A provision was made against deferred tax assets recorded in the accounting books of SPIMACO-Algeria through the consolidated statement of profit or loss statement for the year ended December 31, 2019.

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

E. Adjusting error in calculating the value of the financial guarantee for an associate company.

F. The increase in depreciation effect is reversed through the retained earnings for the prior year.

G. Recording the amount related to intangible assets through retained earnings for the prior year.

H. Adjustment of an amount related to the impairment loss in FVTOCI investments.

I. Due to the delay in issuing the amended Articles of Association and Registration Certificate, "ACDIMA Company" was not registered as an official partner in AL-WATAN Arabian Medical Company ("Al-Watan Pharma"), which was mistakenly reported as a non-controlling partner in the consolidated financial statements for the prior year. Accordingly, a correction in the financial statements was made by re-measuring the consolidated accumulated losses of SR 5.51 million and the non-controlling equity of SR 14.5 million and the liability against the adjustment was recognized in the amount of SR 20 million.

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

K. The revenues and expenses of a subsidiary under liquidation have been adjusted through the consolidated statement of profit or loss, and the comparison has been restated to comply with the current year presentation of these consolidated financial statements.

L. Adjusting the differences not recorded in previous years for incentives through the retained earnings of the previous year.

M. The effect of the parent Company's share and the non-controlling equity's equity has been adjusted against the adjustments in the consolidated statement of profit or loss.

43. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

As at December 31, 2020, the Group has letters of guarantees amounting to SR 79.7 million (December 31, 2019: SR 138 million and January 1, 2019: SR 131.6 million).

As at December 31, 2020, the Group has a contingent liability amounting to SR 0.6 million which have been issued on behalf of the Group in the normal course of business (December 31, 2019: SR 0.7 million and January 1, 2019: SR nil).

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, 2020.

Capital commitments

As at December 31, 2020, the Group has capital commitments amounting to SR 76.9 million (December 31, 2019: SR 120.5 million and January 1, 2019: SR 28.3 million).

44. SUBSEQUENT EVENTS

The board of directors of the company recommended in its meeting held on March 22, 2021 the general assembly to distribute cash dividends to the shareholders of the company amounting to SR 120 millions for the year ended on December 31, 2020 at the rate of 1 Saudi riyals per share.

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

- The emerging epidemic of the Coronavirus (COVID-19) continues to evolve and spread, and the recent global developments in September 2020 have caused more fluctuations in commodity markets.
  The impact of the application of precautionary procedures and preventive measures taken by the relevant authorities in the Kingdom of Saudi Arabia to address and limit the spread of the Corona Virus (COVID-19) have caused a slight stop in the exports of medicines and pharmaceuticals at the end of the first quarter of 2020, and have resulted in lower export sales in the second quarter, noting that the export was partially resumed during June 2020. As for private sector sales for the third quarter of 2020, they were not significantly affected by the outbreak of the emerging Corona Virus (COVID-19).
  The Group's management and those charged with governance monitor the market effects and changes resulting from the virus spread, and work to focus on public safety measures and the sustainability of the supply chain of important supplies and to ensure the availability of the necessary liquidity to ensure the sustainability of operations.

46. APPROVAL ON THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors on 10 Sha'ban 1442 H (corresponding to 22 March 2021).