

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL
APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)**
(A Saudi Joint Stock Company)

**Interim Condensed Consolidated Financial Statements (Unaudited)
and Independent Auditor's Review Report
For the Three and Six-Month Periods Ended June 30, 2022**

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Financial Statements (Unaudited)
and Independent Auditor's Review Report
For the Three and Six-Month Periods Ended June 30, 2022

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**Independent Auditor's Review Report on the
Interim Condensed Consolidated Financial Statements****To the Shareholders****SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES
CORPORATION (SPIMACO - ADDWAEIH)**

(A Saudi Joint Stock Company)

Riyadh - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) (the "Company") and its subsidiaries collectively referred to as the ("Group") as at June 30, 2022 and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three and six-month periods ended June 30, 2022, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS 34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

BAKER TILLY MKM & CO.
Certified Public Accountants
Majid Muneer Alnemer
License No. 381Riyadh on Muharram 20, 1444H
Corresponding to August 18, 2022G

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAIEH)
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Statement of Financial Position
As at June 30, 2022
(Saudi Riyals)

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,067,898,823	1,097,782,937
Assets under construction	5	760,334,179	718,799,460
Intangible assets		26,711,298	39,107,568
Right-of-use assets		36,934,444	33,830,180
Investments in associates and joint venture	6	37,408,588	63,300,064
Deferred tax assets		16,863,066	18,929,094
Total non-current assets		1,946,150,398	1,971,749,303
Current assets			
Inventories		530,512,152	419,092,503
Trade and other receivables	7	1,191,429,866	1,016,688,920
Investments at fair value through profit or loss (FVTPL)	8	78,944,752	567,674,308
Prepaid expenses and other debit balances		157,367,345	125,955,824
Cash and cash equivalents	9	632,653,961	328,317,600
Total current assets		2,590,907,976	2,457,729,155
Assets from discontinued operations	10	2,897,087	4,595,562
TOTAL ASSETS		4,539,955,461	4,434,074,020
EQUITY AND LIABILITIES			
EQUITY			
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		34,709,740	34,709,740
Foreign currency translation reserve		(19,792,519)	(11,914,760)
Retained earnings		18,956,866	104,282,191
Equity attributable to the Shareholders of the Parent Company		1,744,558,953	1,837,762,037
Non-controlling interests		147,751,481	155,642,581
TOTAL EQUITY		1,892,310,434	1,993,404,618
LIABILITIES			
Non-current liabilities			
Loans and borrowing	11	400,976,933	417,124,634
Lease liabilities		18,935,155	17,688,706
Employees' end-of-service benefit obligations		295,708,049	295,886,961
Deferred income		35,587,132	36,364,283
Contract liabilities	12	40,050,842	33,861,020
Total non-current liabilities		791,258,111	800,925,604
Current liabilities			
Loans and borrowing	11	1,102,144,223	852,748,232
Provision for financial guarantees		37,415,967	45,665,966
Lease liabilities		6,691,310	7,255,079
Zakat and income tax payable		17,767,117	28,842,314
Trade payables and other credit balances		427,096,516	461,365,242
Dividends payable		160,370,608	157,492,830
Contract liabilities	12	104,848,293	83,692,445
Total current liabilities		1,856,334,034	1,637,062,108
Liabilities from discontinued operations	10	52,882	2,681,690
TOTAL LIABILITIES		2,647,645,027	2,440,669,402
TOTAL EQUITY AND LIABILITIES		4,539,955,461	4,434,074,020


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

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

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Statement of Profit or Loss (Unaudited)
For the Three and Six-Month Periods Ended June 30, 2022
(Saudi Riyals)

	Note	For the three-month period ended June 30		For the six-month period ended June 30	
		2022	2021	2022	2021
Revenues	16	310,623,518	325,955,565	699,953,493	780,763,40
Cost of revenues		(189,598,619)	(152,460,048)	(394,147,234)	(465,265,006)
Gross profit		121,024,899	173,495,517	305,806,259	315,498,39
Selling and marketing expenses		(96,938,481)	(81,016,764)	(177,297,223)	(156,326,750)
General and administrative expenses		(72,257,893)	(62,543,375)	(130,087,175)	(111,038,278)
Research and development expenses		(1,191,091)	(2,433,741)	(3,939,549)	(3,985,937)
Impairment reversal on trade receivables		6,090,018	2,408,297	8,065,145	5,582,234
Other income / (expense)		4,156,085	2,732,921	(4,386,457)	8,507,412
Operating (loss) / profit		(39,116,463)	32,642,855	(1,839,000)	58,237,081
Financial guarantee expenses		-	(179,124)	-	(1,722,439)
Finance costs		(10,577,412)	(10,152,291)	(16,700,139)	(16,427,312)
Share of profit from associates and joint venture	6	4,967,530	6,085,807	10,412,787	11,951,707
Profit from investment at fair value through profit or loss		1,285,673	2,133,652	3,270,444	4,152,036
(Loss) / profit before zakat, income tax and discontinued operations		(43,440,672)	30,530,899	(4,855,908)	56,191,073
Zakat and income tax		(8,443,389)	78,073	(15,307,015)	(732,206)
Net (loss) / profit for the period before discontinued operations		(51,884,061)	30,608,972	(20,162,923)	55,458,867
Discontinued operations					
Income / (loss) from discontinued operations	10	118,825	(1,430,839)	(938,038)	(1,825,401)
Net (loss) / profit for the period		(51,765,236)	29,178,133	(21,100,961)	53,633,466
Attributable to:					
Shareholders of the Parent Company		(46,650,681)	31,065,378	(13,325,325)	57,211,358
Non-controlling interests		(5,114,555)	(1,887,245)	(7,775,636)	(3,577,892)
(Loss) / Earning per share attributable to the Shareholders of the Parent Company		(51,765,236)	29,178,133	(21,100,961)	53,633,466
Basic and diluted	13	(0.39)	0.26	(0.11)	0.48


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

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

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the Three and Six-Month Periods Ended June 30, 2022
(Saudi Riyals)

	For the three-month period ended June 30		For the six-month period ended June 30	
	2022	2021	2022	2021
Net (loss) / profit for the period	(51,765,236)	29,178,133	(21,100,961)	53,633,466
Other Comprehensive (Loss) / Income items:				
Items that may be reclassified to profit or loss subsequently:				
Foreign currency translation differences	(427,722)	(355,427)	(7,877,759)	77,135
Items that will not be reclassified to profit or loss subsequently:				
Change from revaluation of the investments at FVTOCI	-	-	-	12,472,530
Net Other Comprehensive (Loss) / Income for the period	(427,722)	(355,427)	(7,877,759)	12,549,665
Total Comprehensive (Loss) / Income for the period	(52,192,958)	28,822,706	(28,978,720)	66,183,131
Attributable to:				
Shareholders of the Parent Company	(47,078,403)	30,709,951	(21,203,084)	69,761,023
Non-controlling interests	(5,114,555)	(1,887,245)	(7,775,636)	(3,577,892)
	(52,192,958)	28,822,706	(28,978,720)	66,183,131


 Chief Financial Officer


 Chief Executive Officer


 Authorized Board Member

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

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

(Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

for the Six-Month Period Ended June 30, 2022

(in Saudi Riyals)

	Share capital	Statutory reserve	General reserve	Consensual reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to the Shareholders	Non-controlling interests	Total equity
Balance as at January 1, 2021	1,200,000,000	360,684,866	150,000,000	41,751,842	57,649,689	(6,606,020)	112,052,824	1,915,533,201	155,429,857	2,070,963,058
Profit for the period	-	-	-	-	-	-	57,211,358	57,211,358	(3,577,892)	53,633,466
Comprehensive income for the period	-	-	-	-	12,472,530	77,135	-	12,549,665	-	12,549,665
Comprehensive income	-	-	-	-	12,472,530	77,135	57,211,358	69,761,023	(3,577,892)	66,183,131
Loss on disposal of investments at the end of the period	-	-	-	(7,947,176)	-	-	(112,052,824)	(120,000,000)	-	(120,000,000)
Balance as at June 30, 2021	1,200,000,000	360,684,866	150,000,000	33,804,666	(70,122,219)	(6,528,885)	127,333,577	1,865,294,224	151,851,965	2,017,146,189
Balance as at January 1, 2022	1,200,000,000	360,684,866	150,000,000	34,709,740	-	(11,914,768)	104,282,191	1,837,762,037	155,642,581	1,993,404,618
Loss for the period	-	-	-	-	-	-	(13,325,325)	(13,325,325)	(7,775,636)	(21,100,961)
Comprehensive loss for the period	-	-	-	-	(7,877,759)	(7,877,759)	-	(7,877,759)	-	(7,877,759)
Comprehensive loss	-	-	-	-	(7,877,759)	(7,877,759)	(13,325,325)	(21,203,084)	(7,775,636)	(28,978,720)
Loss in non-controlling interests	-	-	-	-	-	-	(72,000,000)	(72,000,000)	-	(72,000,000)
Balance as at June 30, 2022	1,200,000,000	360,684,866	150,000,000	34,709,740	(19,792,519)	(18,956,866)	18,956,866	1,744,558,953	147,751,481	1,892,310,434

[Signature]
Chief Financial Officer

[Signature]
Chief Executive Officer

[Signature]
Authorized Board Member

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

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)
For the Six-Month Period Ended June 30, 2022
(Saudi Riyals)

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss) / profit before zakat, income tax and discontinued operations	(4,855,908)	56,191,073
Loss from discontinued operations before Zakat	(938,038)	(2,152,930)
	<u>(5,793,946)</u>	<u>54,038,143</u>
Adjustments:		
Depreciation of property, plant and equipment and right-of-use assets	33,028,884	32,258,897
Amortization of intangible assets	12,395,173	12,623,999
Profit from investments in associates and joint venture	(10,412,787)	(11,951,707)
Provision for sales / services discounts and returns	27,345,670	30,973,103
Provision for slow-moving inventories or nearly expired	3,237,334	19,575,212
Profit from investments at FVTPL	(3,270,444)	(4,152,036)
Impairment reversals on trade receivables	(8,065,145)	(5,582,235)
Provision for employees' end-of-services benefits	21,549,935	21,092,054
Provision for financial guarantees	-	1,722,439
Finance costs	16,700,139	16,475,956
	<u>86,714,813</u>	<u>167,073,825</u>
Change in working capital items:		
Inventories	(114,656,983)	41,553,767
Trade and other receivables	(166,675,801)	(228,039,760)
Prepaid expenses and other debit balances	(31,423,217)	(8,699,334)
Trade payable and other credit balances	(33,421,408)	(14,072,293)
Net cash used in operating activities	<u>(259,462,596)</u>	<u>(42,183,795)</u>
Finance costs paid	(15,416,328)	(11,805,000)
Zakat and income tax paid	(24,284,803)	(26,187,025)
Employees' end-of-service benefit obligations paid	(21,786,186)	(19,262,661)
Net cash used in operating activities	<u>(320,949,913)</u>	<u>(99,438,481)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net changes in property, plant, equipment and assets under construction	(49,736,640)	(32,206,114)
Net changes in intangible assets	-	(864,658)
Net changes in investments in associates and joint venture	36,304,263	28,183,624
Net changes in investments at FVTOCI	-	141,463,001
Net changes in investments at FVTPL	492,000,000	(25,307,717)
Net cash generated from investing activities	<u>478,567,623</u>	<u>111,268,136</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net changes in loans and borrowings	233,248,290	(28,996,160)
Net changes in deferred income	(777,151)	59,250
Net changes in lease liabilities	682,680	(3,416,758)
Financial guarantees paid	(8,250,000)	-
Dividends paid	(69,122,222)	(117,994,367)
Net changes in non-controlling interests	(7,891,100)	(3,577,892)
Net cash generated from (used in) financing activities	<u>147,890,497</u>	<u>(153,925,927)</u>
Net changes in cash and cash equivalents during the period	305,508,207	(142,096,272)
Foreign currency translation adjustments	(1,331,701)	(1,342,988)
Cash and cash equivalents at the beginning of the period	329,663,305	334,081,226
Cash and cash equivalents at the end of the period	<u>633,839,811</u>	<u>190,641,966</u>
Non-cash transactions:		
Change from revaluation of investments at FVTOCI	-	12,472,530


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

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

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

(A Saudi Joint Stock Company)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the Three and Six-Month Periods Ended June 30, 2022

(Saudi Riyals)

1. Information and Activity

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

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

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 medical and pharmaceutical products, research and development in medical science activities, operating and maintaining the healthcare facilities and any investments in related industries, inside and outside the Kingdom of Saudi Arabia.

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

<u>Commercial Registration No.</u>	<u>Date of registration</u>	<u>City</u>
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

<u>Name of subsidiary</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>	
			<u>June 30, 2022</u>	<u>December 31, 2021</u>
ARAC Healthcare Company (ARAC)	Pharmaceutical products distributor	Saudi Arabia	100%	100%
Pharmaceutical Industries Company for Distribution (a)	Pharmaceutical products distributor	Saudi Arabia	100%	100%
ARACOM Medical Company	Pharmaceutical products distributor	Saudi Arabia	100%	100%
AL-WATAN Arabian Pharmaceutical Industries (b)	Pharmaceutical manufacturer	Saudi Arabia	100%	100%
ANORA Trading Company (c)	Pharmacy - retail	Saudi Arabia	99%	99%
Dammam Pharmaceutical Company	Pharmaceutical manufacturer	Saudi Arabia	85%	85%
Qassim Medical Service Company	Healthcare services provider	Saudi Arabia	57.27%	57.27%
SPIMACO Saudi Foundation – Algeria	Pharmaceutical products distributor	Algeria	100%	100%
SPIMACO Misr Company for Marketing (a)	Pharmaceutical products marketing	Egypt	100%	100%
SPIMACO Misr Company for Distribution (a)	Pharmaceutical products distributor	Egypt	100%	100%
SPIMACO Egypt Company	Pharmaceutical products distributor	Egypt	100%	100%
SPIMACO Misr for Pharmaceutical industries	Pharmaceutical manufacturer	Egypt	51.6%	51.6%
SPIMACO Morocco for Pharmaceutical Industries	Pharmaceutical manufacturer	Morocco	72.54%	72.54%
SPIMACO ILAJ (a)	Pharmaceutical products distributor	Turkey	100%	100%

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

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six-Month Periods Ended June 30, 2022
(Saudi Riyals)**

1. Information and Activity (Continued)

1.1 Subsidiaries (Continued)

- (b) On September 16, 2020, the shareholders of AL-WATAN Arabian Pharmaceutical Industries (“Al-Watan Pharma”) (a subsidiary Limited Liability Company) resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. SPIMACO will produce some of the subsidiary’s products from the Company’s factory in Al Qassim and there is no financial impact from the liquidation of Al-Watan Pharma since the subsidiary did not start its commercial activity and does not have capital projects. Accordingly, the Group stopped consolidating the financial statements of Al-Watan Pharma (note 10).
- (c) On November 17, 2021, the shareholders of ANORA Trading Company (a subsidiary Limited Liability Company), resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. The financial impact from the liquidation of ANORA Trading Company is immaterial as it has insignificant commercial activity and does not have financial commitments. Accordingly, the Group stopped consolidating the financial statements of ANORA Trading Company. It should be noted that ANORA Trading Company is a limited liability company, with a paid-up capital of SR 300 thousand, and it is 99% owned by ARAC Healthcare Company (a wholly owned subsidiary of SPIMACO Group) (note 10).

1.2 Associates and joint venture

Name	Principal activities	Country of incorporation	Percentage of ownership %	
			June 30, 2022	December 31, 2021
Arabian Medical Products Manufacturing Company (ENAYAH) – Joint venture	Manufacturing of healthcare products	Saudi Arabia	51%	51%
CAD Middle East Pharmaceutical Company (CAD) – Associate	Active Pharmaceutical Ingredients manufacturing	Saudi Arabia	46.08%	46.08%
Tassili Arab Pharmaceutical Company (TAPHCO) – Associate	Pharmaceutical manufacturer	Algeria	22%	22%

2. Statement of compliance with IFRS

These interim condensed consolidated financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS 34) “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2021. These interim condensed consolidated financial statements do not include all the information and disclosures required in a full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards. Specific accounting policies and explanatory disclosures have been included in order to explain the significant events and transactions behind the changes in the Group's financial position and financial performance since the preparation of the prior year consolidated financial statements.

The period is considered to be an integral part of the full fiscal year; still, the results of operations for the interim periods may not be a fair indication of the results for the full-year operations.

3. Basis of Preparation

3.1 Overall considerations

These interim condensed consolidated financial statements have been prepared using the measurement bases specified by IFRSs for each type of assets, liabilities, income and expense. The measurement bases are further fully described in the accounting policies.

The principal accounting policies adopted in the preparation of these interim condensed consolidated financial statements have been consistently applied to all the years presented unless otherwise stated. The preparation of these interim condensed consolidated financial statements in compliance with 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 interim condensed consolidated financial statements and their effect are disclosed in note (3.4).

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

- Trade receivables at amortized cost;
- Financial instruments - FVTPL;
- Murabaha loan at amortized cost;
- Government loan at amortized 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 interim condensed consolidated financial statements are prepared using the accrual basis of accounting and the going concern basis.

3.2 Presentation and functional currency

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

3.3 Basis of interim condensed consolidation of financial statements

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there is a change to the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of the acquired subsidiary during the year are included within the interim condensed consolidated financial statements effective from the date the Group gains control until the date the Group ceases the control over the investee.

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.

Generally, there is a presumption that a majority of voting rights result 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.

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six-Month Periods Ended June 30, 2022
(Saudi Riyals)**

3. Basis of Preparation (Continued)

3.3 Basis of interim condensed consolidation of financial statements (Continued).

Income and each component of Other Comprehensive Income (OCI) are attributed to the equity of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Inter-Group assets, liabilities, equity components, revenues, expenses and cash flows resulting from transactions between Group companies are fully eliminated upon consolidating the interim condensed consolidated financial statements.

3.4 Use of judgment 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 significant estimates made by the Group for managing the Group's accounting policies and the primary sources of estimating the unreliability the same in the last annual financial statements.

4. Significant Accounting Policies

The accounting policies and calculation methods applied in preparing the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the application of the new standards that became effective on January 1, 2022. The Group did not early adopt any other standard, interpretation or amendment issued but not yet effective.

New Standards, Amendment to Standards and Interpretations

There are no new standards issued; however, there are number of amendments to standards which are effective from January 1, 2022 and have been explained in Group's annual consolidated financial statements, but they do not have a material effect on the Group's interim condensed consolidated financial statements.

5. Property, Plant and Equipment and Assets Under Construction

	Property, Plant and Equipment (PPE)	Assets under Construction (AUC)
Opening balance	1,097,782,937	718,799,460
Additions during the period	2,621,314	42,131,685
Depreciation during the period	(29,741,763)	-
Disposals during the period	(243,750)	-
Foreign currency translation	(2,519,915)	(596,966)
Closing balance	1,067,898,823	760,334,179

6. Investments in Associates and Joint Venture

	June 30, 2022	December 31, 2021
Opening balance	63,300,064	80,409,122
Additions during the period / year	1,945,737	2,416,381
Dividends	(38,250,000)	(30,600,000)
Share of profit during the period / year	10,412,787	11,406,008
Share of OCI during the period / year	-	(331,447)
Closing balance	37,408,588	63,300,064

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6. Investments in Associates and Joint Venture (Continued)

Associates and joint venture	June 30, 2022	December 31, 2021
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint Venture	37,408,588	63,300,064
Tassili Arab Pharmaceutical Company (TAPHCO) - Associate Company	-	-
CAD Middle East Pharmaceutical Company- Associate Company	-	-
	<u>37,408,588</u>	<u>63,300,064</u>

7. Trade and Other Receivables

	June 30, 2022	December 31, 2021
Trade receivables	1,244,717,222	1,116,498,159
Less: expected credit losses	<u>(157,283,586)</u>	<u>(174,455,371)</u>
	1,087,433,636	942,042,788
Due from associates and joint venture (Note 14)	<u>103,996,230</u>	<u>74,646,132</u>
	<u>1,191,429,866</u>	<u>1,016,688,920</u>

8. Investments at Fair Value Through Profit or Loss (FVTPL)

	June 30, 2022	December 31, 2021
Opening balance	567,674,308	614,561,295
Additions during the period / year	40,000,000	145,307,718
Profit for the period / year	3,270,444	7,805,295
Disposals during the period / year	<u>(532,000,000)</u>	<u>(200,000,000)</u>
Closing balance	<u>78,944,752</u>	<u>567,674,308</u>

9. Cash and Cash equivalents

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

	June 30, 2022	December 31, 2021
Total cash and cash equivalents	632,653,861	328,317,600
Cash and cash equivalents from discontinued operations	<u>1,185,950</u>	<u>1,345,705</u>
	<u>633,839,811</u>	<u>329,663,305</u>

10. Discontinued Operations

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

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10. Discontinued Operations (Continued)

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Revenues	195,281	1,563,326
Cost of revenues	<u>(144,507)</u>	<u>(1,206,042)</u>
Gross Profit	50,774	357,284
Selling and marketing expenses	(148,082)	(1,805,344)
General and administrative expenses	(840,730)	(656,226)
Finance costs	-	(48,644)
Loss before zakat	(938,038)	(2,152,930)
Zakat	-	327,529
Net loss for the period from discontinued operations	<u>(938,038)</u>	<u>(1,825,401)</u>
Loss per share		
Basic and diluted	<u>(0.01)</u>	<u>(0.02)</u>

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Assets		
Cash and cash equivalents	1,185,950	1,345,705
Inventories	1,686,171	1,749,448
Prepaid expenses and other debit balances	24,966	43,936
Property, plant and equipment	-	325,001
Right of use assets	-	1,131,472
Assets from discontinued operations	<u>2,897,087</u>	<u>4,595,562</u>
Liabilities		
Accrued expenses	40,959	50,154
Zakat	-	1,435,756
Employees' end-of-service benefit obligations	11,923	109,460
Lease liabilities	-	1,086,320
Liabilities from discontinued operations	<u>52,882</u>	<u>2,681,690</u>

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Operating activities	(159,755)	31,703,407
Investing activities	-	(55,074)
Financing activities	-	(50,000,000)
Net changes in cash and cash equivalents during the period	<u>(159,755)</u>	<u>(18,351,667)</u>

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

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11. Loans and Borrowings

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Current		
Islamic financing (Murabaha)	854,693,553	565,879,601
Government loans	77,367,042	116,716,213
Short-term loans	170,083,628	170,152,418
	<u>1,102,144,223</u>	<u>852,748,232</u>
Non-Current		
Islamic financing (Murabaha)	234,936,370	259,300,097
Government Loans	166,040,563	157,824,537
	<u>400,976,933</u>	<u>417,124,634</u>

During the period ended June 30, 2022, the Group capitalized financing costs in the amount of SR 2 million (year ended December 31, 2021: SR 9.6 million).

12. Contract Liabilities

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Current contract liabilities		
Sales / Services Discounts:		
Opening balance	62,608,735	65,124,139
Discounts provision against sales	120,854,192	160,044,299
Actual discounts adjustment during the period / year	(97,707,902)	(162,559,703)
Closing balance	<u>85,755,025</u>	<u>62,608,735</u>
Sales returns:		
Opening balance	21,083,710	37,198,472
(Reversal) / charge for the period / year	(1,990,442)	5,627,079
Adjusted during the period / year	-	(21,741,841)
Closing balance	<u>19,093,268</u>	<u>21,083,710</u>
Total Contract liabilities - Current	<u>104,848,293</u>	<u>83,692,445</u>
Contract liabilities - Non-current	<u>40,050,842</u>	<u>33,861,020</u>

13. (Loss) Earnings Per Share

	<u>For the three-month period ended</u>		<u>For the six-month period ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Loss / Profit for the period	(46,650,681)	31,065,378	(13,325,325)	57,211,358
Weighted average number of ordinary shares	120,000,000	120,000,000	120,000,000	120,000,000
(Loss) / Earnings per share – basic and diluted	<u>(0.39)</u>	<u>0.26</u>	<u>(0.11)</u>	<u>0.48</u>

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

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

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14. Transactions and Balances with Related Parties

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

Transactions

Related party	Relation with the Company	Nature of transactions	June 30, 2022	June 30, 2021
Arabian Medical Products Manufacturing Company (ENAYAH)	Joint Venture	Dividend	38,250,000	30,600,000
CAD Middle East Pharmaceutical Company	Associate	Expenses	2,927,249	-
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Key foreign shareholder	Dividends paid	14,751,704	21,373,506
Tassili Arab Pharmaceutical Company (TAPHCO)	Associate	Research cost	1,491,986	1,406,081
		Sales	1,955,416	-

Balances

Related party	Nature of balance	June 30, 2022	December 31, 2021
Tassili Arab Pharmaceutical Company (TAPHCO)	Non-Trading	34,265,252	32,531,511
Tassili Arab Pharmaceutical Company (TAPHCO)	Commercial	27,999,613	29,754,328
Arabian Medical Products Manufacturing Company (ENAYAH)	Non-Trading	29,589,130	2,847,368
CAD Middle East Pharmaceutical Company	Non-Trading	12,142,235	9,512,925
		103,996,230	74,646,132

Remuneration of key management personnel

	June 30, 2022	June 30, 2021
Remuneration of key management personnel	19,515,644	15,333,687

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

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15. Financial Instruments

The Group measures financial instruments, such as investments in equity securities at fair value at the interim condensed consolidated financial statement 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 Group must have access to the principal or the most advantageous market. 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 interim condensed consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the interim condensed consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. 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 assets or liabilities and the level of the fair value hierarchy, as explained above.

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15. Financial Instruments (Continued)

Financial instrument by category

June 30, 2022	Total	Financial assets/ liabilities at amortized cost	Financial assets/liabilities at FVTPL	Fair Value	Level 1	Level 2	Level 3
Financial assets							
Current:							
Investments at FVTPL	78,944,752	-	78,944,752	78,944,752	78,944,752	-	-
Trade and other receivables	1,191,429,866	1,191,429,866	-	N/A	-	-	-
Cash and cash equivalents	633,839,811	633,839,811	-	N/A	-	-	-
Total financial assets	1,904,214,429	1,825,269,677	78,944,752	78,944,752	78,944,752	-	-
Financial liabilities							
Non-current:							
Loans and borrowing	400,976,933	400,976,933	-	N/A	-	-	-
Lease liabilities	18,935,155	18,935,155	-	N/A	-	-	-
Current:							
Loans and borrowing	1,102,144,223	1,102,144,223	-	N/A	-	-	-
Trade payables	316,962,200	316,962,200	-	N/A	-	-	-
Lease liabilities	6,691,310	6,691,310	-	N/A	-	-	-
Total financial liabilities	1,845,709,821	1,845,709,821	-	-	-	-	-

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15. Financial Instruments (Continued)

Financial instrument by category (Continued)

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

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16. Segment Information

The Board of Directors reviews the operating results of the business separately to make decisions about resource allocation and performance assessment. Transactions between the operating segments are on terms approved by the management.

Revenues

Type of revenue	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue from sale of products	278,797,986	289,295,785	633,331,996	721,540,718
Revenue from services	31,825,532	36,659,780	66,621,497	59,222,686
	<u>310,623,518</u>	<u>325,955,565</u>	<u>699,953,493</u>	<u>780,763,404</u>
Other revenues				
Share of profit from associates and joint venture	4,967,530	6,085,807	10,412,787	11,951,707
Profit from investment at fair value through profit or loss	1,285,673	2,133,652	3,270,444	4,152,036
Total revenues	<u>6,253,203</u>	<u>8,219,459</u>	<u>13,683,231</u>	<u>16,103,743</u>

The following table shows the disaggregation of revenues by the primary geographical markets and based on the Group's four strategic divisions, which are its reportable segments.

For the six-month period ended June 30, 2022

Primary geographical markets	Sale of goods	Distribution services	Contract manufacturing arrangements	Medical services	Total
Middle East	54,428,094	-	-	-	54,428,094
Egypt	13,825,535	-	171,988	-	13,997,523
Morocco	9,460,069	-	-	-	9,460,069
Algeria	3,542,864	-	-	-	3,542,864
	<u>633,331,996</u>	<u>6,368,738</u>	<u>2,187,477</u>	<u>58,065,282</u>	<u>699,953,493</u>
Timing of revenue recognition					
At a point in time	633,331,996	6,368,738	2,187,477	-	641,888,211
Over time	-	-	-	58,065,282	58,065,282
	<u>633,331,996</u>	<u>6,368,738</u>	<u>2,187,477</u>	<u>58,065,282</u>	<u>699,953,493</u>

For the six-month period ended June 30, 2021

Primary geographical markets	Sale of goods	Distribution services	Contract manufacturing arrangements	Medical services	Total
Middle East	58,751,800	-	-	-	58,751,800
Egypt	15,939,513	-	246,501	-	16,186,014
Morocco	9,280,415	-	199,539	-	9,479,954
Algeria	3,266,580	-	-	-	3,266,580
	<u>721,540,718</u>	<u>8,025,924</u>	<u>3,230,341</u>	<u>47,966,421</u>	<u>780,763,404</u>
Timing of revenue recognition					
At a point in time	721,540,718	8,025,924	3,230,341	-	732,796,983
Over time	-	-	-	47,966,421	47,966,421
	<u>721,540,718</u>	<u>8,025,924</u>	<u>3,230,341</u>	<u>47,966,421</u>	<u>780,763,404</u>

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16. Segment Information (Continued)

For the three-month period ended June 30, 2022

Primary geographical markets	<u>Sale of goods</u>	<u>Distribution services</u>	<u>Contract manufacturing arrangements</u>	<u>Medical services</u>	<u>Total</u>
Kingdom of Saudi Arabia	232,797,012	1,931,666	2,015,489	27,848,004	264,592,171
Middle East	33,109,997	-	-	-	33,109,997
Egypt	6,510,596	-	30,373	-	6,540,969
Morocco	4,349,570	-	-	-	4,349,570
Algeria	2,030,811	-	-	-	2,030,811
	<u>278,797,986</u>	<u>1,931,666</u>	<u>2,045,862</u>	<u>27,848,004</u>	<u>310,623,518</u>
Timing of revenue recognition					
At a point in time	278,797,986	1,931,666	2,045,862	-	282,775,514
Over time	-	-	-	27,848,004	27,848,004
	<u>278,797,986</u>	<u>1,931,666</u>	<u>2,045,862</u>	<u>27,848,004</u>	<u>310,623,518</u>

For the three-month period ended June 30, 2021

Primary geographical markets	<u>Sale of goods</u>	<u>Distribution services</u>	<u>Contract manufacturing arrangements</u>	<u>Medical services</u>	<u>Total</u>
Kingdom of Saudi Arabia	246,672,964	6,641,524	2,633,523	27,042,780	282,990,791
Middle East	29,747,991	-	-	-	29,747,991
Egypt	8,204,405	-	168,839	-	8,373,244
Morocco	2,601,884	-	173,116	-	2,775,000
Algeria	2,068,539	-	-	-	2,068,539
	<u>289,295,783</u>	<u>6,641,524</u>	<u>2,975,478</u>	<u>27,042,780</u>	<u>325,955,565</u>
Timing of revenue recognition					
At a point in time	289,295,783	6,641,524	2,975,478	-	298,912,785
Over time	-	-	-	27,042,780	27,042,780
	<u>289,295,783</u>	<u>6,641,524</u>	<u>2,975,478</u>	<u>27,042,780</u>	<u>325,955,565</u>

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17. Contingent Liabilities and Capital Commitments

Contingent liabilities

As at June 30, 2022, the Group has letters of guarantees amounting to SR 87.6 million (December 31, 2021: SR 77.8 million).

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

During its normal business operations, some cases may arise against the Company and some of the Group's subsidiaries, and are currently being defended, but the ultimate outcome of these cases cannot be currently determined with certainty. The management believes that the results of these cases will not have a material impact on the Group's interim condensed consolidated financial statements for the six-month period ended June 30, 2022.

Status of zakat and income tax assessments

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

Capital commitments

As at June 30, 2022, the Group has capital commitments amounting to SR 21 million (December 31, 2021: SR 57.7 million).

18. Subsequent Events

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

19. Important matters during the period and the financial and operational risks related to them

The emerging pandemic of the Coronavirus (COVID-19) continues to evolve and spread. The management of the Company has been monitoring the consequences of (COVID-19) and believes that there is no significant impact needed to reflect in the interim condensed consolidated financial statements for the six-months ended June 30, 2022.

20. Comparative figures

Certain comparative figures have been reclassified to comply with the current period presentation of these interim condensed consolidated financial statements.

21. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements have been approved by the Group's Board of Directors on Muharram 20, 1444 H (corresponding to August 18, 2022).