

JAMJOOM PHARMACEUTICALS FACTORY
(A Closed Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022G
with
INDEPENDENT AUDITOR'S REPORT



KPMG Professional Services

Zahrán Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 403029792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص. ب. 55078
جدة 21534
المملكة العربية السعودية
سجل تجاري رقم 403029792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Jamjoom Pharmaceuticals Factory

Opinion

We have audited the consolidated financial statements of Jamjoom Pharmaceuticals Factory ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

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© 2023 كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (40,000,000) ريال سعودي منقوع بالكامل، (المسماة سابقاً "شركة كي بي إم جي القوزان وشركاه محاسبون ومراجعون قانونيون"). وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة التابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent Auditor's Report

To the Shareholders of Jamjoom Pharmaceuticals Factory (continued)

Revenue recognition

Refer to note 3(j) and note 23 of the consolidated financial statements.

Key audit matter

Revenue from sale of pharmaceutical and consumer health products for the year ended 31 December 2022 amounted to SR 916.6 million (2021: SR 735.6 million). Revenue from contracts with customers is recognised at a point in time when control of the product is transferred to the customer, generally on delivery of the goods.

We have identified revenue recognition as a key audit matter since significant auditor attention was devoted to it during the current year, and its correlation with the possible inherent risk that revenue may be intentionally overstated, resulting from the pressure on local management to achieve performance and financial targets. The Group also focuses on revenue as a key performance measure, which could create an incentive for revenue to be recognised before the control has been transferred. We have specifically focused as to whether sales are valid, with higher risk in recording revenue for sales transactions where the revenue from the sold good has not been collected by the year end.

How the matter was addressed in our audit

Our key audit procedures in this area, amongst others, included the following:

- We evaluated the appropriateness of the Group's revenue recognition accounting policy in accordance with applicable financial reporting standards.
- We obtained an understanding of management's internal controls over the revenue recognition process and assessed design, implementation and operating effectiveness of controls relevant to such process.
- We performed testing of sales transactions on a sample basis to ensure that the related revenues are recorded at the correct quantity and price when control of goods has been transferred to the customer.
- We tested on a sample basis, specific revenue transactions not collected by year end with supporting documentation to assess whether valid revenue has been recognized.
- We considered the adequacy of the disclosures in respect of revenues in accordance with the applicable financial reporting standards.

Expected credit loss on trade receivables

Refer to note 3(b)(vi) and note 11 of the consolidated financial statements.

Key audit matter

As at 31 December 2022, the gross carrying value of trade receivables amounted to SR 361.4 million (2021: SR 386.8 million) against which the Group has determined an Impairment loss allowance (expected credit loss) amounting to SR 9 million (2021: 19.9 million) in accordance with the requirements applicable financial reporting framework.

The Group has applied a simplified approach in measuring its expected credit loss. The loss allowance is based on assumptions related to risk of default and expected loss rates. Based on Group's historical credit loss experience, current market conditions as well as forward looking macro-economic factors affecting the ability of the customers to settle the receivables, the Group uses judgement in making assumptions and selecting inputs to calculate expected credit loss.

How the matter was addressed in our audit

Our key audit procedures in this area, amongst others, included the following:

- We assessed the appropriateness of the Group's accounting policy for determining expected credit loss on trade receivables in accordance with the applicable financial reporting framework.
- We obtained an understanding of the procedures followed by the Group in establishing the expected credit loss including the model and assumptions used in developing the accounting estimate.
- We engaged our internal specialist to challenge the suitability of the expected credit loss model and assumption used in determination of the loss allowance by developing our own expectation based on our knowledge of the client, experience of the industry in which it operates and specified external data sources.



Independent Auditor's Report

To the Shareholders of Jamjoom Pharmaceuticals Factory (continued)

Expected credit loss on trade receivables (continued)

Key audit matter

We have considered this as a key audit matter due to the due to the significant judgment and key assumptions required in developing the accounting estimate.

How the matter was addressed in our audit

- We considered the adequacy of the disclosures in respect of expected credit loss over trade receivables in accordance with the applicable financial reporting standards
- We tested the mathematical accuracy of the expected credit loss calculation.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws 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 has no realistic alternative but to do so.

Those charged with governance, the Audit Committee, is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditor's Report

To the Shareholders of Jamjoom Pharmaceuticals Factory (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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, then 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Jamjoom Pharmaceuticals Factory** ("the Company") and its subsidiaries ("the Group").

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

From the matters communicated with those charged with governance, 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.

KPMG Professional Services



Nasser Ahmed Al Shutairy
License No. 454

Jeddah, 18 April 2023
Corresponding to: 27 Ramadan, 1444H



JAMJOOM PHARMACEUTICALS FACTORY
(A Closed Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022G
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

| | Note | 2022G | 2021G |
|--|------|----------------------|----------------------|
| ASSETS | | | |
| Property, plant and equipment | 5 | 702,717,960 | 711,902,778 |
| Right-of-use asset | 6 | 2,331,686 | 1,967,012 |
| Intangible assets | 7 | 14,434,716 | 14,785,577 |
| Equity-accounted investees | 8 | 250,901 | 3,941,232 |
| Non-current assets | | 719,735,263 | 732,596,599 |
| Inventories | 10 | 131,861,298 | 135,165,483 |
| Trade receivables | 11 | 352,361,492 | 366,902,586 |
| Prepayments and other current assets | 12 | 56,262,432 | 46,869,686 |
| Investments | 9 | 5,115,913 | 38,129,312 |
| Cash and cash equivalents | 13 | 141,181,833 | 112,629,736 |
| Asset held for sale | 14 | 1,298,894 | -- |
| Current assets | | 688,081,862 | 699,696,803 |
| Total assets | | 1,407,817,125 | 1,432,293,402 |
| EQUITY | | | |
| Share capital | 15 | 700,000,000 | 100,000,000 |
| Statutory reserve | 16 | 67,131,416 | 50,000,000 |
| Foreign currency translation reserve | | (75,083,354) | (37,875,273) |
| Retained earnings | | 524,215,264 | 1,119,510,376 |
| Total equity | | 1,216,263,326 | 1,231,635,103 |
| LIABILITIES | | | |
| Lease liabilities | 17 | 2,401,203 | 1,717,953 |
| Employees' benefits | 18 | 62,162,117 | 60,576,185 |
| Non-current liabilities | | 64,563,320 | 62,294,138 |
| Lease liabilities – current portion | 17 | 235,167 | 249,059 |
| Trade payables and other current liabilities | 19 | 109,033,453 | 118,370,750 |
| Zakat and income-tax payable | 20 | 17,721,859 | 19,744,352 |
| Current liabilities | | 126,990,479 | 138,364,161 |
| Total liabilities | | 191,553,799 | 200,658,299 |
| Total equity and liabilities | | 1,407,817,125 | 1,432,293,402 |



Vice Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 through 37 form an integral part of these consolidated financial statements.

JAMJOOM PHARMACEUTICALS FACTORY
(A Closed Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

For the year ended 31 December 2022G
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

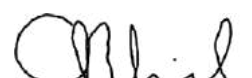
| | Note | 2022G | 2021G |
|--|------|---------------------|--------------------|
| Revenue | 23 | 916,672,111 | 735,682,864 |
| Costs of revenue | 24 | (322,749,375) | (260,988,984) |
| Gross profit | | 593,922,736 | 474,693,880 |
| Selling and distribution expenses | 25 | (261,062,783) | (208,953,648) |
| General and administration expenses | 26 | (55,371,462) | (40,687,475) |
| Research and development expenses | 27 | (32,680,485) | (37,000,236) |
| Impairment loss on financial assets | 28 | (11,483,450) | (3,287,747) |
| Operating profit | | 233,324,556 | 184,764,774 |
| Finance costs | 31 | (48,810,626) | (4,208,005) |
| Finance income | 31 | 9,712 | 2,006,190 |
| Share of results in equity-accounted investees, net of tax | 8 | (318,657) | (54,090) |
| Other expense | 29 | (2,752,498) | (1,499,887) |
| Other income | 30 | 4,862,301 | 7,078,157 |
| Profit before zakat and income tax | | 186,314,788 | 188,087,139 |
| Zakat and income tax | 20 | (15,000,626) | (17,391,832) |
| Net profit for the year | | 171,314,162 | 170,695,307 |
| Other comprehensive loss: | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Re-measurement of employees' benefits | 18 | (697,328) | (645,673) |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Foreign operations – foreign currency translation differences | 31 | (37,208,081) | (4,149,421) |
| Other comprehensive loss for the year | | (37,905,409) | (4,795,094) |
| Total comprehensive income for the year | | 133,408,753 | 165,900,213 |
| Earnings per share: | | | |
| Basic and diluted earnings per share (restated) | 32 | 2.45 | 2.44 |



Vice Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 through 37 form an integral part of these consolidated financial statements.

JAMJOOM PHARMACEUTICALS FACTORY
(A Closed Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022G
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

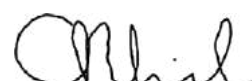
| | Share capital | Statutory reserve | Foreign currency translation reserve | Retained earnings | Total equity |
|--|--------------------|-------------------|--------------------------------------|--------------------|----------------------|
| Balance at 1 January 2021G | 100,000,000 | 50,000,000 | (33,725,852) | 1,062,794,074 | 1,179,068,222 |
| Total comprehensive income: | | | | | |
| Net profit for the year | -- | -- | -- | 170,695,307 | 170,695,307 |
| Other comprehensive loss for the year | -- | -- | (4,149,421) | (645,673) | (4,795,094) |
| | -- | -- | (4,149,421) | 170,049,634 | 165,900,213 |
| Transaction with owners of the Company: | | | | | |
| Dividends (note 15) | -- | -- | -- | (113,333,332) | (113,333,332) |
| Balance at 31 December 2021G | 100,000,000 | 50,000,000 | (37,875,273) | 1,119,510,376 | 1,231,635,103 |
| Total comprehensive income: | | | | | |
| Net profit for the year | -- | -- | -- | 171,314,162 | 171,314,162 |
| Other comprehensive loss for the year | -- | -- | (37,208,081) | (697,328) | (37,905,409) |
| | -- | -- | (37,208,081) | 170,616,834 | 133,408,753 |
| Transfer to statutory reserve | -- | 17,131,416 | -- | (17,131,416) | -- |
| Transaction with owners of the Company: | | | | | |
| Increase in share capital (note 15) | 600,000,000 | -- | -- | (600,000,000) | -- |
| Dividends (note 15) | -- | -- | -- | (148,780,530) | (148,780,530) |
| Balance at 31 December 2022G | 700,000,000 | 67,131,416 | (75,083,354) | 524,215,264 | 1,216,263,326 |



Vice Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 through 37 form an integral part of these consolidated financial statements.

JAMJOOM PHARMACEUTICALS FACTORY
(A Closed Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022G
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

| | Note | 2022G | 2021G |
|---|------|----------------------|----------------------|
| Cash flows from operating activities: | | | |
| Profit before zakat and income tax | | 186,314,788 | 188,087,139 |
| Adjustments for: | | | |
| Depreciation | 5 | 22,615,013 | 22,323,079 |
| Amortisation | 7 | 1,855,103 | 1,769,063 |
| Depreciation on right-of-use assets | 6 | 256,346 | 260,512 |
| Finance cost | 31 | 48,810,626 | 4,208,005 |
| Finance income | 31 | (9,712) | (2,006,190) |
| Share of results from equity-accounted investees | 8 | 318,657 | 54,090 |
| Impairment loss on financial assets | 28 | 11,483,450 | 3,287,747 |
| Provision – finished goods expiry | | 7,349,698 | 3,493,517 |
| Provision for obsolescence / slow moving inventories | 10 | 10,820,079 | 10,742,237 |
| Impairment loss on asset held for sale | 29 | 1,252,498 | -- |
| Provision for employees' benefits | 18 | 10,676,759 | 10,460,047 |
| Gain on disposal of property and equipment | 30 | (30,759) | (88,940) |
| | | 301,712,546 | 242,590,306 |
| Changes in: | | | |
| Trade receivables | | 12,191,101 | 49,070,671 |
| Prepayment and other current assets | | (18,528,001) | (3,333,465) |
| Inventories | | (7,515,894) | (16,710,277) |
| Trade payables and other current liabilities | | (18,887,315) | (6,958,442) |
| Cash generated from operating activities | | 268,972,437 | 264,658,793 |
| Employees' benefits paid | | (9,788,155) | (11,059,190) |
| Finance cost paid | | (13,234,033) | (4,935,102) |
| Zakat and income tax paid | 20 | (16,746,688) | (19,740,692) |
| Net cash generated from operating activities | | 229,203,561 | 228,923,809 |
| Cash flows from investing activities: | | | |
| Additions to property, plant and equipment | 5 | (86,123,686) | (122,747,173) |
| Additions to intangible assets | 7 | (1,527,142) | (17,800) |
| Proceeds from disposal of property, plant and equipment | | 148,365 | 138,877 |
| Investments – net | | 33,023,111 | (20,145,138) |
| Net cash used in investing activities | | (54,479,352) | (142,771,234) |
| Cash flows from financing activities: | | | |
| Loan paid during the year | | -- | (95,016,067) |
| Dividends paid | 15 | (148,780,530) | (113,333,332) |
| Payment of lease liabilities | 17 | (224,995) | (260,512) |
| Net cash used in financing activities | | (149,005,525) | (208,609,911) |
| Net change in cash and cash equivalents | | 25,718,684 | (122,457,336) |
| Net foreign exchange difference | | 2,833,413 | (458,759) |
| Cash and cash equivalents at beginning of the year | 13 | 112,629,736 | 235,545,831 |
| Cash and cash equivalents at end of the year | 13 | 141,181,833 | 112,629,736 |
| Major Non-Cash Supplemental Information: | | | |
| Increase in share capital | 15 | 600,000,000 | -- |



Vice Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 through 37 form an integral part of these consolidated financial statements.

JAMJOOM PHARMACEUTICALS FACTORY
(A Closed Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022G
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

1. REPORTING ENTITY

Jamjoom Pharmaceuticals Factory ("the Company") or the ("Parent Company") was a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration number 4030154596 dated 18 Safar 1426 H (corresponding to 28 March 2005). During 2013, the Company's shareholders resolved to change the legal status of the Company from a limited liability company to a closed Saudi joint stock company. The Ministry of Commerce and Investment announced the conversion to closed joint stock company by Ministerial Resolution on 19 Shaban 1435H (corresponding to 17 June 2014).

The Company and its subsidiaries (collectively referred as the "Group") are collectively involved to produce human medicines, nutraceuticals, antibiotics, general analgesics, medicines for treatment of cough, allergy, asthma, heart diseases, blood pressure, diarrhea, vomiting, ulcer and acidity, treatment of various skin infections, cancer diseases, eye drops and ointments and cosmeceuticals.

On 17 July 2022G, the shareholders of the Company passed a resolution to go for listing in Saudi Stock Exchange (Tadawul). On 28 December 2022G, the Capital Market Authority (CMA) approved the Registration and the Initial Public Offering of the Company's shares. All the related pre-requisites and legal formalities are under progress.

Further, the Company has registered the following branches and scientific support office:

- The Company registered its branch in Riyadh on 23 Rabi Al Awal 1431H (corresponding to 9 March 2010), commercial registration number 1010283686.
- The Company registered its branch in Jeddah on 25 Rabi Al Thani 1440H (corresponding to 3 November 2018G), commercial registration number 4030318590.
- The Company registered a scientific support office in Egypt on 18 Ramadan 1430H (corresponding to 8 September 2010) based on a resolution number 481 issued by the Ministry of Health in Egypt.
- The Company registered a branch in Jeddah for the upcoming Sterile Manufacturing Facility on 13 Shawwal 1442H (corresponding to 25 May 2021G), commercial registration number 4030416562.
- The Company registered a branch in U.A.E., Dubai on 1 Dhul Hijjah 1438H (corresponding to 23 August 2017G), commercial license number 94284 issued by Dubai Development Authority in U.A.E.
- The Company registered its branch in Qassim on 28 Safi 1444H (corresponding to 24 September 2022G), commercial registration number 113132367.
- The Company registered its branch in Jizan on 13 Rabi Al Thani 1444H (corresponding to 7 November 2022G), commercial registration number 5900137576.
- The Company registered its branch in Hafouf on 14 Rabi Al Thani 1444H (corresponding to 8 November 2022G), commercial registration number 2251502524.

The Company has the following subsidiaries up to 31 December 2022G:

| Name | Country of incorporation | Principal activity | Effective shareholding | |
|---|--------------------------|---|------------------------|-------|
| | | | 2022G | 2021G |
| Al Jamjoom Pharma for Pharmaceutical Industries | Egypt | Manufacture and distribution of pharmaceuticals | 100% | 100% |
| Jamjoom Pharmaceutical Industry and Commerce Company Limited* | Turkey | Manufacture and distribution of pharmaceuticals | 100% | 100% |

* The subsidiary is immaterial both alone and in aggregate to the financial position, performance and cash flows of the group and therefore not consolidated in these financial statements.

JAMJOOM PHARMACEUTICALS FACTORY
(A Closed Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022G
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

1. REPORTING ENTITY (continued)

The Board of Directors resolved to liquidate the Jamjoom Pharmaceutical Industry and Commerce Company Limited dated 20 May 2019G and the process of liquidation is in progress.

The registered address of the Company is as follows:

P.O. Box 6267,
Jeddah-21442,
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

a) Statement of compliance

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

b) Basis of measurement

These consolidated financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except for employees' benefit, which are measured at the the present value of future obligation using the Projected Unit Credit Method, and investments at fair value through profit and loss, which are measured at fair values. Certain figures for the prior year have been reclassified to conform to the presentation in the current year. Further details have been mentioned in note 35.

c) Functional and presentation currency

The accompanying consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is also the Company's functional and presentational currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. All amounts have been rounded off to the nearest Riyals, unless otherwise stated.

d) Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

JAMJOOM PHARMACEUTICALS FACTORY
(A Closed Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022G
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

d) Critical accounting estimates and judgments (continued)

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements, is included in the following:

- Consolidation: whether the Group exercises control over an investee (Note 3 (a)(i)).
- Going concern: the Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.
- Allocation of common cost between sale of shares and listing of shares: the Group's management allocates the common cost between sale of shares and listing of shares in proportion to their respective directly attributable costs for the period in which these are incurred.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements are described below:

i) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment loss is recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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2. BASIS OF PREPARATION (continued)

d) Critical accounting estimates and judgments (continued)

Assumptions and estimation uncertainties (continued)

ii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The Group assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

iii) Provision for inventory obsolescence

The Group determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging, current condition, and future expectations with respect to its consumption. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in the pattern of consumption and sale of pharmaceutical products.

iv) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

v) Employee benefits – defined benefit obligation

Certain actuarial assumptions have been adopted as disclosed in note 18 to these consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

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2. BASIS OF PREPARATION (continued)

d) Critical accounting estimates and judgments (continued)

Measurement of fair values

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.

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

a) Basis of consolidation

i) Business combinations

Business combinations (except for entities under common control) are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instrument issued and liabilities incurred or assumed at the date of exchange, and includes costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition. The excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is classified as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

i) Business combinations (continued)

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Entities under common control

Business combinations including entities or businesses under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. The components of equity of the acquired entity are added to the same components within the Group equity and any gain/loss arising is recognized directly in equity.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are consolidated in the financial statements from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases

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

Changes in a Group's ownership interest in a subsidiary that does not result in a change in control, is accounted as equity transaction and the carrying amounts of the non-controlling interests is adjusted against the fair value of the consideration paid and any difference is recognized directly in equity under "Effect of transactions with non- controlling interests without change in control".

iii) Goodwill

Goodwill represents the difference between the cost of businesses acquired and the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

iv) Non-controlling interests

Non-controlling interests represent the interest in subsidiary companies, not held by the Group which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with non-controlling interest parties are treated as transactions with parties external to the Group.

Changes in Group's interest in a subsidiary as a result of transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals / acquisition of non-controlling interests are also recorded in equity.

v) Investments in equity accounted investees

The Group's interest in equity-accounted investees comprise interests in joint ventures. A joint venture is an arrangement in which the Group has joint control, whereby the Group has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group's investment in joint venture is accounted for using the equity method. Under the equity method, the investment in 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 since the acquisition date. The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in Other Comprehensive Income (OCI) of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the Group's interest in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the 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 and its carrying value and recognizes the loss in the consolidated statement of profit or loss and other comprehensive income. Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in joint venture, the carrying amount of that interest is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transactions gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Financial instruments

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

ii) Classification and measurement of financial assets and financial liabilities (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

| | |
|--|--|
| Financial assets at Fair Value Through Profit and Loss (FVTPL) | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investments at Fair Value through Other Comprehensive Income (FVOCI) | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at Fair Value through Other Comprehensive Income (FVOCI) | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

iii) Financial Liabilities – Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

iv) Derecognition

Financial assets

The management derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The management derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The management also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

v) Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

vi) Impairment of financial assets

The management recognises loss allowances for expected credit loss (ECL) on financial assets measured at amortised cost and contract assets. The management measures loss allowances at an amount equal to lifetime ECL.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECL: these are ECL that result from possible default events within the 12 months after the reporting date; and
- lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

vi) Impairment of financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the management considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The management assumes that the credit risk on a financial asset has increased significantly if it is more than 730 days past due from government and 365 days past due from non-government parties.

The management considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

In respect of trade receivables, the management applies a simplified approach in measuring the expected credit losses. Therefore, the management does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the country of sales/customers to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Credit-impaired financial assets

At each reporting date, the management assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 990 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

vi) Impairment of financial assets (continued)

Presentation of allowance for ECL

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

Financial assets are written off when there are no reasonable expectations of recovery. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized as income in the profit or loss.

c) Impairment

Non-financial assets

The management 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 management estimates the assets' recoverable amount. An assets' recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 to sell, recent market transactions are taken into account, if available. 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 subsidiaries or other available fair value indicators.

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 indication exists, the management estimates the asset's or CGUs' 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 or amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in the consolidated statement of profit or loss and other comprehensive income.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of individual items of property, plant and equipment. Land is not depreciated.

The estimated useful lives of assets are as follow:

| | Years |
|------------------------|-------|
| Buildings | 33 |
| Plant and machinery | 4-20 |
| Furniture and fixtures | 10 |
| Office equipment | 6 |
| Computer equipment | 4-8 |
| Motor vehicles | 4 |

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For impairment assessment of property, plant and equipment, please refer policy on impairment of non-financial assets note 3(c).

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant and equipment (continued)

Capital work-in-progress

Capital work-in-progress are carried at cost less any recognised impairment loss. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is accounted for in accordance with the Group's policies.

e) Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, 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 recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Intangible assets

Intangible assets are measured on initial recognition at cost. Subsequently, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets are amortised over their useful economic lives of 8-10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition 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.

g) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognized in consolidated statement of profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

h) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value comprises estimated selling price in the ordinary course of business, less any additional production costs for completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Provisions and contingent liabilities

Provisions

A provision is recognized if, as a result of a past event, the Group has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions expected to be settled after 12 months of the reporting date are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost in statement of profit or loss and other comprehensive income.

A provision for finished goods expiry is recognized when the underlying goods are sold, based on historical replacement data and a weighting of possible outcomes against their associated probabilities.

Onerous contracts

A provision for onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Contingent liabilities are based on the judgment of management / independent experts and are not recognized in these consolidated financial statements but disclosed in the notes to these consolidated financial statements. These are reviewed at the end of each reporting period and are adjusted as appropriate.

j) Employees' benefits

Defined benefit plan

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Employees' benefits (continued)

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

Other long-term employee benefits

The Group's 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. The benefit is discounted to determine its present value if the impact is material. Remeasurements are recognized in consolidated statement of profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

Short-term employee benefits

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

k) Revenues

The Group mainly generates revenue from manufacturing and delivery of pharmaceutical products. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group acts as the principal in its revenue arrangements because it controls the goods before transferring them to the customer.

Revenue from the sale of goods is recognised at the point in time when the control of the asset is transferred to the customer, generally on delivery or shipment of products. The normal credit term is 30 to 90 days upon delivery.

In determining the transaction price for the sale of products, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Revenues (continued)

The Group estimates the amount of variable consideration by using either of the following methods, depending on which method is expected to better predict the amount of consideration to which it will be entitled:

- a) The expected value—the expected value is the sum of probability-weighted amounts in a range of possible consideration amounts and is generally applied when the Group has a large number of contracts with similar characteristics.
- b) The most likely amount—the most likely amount is the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract). The most likely amount is generally appropriate if the contract has only two possible outcomes.

The Group applies the above methods consistently throughout the contract when estimating the effect of an uncertainty on an amount of variable consideration to which the Group will be entitled. In addition, the Group considers all the information (historical, current and forecast) that is reasonably available and identifies a reasonable number of possible consideration amounts.

Consideration payable to a customer includes cash amounts that the Group pays or expects to pay to the customers for the purchase of Group's goods. Consideration payable to a customer is treated as a reduction of the transaction price, unless the payment to the customer is in exchange for a distinct good that the customer transfers to the Group. If consideration payable to a customer is accounted for as a reduction in the transaction price, then the Group recognises a reduction of revenue when (or as) the later of the following events occurs: (i) the Group recognises revenue for the transfer of the related goods to the customer; and, (ii) the Group pays or promises to pay the consideration; this promise is implied by the Group's customary business practices. The Group applies judgement in respect of the above.

l) Zakat and income tax

The Company is subject to Zakat in accordance with the regulations of Zakat and Tax Customs Authority ("ZATCA"). Foreign subsidiaries are subject to the relevant income tax regulations in their countries of domicile. The Company's Zakat and its share in the foreign subsidiaries income tax are accrued and charged to the consolidated statement of profit or loss. Additional Zakat and foreign income tax liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized. The Group withholds taxes on transactions with non-resident parties.

m) Value added tax (VAT)

Assets and expenses are recognised net of amount of VAT, except that when VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Borrowings

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the statement of profit and loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in statement of profit or loss and other comprehensive income using the effective interest method.

o) Cash dividend

The Group recognises a liability to make distribution to equity holders of the Parent Company when the distribution is authorised and the distribution is no longer at the discretion of the Group. Distribution authorization is assessed in line with the Companies' By-laws, of which a distribution is authorised when approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors.

p) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and in hand which are subject to an insignificant risk of changes in value.

q) Operating expenses

Costs of revenue represent all expenses directly attributable or incidental to the core operating activities of the Group including but not limited to raw materials and supplies, attributable employee-related costs, depreciation of property and equipment, etc. All other expenses are classified as general and administrative expenses, selling and distribution expenses and research and development expenses. Allocation of common expenses between costs of revenue, selling and distribution expense, general and administrative expenses and research and development expenses where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses

r) Trade date accounting of financial instruments

Financial liabilities are initially recognised on trade date i.e. date on which the Group becomes party to the respective contractual provisions. All regular way purchases and sales of financial assets are recognized and derecognized on the trade date, i.e. the date on which the Group commits to purchase or sell the asset.

s) Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

The calculation of diluted EPS is based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

u) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Saudi Arabian Riyal at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Saudi Arabian Riyal at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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4. NEW STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS

a) Standards, interpretations, and amendments issued

This table lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2022G and that are available for early adoption in annual periods beginning on 1 January 2022G; the Group has not early adopted them in preparing these consolidated financial statements:

| Standard / Interpretation | Description | Effective from periods beginning on or after the following date |
|---------------------------|--|---|
| IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) | 1 January 2022G |
| Annual Improvements | Annual Improvements to IFRS Standards 2018G–2020G | 1 January 2022G |
| IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) | 1 January 2022G |
| IFRS 3 | Reference to the Conceptual Framework (Amendments to IFRS 3) | 1 January 2022G |

b) Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

| Standard / Interpretation | Description | Effective from periods beginning on or after the following date |
|-------------------------------------|---|--|
| IFRS 17 | Insurance contracts | 1 January 2023G |
| IAS 1 | Classification of liabilities as current or non-current (amendments to IAS 1) | 1 January 2023G |
| IAS 8 | Definition to accounting estimates | 1 January 2023G |
| IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction` | 1 January 2023G |
| IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023G |
| IFRS 10 and IAS 28 | Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28) | Available for optional adoption / effective date deferred indefinitely |

The standards, interpretations, and amendments with an effective date of 1 January 2022G will not have any material impact on the Group's consolidated financial statements, whereas, for other above-mentioned standards, interpretations, and amendments, the Group is currently assessing the implications on the Group's financial statements on adoption.

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5. PROPERTY, PLANT AND EQUIPMENT

The movement in property and equipment during the year ended 31 December 2022G is analyzed as under:

| | Land | Buildings | Plant and machinery | Furniture and fixtures | Office equipment | Computers | Motor vehicles | Capital work in progress | Total |
|---|-------------------|--------------------|---------------------|------------------------|------------------|------------------|------------------|--------------------------|----------------------|
| Cost: | | | | | | | | | |
| Balance as at 1 January 2022G | 62,594,759 | 176,669,203 | 476,136,367 | 19,700,160 | 3,414,890 | 7,751,215 | 3,475,195 | 325,120,474 | 1,074,862,263 |
| Additions during the year | -- | 1,312,500 | 5,151,361 | 787,444 | 469,275 | 1,381,847 | 276,980 | 76,744,279 | 86,123,686 |
| Transferred from capital work in progress | -- | -- | 915,547 | -- | -- | 954,950 | -- | (1,870,497) | -- |
| Disposals during the year | -- | -- | (2,635,541) | (11,683) | (49,449) | (290,003) | (1,499,200) | -- | (4,485,876) |
| Foreign currency translation differences | (2,136,420) | -- | (163,925) | (140,607) | (52,767) | (151,259) | (14,750) | (70,053,064) | (72,712,792) |
| Balance as at 31 December 2022G | 60,458,339 | 177,981,703 | 479,403,809 | 20,335,314 | 3,781,949 | 9,646,750 | 2,238,225 | 329,941,192 | 1,083,787,281 |
| Accumulated depreciation: | | | | | | | | | |
| Balance as at 1 January 2022G | -- | 42,552,325 | 296,632,310 | 12,024,692 | 2,646,196 | 6,138,142 | 2,965,820 | -- | 362,959,485 |
| Charge for the year | -- | 5,340,508 | 14,693,825 | 1,392,297 | 299,517 | 712,839 | 176,027 | -- | 22,615,013 |
| Disposals during the year | -- | -- | (2,607,799) | (11,411) | (48,424) | (281,447) | (1,419,189) | -- | (4,368,270) |
| Foreign currency translation differences | -- | -- | (2,607) | (47,955) | (10,296) | (73,898) | (2,151) | -- | (136,907) |
| Balance as at 31 December 2022G | -- | 47,892,833 | 308,715,729 | 13,357,623 | 2,886,993 | 6,495,636 | 1,720,507 | -- | 381,069,321 |
| Carrying value: | | | | | | | | | |
| At 31 December 2022G | 60,458,339 | 130,088,870 | 170,688,080 | 6,977,691 | 894,956 | 3,151,114 | 517,718 | 329,941,192 | 702,717,960 |

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

The movement in property and equipment during the year ended 31 December 2021G is analyzed as under:

| | Land | Buildings | Plant and machinery | Furniture and fixtures | Office equipment | Computers | Motor vehicles | Capital work in progress | Total |
|---|-------------------|--------------------|---------------------|------------------------|------------------|------------------|------------------|--------------------------|----------------------|
| Cost: | | | | | | | | | |
| Balance as at 1 January 2021G | 62,584,476 | 153,835,217 | 453,815,691 | 18,849,275 | 3,157,376 | 7,150,391 | 5,597,035 | 249,459,658 | 954,449,119 |
| Additions during the year | -- | 10,870 | 4,941,756 | 226,055 | 92,933 | 901,049 | -- | 116,574,510 | 122,747,173 |
| Transferred from capital work in progress | -- | 22,826,803 | 17,470,622 | 636,280 | 166,468 | -- | -- | (41,100,173) | -- |
| Disposals during the year | -- | -- | (5,600) | (12,776) | (2,158) | (308,948) | (2,121,840) | -- | (2,451,322) |
| Foreign currency translation differences | 10,283 | (3,687) | (86,102) | 1,326 | 271 | 8,723 | -- | 186,479 | 117,293 |
| Balance as at 31 December 2021G | 62,594,759 | 176,669,203 | 476,136,367 | 19,700,160 | 3,414,890 | 7,751,215 | 3,475,195 | 325,120,474 | 1,074,862,263 |
| Accumulated depreciation: | | | | | | | | | |
| Balance as at 1 January 2021G | -- | 37,292,352 | 282,295,242 | 10,459,002 | 2,386,827 | 5,936,285 | 4,748,935 | -- | 343,118,643 |
| Charge for the year | -- | 5,259,973 | 14,431,674 | 1,576,074 | 261,879 | 497,181 | 296,298 | -- | 22,323,079 |
| Disposals during the year | -- | -- | (5,487) | (12,336) | (1,971) | (299,776) | (2,081,815) | -- | (2,401,385) |
| Foreign currency translation differences | -- | -- | (89,119) | 1,952 | (539) | 4,452 | 2,402 | -- | (80,852) |
| Balance as at 31 December 2021G | -- | 42,552,325 | 296,632,310 | 12,024,692 | 2,646,196 | 6,138,142 | 2,965,820 | -- | 362,959,485 |
| Carrying value: | | | | | | | | | |
| At 31 December 2021G | 62,594,759 | 134,116,878 | 179,504,057 | 7,675,468 | 768,694 | 1,613,073 | 509,375 | 325,120,474 | 711,902,778 |

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

5.1 Depreciation charge for the year ended 31 December has been allocated as follows:

| | 2022G | 2021G |
|---|------------|------------|
| Costs of revenue (Note 24) | 17,156,801 | 17,008,926 |
| Selling and distribution expenses (Note 25) | 939,728 | 1,035,858 |
| General and administration expenses (Note 26) | 2,057,336 | 1,758,519 |
| Research and development expenses (Note 27) | 2,461,148 | 2,519,776 |
| | 22,615,013 | 22,323,079 |

5.2 Capital work in progress represents cost incurred on the construction of expansion of factory. It also includes cost incurred on the construction of manufacturing facility in Egypt subsidiary amounting to SR 154.7 million. The construction is expected to be completed by the end of 2023G.

Capital work-in-progress as at 31 December, comprises the following:

| | 2022G | 2021G |
|-------------------------|-------------|-------------|
| Equipment | 151,890,365 | 170,509,066 |
| Civil works | 161,306,093 | 129,091,009 |
| Advances for civil work | 16,094,942 | 25,519,643 |
| Advances for equipment | 649,792 | -- |
| | 329,941,192 | 325,119,718 |

6. RIGHT-OF-USE ASSET

The Group leases warehouse and factory facilities as a lessee. The movement in right-of-use asset during the year ended December 31 is analysed as under:

| | 2022G | 2021G |
|---------------------------------|-------------|-----------|
| Cost | | |
| Balance as at 1 January | 2,785,065 | 2,785,065 |
| Modifications | 621,020 | -- |
| Balance as at 31 December | 3,406,085 | 2,785,065 |
| Accumulated depreciation | | |
| Balance as at 1 January | (818,053) | (557,541) |
| Charge for the year | (256,346) | (260,512) |
| Balance as at 31 December | (1,074,399) | (818,053) |
| Carrying value: | | |
| At December 31 | 2,331,686 | 1,967,012 |

Depreciation charge on right-of-use asset is allocated to costs of revenue.

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6. RIGHT-OF-USE ASSET (continued)

The following are the amounts recognised in profit or loss:

| | 2022G | 2021G |
|--|-----------|-----------|
| Depreciation on right-of-use assets | 256,346 | 260,512 |
| Interest expense on lease liabilities | 122,260 | 108,067 |
| Expense relating to short-term leases (note 6.1) | 1,010,086 | 1,010,109 |
| Total amount recognised in profit or loss | 1,388,692 | 1,378,688 |

- 6.1 These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.
- 6.2 Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances.

7. INTANGIBLE ASSETS

Intangible assets include the following:

| | 2022G | 2021G |
|-----------------------------------|------------|------------|
| Software and trademark (Note 7.1) | | |
| | 14,434,716 | 14,785,577 |

7.1 Software and trademark

The movement during the year, is analysed below:

| | Software | Trademark | Total |
|--|------------------|-------------------|-------------------|
| Cost: | | | |
| Balance as at 1 January | 7,845,974 | 15,000,000 | 22,845,974 |
| Additions during the year | 1,527,142 | -- | 1,527,142 |
| Foreign currency translation | (27,631) | -- | (27,631) |
| Balance as at 31 December 2022G | 9,345,485 | 15,000,000 | 24,345,485 |
| Accumulated amortisation: | | | |
| Balance as at 1 January 2022G | 6,310,397 | 1,750,000 | 8,060,397 |
| Charge for the year | 355,103 | 1,500,000 | 1,855,103 |
| Foreign currency translation | (4,731) | -- | (4,731) |
| Balance as at 31 December 2022G | 6,660,769 | 3,250,000 | 9,910,769 |
| Carrying value: | | | |
| As at 31 December 2022G | 2,684,716 | 11,750,000 | 14,434,716 |
| As at 31 December 2021G | 1,535,577 | 13,250,000 | 14,785,577 |

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7. INTANGIBLE ASSETS (continued)

Amortisation charge for the year ended 31 December has been allocated as follows:

| | 2022G | 2021G |
|---|-----------|-----------|
| Costs of revenue (note 24) | 128,064 | 128,064 |
| Selling and distribution expenses (note 25) | 15,975 | 185 |
| General and administrative expenses (note 26) | 189,937 | 119,800 |
| Research and development expenses (note 27) | 21,127 | 21,127 |
| Other expense (note 29) | 1,500,000 | 1,499,887 |
| | 1,855,103 | 1,769,063 |

8. EQUITY-ACCOUNTED INVESTEE

The Group has interest in the following:

| Name | Principal place of business | Ownership interest (%) | | Amount | |
|-----------------------------------|-----------------------------|------------------------|-------|---------|-----------|
| | | 2022G | 2021G | 2022G | 2021G |
| Jamjoom Hupp Pharma LLC (note 14) | Algeria | 49% | 49% | -- | 3,389,870 |
| Jamjoom Algeria Lildawa | Algeria | 49% | 49% | 250,901 | 551,362 |
| | | | | 250,901 | 3,941,232 |

The movement of equity-accounted investees is as follows:

| | 2022G | 2021G |
|--|-------------|-----------|
| Opening balance | 3,941,232 | 2,769,136 |
| Additions | -- | 551,362 |
| Share of loss from equity accounted investee | (318,657) | (54,090) |
| Other adjustments | (820,282) | 674,824 |
| Transferred to asset held for sale (note 14) | (2,551,392) | -- |
| Closing balance | 250,901 | 3,941,232 |

The following table summarizes the latest available financial information of Jamjoom Algeria Lildawa as of 31 December and for the year then ended:

| | 2022G | 2021G |
|-------------------|---------|-----------|
| Total assets | 775,511 | 1,065,181 |
| Total liabilities | 263,468 | 100,988 |
| Total equity | 512,042 | 964,193 |
| Loss for the year | 457,662 | 103,578 |

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9. INVESTMENTS

Investments as at December 31 comprised of the following:

| | 2022G | 2021G |
|---|-----------|------------|
| Investments at amortised cost (note 9.1) | 4,411,521 | 37,500,000 |
| Investments at fair value through profit or loss (note 9.2) | 704,392 | 629,312 |
| | 5,115,913 | 38,129,312 |

9.1 This represents Murabaha investments made with an Investment Company at prevailing market rates.

9.2 Investments at fair value through profit or loss

| | Country of incorporation | Number of shares | | Amount (SAR) | |
|------------------------------|--------------------------|------------------|-----------|--------------|---------|
| | | 2022G | 2021G | 2022G | 2021G |
| Biothera (common units held) | United States of America | 2,173,913 | 2,173,913 | 19,566 | 19,566 |
| Nahdi | Kingdom of Saudi Arabia | 499 | -- | 83,433 | -- |
| Aramco | Kingdom of Saudi Arabia | 18,735 | 17,032 | 601,393 | 609,746 |
| | | | | 704,392 | 629,312 |

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10. INVENTORIES

Inventories include the following:

| | 2022G | 2021G |
|---------------------------------------|--------------|--------------|
| Raw materials | 55,819,068 | 62,311,942 |
| Packing materials | 34,284,786 | 32,746,344 |
| Work in process | 10,044,747 | 1,895,787 |
| Finished goods | 33,015,374 | 41,745,371 |
| Goods in transit | 2,820,530 | 3,529,853 |
| Stores and spares | 11,788,640 | 10,967,846 |
| | 147,773,145 | 153,197,143 |
| Provision for inventories (note 10.1) | (15,911,847) | (18,031,660) |
| | 131,861,298 | 135,165,483 |

10.1 Movement of provision for slow moving and obsolete inventories is as follows:

| | 2022G | 2021G |
|------------------------------|--------------|-------------|
| Balance as at 1 January | 18,031,660 | 14,838,101 |
| Provision during the year | 10,820,079 | 10,742,237 |
| Write off during the year | (12,918,374) | (7,548,678) |
| Foreign currency translation | (21,518) | -- |
| Balance as at 31 December | 15,911,847 | 18,031,660 |

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11. TRADE RECEIVABLES

| | 2022G | 2021G |
|------------------------------------|-------------|-------------|
| Trade receivables, net (Note 11.1) | 352,361,492 | 366,902,586 |

11.1 Trade receivables include the following:

| | 2022G | 2021G |
|--|-------------|--------------|
| Trade receivables – others | 166,469,672 | 153,218,210 |
| Trade receivables – related parties (note 21) | 194,929,555 | 233,537,259 |
| | 361,399,227 | 386,755,469 |
| Less: Allowance for expected credit losses (note 11.2) | (9,037,735) | (19,852,883) |
| | 352,361,492 | 366,902,586 |

11.2 The movement in allowance for expected credit losses (ECLs) is as follows:

| | 2022G | 2021G |
|---------------------------|--------------|------------|
| Balance at 1 January | 19,852,883 | 17,676,757 |
| Provision during the year | 2,348,195 | 2,249,773 |
| Write off during the year | (13,163,343) | (73,647) |
| Balance at 31 December | 9,037,735 | 19,852,883 |

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 December.

| 31 December 2022G | Total | Neither past due nor impaired | Past due but not impaired | | | |
|----------------------------|-------------|-------------------------------|---------------------------|-------------|--------------|--------------------|
| | | | 0-90 days | 90-180 days | 180-360 days | 361 days and above |
| Gross carrying amount | 361,399,227 | 195,278,250 | 89,619,528 | 13,934,317 | 17,895,254 | 44,671,878 |
| Loss allowance | 9,037,735 | 427,869 | 530,563 | 299,587 | 758,560 | 7,021,156 |
| Weighted average loss rate | 2.50% | 0.22% | 0.59% | 2.15% | 4.24% | 15.72% |

| 31 December 2021G | Total | Neither past due nor impaired | Past due but not impaired | | | |
|----------------------------|-------------|-------------------------------|---------------------------|-------------|--------------|--------------------|
| | | | 0-90 days | 90-180 days | 180-360 days | 361 days and above |
| Gross carrying amount | 386,755,469 | 210,849,293 | 103,560,685 | 17,337,063 | 19,339,140 | 35,669,288 |
| Loss allowance | 19,852,883 | 939,885 | 1,165,470 | 658,093 | 1,666,303 | 15,423,132 |
| Weighted average loss rate | 5.13% | 0.45% | 1.13% | 3.80% | 8.62% | 43.24% |

The Group does not have any collateral over receivables and accordingly are unsecured. Unimpaired trade receivables are expected, on the basis of past experience to be fully recoverable.

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in note 34.

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12. PREPAYMENTS AND OTHER CURRENT ASSETS

| | 2022G | 2021G |
|--|------------|------------|
| Prepayments and other current assets (note 12.1) | 47,748,955 | 29,222,973 |
| Due from related parties (note 21) | 8,513,477 | 17,646,713 |
| | 56,262,432 | 46,869,686 |

12.1 Prepayments and other current assets

| | 2022G | 2021G |
|-----------------------------------|------------|------------|
| Employees' receivables | 9,765,889 | 8,866,258 |
| VAT receivable | 10,937,448 | 11,711,689 |
| Advance to suppliers | 10,962,043 | 2,864,903 |
| Due from shareholders (note 12.1) | 7,886,574 | -- |
| Prepayments | 4,516,253 | 3,092,850 |
| Deposits | 1,062,520 | 1,253,541 |
| Others | 2,618,228 | 1,433,732 |
| | 47,748,955 | 29,222,973 |

12.2 This represents amount to be indemnified by the shareholders to the Company in relation to the cost borne by the Company on their behalf for the sale of their existing shares to the public in proportion to their existing interest in the Company and the shareholders have agreed to indemnify the Company for the entire amount paid in this respect. Refer note 15 for the details of shareholders along with the percentage of their shareholding.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

| | 2022G | 2021G |
|----------------------------------|-------------|-------------|
| Cash in hand | 37,135 | 36,740 |
| Cash at banks – current accounts | 141,144,698 | 112,592,996 |
| | 141,181,833 | 112,629,736 |

14. ASSET HELD FOR SALE

During the year ended 31 December 2022G, management committed to a plan to sell its investment in Jamjoom Hupp Pharma LLC. Accordingly, the Group's investment in joint venture is presented as an asset held for sale. Efforts to sell the investment have started and a sale is expected during 2023G.

Impairment loss of SR 1,252,498 for write-down of the asset to the lower of its carrying amount and its fair value less costs to sell have been included in 'other expense' (see note 29).

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15. SHARE CAPITAL

As at December 31, the share capital is divided into 70,000,000 shares (2021G: 10,000,000 shares) of SR 10 each held and owned by:

| | Percentage of Ownership | 31 December 2022G | | 31 December 2021G | |
|--|-------------------------|-------------------|-------------|-------------------|-------------|
| | | No. of shares | Amount | No. of shares | Amount |
| Mr. Yousef Mohammad Salah Jamjoom | 59.5% | 41,650,000 | 416,500,000 | 5,950,000 | 59,500,000 |
| Mr. Mahmood Yousef Mohammed Salah Jamjoom | 8.0% | 5,600,000 | 56,000,000 | 800,000 | 8,000,000 |
| Mr. Walid Yousef Mohammed Salah Jamjoom | 6.5% | 4,550,000 | 45,500,000 | 650,000 | 6,500,000 |
| Mr. Mohammed Yousef Mohammed Salah Jamjoom | 6.5% | 4,550,000 | 45,500,000 | 650,000 | 6,500,000 |
| Mr. Ahmed Yousef Mohammed Salah Jamjoom | 6.5% | 4,550,000 | 45,500,000 | 650,000 | 6,500,000 |
| Ms. Sana Yousef Mohammed Salah Jamjoom | 6.5% | 4,550,000 | 45,500,000 | 650,000 | 6,500,000 |
| Ms. Ala'a Yousef Mohammed Salah Jamjoom | 6.5% | 4,550,000 | 45,500,000 | 650,000 | 6,500,000 |
| | 100% | 70,000,000 | 700,000,000 | 10,000,000 | 100,000,000 |

The details of interim dividends approved by Board of the directors during the current year are as follows:

| For the year | 2022G | 2021G |
|--------------|-------------|-------------|
| 1st Quarter | 37,333,333 | 23,333,333 |
| 2nd Quarter | 23,833,333 | 23,333,333 |
| 3rd Quarter | 23,833,333 | 23,333,333 |
| 4th Quarter | 63,780,531 | 43,333,333 |
| Total | 148,780,530 | 113,333,332 |

On 17 July 2022G, the shareholders of the Company passed a resolution to increase the share capital of the Company from SAR 100 million to SAR 700 million. All the related pre-requisites and legal formalities were completed on 24 August 2022G.

16. STATUTORY RESERVE

In accordance with the Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution to the shareholders of the Company.

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17. LEASE LIABILITIES

| | 2022G | 2021G |
|-------------------|-----------|-----------|
| Lease liabilities | 2,636,370 | 1,967,012 |

17.1 As at December 31 the movement in the net present value of the finance lease liabilities is as follows:

| | 2022G | 2021G |
|------------------------------------|-----------|-----------|
| As at 1 January | 1,967,012 | 2,227,524 |
| Modifications during the year | 894,353 | -- |
| Add: Interest expense for the year | 122,260 | 108,067 |
| Less: Payments during the year | (347,255) | (368,579) |
| As at 31 December | 2,636,370 | 1,967,012 |

17.2 The lease liabilities have been presented in statement of financial position is as follows:

| | 2022G | 2021G |
|-----------------------|-----------|-----------|
| Current liability | 235,167 | 249,059 |
| Non-current liability | 2,401,203 | 1,717,953 |
| Lease liabilities | 2,636,370 | 1,967,012 |

18. EMPLOYEES' BENEFITS

The Company operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by Saudi Arabian Labour and Workmen Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Kingdom of Saudi Arabia. An independent actuarial exercise has been conducted as at 31 December 2022G and 31 December 2021G to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labour Law by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

The amount recognized in the statement of financial position is determined as follows:

| | 2022G | 2021G |
|---------------------|------------|------------|
| Employees' benefits | 62,162,117 | 60,576,185 |

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18. EMPLOYEES' BENEFITS (continued)

a) Movement in defined benefit obligation

Movement in the present value of defined benefit obligation recognized in statement of financial position:

| | 2022G | 2021G |
|---|-------------|--------------|
| Balance at 1 January | 60,576,185 | 75,553,455 |
| Included in statement of profit or loss | | |
| Current service cost | 8,856,383 | 8,569,243 |
| Interest cost | 1,820,376 | 1,890,804 |
| | 10,676,759 | 10,460,047 |
| Included in other comprehensive income | | |
| Actuarial loss arising from experience adjustment | 697,328 | 645,673 |
| Loan against employees' benefits | - | (12,540,000) |
| Benefits paid | (9,788,155) | (13,542,990) |
| Balance at 31 December | 62,162,117 | 60,576,185 |

b) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

| | 2022G | 2021G |
|---|--------------|----------|
| Discount rate | 4.44% | 3.27% |
| Future salary growth / Expected rate of salary increase | 4.44% | 3.27% |
| Retirement age | 60 years | 60 years |
| Number of employees | 1,013 | 999 |
| Mortality rate | 0.75 to 7.52 | to 7.52 |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in amounts below.

| | 2022G | 2021G |
|---------------------------------------|------------|------------|
| Discount rate (+0.5% movement) | 62,150,468 | 56,963,003 |
| Discount rate (-0.5% movement) | 58,956,441 | 64,471,334 |
| Salary increase rate (+0.5% movement) | 65,588,704 | 64,451,506 |
| Salary increase rate (-0.5% movement) | 58,941,665 | 56,946,023 |

The sensitivity analyses have been determined based on a method that extrapolates the impact on the end of service benefit as a result of changes in key assumptions occurring at the end of the reporting period, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the end of service benefit as it is unlikely that changes in assumptions would occur in isolation of one another. The weighted average duration of the end of service benefit at the end of the reporting period is 9.95 years (31 December 2021G: 9.95 years).

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19. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables and other current liabilities include the following:

| | 2022G | 2021G |
|--|-------------|-------------|
| Trade payables | 34,452,124 | 36,898,578 |
| Accruals and other current liabilities (note 19.1) | 69,166,576 | 76,300,690 |
| Due to related parties (note 21) | 5,414,753 | 5,171,482 |
| | 109,033,453 | 118,370,750 |

19.1 Accruals and other current liabilities

| | 2022G | 2021G |
|--|------------|------------|
| Employee related accruals | 38,983,706 | 28,480,116 |
| Accrued commission and discount payable | 710,088 | 13,855,041 |
| Retention payable | 4,931,668 | 6,114,134 |
| Contract liabilities | 50,348 | 243,559 |
| Accrued sales and marketing expenses | 1,675,041 | 2,605,338 |
| Accrued utilities bills | 1,298,777 | 600,515 |
| Provision – finished goods expiry (19.2) | 9,014,591 | 8,307,105 |
| Local expenses accrual | 9,263,452 | 13,773,752 |
| Others | 3,238,905 | 2,321,130 |
| | 69,166,576 | 76,300,690 |

19.2 The provision relates to items sold during 2022G. The provision has been estimated based on historical replacement data associated with similar products.

20. ZAKAT AND INCOME-TAX PAYABLE

a) Parent Company

Zakat base

The significant components of Zakat base for the year ended 31 December comprise of the following:

| | 2022G | 2021G |
|----------------------------------|---------------|---------------|
| Equity | 1,120,729,846 | 1,099,460,742 |
| Provisions | 62,590,856 | 81,911,676 |
| Other addition | 6,650,728 | 3,973,107 |
| Book value of non-current assets | (726,515,371) | (735,256,374) |
| Zakat base | 463,456,059 | 450,089,151 |
| Zakat Base (365) | 477,857,236 | 464,074,972 |
| Net adjusted income | 220,424,843 | 205,084,607 |
| Zakat base | 698,282,079 | 669,159,579 |
| Zakat charge for the year | 17,457,052 | 16,728,989 |

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20. ZAKAT AND INCOME TAX PAYABLE (continued)

| | 2022G | | |
|------------------------------|--------------|------------|--------------|
| | Zakat | Income tax | Total |
| Balance at 1 January | 18,662,603 | 1,081,749 | 19,744,352 |
| Charge for the year | 15,523,438 | (522,812) | 15,000,626 |
| Paid during the year | (16,728,989) | (17,699) | (16,746,688) |
| Foreign currency translation | -- | (276,431) | (276,431) |
| Balance at 31 December | 17,457,052 | 264,807 | 17,721,859 |

| | 2021G | | |
|---------------------------|--------------|------------|--------------|
| | Zakat | Income tax | Total |
| Balance at 1 January | 20,448,987 | 1,644,225 | 22,093,212 |
| Charge for the year | 16,728,989 | 155,029 | 16,884,018 |
| Prior year adjustment | 507,814 | -- | 507,814 |
| Total charge for the year | 17,236,803 | 155,029 | 17,391,832 |
| Paid during the year | (19,023,187) | (717,505) | (19,740,692) |
| Balance at 31 December | 18,662,603 | 1,081,749 | 19,744,352 |

b) Status of assessments

The Zakat assessments have been agreed with the Zakat, Tax and Customs Authority ("ZATCA") for the years up to 31 December 2018G and the Company has not received any assessments for the years ended 31 December 2019G, 2020G, and 2021G. The Company is in the process of filing its Zakat return for the year ended 31 December 2022G.

c) Income tax

Income tax is calculated in accordance with the applicable tax laws of the foreign subsidiary.

21. RELATED PARTY TRANSACTIONS AND BALANCES

- The Group in the normal course of business, enters into transactions with other entities that fall within the definition of a related party contained in IAS-24.
- Transaction with related parties mainly relate to expenses incurred by the related parties on behalf of the Group and sales processed through affiliated companies (parties related to the Group or shareholders of the Company) in accordance with the agreement mutually entered into. Transactions with related parties are undertaken at mutually agreed prices.

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21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c. Significant related party balances arising from transactions are described as under:

| Name | Relationship | Nature of transactions | Amount of transactions | | Closing balance | |
|---|---------------------------|-------------------------|------------------------|-------------|-----------------|-------------|
| | | | 2022G | 2021G | 2022G | 2021G |
| Due from related parties under trade receivables: | | | | | | |
| Jamjoom Medicine Stores | Affiliate | Sale of products | 467,286,947 | 373,807,334 | | |
| | | Distribution commission | 17,820,244 | 17,759,777 | 194,929,555 | 233,537,259 |
| Due from related parties under prepayment and other current assets: | | | | | | |
| Jamjoom Medicine Stores | Affiliate | Expenses paid | -- | 69,605 | -- | 194,685 |
| Jamjoom HUPP Pharma LLC | Equity accounted investee | Loan receivable * | -- | 1,037,974 | 17,452,028 | 17,452,028 |
| Dan International for trading & Industries | Affiliate | Expenses paid | 31,436 | -- | -- | -- |
| New Jamjoom Healthcare Hospital | Affiliate | Expenses paid | 62,944 | 40,667 | -- | -- |
| Jamjoom Algeria Lildawa | Equity accounted investee | Expenses paid | 196,704 | -- | 196,704 | -- |
| | | | | | 17,648,732 | 17,646,713 |
| Less: Provision for impairment loss on due from related party (note 21.1) | | | | | (9,135,255) | -- |
| | | | | | 8,513,477 | 17,646,713 |

* The balance represents interest free loan provided by the Company to Jamjoom Hupp Pharma LLC.

| Name | Relationship | Nature of transactions | Amount of transactions | | Closing balance | |
|--|--------------|---------------------------------|------------------------|------------|-----------------|-----------|
| | | | 2022G | 2021G | 2022G | 2021G |
| Due to related parties under trade payables and other current liabilities: | | | | | | |
| Jamjoom General Agencies | Affiliate | Purchases and services rendered | 957,692 | 1,092,842 | 480,768 | 109,087 |
| Jamjoom Printing Press | Affiliate | Purchases and services rendered | 3,274,699 | 8,813,119 | 1,076,482 | 1,783,446 |
| Jeddah Trident Hotel | Affiliate | Purchases and services rendered | 56,129 | 862,532 | -- | -- |
| Jamjoom Medicine Stores | Affiliate | Purchases and services rendered | -- | 410,117 | -- | -- |
| Dream Sky Travel & Tourism Agency | Affiliate | Services rendered | 7,432,119 | 4,667,006 | 46,241 | 120,792 |
| Tegan Al Fateh Factory Company Limited | Affiliate | Purchases – Packing material | 18,658,995 | 18,446,989 | 3,560,552 | 3,018,180 |
| Jafaar Mohammed Salah Jamjoom and Partner for Engineering Consulting | Affiliate | Services rendered | 1,574,350 | 1,293,600 | 216,950 | 112,700 |
| Hamza Mahmoud Yousuf Jamjoom Contracting Corporation | Affiliate | Retention Money | 117,681 | 204,755 | 33,760 | 27,277 |
| | | | | | 5,414,753 | 5,171,482 |

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21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

21.1 The movement in provision for impairment loss on due from related party is as follows:

| | 2022G | 2021G |
|---------------------------|-----------|-------------|
| Balance at 1 January | -- | -- |
| Provision during the year | 9,135,255 | 1,037,974 |
| Write off during the year | -- | (1,037,974) |
| Balance at 31 December | 9,135,255 | -- |

21.2 Key management personnel remuneration and compensation

Compensation to Group's key management personnel includes salaries, non-cash benefits, and contributions to post-employment defined benefit plan. The following table illustrates details of remuneration and compensation paid to key management personnel:

| | 2022G | 2021G |
|------------------------------|------------|------------|
| Short-term employee benefits | 14,375,821 | 14,482,238 |
| Long-term employee benefits | 608,288 | 769,519 |

Board of Directors / Committee members' remuneration

Board of Directors remuneration and compensation comprised of the following:

| | 2022G | 2021G |
|-------------------------|-----------|---------|
| Meeting attendance fees | 1,773,844 | 264,000 |

22. COMMITMENTS AND CONTINGENCIES

The Group has the following contingencies and commitments:

| | 2022G | 2021G |
|-------------------------|-----------|------------|
| Letter of credit | 5,398,163 | 11,787,536 |
| Letters of guarantee | 7,612,107 | 10,964,621 |
| Contractual commitments | 9,425,502 | 36,784,154 |

The contractual commitments represent the Group's commitments related to construction and electromechanical contracts related to works in progress not yet completed (note 5.2).

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23. REVENUE

The Group generates revenue from the sale products to its customers. In the following table, revenue from customers is disaggregated by major products and primary geographical market.

| | 2022G | 2021G |
|---------------------------------------|-------------|-------------|
| Major products category | | |
| Pharmaceutical products | 797,376,208 | 663,462,072 |
| Consumer health products | 119,295,903 | 72,220,792 |
| Total | 916,672,111 | 735,682,864 |
| | | |
| | 2022G | 2021G |
| Primary geographical markets | | |
| Kingdom of Saudi Arabia | 587,133,235 | 466,097,876 |
| Gulf | 108,695,016 | 73,271,532 |
| Iraq | 91,152,980 | 64,584,892 |
| Egypt | 64,174,480 | 67,042,667 |
| North Africa and other export markets | 65,516,400 | 64,685,897 |
| | 916,672,111 | 735,682,864 |

24. COSTS OF REVENUE

| | 2022G | 2021G |
|--|-------------|-------------|
| Raw materials and consumables | 200,691,573 | 148,537,652 |
| Salaries and employee related costs | 73,337,709 | 65,908,705 |
| Depreciation (note 5.1) | 17,156,801 | 17,008,926 |
| Amortisation (note 7) | 128,064 | 128,064 |
| Depreciation on right-of-use assets (note 6) | 256,346 | 260,512 |
| Traveling and communication | 1,094,679 | 621,149 |
| Supplies and consumables | 6,309,419 | 6,248,723 |
| Repair and maintenance | 5,401,209 | 4,813,986 |
| Utilities | 9,870,708 | 8,265,728 |
| Others | 8,502,867 | 9,195,539 |
| | 322,749,375 | 260,988,984 |

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25. SELLING AND DISTRIBUTION EXPENSES

| | 2022G | 2021G |
|---|-------------|-------------|
| Salaries and employee related costs | 102,236,299 | 79,903,624 |
| Distribution expenses | 78,935,720 | 68,902,034 |
| Brand reminders, free medical samples and promotion | 66,601,207 | 49,005,266 |
| Travelling and communication | 6,358,445 | 5,115,016 |
| Amortisation (note 7) | 15,975 | 185 |
| Depreciation (note 5.1) | 939,728 | 1,035,858 |
| Others | 5,975,409 | 4,991,665 |
| | 261,062,783 | 208,953,648 |

26. GENERAL AND ADMINISTRATION EXPENSES

| | 2022G | 2021G |
|-------------------------------------|------------|------------|
| Salaries and employee related costs | 37,379,130 | 31,404,176 |
| Travelling and communication | 1,582,639 | 1,296,798 |
| Depreciation (note 5.1) | 2,057,336 | 1,758,519 |
| Amortisation (note 7) | 189,937 | 119,800 |
| Utilities | 2,087,473 | 480,422 |
| Repair and maintenance | 2,437,367 | 705,220 |
| Others | 9,637,580 | 4,922,540 |
| | 55,371,462 | 40,687,475 |

27. RESEARCH AND DEVELOPMENT EXPENSES

| | 2022G | 2021G |
|-------------------------------------|------------|------------|
| Salaries and employee related costs | 20,123,621 | 20,621,555 |
| Travelling and communication | 213,285 | 164,771 |
| Depreciation (note 5.1) | 2,461,148 | 2,519,776 |
| Amortisation (note 7) | 21,127 | 21,127 |
| Cost of exhibit batches | 2,504,979 | 3,821,049 |
| Lab scale batches | 1,078,521 | 1,615,734 |
| Supplies and consumables | 925,958 | 771,574 |
| Others | 5,351,846 | 7,464,650 |
| | 32,680,485 | 37,000,236 |

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28. IMPAIRMENT LOSS ON FINANCIAL ASSETS

| | 2022G | 2021G |
|---|------------|-----------|
| Impairment loss on trade receivables (note 11) | 2,348,195 | 2,249,773 |
| Impairment loss on due from related party (note 21) | 9,135,255 | 1,037,974 |
| | 11,483,450 | 3,287,747 |

29. OTHER EXPENSE

| | 2022G | 2021G |
|--|-------------|-------------|
| Amortisation (note 7) | (1,500,000) | (1,499,887) |
| Impairment loss on asset held for sale (note 14) | (1,252,498) | -- |
| | (2,752,498) | (1,499,887) |

30. OTHER INCOME

| | 2022G | 2021G |
|---|-----------|-----------|
| Gain on disposal of property, plant and equipment | 30,759 | 88,940 |
| Royalty income | 4,067,099 | 4,106,190 |
| Others | 764,443 | 2,883,027 |
| | 4,862,301 | 7,078,157 |

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31. NET FINANCE COST

Net finance cost for the year comprises of the following:

| Finance cost | 2022G | 2021G |
|--|--------------|-------------|
| Loan management fee on SIDF loan | -- | (2,273,934) |
| Bank charges | (738,406) | (799,413) |
| Finance charge on leases | (122,260) | (108,067) |
| Investments at FVTPL – net change in fair values | -- | (1,026,591) |
| Foreign currency loss (see note below) | (47,949,960) | -- |
| Total finance cost | (48,810,626) | (4,208,005) |

| Finance income | 2022G | 2021G |
|--|-------|-----------|
| Investments at FVTPL – net change in fair values | 9,712 | -- |
| Foreign currency gain (see note below) | -- | 2,006,190 |
| Total finance income | 9,712 | 2,006,190 |

31.1 During the year ended 31 December 2022G, the Company entered a loan restructuring agreement to convert the loan balance from its Egypt subsidiary into a "Subordinated Perpetual Instrument". The Group has analysed the Subordinated Perpetual Instrument having features of an equity instrument under IAS-32 and hence classified the instrument under equity on the date of debt conversion in the books of the Subsidiary. Accordingly, all foreign currency gain /(loss) arising from translation of the equity instrument shall be recorded in the OCI in accordance with accounting policy in note 3(u).

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32. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue outstanding during the year.

| | 2022G | 2021G (Restated) |
|---|-------------|---------------------|
| Net profit for the year | 171,314,162 | 170,695,307 |
| Number of ordinary shares | 70,000,000 | 10,000,000 |
| Effect of increase in share capital (note 32.1) | -- | 60,000,000 |
| Weighted average number of ordinary shares in issue | 70,000,000 | 70,000,000 |
| Basic and diluted earnings per share | 2.45 | 2.44 |

The diluted EPS is same as the basic EPS as the Group does not have any dilutive instruments in issue.

32.1 During the year ended 31 December 2022G, the Company increased its share capital resulting in change in the weighted average number of ordinary shared in issue this led to a retrospective adjustment to number of shares in prior period for the purpose of calculation of EPS, refer note 15.

33. OPERATING SEGMENT

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and are managed separately because they require different marketing strategies. The Group's Chairman, Group Chief Executive, and Chief Financial Officer (CFO) monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the chief operating decision makers (CODM) for the Group.

For each of the strategic business units, the CODM reviews internal management reports on at least quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Pharmaceutical products – represents medicines or drugs and they are essential for the prevention and treatment of diseases, and protection of public health.
- Consumer health products – represents the products sold directly to consumers. Unlike prescription drugs, selection and use of consumer health products does not require the oversight of a health care practitioner.

No operating segments have been aggregated to form the above reportable operating segments.

Segment results that are reported to CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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33. OPERATING SEGEMENT (continued)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues, as included in the internal management reports that are reviewed by the CODM. There are no inter segment revenue reported during the period. The following table presents segment information for the period ended 30 December:

| Particulars | Pharmaceutical products | | Consumer health products | | Total | |
|------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | 2022G | 2021G | 2022G | 2021G | 2022G | 2021G |
| Revenue - external customers | 797,376,208 | 663,462,072 | 119,295,903 | 72,220,792 | 916,672,111 | 735,682,864 |
| Costs of revenue | (288,251,767) | (238,804,067) | (34,497,608) | (22,184,917) | (322,749,375) | (260,988,984) |
| Segment profit | 509,124,441 | 424,658,005 | 84,798,295 | 50,035,875 | 593,922,736 | 474,693,880 |

Unallocated income / (expenses)

| | 2022G | 2021G |
|--|--------------------|--------------------|
| Gross profit before tax for reportable segments | 593,922,736 | 474,693,880 |
| Selling and distribution expenses | (261,062,783) | (208,953,648) |
| General and administrative expenses | (55,371,462) | (40,687,475) |
| Research and development expenses | (32,680,485) | (37,000,236) |
| Impairment loss on financial assets | (11,483,450) | (3,287,747) |
| Finance cost | (48,810,626) | (4,208,005) |
| Finance income | 9,712 | 2,006,190 |
| Share of results in investment in equity-accounted investees, net of tax | (318,657) | (54,090) |
| Other expense | (2,752,498) | (1,499,887) |
| Other income | 4,862,301 | 7,078,157 |
| Profit before zakat and income tax | 186,314,788 | 188,087,139 |

Detail of segment assets and liabilities is given below:

| Particulars | Allocated | | Unallocated | |
|--------------------------|-------------------------|--------------------------|---------------|---------------|
| | Pharmaceutical Products | Consumer Health Products | Others | Total |
| | SAR | SAR | SAR | SAR |
| 31 December 2022G | | | | |
| Segment assets | -- | -- | 1,407,817,125 | 1,407,817,125 |
| Segment liabilities | -- | -- | 191,553,799 | 191,553,799 |
| 31 December 2021G | | | | |
| Segment assets | -- | -- | 1,432,293,402 | 1,432,293,402 |
| Segment liabilities | -- | -- | 200,658,299 | 200,658,299 |

Pharmaceutical and consumer health segment are managed on a worldwide basis, but sales are primarily in Saudi Arabia, Egypt, Iraq, Gulf countries and North Africa countries. Refer note 23 for geographical disclosure.

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33. OPERATING SEGEMENT (continued)

Major customer

Revenues from one customer of the Group's pharmaceutical products and consumer health products segments represented approximately SAR 467.29 million (2021G: SAR 373.80 million) of the Group's total revenues.

34. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies and evaluates financial risks in close cooperation with the Group's operating units. The most important types of risk are market risk, credit risk and liquidity risk.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, trade receivables, due from related parties, investments, trade payable, due to related parties and retention payable. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability are offset and net amount reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and liability simultaneously.

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34. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. As at the reporting date, the Group is not exposed to any interest risk as it does not have any interest-bearing financial instruments.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Riyals, US Dollars, Algerian Dinar, Egyptian Pound, Turkish Lira, UAE Dirham and Euros. The Group is exposed to foreign exchange risk. The Group's other financial liabilities are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between Saudi Riyals and Egyptian Pound. Since Saudi Riyals is pegged with US Dollars, the Group is not exposed to currency risk for the transactions denominated in US Dollars.

The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Exposure to currency risk

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

| | 31 December 2022G | | | | | |
|--|-------------------|-----------|----------------|----------------|----------------|------------------------------|
| | US Dollars | Euro | Algerian Dinar | Egyptian Pound | Bahraini Dinar | United Arab Emirates Dirhams |
| Trade receivables | 14,024,115 | 565,358 | -- | -- | 89,280 | 200,465 |
| Prepayments and other current assets | -- | -- | 649,612,303 | -- | -- | -- |
| Cash and cash equivalents | 11,955,089 | 2,190,155 | -- | -- | -- | -- |
| | 25,979,204 | 2,755,513 | 649,612,303 | -- | 89,280 | 200,465 |
| Trade payables and other current liabilities | 1,889,020 | 1,368,518 | -- | 118,800 | -- | 2,018,460 |
| Net exposure | 24,090,184 | 1,386,995 | 649,612,303 | (118,800) | 89,280 | (1,817,995) |

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34. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

| | 31 December 2021G | | | | | |
|--|-------------------|-----------|----------------|----------------|----------------|------------------------------|
| | US Dollars | Euro | Algerian Dinar | Egyptian Pound | Bahraini Dinar | United Arab Emirates Dirhams |
| Trade receivables | 9,313,839 | 262,704 | -- | -- | 89,280 | -- |
| Prepayments and other current assets | -- | -- | 647,186,790 | -- | -- | -- |
| Cash and cash equivalents | 8,084,720 | 4,214,906 | -- | -- | -- | -- |
| | 17,398,559 | 4,477,610 | 647,186,790 | -- | 89,280 | -- |
| Trade payables and other current liabilities | 1,688,675 | 1,203,890 | -- | 138,600 | 7,883 | 3,801,706 |
| Net exposure | 15,709,884 | 3,273,720 | 647,186,790 | (138,600) | 81,397 | (3,801,706) |

Significant exchange rates applied during the year were as follows:

| | Average rate | | Spot rate | |
|---|--------------------------------|---------|--------------------------------|---------|
| | For the year ended 31 December | | For the year ended 31 December | |
| | 2022G | 2021G | 2022G | 2021G |
| Foreign currency per Saudi Riyal | | | | |
| Euros | 0.2421 | 0.2255 | 0.2487 | 0.2353 |
| Algerian Dinar | 36.9458 | 35.9712 | 36.8079 | 37.0370 |
| Egyptian Pound | 5.1508 | 4.1849 | 6.6055 | 4.1894 |
| Turkish Lira | 4.2668 | 2.3635 | 4.9825 | 3.4734 |
| UAE Dirham | 0.9793 | 0.9793 | 0.9793 | 0.9795 |

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34. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Euros, US Dollars, Algerian Dinars, Egyptian Pounds, Bahraini Dinars and UAE Dirhams against all other currencies at year end would have affected the measurement of financial instruments denominated in a foreign currency and affected profit before Zakat and income tax by the amount shown below. This analysis assumes that all other variables remain constant.

| | Strengthening | Weakening |
|--------------------------|---------------|-----------|
| 31 December 2022G | | |
| Euro | (55,770) | 55,770 |
| US Dollar | (903,382) | 903,382 |
| Algerian Dinar | (176,487) | 176,487 |
| Egyptian Pound | 178 | (178) |
| UAE Dirham | 17,804 | (17,804) |
| Bahraini Dinar | (8,884) | 8,884 |
| 31 December 2021G | | |
| Euro | (139,130) | 139,130 |
| US Dollar | (589,121) | 589,121 |
| Algerian Dinar | (174,741) | 174,741 |
| Egyptian Pound | 331 | (331) |
| UAE Dirham | 38,813 | (38,813) |
| Bahraini Dinar | (8,096) | 8,096 |

Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group exposure to any price risk is not material.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. Outstanding customer receivables are regularly monitored. The Group's maximum exposure to credit risk at the reporting date is as follows:

| | 2022G | 2021G |
|---------------------------------|-------------|-------------|
| Financial assets | | |
| Trade receivables, gross | 361,399,227 | 386,755,469 |
| Due from related parties, gross | 17,648,732 | 17,646,713 |
| Investments | 5,115,913 | 38,129,312 |
| Bank balance | 141,144,698 | 112,592,996 |
| Total | 525,308,570 | 555,124,490 |

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34. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (Continued)

As at 31 December 2022G, four largest customers account approximately for 75% (31 December 2021G: 75%) of gross outstanding trade receivables. However, the Group assessed the concentration of risk with respect to accounts receivable and concluded it to be low.

At 31 December 2022G, the maximum exposure to credit risk for trade receivables by geographic region is as follows:

| | 2022G | 2021G |
|---------------------------------------|-------------|-------------|
| Kingdom of Saudi Arabia | 293,492,691 | 338,425,630 |
| Gulf | 19,942,232 | 12,311,379 |
| Iraq | 18,032,490 | 6,300,628 |
| Egypt | 11,948,262 | 11,397,451 |
| North Africa and other export markets | 17,983,552 | 18,320,381 |
| Total | 361,399,227 | 386,755,469 |

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

| Contractual cash flows | | | | | |
|------------------------|-----------------|------------------|---------------------|-------------------|------------|
| 31 December 2022G | Carrying amount | Less than 1 year | Within 1 to 5 years | More than 5 years | Total |
| Lease liabilities | 2,636,370 | 347,255 | 1,389,020 | 1,539,805 | 3,276,080 |
| Trade Payable | 34,452,124 | 34,452,124 | -- | -- | 34,452,124 |
| Due to related parties | 5,414,753 | 5,414,753 | -- | -- | 5,414,753 |
| Retention payable | 4,931,668 | 4,931,668 | -- | -- | 4,931,668 |
| | 47,434,915 | 45,145,800 | 1,389,020 | 1,539,805 | 48,074,625 |

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34. FINANCIAL RISK MANAGEMENT (continued)

Liquidity (continued)

| Contractual cash flows | | | | | |
|------------------------|-------------------|-------------------|---------------------|-------------------|-------------------|
| 31 December 2021G | Carrying amount | Less than 1 year | Within 1 to 5 years | More than 5 years | Total |
| Lease liabilities | 1,967,012 | 347,255 | 1,389,020 | 1,887,060 | 3,623,335 |
| Trade Payable | 36,898,578 | 36,898,578 | -- | -- | 36,898,578 |
| Due to related parties | 5,171,482 | 5,171,482 | -- | -- | 5,171,482 |
| Retention payable | 6,114,133 | 6,114,133 | -- | -- | 6,114,133 |
| | 50,151,205 | 48,531,448 | 1,389,020 | 1,887,060 | 51,807,528 |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

Reconciliation of liabilities arising from financing activities is as follows:

| | 1 January 2022G | Non- cash changes | | | Cash flows [*] | 31 December 2022G |
|-------------------|------------------|--------------------|----------------|----------------|-------------------------|-------------------|
| | | Dividend declared | Finance cost | Others | | |
| Dividend | -- | 148,780,530 | -- | -- | (148,780,530) | -- |
| Lease liabilities | 1,967,012 | -- | 122,260 | 894,353 | (347,255) | 2,636,370 |
| | 1,967,012 | 148,780,530 | 122,260 | 894,353 | (149,127,785) | 2,636,370 |

| | 1 January 2021G | Non- cash changes | | | Cash flows [*] | 31 December 2021G |
|-------------------|-------------------|--------------------|----------------|----------------|-------------------------|-------------------|
| | | Dividend declared | Finance cost | Others | | |
| Dividend | -- | 113,333,332 | -- | -- | (113,333,332) | -- |
| Lease liabilities | 2,227,524 | -- | 108,067 | -- | (368,579) | 1,967,012 |
| Loan | 95,016,067 | -- | -- | -- | (95,016,067) | -- |
| | 97,243,591 | 113,333,332 | 108,067 | 108,067 | (208,717,978) | 1,967,012 |

* This also includes interest payment made presented under the Group accounting policy as an operating cash flow.

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34. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, trade and other payables, less cash and bank balances. As at the reporting date, the Group does not have any interest-bearing loans and borrowing affecting its gearing ratio.

Fair value of assets and liabilities

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. As at 31 December 2022G, the carrying values of the financial assets and financial liabilities is a reasonable approximation of their fair value.

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It doesn't include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

| | Carrying amount | Fair Value | | | |
|---|----------------------|------------|---------|---------|---------|
| | Mandatorily at FVTPL | Level 1 | Level 2 | Level 3 | Total |
| 31 December 2022G | | | | | |
| Financial assets measured at fair value | | | | | |
| Investment at fair value through profit or loss | 704,392 | 684,826 | -- | 19,566 | 704,392 |
| 31 December 2021G | | | | | |
| Financial assets measured at fair value | | | | | |
| Investment at fair value through profit or loss | 629,312 | 609,746 | -- | 19,566 | 629,312 |

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35. RECLASSIFICATION IN PRIOR YEAR

During the year ended 31 December 2022G, the Group reclassified certain amounts to conform to the current year classification. The table below summarizes the impacts on the Group's financial statements:

Consolidated statement of financial position:

| As at 31 December 2021G | Note | Impact of reclassification | | |
|--------------------------------------|------|----------------------------|-------------|-----------------|
| | | As previously reported | Adjustments | As reclassified |
| Equity-accounted investees | 35.1 | 3,972,724 | (31,492) | 3,941,232 |
| Non-current assets | | 3,972,724 | (31,492) | 3,941,232 |
| Investments | 35.1 | 38,109,746 | 19,566 | 38,129,312 |
| Prepayments and other current assets | 35.1 | 29,211,047 | 11,926 | 29,222,973 |
| Current assets | | 67,320,793 | 31,492 | 67,352,285 |
| Total assets | | 71,293,517 | -- | 71,293,517 |

Consolidated statement of profit or loss and other comprehensive income:

| For the year ended 31 December 2021G | Note | Impact of reclassification | | |
|--|-------------------|----------------------------|-------------|-----------------|
| | | As previously reported | Adjustments | As reclassified |
| Impairment loss on financial assets | 35.2 | -- | (3,287,747) | (3,287,747) |
| General and administration expenses | 35.2 | (42,937,248) | 2,249,773 | (40,687,475) |
| Operating profit | | (42,937,248) | (1,037,974) | (43,975,222) |
| Investments at FVTPL – net change in fair values | 35.3 | (1,040,217) | 1,040,217 | -- |
| Finance cost | 35.3, 35.4 & 35.5 | (1,175,224) | (3,032,781) | (4,208,005) |
| Finance income | 35.4 | -- | 2,006,190 | 2,006,190 |
| Other income | 35.5 & 35.6 | 4,553,922 | 2,524,235 | 7,078,157 |
| Other expense | 35.6 | -- | (1,499,887) | (1,499,887) |
| Profit before zakat and income tax | | (40,598,767) | -- | (40,598,767) |
| Net profit for the year | | (40,598,767) | -- | (40,598,767) |
| Total comprehensive income for the year | | (40,598,767) | -- | (40,598,767) |

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35. RECLASSIFICATION IN PRIOR YEAR (continued)

The reclassification do not have an impact on the net profit of the Group, hence, there is no impact on basic or diluted earnings per share and total operating, investing, or financing cashflows for the year ended 31 December 2021G.

- 35.1 This represents reclassification of certain FVTPL equity investments amounting to SR 19,566 and other balances amounting to SR 11,926 from the equity-accounted investee to investment and prepayments and other current assets, respectively.
- 35.2 Impairment loss on financial assets amounting to SR 3,287,747 for the year ended 31 December 2021G has been presented as a separate line item in these consolidated financial statements instead of showing within general and administrative expenses and other income.
- 35.3 Investments at FVTPL – net change in fair values amounting to SR 1,040,217 for the year ended 31 December 2021G has been presented within finance cost instead of showing as a separate line item in these consolidated financial statements.
- 35.4 This represents re-classification of foreign currency gain amounting to SR 2,006,190 previously presented as finance cost, to finance income and presented separately in these consolidated financial statements.
- 35.5 This represents reclassification of certain balances amounting to SR 13,626 from other income to finance cost.
- 35.6 This represents re-classification of amortization charge over trademarks amounting to SR 1,499,887 previously presented within other income to other expense, and impairment loss on due from related parties amounting to SR 1,037,974 previously presented within other income, to impairment loss on financial assets and presented as a separate line item in these consolidated financial statements.

36. SUBSEQUENT EVENTS

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022G) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023G). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023G). The management is in process of assessing the impact of the Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended By-Laws to the shareholders in their Extraordinary General Assembly meeting for their ratification.

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 16 April 2023G, corresponding to 25 Ramadan 1444H.