

JAMJOOM PHARMACEUTICALS FACTORY COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

with

INDEPENDENT AUDITOR'S REPORT

JAMJOOM PHARMACEUTICALS FACTORY COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Jamjoom Pharmaceuticals Factory Company

Opinion

We have audited the consolidated financial statements of Jamjoom Pharmaceuticals Factory Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, 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 material 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and other standards and pronouncements that are endorsed in the Kingdom of Saudi Arabia 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.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (40,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاء محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة 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 Company (continued)

Expected Credit Loss on Financial Assets

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

Key audit matter

As at 31 December 2023, the gross carrying value of trade receivables amounted to SR 343.3 million (2022: SR 361.4 million) against which the Group has determined an allowance for expected credit loss amounting to SR 11.1 million (2022: 9 million) in accordance with the requirements of the applicable financial reporting framework. In addition to that, the Group has receivable from a related party amounting to SR 17.5 million which is under dispute against which the Group has recognized an expected credit loss amounting to SR 11.6 million.

The Group has applied a simplified approach in measuring its expected credit losses. 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.

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

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 and other financial assets 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 and assessed the design and implementation of controls relevant to such process.
- We challenged the suitability of the expected credit loss model and assumption used by management in determination of the loss allowance through the involvement of our specialist who developed an independent expectation based on our knowledge of the client and the use of its historical information, experience of the industry in which it operates and specified external data sources.
- We tested the accuracy of data used and the mathematical accuracy of the expected credit loss calculation.
- We considered the adequacy of the disclosures in respect of expected credit loss over trade receivables in accordance with the applicable financial reporting standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and describe actions applicable in the jurisdiction.

Independent Auditor's Report

To the Shareholders of Jamjoom Pharmaceuticals Factory Company (continued)

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 Accounting Standards 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.
- 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.

Independent Auditor's Report

To the Shareholders of Jamjoom Pharmaceuticals Factory Company (continued)

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

- 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 Company** ("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, 31 March 2024
Corresponding to 21 Ramadan 1445H

JAMJOOM PHARMACEUTICALS FACTORY COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Note	2023	2022
ASSETS			
Property, plant and equipment	5	696,223,938	702,717,960
Right-of-use assets	6	2,075,338	2,331,686
Intangible assets	7	13,048,868	14,434,716
Equity-accounted investees	8	36,114,208	250,901
Non-current assets		747,462,352	719,735,263
Inventories	10	233,923,523	131,861,298
Trade receivables	11	332,125,964	352,361,492
Prepayments and other current assets	12	51,217,034	56,262,432
Investments	9	5,159,948	5,115,913
Cash and cash equivalents	13	284,276,766	141,181,833
Asset held for sale	14	--	1,298,894
Current assets		906,703,235	688,081,862
Total assets		1,654,165,587	1,407,817,125
EQUITY			
Share capital	15	700,000,000	700,000,000
Statutory reserve	16	67,131,416	67,131,416
Foreign currency translation reserve		(107,656,409)	(75,083,354)
Retained earnings		744,853,962	524,215,264
Total equity		1,404,328,969	1,216,263,326
LIABILITIES			
Lease liabilities	17	2,155,392	2,401,203
Employees' benefits	18	67,709,196	62,162,117
Non-current liabilities		69,864,588	64,563,320
Lease liabilities – current portion	17	245,801	235,167
Trade payables and other current liabilities	19	154,216,943	109,033,453
Zakat and income-tax payable	20	25,509,286	17,721,859
Current liabilities		179,972,030	126,990,479
Total liabilities		249,836,618	191,553,799
Total equity and liabilities		1,654,165,587	1,407,817,125


Chairman


Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 through 36 form an integral part of these consolidated financial statements.


JAMJOOM PHARMACEUTICALS FACTORY COMPANY
(A Saudi Joint Stock Company)

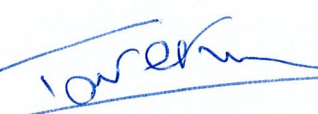
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Note	2023	2022
Revenue	23	1,100,819,082	916,672,111
Costs of revenue	24	(397,030,527)	(322,749,375)
Gross profit		703,788,555	593,922,736
Selling and distribution expenses	25	(286,409,694)	(261,062,783)
General and administrative expenses	26	(66,015,847)	(55,371,462)
Research and development expenses	27	(33,388,457)	(32,680,485)
Impairment loss on financial assets	28	(4,595,285)	(11,483,450)
Operating profit		313,379,272	233,324,556
Finance costs	31	(1,955,109)	(48,810,626)
Finance income	31	44,035	9,712
Share of results in equity-accounted investees, net of tax	8	4,406,228	(318,657)
Other expense	29	(3,136,766)	(2,752,498)
Other income	30	3,061,450	4,862,301
Profit before zakat and income tax		315,799,110	186,314,788
Zakat and income tax	20	(23,399,027)	(15,000,626)
Net profit for the year		292,400,083	171,314,162
<u>Other comprehensive loss:</u>			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement of employees' benefits	18	(1,761,385)	(697,328)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign operations – foreign currency translation differences	31	(32,573,055)	(37,208,081)
Other comprehensive loss for the year		(34,334,440)	(37,905,409)
Total comprehensive income for the year		258,065,643	133,408,753
<u>Earnings per share:</u>			
Basic and diluted earnings per share	32	4.18	2.45


Chairman


Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 through 36 form an integral part of these consolidated financial statements.

JAMJOOM PHARMACEUTICALS FACTORY COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Foreign currency translation reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2022	100,000,000	50,000,000	(37,875,273)	1,119,510,376	1,231,635,103
<u>Total comprehensive income:</u>					
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)
Total comprehensive income for the year	--	--	(37,208,081)	170,616,834	133,408,753
Transfer to statutory reserve	--	17,131,416	--	(17,131,416)	--
<u>Transaction with owners of the Company:</u>					
Increase in share capital (note 15.1)	600,000,000	--	--	(600,000,000)	--
Dividends (note 15.3)	--	--	--	(148,780,530)	(148,780,530)
Balance at 31 December 2022	700,000,000	67,131,416	(75,083,354)	524,215,264	1,216,263,326
<u>Total comprehensive income:</u>					
Net profit for the year	--	--	--	292,400,083	292,400,083
Other comprehensive loss for the year	--	--	(32,573,055)	(1,761,385)	(34,334,440)
Total Comprehensive income for the year	--	--	(32,573,055)	290,638,698	258,065,643
<u>Transaction with owners of the Company:</u>					
Dividends (note 15.3)	--	--	--	(70,000,000)	(70,000,000)
Balance at 31 December 2023	700,000,000	67,131,416	(107,656,409)	744,853,962	1,404,328,969



Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 through 36 form an integral part of these consolidated financial statements.

JAMJOOM PHARMACEUTICALS FACTORY COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Note	2023	2022
Cash flows from operating activities:			
Profit before Zakat and income tax		315,799,110	186,314,788
<i>Adjustments for:</i>			
Depreciation	5	24,394,327	22,615,013
Amortisation	7	1,976,306	1,855,103
Depreciation on right-of-use assets	6	256,348	256,346
Finance cost	31	1,955,109	48,810,626
Finance income	31	(44,035)	(9,712)
Share of results from equity-accounted investees	8	(4,406,228)	318,657
Impairment loss on financial assets	28	4,595,285	11,483,450
Provision for obsolescence / slow moving inventories	10	12,367,430	10,820,079
Provision for employees' benefits		11,634,360	10,676,759
Impairment loss on asset held for sale	29	1,298,894	1,252,498
Interest expense	17	112,088	122,260
Gain on disposal of property, plant and equipment	30	(37,151)	(30,759)
		369,901,843	294,485,108
Changes in:			
Trade receivables		18,031,939	12,191,101
Prepayment and other current assets		2,545,398	(18,528,001)
Inventories		(114,429,655)	(7,515,894)
Trade payables and other current liabilities		44,530,472	(11,537,617)
Cash generated from operating activities		320,579,997	269,094,697
Employees' benefits paid - net		(7,837,017)	(9,788,155)
Finance cost paid		(1,193,787)	(13,234,033)
Zakat and income tax paid	20	(15,521,641)	(16,746,688)
Net cash generated from operating activities		296,027,552	229,325,821
Cash flows from investing activities:			
Additions to property, plant and equipment	5	(45,175,223)	(86,123,686)
Additions to intangible assets	7	(599,673)	(1,527,142)
Proceeds from disposal of property, plant and equipment		52,291	148,365
Proceeds from redemption of Investments		--	33,088,479
Acquisition of investment		--	(65,368)
Additional capital injected in joint venture	8	(31,719,079)	--
Net cash used in investing activities		(77,441,684)	(54,479,352)
Cash flows from financing activities:			
Dividends paid	15.3	(70,000,000)	(148,780,530)
Payment of lease liabilities	17	(347,265)	(347,255)
Net cash used in financing activities		(70,347,265)	(149,127,785)
Net change in cash and cash equivalents		148,238,603	25,718,684
Net foreign exchange difference		(5,143,670)	2,833,413
Cash and cash equivalents at beginning of the year	13	141,181,833	112,629,736
Cash and cash equivalents at end of the year	13	284,276,766	141,181,833
Major Non-Cash Supplemental Information:			
Increase in share capital	15		600,000,000

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 through 36 form an integral part of these consolidated financial statements.

JAMJOOM PHARMACEUTICALS FACTORY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

1. REPORTING ENTITY

Jamjoom Pharmaceuticals Factory Company (the "Company" or the "Parent Company") is a Saudi Joint Stock Company. The Company was initially registered as 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 Saudi closed 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 2022, the shareholders of the Company passed a resolution to go for listing in Saudi Stock Exchange (Tadawul). On 28 December 2022, the Capital Market Authority (CMA) approved the Registration and the Initial Public Offering of the Company's shares. On 20 June 2023, the Company's shares became listed on the Saudi Stock Exchange (Tadawul) in the Kingdom of Saudi Arabia. The initial public offering consisted of the sale of twenty-one million (21,000,000) shares representing thirty percent (30%) of the issued share capital of the Company. The legal formalities of updating the Company By-laws completed in July 2023, and for Commercial Registration Certificate completed in August 2023.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). During the year, management assessed the impact and amended its By-Laws to align them with the provisions of the Law. On 9 May 2023, the amended By-Laws were presented to and approved by the shareholders in their Extraordinary General Assembly meeting.

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 2018), commercial registration number 4030318590.
- The Company registered its 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 its branch in Jeddah for the upcoming Sterile Manufacturing Facility on 13 Shawwal 1442H (corresponding to 25 May 2021), commercial registration number 4030416562.
- The Company registered its branch in U.A.E., Dubai on 1 Dhul Hijjah 1438H (corresponding to 23 August 2017), commercial license number 94284 issued by Dubai Development Authority in U.A.E.
- The Company registered its branch in Qassim on 28 Safar 1444H (corresponding to 24 September 2022), commercial registration number 1131323678.
- The Company registered its branch in Jizan on 13 Rabi Al Thani 1444H (corresponding to 7 November 2022), commercial registration number 5900137576.
- The Company registered its branch in Hafouf on 14 Rabi Al Thani 1444H (corresponding to 8 November 2022), commercial registration number 2251502524.

JAMJOOM PHARMACEUTICALS FACTORY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

1. REPORTING ENTITY (continued)

The Company has the following subsidiaries up to 31 December 2023:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activity</u>	<u>Effective shareholding</u>	
			<u>2023</u>	<u>2022</u>
Al Jamjoom Pharma for Pharmaceutical Industries	Egypt	Manufacture and distribution of pharmaceuticals	<u>100%</u>	<u>100%</u>
Jamjoom Pharmaceutical Industry and Commerce Company Limited*	Turkey	Manufacture and distribution of pharmaceuticals	<u>100%</u>	<u>100%</u>

* 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.

The Board of Directors resolved to liquidate the Jamjoom Pharmaceutical Industry and Commerce Company Limited dated 20 May 2019 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**

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and other standards and pronouncements that are endorsed in the Kingdom of Saudi Arabia issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") collectively referred to as "IFRS Accounting Standards" as endorsed in the Kingdom of Saudi Arabia

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.

JAMJOOM PHARMACEUTICALS FACTORY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

2. **BASIS OF PREPARATION (continued)**

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.

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.

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2. BASIS OF PREPARATION (continued)

d) **Critical accounting estimates and judgments (continued)**

Assumptions and estimation uncertainties (continued)

i) Impairment of non-financial assets (continued)

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.

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 behavior. 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. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the period end date to the extent that such events confirm conditions existing at the end of period. 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.

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2. **BASIS OF PREPARATION (continued)**

d) **Critical accounting estimates and judgments (continued)**

Assumptions and estimation uncertainties (continued)

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.

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. For details of the Group's basis of fair valuation of its assets and liabilities refer to note (34).

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3. MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

(a) Basis of consolidation

i) 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. The group uses the same accounting policies as of the subsidiaries and have the same financial year.

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".

ii) 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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

iii) 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.

iv) 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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

(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;
- 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.

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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

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

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.

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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

iv) Derecognition (continued)

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.

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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

vi) Impairment of financial assets (continued)

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.

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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

(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.

(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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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:

	<u>Years</u>
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).

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) 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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

(e) Intangible assets (continued)

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.

(f) 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.

(g) 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. MATERIAL ACCOUNTING POLICIES (continued)

(h) 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.

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.

(i) 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.

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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

(i) Employees' benefits (continued)

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.

(j) 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.

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:

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3. MATERIAL ACCOUNTING POLICIES (continued)

(j) Revenues (continued)

- 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.

(k) 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.

(l) 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.

(m) 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. Dividends, if any, are recorded when approved by the Board of Directors.

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3. **MATERIAL ACCOUNTING POLICIES (continued)**

(n) **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.

(o) **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

(p) **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.

(q) **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.

(r) **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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

(r) Foreign currency (continued)

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.

4. NEW STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS

a) Standards, interpretations, and amendments issued

There were no new standards issued and / or applied during the year ended 31 December 2023 and, except for Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2, the adoption of the following amendments to the existing standards had no significant impact on the consolidated financial statements of the Group on the current period or prior periods and is expected to have no significant effect in the future periods.

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of ‘material’ rather than ‘significant’ accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IAS 8	Definition of Accounting Estimate - Amendments to IAS 8	1 January 2023
IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12	1 January 2023
IAS 7 and IFRS 7	Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
IFRS 17	IFRS 17 Insurance Contracts	1 January 2023
IAS 12	International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12	23 May 2023

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**4. NEW STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS
(continued)**

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IFRS 16	Lease Liability in a Sales and Leaseback - Amendments to IFRS 16	1 January 2024
IAS 1	Classification of liabilities as current or non-current - Amendments to IAS 1	1 January 2024
IAS 1	Non- current liabilities with covenants - Amendments to IAS 1	1 January 2024
IAS 7 and IFRS 7	Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S2	Climate-related Disclosures	1 January 2024
IAS 21	Lack of Exchangeability - Amendments to IAS 21	1 January 2025
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Available for optional adoption / effective date deferred indefinitely

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5. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment during the year ended 31 December 2023 is analyzed as follows:

	<u>Lands</u>	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Computers</u>	<u>Motor vehicles</u>	<u>Capital work in progress</u>	<u>Total</u>
<u>Cost:</u>									
Balance as at 1 January 2023	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
Additions during the year	--	--	9,337,552	156,879	256,331	845,085	189,448	34,389,929	45,175,224
Transferred from capital work in progress	--	46,585,745	38,878,946	83,042	--	7,567	--	(85,555,300)	--
Disposals during the year	--	--	(297,299)	--	--	(22,244)	(224,600)	--	(544,143)
Foreign currency translation differences	(732,442)	(257,042)	(273,275)	(74,332)	(30,472)	(63,690)	(10,337)	(25,881,699)	(27,323,289)
Balance as at 31 December 2023	<u>59,725,897</u>	<u>224,310,406</u>	<u>527,049,733</u>	<u>20,500,903</u>	<u>4,007,808</u>	<u>10,413,468</u>	<u>2,192,736</u>	<u>252,894,122</u>	<u>1,101,095,073</u>
<u>Accumulated depreciation:</u>									
Balance as at 1 January 2023	--	47,892,833	308,715,729	13,357,623	2,886,993	6,495,636	1,720,507	--	381,069,321
Charge for the year	--	6,079,812	15,573,277	1,388,226	210,239	941,866	200,907	--	24,394,327
Disposals during the year	--	--	(292,839)	--	--	(11,567)	(224,597)	--	(529,003)
Foreign currency translation differences	--	(3,988)	(4,536)	(18,169)	(4,774)	(30,478)	(1,565)	--	(63,510)
Balance as at 31 December 2023	<u>--</u>	<u>53,968,657</u>	<u>323,991,631</u>	<u>14,727,680</u>	<u>3,092,458</u>	<u>7,395,457</u>	<u>1,695,252</u>	<u>--</u>	<u>404,871,135</u>
<u>Carrying value:</u>									
At 31 December 2023	<u>59,725,897</u>	<u>170,341,749</u>	<u>203,058,102</u>	<u>5,773,223</u>	<u>915,350</u>	<u>3,018,011</u>	<u>497,484</u>	<u>252,894,122</u>	<u>696,223,938</u>

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	<u>Lands</u>	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Computers</u>	<u>Motor vehicles</u>	<u>Capital work in progress</u>	<u>Total</u>
<u>Cost:</u>									
Balance as at 1 January 2022	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 2022	<u>60,458,339</u>	<u>177,981,703</u>	<u>479,403,809</u>	<u>20,335,314</u>	<u>3,781,949</u>	<u>9,646,750</u>	<u>2,238,225</u>	<u>329,941,192</u>	<u>1,083,787,281</u>
<u>Accumulated depreciation:</u>									
Balance as at 1 January 2022	--	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 2022	<u>--</u>	<u>47,892,833</u>	<u>308,715,729</u>	<u>13,357,623</u>	<u>2,886,993</u>	<u>6,495,636</u>	<u>1,720,507</u>	<u>--</u>	<u>381,069,321</u>
<u>Carrying value:</u>									
At 31 December 2022	<u>60,458,339</u>	<u>130,088,870</u>	<u>170,688,080</u>	<u>6,977,691</u>	<u>894,956</u>	<u>3,151,114</u>	<u>517,718</u>	<u>329,941,192</u>	<u>702,717,960</u>

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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:

	<u>2023</u>	<u>2022</u>
Costs of revenue (note 24)	18,457,507	17,156,801
Selling and distribution expenses (note 25)	995,464	939,728
General and administrative expenses (note 26)	2,633,576	2,057,336
Research and development expenses (note 27)	2,307,780	2,461,148
	<u>24,394,327</u>	<u>22,615,013</u>

5.2 Capital work in progress represents cost incurred on the construction of a manufacturing facility ('Egypt Main Facility') in Egypt and a sterile area facility ('Jeddah Sterile Facility') in Kingdom of Saudi Arabia ('KSA'). It also includes expansion in KSA represented in the form of new machinery. As of 31 December 2023, the balance of Factory in Egypt amounted to SR 38.83 million (31 December 2022: SR 154.7 million). During the year ended 31 December 2023, the Subsidiary in Egypt capitalized the Factory building, Oral Solid Dosage (OSD) manufacturing line and Semi Solid (SSD) manufacturing line following receipt of the approval from the Egyptian Drug Authority ('EDA') to commercially sell products manufactured from these manufacturing lines. Another sterile unit is under review of the EDA which is expected to be finalized during Q1 of 2024. While Sterile Area in KSA is expected to be completed during 2024, the expansion in KSA is partially delivered before the year ended 31 December 2023 and remaining is expected to be delivered by the end of Q2 of 2024.

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

	<u>2023</u>	<u>2022</u>
Equipment	142,336,576	151,890,365
Civil works	104,912,238	161,306,093
Advances for civil work	--	16,094,942
Advances for equipment	5,645,308	649,792
	<u>252,894,122</u>	<u>329,941,192</u>

6. RIGHT-OF-USE ASSET

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

	<u>2023</u>	<u>2022</u>
<u>Cost</u>		
Balance as at 1 January	3,406,085	2,785,065
Modifications	--	621,020
Balance as at 31 December	<u>3,406,085</u>	<u>3,406,085</u>
<u>Accumulated depreciation</u>		
Balance as at 1 January	(1,074,399)	(818,053)
Charge for the year *	(256,348)	(256,346)
Balance as at 31 December	<u>(1,330,747)</u>	<u>(1,074,399)</u>
<u>Carrying value:</u>		
At December 31	<u>2,075,338</u>	<u>2,331,686</u>

* 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:

	<u>2023</u>	<u>2022</u>
Depreciation on right-of-use assets	256,348	256,346
Interest expense on lease liabilities	112,088	122,260
Expense relating to short-term leases (note 6.1)	960,516	1,010,086
Total amount recognised in profit or loss	<u>1,328,952</u>	<u>1,388,692</u>

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 consist of software and trademark and the movement during the current year and prior year is analysed below:

	<u>Software</u>	<u>Trademark*</u>	<u>Total</u>
<u>Cost:</u>			
Balance as at 1 January	9,345,485	15,000,000	24,345,485
Additions during the year	599,673	--	599,673
Foreign currency translation	(11,585)	--	(11,585)
Balance as at 31 December 2023	<u>9,933,573</u>	<u>15,000,000</u>	<u>24,933,573</u>
<u>Accumulated amortisation:</u>			
Balance as at 1 January 2023	6,660,769	3,250,000	9,910,769
Charge for the year	476,306	1,500,000	1,976,306
Foreign currency translation	(2,370)	--	(2,370)
Balance as at 31 December 2023	<u>7,134,705</u>	<u>4,750,000</u>	<u>11,884,705</u>
<u>Carrying value:</u>			
As at 31 December 2023	<u>2,798,868</u>	<u>10,250,000</u>	<u>13,048,868</u>

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7. INTANGIBLE ASSETS (continued)

	<u>Software</u>	<u>Trademark*</u>	<u>Total</u>
<u>Cost:</u>			
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 2022	9,345,485	15,000,000	24,345,485
<u>Accumulated amortisation:</u>			
Balance as at 1 January 2022	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 2022	6,660,769	3,250,000	9,910,769
<u>Carrying value:</u>			
As at 31 December 2022	2,684,716	11,750,000	14,434,716

*The trademark pertains to the asset purchase agreement dated 22 September 2020 between AG Sandoz and Jamjoom Pharmaceutical Factory Company for market authorization of products in Algeria.

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

	<u>2023</u>	<u>2022</u>
Costs of revenue (note 24)	130,829	128,064
Selling and distribution expenses (note 25)	17,225	15,975
General and administrative expenses (note 26)	307,123	189,937
Research and development expenses (note 27)	21,129	21,127
Other expense (note 29)	1,500,000	1,500,000
	<u>1,976,306</u>	<u>1,855,103</u>

8. EQUITY-ACCOUNTED INVESTEE

The Group has interest in the following:

<u>Name</u>	<u>Principal place of business</u>	<u>Ownership interest (%)</u>		<u>Amount</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Jamjoom Hupp Pharma LLC (note 14)	Algeria	49%	49%	--	--
Jamjoom Algeria Lildawa	Algeria	49%	49%	36,114,208	250,901
				<u>36,114,208</u>	<u>250,901</u>

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8. EQUITY-ACCOUNTED INVESTEE (continued)

The movement of equity-accounted investees is as follows:

	<u>2023</u>	<u>2022</u>
Opening balance	250,901	3,941,232
Additions (8.1)	31,719,079	--
Share of results from equity accounted investee	4,406,228	(318,657)
Other adjustments	(262,000)	(820,282)
Transferred to asset held for sale (note 14)	--	(2,551,392)
Closing balance	<u>36,114,208</u>	<u>250,901</u>

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

	<u>2023</u>	<u>2022</u>
Total assets	118,455,654	775,511
Total liabilities	44,753,189	263,468
Total equity	73,702,465	512,043
Results for the year	8,992,302	(457,662)

- 8.1 During the year, the Company participated in the capital increase of Lildawa to partially finance the acquisition of a fully operational pharmaceutical manufacturing facility in Algeria and its operating expenses. Following the capital increase, Lildawa's share capital increased through the creation and issue of 2,192,000 new shares (total share in issuance as at the period end: 2,350,000), with the Group holding DZD 1.15 billion of the share capital and continuing to hold 49% of the total paid-up capital.
- 8.2 During the year ended 31 December 2023 and subsequent there to, the Company provided corporate guarantees to local banks in Algeria to support Jamjoom Algeria Lildawa in obtaining banking facility for the purpose of financing partial consideration for the acquisition, capital expenditure and working capital requirements.

9. INVESTMENTS

Investments as at December 31 comprised of the following:

	<u>2023</u>	<u>2022</u>
Investments at fair value through profit or loss (note 9.1)	<u>5,159,948</u>	<u>5,115,913</u>

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9. INVESTMENTS (continued)

9.1 Investments at fair value through profit or loss:

	<u>Country of incorporation</u>	<u>Number of shares</u>		<u>Amount (SR)</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Quoted equity securities</u>					
Al Nahdi Medical Company	Kingdom of Saudi Arabia	499	499	68,363	83,433
Saudi Arabian Oil Company (Aramco) (note 9.2)	Kingdom of Saudi Arabia	20,608	18,735	680,064	601,393
<u>Unquoted equity securities</u>					
Biothera (common units held)	United States of America	2,173,913	2,173,913	--	19,566
<u>Investments in fund</u>					
Private equity fund (note 9.3)	Saudi Arabia	--	--	4,411,521	4,411,521
				5,159,948	5,115,913

9.2 During the year, the Company received 10% bonus shares from Aramco without change in its ownership percentage.

9.3 The Company has an arrangement with a KSA-based asset manager to manage its funds via investments in a discretionary portfolio to create value for the Company. As at 31 December 2023, the net asset value (NAV) of the investment was approximately its carrying value.

10. INVENTORIES

Inventories include the following:

	<u>2023</u>	<u>2022</u>
Raw materials	92,818,163	55,819,068
Packing materials	43,884,671	34,284,786
Work in process	10,929,229	10,044,747
Finished goods	85,079,669	33,015,374
Goods in transit	5,596,565	2,820,530
Stores and spares (10.1)	12,732,593	11,788,640
	<u>251,040,890</u>	<u>147,773,145</u>
Provision for inventories (note 10.2)	(17,117,367)	(15,911,847)
	<u>233,923,523</u>	<u>131,861,298</u>

10.1 Stores and spares classified inventories include materials and items which are not expected to be used for more than one year.

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10. INVENTORIES (continued)

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

	<u>2023</u>	<u>2022</u>
Balance as at 1 January	15,911,847	18,031,660
Provision during the year	12,367,430	10,820,079
Write off during the year	(11,085,306)	(12,918,374)
Foreign currency translation	(76,604)	(21,518)
Balance as at 31 December	<u>17,117,367</u>	<u>15,911,847</u>

11. TRADE RECEIVABLES

	<u>2023</u>	<u>2022</u>
Trade receivables, net (Note 11.1)	<u>332,125,964</u>	<u>352,361,492</u>

11.1 Trade receivables include the following:

	<u>2023</u>	<u>2022</u>
Trade receivables – external parties	190,565,727	166,469,672
Trade receivables – a related party (note 21)	152,692,940	194,929,555
	<u>343,258,667</u>	<u>361,399,227</u>
Less: Allowance for expected credit losses (note 11.2)	(11,132,703)	(9,037,735)
	<u>332,125,964</u>	<u>352,361,492</u>

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

	<u>2023</u>	<u>2022</u>
Balance at 1 January	9,037,735	19,852,883
Provision during the year	2,095,285	2,348,195
Write off during the year	--	(13,163,343)
Foreign currency translation differences	(317)	--
Balance at 31 December	<u>11,132,703</u>	<u>9,037,735</u>

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

<u>31 December 2023</u>	<u>Total</u>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>			
			<u>0-90 days</u>	<u>90-180 days</u>	<u>180-360 days</u>	<u>361 days and above</u>
Gross carrying amount	343,258,667	192,935,448	99,242,042	6,720,814	12,663,774	31,696,589
Loss allowance	11,132,703	741,071	871,341	136,336	864,054	8,519,901
Weighted average loss rate	3.24%	0.38%	0.88%	2.03%	6.82%	26.88%

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11. TRADE RECEIVABLES (continued)

31 December 2022	<i>Total</i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>			
			<i>0-90 days</i>	<i>90-180 days</i>	<i>180-360 days</i>	<i>361 days and above</i>
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%

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 are disclosed in note 34.

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>2023</u>	<u>2022</u>
Prepayments and other current assets (note 12.1)	44,414,833	47,748,955
Due from related parties (note 21)	6,802,201	8,513,477
	51,217,034	56,262,432

12.1 Prepayments and other current assets

	<u>2023</u>	<u>2022</u>
Employees' receivables (note 12.1)	10,310,406	9,765,889
VAT receivable	11,894,312	10,937,448
Advance to suppliers	15,895,907	10,962,043
Due from shareholders (note 12.2)	--	7,886,574
Prepayments	3,988,236	4,516,253
Deposits	800,485	1,062,520
Others	1,525,487	2,618,228
	44,414,833	47,748,955

12.1 Employees' receivables are secured against the respective employee end of service benefits.

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.

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13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	<u>2023</u>	<u>2022</u>
Cash in hand	26,948	37,135
Cash at banks – current accounts	<u>284,249,818</u>	<u>141,144,698</u>
	<u>284,276,766</u>	<u>141,181,833</u>

The cash is held in accounts with banks having sound credit ratings. The fair value of cash and cash equivalent approximates their carrying values at 31 December 2023 and 31 December 2022.

14. ASSET HELD FOR SALE

During the year ended 31 December 2022, management committed to a plan to sell its investment in Jamjoom Hupp Pharma LLC. Accordingly, the Group's investment in joint venture has been presented as an asset held for sale. Efforts to sell the investment have started and a sale is expected to be completed in the next year. Management has reassessed its position as at 31 December 2023 and continues to classify it as asset held for sale. During the year, an impairment loss of SR 1,298,894 (2022: 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' (refer to note 29).

15. SHARE CAPITAL

As at December 31, the share capital is as follows:

<u>Number of shares unless otherwise stated</u>	<u>Ordinary shares</u>	
	<u>2023</u>	<u>2022</u>
Shares in issue at 1 January	70,000,000	10,000,000
Shares issued against retained earnings (note 15.1)	--	60,000,000
Shares in issue at 31 December, fully paid	70,000,000	70,000,000
Par value per share	SR 10	SR 10
Authorised shares amount	<u>SR 700,000,000</u>	<u>SR 700,000,000</u>

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

15.2 As at 31 December 2023 the group main shareholders are Mr. Yousef Mohammed Saleh Jamjoom and Mr. Mahmood Yousef Mohammed Jamjoom and they hold 41.65% and 5.60% of equity interest respectively.

15.3 The dividends approved by Board of the directors during the current is SR 70 million and 148.8 for the prior year.

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16. STATUTORY RESERVE

In accordance with Company's By-Laws, the shareholders may resolve to form reserves to the extent that serves the Company's interest or ensures, as far as possible, consistent distribution of dividends to the shareholders. The reserve is not available for distribution except for where the shareholder resolves via a General Assembly to distribute them or transfer back to the retained earnings. The statutory reserve is created under the requirement of the previous regulations.

17. LEASE LIABILITIES

	<u>2023</u>	<u>2022</u>
Lease liabilities	<u>2,401,193</u>	<u>2,636,370</u>

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

	<u>2023</u>	<u>2022</u>
As at 1 January	2,636,370	1,967,012
Modifications during the year	--	894,353
Add: Interest expense for the year	112,088	122,260
Less: Payments made during the year	<u>(347,265)</u>	<u>(347,255)</u>
As at 31 December	<u>2,401,193</u>	<u>2,636,370</u>

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

	<u>2023</u>	<u>2022</u>
Current liability	245,801	235,167
Non-current liability	<u>2,155,392</u>	<u>2,401,203</u>
Lease liabilities	<u>2,401,193</u>	<u>2,636,370</u>

The discount rate used in calculating lease obligations ranges from 4.4% to 6.2%.

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' basic 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 2023 and 31 December 2022 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:

	<u>2023</u>	<u>2022</u>
Employees' benefits	<u>67,709,196</u>	<u>62,162,117</u>

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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:

	<u>2023</u>	<u>2022</u>
Balance at 1 January	62,162,117	60,576,185
<i>Included in statement of profit or loss</i>		
Current service cost	9,048,861	8,856,383
Interest cost	2,585,499	1,820,376
	11,634,360	10,676,759
<i>Included in other comprehensive income</i>		
Actuarial loss arising from experience adjustment	1,761,385	697,328
Benefits paid	(7,848,666)	(9,788,155)
Balance at 31 December	67,709,196	62,162,117

b. Actuarial assumptions

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

	<u>2023</u>	<u>2022</u>
Discount rate	4.83%	4.44%
Future salary growth / Expected rate of salary increase	4.83%	4.44%
Retirement age	60 years	60 years
Number of employees	1,027	1,013
Mortality rate	0.75 to 7.52	0.75 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.

	<u>2023</u>	<u>2022</u>
Discount rate (+0.5% movement)	64,341,338	62,150,468
Discount rate (-0.5% movement)	71,349,707	58,956,441
Salary increase rate (+0.5% movement)	71,331,755	65,588,704
Salary decrease rate (-0.5% movement)	64,325,780	58,941,665

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 9.74 years (31 December 2022: 9.95 years).

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19. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables and other current liabilities include the following:

	<u>2023</u>	<u>2022</u>
Trade payables	63,240,884	34,669,074
Accruals and other current liabilities (note 19.1)	86,101,060	69,166,576
Due to related parties (note 21)	4,874,999	5,197,803
	<u>154,216,943</u>	<u>109,033,453</u>

19.1 Accruals and other current liabilities

	<u>2023</u>	<u>2022</u>
Employee related accruals	44,747,179	38,983,706
Accrued commission and discount payable	1,434,595	710,088
Retention payable	2,045,096	4,931,668
Customer advances	3,765,693	50,348
Accrued sales and marketing expenses	2,476,936	1,675,041
Accrued utilities bills	1,274,755	1,298,777
Refund liability (19.2)	10,241,777	9,014,591
Local expenses accrual	16,679,407	9,263,452
Others	3,435,622	3,238,905
	<u>86,101,060</u>	<u>69,166,576</u>

19.2 The provision has been estimated based on historical return data.

20. ZAKAT AND INCOME-TAX PAYABLE

The movement in Zakat and income tax provision for the year ended 31 December is as follows:

	<u>Zakat</u>	<u>2023</u> <u>Income tax</u>	<u>Total</u>
Balance at 1 January	17,457,052	264,807	17,721,859
Charge for the year	21,081,395	2,317,632	23,399,027
Paid during the year	(15,521,641)	--	(15,521,641)
Foreign currency translation	--	(89,959)	(89,959)
Balance at 31 December	<u>23,016,806</u>	<u>2,492,480</u>	<u>25,509,286</u>

	<u>Zakat</u>	<u>2022</u> <u>Income tax</u>	<u>Total</u>
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	<u>17,457,052</u>	<u>264,807</u>	<u>17,721,859</u>

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20. ZAKAT AND INCOME TAX PAYABLE (continued)

Zakat base

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

	<u>2023</u>	<u>2022</u>
Equity	1,221,346,681	1,120,729,846
Provisions	83,483,609	62,590,856
Other addition	4,336,604	6,650,728
Book value of non-current assets	(831,737,146)	(726,515,371)
Zakat base	<u>477,429,748</u>	463,456,059
Zakat Base (365)	492,265,117	477,857,236
Net adjusted income	<u>350,990,683</u>	220,424,843
 Zakat base	 <u>843,255,800</u>	 698,282,079
Zakat charge for the year	<u>21,081,395</u>	<u>17,457,052</u>

a) Status of Zakat assessments

The Company had filed its zakat returns up to the year 2022. The Zakat assessments have been agreed with the Zakat, Tax and Customs Authority ("ZATCA") for the years up to 31 December 2018. Subsequent to the year end, ZATCA have finalised the Zakat assessment for the year 2021 and 2022. The Company filled its Zakat returns up to the year ended 31 December 2022 and is in the process of filing its Zakat return for the year ended 31 December 2023.

b) Income tax

Income tax is calculated in accordance with the applicable tax laws of the foreign subsidiary. Corporate tax return up to the year ended 2022 has been submitted. The tax assessments have been agreed with the tax authority for the years up to 31 December 2021.

21. RELATED PARTY TRANSACTIONS AND BALANCES

- a) 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.
- b) 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) The following table states the relationship with related parties with whom transactions have been carried out by the Company.

<u>Name of Related Party</u>	<u>Relationship</u>
Jamjoom Printing Press Est.	Common shareholding of Jamjoom family
Jamjoom General Agencies	Common shareholding of Jamjoom family
Jamjoom Medicine Store	Common shareholding of Jamjoom family
Tegan Al Fateh Factory Company Limited	Common shareholding of Jamjoom family
Dream Sky Travel & Tourism Agency	Common indirect shareholding of Jamjoom family
Hamza Mahmoud Yousuf Jamjoom Contracting Corporation	Common indirect shareholding of Jamjoom family
Dan International for trading & Industries	Common shareholding of Jamjoom family
New Jamjoom Healthcare Hospital	Common shareholding of Jamjoom family
Jamjoom Algeria Lildawa	Joint venture
Jamjoom HUPP Pharma LLC	Joint venture

- d) Significant related party balances arising from transactions are described as under:

<u>Name</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Due from related parties under trade receivables:</u>					
Jamjoom Medicine Store	Sale of products*	609,295,532	467,286,947		
	Distribution commission	3,146,333	17,820,244	152,692,940	194,929,555
<u>Due from related parties under prepayment and other current assets:</u>					
Jamjoom HUPP Pharma LLC	Loan receivable**	--	--	17,452,028	17,452,028
Dan International for trading & Industries	Expenses paid	--	31,436	--	--
New Jamjoom Healthcare Hospital	Expenses paid	--	62,944	--	--
Dream Sky Travel & Tourism Agency	Advance to supplier	4,553,644	--	509,602	--
Jamjoom Algeria Lildawa	Expenses paid	821,147	196,704	475,826	196,704
				18,437,456	17,648,732
Less: Provision for impairment loss on due from related party (note 21.1)				(11,635,255)	(9,135,255)
				6,802,201	8,513,477

* This represents gross sale amount.

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

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21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<u>Name</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Due to related parties under trade payables and other current liabilities:</u>					
Jamjoom General Agencies	Purchases and services rendered	444,515	957,692	158,010	480,768
Jamjoom Printing Press	Purchases and services rendered	7,424,023	3,274,699	1,182,202	1,076,482
Jeddah Trident Hotel	Purchases and services rendered	--	56,129	--	--
Dream Sky Travel & Tourism Agency	Services rendered	11,244,436	7,432,119	136,953	46,241
Tegan Al Fateh Factory Company Limited	Purchases – Packing material	20,529,024	18,658,995	3,397,834	3,560,552
Hamza Mahmoud Yousuf Jamjoom Contracting Corporation	Retention Money	--	117,681	--	33,760
				4,874,999	5,197,803

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

	<u>2023</u>	<u>2022</u>
Balance at 1 January	9,135,255	--
Provision during the year	<u>2,500,000</u>	<u>9,135,255</u>
Balance at 31 December	<u>11,635,255</u>	<u>9,135,255</u>

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:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>14,737,199</u>	<u>14,375,821</u>
Long-term employee benefits	<u>886,944</u>	<u>608,288</u>

21.3 Board of Directors and Other Committees Remuneration

Board of Directors and other committees' remuneration and compensation comprised of the following:

	<u>2023</u>	<u>2022</u>
Meeting attendance fees	<u>4,811,585</u>	<u>1,773,844</u>

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22. COMMITMENTS AND CONTINGENCIES

The Group has the following contingencies and commitments:

	<u>2023</u>	<u>2022</u>
Letter of credit	14,126,429	5,398,163
Letters of guarantee (note 22.1)	31,184,953	7,612,107
Contractual commitments (note 22.2)	7,533,008	9,425,502

22.1 This includes an amount of SR 18.5 million corporate guarantee provided by the Group to a local bank in Algeria to support an acquisition made by its equity accounted investee. Subsequent to the year end, further guarantee of SR 17.7 million has been extended to support the working capital requirements of the equity accounted investee. The guarantees have been advanced in ratio of company's ownership interest in the equity accounted investees.

22.2 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).

23. REVENUE

The Group's revenue from contracts with customers is generated from the sale of products to customers. In the following table, revenue from contracts with customers is present in net from discounts and related return impact, and disaggregated by reportable segments. The table also includes revenue disaggregated by primary geographical market. The group recognized all the revenue at a point in time.

	<u>2023</u>	<u>2022</u>
Revenue by reportable segments		
Pharmaceutical products	956,730,579	797,376,208
Consumer health products	144,088,503	119,295,903
Total	1,100,819,082	916,672,111
Primary geographical markets		
Kingdom of Saudi Arabia	720,585,929	587,133,235
Gulf	139,927,926	108,695,016
Iraq	105,137,753	91,152,980
Egypt	59,238,659	64,174,480
North Africa and other export markets	75,928,815	65,516,400
Total	1,100,819,082	916,672,111

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24. COSTS OF REVENUE

	<u>2023</u>	<u>2022</u>
Raw materials and consumables	241,365,940	189,871,494
Salaries and employee related costs	79,653,627	73,337,709
Depreciation (note 5.1)	18,457,507	17,156,801
Amortisation (note 7)	130,829	128,064
Depreciation on right of use assets (note 6)	256,348	256,346
Traveling and communication	1,487,450	1,094,679
Provision for obsolescence / slow moving inventories (note 10)	12,367,430	10,820,079
Supplies and consumables	10,448,844	6,309,419
Repair and maintenance	9,521,092	5,401,209
Utilities	13,202,777	9,870,708
Others	10,138,683	8,502,867
	<u>397,030,527</u>	<u>322,749,375</u>

25. SELLING AND DISTRIBUTION EXPENSES

	<u>2023</u>	<u>2022</u>
Salaries and employee related costs	110,876,083	102,236,299
Distribution expenses	70,868,248	78,935,720
Brand reminders, free medical samples and promotion	81,286,038	66,601,207
Travelling and communication	11,688,575	6,358,445
Amortisation (note 7)	17,225	15,975
Depreciation (note 5.1)	995,464	939,728
Others	10,678,061	5,975,409
	<u>286,409,694</u>	<u>261,062,783</u>

26. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2023</u>	<u>2022</u>
Salaries and employee related costs	44,050,933	37,379,130
Travelling and communication	2,456,205	1,582,639
Depreciation (note 5.1)	2,633,576	2,057,336
Amortisation (note 7)	307,123	189,937
Utilities	2,300,889	2,087,473
Repair and maintenance	2,047,932	2,437,367
Others	12,219,189	9,637,580
	<u>66,015,847</u>	<u>55,371,462</u>

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27. RESEARCH AND DEVELOPMENT EXPENSES

	<u>2023</u>	<u>2022</u>
Salaries and employee related costs	19,441,391	20,123,621
Travelling and communication	306,002	213,285
Depreciation (note 5.1)	2,307,780	2,461,148
Amortisation (note 7)	21,129	21,127
Cost of exhibit batches	2,024,630	2,504,979
Lab scale batches	1,632,845	1,078,521
Supplies and consumables	974,808	925,958
Others	6,679,872	5,351,846
	<u>33,388,457</u>	<u>32,680,485</u>

28. IMPAIRMENT LOSS ON FINANCIAL ASSETS

	<u>2023</u>	<u>2022</u>
Impairment loss on trade receivables (note 11)	2,095,285	2,348,195
Impairment loss on due from related party (note 21)	2,500,000	9,135,255
	<u>4,595,285</u>	<u>11,483,450</u>

29. OTHER EXPENSE

	<u>2023</u>	<u>2022</u>
Amortisation (note 7)	1,500,000	1,500,000
Impairment loss on asset held for sale (note 14)	1,298,894	1,252,498
Others	337,872	--
	<u>3,136,766</u>	<u>2,752,498</u>

30. OTHER INCOME

	<u>2023</u>	<u>2022</u>
Gain on disposal of property, plant and equipment	37,151	30,759
Royalty income	1,784,183	4,067,099
Others	1,240,116	764,443
	<u>3,061,450</u>	<u>4,862,301</u>

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31. FINANCE COST AND FINANCE INCOME

Finance cost and finance income for the year comprises of the following:

<u>Finance cost</u>	<u>2023</u>	<u>2022</u>
Bank charges	515,131	738,406
Finance charge on leases	112,088	122,260
Foreign currency loss (see note below)	1,327,890	47,949,960
Total finance cost	<u>1,955,109</u>	<u>48,810,626</u>
<u>Finance income</u>	<u>2023</u>	<u>2022</u>
Investments at FVTPL – net change in fair values	44,035	9,712
Total finance income	<u>44,035</u>	<u>9,712</u>

31.1 During the year ended 31 December 2022, the Company entered into 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(r).

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.

	<u>2023</u>	<u>2022</u>
Net profit for the year	292,400,083	171,314,162
Number of ordinary shares	70,000,000	70,000,000
Weighted average number of ordinary shares in issue	<u>70,000,000</u>	<u>70,000,000</u>
Basic and diluted earnings per share	<u>4.18</u>	<u>2.45</u>

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

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 Chief Executive Officer (CEO) monitors the results of the Group’s operations for the purpose of making decisions about resource allocation and performance assessment. The CEO is solely, the Chief Operating Decision Maker (CODM) for the Group.

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33. OPERATING SEGEMENT (continued)

For each of the strategic business units, the CODM reviews internal management reports on a monthly 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 products used to support personal well-being, maintain health, or address specific health-related needs. These products are available over the counter (OTC) without the need for a prescription.

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.

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 31 December:

<u>Particulars</u>	<u>Pharmaceutical products</u>		<u>Consumer health products</u>		<u>Total of Reportable Segments</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue	956,730,579	797,376,208	144,088,503	119,295,903	1,100,819,082	916,672,111
Costs of revenue	(345,435,957)	(288,251,767)	(51,594,570)	(34,497,608)	(397,030,527)	(322,749,375)
Segment gross profit	611,294,622	509,124,441	92,493,933	84,798,295	703,788,555	593,922,736

Unallocated income / (expenses)

	<u>2023</u>	<u>2022</u>
Gross profit before tax for reportable segments	703,788,555	593,922,736
Selling and distribution expenses	(286,409,694)	(261,062,783)
General and administrative expenses	(66,015,847)	(55,371,462)
Research and development expenses	(33,388,457)	(32,680,485)
Impairment loss on financial assets	(4,595,285)	(11,483,450)
Finance cost	(1,955,109)	(48,810,626)
Finance income	44,035	9,712
Share of results from equity-accounted investees, net of tax	4,406,228	(318,657)
Other expense	(3,136,766)	(2,752,498)
Other income	3,061,450	4,862,301
Profit before zakat and income tax	315,799,110	186,314,788

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33. OPERATING SEGEMENT (continued)

Detail of segment assets and liabilities is given below:

<u>Particulars</u>	<u>Allocated</u>		<u>Unallocated</u>	
	<u>Pharmaceutical</u>	<u>Consumer</u>		
	<u>Products</u>	<u>Health Products</u>	<u>Others</u>	<u>Total</u>
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
31 December 2023				
Segment assets	--	--	1,654,165,587	1,654,165,587
Segment liabilities	--	--	249,836,618	249,836,618
31 December 2022				
Segment assets	--	--	1,407,817,125	1,407,817,125
Segment liabilities	--	--	191,553,799	191,553,799

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 to note 23 for geographical disclosure.

Major customer

Revenues from one customer of the Group's pharmaceutical products and consumer health products segments represented approximately SR 609.30 million (2022: SR 467.29 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 from its use of financial instruments. 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.

(a) Risk management framework

Risk management is carried out by senior management under the supervision of Audit Committee as per the 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.

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34. FINANCIAL RISK MANAGEMENT (continued)

(a) Risk management framework (continued)

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.

(i) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. 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, 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 carried out in Saudi Riyal. However, the group's Egyptian subsidiary is exposed to exchange rates movement between Egyptian pound and US Dollars.

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

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34. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

Exposure to currency risk

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

	31 December 2023				
	US Dollars	Euro	Algerian Dinar	Egyptian Pound	United Arab Emirates Dirhams
Trade receivables	16,961,115	773,100	--	--	--
Prepayments and other current assets	--	--	646,048,685	--	--
Cash and cash equivalents	10,549,368	1,328,210	--	--	--
	27,510,483	2,101,310	646,048,685	--	--
Trade payables and other current liabilities	(3,243,458)	(695,775)	(5,966,620)	(593,600)	(1,808,128)
Net exposure	24,267,025	1,405,535	640,082,065	(593,600)	(1,808,128)
	31 December 2022				
	US Dollars	Euro	Algerian Dinar	Egyptian Pound	United Arab Emirates Dirhams
Trade receivables	14,024,115	565,358	--	--	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	--	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)	(1,817,995)

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34. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

Significant exchange rates applied during the year were as follows:

	Average rate		Spot rate	
	For the year ended 31		For the year ended 31	
	December		December	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<i>Foreign currency per Saudi Riyal</i>				
Euros	0.2451	0.2421	0.2414	0.2487
Algerian Dinar	36.2348	36.9458	35.6616	36.8079
Egyptian Pound	7.4201	5.1508	8.2346	6.6055
UAE Dirham	0.9790	0.9793	0.9787	0.9793

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Euros, US Dollars, Algerian Dinars, Egyptian Pounds 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
	(1%)	(1%)
<u>31 December 2023</u>		
Euro	(62,795)	62,795
US Dollar	(912,371)	912,371
Algerian Dinar	(177,623)	177,623
Egyptian Pound	725	(725)
UAE Dirham	18,463	(18,463)
<u>31 December 2022</u>		
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)

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. Equity price risk arises from equity securities at FVTPL. For certain investments, management is assisted by external advisors. In accordance with its long-term strategy, certain investments are designated at FVTPL because their performance is actively monitored and they are managed on a fair value basis. The Group exposure to any price risk is not material.

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34. FINANCIAL RISK MANAGEMENT (continued)

(ii) 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:

	<u>2023</u>	<u>2022</u>
Financial assets		
Trade receivables, net	332,125,964	352,361,492
Due from related parties, net	6,802,201	8,513,477
Bank balance	284,249,818	141,144,698
Total	<u>623,177,983</u>	<u>502,019,667</u>

As at 31 December 2023, four largest customers account approximately for 77% (31 December 2022: 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 2023, the maximum exposure to credit risk for trade receivables by geographic region is as follows:

	<u>2023</u>	<u>2022</u>
Kingdom of Saudi Arabia	264,853,795	293,492,691
Gulf	21,803,252	19,942,232
Iraq	31,775,668	18,032,490
Egypt	10,568,762	11,948,262
North Africa and other export markets	14,257,190	17,983,552
Total	<u>343,258,667</u>	<u>361,399,227</u>

The group's exposure to credit risk and ECL for trade receivables from customers is disclosed in note 11.

The Group applies IFRS 9, by the simplified approach that measures expected credit losses using the provision for loss of life of the expected amounts of all financial assets. For the purposes of measuring expected credit losses, financial assets are grouped based on the characteristics of the combined credit risk and the maturity of the receivables. The Group therefore summarizes the expected loss rates for trade receivables as approximate and reasonable in relation to loss ratios of receivables. The expected loss ratios are based on payments / repayments of receivables over a period of time and similar historical credit losses tested during this period. The historical loss ratios have been adjusted to reflect the impact of research information on macroeconomic factors, affecting the ability of customers to repay receivables.

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34. FINANCIAL RISK MANAGEMENT (continued)

(iii) 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.

31 December 2023	Contractual cash flows				Total
	Carrying amount	Less than 1 year	Within 1 to 5 years	More than 5 years	
Lease liabilities	2,401,193	347,255	1,389,020	1,192,550	2,928,825
Trade Payable	63,240,884	63,240,884	--	--	63,240,884
Due to related parties	4,874,999	4,874,999	--	--	4,874,999
Retention payable	2,045,096	2,045,096	--	--	2,045,096
	72,562,172	70,508,234	1,389,020	1,192,550	73,089,804

31 December 2022	Contractual cash flows				Total
	Carrying amount	Less than 1 year	Within 1 to 5 years	More than 5 years	
Lease liabilities	2,636,370	347,255	1,389,020	1,539,805	3,276,080
Trade Payable	34,669,074	34,669,074	--	--	34,669,074
Due to related parties	5,197,803	5,197,803	--	--	5,197,803
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

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

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34. FINANCIAL RISK MANAGEMENT (continued)

Reconciliation of liabilities arising from financing activities is as follows:

	1 January 2023	Non- cash changes Dividend declared	Finance cost	Others	Cash flows*	31 December 2023
Dividend	--	70,000,000	--	--	(70,000,000)	--
Lease liabilities	2,636,370	--	112,088	--	(347,265)	2,401,193
	<u>2,636,370</u>	<u>70,000,000</u>	<u>112,088</u>	<u>-</u>	<u>(70,347,265)</u>	<u>2,401,193</u>

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

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

(b) 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.

(c) Measurement of fair values

As at 31 December 2023, the carrying values of the financial assets and financial liabilities is a reasonable approximation of their fair value. 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 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.

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34. FINANCIAL RISK MANAGEMENT (continued)

(c) Measurement of fair values (continued)

	Carrying amount	Fair Value			
	Mandatorily at FVTPL	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>31 December 2023</u>					
<i>Financial assets measured at fair value</i>					
Investment at fair value through profit or loss	<u>5,159,948</u>	<u>748,427</u>	<u>4,411,521</u>	<u>--</u>	<u>5,159,948</u>
<u>31 December 2022</u>					
<i>Financial assets measured at fair value</i>					
Investment at fair value through profit or loss	<u>704,392</u>	<u>684,826</u>	<u>--</u>	<u>19,566</u>	<u>704,392</u>

There are no transfers in the fair value levels during the years ended 31 December.

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique
Investment in funds	Indicative NAV of the Fund based on the fair value of the underlying assets of the Fund

The carrying values of the financial liabilities under amortised cost approximate their fair values. The carrying value of all the financial assets classified as amortised cost approximates their fair value on each reporting date.

35. SUBSEQUENT EVENT

Subsequent to the year ended 31 December 2023, on 06 March 2024, the Central Bank of Egypt announced the devaluation of Egyptian Pound (EGP) leading to a significant drop in exchange rates and hike in interest rates. Given the prior cumulative 3-year inflation rates and with the current devaluation in March 2024, a review of the hyperinflationary accounting for EGP in accordance with IAS 29, may be triggered. The Group is closely monitoring the possible impacts of the hyperinflation on its operations in Egypt.

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 24 March 2024 corresponding to 14 Ramadan 1445H.