

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
together with
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2024



KPMG Professional Services Company

Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of **Middle East Pharmaceutical Industries Company** ("the Company") and its subsidiaries ("the Group"), which comprise of the consolidated statement of financial position as at 31 December 2024, 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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company) (continued)

Key audit matters (continued)

Revenue recognition

Refer to Note 4.4 of the accounting policy related to revenue recognition and note 22 related to disclosure in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Revenue recognised during the year ended 31 December 2024, amounting to SAR 394 million.</p> <p>Revenue recognition is considered a key audit matter due to the risk associated with the management's estimates and judgement regarding variable consideration for sales returns and discounts. These estimates are complex and requires significant judgement.</p> <p>Also, the revenue is a key measure of the Group's performance and there is risk that revenue may be overstated resulting from pressure on management to achieve performance targets.</p>	<p>Our audit procedures performed with relation to revenue included, among others, the following:</p> <ul style="list-style-type: none"> Assessing the appropriateness of the Group's accounting policies related to revenue, taking into consideration the requirements of applicable financial reporting framework; Assessing the design and implementation and testing the operating effectiveness of controls relating to processes over revenue recognition, including anti-fraud control procedures; Assessing the appropriateness of the amount estimated for sales return and discounts; Testing the underlying data used in management's calculations for accuracy and completeness and assessing source data supporting the historical sales, sales returns and discounts. Performing trend analysis over revenue recognised as compared to previous year; Testing samples of sale transactions made during the year, before and after the year-end to assess whether revenue has been recognized in the correct accounting period along with supporting documentation.

Independent Auditor's Report

To the Shareholders of Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company) (continued)

Key audit matters (continued) Expected credit losses (ECL)	
Refer to Note 4.10 of the accounting policy related to expected credit losses, and 7 related to disclosure	
The key audit matter	How the matter was addressed in our audit
<p>The gross balance of trade receivables amounting to SAR 219.4 million as at 31 December 2024 against which the Group has recognized expected credit loss (ECL) allowance of SAR 10.1 million as at 31 December 2024 in accordance with the requirements of IFRS 9, "Financial Instruments."</p> <p>Management has applied the simplified ECL approach to determine the allowance.</p> <p>The loss allowance for financial assets is based on assumptions related to default risk and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to calculate allowance, based on the Group's prior experience as each reporting period.</p> <p>We considered this as a key audit matter due to the level of judgement applied and the estimate made in the ECL calculation.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> Assessing the appropriateness of the Group's policy for determining the allowances to assess whether it is in accordance with the applicable accounting framework; Obtaining an understanding of management's procedures in establishing the allowance and evaluating the design and implementation of controls in determining the ECL provision; Assessing 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; Testing the main data sources and inputs used in the ECL model and evaluating the appropriateness of judgments and estimates that were used in the ECL calculation; Obtaining the aging report for the trade receivables and testing its accuracy; and Considering the adequacy of the Group's disclosures in accordance with applicable accounting 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.

Independent Auditor's Report

To the Shareholders of Middle East Pharmaceutical Industries Company (A Saudi Joint Stock 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 that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Companies Law and 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 Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

(All amounts in Saudi Riyals unless otherwise stated)

	<i>Notes</i>	31 December 2024	31 December 2023
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	10	120,764,715	119,078,176
Intangible assets	11	50,592,367	46,850,981
Equity investments	12	-	1,324,434
Total non-current assets		171,357,082	167,253,591
Current assets			
Inventories	9	93,595,532	87,170,361
Trade receivables	7	217,484,690	163,366,236
Prepayments and other current assets	8	21,698,020	12,364,337
Due from related parties	19.1	-	7,482,902
Cash and cash equivalents	6	22,645,719	15,107,194
Total current assets		355,423,961	285,491,030
Total assets		526,781,043	452,744,621
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	20	200,000,000	200,000,000
Statutory reserve		25,253,411	25,253,411
Other comprehensive loss		(11,751,592)	(26,667,791)
Retained earnings		154,707,576	107,813,903
Total equity		368,209,395	306,399,523
Liabilities			
Non-current liabilities			
Loans and borrowings	14	-	3,168,968
Employee benefits	18.1	24,536,489	22,095,084
Total non-current liabilities		24,536,489	25,264,052
Current liabilities			
Short-term loans	13	62,308,124	52,496,991
Loans and borrowings	14	3,168,968	6,337,936
Trade payables	15	27,349,169	28,041,528
Accruals and other current liabilities	16	34,116,138	28,779,243
Zakat payable	17.2	7,092,760	5,425,348
Total current liabilities		134,035,159	121,081,046
Total liabilities		158,571,648	146,345,098
Total equity and liabilities		526,781,043	452,744,621

The attached notes from 1 to 33 are integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors for issuance on 20 Ramadan 1446H corresponding to 20 March 2025 and have been signed by:



Ahmed Al Tabbaa
Chairman



Mohammed Maher Al Ghannam
Managing Director & CEO



Moazam Ali Shah
Chief Financial Officer

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2024

(All amounts in of Saudi Riyals unless otherwise stated)

	<i>Notes</i>	2024	2023
Revenue	22	394,000,567	338,439,704
Cost of revenue	23	(150,638,245)	(134,415,658)
Gross profit		243,362,322	204,024,046
Selling and distribution expenses	25	(96,190,493)	(80,621,578)
General and administrative expenses	26	(53,756,520)	(46,227,113)
(Impairment)/reversal loss on trade receivable	7	(3,537,108)	1,505,907
Other income /(expenses)	24	1,155,467	(431,599)
Operating profit		91,033,668	78,249,663
Finance costs	27	(4,684,744)	(6,811,431)
Profit before zakat		86,348,924	71,438,232
Zakat expense	17.1	(6,500,004)	(5,610,883)
Profit for the year		79,848,920	65,827,349
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss:</i>			
Equity investment at FVOCI – net change in fair value	12.1c, 12.2	(555,320)	(2,276,216)
Re-measurements of defined benefit obligation	18.1	(2,483,728)	(1,425,243)
Other comprehensive loss for the year		(3,039,048)	(3,701,459)
Total comprehensive income for the year		76,809,872	62,125,890
Basic and diluted earnings per share	31	3.99	3.29

The attached notes from 1 to 33 are integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors for issuance on 20 Ramadan 1446H corresponding to 20 March 2025 and have been signed by:



Ahmed Al Tabbaa
Chairman



Mohammed Maher Al Ghannam
Managing Director & CEO



Moazam Ali Shah
Chief Financial Officer

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

(All amounts in of Saudi Riyals unless otherwise stated)

	<i>Notes</i>	Share capital	Statutory reserve	Retained earnings	Other comprehensive loss	Total equity
Balance at 1 January 2023		200,000,000	25,253,411	79,379,813	(24,359,591)	280,273,633
Profit for the year		-	-	65,827,349	-	65,827,349
Other comprehensive loss		-	-	-	(3,701,459)	(3,701,459)
Total comprehensive income for the year		-	-	65,827,349	(3,701,459)	62,125,890
Transfer of realized loss to retained earnings on disposal of FVOCI equity investments		-	-	(1,393,259)	1,393,259	-
Dividends	21	-	-	(36,000,000)	-	(36,000,000)
Balance at 31 December 2023		200,000,000	25,253,411	107,813,903	(26,667,791)	306,399,523
Balance at 1 January 2024		200,000,000	25,253,411	107,813,903	(26,667,791)	306,399,523
Profit for the year		-	-	79,848,920	-	79,848,920
Other comprehensive loss		-	-	-	(3,039,048)	(3,039,048)
Total comprehensive income for the year		-	-	79,848,920	(3,039,048)	76,809,872
Transfer of realized loss to retained earnings on disposal of FVOCI equity investments	12.1	-	-	(17,955,247)	17,955,247	-
Dividends	21	-	-	(15,000,000)	-	(15,000,000)
Balance at 31 December 2024		200,000,000	25,253,411	154,707,576	(11,751,592)	368,209,395

The attached notes from 1 to 33 are integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors for issuance on 20 Ramadan 1446H corresponding to 20 March 2025 and have been signed by:



Ahmed Al Tabbaa
Chairman



Mohammed Maher Al Ghannam
Managing Director & CEO



Moazam Ali Shah
Chief Financial Officer

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

(All amounts in Saudi Riyals unless otherwise stated)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		79,848,920	65,827,349
<i>Adjustments to reconcile net income to net cash flows from operating activities:</i>			
Depreciation	10	9,795,241	7,607,372
Amortization	11	6,041,406	4,318,321
Provision for employee benefits	18.1	4,703,391	2,826,960
Finance costs relating to Murabaha loan	27	3,673,215	5,746,910
Addition/(reversal) of impairment loss on trade receivables	7	3,537,108	(1,505,907)
Provision for net realizable value loss on inventories	9	5,272,229	595,177
Zakat expense	17.1	6,500,004	5,610,883
Intangible assets written off	11	-	453,761
Gain on disposal of property, plant and equipment	24	(120,767)	(126,025)
Changes in operating assets and liabilities:			
Inventories		(11,697,400)	12,449,014
Trade receivables		(57,655,562)	(5,169,412)
Prepayments and other current assets		(9,333,683)	1,060,695
Trade payables		(1,027,359)	(9,912,729)
Accruals and other current liabilities		5,336,895	11,886,073
Cash generated from operating activities		44,873,638	101,668,442
Zakat paid	17.2	(4,832,592)	(5,772,127)
Net employee benefits paid	18.1	(4,745,714)	(3,236,970)
Net cash generated from operating activities		35,295,332	92,659,345
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	10	(11,168,847)	(20,834,544)
Additions to intangible assets	11	(9,782,792)	(10,135,609)
Proceeds from sale of equity investments	12.1.c	769,114	-
Proceeds from disposal of property, plant and equipment		142,834	136,804
Net cash used in investing activities		(20,039,691)	(30,833,349)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans during the year	13	87,194,077	174,133,276
Repayments of short-term loans during the year	13	(77,377,890)	(192,990,717)
Repayments of loans and borrowings during the year	14	(6,337,936)	(6,337,936)
Dividends paid	21	(15,000,000)	(36,000,000)
Finance costs relating to Murabaha paid		(3,678,269)	(4,330,035)
Payment on behalf of shareholders	19.1	(2,670,812)	(4,984,232)
Due from related parties	19.1	10,153,714	-
Net cash used in financing activities		(7,717,116)	(70,509,644)
Net changes in cash and cash equivalents		7,538,525	(8,683,648)
Cash and cash equivalents at the beginning of year		15,107,194	23,790,842
Cash and cash equivalents at end of the year	6	22,645,719	15,107,194
SIGNIFICANT NON-CASH TRANSACTIONS			
Equity investment at FVOCI - net change in fair value	12.1c, 12.2	555,320	2,276,216

The attached notes from 1 to 33 are integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors for issuance on 20 Ramadan 1446H corresponding to 20 March 2025 and have been signed by:



Ahmed Al Tabbaa
Chairman



Mohammed Maher Al Ghannam
Managing Director & CEO



Moazam Ali Shah
Chief Financial Officer

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2024**

(All amounts in Saudi Riyals unless otherwise stated)

1. REPORTING ENTITY

Middle East Pharmaceutical Industries Company (“the Company”) was a Limited Liability Company incorporated in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010150538 on 2 Rabi II 1419H (corresponding to 27 July 1998).

The Company has applied to the Ministry of Commerce to convert the legal status of the Company from a limited liability company to a closed joint stock company, pursuant to shareholders’ decision. On 21 Sha’ban 1443H (corresponding to 24 March 2022) the Ministry of Commerce approved the conversion from a limited liability company to a Saudi closed joint stock company.

On 27 February 2024, the Company listed its shares in Saudi Stock Exchange (“Tadawul”) and changed the legal status from “Saudi Closed Joint Stock Company” to “Saudi Joint Stock Company”.

The Company’s registered office is located at the following address:

8146 King Muhammad V, Sulaimaniyah,
P.O. Box 4180
Riyadh 11491
Kingdom of Saudi Arabia

The Company has ten (10) branches incorporated in the Kingdom of Saudi Arabia and one (1) branch in United Arab Emirates (UAE). The condensed consolidated interim financial statements include the results of the eleven (11) branches listed below:

<u>Branch name</u>	<u>Commercial registration number</u>
Middle East Pharmaceutical Industries Company – Branch	1010274622
Middle East Pharmaceutical Industries Company – Branch	1010560224
Factory of Middle East Pharmaceutical Industries Company	1010394325
Middle East Distribution Branch – Riyadh	1010175025
Middle East Distribution Company Branch – Jeddah	4030278683
Middle East Distribution Company Branch – Jeddah	4030161826
Middle East Distribution Company Branch – Dammam	2050061104
Middle East Pharmaceutical Industries Company Branch – Dammam	2050168074
Middle East Pharmaceutical Industries Company – Branch	1010653238
Middle East Pharmaceutical Industries Company Branch – Riyadh	1010728546
Middle East Pharmaceutical Industries (Closed Joint Stock Company) – Dubai, UAE Branch	100636

The Company and its subsidiaries, mentioned below, (collectively referred to as “the Group”) is engaged in manufacturing medicines, medicated and non-medicated creams and gels.

Following subsidiaries are included in the consolidated financial statements as of 31 December 2024 and 31 December 2023:

<u>Name</u>	<u>Registered office</u>	<u>Cost of investment (In GBP*)</u>	<u>Number of shares</u>	<u>Percentage of ownership</u>	
				<u>Direct</u>	<u>Indirect</u>
Avalon Pharma UK Holdings Limited	UK	1	1	100	-
Avalon Cosmetics Limited	UK	1	1	-	100
Avalon Pharma Limited	UK	1	1	-	100
Avalon Nutrition Limited	UK	1	1	-	100

*GBP – Great Britain Pound

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (hereinafter refer to as “IFRS as endorsed in KSA”).

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention and going concern assumption, except for the employees’ defined benefits obligations which is measured using the projected unit credit method and equity investments at Fair Value through Other Comprehensive Income (FVOCI), which are measured at fair value.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyal (SAR) which is the functional currency of the Company. All amounts rounded to the nearest Saudi Riyal.

2.4 Basis of consolidation

a) Subsidiaries

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

Profit or loss and each component of OCI are attributed to the Shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to align with the Group’s accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A list of subsidiaries is provided in note 1 along with the percentages of ownership.

3. USE OF JUDGMENTS AND ESTIMATES

In preparing these consolidated financial statements, we make estimates and judgments that affect the amounts recorded. Actual results could differ from our estimates. Our estimates and judgments are based on historical experience and other factors we consider reasonable, including expectations of future events. Information about estimating uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2024 is included in the following notes:

- Note 4.4: Revenue recognition.
- Notes 4.7: Impairment test - Trade receivables.
- Notes 4.5 and 4.6: Estimated useful lives and residual values of property, plant and equipment and intangible assets.
- Note 4.12: Estimate for Zakat expenses
- Note 18.2: Measurement of employee benefits obligations: significant actuarial assumptions.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

4.1 Classification of assets and liabilities to current or non-current and non-current liabilities with covenants

The Group has adopted Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Non-current Liabilities with Covenants (Amendments to IAS 1) from 1 January 2024. The amendments apply retrospectively. They clarify certain requirements for determining whether liability should be classified as current or non-current and require new disclosures for non-current loan liabilities that are subject to covenants within 12 months after the reporting period. The Group assessed that the Group's liabilities were not impacted by the amendments.

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

4.2 Fair Value Measurement

The Group measures its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset for the asset or liability or the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Foreign currencies

Transactions and balances

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of profit or loss and other comprehensive income, respectively.

4.4 Revenue recognition

The Group receives revenue from the sales of goods to customers against orders received. The majority of contracts that the Group enters into relating to sales orders containing single performance obligation (PO) for the delivery of pharmaceutical and consumer healthcare products. The average duration of a sales order is less than 12 months.

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

The Group estimates variable considerations to be included in the transaction price.

The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

Revenue from sales is recognized upon delivery or shipment of products to customers, and is recorded net of returns, trade discounts and volume rebates. Other income is recorded when earned.

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

4.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Subsequent expenditure incurred is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the entity. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss account as incurred.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.5 Property, plant and equipment (continued)

Depreciation is calculated from the date the item of property and equipment is available for its intended use. It is calculated on a straight-line basis over the useful life of the asset as follows:

<u>Asset category</u>	<u>Estimated useful life</u>
Buildings	20
Machineries	8
Furniture and office equipment	4
Motor vehicles	4
Computers	4
Tools	8

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis, and adjusted prospectively if appropriate, at each statement of financial position date.

Land and assets under construction, which are not ready for its intended use, are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.7).

4.6 Intangible assets

Intangible assets represent software implementation cost, the costs of developing formulas and products and other deferred charges. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Costs that are directly associated with identifiable software products and have probable economic benefit beyond one year are recognized as intangible assets. Costs associated with maintaining computer software products are recognized as an expense when incurred.

Intangible assets that are acquired by the Group and have finite lives are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised using the straight-line method over the estimated years of benefit. The estimated years of amortization of the principal classes of other intangible assets is as follows:

<u>Asset category</u>	<u>Estimated useful life</u>
Software and licenses	4 years to 10 years
Registered developed products	5 years

The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the aggregated cash generating unit level.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.6 Intangible assets (continued)

Gains or losses arising from derecognizing 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 consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

4.7 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are combined at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Group of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

4.8 Inventories

Inventories, including goods available for sale and goods in transit are stated at the lower of cost and net realisable value.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to complete a sale. Provision for net realizable value loss is made, where necessary, for obsolete, near-to-expiry and defective stocks.

4.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.10 Financial instruments

Recognition and initial measurement

Trade receivables 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.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.10 Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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 amortized 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 amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Financial assets at Fair Value Through Profit and Loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized 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 recognised 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 recognized 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.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.10 Financial instruments (continued)

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Financial Liabilities – Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortized 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 recognized in profit or loss. Other financial liabilities are subsequently measured at amortized 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.

Derecognition

Financial assets

The Group 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 consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group 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 recognized at fair value.

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 realize 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 recognized in profit or loss.

Impairment of non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost and contract assets. The Group measures loss allowances at an amount equal to lifetime ECLs. The allowance for expected credit losses on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.10 Financial instruments (continued)

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

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs 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 ECLs, the Group 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 Group assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due from government and 90 days past due from private customers.

The Group 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 realizing security (if any is held); or
- the financial asset is past due as per terms of agreement with customers.

Measurement of ECLs

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.

Credit-impaired financial assets

At each reporting date, the Group 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 180 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 impairment

Allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets and finance lease receivables, are presented separately in the statement of profit or loss. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.11 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave and air fare that are expected to be settled wholly within twelve months, after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Post-employment obligation

The Group operates a single post-employment benefit scheme of defined benefit plans driven by the labor laws within the Kingdom of Saudi Arabia.

The post-employment benefits plans are not funded. Valuation of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of profit or loss and other comprehensive income while unwinding of the liability at discount rates used are recorded as finance costs. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the year in which they occur, directly in other comprehensive income.

4.12 Zakat

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia on an accrual basis. The zakat expense is charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

In calculating the zakat expense for the year, the Company adjusts its profit and applied certain deduction to its zakat base used to calculate the zakat expense. Where ZATCA assessments payable differ from the amounts recognised, such adjustments reflect changes in the estimated amounts to be paid to (recovered from) ZATCA. Unless there is an indication that the adjustment is the result of an error, such changes are recognised in consolidated statement profit or loss as a change in estimate.

4.13 Dividends

Interim dividends are recorded in the period in which they are approved by the Board of Directors. Furthermore, final dividends are recorded in the period in which they are approved by the shareholders' General Assembly.

4.14 Cost of revenue

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

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.15 Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries and related benefits of the sales, marketing and distribution staff, and logistics expenses.

4.16 General and administrative expenses

These are operational expenses which are not directly related to the sale of goods. These also include allocations of general overheads which are not specifically attributed to cost of revenue. Allocation of overheads between cost of revenue, selling and distribution and general and administrative expenses, where required, is made on a consistent basis.

4.17 Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of Value Added Tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation 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; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT receivable from or payable to the ZATCA is included as part of prepayments and other current assets or other current liabilities, respectively, in the consolidated statement of financial position.

4.18 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

4.19 Borrowing

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings using the effective interest method. Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

4.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalised during idle periods. All other borrowing costs are recognised in the Consolidated Statement of Profit or Loss and Other comprehensive income in the period in which they are incurred.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.21 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Consolidated Statement of Profit or Loss and Other comprehensive income net of any reimbursement.

4.22 Finance income and finance costs

The Group's finance income and finance costs include the following:

- Interest income
- Interest expenses

Interest income and expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

4.23 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' revenues and gross profit are reviewed regularly by the Group's Board of Directors (Chief Operating Decision Makers) which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

5. STANDARD ISSUED BUT NOT YET EFFECTIVE

The following amended standards and interpretations are issued. These are not expected to have a significant impact on the Group's financial statements.

New currently effective requirement

1 January 2024	Non-current liabilities with covenants – Amendments to IAS 1 Classification of Liabilities as Current or Non-current – Amendments to IAS 1
1 January 2024	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
1 January 2024	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

Forthcoming requirements

1 January 2025	Lack of Exchangeability- Amendments to IAS 21
1 January 2026	Classification and Measurement of Financial Instrument – Amendments to IFRS 9 and IFRS 7 Annual Improvements to IFRS Accounting Standards- Volume 11
1 January 2027	IFRS 18 Presentation and Disclosure in Financial Statements IFRS 19 Subsidiaries without Public Accountability Disclosure
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The new and amended standards mentioned above are not expected to have a significant impact on the Group's consolidated financial statements.

6. CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Cash on hand	180,100	1,131,162
Cash at banks – current accounts	22,465,619	13,976,032
Total	<u>22,645,719</u>	<u>15,107,194</u>

The management believes that there is no need for any significant impairment loss against the carrying value of cash at bank because the bank balances are kept with banks having sound credit rating (note-28). Also, there are no deposits and restricted cash.

7. TRADE RECEIVABLES

	31 December 2024	31 December 2023
Trade receivables	227,549,267	169,893,705
Less: Impairment loss on trade receivables	(10,064,577)	(6,527,469)
	<u>217,484,690</u>	<u>163,366,236</u>

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

7. TRADE RECEIVABLES (CONTINUED)

Movement in the allowance for impairment in respect to trade receivables is as follows:

	31 December 2024	31 December 2023
Opening balance	6,527,469	8,033,376
Charge/(reversal) for the year	<u>3,537,108</u>	<u>(1,505,907)</u>
Closing balance	<u>10,064,577</u>	<u>6,527,469</u>

For financial assets measured at amortised cost (cash, cash equivalents and trade receivables) the fair value approximates the carrying amount.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2024	31 December 2023
Advances to suppliers	6,833,076	4,331,276
VAT refundable	6,489,690	1,396,324
Prepaid insurance	2,646,022	2,281,382
Due from employees	1,515,755	760,276
Prepaid subscription fees	1,472,690	662,357
Margin deposit on letters of credit and guarantee	834,741	1,386,931
Prepaid rent	667,539	454,721
Others	<u>1,238,507</u>	<u>1,091,070</u>
	<u>21,698,020</u>	<u>12,364,337</u>

9. INVENTORIES

	31 December 2024	31 December 2023
Finished products	39,200,968	36,249,876
Packaging materials	28,527,065	26,057,837
Raw materials	24,574,745	18,820,746
Consumable supplies	6,605,739	6,700,338
Spare parts inventory	2,513,180	1,919,110
Work-in-progress	<u>281,085</u>	<u>257,475</u>
	<u>101,702,782</u>	<u>90,005,382</u>
Less: Provision for Net Realizable Value (NRV) loss	<u>(8,107,250)</u>	<u>(2,835,021)</u>
Inventories, net	<u>93,595,532</u>	<u>87,170,361</u>

Movement in provision for NRV loss is as follows:

	31 December 2024	31 December 2023
Opening balance	2,835,021	2,239,844
Add: Provision for NRV loss	<u>14,031,175</u>	<u>10,498,085</u>
Less: Write off during the year	<u>(8,758,946)</u>	<u>(9,902,908)</u>
	<u>5,272,229</u>	<u>595,177</u>
Balance at the end of the year	<u>8,107,250</u>	<u>2,835,021</u>

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

	<u>Lands</u>	<u>Buildings</u>	<u>Machineries</u>	<u>Furniture and office equipment</u>	<u>Motor vehicles</u>	<u>Computers</u>	<u>Tools</u>	<u>Assets under construction</u>	<u>Total</u>
Cost:									
At 1 January 2024	15,828,842	89,122,026	31,122,297	6,510,369	6,250,656	5,746,319	12,020,801	24,987,243	191,588,553
Additions	-	779,871	3,342,231	819,606	1,114,580	2,331,079	1,810,876	1,305,604	11,503,847
Disposals	-	-	(225)	(234,060)	(612,300)	(851,668)	(20,000)	-	(1,718,253)
Transfers	-	6,455,598	13,395,052	621,160	8,058	17	911,258	(21,391,143)	-
At 31 December 2024	<u>15,828,842</u>	<u>96,357,495</u>	<u>47,859,355</u>	<u>7,717,075</u>	<u>6,760,994</u>	<u>7,225,747</u>	<u>14,722,935</u>	<u>4,901,704</u>	<u>201,374,147</u>
Accumulated depreciation:									
At 1 January 2024	-	24,091,186	26,322,191	5,270,079	4,098,805	4,281,263	8,446,853	-	72,510,377
Charge for the year	-	4,575,942	2,075,867	521,789	791,533	762,424	1,067,686	-	9,795,241
Disposals	-	-	-	(234,060)	(590,650)	(851,476)	(20,000)	-	(1,696,186)
At 31 December 2024	<u>-</u>	<u>28,667,128</u>	<u>28,398,058</u>	<u>5,557,808</u>	<u>4,299,688</u>	<u>4,192,211</u>	<u>9,494,539</u>	<u>-</u>	<u>80,609,432</u>
Net book value:									
At 31 December 2024	<u>15,828,842</u>	<u>67,690,367</u>	<u>19,461,297</u>	<u>2,159,267</u>	<u>2,461,306</u>	<u>3,033,536</u>	<u>5,228,396</u>	<u>4,901,704</u>	<u>120,764,715</u>

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Lands</u>	<u>Buildings</u>	<u>Machineries</u>	<u>Furniture and office equipment</u>	<u>Motor vehicles</u>	<u>Computers</u>	<u>Tools</u>	<u>Assets under construction</u>	<u>Total</u>
<u>Cost:</u>									
At 1 January 2023	10,192,286	86,530,679	28,656,654	6,210,557	5,938,284	4,943,616	11,244,861	17,333,906	171,050,843
Additions	5,636,556	2,591,347	2,091,415	928,569	437,000	821,581	674,739	7,653,337	20,834,544
Disposals	-	-	-	(3,328)	(124,628)	(18,878)	(150,000)	-	(296,834)
Reclassifications	-	-	374,228	(625,429)	-	-	251,201	-	-
At 31 December 2023	<u>15,828,842</u>	<u>89,122,026</u>	<u>31,122,297</u>	<u>6,510,369</u>	<u>6,250,656</u>	<u>5,746,319</u>	<u>12,020,801</u>	<u>24,987,243</u>	<u>191,588,553</u>
<u>Accumulated depreciation:</u>									
At 1 January 2023	-	19,740,591	25,558,410	4,902,026	3,613,611	3,624,061	7,750,361	-	65,189,060
Charge for the year	-	4,350,595	763,754	371,369	609,822	665,313	846,519	-	7,607,372
Disposals	-	-	-	(3,316)	(124,628)	(8,111)	(150,000)	-	(286,055)
Reclassifications	-	-	27	-	-	-	(27)	-	-
At 31 December 2023	<u>-</u>	<u>24,091,186</u>	<u>26,322,191</u>	<u>5,270,079</u>	<u>4,098,805</u>	<u>4,281,263</u>	<u>8,446,853</u>	<u>-</u>	<u>72,510,377</u>
<u>Net book value:</u>									
At 31 December 2023	<u>15,828,842</u>	<u>65,030,840</u>	<u>4,800,106</u>	<u>1,240,290</u>	<u>2,151,851</u>	<u>1,465,056</u>	<u>3,573,948</u>	<u>24,987,243</u>	<u>119,078,176</u>

10.1 Depreciation has been allocated as follows:

	31 December 2024	31 December 2023
Cost of revenue (Note 23)	5,936,596	4,202,413
Selling and distribution expense (Note 25)	1,362,475	1,119,583
General and administrative expenses (Note 26)	2,496,170	2,285,376
	<u>9,795,241</u>	<u>7,607,372</u>

10.2 Assets under construction includes expansion of existing factory and machineries under commissioning process to increase the production capacity.

10.3 The Group's headquarters building (title deeds number 610124040243 and 810124040242) with a book value of SAR 18,102,286 is currently mortgaged to local bank as loan security (Note 14).

10.4 Additions for the assets under construction include capitalized borrowing cost of SAR 12,635 (2023: SAR 177,018).

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

11. INTANGIBLE ASSETS

	<u>Software</u>	<u>Registered developed products</u>	<u>Formulation in progress</u>	<u>Total</u>
Cost:				
1 January 2024	9,576,514	26,961,401	29,051,796	65,589,711
Additions	-	-	9,782,792	9,782,792
Transfers		6,508,103	(6,508,103)	-
At 31 December 2024	9,576,514	33,469,504	32,326,485	75,372,503
Accumulated amortization:				
1 January 2024	4,781,206	13,957,524	-	18,738,730
Charge for the year	958,195	5,083,211	-	6,041,406
At 31 December 2024	5,739,401	19,040,735	-	24,780,136
Net book value:				
At 31 December 2024	3,837,113	14,428,769	32,326,285	50,592,367

	<u>Software</u>	<u>Registered developed products</u>	<u>Formulation in progress</u>	<u>Total</u>
Cost:				
1 January 2023	9,462,179	21,581,647	24,864,037	55,907,863
Additions	114,335	-	10,021,274	10,135,609
Transfers		5,379,754	(5,379,754)	-
Write-offs	-	-	(453,761)	(453,761)
At 31 December 2023	9,576,514	26,961,401	29,051,796	65,589,711
Accumulated amortisation:				
1 January 2023	3,808,485	10,611,924	-	14,420,409
Charge for the year	972,721	3,345,600	-	4,318,321
At 31 December 2023	4,781,206	13,957,524	-	18,738,730
Net book value:				
At 31 December 2023	4,795,308	13,003,877	29,051,796	46,850,981

11.1 Amortisation has been allocated as follows:

	31 December 2024	31 December 2023
Cost of revenue (Note 23)	5,083,211	3,358,601
General and administrative expenses (Note 26)	955,366	956,891
Selling and distribution expense (Note 25)	2,829	2,829
	6,041,406	4,318,321

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

12. EQUITY INVESTMENTS

The Group designated the investment shown below as equity securities at FVOCI because this represents investment that the Group intended to hold for the long-term for strategic purposes. As at period end, the fair market value of this equity investment is as follows:

	31 December 2024	31 December <u>2023</u>
Equity investments in:		
- Cannabist Company Holdings Inc. (formerly known as "Columbia Care Inc.")	(12.1) -	1,324,434
	<u>-</u>	<u>1,324,434</u>

Movement in equity investments:

	Cannabist Company Holdings Inc.	Nuha Consultancy	Emulsion Cosmetics Limited	Total
Balance at 1 January 2024	1,324,434	-	-	1,324,434
Less: Net change in fair value for the year	(555,320)	-	-	(555,320)
Less: Disposal of investment	(769,114)	-	-	(769,114)
Balance at 31 December 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 1 January 2023	2,207,390	1,090,816	307,245	3,605,451
Less: Net change in fair value for the year	(882,956)	-	-	(882,956)
Less: Disposal of investment	-	(1,090,816)	(307,245)	(1,398,061)
Balance at 31 December 2023	<u>1,324,434</u>	<u>-</u>	<u>-</u>	<u>1,324,434</u>

12.1 Cannabist Company Holdings Inc. (formerly known as "Columbia Care Inc.")

- a) On 28 July 2020, the Company purchased 5% shares in Columbia Care International Hold Co LLC ("CCIH") in consideration for EUR 5,000,000 (equivalent to SAR 21,485,620), which approximates the fair value as on 31 December 2020.
- b) On 12 March 2021, a share redemption agreement ("the agreement") was entered by the Company with following parties:
 - i. Columbia Care International Hold Co LLC ("CCIH"), a Delaware limited liability company;
 - ii. Cannabist Company Holdings Inc. ("CCHI") (formerly "Columbia Care Inc."), a company listed on NEO Exchange, Canada; and
 - iii. Columbia Care LLC ("CC"), a Delaware limited liability company and a wholly owned subsidiary of CCHI.

Under the agreement, the 5% shares of CCIH, owned by the Company, were exchanged for 783,805 shares of CCHI at the 20-days VWAP price of CAD 7.95 per share, totaling to CAD 6,231,250 (equivalent to SAR 18,729,163). Accordingly, the Company had recorded a loss on disposal of CCIH shares amounting to SAR 2,756,457 during 2021.

- c) On 20 August 2024, the Company sold 783,805 shares of CCI for CAD 0.35 per share (equivalent to SAR 769,114), being the fair value of the investment at the time of sale. Consequently, the cumulative realized losses of SAR 17,960,048 recorded in other comprehensive loss were transferred to retained earnings.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

12. EQUITY INVESTMENTS (CONTINUED)

12.2 Nuha Consultancy and Emulsion Cosmetics Limited

Nuha Consultancy, incorporated in British Virgin Island and Emulsion Cosmetics Limited, incorporated in England and Wales, are engaged in retail sale of cosmetic and toilet articles in specialized stores.

During March 2020, Avalon Cosmetics Limited, an indirect fully owned subsidiary of the Company (refer Note 1), has purchased 15% shares each in Nuha Consultancy and Emulsion Cosmetics Limited, for a total consideration of SAR 1,090,816 and SAR 140,754, respectively.

On 8 April 2021 and 21 December 2021, Avalon Cosmetics Limited has contributed an additional capital amounting to SAR 73,352 and SAR 93,139, respectively in Emulsion Cosmetics Limited. Accordingly, as at 31 December 2022, investment in Emulsion Cosmetics Limited was SAR 307,245.

On 24 October 2023, Avalon Cosmetics entered into a sale agreement with the shareholder of Emulsion Cosmetics Limited and Nuha Consultancy for the latter to purchase at a nominal amount of SAR 4,801, the shareholdings of Avalon Cosmetics. Accordingly, the cumulative realized losses of SAR 1,393,259 transferred to retained earnings in the year ended 31 December 2023.

13. SHORT-TERM LOANS

The Group has obtained Murabahah and Musharika financing from various commercial banks at agreed commercial rates. The balance outstanding are as follow:

	31 December 2024	31 December 2023
Opening balance	50,272,646	69,130,087
Proceeds from loans during the year	87,194,077	174,133,276
Repayments during the year	(77,377,890)	(192,990,717)
	60,088,833	50,272,646
Finance cost relating to Murabaha	2,219,291	2,224,345
Closing balance	62,308,124	52,496,991

Short-term loans were secured by personal guarantees of the Group's shareholders up to the year ended 31 December 2023. During the year ended 31 December 2024, after the initial public offer (IPO) refer note 20.1, the bank has revoked the requirement of personal guarantees.

Financial charges rates on loans range between 1.25% to 2.00%+SAIBOR.

14. LOANS AND BORROWINGS

The long-term loan was taken from a local bank and is secured by personal guarantees of the Company's shareholders up to the year ended 31 December 2023. During the year ended 31 December 2024, after the initial public offer (IPO) refer note 20.1, the Company has obtained waiver of personal guarantees from the banks. Furthermore, this long-term loan is secured by the Group's headquarters building with a book value of SAR 18,102,286. Long-term loan bears commission at agreed commercial rates which is SAIBOR plus 1.75% p.a. payable in thirteen equal quarterly instalments beginning September 2022.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

14. LOANS AND BORROWINGS (CONTINUED)

Movement of the long-term loans is as follows:

	31 December 2024	31 December 2023
Opening balance	9,506,904	15,844,840
Repayments during the year	<u>(6,337,936)</u>	<u>(6,337,936)</u>
Closing balance	<u>3,168,968</u>	<u>9,506,904</u>

Based on the loan repayment schedules, the outstanding balances as at year end are as follow:

	31 December 2024	31 December 2023
Current portion	3,168,968	6,337,936
Non-current portion	<u>-</u>	<u>3,168,968</u>
	<u>3,168,968</u>	<u>9,506,904</u>

15. TRADE PAYABLES

	31 December 2024	31 December 2023
Local suppliers	15,213,152	12,165,133
Foreign suppliers	<u>12,136,017</u>	<u>15,876,395</u>
	<u>27,349,169</u>	<u>28,041,528</u>

For financial liabilities measured at amortised cost (Trade payables, short-term loan and loans and borrowings) the fair value approximates the carrying amount. Trade payables amounting to SAR 9.3 million included in above balance have the supplier finance arrangement.

16. ACCRUALS AND OTHER CURRENT LIABILITIES

	31 December 2024	31 December 2023
Salaries and related benefits	18,779,004	10,759,863
Provision for sales return	8,172,473	7,845,871
Marketing and advertising	2,274,845	1,890,665
Board and committee members remuneration	2,170,000	1,770,000
Contract liabilities	1,093,589	4,083,313
Professional fees	648,660	736,935
Due to employees	351,433	1,420,686
Others	<u>626,134</u>	<u>271,910</u>
	<u>34,116,138</u>	<u>28,779,243</u>

Movement of contract liabilities is as follows:

	31 December 2024	31 December 2023
Opening balance	4,083,313	1,166,787
Advances from customers received during the year	1,093,589	4,083,313
Revenue recognised during the year	<u>(4,083,313)</u>	<u>(1,166,787)</u>
	<u>1,093,589</u>	<u>4,083,313</u>

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

17. ZAKAT PAYABLE

17.1 Zakat expenses

As at the statement of financial position date, Zakat base was calculated based on the financial statements of the Company, as follows:

	31 December 2024	31 December 2023
Shareholders' equity at beginning of year	291,590,399	268,633,224
Adjusted net income	105,169,254	86,580,485
Additions	44,093,765	57,846,001
Deductions	(171,289,098)	(192,778,934)
Total (Zakat base)	<u>269,564,320</u>	<u>220,280,776</u>
<i>Zakat at 2.5% (higher of adjusted net income or Zakat base)</i>	6,739,108	5,610,883
Excess provision from previous year	(239,104)	-
<i>Zakat expense for the year</i>	<u>6,500,004</u>	<u>5,610,883</u>

17.2 Zakat provision

Movement in Zakat provision for the year is as follows:

	31 December 2024	31 December 2023
Balance at beginning of the year	5,425,348	5,586,592
Provision for zakat for the year	6,500,004	5,610,883
	<u>11,925,352</u>	<u>11,197,475</u>
Payments made during the year	(4,832,592)	(5,772,127)
Balance at end of the year	<u>7,092,760</u>	<u>5,425,348</u>

17.3 Status of Zakat assessment

Zakat returns have been submitted to the Zakat, Tax and Customs Authority ("ZATCA") for the years up to 31 December 2023. ZATCA has issued the final assessment up to the year ended 31 December 2023, and the Company has paid all the amounts based on the final assessment.

18. EMPLOYEE BENEFITS

The Group operates a defined benefit plan in line with the labor law requirements applicable in the Kingdom of Saudi Arabia. The payments under this plan are based on the employees' final salaries, allowances and their cumulative years of service at the date of their termination of employment.

All Group's employees' termination benefit plans are unfunded.

18.1 Amounts in the statement of financial position

The amounts recognized in the consolidated statement of financial position and the movements in the defined benefit obligation are as follows:

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

18. EMPLOYEE BENEFITS (CONTINUED)

18.1 Amounts in the statement of financial position (Continued)

	31 December 2024	31 December <u>2023</u>
Opening balance present value of defined benefit obligation	25,081,271	24,066,038
<i>Recognised in the consolidated statement of profit or loss</i>		
Current service cost	3,691,863	1,762,439
Interest cost	1,011,528	1,064,521
	4,703,391	2,826,960
<i>Recognised in the consolidated statement of comprehensive income</i>		
Actuarial loss	2,483,728	1,425,243
Settlements during the year*	(5,205,714)	(3,236,970)
Present value of defined benefit obligation	27,062,676	25,081,271
Advances paid against benefits	(2,526,187)	(2,986,187)
Closing balance	24,536,489	22,095,084

*Settlements during the year includes the utilisation of advances paid against defined benefit obligation amounting to SAR 460,000 (2023: Nil).

18.2 Significant actuarial assumptions

The significant actuarial assumptions used were as follows:

	31 December 2024	31 December <u>2023</u>
<i>Economic assumptions:</i>		
Discount Rate	5.50%	4.50%
Salary increases rate (long-service)	4%	5%
<i>Demographics assumptions</i>		
Number of employees	632	543
Average age of employees (years)	36.43	36.80
Average years of past service	5.22	5.79
Retirement age	60	60

18.3 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions made in the calculation is:

	Change in assumption	31 December 2024 (net liability)	31 December <u>2023</u> (net liability)
Long term salary increases	0.5% Decrease	26,192,604	24,534,672
	0.5% Increase	28,046,488	25,647,862
Discount rate	0.5% Decrease	28,037,380	25,671,401
	0.5% Increase	26,217,029	24,518,112

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

18. EMPLOYEE BENEFITS (CONTINUED)

18.4 Expected benefit payments

Details of expected benefit payments are summarized below as of 31 December 2024:

<u>Expected Benefit Payments</u>	<u>31 December 2024</u>
1 Year 1	7,357,378
2 Year 2	6,490,507
3 Year 3	6,156,805
4 Year 4	5,534,123
5 Year 5	4,883,957
5 Year 6 – 10	20,022,762

19. RELATED PARTIES TRANSACTIONS

Related parties include subsidiary companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

Transactions with related parties carried out during the year, in the normal course of business, are approved by Group management. The transactions and balances with related parties are as follows:

19.1 Due from related parties

			<u>Transactions for the</u>		<u>Balance as at</u>	
			<u>year-ended</u>			
<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>
			<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>
			<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Shareholders*	Shareholders	Payments of IPO costs on behalf of the shareholders	2,670,812	6,153,114		7,482,902
Mr. Ahmed Shaher Tabbaa	Refer note (a) below	Advances	-	(949,814)	-	-
Emulsion Cosmetics Limited	Associate	Advances	-	(219,068)	-	-
			<u>2,670,812</u>	<u>4,984,232</u>	<u>-</u>	<u>7,482,902</u>

- a) During the year ended and as of 31 December 2023, Mr. Ahmad Shahir Tabbaa was the ultimate controlling party, being the majority shareholder of Tabbaa National Holding Company (the parent company). During the period ended 31 December 2024, after the IPO (refer note 20.1), the parent company has lost the control over the Company, accordingly, Mr. Ahmad Shahir Tabbaa ceased to be an ultimate controlling party.

*The Group has paid initial public offer (IPO) costs on behalf of all the shareholders in their respective ownership as mentioned in note 20. During February 2024, the IPO costs have been settled by the shareholders.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

19. RELATED PARTIES TRANSACTIONS (CONTINUED)

19.2 Compensation and benefits to key managements personnel:

	31 December 2024	31 December 2023
Short-term employee benefits	13,092,420	12,220,051
Employees' defined benefits obligations	765,234	554,670
Board members remuneration	1,150,000	1,140,000
Total compensation and benefits to key managements personnel	15,007,654	13,914,721

The compensation and benefits to key management personnel, included in salaries and other related benefits, are allocated as follows:

	31 December 2024	31 December 2023
General and administrative expenses	10,354,008	9,724,219
Cost of revenue	1,619,387	1,914,849
Selling and distribution expense	3,034,259	2,845,653
Total	15,007,654	13,914,721

20. SHARE CAPITAL

	No. of shares	Par value	Total
31 December 2024	20,000,000	10.00	200,000,000
31 December 2023	20,000,000	10.00	200,000,000

- 20.1** On 27 February 2024, the Company offered six million (6,000,000) ordinary shares, representing 30% of the Company's capital, through a public offering in Saudi Stock Exchange ("Tadawul").

21. DIVIDENDS

During the current year, the Board of Directors approved and paid interim dividends amounting to SAR15,000,000 (31 December 2023: SAR 36,000,000). The interim dividends for the year ended 31 December 2024, will be ratified later by the General Assembly.

	2024	2023
Shareholders' dividends	15,000,000	36,000,000
Dividends per share	0.75	1.80

22. REVENUE

The breakdown of revenue by customer type is as follows:

	31 December 2024	31 December 2023
<i>Revenue from:</i>		
Private customers	268,291,609	245,316,212
Public customers	75,682,135	55,906,073
Export customers	50,026,823	37,217,419
	394,000,567	338,439,704

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

22. REVENUE (CONTINUED)

Revenue is recognised at a point in time at which the performance obligation is satisfied.

The table below represents the segregation of revenue by geographical market.

	31 December 2024	31 December 2023
Local customers	343,973,744	301,222,285
Export customers	50,026,823	37,217,419
	<u>394,000,567</u>	<u>338,439,704</u>

23. COST OF REVENUE

	31 December 2024	31 December 2023
Beginning inventory of finished products (Note 9)	36,249,876	36,883,268
Add: Direct purchases	7,184,641	6,150,353
Add: Cost of goods manufactured:		
Packing materials cost	45,993,601	42,369,371
Raw materials cost	45,097,611	39,708,864
Less: ending inventory of finished products (Note 9)	(39,200,968)	(36,249,876)
Cost of inventory consumed during the year	95,324,761	88,861,980
Indirect labor	19,341,413	16,527,212
Direct labor	11,106,150	8,789,419
Depreciation (Note 10.1)	5,936,596	4,202,413
Amortization (Note 11.1)	5,083,211	3,358,601
Other overheads	13,846,114	12,676,033
	<u>150,638,245</u>	<u>134,415,658</u>

24. OTHER INCOME/ (EXPENSES)

	31 December 2024	31 December 2023
Foreign exchange loss	(39,244)	(470,430)
Gain on disposal of property, plant and equipment	120,767	126,025
Insurance claim	652,173	-
Other income	421,771	(87,194)
	<u>1,155,467</u>	<u>(431,599)</u>

25. SELLING AND DISTRIBUTION EXPENSES

	31 December 2024	31 December 2023
Salaries and other related benefits	37,838,635	30,009,532
Marketing and advertising expenses	23,349,008	21,241,778
Housing and accommodation allowance	8,660,064	7,347,002
Freight-out charges	6,001,060	5,426,694
Employees' transportation allowance	3,724,359	3,272,680
Travelling expenses	3,027,741	2,635,233
Legal and government fees	2,327,828	1,611,379
Employees' medical insurance	1,960,155	1,459,518
Employees' GOSI expenses	1,743,508	1,551,297
Depreciation (Note 10.1)	1,362,475	1,119,583
Amortisation (Note 11.1)	2,829	2,829
Others	6,192,831	4,944,053
	<u>96,190,493</u>	<u>80,621,578</u>

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

26. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2024	31 December <u>2023</u>
Salaries and other related benefits	20,753,175	15,478,372
Professional fees*	4,576,433	4,584,952
Housing and accommodation expenses	4,551,700	3,908,960
Communication expenses	4,063,418	3,360,135
Depreciation (Note 10.1)	2,496,170	2,285,376
Board and committee members remuneration	2,355,000	1,710,000
Office expenses	1,564,035	1,860,088
Legal and government fees	1,560,095	1,991,863
Employees' transportation allowance	1,321,850	1,079,886
Employees' medical insurance	1,208,120	957,180
Fees on letter of guarantee / credit	1,192,887	1,352,615
Employee GOSI expenses	1,174,852	1,070,381
Amortisation (Note 11.1)	955,366	956,891
Repairs and maintenance	953,956	326,274
Travelling expenses	921,011	714,570
Others	4,108,452	4,589,570
	<u>53,756,520</u>	<u>46,227,113</u>

* This includes expense pertaining to Company's external auditor for the year ended 31 December 2024 amounting to SAR 857,000 (31 December 2023: SAR 819,500) against services rendered for annual audit and interim reviews.

27. FINANCE COSTS

	31 December 2024	31 December <u>2023</u>
Finance cost relating to Murabaha loan	3,673,215	5,746,910
Net interest cost: Employees' defined benefits obligations (note 18.1)	<u>1,011,529</u>	<u>1,064,521</u>
Total	<u>4,684,744</u>	<u>6,811,431</u>

28. FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT

Accounting classification and fair values

The carrying amount of financial assets and financial liabilities is a reasonable approximation of the respective financial assets and financial liabilities fair value.

Financial risk management

The Group has exposure to the following risk arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

i) Credit risk (continued)

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

An additional allowance for impairment of SAR 3,537,108 on financial assets was recognised in the consolidated financial statements during the year ended 31 December 2024 as per ECL provision. Whereas, for the year ended 31 December 2023 a reversal for impairment loss of SAR 1,505,907 was recognised.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which the customers operate.

The Group a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered to the customer. Management ensures that sales made to customers are within the respective customers' credit limit.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of six months for its customers.

In monitoring customer credit risk, customers are combined according to their credit characteristics, including whether they are private, public or export customers; their geographic location; and the existence of previous and current financial difficulties.

The credit risk of bank balances is limited as cash balances are held with banks with sound credit ratings ranging from BBB+ to A+.

The exposure to credit risk for trade receivables by type of counterparty was as follows:

	Carrying amount	
	31 December	31 December
	2024	2023
Private customers	131,456,688	103,670,656
Public customers	77,634,338	52,347,474
Export customers	18,458,241	13,875,575
Total gross carrying amount	227,549,267	169,893,705
Less: Provision for expected credit loss	(10,064,577)	(6,527,469)
Total net carrying amount	217,484,690	163,366,236

The Group uses an allowance matrix to measure expected credit losses (ECLs) of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write off. These rates are multiplied by discount rate and inflation rate to reflect differences in economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Any customers wherein there is specific indicators or factors which lead management to believe that the recovery of the amount is doubtful are provided for separately.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

i) Credit risk (continued)

The following table provides information about the exposure to credit risk for trade receivables:

	31 December 2024		
	<i>Weighted-average loss rate</i>	<i>Gross carrying amount</i>	<i>Impairment loss allowance</i>
Current (not past due)	0.21%	179,582,334	(384,724)
1 to 30 past due	1.85%	4,733,116	(87,682)
31 to 60 past due	3.72%	3,117,512	(115,828)
61 to 90 past due	6.32%	1,374,511	(86,833)
91 to 180 past due	5.53%	2,030,394	(112,192)
181 to 365 past due	9.55%	4,118,926	(393,407)
More than 365 past due	27.26%	32,592,474	(8,883,911)
		<u>227,549,267</u>	<u>(10,064,577)</u>

	31 December 2023		
	<i>Weighted-average loss rate</i>	<i>Gross carrying amount</i>	<i>Impairment loss allowance</i>
Current (not past due)	0.06%	127,401,203	(74,623)
1 to 30 past due	1.12%	918,373	(10,304)
31 to 60 past due	10.06%	783,506	(78,807)
61 to 90 past due	21.71%	328,788	(71,389)
91 to 180 past due	26.69%	1,267,174	(338,225)
181 to 365 past due	15.15%	2,623,612	(397,593)
More than 365 past due	15.19%	36,571,049	(5,556,528)
		<u>169,893,705</u>	<u>(6,527,469)</u>

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a 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 to meet the Group's future commitments. The following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

	31 December 2024			
	<i>Carrying Amount</i>	<i>Less than 1 year</i>	<i>1 year to 5 years</i>	<i>More than 5 years</i>
Liabilities				
Loans and borrowings	3,168,968	3,712,780		-
Short term loans	62,308,124	63,803,277	-	-
Trade payables	27,349,169	27,349,169	-	-
Accruals and other current liabilities	33,022,549	33,022,549	-	-
Total	<u>125,848,810</u>	<u>127,887,775</u>		-

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

ii) Liquidity risk (continued)

	31 December 2023			
	<i>Carrying Amount</i>	<i>Less than 1 year</i>	<i>1 year to 5 years</i>	<i>More than 5 years</i>
Liabilities				
Loans and borrowings	9,506,904	6,731,156	3,234,186	-
Short term loans	52,496,991	52,764,922	-	-
Trade payables	28,041,528	28,041,528	-	-
Accruals and other current liabilities	24,695,930	24,695,930	-	-
Total	114,741,353	112,233,536	3,234,186	-

iii) Market risk

Market risk is the risk that changes in the market prices – such as foreign exchange rates and commission rates– will affect the Group’s income or the value of its holdings of financial instruments.

Currency risk

This is a risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that’s not the Group’s functional currency. The Group has transactions denominated in Euros, U.S. dollars, Great Britain Pounds, Swiss Francs, United Arab Emirates Dirhams and Bahrain Dinar. Management monitors the fluctuations in currency exchange rates, and the effect of the currency fluctuation has been accounted for in the consolidated financial statements.

At the end of the year, the Group had the following significant net currency exposures in foreign currencies. Presented below are the monetary assets (liabilities), net in foreign currencies:

<i>Foreign currency exposures</i>	31 December 2024	31 December 2023
United States Dollar	3,030,439	1,563,986
Euro	(374,291)	(662,561)
Great Britain Pound	(56,288)	(46,128)
UAE Dirham (AED)	(254,578)	(504,479)
Swiss Franc	(24,495)	-
Bahrain Dinar	-	(1,805)

Given the fact that the Saudi Riyal is pegged to the US Dollar and the historic performance of the US Dollar against the other currencies listed above, coupled with the values in each respective foreign currency, the Group does not have significant exposure to fluctuations in foreign currencies.

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

29. SEGMENT

A. Information about reportable segments

The Board of Directors (BOD), which has been identified as the Chief Operating Decision Maker (CODM), monitors the gross profit of its reportable segments separately to make decisions about resource allocation and performance assessment.

The Group has three (3) operating segments: Private, Public and Export. The Group's CODM evaluates the segments' revenue and gross profit on a regular basis in deciding how to allocate resources among the segments and in assessing segment performance. The CODM evaluates the performance of the Group's segments based on revenue and gross profit. The Group uses revenue and gross profit as its principal measure of segment performance as it enhances the Group's ability to compare past financial performance with current performance and analyze underlying business performance and trends.

Performance is measured by the CODM based on revenue and gross profit as reported in the management accounts. Management believes that this measure is the most relevant in evaluating the Group. As such, expenses, assets and liabilities related to segments are neither included in the internal management reports nor provided regularly to the management.

B. Information about reportable segments

The following table presents information for the Group's operating segments for the year ended 31 December 2024 and 31 December 2023, respectively.

<u>Year ended 31 December 2024</u>	<u>Private customers</u>	<u>Public customers</u>	<u>Export customers</u>	<u>Total</u>
Revenue	268,291,609	75,682,135	50,026,823	394,000,567
Cost of revenue	(76,310,600)	(49,048,487)	(25,279,157)	(150,638,245)
Gross profit	<u>191,981,009</u>	<u>26,633,648</u>	<u>24,747,666</u>	<u>243,362,322</u>
Unallocated income (expenses)				
Selling and distribution expenses				(96,190,493)
General and administrative expenses				(53,756,520)
Charge for impairment loss on trade receivables				(3,537,108)
Other expenses				1,155,467
Finance costs				<u>(4,684,744)</u>
Profit before zakat				86,348,924
Zakat expense				<u>(6,500,004)</u>
Profit for the year				<u>79,848,920</u>

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

(All amounts in Saudi Riyals unless otherwise stated)

29. SEGMENT (CONTINUED)

B. Information about reportable segments (continued)

<u>Year ended 31 December 2023</u>	<u>Private customers</u>	<u>Public customers</u>	<u>Export customers</u>	<u>Total</u>
Revenue	245,316,212	55,906,073	37,217,419	338,439,704
Cost of revenue	(74,485,996)	(39,917,550)	(20,012,112)	(134,415,658)
Gross profit	<u>170,830,216</u>	<u>15,988,523</u>	<u>17,205,307</u>	<u>204,024,046</u>
Unallocated income (expenses)				
Selling and distribution expenses				(80,621,578)
General and administrative expenses				(46,227,113)
Reversal of impairment loss on trade receivable				1,505,907
Other income				(431,599)
Finance costs				(6,811,431)
Profit before zakat				<u>71,438,232</u>
Zakat expense				(5,610,883)
Profit for the year				<u><u>65,827,349</u></u>

C. Geographic information

Year ended 31 December 2024

	<u>Saudi Arabia</u>	<u>UAE</u>	<u>Kuwait</u>	<u>Other countries</u>	<u>Total</u>
Revenue	343,973,744	18,057,811	10,936,935	21,032,077	394,000,567
Total	<u>343,973,744</u>	<u>18,057,811</u>	<u>10,936,935</u>	<u>21,032,077</u>	<u>394,000,567</u>

i. Geographic information

Year ended 31 December 2023

	<u>Saudi Arabia</u>	<u>UAE</u>	<u>Kuwait</u>	<u>Other countries</u>	<u>Total</u>
Revenue	301,222,285	12,934,070	9,345,704	14,937,645	338,439,704
Total	<u>301,222,285</u>	<u>12,934,070</u>	<u>9,345,704</u>	<u>14,937,645</u>	<u>338,439,704</u>

ii. Major customer

Revenue from one customer of the Group's public customers segment represents approximately SAR 72 million (2023: SAR 45 million) of the Group's total revenue.

30. COMMITMENTS AND CONTINGENCIES

	<u>31 December 2024</u>	<u>31 December 2023</u>
Letters of credit (30.1)	11,682,662	19,077,378
Letters of guarantee (30.2)	12,876,128	14,618,306
	<u><u>24,558,790</u></u>	<u><u>33,695,684</u></u>

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

- 30.1 The letters of credit are contractual commitments by the Group's bank to pay once the export suppliers ship the goods and presents the required documentation to the exporter's bank as proof. The amount shown above is the total letters of credit issued and outstanding from the Group's facilities with banks.
- 30.2 The letters of guarantee are the commitments or performance bond of the Group attached to its obligations to the Government deliveries to ensure compliance with terms and conditions of its Government obligations. The amount shown above is the total letters of guarantee issued and outstanding from the Group's bank facilities.

31. EARNINGS PER SHARE (EPS)

Basic and diluted earnings per share are based on the net profit for the year ended 31 December 2024 and 2023 divided by a weighted average number of shares.

	31 December 2024	31 December 2023
Profit for the year	<u>79,848,920</u>	<u>65,827,349</u>
Weighted average number of shares outstanding during the year	<u>20,000,000</u>	<u>20,000,000</u>
Basic and diluted earnings per share	<u>3.99</u>	<u>3.29</u>

32. EVENTS AFTER THE REPORTING DATE

There have been no significant subsequent events since the balance sheet date that would have a material impact on these consolidated financial statements.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors for issuance on 20 Ramadan 1446H corresponding to 20 March 2025.