

Audit Committee Report to General Assembly of SPIMACO for fiscal year 2022

Gentlemen shareholders of Saudi Pharmaceutical Industries and Medical Appliances

Peace be upon you and God's mercy and blessings

- Introduction:

The Audit Committee is responsible for monitoring the company's activities and verifying the accuracy and integrity of financial statements and internal control systems, and this report deals with the work carried out by the Audit Committee during the year 2022 according to the tasks and responsibilities mentioned in the Audit Committee Charter of SPIMACO, which was prepared in accordance with the requirements of the corporate system and the Corporate Governance Regulation issued by the CMA Board.

The company's management has the primary responsibility for the preparation of financial statements and for establishing and maintaining effective internal controls.

- The formation and meetings of the committee:

The committee was formed by a resolution of the General Assembly of the company. During its 11th term, it held one meeting in the year 2022, and for its 12th Term starting from the 3rd of April 2022, eight meetings were held in the year 2022. The following is a summary of the most prominent work carried out by the committee during the year 2022 according to the tasks assigned to it:-

- Review of the preliminary consolidated financial statements (Q1, Q2 and Q3 of 2022) and annual for the year 2021 to verify their fairness and transparency in light of the presentation and disclosure of the information contained in the financial statements, in accordance with the International Financial Reporting Standards (IFRS) accepted and approved by the Kingdom of Saudi Arabia. Recommendation to the Board of Directors for approval of the annual consolidated financial statements in preparation for its approval to the General Assembly.

- Meeting with the company's external auditor to review their plan and verify that no technical or administrative work is being provided outside the scope of the audit.
- Review the reports and observations submitted by the external auditor and meet with them to review the financial statements before approving them in order to verify his independence, objectivity, fairness and the effectiveness of the audit process as well as to answer their inquiries and to ensure that there are no obstacles that may affect the conduct of their work.
- Reviewing the reports and notes submitted by the internal auditor and meeting with the executive management to discuss the departments' work plans to address the risks resulting from these reports in order to develop and reach an improved and effective internal control system.

Accordingly, the committee noted that the audit work that was carried out by the internal and the external auditor during the year 2022 shows internal control and risk management activities are being established to address weaknesses in design and operating effectiveness. Various initiatives to improve financial controls, information technology and cyber security controls, administrative and operational controls being carried out by management are at various stages of progress and require some time to complete. The Audit Committee overall conclusion based on management submissions is that internal controls are Basic and require further support and development to be effective.

God bless,,,

**Independent Limited Assurance Report on the Transactions and
Balances Between the Company and the Related Parties**

**To the Shareholders of
Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH)**
(Saudi Joint Stock Company)
Riyadh – Kingdom Saudi Arabia

We have performed a limited assurance engagement to determine whether it has come to our attention a matter that makes us believe that what has been detailed in the subject paragraph below (the “Subject Matter”) has not been reported and fairly presented, in all material respects, in accordance with the relevant criteria (“Applicable Criteria”) hereinafter referred to below.

Subject Matter:

The subject of the limited assurance engagement relates to the letter submitted and approved by the Chairman of the Board of Directors of Saudi Pharmaceutical Industries and Medical Corporation (SPIMACO - ADDWAEIH) regarding the business and contracts in which the Board members have direct or indirect interest during the year ended December 31, 2022, as attached to this report.

Applicable Criteria:

Article (71) of the Companies’ Law issued by the Ministry of Commerce.

Management Responsibility:

Management of the Company is responsible for the preparation and fair presentation of the information mentioned in the above Subject Matter paragraph in accordance with the Applicable Criteria. In addition, the Management is responsible for implementing internal control systems that are deemed necessary to prepare and present the information contained in the above Subject Matter paragraph free from any material misstatements, whether due to fraud or error, and to apply appropriate controls, maintain adequate records, and make reasonable estimates according to the relevant circumstances and events.

Our Responsibility:

Our responsibility is to express a limited assurance conclusion on the above Subject Matter based on the assurance engagement we performed in accordance with the International Standard on Assurance Engagement (ISAE) 3000: “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” as endorsed by the Kingdom of Saudi Arabia, along with the terms and conditions related to this engagement which have been agreed with the Company's Management.

Our procedures have been designed to obtain a limited level of assurance that is sufficient to provide a basis for expressing our conclusion. Accordingly, we have not obtained all of the evidence required to provide a reasonable level of assurance. The implemented procedures depend on our professional judgment, including the risk of material misstatements in the Subject Matter, whether due to fraud or error. We also took into consideration the effectiveness of internal control systems when determining the nature and extent of our procedures, and our engagement was not designed to provide assurance about the effectiveness of those systems.

Independence and quality control:

We have complied with independence and other ethical requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and endorsed in the Kingdom of Saudi Arabia (“IESBA Code”).

In addition, we comply with the International Standard on Quality Management (1) as endorsed in the Kingdom of Saudi Arabia, in order to maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable regulatory requirements.

Summary of the Performed Procedures:

The procedures performed in a limited assurance engagement differ in nature, timing, and less in scope than those performed in a reasonable assurance engagement. As a result, the level of assurance that is obtained in the limited assurance engagement is significantly less than the assurance that would be obtained if a reasonable assurance engagement was performed.

The performed procedures included, but were not limited to, the following:

- Obtained the list of companies, inside and outside the Kingdom of Saudi Arabia, for which any of the members of the Board of Directors is / was serving as a Board member or as a Director
- Obtained the attached letter that includes a list of business and contracts in which the members of the Board of Directors have a direct or indirect interest during the year ended December 31, 2022
- Obtained an understanding of the nature of the transactions carried out during the year ended December 31, 2022 between the Company and the entities in which the members of the Board of Directors have a direct or indirect interest.
- Obtained the accounting journal entry recorded in the Company’s books for each transaction.
- Obtained the underlying contracts and evaluated those contracts as per underlying transactions.
- Evaluated transactions and considered whether they meet the Subject Matter as defined above.

Limited Assurance Conclusion:

Based on the limited assurance procedures performed, and the evidence obtained, nothing came to our attention that caused us to believe that what was detailed in the above Subject Matter paragraph and reported in the attached letter, has not been reported and presented fairly, in all material respects, in accordance with the applicable criteria.

Restriction of Use:

This report has been solely prepared on the request of the Company’s Management to assist the Company in fulfilling its obligations in reporting to the General Assembly under Article (71) of the Companies’ Law. The report may not be used for any other purpose or distributed to any other parties other than the Ministry of Commerce, the Capital Market Authority, and the Shareholders of the Company. In addition, no quote or reference can be made to this report without our prior consent.

BAKER TILLY MKM & CO.
Certified Public Accountants

Majid Muneer Alnemer
License No. 381

Riyadh on Shawwal 28, 1444 H
Corresponding to May 18, 2023





مكتب الرئيس التنفيذي

الصادر

2023 / HO / 3355
1444/10/20 — 2023-05-10

ميدان الدواية
Saudia House


شركة مساهمة سعودية
رأس المال 1,200,000,000 ريال
Saudi Joint Stock Company
Capital S.R 1,200,000,000

To the shareholders of the Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO)

With reference to the requirements of Article (71) of the Companies Law issued by Royal Decree No. (M / 132) for the year 1444 AH, we list below the transactions and contracts that were made with the related parties during the year 2022, which are greater than 1% of revenues or greater than SAR 10 million, in accordance with Regulatory Rules and Procedures issued pursuant to the Companies Law for listed joint stock companies, hereby the Company seeks to obtain the shareholders' approval on these transactions, which are listed as follows:

1-Vote on the business and contracts concluded between the Company and Arab Company for Drugs Industries and Medical Appliances (ACDIMA) during 2022, in which the board members Eng. Adel Kareem Ahmed and Dr. Mohammed Khalil Mohammed have an indirect interest, as Eng. Adel Kareem Ahmed is the chairman of ACDIMA, and Dr. Mohammed Khalil Mohammed is the Director General of ACDIMA. The business and contracts are represented in namely the Share Sale Purchase Agreement to acquire 25% of ACDIMA shareholding (50,000 shares) in CAD Middle East Pharmaceutical Company (an associate entity of SPIMACO Group) against consideration of SAR 10,534,356.

2-Vote on the business and contracts that have been concluded between the Company and Al Rajhi Bank during 2022, in which the board members Mr. Khalid Abdulrahman Al-Gwaiz has an indirect interest, as Mr. Khalid Abdulrahman Al-Gwaiz is board member in Al Rajhi Bank. The business and contracts are represented namely in providing short-term financing facilities and promissory notes amounting to SAR 250 million each for a period of one year without preferential terms. In addition, there were certain regular transactions through the current account.


Mohammad Talal Al-Nahas
Chairman of the Board of Directors