

**SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**AND INDEPENDENT AUDITOR'S REVIEW REPORT**  
**FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2022**

**SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**AND INDEPENDENT AUDITOR'S REVIEW REPORT**  
**FOR THE THREE AND SIX-MONTH PERIOD ENDED 30 JUNE 2022**

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**Independent Auditor's Review Report on the  
Interim Condensed Consolidated Financial Statements**

**To the Shareholders,**

**Scientific and Medical Equipment House Company**

(A Saudi Joint Stock Company)  
Riyadh, Kingdom of Saudi Arabia

**Introduction**

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

**Scope of Review**

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

**Conclusion**

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

**BAKER TILLY MKM & CO.**  
*Certified Public Accountants*



**Majid Muneer Alnemer**  
License No. 381

Riyadh on 25 Muharram 1444H  
Corresponding to 23 August 2022G



**SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**  
**(SAUDI RIYAL)**

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment		30,539,963	33,866,486
Right-of-use assets		13,778,190	9,948,826
Investment properties		32,091,044	32,263,943
Intangible assets		1,345,792	-
Other non-current assets		3,154	70,523
<b>Total non-current assets</b>		<b>77,758,143</b>	<b>76,149,778</b>
<b>Current Assets</b>			
Cash and cash equivalents		41,932,145	45,322,900
Trade receivables	6	630,393,148	500,784,483
Contract assets	6	173,095,405	208,641,696
Inventories		102,849,544	97,237,669
Prepayments and other debit balances		75,083,397	73,307,724
Deferred expenses		14,360,773	12,141,128
Due from related parties	7	18,064,098	4,240,235
<b>Total current assets</b>		<b>1,055,778,510</b>	<b>941,675,835</b>
<b>TOTAL ASSETS</b>		<b>1,133,536,653</b>	<b>1,017,825,613</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		200,000,000	200,000,000
Statutory reserve		34,829,506	34,829,506
Retained earnings		252,712,395	238,628,179
<b>Equity attributable to the shareholders of the Parent</b>		<b>487,541,901</b>	<b>473,457,685</b>
Non-controlling interests		(740,894)	218,049
<b>TOTAL EQUITY</b>		<b>486,801,007</b>	<b>473,675,734</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	8	9,337,500	7,225,000
Employees' defined benefits obligations		59,547,973	56,804,434
Lease liabilities		7,258,746	5,770,811
<b>Total non-current liabilities</b>		<b>76,144,219</b>	<b>69,800,245</b>
<b>Current liabilities</b>			
Long-term borrowings – current portion	8	500,000	500,000
Lease liabilities– current portion		5,681,375	4,740,868
Overdrafts	8	7,567,635	7,920,125
Notes payable	8	6,755,001	7,202,062
Short-term borrowings	8	302,714,059	232,884,177
Trade payables		70,485,446	60,148,074
Accrued expenses and other credit balances		160,217,849	143,450,242
Due to related parties	7	1,506,750	4,963,020
Contract liabilities		3,493,445	5,611,383
Zakat provision		11,669,867	6,929,683
<b>Total current liabilities</b>		<b>570,591,427</b>	<b>474,349,634</b>
<b>TOTAL LIABILITIES</b>		<b>646,735,646</b>	<b>544,149,879</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,133,536,653</b>	<b>1,017,825,613</b>

**Chairman of Board of Director**

Mr. Basil Bin Saud Al-Arifi

**Chief Executives' Officer**

Mr. Barakat Bin Saud Al-Arifi

**Chief Financial Officer**

Mr. Yasser Ahmed El-Safadi


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

**SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2022**  
**(SAUDI RIYAL)**

	Notes	Three-month period ended		Six-month period ended	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
Revenue	13	176,295,649	166,082,250	338,859,318	317,643,511
Cost of revenue		(129,476,748)	(122,365,001)	(254,124,198)	(241,268,247)
<b>Gross profit</b>		<b>46,818,901</b>	<b>43,717,249</b>	<b>84,735,120</b>	<b>76,375,264</b>
Selling and marketing expenses		(3,331,885)	(2,596,279)	(6,034,484)	(4,506,544)
General and administrative expenses		(21,314,546)	(13,824,772)	(34,685,256)	(25,183,144)
<b>Operating profit</b>		<b>22,172,470</b>	<b>27,296,198</b>	<b>44,015,380</b>	<b>46,685,576</b>
Finance cost		(4,851,528)	(2,363,024)	(8,691,909)	(5,142,324)
Other income	9	2,946,083	1,856,433	5,609,802	6,969,394
<b>Profit before zakat</b>		<b>20,267,025</b>	<b>26,789,607</b>	<b>40,933,273</b>	<b>48,512,646</b>
Zakat for the period		(3,910,033)	(3,200,742)	(7,808,000)	(6,225,742)
<b>Profit for the period</b>		<b>16,356,992</b>	<b>23,588,865</b>	<b>33,125,273</b>	<b>42,286,904</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified</b>					
<b>subsequently to profit or loss:</b>					
Changes in fair value of equity investments at fair value through OCI		-	(252,912)	-	31,222
<b>Total other comprehensive (loss) income for the period</b>		<b>-</b>	<b>(252,912)</b>	<b>-</b>	<b>31,222</b>
<b>Total comprehensive income for the period</b>		<b>16,356,992</b>	<b>23,335,953</b>	<b>33,125,273</b>	<b>42,318,126</b>
<b>Profit for the period attributable to:</b>					
Shareholders of the Parent company		17,358,508	23,917,840	34,084,216	43,105,780
Non-controlling interests		(1,001,516)	(328,975)	(958,943)	(818,876)
		<b>16,356,992</b>	<b>23,588,865</b>	<b>33,125,273</b>	<b>42,286,904</b>
<b>Total comprehensive income for the period attributable to:</b>					
Shareholders of the Parent company		17,358,508	23,664,928	34,084,216	43,137,002
Non-controlling interests		(1,001,516)	(328,975)	(958,943)	(818,876)
		<b>16,356,992</b>	<b>23,335,953</b>	<b>33,125,273</b>	<b>42,318,126</b>
<b>Basic and diluted earnings per share</b>	10	<b>0.87</b>	<b>1.20</b>	<b>1.70</b>	<b>2.16</b>

  
**Chairman of Board of Directors**  
Mr. Basil Bin Saud Al-Arifi

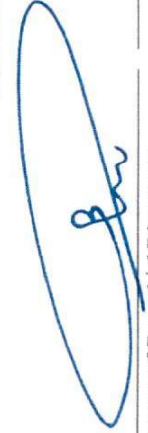
  
**Chief Executive Officer**  
Mr. Barakat Bin Saud Al-Arifi

  
**Chief Financial Officer**  
Mr. Yasser Ahmed El-Safadi

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

**SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**  
(SAUDI RIYAL)

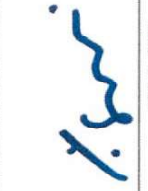
	Attributable to the shareholders of the parent						
	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
<b>As at 1 January 2021</b>	200,000,000	27,077,058	936,706	199,987,988	428,001,752	1,950,118	429,951,870
Profit for the period	-	-	-	43,105,780	43,105,780	(818,876)	42,286,904
Other comprehensive income for the period	-	-	31,222	-	31,222	-	31,222
<b>Total comprehensive income for the period</b>	-	-	31,222	43,105,780	43,137,002	(818,876)	42,318,126
Dividends (note 11)	-	-	-	(30,000,000)	(30,000,000)	-	(30,000,000)
Changes in non-controlling interests	-	-	-	-	-	(955,905)	(955,905)
<b>As at 30 June 2021</b>	200,000,000	27,077,058	967,928	213,093,768	441,138,754	175,337	441,314,091
<b>As at 1 January 2022</b>	200,000,000	34,829,506	-	238,628,179	473,457,685	218,049	473,675,734
Profit for the period	-	-	-	34,084,216	34,084,216	(958,943)	33,125,273
Other comprehensive income for the period	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	34,084,216	34,084,216	(958,943)	33,125,273
Dividends (note 11)	-	-	-	(20,000,000)	(20,000,000)	-	(20,000,000)
<b>As at 30 June 2022</b>	200,000,000	34,829,506	-	252,712,395	487,541,901	(740,894)	486,801,007



**Chairman of Board of Directors**  
Mr. Basil Bin Saud Al-Arif



**Chief Executive Officer**  
Mr. Barakat Bin Saud Al-Arif



**Chief Financial Officer**  
Mr. Yasser Ahmed El-Safadi


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

**SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**  
**(SAUDI RIYAL)**

	30 June 2022	30 June 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before zakat	40,933,273	48,512,646
<b>Adjustments for non-cash items:</b>		
Depreciation of property, plant and equipment	4,587,362	4,404,212
Depreciation of investment properties	172,899	175,100
Depreciation of right-of-use assets	2,724,944	1,843,077
Amortization intangible assets	149,532	-
Provision of impairment in trade receivables	1,800,000	1,500,000
Provision of slow-moving inventories	1,196,174	600,000
Gain on disposal of property, plant and equipment	(88,079)	(20,796)
Finance cost	8,691,909	5,142,324
Employees' defined benefits cost	6,990,938	5,710,956
	<u>67,158,952</u>	<u>67,867,519</u>
<b>Working capital changes:</b>		
Trade receivables	(131,408,665)	(70,704,004)
Contract assets	35,546,291	(68,473,326)
Inventories	(6,808,049)	(919,476)
Prepayments and other debit balances	(1,775,673)	(38,300,495)
Deferred expenses	(2,219,645)	3,732,220
Trade payables	10,337,372	11,320,227
Accrued expenses and other credit balances	(3,232,393)	28,078,192
Contract liabilities	(2,117,938)	(3,018,923)
Due from / to related parties	(17,280,133)	34,567,044
	<u>(51,799,881)</u>	<u>(35,851,022)</u>
Employees' defined benefits obligations paid	(4,247,399)	(380,159)
Zakat paid	(3,067,816)	(4,687,604)
<b>Net cash used in operating activities</b>	<u>(59,115,096)</u>	<u>(40,918,785)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant, and equipment	(1,337,238)	(1,297,172)
Proceeds from disposal of property, plant, and equipment	164,478	43,000
Additions of intangible assets	(1,495,324)	-
Other non-current assets	67,369	102,129
<b>Net cash used in investing activities</b>	<u>(2,600,715)</u>	<u>(1,152,043)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Overdrafts	(352,490)	19,232,428
Notes Payable	(447,061)	993,166
Lease liabilities paid	(4,410,380)	(1,301,095)
Proceeds from short-term borrowings	643,423,850	370,771,960
Proceeds from long-term borrowing	2,112,500	3,617,294
Repayments of short-term borrowings	(573,593,968)	(330,532,810)
Dividends paid	-	(30,000,000)
Financing costs paid	(8,407,395)	(5,128,560)
Changes in non-controlling interests	-	(955,905)
<b>Net cash generated from financing activities</b>	<u>58,325,056</u>	<u>26,696,478</u>
<b>Net change in cash and cash equivalents</b>	<u>(3,390,755)</u>	<u>(15,374,350)</u>
Cash and cash equivalents at beginning of the period	45,322,900	88,638,308
<b>Cash and cash equivalents at the end of the period</b>	<u>41,932,145</u>	<u>73,263,958</u>
<b>Non-cash transactions</b>		
Additions to right-of-use assets against lease liabilities	6,554,308	3,434,697
Dividends payable	20,000,000	-

  
**Chairman of Board of Director**  
 Mr. Basil Bin Saud Al-Arifi

  
**Chief Executives' Officer**  
 Mr. Barakat Bin Saud Al-Arifi

  
**Chief Financial Officer**  
 Mr. Yasser Ahmed El-Safadi

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

**SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2022**

**1. ORGANIZATION AND ACTIVITY**

Scientific and Medical Equipment House Company (the "Company" or "Parent Company") is a Saudi joint stock company, operation under Commercial Registration No. 1010166664, issued in Riyadh on 3 Rabi` Al- Awwal 1422H (corresponding to 26 May 2001).

On 28 February 2022, the Company completed its Initial Public Offering ("IPO") and its ordinary shares were listed on the Saudi Stock Exchange ("Tadawul") and that was after obtaining the approval of the Capital Market Authority on 3 November 2021 on the Company's request to offer 6 million ordinary shares representing 30% of the Company's share capital in Tadawul.

The Company is engaged in general contracting of buildings, roads, bridges, electrical, electronic and mechanical works, dams, roads and bridges, maintaining, cleaning, managing and operating of medical centers, cities' cleanliness, maintaining and operating of industrial, water and sewage works, maintenance of scientific and medical equipment, wholesale and retail trade in medical, laboratorial and scientific equipment and its accessories, import and export services, and catering services.

The registered Company's address is: P.O. Box 1584, Riyadh 11441, Kingdom of Saudi Arabia.  
 The accompanying interim condensed consolidated financial statements include the assets and liabilities of the Company and its branches listed below, which operate under the following sub-commercial registrations:

<b>Commercial registration number</b>	<b>Commercial name</b>	<b>City</b>	<b>Registration date</b>	<b>Activity</b>
1010228685	Scientific and Medical Equipment House Company for Contracting	Riyadh	01/02/1428H	General contracting for buildings, roads and bridges.
1010358380	Scientific and Medical Equipment House Company	Riyadh	06/02/1434H	Operating restaurants, supplying, cooking, serving nutrition services and trading foodstuffs.
1010358386	Scientific and Medical Equipment House Company	Riyadh	06/02/1434H	Sale of safety equipment, installation and maintenance of firefighting and fire alarms equipment, filling and maintenance of fire extinguishers.
1010399879	Scientific and Medical Equipment House Company	Riyadh	27/02/1435H	Importing, selling, installation and maintenance of security surveillance cameras, security detectors, inspection and burglar alarm devices.
1010608122	Scientific and Medical Equipment House Company for Private Civil Security Guards	Riyadh	11/08/1438H	Providing a private civil security guard service.
1010613686	Scientific and Medical Equipment House Company	Riyadh	26/03/1439H	Maintenance and operation contracting.
1010636049	Al-Biruni Medical Industries Co.	Riyadh	26/09/1441H	Manufacture of ordinary radiological equipment, tubes, devices and its accessories for medical, scientific and research purposes, including (X-rays, beta rays, gamma rays).
1010653676	Scientific and Medical Equipment House Company	Riyadh	27/01/1442H	Medical operating of hospitals.
1010653677	Scientific and Medical Equipment House Company	Riyadh	27/01/1442H	Repairing and maintenance of radiological, electronic, medical and therapeutic equipment, cleaning services for governmental buildings, building maintenance services activities.



**SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY**  
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2022**

**1. ORGANIZATION AND ACTIVITY (Continued)**

The interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries (collectively referred to as the “Group”), The subsidiaries listed below are limited liability companies registered in the Kingdom of Saudi Arabia:

<b>Company's name</b>	<b>Ownership % as at</b>		<b>Activity</b>
	<b>30 June 2022</b>	<b>31 December 2021</b>	
Girgas Trading Co. Drug Store Co. (A)	100%	100%	A warehouse for wholesale and retail trade in medical supplies.
Protecta Visions Co. (B)	100%	100%	Import, export, wholesale and retail trade in medical, electronical, electrical and mechanical equipment and devices, laundries, incinerator equipment and pumps.
Nabd Medical Industries Co.	51%	51%	Manufacture of pacemakers, manufacture of ECG devices, manufacture of tubes for catheterization, nutrition and liposuction, etc.
Alwateen A/C & Refrigeration Co.	100%	100%	Cooling and air conditioning systems installation, maintenance and repair.
New Testament Co., Ltd. (C)	100%	100%	Installation and extension of television, satellite, computer and telecommunications networks. Installation and maintenance of fire alarm, security and lighting systems and equipment. Extension of electrical and communication wires.
Future Doors Contracting Co. (C)	100%	100%	Installation and maintenance of cooling, air conditioning, electric, gas and oil heating systems. Extension and maintenance of gas, steam and fire pipes. Installation, extension and maintenance of air conditioning and irrigation pipes.
The House of Food Supplies Co. (D)	100%	-	Refrigerated food warehouses, wholesale of food and drinks

(A) Girgas Trading Co. Drug Store owns the following subsidiaries:

<b>Company's name</b>	<b>Ownership % as at</b>		<b>Activity</b>
	<b>30 June 2022</b>	<b>31 December 2021</b>	
United Purity Pharmaceutical Company	99%	99%	Sales agent for drugs, wholesale of medical devices, equipment and supplies and scientific devices, pharmacies, pharmaceutical warehouse, retail of medical devices, equipment and supplies.
First Purity Pharmaceutical Company *	99%	99%	Retail sale of pharmaceutical, medical, cosmetic and toiletry products in specialized stores.

\* First Purity Pharmaceutical Company has not practiced any activity since the date of its establishment, and the commercial registration is under cancellation.

(B) The Company fully acquired the share capital of Protecta Visions Company by purchasing the 15% share of Rawabi Marketing International Company on 1 January 2021.

(C) The companies have not practiced in any activity since the date of establishment.

(D) During the period, The House of Food Supplies Co. was converted from a branch of the Company to a limited liability company.

**SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2022**

**1. ORGANIZATION AND ACTIVITY (Continued)**

Non-controlling interests in the subsidiaries in the interim condensed consolidated financial statements are as follows:

<u>Company's name</u>	<u>Legal structure</u>	<u>Non-controlling interests (%)</u>	
		<u>30 June 2022</u>	<u>31 December 2021</u>
Nabd Medical Industries Co.	Limited liability company	49	49
United Purity Pharmaceutical Company	Limited liability company	1	1
First Purity Pharmaceutical Company	Limited liability company	1	1

**2. STATEMENT OF COMPLIANCE WITH IFRS**

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

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

**3. BASIS OF PREPARATION**

**3.1 Overall considerations**

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

The principal accounting policies adopted in the preparation of these interim condensed consolidated financial statements have been consistently applied to all the periods presented unless otherwise stated.

The preparation of these interim condensed consolidated financial statements in compliance with IFRS endorsed in the Kingdom of Saudi Arabia requires the use of certain critical accounting estimates. It also requires Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing these interim condensed consolidated financial statements and their effect are disclosed in note (5).

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for employees' defined benefits obligations, which are measured using the Projected Unit Credit Method.

Furthermore, these interim condensed consolidated financial statements are prepared using the accrual basis of accounting and the going concern basis.

**3.2 Functional and presentation currency**

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

**SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2022**

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**3. BASIS OF PREPARATION (Continued)**

**3.3 Basis of consolidation**

The interim condensed consolidated financial statements comprise the financial statements of the Company and companies controlled by the Group (its subsidiaries) which listed in Note (1). Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure or rights to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls the investee, if facts and circumstances indicate that there is a change to one or more of the control's elements mentioned above.

In general, there is an assumption that a majority of voting rights results in control. To support this presumption, when the Group has less than a majority of voting rights or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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 of during the period are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated in full on consolidation.

When needed, adjustments are made to the financial statements of the subsidiaries to align the accounting policies with those of the Group.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**New standards, amendment to standards and interpretations**

There are no new standards issued; however, there are number of amendments to standards which are effective from 1 January 2022 and have been explained in the Group's annual financial statements for year ended 31 December 2021, but they do not have a material effect on the Group's interim condensed consolidated financial statements.

**5. USE OF JUDGMENTS AND ESTIMATES**

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from these estimates and assumptions.

The significant estimates made by the management for managing the Group's accounting policies and the primary sources of estimating the unreliability were the same as those that were applied in the last annual consolidated financial statements.

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**6. TRADE RECEIVABLES AND CONTRACT ASSETS**

		(SAUDI RIYAL)	
		30 June 2022	31 December 2021
Trade receivables	6-A	641,428,816	510,020,151
Provision of impairment in trade receivables	6-C	(11,035,668)	(9,235,668)
		<u>630,393,148</u>	<u>500,784,483</u>
Contract assets	6-B	173,095,405	208,641,696

**6 -A Trade receivables**

		(SAUDI RIYAL)	
		30 June 2022	31 December 2021
Trade receivables – governmental sector		612,501,886	488,786,289
Trade receivables – private sector		27,612,793	19,934,085
Retentions		1,314,137	1,299,777
		<u>641,428,816</u>	<u>510,020,151</u>

**6 -B Contract assets**

Represents balances relates to the performance completed against operation and maintenance contracts and constructions projects that were not billed as of period \ year end:

		(SAUDI RIYAL)	
		30 June 2022	31 December 2021
Operation and maintenance contracts		171,975,632	207,626,104
Construction projects		1,119,773	1,015,592
		<u>173,095,405</u>	<u>208,641,696</u>

**6 -C Provision of impairment in trade receivables**

The movement in the provision of impairment in trade receivables is as follows:

		(SAUDI RIYAL)	
		30 June 2022	31 December 2021
Opening balance		9,235,668	4,768,791
Additions during the period / year		1,800,000	4,466,877
Ending balance the period / year		<u>11,035,668</u>	<u>9,235,668</u>

**7. RELATED PARTIES BALANCES AND TRANSACTIONS**

The related parties represent the Group's shareholders, key management personnel and the entities owned or managed by these parties, as well as the entities that have control or joint control or has significant influence over these parties.

The following is a summary of significant transactions took place between the Group and related parties during the Six-month period ended 30 June:

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**7. RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)**

Related party name	Relationship	Nature of transactions	(SAUDI RIYAL)	
			30 June 2022	30 June 2021
Rawabi	Affiliate	Expenses paid on behalf	2,810,767	2,183,638
Marketing		Rental income	432,000	432,000
International Co.		Revenue from maintenance and operating contracts	3,281,559	5,156,686
Rawabi for Smart Services & Devices Co.	Affiliate	Purchases	1,470,000	1,470,000
		Revenue from maintenance and operating contracts	-	616,863
The National of Sulfur Products Co.	Affiliate	Expenses paid on behalf	1,924,069	1,191,660
		Revenue from Construction contract	8,791,930	3,818,841
		Rental income	192,000	192,000
German Metal Surface Treatment Chemicals Co.	Affiliate	Revenue from Construction contract	467,346	1,704,533
		Rental income	132,000	132,000
Dirat Al Amar Real Estate Co.	Affiliate	Expenses paid on behalf	1,481,763	876,264
		Revenue from Construction contract	2,993,392	-
		Purchases	151,800	-
Uni Land for Trading Est.	Affiliate	Expenses paid on behalf	1,525,786	1,402,085
		Purchases	2,805,313	2,821,363
Barakat Al Khair for Trading Est.	Affiliate	Expenses paid on behalf	3,850,091	2,306,485
		Purchases	3,350,990	2,304,465

**DUE FROM RELATED PARTIES**

	(SAUDI RIYAL)	
	30 June 2022	31 December 2021
The National of Sulfur Products Co.	7,794,685	-
Dirat Al Amar Real Estate Co.	5,563,193	2,686,754
Rawabi Marketing International Co.	2,280,574	-
Barakat Al Khair for Trading Est.	1,425,685	926,584
Uni Land for Trading Est.	631,371	626,897
German Metal Surface Treatment Chemicals Co.	368,590	-
	<b>18,064,098</b>	<b>4,240,235</b>

**DUE TO RELATED PARTIES**

	(SAUDI RIYAL)	
	30 June 2022	31 December 2021
Rawabi for Smart Services & Devices Co.	1,506,750	-
Rawabi Marketing International Co.	-	4,963,020
	<b>1,506,750</b>	<b>4,963,020</b>

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**8. BANK FACILITIES**

The Group has obtained bank facilities from local banks in the form of overdraft, letters of credit, term loans (Murabaha and Tawarruq), and notes payable amounting to SR 326.9 million as 30 June 2022 (31 December 2021: SR 255.7 million). These facilities were obtained in accordance with the conditions stated in the bank facilities' agreements, the following is the facilities details:

	<b>(SAUDI RIYAL)</b>	
	<b>30 June 2022</b>	<b>31 December 2021</b>
Short-term borrowings (A)	<b>302,714,059</b>	232,884,177
Long-term borrowings (B)	<b>9,837,500</b>	7,725,000
Overdrafts	<b>7,567,635</b>	7,920,125
Notes payable	<b>6,755,001</b>	7,202,062
	<b>326,874,195</b>	255,731,364

(A) The movement of short-term borrowings is as follows:

	<b>(SAUDI RIYAL)</b>	
	<b>30 June 2022</b>	<b>31 December 2021</b>
Opening balance	<b>232,884,177</b>	174,575,194
Additions during the period / year	<b>643,423,850</b>	790,628,022
Paid during the period / year	<b>(573,593,968)</b>	(732,319,039)
<b>Ending balance</b>	<b>302,714,059</b>	232,884,177

(B) This item represents the amount withdrawn from a long-term loan which has been obtained by a subsidiary from the Saudi Industrial Development Fund with a total value of SR 6,200,000 as well as a long-term loan amounting to SR 3,750,000 obtained by the subsidiary from Saudi Aramco Entrepreneurship "Waed" in order to finance projects in progress. The movement of the long-term borrowings is as follows:

	<b>(SAUDI RIYAL)</b>	
	<b>30 June 2022</b>	<b>31 December 2021</b>
Opening balance	<b>7,725,000</b>	1,860,000
Additions during the period / year	<b>2,112,500</b>	5,865,000
<b>Ending balance for the period / year</b>	<b>9,837,500</b>	7,725,000
Current portion	<b>500,000</b>	500,000
Non-current portion	<b>9,337,500</b>	7,225,000

**9. OTHER INCOME**

	<b>(SAUDI RIYAL)</b>			
	<b>Three-month period ended</b>		<b>Six-month period ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
Compensation from Human Resources Development Fund	<b>2,491,331</b>	1,410,577	<b>4,121,228</b>	2,307,266
Rental income	<b>399,937</b>	399,937	<b>756,000</b>	756,000
Gain on disposal of property, plant and equipment	<b>47,248</b>	20,796	<b>88,079</b>	20,796
Write off of trade payables	-	-	-	3,736,880
Dividend income	-	109,844	-	109,844
Others	<b>7,567</b>	(84,721)	<b>644,495</b>	38,608
	<b>2,946,083</b>	1,856,433	<b>5,609,802</b>	6,969,394

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**10. BASIC AND DILUTED EARNINGS PER SHARE**

The earnings per share is calculated based on the net profit for the period attributable to the Company's shareholders on the basis of the weighted average number of outstanding shares during that period, which amounted to 20 million shares. The diluted earnings per share is the same as the basic earnings per share as the Group does not have any issued dilutive instruments.

**11. DIVIDENDS**

The General Assembly decided in its meeting held on 30 Dhu AL-Qi'dah 30, 1443H corresponding to 29 June 2022G to distribute dividend of 10% of the share capital from the balance of retained earnings, for SR 20 million, which still not paid as at 30 June 2022.

During the previous period, the Company distributed dividends of 15% of the share capital from the balance of retained earnings, for SR 30 million.

**12. CONTINGENT LIABILITIES**

The Group has contingent liabilities in the form of letters of credit as at 30 June 2022 amounting to SR 33.1 million (31 December 2021: SR 25.5 million) and letters of guarantee as at 30 June 2022 amounting to SR 267.1 million (31 December 2021: SR 224.3 million).

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**13. SEGMENT INFORMATION**

The operating segments are recorded in a manner consistent with the internal reporting structure. The Management monitors the operating results of its segments independently for the purpose of performance evaluation:

	<b>FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022</b>						
	<b>Operation and maintenance</b>	<b>Trading</b>	<b>Construction</b>	<b>Food supplies</b>	<b>Other subsidiaries</b>	<b>Eliminations and adjustment</b>	<b>Total</b>
Revenue	273,749,832	14,506,595	23,627,285	5,439,701	24,636,761	(3,100,856)	338,859,318
Cost of revenue	(208,589,432)	(8,691,183)	(17,120,767)	(4,685,634)	(18,138,038)	3,100,856	(254,124,198)
Gross profit	65,160,400	5,815,412	6,506,518	754,067	6,498,723	-	84,735,120
Profit / (loss) for the period	31,486,740	(127,073)	2,780,260	(87,505)	(9,130,665)	8,203,516	33,125,273

	<b>FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021</b>						
	<b>Operation and maintenance</b>	<b>Trading</b>	<b>Construction</b>	<b>Food supplies</b>	<b>Subsidiaries</b>	<b>Eliminations and adjustment</b>	<b>Total</b>
Revenue	260,958,344	16,998,456	20,978,026	5,201,495	15,364,592	(1,857,402)	317,643,511
Cost of revenue	(198,731,066)	(12,036,668)	(14,580,351)	(4,728,899)	(13,048,665)	1,857,402	(241,268,247)
Gross profit	62,227,278	4,961,788	6,397,675	472,596	2,315,927	-	76,375,264
Profit / (loss) for the period	36,464,956	1,261,885	5,963,160	(584,220)	(6,435,664)	5,616,787	42,286,904



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**13. SEGMENT INFORMATION (Continued)**

	<b>FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2022</b>					<b>Total</b>
	<b>Operation and maintenance</b>	<b>Trading</b>	<b>Construction</b>	<b>Food supplies</b>	<b>Other subsidiaries</b>	
Revenue	143,637,946	6,609,532	12,588,321	1,963,639	12,082,352	176,295,649
Cost of revenue	(107,205,684)	(3,906,784)	(8,646,309)	(1,574,933)	(8,729,179)	(129,476,748)
Gross profit	36,432,262	2,702,748	3,942,012	388,706	3,353,173	46,818,901
Profit / (loss) for the period	16,229,629	(678,790)	1,866,542	(82,498)	(7,638,911)	16,356,992

	<b>FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2021</b>					<b>Total</b>
	<b>Operation and maintenance</b>	<b>Trading</b>	<b>Construction</b>	<b>Food supplies</b>	<b>Subsidiaries</b>	
Revenue	137,923,216	8,498,655	10,439,623	2,865,196	7,996,228	166,082,250
Cost of revenue	(101,812,383)	(6,604,736)	(6,376,057)	(2,358,605)	(6,853,888)	(122,365,001)
Gross profit	36,110,833	1,893,919	4,063,566	506,591	1,142,340	43,717,249
Profit / (loss) for the period	21,842,315	226,050	2,038,979	(2,685)	(3,763,964)	23,588,865

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**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Group's financial instruments included in the interim condensed consolidated statement of financial position include cash and cash equivalents, trade receivables, contract assets, other debit balances, due from / to related parties, overdrafts, notes payable, short and long-term loans, trade payables, and other credit balances.

**Currency risks**

Currency risks are the risk arising from the fluctuation in the value of financial instruments due to changes in foreign exchange rates. The risks are managed by periodic monitoring of the relevant exchange rates.

**Credit risks**

Credit risks are the risk that a party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's credit risks arise primarily from its dealings with government agencies. The government parties are part of the government of the Kingdom of Saudi Arabia which has a strong credit rating in the Saudi market.

The Group's management monitors the unpaid balances, and, when appropriate, trade receivables, is stated at net, after deducting the provision for impairment. Cash is placed in banks with a high credit rating.

**Commission rate risks**

Commission rate risks are the risk that the value of financial instruments will fluctuate due to changes in commission rates prevailing in the market. The Group has no significant long-term interest-bearing financial assets and liabilities as at 30 June 2022.

**Liquidity risks**

This is the risk that the Group will not be able to secure the necessary liquidity to meet commitments related to financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at a value close to its fair value. Liquidity risk is managed through periodic monitoring to ensure that sufficient liquidity is available to meet any future commitments.

**15. THE FAIR VALUE OF THE FINANCIAL ASSETS AND LIABILITIES**

Fair value is the amount with which an asset is exchanged or a liability is settled between parties who have knowledge and desire to do so with fair transaction conditions, and since the Group's financial instruments are listed in accordance with the historical cost principle, differences may appear between the book values and fair value estimates, and the management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values. As at 30 June 2022 and 31 December 2021, The Group has no financial instruments measured at fair value.

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**16. PREVIOUS YEARS ADJUSTMENTS**

The Group has restated its financial information and the effect is explained as follows:

	Note	(SAUDI RIYAL)		
		Six-month period ended 30 June 2021		
		Before adjustment	Adjustment	After Adjustment
Revenue	A	334,274,376	(16,630,865)	317,643,511
Cost of revenue	A, B	(258,800,094)	17,531,847	(241,268,247)
Gross profit		75,474,282	900,982	76,375,264
Selling and marketing expenses	B	(3,632,758)	(873,786)	(4,506,544)
General and administrative expenses	B	(25,155,948)	(27,196)	(25,183,144)
Profit for the period		42,286,904	-	42,286,904

A- The above adjustment represents the decrease in the value of deductions and discounts on customer contracts from revenue, in accordance with IFRS 15.

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

**17. SUBSEQUENT EVENTS**

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

**18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements have been approved by the Board of Directors on 25 Muharram 1444H corresponding to 23 August 2022G.