

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 NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 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 NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 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 September 2022 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three and Nine-months periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the nine months 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 12 Rabi al-Thani 1444H
Corresponding to 6 November 2022G




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

	Notes	30 September 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant, and equipment		34,517,366	33,866,486
Right-of-use assets		13,833,232	9,948,826
Investment properties		32,004,594	32,263,943
Intangible assets		1,308,409	-
Other non-current assets		2,829	70,523
Total non-current assets		81,666,430	76,149,778
Current Assets			
Cash and cash equivalents		57,487,918	45,322,900
Trade receivables	6	573,666,581	500,784,483
Contract assets	6	132,411,544	208,641,696
Inventories		104,416,600	97,237,669
Prepayments and other debit balances		82,656,287	73,307,724
Deferred expenses		11,242,652	12,141,128
Due from related parties	7	25,054,101	4,240,235
Total current assets		986,935,683	941,675,835
TOTAL ASSETS		1,068,602,113	1,017,825,613
EQUITY AND LIABILITIES			
EQUITY			
Share capital		200,000,000	200,000,000
Statutory reserve		34,829,506	34,829,506
Retained earnings		261,499,953	238,628,179
Equity attributable to the shareholders of the Parent		496,329,459	473,457,685
Non-controlling interests		(861,524)	218,049
TOTAL EQUITY		495,467,935	473,675,734
LIABILITIES			
Non-current liabilities			
Long-term borrowings	8	9,337,500	7,225,000
Employees' defined benefits obligations		62,367,149	56,804,434
Lease liabilities		5,963,000	5,770,811
Total non-current liabilities		77,667,649	69,800,245
Current liabilities			
Long-term borrowings – current portion	8	500,000	500,000
Lease liabilities– current portion		5,742,239	4,740,868
Overdrafts	8	13,415,639	7,920,125
Notes payable	8	7,054,009	7,202,062
Short-term borrowings	8	244,067,072	232,884,177
Trade payables		77,820,617	60,148,074
Accrued expenses and other credit balances		130,376,333	143,450,242
Due to related parties	7	3,110,750	4,963,020
Contract liabilities		1,534,687	5,611,383
Zakat provision		11,845,183	6,929,683
Total current liabilities		495,466,529	474,349,634
TOTAL LIABILITIES		573,134,178	544,149,879
TOTAL EQUITY AND LIABILITIES		1,068,602,113	1,017,825,613


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 PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**
FOR THE THREE AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022
(SAUDI RIYAL)

	Notes	Three-month period ended		Nine-month period ended	
		30 September 2022	30 September 2021	30 September 2022	30 September 2021
			Adjusted (Note16)		Adjusted (Note16)
Revenue	13	186,070,344	176,505,975	524,929,662	494,149,487
Cost of revenue		(150,040,939)	(138,969,972)	(404,165,137)	(383,252,579)
Gross profit		36,029,405	37,536,003	120,764,525	110,896,908
Selling and marketing expenses		(3,315,649)	(3,781,477)	(9,350,133)	(5,273,661)
General and administrative expenses		(16,775,926)	(14,540,178)	(51,461,182)	(39,723,322)
Operating profit		15,937,830	19,214,348	59,953,210	65,899,925
Finance cost		(5,559,126)	(3,745,299)	(14,251,035)	(8,810,906)
Other income	9	2,168,224	3,750,002	7,778,026	10,642,679
Profit before zakat		12,546,928	19,219,051	53,480,201	67,731,698
Zakat for the period		(3,880,000)	(3,042,000)	(11,688,000)	(9,267,742)
Profit for the period		8,666,928	16,177,051	41,792,201	58,463,956
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Changes in fair value of equity investments at fair value through OCI					
		-	281,014	-	312,235
Total other comprehensive income for the period		-	281,014	-	312,235
Total comprehensive income for the period		8,666,928	16,458,065	41,792,201	58,776,191
Profit for the period attributable to:					
Shareholders of the Parent company		8,787,558	16,964,977	42,871,774	60,070,758
Non-controlling interests		(120,630)	(787,926)	(1,079,573)	(1,606,802)
		8,666,928	16,177,051	41,792,201	58,463,956
Total comprehensive income for the period attributable to:					
Shareholders of the Parent company		8,787,558	17,245,991	42,871,774	60,382,993
Non-controlling interests		(120,630)	(787,926)	(1,079,573)	(1,606,802)
		8,666,928	16,458,065	41,792,201	58,776,191
Basic and diluted earnings per share	10	0.44	0.85	2.14	3.00


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

	Attributable to the shareholders of the parent					Total equity
	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Non-controlling interests	
As at 1 January 2021	200,000,000	27,077,058	936,706	199,987,988	428,001,752	429,951,870
Profit (loss) for the period	-	-	-	60,070,758	60,070,758	58,463,956
Other comprehensive income for the period	-	-	-	312,235	312,235	312,235
Total comprehensive income for the period	-	-	-	60,382,993	60,382,993	58,776,191
Dividends (note 11)	-	-	-	(30,000,000)	(30,000,000)	(30,000,000)
Changes in non-controlling interests	-	-	-	-	(955,905)	(955,905)
As at 30 September 2021	200,000,000	27,077,058	936,706	231,307,687	458,384,745	457,772,156
As at 1 January 2022	200,000,000	34,829,506	-	238,628,179	473,457,685	473,675,734
Profit (loss) for the period	-	-	-	42,871,774	42,871,774	41,792,201
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	42,871,774	42,871,774	41,792,201
Dividends (note 11)	-	-	-	(20,000,000)	(20,000,000)	(20,000,000)
As at 30 September 2022	-	-	-	261,499,953	496,329,459	495,467,935


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

	30 September 2022	30 September 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat	53,480,201	67,731,698
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	7,194,872	6,462,283
Depreciation of investment properties	259,349	175,750
Depreciation of right-of-use assets	4,409,726	2,756,199
Amortization intangible assets	186,915	-
Provision of impairment in trade receivables	2,700,000	2,250,000
Provision of slow-moving inventories	1,646,174	1,800,000
Gain on disposal of property, plant and equipment	(89,077)	(203,776)
Finance cost	14,251,035	8,887,623
Employees' defined benefits	10,840,448	6,021,598
	<u>94,879,643</u>	<u>95,881,375</u>
Working capital changes:		
Trade receivables	(75,582,098)	(146,650,783)
Contract assets	76,230,152	(24,944,997)
Inventories	(8,825,105)	(4,857,601)
Prepayments and other debit balances	(9,348,563)	(26,895,274)
Deferred expenses	898,476	(3,203,893)
Trade payables	17,672,543	14,041,499
Accrued expenses and other credit balances	(13,073,909)	24,002,458
Contract liabilities	(4,076,696)	745,960
Due from / to related parties	(22,666,136)	35,943,077
	<u>56,108,307</u>	<u>(35,938,179)</u>
Employees' defined benefits obligations paid	(5,277,733)	(3,869,865)
Zakat paid	(6,772,500)	(9,065,638)
Net cash generated from (used in) operating activities	<u>44,058,074</u>	<u>(48,873,682)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(8,089,982)	(2,504,350)
Proceeds from disposal of property, plant, and equipment	333,307	267,493
Additions to intangible assets	(1,495,324)	-
Other non-current assets	67,694	151,098
Net cash used in investing activities	<u>(9,184,305)</u>	<u>(2,085,759)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Overdrafts	5,495,514	17,491,465
Notes payable	(148,053)	(2,264,682)
Lease liabilities paid	(7,468,427)	(2,687,853)
Proceeds from short-term borrowings	845,063,093	605,792,650
Proceeds from long-term borrowings	2,112,500	4,549,751
Repayments of short-term borrowings	(833,880,198)	(550,747,474)
Dividends paid	(20,000,000)	(30,000,000)
Financing costs paid	(13,883,180)	(8,887,623)
Changes in non-controlling interests	-	(955,905)
Net cash (used in) generated from financing activities	<u>(22,708,751)</u>	<u>32,290,329</u>
Net change in cash and cash equivalents	<u>12,165,018</u>	<u>(18,669,112)</u>
Cash and cash equivalents at beginning of the period	45,322,900	88,638,308
Cash and cash equivalents at the end of the period	<u>57,487,918</u>	<u>69,969,196</u>
Non-cash transactions		
Additions to right-of-use assets against lease liabilities	8,294,132	3,434,697
Chairman of Board of Directors	Chief Executive Officer	Chief Financial Officer
Mr. Basil Bin Saud Al-Arifi	Mr. Barakat Bin Saud Al-Arifi	Mr. Yasser Ahmed El-Safadi

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SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 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:

Commercial registration number	Commercial name	City	Registration date	Activity
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
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 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:

Company's name	Ownership % as at		Activity
	30 September 2022	31 December 2021	
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, electrical, 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:

Company's name	Ownership % as at		Activity
	30 September 2022	31 December 2021	
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 current 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 NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 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 September 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 NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

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.

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

6. TRADE RECEIVABLES AND CONTRACT ASSETS

			(SAUDI RIYAL)	
			30 September 2022	31 December 2021
Trade receivables	6-A		585,602,249	510,020,151
Provision of impairment in trade receivables	6-C		(11,935,668)	(9,235,668)
			<u>573,666,581</u>	<u>500,784,483</u>
Contract assets	6-B		132,411,544	208,641,696

6 -A Trade receivables

			(SAUDI RIYAL)	
			30 September 2022	31 December 2021
Trade receivables – governmental sector			548,234,334	488,786,289
Trade receivables – private sector			36,289,500	19,934,085
Retentions			1,078,415	1,299,777
			<u>585,602,249</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 September 2022	31 December 2021
Operation and maintenance contracts			130,272,750	207,626,104
Construction projects			2,138,794	1,015,592
			<u>132,411,544</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 September 2022	31 December 2021
Opening balance			9,235,668	4,768,791
Additions during the period / year			2,700,000	4,466,877
Ending balance the period / year			<u>11,935,668</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 September:

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7. RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

Related party name	Relationship	Nature of transactions	(SAUDI RIYAL)	
			30 September 2022	30 September 2021
Rawabi Marketing International Co.	Affiliate	Expenses paid on behalf	3,076,141	2,732,763
		Rental income	648,000	648,000
		Revenue from maintenance and operating contracts	4,896,208	7,157,286
Rawabi for Smart Services & Devices Co.	Affiliate	Purchases	2,780,000	2,205,000
		Revenue from maintenance and operating contracts	-	797,558
		Revenue from maintenance and operating contracts	3,649,508	5,320,427
The National of Sulfur Products Co.	Affiliate	Expenses paid on behalf	2,803,363	1,009,543
		Revenue from Construction contract	6,393,497	-
		Rental income	288,000	288,000
		Revenue from Construction contract	2,633,158	-
German Metal Surface Treatment Chemicals Co.	Affiliate	Expenses paid on behalf	2,933,363	306,096
		Revenue from Construction contract	652,719	2,097,404
		Rental income	198,000	198,000
Dirat Al Amar Real Estate Co.	Affiliate	Expenses paid on behalf	1,841,954	1,526,311
		Revenue from Construction contract	2,993,392	-
		Purchases	527,700	-
Uni Land for Trading Est.	Affiliate	Expenses paid on behalf	3,485,327	4,103,573
		Purchases	2,805,313	5,004,931
Barakat Al Khair for Trading Est.	Affiliate	Expenses paid on behalf	5,822,564	3,143,403
		Purchases	3,350,990	3,234,342

DUE FROM RELATED PARTIES

	(SAUDI RIYAL)	
	30 September 2022	31 December 2021
The National of Sulfur Products Co.	8,747,055	-
Dirat Al Amar Real Estate Co.	4,360,367	2,686,754
Rawabi Marketing International Co.	3,092,598	-
Barakat Al Khair for Trading Est.	3,398,158	926,584
Uni Land for Trading Est.	2,389,196	626,897
German Metal Surface Treatment Chemicals Co.	3,066,727	-
	25,054,101	4,240,235

DUE TO RELATED PARTIES

	(SAUDI RIYAL)	
	30 September 2022	31 December 2021
Rawabi for Smart Services & Devices Co.	3,110,750	-
Rawabi Marketing International Co.	-	4,963,020
	3,110,750	4,963,020

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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 274.4 million as 30 September 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:

	(SAUDI RIYAL)	
	30 September 2022	31 December 2021
Short-term borrowings (A)	244,067,072	232,884,177
Long-term borrowings (B)	9,837,500	7,725,000
Overdrafts	13,415,639	7,920,125
Notes payable	7,054,009	7,202,062
	274,374,220	255,731,364

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

	(SAUDI RIYAL)	
	30 September 2022	31 December 2021
Opening balance	232,884,177	174,575,194
Additions during the period / year	845,063,093	790,628,022
Paid during the period / year	(833,880,198)	(732,319,039)
Ending balance	244,067,072	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:

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

9. OTHER INCOME

	(SAUDI RIYAL)			
	Three-month period ended		Nine-month period ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
Compensation from Human Resources Development Fund	1,789,226	2,911,227	6,510,454	5,218,493
Rental income	378,000	378,000	1,134,000	1,134,000
Gain on disposal of property, plant and equipment	998	182,980	89,077	203,776
Write off of trade payables	-	-	-	3,736,880
Dividend income	-	-	-	329,532
Others	-	277,795	44,495	96,715
	2,168,224	3,750,002	7,778,026	10,719,396

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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.

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 September 2022 amounting to SR 38.8 million (31 December 2021: SR 25.5 million) and letters of guarantee as at 30 September 2022 amounting to SR 296 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:

	FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022				Eliminations		Total
	Operation and maintenance	Trading	Construction	Food supplies	Other subsidiaries	and adjustment	
Revenue	417,859,044	25,827,255	38,999,302	6,626,554	39,338,093	(3,720,586)	524,929,662
Cost of revenue	(326,694,952)	(16,201,365)	(29,438,025)	(5,760,908)	(29,790,473)	3,720,586	(404,165,137)
Gross profit	91,164,092	9,625,890	9,561,277	865,646	9,547,620	-	120,764,525
Profit / (loss) for the period	39,181,696	374,453	3,951,139	(483,386)	(13,595,314)	12,363,613	41,792,201

	FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021				Eliminations		Total
	Operation and maintenance	Trading	Construction	Food supplies	Subsidiaries	and adjustment	
Revenue	406,706,936	29,847,871	29,642,608	9,213,864	21,244,834	(2,506,626)	494,149,487
Cost of revenue	(316,873,420)	(18,869,216)	(21,176,697)	(9,303,207)	(16,522,305)	2,506,626	(380,238,219)
Gross profit / (loss)	89,833,516	10,978,655	8,465,911	(89,343)	4,722,529	-	113,911,268
Profit / (loss) for the period	51,774,001	4,476,798	5,807,655	(1,987,696)	(11,566,078)	9,959,276	58,463,956

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13. SEGMENT INFORMATION (Continued)

	FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2022					Eliminations		Total
	Operation and maintenance	Trading	Construction	Food supplies	Other subsidiaries	and adjustment	Total	
Revenue	144,109,212	11,320,660	15,372,017	1,186,853	14,701,332	(619,730)	186,070,344	
Cost of revenue	(118,214,479)	(7,510,182)	(12,208,299)	(1,075,274)	(11,652,435)	619,730	(150,040,939)	
Gross profit	25,894,733	3,810,478	3,163,718	111,579	3,048,897	-	36,029,405	
Profit / (loss) for the period	7,694,956	501,526	1,170,879	(395,881)	(4,464,649)	4,160,097	8,666,928	

	FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2021					Eliminations		Total
	Operation and maintenance	Trading	Construction	Food supplies	Subsidiaries	and adjustment	Total	
Revenue	145,748,591	12,849,415	8,664,582	4,012,369	5,880,242	(649,224)	176,505,975	
Cost of revenue	(118,142,354)	(6,832,548)	(6,596,346)	(4,574,308)	(3,473,640)	649,224	(138,969,972)	
Gross profit / (loss)	27,606,238	6,016,867	2,068,236	(561,939)	2,406,602	-	37,536,004	
Profit / (loss) for the period	15,309,045	3,214,912	(155,505)	(1,403,476)	(5,130,414)	4,342,489	16,177,051	

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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 September 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 September 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:

(SAUDI RIYAL)				
Nine-months period ended 30 September 2021				
	Note	Before adjustment	Adjustment	After Adjustment
Revenue		(383,252,579)	-	(380,238,219)
Cost of revenue	B	110,896,908	3,014,360	113,911,268
Gross profit		(5,273,661)	(3,014,360)	(8,288,021)
Selling and marketing expenses	B			
Profit for the period		58,463,956	-	58,463,956

(SAUDI RIYAL)				
Three-months period ended 30 September 2021				
	Note	Before adjustment	Adjustment	After Adjustment
Revenue	A	176,931,561	(425,586)	176,505,975
Cost of revenue	A, B	(141,430,818)	2,460,846	(138,969,972)
Gross profit		35,500,743	2,035,260	37,536,003
Selling and marketing expenses	B	(1,719,021)	(2,062,456)	(3,781,477)
General and administrative expenses	B	(14,567,374)	27,196	(14,540,178)
Profit for the period		16,177,051	-	16,177,051

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 12 Rabi al-Thani 1444H corresponding to 6 November 2022G.