

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 2023**

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 2023

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**Independent Auditor's Review Report on the Interim Condensed Consolidated Financial Statements
To The Shareholders of Scientific and Medical Equipment House Company
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Scientific and Medical Equipment House Company, A Saudi Joint Stock Company (the "Company") and its subsidiaries (collectively referred to as "Group") as at 30 June 2023, 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 related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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.

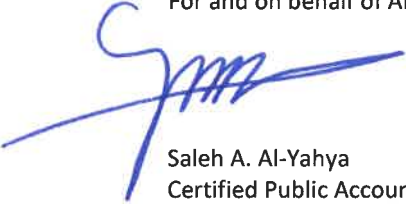
Conclusion

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

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 8 Ramadan 1444H (corresponding to 30 March 2023). Further, the interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2022, were reviewed by another auditor who expressed an unmodified review conclusion on those interim condensed consolidated financial statements on 25 Muharram 1444H (corresponding to 23 August 2022).

For and on behalf of Alluhaid and Alyahya Chartered Accountants



Saleh A. Al-Yahya
Certified Public Accountant
License No. 473


Riyadh: 26 Muharram 1445 H
(13 August 2023)

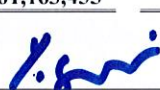


SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	30 June 2023 SAR (Unaudited)	31 December 2022 SAR (Audited)
ASSETS			
Non-current assets			
Property, plant, and equipment		42,327,445	36,698,464
Right-of-use assets		29,720,894	20,545,054
Investment properties		31,745,244	31,918,144
Intangible assets		3,315,530	3,693,434
Total non-current assets		107,109,113	92,855,096
Current Assets			
Cash and cash equivalents		70,564,994	54,558,170
Trade receivables and contract assets	5	660,781,990	594,062,749
Inventories		114,171,013	97,679,230
Prepayments and other debit balances		93,111,240	73,111,872
Due from related parties	6a	15,425,105	18,766,227
Total current assets		954,054,342	838,178,248
TOTAL ASSETS		1,061,163,455	931,033,344
EQUITY AND LIABILITIES			
EQUITY			
Share capital		200,000,000	200,000,000
Statutory reserve		36,586,165	36,586,165
Retained earnings		142,586,200	233,786,599
Proposed bonus shares issuance	10	100,000,000	-
Equity attributable to the shareholders of the Parent		479,172,365	470,372,764
Non-controlling interests		(2,811,948)	(1,744,361)
TOTAL EQUITY		476,360,417	468,628,403
LIABILITIES			
Non-current liabilities			
Long-term borrowings	7	9,837,500	9,837,500
Employees' defined benefits obligations		66,914,604	63,610,909
Lease liabilities		14,601,660	10,606,791
Total non-current liabilities		91,353,764	84,055,200
Current liabilities			
Lease liabilities– current portion		11,271,005	8,232,953
Notes payable	7	5,419,304	7,841,356
Short-term borrowings	7	269,593,534	170,038,472
Trade payables		78,212,858	68,490,730
Accrued expenses and other credit balances		106,735,389	102,672,508
Due to related parties	6b	2,632,414	-
Contract liabilities		6,737,423	8,910,731
Zakat provision		12,847,347	12,162,991
Total current liabilities		493,449,274	378,349,741
TOTAL LIABILITIES		584,803,038	462,404,941
TOTAL EQUITY AND LIABILITIES		1,061,163,455	931,033,344


Chairman of the 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

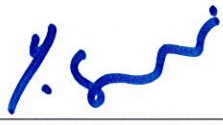
The accompanying notes form an integral part of these interim condensed consolidated financial statements.

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 SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Notes	Three-month period ended		Six-month period ended	
		30 June 2023 SAR	30 June 2022 SAR	30 June 2023 SAR	30 June 2022 SAR
Revenue	12	190,775,745	176,295,649	355,714,858	338,859,318
Cost of revenue		(160,885,208)	(129,476,748)	(294,948,968)	(254,124,198)
Gross profit		29,890,537	46,818,901	60,765,890	84,735,120
Selling and marketing expenses		(3,433,984)	(3,331,885)	(6,631,278)	(6,034,484)
General and administrative expenses		(16,990,899)	(20,575,546)	(33,322,054)	(33,046,256)
Provision for expected credit losses		(1,200,000)	(739,000)	(250,765)	(1,639,000)
Operating profit		8,265,654	22,172,470	20,561,793	44,015,380
Finance cost		(5,464,411)	(4,851,528)	(10,155,651)	(8,691,909)
Other income	8	1,851,191	2,946,083	3,712,025	5,609,802
Profit before zakat		4,652,434	20,267,025	14,118,167	40,933,273
Zakat for the period		(3,216,153)	(3,910,033)	(6,386,153)	(7,808,000)
Net profit for the period		1,436,281	16,356,992	7,732,014	33,125,273
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		1,436,281	16,356,992	7,732,014	33,125,273
Net profit for the period attributable to:					
Shareholders of the parent company		1,939,715	17,358,508	8,799,601	34,084,216
Non-controlling interests		(503,434)	(1,001,516)	(1,067,587)	(958,943)
		1,436,281	16,356,992	7,732,014	33,125,273
Total comprehensive income for the period attributable to:					
Shareholders of the parent company		1,939,715	17,358,508	8,799,601	34,084,216
Non-controlling interests		(503,434)	(1,001,516)	(1,067,587)	(958,943)
		1,436,281	16,356,992	7,732,014	33,125,273
Basic and diluted earnings per share	9	0.10	0.87	0.44	1.70


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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 2023

	Attributable to the shareholders of the parent				Non-controlling interests		Total equity
	Share capital SAR	Statutory Reserve SAR	Retained Earnings SAR	Proposed bonus shares issuance SAR	Total SAR	SAR	
As at 1 January 2022	200,000,000	34,829,506	238,628,179	-	473,457,685	218,049	473,675,734
Net profit for the period	-	-	34,084,216	-	34,084,216	(958,943)	33,125,273
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	34,084,216	-	34,084,216	(958,943)	33,125,273
Dividends (note 10)	-	-	(20,000,000)	-	(20,000,000)	-	(20,000,000)
As at 30 June 2022	200,000,000	34,829,506	252,712,395	-	487,541,901	(740,894)	486,801,007
As at 1 January 2023	200,000,000	36,586,165	233,786,599	-	470,372,764	(1,744,361)	468,628,403
Net profit for the period	-	-	8,799,601	-	8,799,601	(1,067,587)	7,732,014
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	8,799,601	-	8,799,601	(1,067,587)	7,732,014
Proposed bonus shares issuance (note 10)	-	-	(100,000,000)	100,000,000	-	-	-
As at 30 June 2023	200,000,000	36,586,165	142,586,200	100,000,000	479,172,365	(2,811,948)	476,360,417

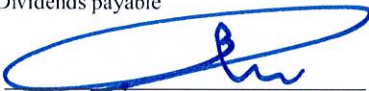



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SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	30 June 2023	30 June 2022
	SAR	SAR
OPERATING ACTIVITIES		
Net profit before zakat	14,118,167	40,933,273
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	5,738,255	4,587,362
Depreciation of investment properties	172,900	172,899
Depreciation of right-of-use assets	4,582,794	2,724,944
Amortization intangible assets	377,904	149,532
Provision for expected credit losses	250,765	1,800,000
Provision for slow-moving inventories	-	1,196,174
Gain on disposal of property, plant and equipment	(157,443)	(88,079)
Finance cost	10,155,651	8,691,909
Employees' defined benefits obligation	6,919,319	6,990,938
	<u>42,158,312</u>	<u>67,158,952</u>
Changes in working capital:		
Increase in trade receivables	(66,468,476)	(96,647,962)
Increase in inventories	(16,491,783)	(6,808,049)
Increase in prepayments and other debit balances	(19,999,368)	(3,209,730)
Increase in trade payables	9,722,128	10,337,372
Increase/(decrease) in accrued expenses and other credit balances	4,062,881	(3,232,393)
Decrease in contract liabilities	(2,173,308)	(2,117,938)
Decrease/(increase) in due from / to related parties, net	5,973,536	(17,280,133)
	<u>(43,216,078)</u>	<u>(51,799,881)</u>
Employees' defined benefits obligation paid	(3,615,624)	(4,247,399)
Zakat paid	(5,761,797)	(3,067,816)
Net cash flows used in operating activities	<u>(52,593,499)</u>	<u>(59,115,096)</u>
INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(11,371,275)	(1,337,238)
Proceeds from disposal of property, plant, and equipment	164,888	164,478
Purchase of intangible assets	-	(1,495,324)
Other non-current assets	-	67,369
Net cash flows used in investing activities	<u>(11,206,387)</u>	<u>(2,600,715)</u>
FINANCING ACTIVITIES		
Overdrafts	-	(352,490)
Notes payable	(2,422,052)	(447,061)
Lease liabilities paid	(7,265,944)	(4,410,380)
Proceeds from short-term borrowings	424,149,683	643,423,850
Proceeds from long-term borrowing	-	2,112,500
Repayments of short-term borrowings	(324,594,621)	(573,593,968)
Financing costs paid	(10,060,356)	(8,407,395)
Net cash flows from financing activities	<u>79,806,710</u>	<u>58,325,056</u>
Net increase (decrease) in cash and cash equivalents	<u>16,006,824</u>	<u>(3,390,755)</u>
Cash and cash equivalents at beginning of the period	54,558,170	45,322,900
Cash and cash equivalents at the end of the period	<u>70,564,994</u>	<u>41,932,145</u>
Non-cash transactions		
Additions to right-of-use assets against lease liabilities	14,351,957	6,554,308
Dividends payable	-	20,000,000
		
Chairman of the 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)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE AND SIX-MONTH PERIOD ENDED 30 JUNE 2023

1. ORGANIZATION AND ACTIVITIY

Scientific and Medical Equipment House Company (the "Company" or "Parent Company") is a Saudi joint stock company, under Commercial Registration No. 1010166664, issued in Riyadh dated 3 Rabi' Al- Awwal 1422 H (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 licensed to engage 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 address of the Company 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, the Company is also operating 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 SIX-MONTH PERIOD ENDED 30 JUNE 2023 (Continued)

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
	31 June 2023	31 December 2022	
Girgas Trading Co. Drug Store Co. (A)	100%	100%	A warehouse for wholesale and retail trade in medical supplies.
Protecta Visions Co.	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.	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.	100%	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 June 2023	31 December 2022	
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%	Retail sale of pharmaceutical, medical, cosmetic and toiletry products in specialized stores.

* First Purity Pharmaceutical Company has not practiced in any activity since the date of its establishment, and the commercial registration has been cancelled on 17 Jamada Al Thani 1444H (corresponding to 10 January 2023).

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 PERIOD ENDED 30 JUNE 2023 (Continued)

2. BASIS OF PREPARATION

Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard (IAS 34) “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and should be read in conjunction with the Group’s last annual consolidated financial statements for the year ended 31 December 2022. These interim condensed consolidated financial statements do not include all the information and disclosures required for a complete set of consolidated financial statements, however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since 31 December 2022.

The interim period is considered as an integral part of the full financial year, however, the results of operations for the interim periods may not be a fair indication of the results for the full-year operations.

Preparation of Interim Condensed Consolidated Financial Statements

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 included in the annual financial statements.

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 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.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Company and subsidiaries controlled by the Company (collectively referred to as Group). Subsidiaries’ interim condensed financial statements are prepared for the same reporting period as that of the Company, using consistent accounting policies.

Subsidiaries are the companies controlled by the Group. 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

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 PERIOD ENDED 30 JUNE 2023 (Continued)

2. BASIS OF PREPARATION (continued)
Basis of Consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Balances between the Company and its subsidiaries, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements.

Functional and Presentation Currency

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

3. USE OF JUDGMENTS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Judgements and estimates 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 judgements made by the management in applying the Group's accounting policies and the primary sources of estimating the unreliability were the same as those described in the last annual consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in preparing the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the application of the new standards that became effective on 1 January 2023. The Group did not early adopt any 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 2023 and have been explained in the Group's annual financial statements for year ended 31 December 2022, but they do not have a material effect on the Group's 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 PERIOD ENDED 30 JUNE 2023 (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
New standards, amendment to standards and interpretations (continued)

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Following are the new amendments to the standards which have been issued but not yet effective:

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipts of a waiver or a breach of covenant). The amendment also clarified that IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB issued a new exposure draft proposing change to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024.
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	1 January 2024

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5. TRADE RECEIVABLES AND CONTRACT ASSETS

		(SAUDI RIYAL)	
		30 June 2023	31 December 2022
		(Unaudited)	(Audited)
Trade receivables	5-A	529,739,690	480,189,453
Contract assets	5-B	180,743,592	163,323,823
		710,483,282	643,513,276
Provision for expected credit losses	5-C	(49,701,292)	(49,450,527)
		660,781,990	594,062,749

5 -A Trade receivables

		(SAUDI RIYAL)	
		30 June 2023	31 December 2022
		(Unaudited)	(Audited)
Trade receivables – Government sector		499,605,704	453,496,391
Trade receivables – Private sector		30,133,986	26,693,062
		529,739,690	480,189,453

5 -B Contract assets

It represents balances relating 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 2023	31 December 2022
		(Unaudited)	(Audited)
Operation and maintenance contracts		178,866,493	163,089,885
Construction projects		1,877,099	233,938
		180,743,592	163,323,823

5 -C Provision for expected credit losses

The movement in the provision for expected credit losses is as follows:

		(SAUDI RIYAL)	
		30 June 2023	31 December 2022
		(Unaudited)	(Audited)
Balance at the beginning of the period / year		49,450,527	9,235,668
Charge for the period / year		250,765	40,214,859
Balance at the end of the period / year		49,701,292	49,450,527

6. 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 three month and six month period ended 30 June:

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6. RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

Related party name	Relationship	Nature of transactions	Three-month period ended		Six-month period ended	
			30-Jun 2023 (Unaudited) SAR	30-Jun 2022 (Unaudited) SAR	30-Jun 2023 (Unaudited) SAR	30-Jun 2022 (Unaudited) SAR
Rawabi Marketing International Co.	Affiliate	Expenses paid on behalf of an Affiliate	280,657	2,110,767	772,514	2,810,767
		Rental income	216,000	216,000	432,000	432,000
		Revenue from construction	92,000	-	92,000	-
		Revenue from maintenance and operating contracts	1,557,228	1,650,100	3,171,288	3,281,559
Rawabi for Smart Services & Devices Co.	Affiliate	Purchases	825,000	735,000	1,680,751	1,470,000
National Company for Sulfur Products	Affiliate	Expenses paid on behalf of an Affiliate	186,326	1,794,069	525,012	1,924,069
		Revenue from construction contract	1,495,507	7,371,485	2,921,416	8,791,929
		Rental income	96,000	96,000	192,000	192,000
German Metal Surface Treatment Chemicals Co	Affiliate	Expenses paid on behalf of an Affiliate	27,851	-	27,851	-
		Rental income	66,000	66,000	132,000	132,000
		Revenue from construction contract	185,675	227,211	372,824	467,345
Dirat Al Amar Real Estate Co.	Affiliate	Expenses paid on behalf of an Affiliate	537,302	1,242,219	845,541	1,481,763
		Rent paid	1,439,972	151,800	1,439,972	151,800
		Revenue from construction	1,703,218	2,993,392	1,703,218	2,993,392
Uni Land for Trading Est.	Affiliate	Expenses paid on behalf of an Affiliate	135,341	(885,469)	298,313	1,525,786
		Purchases	1,114,181	1,576,467	1,115,906	2,805,313
Barakat Al Khair for Trading Est.	Affiliate	Expenses paid on behalf of an Affiliate	150,987	1,629,571	369,165	3,850,091
		Purchases	2,004,496	2,717,713	2,387,875	3,350,989

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6 (a). DUE FROM RELATED PARTIES

	(SAUDI RIYAL)	
	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Dirat Al Amar Real Estate Co.	9,330,989	8,902,813
Rawabi Marketing International Co.	4,074,813	7,388,152
Uni Land for Trading Est.	1,476,875	1,010,469
National Company for Sulfur Products	542,428	-
Barakat Al Khair for Trading Est.	-	1,464,793
	<u>15,425,105</u>	<u>18,766,227</u>

6 (b). DUE TO RELATED PARTIES

	(SAUDI RIYAL)	
	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Rawabi for Smart Services & Devices Co.	2,049,001	-
Barakat Al Khair for Trading Est.	553,916	-
German Metal Surface Treatment Chemicals Company	29,497	-
	<u>2,632,414</u>	<u>-</u>

7. BANK FACILITIES

The Group has obtained bank facilities from local banks in the form of term loans (Murabaha and Tawarruq) and notes payable. Balance outstanding as at period end from these facilities amounts to SR 284.9 million (31 December 2022: SR 187.6 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 June 2023 (Unaudited)	31 December 2022 (Audited)
Short-term borrowings (a)	269,593,534	170,038,472
Long-term borrowings (b)	9,837,500	9,673,750
Notes payable (c)	5,419,304	7,841,356
	<u>284,850,338</u>	<u>187,553,578</u>

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

	(SAUDI RIYAL)	
	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Opening balance	170,038,472	232,884,177
Additions during the period / year	424,149,683	1,006,447,936
Paid during the period / year	(324,594,621)	(1,069,293,641)
Ending balance	<u>269,593,534</u>	<u>170,038,472</u>

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7. BANK FACILITIES (Continued)

(b) This represents the amount withdrawn from a long-term loan facility 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 June 2023	31 December 2022
	(Unaudited)	(Audited)
Opening balance	9,837,500	7,725,000
Additions during the period / year	-	2,112,500
Ending balance for the period / year	9,837,500	9,837,500

c) Notes payable arise from borrowing activities from banks. These liabilities involve the repayment of principal amounts and interest as stipulated in corresponding agreements. These are current liabilities that represent short-term obligations that are scheduled to be settled within 2023.

8. OTHER INCOME

	(SAUDI RIYAL)			
	Three-month period ended		Six-month period ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Compensation from Human Resources Development Fund	1,345,073	2,491,331	2,685,926	4,121,228
Rental income	394,875	399,937	789,750	756,000
Gain on disposal of property, plant and equipment	78,447	47,248	157,443	88,079
Others	32,796	7,567	78,906	644,495
	1,851,191	2,946,083	3,712,025	5,609,802

9. 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 is 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.

10. DIVIDENDS AND PROPOSED BONUS SHARES ISSUANCE

The Company announced the recommendation of the Board of Directors in its meeting held on 22 Dhu al-Qi’ dah 1444H corresponding to 11 June 2023 to recommend to the Extraordinary General Assembly to increase the Company’s capital by issuing bonus shares by granting one share per every two shares, through capitalizing retained earnings for SAR 100 million. The decision of the Board of Directors was approved by the Capital Market Authority (CMA) on 1 August 2023 subject to the condition that the date of the Extraordinary General Assembly meeting does not exceed six months from the date of this approval and that the Company completes the relevant legal procedures and requirements.

During the prior year, the General Assembly approved in its meeting held on 30 Thul-Qi’ dah 1443H corresponding to 29 June 2022 to distribute dividend of 1 SR per share amounting to SR 20 million, which was paid in 2022.

11. COMMITMENTS AND CONTINGENCIES

The Group has commitments in the form of letters of credit as of 30 June 2023 amounting to SR 29.2 million (31 December 2022: SR 38.5 million) and contingent liabilities against the letters of guarantee as of 30 June 2023 amounting to SR 275.7 million (31 December 2022: SR 270.6 million).

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12. 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 SIX MONTH PERIOD ENDED 30 JUNE 2023

	Operation and maintenance	Trading	Construction	Meat and food	Other activities	Eliminations	Total
External customer	283,754,555	28,889,454	19,649,686	3,690,553	19,730,610	-	355,714,858
Inter-segment	5,400,956	778,622	-	-	-	(6,179,578)	-
Total revenue	289,155,511	29,668,076	19,649,686	3,690,553	19,730,610	(6,179,578)	355,714,858
Cost of revenue	(247,903,780)	(21,116,980)	(12,876,771)	(4,912,431)	(14,318,584)	6,179,578	(294,948,968)
Gross profit/ (loss)	41,251,731	8,551,096	6,772,915	(1,221,878)	5,412,026	-	60,765,890
Net profit/ (loss) for the period	1,954,523	(1,974,479)	3,609,581	(3,337,688)	(8,204,585)	15,684,661	7,732,014

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022

	Operation and maintenance	Trading	Construction	Meat and food	Other activities	Eliminations	Total
External customer	273,749,832	11,405,739	23,627,285	5,439,701	24,636,761	-	338,859,318
Inter-segment	-	3,100,856	-	-	-	(3,100,856)	-
Total 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
Net profit/ (loss) for the period	31,486,740	(127,073)	2,780,260	(87,505)	(9,130,665)	8,203,516	33,125,273

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12. SEGMENT INFORMATION (Continued)

FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2023

	Operation and maintenance	Trading	Construction	Meat and food	Other activities	Eliminations	Total
External customer	155,133,997	14,549,142	8,777,137	1,828,520	10,486,949	-	190,775,745
Inter-segment	1,231,269	778,622	-	-	-	(2,009,891)	-
Revenue	156,365,266	15,327,764	8,777,137	1,828,520	10,486,949	(2,009,891)	190,775,745
Cost of revenue	(135,617,717)	(10,647,253)	(6,557,329)	(2,420,413)	(7,652,387)	2,009,891	(160,885,208)
Gross profit/ (loss)	20,747,549	4,680,511	2,219,808	(591,893)	2,834,562	-	29,890,537
Net profit/ (loss) for the period	(1,978,631)	(1,475,170)	637,420	(1,664,714)	(2,913,288)	8,830,664	1,436,281

FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2022

	Operation and maintenance	Trading	Construction	Meat and food	Other activities	Eliminations	Total
External customer	144,053,462	8,802,058	12,588,321	1,963,639	12,082,352	-	176,295,649
Inter-segment	-	586,141	-	-	-	(586,141)	-
Total revenue	144,053,462	9,388,199	12,588,321	1,963,639	8,888,169	(586,141)	176,295,649
Cost of revenue	(107,438,871)	(6,599,828)	(8,646,309)	(1,574,933)	(5,802,948)	586,141	(129,476,748)
Gross profit	36,614,591	2,788,371	3,942,012	388,706	3,085,221	-	46,818,901
Net profit/ (loss) for the period	13,791,007	(2,202,646)	1,866,543	(82,498)	(678,082)	3,662,668	16,356,992

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13. 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 expected credit losses. Cash is placed with banks with investment grade credit ratings.

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 is exposed to commission rate risk on its interest-bearing financial liabilities as of 30 June 2023.

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.

14. 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. The Group's financial instruments are recorded in accordance with the historical cost principle, differences may appear between the carrying values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values. As of 30 June 2023, and 31 December 2022, The Group has no financial instruments measured at fair value.

15. COMPARATIVE FIGURES

Certain comparative figures from annual financial statements for 31 December 2022 have been reclassified to conform with the current period presentation as follows:

<i>Reclassified from</i>	<i>Reclassified to</i>	<i>Amount SAR</i>
Capitalized contract costs	Prepayments and other debit balances	12,241,632
Accrued expenses and other credit balances	Contract liabilities	5,122,058
Long-term borrowings – current portion	Long-term borrowings	163,750

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16. SUBSEQUENT EVENTS

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

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors on 26 Muharram 1445H corresponding to 13 August 2023.