

**NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2023 AND REVIEW REPORT**

**NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023**

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Report on review of condensed consolidated interim financial statements

To the shareholders of National Medical Care Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of National Medical Care Company (the “Company”) as of 30 June 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2023, and the condensed consolidated statements of changes in equity and cash flows for the six-month period ended 30 June 2022 and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim 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, as 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Bader I. Benmohareb', is written over a faint, circular blue stamp or watermark.

Bader I. Benmohareb
License Number 471

7 August 2023

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|--|---|---------------------|---|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| Revenue | 245,191,520 | 216,488,082 | 506,586,262 | 427,966,294 |
| Cost of sales | (163,849,867) | (149,687,046) | (335,368,260) | (299,727,868) |
| Gross profit | 81,341,653 | 66,801,036 | 171,218,002 | 128,238,426 |
| Selling and distribution expenses | (811,046) | (1,087,512) | (1,358,967) | (1,559,828) |
| General and administrative expenses | (25,831,755) | (20,688,288) | (54,784,278) | (42,887,776) |
| Expected credit loss allowance | (603,457) | 928,896 | (2,495,653) | (2,671,168) |
| Other operating income, net | 3,294,896 | 4,065,365 | 8,238,701 | 5,910,220 |
| Operating profit | 57,390,291 | 50,019,497 | 120,817,805 | 87,029,874 |
| Finance cost on lease liability | (202,210) | - | (202,210) | - |
| Profit before zakat | 57,188,081 | 50,019,497 | 120,615,595 | 87,029,874 |
| Zakat expense | (9,392,657) | (8,013,376) | (16,551,364) | (15,024,625) |
| Profit for the period | 47,795,424 | 42,006,121 | 104,064,231 | 72,005,249 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | 47,795,424 | 42,006,121 | 104,064,231 | 72,005,249 |
| Earnings per share (Saudi Riyals) | | | | |
| Basic and diluted (Note 14) | 1.07 | 0.94 | 2.32 | 1.61 |

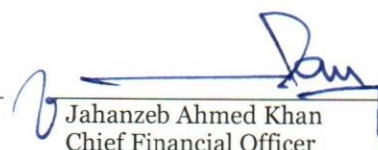
The accompanying notes are an integral part of these condensed consolidated interim financial statements.



Saad Abdulmohsen Alfadly
Chairman



Abdulaziz Alobaid
Chief Executive Officer



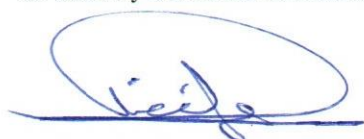
Jahanzeb Ahmed Khan
Chief Financial Officer

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

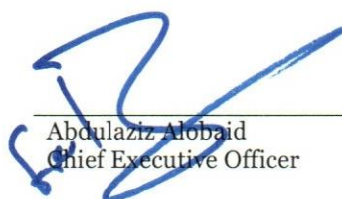
| | Note | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---|------|---|---|
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | 4 | 675,983,148 | 652,425,488 |
| Right-of-use asset | 5 | 77,995,101 | - |
| Intangible assets | | 2,844,416 | 4,357,494 |
| Total non-current assets | | 756,822,665 | 656,782,982 |
| Current assets | | | |
| Inventories | | 44,208,596 | 42,662,669 |
| Trade and other receivables | 6 | 456,195,245 | 684,061,399 |
| Cash and cash equivalents | 7 | 602,063,075 | 329,213,441 |
| Total current assets | | 1,102,466,916 | 1,055,937,509 |
| Total assets | | 1,859,289,581 | 1,712,720,491 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | | 448,500,000 | 448,500,000 |
| Statutory reserve | | 186,021,947 | 186,021,947 |
| Retained earnings | | 688,280,903 | 629,066,672 |
| Total equity | | 1,322,802,850 | 1,263,588,619 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term borrowings | 12 | 77,248,265 | 77,248,265 |
| Lease liability | 8 | 27,699,903 | - |
| Employee benefit obligations | | 86,833,278 | 85,995,213 |
| Total non-current liabilities | | 191,781,446 | 163,243,478 |
| Current liabilities | | | |
| Trade and other payables | 9 | 238,034,034 | 189,516,800 |
| Current portion of long-term borrowings | 12 | 5,942,174 | 5,942,174 |
| Current portion of lease liability | 8 | 5,971,614 | - |
| Zakat payable | 13 | 94,757,463 | 90,429,420 |
| Total current liabilities | | 344,705,285 | 285,888,394 |
| Total liabilities | | 536,486,731 | 449,131,872 |
| Total equity and liabilities | | 1,859,289,581 | 1,712,720,491 |

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

The condensed consolidated interim financial statements including notes were approved and authorized for issue by the Board of Directors on 07 August 2023 and were signed on their behalf by:



Saad Abdulmohsen Alfadly
Chairman



Abdulaziz Alobaid
Chief Executive Officer




Jahanzeb Ahmed Khan
Chief Financial Officer

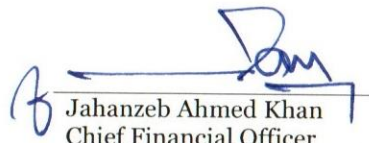
NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

| | Note | Share capital | Statutory reserve | Retained earnings | Total |
|--|------|---------------------------|---------------------------|---------------------------|-----------------------------|
| At 1 January 2022 (Audited) | | 448,500,000 | 186,021,947 | 489,752,631 | 1,124,274,578 |
| Profit for the period | | - | - | 72,005,249 | 72,005,249 |
| Other comprehensive income for the period | | - | - | - | - |
| Total comprehensive income for the period | | - | - | 72,005,249 | 72,005,249 |
| Dividends | 10 | - | - | (44,850,000) | (44,850,000) |
| At 30 June 2022 (Unaudited) | | <u>448,500,000</u> | <u>186,021,947</u> | <u>516,907,880</u> | <u>1,151,429,827</u> |
| At 1 January 2023 (Audited) | | 448,500,000 | 186,021,947 | 629,066,672 | 1,263,588,619 |
| Profit for the period | | - | - | 104,064,231 | 104,064,231 |
| Other comprehensive income for the period | | - | - | - | - |
| Total comprehensive income for the period | | - | - | 104,064,231 | 104,064,231 |
| Dividends | 10 | - | - | (44,850,000) | (44,850,000) |
| At 30 June 2023 (Unaudited) | | <u>448,500,000</u> | <u>186,021,947</u> | <u>688,280,903</u> | <u>1,322,802,850</u> |

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


Saad Abdulmohsen Alfadly
Chairman

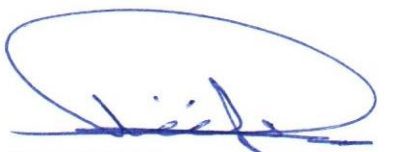

Abdulaziz Alobaid
Chief Executive Officer

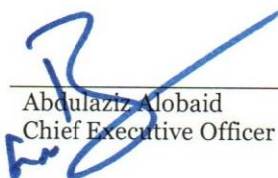

Jahanzeb Ahmed Khan
Chief Financial Officer

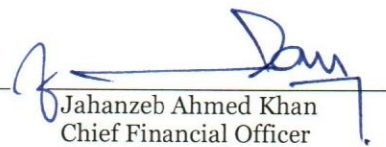
NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

| | Note | For the six-month period ended 30 June | |
|--|------|---|----------------------|
| | | 2023 (Unaudited) | 2022 (Unaudited) |
| Cash flows from operating activities | | | |
| Profit before zakat | | 120,615,595 | 87,029,874 |
| <u>Adjustments for</u> | | | |
| Depreciation on property and equipment | 4 | 20,906,949 | 21,118,244 |
| Amortization on intangibles | | 1,732,461 | 1,944,084 |
| Amortization on right-of use asset | 5 | 1,068,426 | - |
| Finance cost on lease liability | 8 | 202,210 | - |
| Loss (gain) on disposal of property and equipment | | 26,773 | (14,958) |
| Expected credit loss allowance | | 2,495,653 | 2,671,168 |
| Employee benefit obligations | | 9,321,102 | 9,059,395 |
| <u>Changes in operating assets and liabilities:</u> | | | |
| Decrease (increase) in trade and other receivables | | 226,541,817 | (51,726,095) |
| (Increase) decrease in inventories | | (1,545,927) | 2,310,079 |
| Increase (decrease) in trade and other payables | | 1,314,247 | (5,540,907) |
| Cash generated from operations | | 382,679,306 | 66,850,884 |
| Zakat paid | | (12,223,321) | (11,335,484) |
| Employee benefit obligations paid | | (8,483,037) | (7,486,222) |
| Net cash inflow from operating activities | | 361,972,948 | 48,029,178 |
| Cash flows from investing activities | | | |
| Payments for purchase of Jiwar, net of cash acquired | | (18,807,420) | - |
| Payments for purchase of property and equipment | 4 | (25,355,769) | (195,378,469) |
| Payments for purchase of intangible assets | | (212,947) | (656,658) |
| Proceeds from sale of property and equipment | | 102,822 | 22,411 |
| Net cash outflow from investing activities | | (44,273,314) | (196,012,716) |
| Cash flows from financing activities | | | |
| Dividends paid | 10 | (44,850,000) | (44,850,000) |
| Net change in cash and cash equivalents | | 272,849,634 | (192,833,538) |
| Cash and cash equivalents at beginning of period | | 329,213,441 | 374,959,655 |
| Cash and cash equivalents at end of period | | 602,063,075 | 182,126,117 |
| Non-cash transactions | | | |
| Payable recorded to Smartmed Investments Co. | | 10,538,188 | - |

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


Saad Abdulmohsen Alfadly
Chairman


Abdulaziz Alobaid
Chief Executive Officer


Jahanzeb Ahmed Khan
Chief Financial Officer

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

National Medical Care Company (the “Company” or “NMC”) and its subsidiary Jiwar Medical Services Company (“Jiwar”) (collectively referred to as the “Group”) are principally engaged in the business to establish, own, equip, manage, maintain and operate healthcare facilities and provide home health care services.

The Company is a Saudi Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia under commercial registration (“CR”) number 1010194785 dated 9 Muharram 1425 (H) (corresponding to 29 February 2004). The registered office is located at Arrayyan District, P.O. Box 29393, Riyadh 11457, Kingdom of Saudi Arabia.

The Company carries out its activities through the following branches:

| Name | CR number | Date |
|--|------------|---|
| Riyadh Care Hospital | 1010195325 | 22 Muharram 1425 (H) (corresponding to 14 March 2004) |
| National Hospital | 1010195327 | 22 Muharram 1425 (H) (corresponding to 14 March 2004) |
| Care Company for Pharmaceutical and Medical Distribution | 1010301247 | 14 Safar 1432 (H) (corresponding to 19 January 2011) |
| Family Health Care Center | 1010397064 | 29 Muharram 1435 (H) (corresponding to 2 December 2013) |

During 2023, the Company has acquired 100% shares in Jiwar through a share-purchase agreement with Smartmed Investments Company. Jiwar is a limited liability company registered in the Kingdom of Saudi Arabia under CR number 4031234151 dated Rabi’ al-Thani 15, 1441 (corresponding to 12 December 2019). Please refer note 3.2 and 15.

2 Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard “Interim Financial Reporting” (“IAS 34”) as 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”).

These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual audited financial statements as at and for the year ended 31 December 2022 and do not include all of the information required for a complete set of consolidated financial statements under International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia. However, 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 the last annual audited financial statements.

The impact of seasonality or cyclicity on operations is not regarded as significant to the unaudited condensed consolidated interim financial statements.

The interim results may not be an indicator of the annual results of the Group.

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

2.2 Basis of measurement

These condensed consolidated interim financial statements of the Group have been prepared under the historical cost convention using the accrual basis of accounting. For employee's and other post-employment benefits, actuarial present value calculations are used. Also see note 15.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals which is the functional currency of the Group.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

The significant judgments made by management in applying the Group's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the annual financial statements for the year ended 31 December 2022, except for the judgement relating to the acquisition of Jiwar, refer note 15.

3 Significant accounting policies

3.1 Statement of Compliance

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2022, except as disclosed in note 3.2

3.2 New accounting policies adopted by the Group as result of acquisition of Jiwar

The Group has adopted following accounting policies as result of acquisition of Jiwar:

3.2 (a) Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiary as at 30 June 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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; and
- The ability to use its power over the investee to affect its returns.

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting 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 with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

Profit or loss and each component of the other comprehensive income is attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

These consolidated financial statements have been labelled as 'consolidated' due to the acquisition of Jiwar. Although the acquisition of Jiwar has been assessed as an 'asset acquisition' under IFRS 3 (see note 15), Jiwar is a separate legal entity and has its separate CR resulting in the consolidation.

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

3.2 (b) Leases

At the inception of the contract the Group assesses whether a contract is or contains a lease. The Group recognises a Right-of-use asset (“RoU”) asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related RoU asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets (RoU)

The RoU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 “Provisions, contingent liabilities and contingent assets”. The costs are included in the related RoU asset, unless those costs are incurred to produce inventories.

RoU assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the RoU asset reflects that the Group expects to exercise a purchase option, the related RoU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The RoU assets are presented as a separate line in the condensed consolidated statement of financial position.

The Group applies IAS 36 “Impairment of Assets” to determine whether a RoU asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of lease liability and the RoU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

3.3 New IFRS standards, amendments to standards and interpretations not yet adopted

There are no new standards issued, however, there are number of amendments to existing standards which are effective from 1 January 2023 and have been explained in Group’s annual financial statements, but they do not have a material effect on these condensed consolidated interim financial statements.

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

4 Property and equipment

| | Note | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------------------------|------|--------------------------------|----------------------------------|
| Cost | | | |
| At the beginning of the period / year | | 1,463,615,454 | 1,257,767,185 |
| Additions during the period / year | | 25,355,769 | 211,171,245 |
| Transfer through acquisition | 15 | 19,605,522 | - |
| Disposals during the period / year | | <u>(5,283,733)</u> | <u>(5,322,976)</u> |
| At the end of the period / year | | <u>1,503,293,012</u> | 1,463,615,454 |
| Accumulated depreciation | | | |
| At the beginning of the period / year | | (811,189,966) | (774,604,658) |
| Additions during the period / year | | (20,906,949) | (41,900,832) |
| Transfer through acquisition | 15 | (367,087) | - |
| Disposals during the period / year | | <u>5,154,138</u> | <u>5,315,524</u> |
| At the end of the period / year | | <u>(827,309,864)</u> | (811,189,966) |
| Net book value | | | |
| At the end of the period / year | | <u>675,983,148</u> | 652,425,488 |

The Group has land and buildings, with net book value of Saudi Riyals 298.9 million as at 30 June 2023 (31 December 2022: Saudi Riyals 304.4 million) pledged to the Ministry of Finance against loan granted to the Group. Also see note 10.

5 Right-of-use asset

| | Note | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------------------------|------|--------------------------------|----------------------------------|
| Cost | | | |
| At the beginning of the period / year | | - | - |
| Transfer through acquisition | | <u>79,063,527</u> | - |
| At the end of the period / year | | <u>79,063,527</u> | - |
| Accumulated amortization | | | |
| At the beginning of the period / year | | - | - |
| Charge for the year | | <u>(1,068,426)</u> | - |
| At the end of the period / year | | <u>(1,068,426)</u> | - |
| Net book value | | | |
| At the end of the period / year | | <u>77,995,101</u> | - |

This represents building premises of Jiwar which are on lease. The RoU asset is being depreciated over the remaining lease term ending in July 2029. The right-of-use also contains initial direct cost of Saudi Riyals 45.8 million. Refer note 15.

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6 Trade and other receivables

| | Note | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|--------------------------------------|------|--------------------------------|----------------------------------|
| Trade and related party receivables | 9 | 521,127,791 | 740,979,057 |
| Allowance for expected credit losses | | (85,142,316) | (83,122,883) |
| | | 435,985,475 | 657,856,174 |
| Advances to suppliers | | 5,626,998 | 6,477,536 |
| Prepaid expenses | | 7,479,961 | 7,119,506 |
| Letters of guarantee margin | | 409,000 | 7,492,500 |
| Others | | 6,693,811 | 5,115,683 |
| | | 456,195,245 | 684,061,399 |

7 Cash and cash equivalents

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------|--------------------------------|----------------------------------|
| Unrestricted | | |
| Cash in hand | 368,692 | 329,552 |
| Cash at banks | 341,156,195 | 78,883,889 |
| Time deposits | 250,000,000 | 250,000,000 |
| | 591,524,887 | 329,213,441 |
| Restricted | | |
| Cash at banks | 10,538,188 | - |
| Total | 602,063,075 | 329,213,441 |

Restricted cash at bank balance relates to the amount deposited in the escrow account for acquisition of Jiwar. Please see note 15.

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8 Lease liability

| | Note | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------------------------|------|--------------------------------|-------------------------------------|
| At the beginning of the period / year | | - | - |
| Transfer through acquisition | 15 | 33,469,307 | - |
| Finance cost | | 202,210 | - |
| Payments | | - | - |
| At the end of the period / year | | <u>33,671,517</u> | - |

Lease liabilities are presented as follows in the statement of financial position:

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------|--------------------------------|----------------------------------|
| Current portion | 5,971,614 | - |
| Non-current portion | 27,699,903 | - |
| | <u>33,671,517</u> | - |

9 Trade and other payables

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--------------------------------|----------------------------------|
| Trade payables | 40,276,525 | 38,346,153 |
| Accrued expenses | 89,708,508 | 87,428,270 |
| Payable to Smartmed Investments Company | 10,538,188 | - |
| Employees' related accruals | 86,344,813 | 48,945,498 |
| VAT payable | 6,983,881 | 10,337,582 |
| Others | 4,182,119 | 4,459,297 |
| | <u>238,034,034</u> | <u>189,516,800</u> |

10 Dividends

On 01 Dhu al-Hijjah 1444 H (19 June 2023) the shareholders in their Ordinary General Assembly Meeting approved dividends of Saudi Riyals 44.9 million (Saudi Riyal 1.00 per share) for the year ended 31 December 2022 which was paid during 2023 (2022: Saudi Riyals 44.9 million approved and paid).

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11 Related parties

Related parties are key shareholders, directors and key management personnel of the Group. The terms of these transactions have been approved by the Group's management. The following are the most significant transactions with related parties and the resulting balances:

(a) Related party transactions

| Name of related party and relationship | Nature of transaction | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|--------------------------------|--|---------------------|--|---------------------|
| | | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| General Organization for Social Insurance (“GOSI”) (Ultimate controlling party) | Revenues from medical services | 105,540,090 | 77,143,998 | 212,709,030 | 148,853,719 |
| Drager Arabian Company Limited (Owned by a shareholder and director) | Purchases | 1,348 | 43,761 | 25,209 | 53,750 |

Related party balances

| Name of related party | Relationship | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------------------|-------------------------------------|-----------------------------|-------------------------------|
| <i>Due from a related party</i> | | | |
| GOSI | Ultimate controlling party | 207,472,372 | 473,865,735 |
| <i>Due to a related party</i> | | | |
| Drager Arabian Company Limited | Owned by a shareholder and director | - | 211,754 |

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Key management personnel compensation

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|---|-----------------------------|---|-----------------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| Salaries and other short-term employee benefits | 6,525,306 | 2,412,411 | 8,411,682 | 8,300,878 |
| Attendance allowance and committee's remuneration | 737,000 | 801,333 | 2,666,000 | 2,227,000 |
| Employee benefit obligations | 116,560 | 105,958 | 227,819 | 180,175 |
| | 7,378,866 | 3,319,702 | 11,305,501 | 10,708,053 |

The amounts disclosed in the above table are the amounts recognized as an expense during the period related to key management personnel.

Terms and conditions of transactions with related parties

The transactions with related parties are at mutually agreed terms. Outstanding balances as at 30 June 2023 and 31 December 2022 are unsecured, interest free and are to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables during the current period and prior year.

12 Long-term borrowings

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------------|---|---|
| Within one year – current | 5,942,174 | 5,942,174 |
| One to five years | 23,768,697 | 23,768,697 |
| More than five years | 53,479,568 | 53,479,568 |
| | 83,190,439 | 83,190,439 |

Long-term borrowings are presented as follows:

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|---|---|
| Current maturity under current liabilities | 5,942,174 | 5,942,174 |
| Non-current portion | 77,248,265 | 77,248,265 |
| | 83,190,439 | 83,190,439 |

During 2012, the Group signed a loan agreement with the Ministry of Finance to fund the construction work under progress amounting to Saudi Riyals 154.1 million. The Group was able to utilize Saudi Riyals 118.8 million during 2013 and 2015.

The loan is payable in twenty equal annual instalments with the first instalment due in 2017. The loan is interest free and is secured by the Group's collateralized land and buildings. Also see note 4.

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On transition (effective from 1 January 2018) from Generally Accepted Accounting Standards issued by SOCPA to IFRS, management opted for the exemption provided under IFRS 1 to keep the similar classification of interest free loan obtained from Ministry of Finance till 31 December 2017 and to adopt application of IAS – 20 “Accounting for Government Grants and Disclosure of Government Assistance” for new loans (within the scope of IAS – 20) obtained on and after the date of adoption of IFRS for its statutory financials statements.

13 Zakat

The movement in the zakat provision during the period / year is as follows:

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------------------------|---|---|
| At the beginning of the period / year | 90,429,420 | 73,337,935 |
| Provided during the period / year | 16,551,364 | 28,426,968 |
| Paid during the period / year | (12,223,321) | (11,335,483) |
| | 94,757,463 | 90,429,420 |

During 2021, Zakat, Tax and Customs Authority (“ZATCA”) issued additional zakat assessments for the years from 2015 to 2018 amounting to Saudi Riyals 29.0 million. The Group had filed appeals against such assessments with the Preliminary Objection Committee (“POC”) but the appeal was rejected. The Group has filed an appeal against such decision by POC with Higher Appeal Committee (“HAC”) and is yet to hear back from HAC.

During later part of 2021, ZATCA issued additional zakat assessments for the years 2019 and 2020 amounting to Saudi Riyals 25.0 million. The Group has filed appeals with POC. During the six-month period ended 30 June 2023, the Group has received summary judgement in its favour.

The Group is maintaining adequate provision against such additional assessments.

14 Basic and diluted loss per share

Basic and diluted earnings per share (“EPS”) is calculated by dividing the income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as the regular or basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

The following table reflects the income for the period attributable to ordinary equity holders and weighted average number of ordinary shares outstanding during the period used in the basic and diluted EPS computations:

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|--|---|-----------------------------|---|-----------------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| Profit for the period | 47,795,424 | 42,006,121 | 104,064,231 | 72,005,249 |
| Weighted average number of ordinary shares | 44,850,000 | 44,850,000 | 44,850,000 | 44,850,000 |
| Basic and diluted loss per share | 1.07 | 0.94 | 2.32 | 1.61 |

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15 Acquisition of Jiwar

As disclosed in note 27 of the annual financial statements, during January 2023, the Company entered into a share-purchase agreement (the "Agreement") to acquire entire share capital of Jiwar Medical Services Company ("Jiwar") for a consideration of Saudi Riyals 65.0 million, subject to completion of certain conditions/approvals which were considered substantive in nature. Such conditions/approvals were received/completed on 7 June 2023. The consideration payable under the Agreement was also subject to certain adjustments, including but not limited to working capital adjustments (prepayments and other receivables amounting to Saudi Riyals 3.7 million and other payables amounting to Saudi Riyals 39.3 million), identified under the Agreement, with adjusted consideration payable determined to be Saudi Riyals 29.4 million.

The management has considered the guidance of IFRS 3 in determining the accounting for Jiwar as a business combination or asset acquisition. IFRS 3 requires that an integrated set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create output for it to be qualified as a "Business". Given, the acquisition of Jiwar primarily represents an under-construction emergency medical facility with no process/output, the same has been recognised as an asset acquisition.

Following assets and liabilities were recognized as result of the assets and liabilities acquired in Jiwar:

| | Fair value as at 8 June 2023 |
|--------------------------------------|---|
| Prepayments and other receivables | 3,677,732 |
| Leasehold improvements and equipment | 19,244,871 |
| Right-of-use asset | 79,063,527 |
| Lease liability | (33,469,307) |
| Other payables | (39,146,182) |
| Adjusted purchase consideration | <u>29,370,641</u> |

The Company's approach to allocating consideration to assets and liabilities acquired was to first measure financial instruments at fair value as this is a specific requirement of IFRS 9 on initial recognition. Secondly, the Company determined the present value of the lease liabilities acquired in accordance with the initial recognition guidance in IFRS 16, with an offsetting right of use asset. Finally, the remaining consideration was allocated to assets for which initial measurement basis under IFRS was determined to be on cost basis, on a relative fair value basis. This included an evaluation as to whether any leases were assessed as to some of this consideration represented initial direct costs capitalisable into the right of use asset under IFRS 16.

In practice, the Company determined that the property and equipment and other cost basis assets were acquired recently such that their previous carrying amounts in the books of Jiwar approximated fair value. The remainder of the consideration was determined to represent the fair value payable to the seller to vacate the lease, which was located in Makkah in close proximity to the Grand mosque. The Company determined this to be in substance an initial direct cost incremental to entering the lease which under IFRS 16 is capitalisable into the right of use asset.

From the agreed consideration of Saudi Riyals 29.4 million, the Company made payment of Saudi Riyals 18.8 million during the three-month period ended 30 June 2023. The remaining balance of Saudi Riyals 10.6 million was deposited in an Escrow account as per the terms of the Agreement and has been recorded as restricted cash in the accompanying condensed consolidated interim financial statements (Also refer note 7). Such amount is also treated as a payable to the seller which will be transferred as per the terms mentioned in the Agreement.

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16 Segment reporting

The Group's operations principally represent hospital services segment only. Accordingly, presenting different segmental information is not considered necessary. Furthermore, the Group's operations are conducted in the Kingdom of Saudi Arabia only.

17 Fair value of assets and liabilities

As at 30 June 2023 and 31 December 2022, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature and are expected to be realized at their current carrying values within twelve months from the date of condensed consolidated statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values except for the interest free loan from Ministry of Finance. Also see note 10.

18 Contingencies and commitments

- (i) At 30 June 2023, the Group was contingently liable for bank guarantees issued in the normal course of business amounting to Saudi Riyals 53.3 million (31 December 2022: Saudi Riyals 53.1 million).
- (ii) There are various ongoing legal cases filed against the Group by former employees and third parties. The management of the Group has recorded an appropriate provision based on the expected outcomes of such cases and believes that such cases would be resolved without any material impact on the financial statements of the Group.
- (iii) The capital expenditure contracted by the Group as at 30 June 2023 was approximately Saudi Riyals 49.1 million (31 December 2022: Saudi Riyals 53.2 million).

19 Subsequent events

No events have occurred up to and including the date of the approval of the condensed consolidated interim financial statements by the Board of Directors of the Group which could materially affect the condensed consolidated interim financial statements and the related disclosures for the period ended 30 June 2023.