

SAUDIMED INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

**Financial Statements and
Independent Auditor's Report
For The Year Ended December 31, 2021**

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

Financial Statements and Independent Auditor's Report
For the Year Ended December 31, 2021

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Independent Auditor's Report

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CERTIFIED PUBLIC ACCOUNTANTS

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To the Shareholders

SaudiMed Investment Company

(A Saudi Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **SaudiMed Investment Company** (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia ("ISA" endorsed by SOCPA). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 5 of the financial statements, which indicates that the Company reversed in 2021 the provision of ECL on cash and cash equivalents and term deposit balances maintained with BankMed SAL, previously established at 60% of these balances as at December 31, 2020. This matter comes as a result of the final execution of the signed Sale and Purchase Agreement and the new shareholders' taking over those balances and depositing the same amount in an investment-grade financial institution with A credit rating, with SaudiMed having the full right to such amount. Our opinion is not modified in respect of this matter.

Other matters

The Company's financial statements for the year ended December 31, 2020, were audited by another auditor who expressed an adverse opinion on those statements on Muharram 1, 1443H (corresponding to August 9, 2021).

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (Continued)

To the Shareholders

SaudiMed Investment Company

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

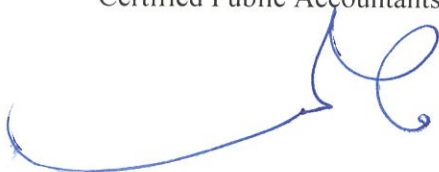
As part of an audit in accordance with ISA endorsed by SOCPA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly MKM & Co.

Certified Public Accountants



Majed Mounir Al Namr

(License No. 381)

Riyadh on Ramadan 18, 1443H

Corresponding to April 19, 2022G



SAUDIMED INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

Statement of Financial Position
As at December 31, 2021

	Notes	December 31, 2021 SR	December 31, 2020 SR
ASSETS			
Non-current assets			
Term deposit	6	-	7,542,984
Property and equipment	7	137,835	224,139
Intangible assets	8	82,174	144,405
Deferred tax assets	15	783,016	15,583,352
Right-of-use assets	9	1,088,263	1,632,357
Total non-current assets		2,091,288	25,127,237
Current assets			
Term deposit	6	18,857,461	-
Cash and cash equivalents	10	104,666,849	42,188,194
Accrued income, prepayments, and other receivables	11	758,033	706,177
Total current assets		124,282,343	42,894,371
TOTAL ASSETS		126,373,631	68,021,608
EQUITY AND LIABILITIES			
Equity			
Share capital	16	100,000,000	100,000,000
Statutory reserve	17	9,020,547	7,615,017
Retained earnings (accumulated losses)		12,759,768	(45,432,112)
Total equity		121,780,315	62,182,905
Liabilities			
Non-current liabilities			
Employees' defined benefit obligations	13	2,929,784	2,758,284
Lease liability – non-current portion	9	564,149	1,141,421
Total non-current liabilities		3,493,933	3,899,705
Current liabilities			
Lease liability – current portion	9	580,450	546,067
Provision for income tax	14	118,686	23,564
Accrued expenses and other payables		400,247	1,369,367
Total current liabilities		1,099,383	1,938,998
Total liabilities		4,593,316	5,838,703
TOTAL EQUITY AND LIABILITIES		126,373,631	68,021,608

The accompanying notes form an integral part of these financial statements

SAUDIMED INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended December 31, 2021

	Notes	2021 SR	2020 SR
OPERATING INCOME			
Special commission income		6,366,799	7,106,088
Asset management fees		170,735	403,103
Placement fees		-	187,500
TOTAL OPERATING INCOME		<u>6,537,534</u>	<u>7,696,691</u>
Employees' salaries and related expenses		(3,910,541)	(5,272,132)
General and administrative expenses	18	(2,301,639)	(2,604,975)
	6&10		
Reversal / (charge) of expected credit losses, net	&20	74,058,790	(55,016,372)
Loss on investments held at FVTPL	19	-	(19,513,152)
Loss on derecognition of Investments held at amortized cost	20	-	(21,836,032)
PROFIT / (LOSS) FROM MAIN OPERATIONS		<u>74,384,144</u>	<u>(96,545,972)</u>
Finance cost	9	(37,561)	(55,234)
Other income		32,348	5,427
PROFIT / (LOSS) BEFORE INCOME TAX		<u>74,378,931</u>	<u>(96,595,779)</u>
Current income tax	14	(118,686)	(23,564)
Deferred tax	15	(14,772,836)	11,040,069
NET PROFIT / (LOSS) FOR THE YEAR		<u>59,487,409</u>	<u>(85,579,274)</u>
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of employees' defined benefit obligations, net of deferred tax	13&15	110,001	(175,580)
OTHER COMPREHENSIVE INCOME (LOSS)		<u>110,001</u>	<u>(175,580)</u>
COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		<u>59,597,410</u>	<u>(85,754,854)</u>

The accompanying notes form an integral part of these financial statements

SAUDIMED INVESTMENT COMPANY
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Statement of Changes in Equity
For the Year Ended December 31, 2021

	Share capital	Statutory reserve	Retained earnings (accumulated losses)	Total equity
	SR	SR	SR	SR
For the year ended December 31, 2020				
Balance at January 1, 2020	100,000,000	7,615,017	40,322,742	147,937,759
Net loss for the year	-	-	(85,579,274)	(85,579,274)
Other comprehensive loss for the year	-	-	(175,580)	(175,580)
Comprehensive loss for the year	-	-	(85,754,854)	(85,754,854)
Balance at December 31, 2020	100,000,000	7,615,017	(45,432,112)	62,182,905
For the year ended December 31, 2021				
Balance at January 1, 2021	100,000,000	7,615,017	(45,432,112)	62,182,905
Net profit for the year	-	-	59,487,409	59,487,409
Other comprehensive income for the year	-	-	110,001	110,001
Comprehensive income for the year	-	-	59,597,410	59,597,410
Transfer to statutory reserve	-	1,405,530	(1,405,530)	-
Balance at December 31, 2021	100,000,000	9,020,547	12,759,768	121,780,315

The accompanying notes form an integral part of these financial statements

SAUDIMED INVESTMENT COMPANY
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Statement of Cash Flows
For the Year Ended December 31, 2021

	Notes	2021 SR	2020 SR
OPERATING ACTIVITIES			
Profit / (loss) before income tax		74,378,931	(96,595,779)
Adjustments For:			
Depreciation property and equipment	7	86,304	123,870
Amortization of intangibles assets	8	62,231	62,949
Depreciation of a right-of-use asset	9	544,094	544,081
Finance charge on lease liability	9	37,561	55,234
Employees' defined benefit obligations incurred	13	334,647	351,784
(Reversal) charge of expected credit losses	6&10&20	(74,058,790)	55,016,372
Loss on investments held at FVTPL	19	-	19,513,152
Loss on investments held at amortized cost	20	-	21,836,032
		1,384,978	907,695
Working capital changes:			
Accrued income, prepayments, and other receivables		(51,856)	822,893
Accrued expenses and other payables		(969,120)	(89,328)
Cash from operating activities		364,002	1,641,260
Employees' defined benefit obligations paid	13	(25,646)	(19,076)
Income tax paid	14	(23,564)	(648,067)
Net cash from operating activities		314,792	974,117
INVESTING ACTIVITY			
Proceeds from redemption of investments held at amortized cost		-	5,538,968
Net cash from investing activity		-	5,538,968
FINANCING ACTIVITY			
Payment of lease liability	9	(580,450)	(580,450)
Net cash used in financing activity		(580,450)	(580,450)
Net change in cash and cash equivalents		(265,658)	5,932,635
Cash and cash equivalents at the beginning of the year		42,188,194	92,217,400
Expected credit loss impact on cash and cash equivalents		62,744,313	(55,961,841)
Cash and cash equivalents at the end of the year		104,666,849	42,188,194
Supplemental non-cash information:			
Remeasurement of employees' defined benefit liabilities	13	(137,501)	(219,475)

The accompanying notes form an integral part of these financial statements

SAUDIMED INVESTMENT COMPANY
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Notes to the Financial Statements
For the Year Ended December 31, 2021

1. ORGANIZATION AND ACTIVITIES

SaudiMed Investment Company (the “Company”) is a Saudi Closed Joint Stock Company registered with the Capital Market Authority (“CMA”) under license number 37-07065 dated Jumada Al-Thani 2, 1428H (corresponding to June 17, 2007).

The Company operates in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010243382 on Muharram 19, 1429H (corresponding to January 28, 2008).

The Company is licensed to deal as principal and as an agent, underwriting, managing investment funds and arranging, providing advisory and custody services relating to financial papers.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”) as endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRSs as endorsed in KSA”).

2.2 Judgments and estimates

The preparation of the financial statements in conformity with the IFRSs as endorsed in KSA requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies as discussed in note 5.

2.3 Basis of measurement, presentation, and functional currency

The financial statements have been prepared under the historical cost convention, using the accrual basis of accounting except for certain financial instruments that are measured at fair values and employees’ defined benefit liabilities which have been actuarially valued using the expected unit credit method. These financial statements are presented in Saudi Riyals (“SR”) which is the functional and presentation currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is the summary of significant accounting policies applied by the Company in preparing these financial statements.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting year; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

The Company classifies all other assets as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting year; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Company classifies all other liabilities as non-current.

SAUDIMED INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

Notes to the Financial Statements
For the Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or a liability if market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices for identical assets or liabilities in active markets.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

Financial assets consist of term deposits, FVTPL investment, cash and cash equivalent, account, and other receivables. Financial liabilities consist of accounts payable and other current liabilities.

Fair values of these financial instruments have been assessed as being approximate to the carrying amounts due to frequent re-pricing or their short-term nature.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the spot exchange rate to use on initial recognition of the related asset, expense, or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

SAUDIMED INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

Notes to the Financial Statements
For the Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, demand deposits, and time deposits held with banks, all of which are available for use by the Company unless otherwise stated and have original maturities of three months or less from the acquisition date, which are subject to an insignificant risk of changes in value.

Term deposits

Term deposits are time deposits with original maturities for over three months. After initial measurement, such financial assets are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in special commission income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the statement of profit or loss and other comprehensive income.

Revenue recognition

The Company recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Asset management fees

Asset management fees are recognized on an accrual basis as services are provided. Such services are recognized over some time.

Special commission income

Special commission income is recognized on an effective yield basis taking into account the principal outstanding and the applicable special commission rate.

Corporate advisory income and placement fees

Corporate advisory income and placement fees are recognized when services are performed in accordance with the contract terms.

Other income

Other income is recognized when earned.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All recognized financial assets are initially recognized at cost and subsequently measured in their entirety at either amortized cost or fair value, depending on the classification.

SAUDIMED INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

Notes to the Financial Statements
For the Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (continued)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Despite the above, the Company may make the following irrevocable election/designation at the initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant year. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

SAUDIMED INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

Notes to the Financial Statements
For the Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (continued)

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss.

Equity instruments designated at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term.
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established unless the dividends represent a recovery of part of the cost of the investment.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has designated its investment in funds as held at FVTPL.

SAUDIMED INVESTMENT COMPANY
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Notes to the Financial Statements
For the Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Impairment of financial assets

The Company recognizes a loss allowance for Expected Credit Loss (“ECL”) for its financial assets comprising of investments held at amortized cost and cash and cash equivalents and long-term deposit. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument. No impairment loss is recognized for investments in equity instruments. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Company recognized lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations

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Notes to the Financial Statements
For the Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with the globally understood definition.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than one year past due for financial assets unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower
- a breach of contracts, such as a default or past due event
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- the disappearance of an active market for that financial asset because of financial difficulties

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due for private sector customers and five years past due for government sector customers, whichever occurs sooner.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (continued)

Write-off policy (continued)

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default), and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following bases:

- Nature of financial instruments
- Past-due status; and
- Nature, size, and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics. If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12 months ECL at the current reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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Notes to the Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (continued)

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liabilities.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the liability is recognized in profit or loss.

Changes in fair value attributable to a financial liability's credit risk that is recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities subsequently measured at amortized cost

The Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation, and accumulated impairment losses, if any. Such costs include the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred.

The cost-less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets as shown in note 7, effective from the date when it was available for use.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognized.

SAUDIMED INVESTMENT COMPANY
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Notes to the Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

The residual values, useful lives, and methods of depreciation of property and equipment are reviewed at each financial year-end with any changes recognized on a prospective basis. The cost of property and equipment is depreciated on a straight-line basis over the following estimated useful lives as set out below:

Leasehold improvements	10 years
Office equipment	4-10 years
Computers	8 years
Furniture and fixtures	10 years
Office equipment	6 years
Motor vehicles	4 years

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets comprise computer software and are amortized on a straight-line basis over the estimated useful life of 8 years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Leases

The Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liability to make lease payments and a right-of-use asset representing the right to use the underlying assets.

i) Right-of-use asset

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The cost of a right-of-use asset includes the amount of lease liability recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset.

If the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use asset is also subject to impairment.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

ii) Lease liability

At the commencement date of the lease, the Company recognizes lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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Notes to the Financial Statements
For the Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Accounts and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Income tax

The Company is subject to the Regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia. Income tax is provided on an accruals basis and is computed on adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that taxable profits will probably be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in the interim statement of changes in equity.

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Notes to the Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Employees' defined benefit liabilities

Employees' defined benefit liabilities are determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements.

The Company presents the first two components of defined benefit costs in profit or loss in relevant line items.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Statutory reserve

In accordance with Saudi Arabian Companies' Law and the Company's By-Laws, the Company must set aside 10% of its income after deducting losses brought forward in each year until it has built up a reserve equal to 30% of the share capital. The Company has not recorded any transfer for the year due to the losses recognized in the Retained Earnings.

Expenses

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary assets

Assets held in trust or fiduciary capacity are not treated as assets of the Company and accordingly are not included in the accompanying financial statements. Such assets are recorded as off-balance sheet items and disclosed in the accompanying notes to the financial statements. The fees earned by the Company from managing those assets are included in the statement of profit or loss and other comprehensive income.

Assets under management

The Company offers asset management services to a real estate development fund. The assets of such fund are not treated as assets of the Company and accordingly are not included in these financial statements.

Clients' cash accounts and assets

Clients' cash accounts and assets are not treated as assets of the Company and accordingly are not included in these financial statements.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

4.1 New and revised IFRSs applied with no material effect on the special purpose separate financial statements:

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2021, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Impact of the initial application of Interest Rate Benchmark Reform
- Impact of the initial application of COVID-19 - Related Rent Concessions beyond June 30, 2021 Amendment to IFRS 16

The Company has not yet early applied the following new standards, amendments, and interpretations that have been issued but are not yet effective:

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4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

4.2 New and revised IFRSs in issue but not yet effective and not early adopted:

<u><i>New and revised IFRSs</i></u>	<u><i>Effective for annual periods beginning on or after</i></u>
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 <i>Presentation of Financial Statements</i> regarding the classification of liabilities.	January 1, 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 <i>Making Materiality Judgements—Disclosure of Accounting Policies</i>	January 1, 2023
IFRS 17 <i>Insurance Contracts</i> establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 <i>Insurance Contracts</i> .	January 1, 2023
Amendments IFRS 3 <i>Business Combination</i> updating a reference to the Conceptual Framework	January 1, 2023
Amendments to IAS 16 <i>Property, Plant and Equipment</i> prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 1, 2023
Amendments to IAS 37 <i>Provisions, Contingent Liabilities, and Contingent Assets</i> regarding the costs to include when assessing whether a contract is onerous	January 1, 2023
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16, and IAS 41.	January 1, 2023
Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates</i>	January 1, 2023
Amendments to IAS 12 <i>Income Taxes—Deferred Tax</i> related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

Management anticipates that these new standards, interpretations, and amendments will be adopted in the Company's special purpose separate financial statements as of and when they are applicable and adoption of these new standards, interpretations, and amendments may have no material impact on the financial statements of the Company in the period of initial application.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has not made any judgments apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

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5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (Continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of financial assets

Referring to the expected credit loss (ECL) provision against the cash and cash equivalents and term deposit, the Company has previously recorded a provision of 60% against its balances with BankMed SAL Lebanon (Parent Company) as at December 31, 2020. However, the management and shareholders concluded that a full recovery of the applied ECL provision is warranted as at December 31, 2021, and that the gross value of the company's deposits with the Parent Company is a fair estimate of the amount to be recovered in the Company's cash and cash equivalents and term deposit.

The provision reversal is fully aligned with:

- 1- The non-binding Letter of Intent signed between the seller and buyer dated November 22, 2021 for the potential acquisition of 100% of SaudiMed Investment Company.
- 2- The recently executed Share and Purchase Agreement dated April 14, 2022.
- 3- The signed commitment dated April 14, 2022 of SaudiMed's new shareholders to pay back to SaudiMed the full contractual amount due on the said the cash and cash equivalents and term deposit and placing this amount in an investment-grade financial institution

Furthermore, SaudiMed's management and shareholders believe that any ECL provision to be applied on the said recovered amount would be immaterial in light of the below factors:

- New shareholders' commitment to transfer the fully recovered deposits owed to SaudiMed to an investment-grade financial institution with a minimum credit rating of A;
- New shareholders' commitment to deposit the fully recovered deposits in short-term deposits, liquid, low-risk investments.

Employees' defined benefit liabilities

The cost of the defined benefit plan and the present value of the obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameter is the discount rate. In determining the appropriate discount rate, management considers the market yield on government-issued bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolates as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

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Notes to the Financial Statements
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5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

(Continued)

Estimates and assumptions (continued)

Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, these financial statements continue to be prepared on a going concern basis.

6. TERM DEPOSIT

	December 31, 2021 SR	December 31, 2020 SR
Term deposit (note a)	18,857,461	18,857,461
Less: provision for expected credit losses	-	(11,314,477)
	18,857,461	7,542,984
	December 31, 2021 SR	December 31, 2020 SR
Non-current portion	-	7,542,984
Current portion	18,857,461	-
	18,857,461	7,542,984

(a) Term deposit represents a deposit with BankMed SAL - Lebanon amounting to US dollars 5,028,656 equivalent to SR 18,857,461 maturing on December 20, 2022, and earning a rate of return of 4.25% per annum.

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

	2021 SR	2020 SR
Balance at the beginning of the year	11,314,477	2,819,787
Charge for the year	-	3,494,690
Reversal of ECL (Note 5)	(11,314,477)	-
Balance at the end of the year	-	11,314,477

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7. PROPERTY AND EQUIPMENT

	Leasehold improvements		Computers		Furniture and fixtures		Office equipment		Motor vehicles		Total	
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
Cost:												
As at January 1, 2020	1,539,775	989,857	684,274	470,326	557,199							4,241,431
As at December 31, 2020	1,539,775	989,857	684,274	470,326	557,199							4,241,431
As at December 31, 2021	1,539,775	989,857	684,274	470,326	557,199							4,241,431
Accumulated depreciation:												
As at January 1, 2020	1,529,372	722,796	648,980	467,120	525,154							3,893,422
Charge for the year	4,462	76,970	11,182	3,206	28,050							123,870
As at December 31, 2020	1,533,834	799,766	660,162	470,326	553,204							4,017,292
Charge for the year	2,856	76,001	3,452	-	3,995							86,304
As at December 31, 2021	1,536,690	875,767	663,614	470,326	557,199							4,103,596
Net book value:												
As at December 31, 2021	3,085	114,090	20,660	-	-							137,835
As at December 31, 2020	5,941	190,091	24,112	-	3,995							224,139

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8. INTANGIBLE ASSETS

	2021 SR	2020 SR
Cost:		
At the beginning of the year	1,048,350	1,048,350
At the end of the year	1,048,350	1,048,350
Accumulated amortization:		
At the beginning of the year	903,945	840,996
Charge for the year	62,231	62,949
At the end of the year	966,176	903,945
Net book value:		
At the end of the year	82,174	144,405

9. LEASES

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	2021 SR	2020 SR
At the beginning of the year	1,632,357	2,176,438
Depreciation for the year	(544,094)	(544,081)
At the end of the year	1,088,263	1,632,357

Set out below are the carrying amounts of the lease liability and the movements during the year:

	2021 SR	2020 SR
At the beginning of the year	1,687,488	2,212,704
Finance charge on lease liability	37,561	55,234
Payment during the year	(580,450)	(580,450)
At the end of the year	1,144,599	1,687,488
	2021 SR	2020 SR
Non-current portion	564,149	1,141,421
Current portion	580,450	546,067
	1,144,599	1,687,488

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10. CASH AND CASH EQUIVALENTS

	2021 SR	2020 SR
Demand deposit (note a)	104,477,737	104,591,412
Bank current accounts	196,765	338,918
Cash at banks	104,674,502	104,930,330
Less: provision for expected credit losses	(10,681)	(62,754,994)
	<u>104,663,821</u>	<u>42,175,346</u>
Cash on hand	3,028	12,848
	<u>104,666,849</u>	<u>42,188,194</u>

(a) Demand deposit is denominated in US Dollars and earns an average rate of return of 6% per annum (December 31, 2020: 6% per annum). The demand deposit is with BankMed SAL - Lebanon.

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

	2021 SR	2020 SR
Balance at the beginning of the year	62,754,994	6,793,153
Charge for the year	-	55,961,841
Reversal of ECL (Note 5)	(62,744,313)	-
Balance at the end of the year	<u>10,681</u>	<u>62,754,994</u>

11. ACCRUED INCOME, PREPAYMENTS, AND OTHER RECEIVABLES

	2021 SR	2020 SR
Prepaid expenses	325,960	410,681
Refundable deposit	92,178	92,178
Accrued commission income	20,036	20,035
Accrued asset management fee	-	51,000
Other receivables	319,859	132,283
	<u>758,033</u>	<u>706,177</u>

12. RELATED PARTIES' TRANSACTIONS AND BALANCES

Transactions with related parties are approved by senior management. Details of transactions with related parties during the year are as follows:

Related party	Nature of transaction	2021 SR	2020 SR
Parent Company			
BankMed SAL	Special commission income	6,366,799	6,150,479
	Custody charges	14,978	12,794
	Investment through FVTPL - sold	-	9,268,695
Affiliates			
MedFinance Holdings Ltd.	Investment through FVTPL - sold	-	10,244,457
	Investment held at amortized cost - sold	-	12,937,500
BankMed DIFC Branch	Investment held at amortized cost - sold	-	8,898,532
Managed Fund			
Med-SI Real Estate Development Fund II	Management fees	35,735	403,103

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12. RELATED PARTIES' TRANSACTIONS AND BALANCES (Continued)

Nature of transaction	2021 SR	2020 SR
Related party		
Board of Directors	266,667	600,000
Key management	1,125,000	1,125,000

In addition to the above, most of the routine banking transactions of the Company are carried out with BankMed SAL as follows:

	2021 SR	2020 SR
Demand deposit with BankMed SAL	104,477,737	104,591,412
Term deposit with BankMed SAL	18,857,461	18,857,461
Receivable from Med-SI Real Estate Development Fund II	-	51,000

13. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	2021 SR	2020 SR
At the beginning of the year	2,758,284	2,206,101
Current service cost	259,815	272,485
Interest cost	74,832	79,299
Paid during the year	(25,646)	(19,076)
Actuarial (gain) / loss	(137,501)	219,475
At the end of the year	2,929,784	2,758,284

The amount recognized in other comprehensive income is net of deferred tax amounting to SR 27,500 as at December 31, 2021 (December 31, 2020: SR 43,895).

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2021	2020
Discount rate	2.95%	2.75%
Rate of salary increases	2%	2%

All movements in the employees' defined benefit liabilities are recognized in profit or loss except for the remeasurement of actuarial loss (gain) which is recognized in other comprehensive income.

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the year while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	2021 SR	2020 SR
Increase in the discount rate of 1%	(323,637)	(322,397)
Decrease in the discount rate of 1%	381,055	383,155
Increase in rate of a salary increase of 1%	380,855	382,141
Decrease in rate of a salary increase of 1%	(329,390)	(327,517)

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14. PROVISION FOR INCOME TAX

The Company is owned by non-Saudi shareholders and hence is subject only to income tax. The income tax liability is calculated based on the income tax law issued by ZATCA.

Charge for the year

The significant components of taxable income attributable to foreign shareholders for the year which are subject to certain adjustments under the income tax regulations are payable as follows:

	2021 SR	2020 SR
Adjusted net income for the year	593,420	117,820
Taxable income of foreign shareholders	593,420	117,820
Estimated income tax at 20%	118,686	23,564

Movement in provision during the year

The movement in the provision for income tax is as follows:

	2021 SR	2020 SR
At the beginning of the year	23,564	648,067
Charge for the year	118,686	23,564
Payments during the year	(23,564)	(648,067)
At the end of the year	118,686	23,564

Status of assessments

The Company has filed its tax returns for all the years up to December 31, 2020, with ZATCA and has obtained final income tax certificate up to the year ended December 31, 2013, and provisional income tax certificates for the years from December 31, 2014, through December 31, 2020. However, the assessments have not yet been raised by the ZATCA.

15. DEFERRED TAX ASSETS

Deferred taxes are calculated on all temporary differences under the balance sheet liability method. The movement in the deferred tax account is as follows:

	2021 SR	2020 SR
At the beginning of the year	15,583,352	4,499,388
Amount recognized in profit or loss	(14,772,836)	11,040,069
Amount recognized in comprehensive income	(27,500)	43,895
At the end of the year	783,016	15,583,352

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15. DEFERRED TAX ASSETS (Continued)

Deferred tax assets relate to provisions for employees' defined benefit obligations, expected credit losses and accumulated depreciation on property and equipment. Management believes that future taxable profits will be available against which deferred tax assets can be realized. Deferred tax assets comprising temporary differences relate to:

	2021 SR	2020 SR
Property and equipment	194,922	217,803
Employees' defined benefit obligations	585,957	551,657
Provision for expected credit losses	2,137	14,813,892
	783,016	15,583,352

16. SHARE CAPITAL

The share capital of the Company amounting to SR 100,000,000 (December 31, 2020: SR 100,000,000) is divided into 10,000,000 shares of SR 10 each (December 31, 2020: 10,000,000 shares of SR 10 each).

17. STATUTORY RESERVE

In accordance with Saudi Arabian Companies' Law and the Company's By-Laws, the Company must set aside 10% of its annual net income after deducting accumulated losses brought forward each year until it has built up a reserve equal to 30% of the share capital.

18. GENERAL AND ADMINISTRATION EXPENSES

	2021 SR	2020 SR
Depreciation of right-of-use assets	544,094	544,081
Subscription fees	429,198	369,656
Professional and consulting services expenses	363,062	301,631
Board of Directors' remuneration	266,667	600,000
Maintenance expense	139,447	118,098
Attestation and government-related expenses	121,417	119,137
Depreciation of property and equipment	86,304	123,870
Travel expenses	86,165	149,559
Utilities	83,578	78,716
Amortization of intangible assets	62,231	62,949
Other expenses	119,476	137,278
	2,301,639	2,604,975

19. LOSS ON INVESTMENTS HELD AT FVTPL

During the year 2020, the Company disposed off its total unit holdings of Med Income Fund and Middle East Venture Fund to MedFinance Holdings Limited and BankMed SAL, respectively, at nil consideration accordingly, the Company recognized a loss on disposal amounting to SR 19,513,152 in the statement of profit or loss.

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20. LOSS ON DERECOGNITION OF INVESTMENTS HELD AT AMORTISED COST

- a) During the year 2020, the Company sold its investment in Cell C PTY LTD bonds to MedFinance Holdings Limited (a related party) at nil consideration and recorded a loss on disposal of SR 12,937,500.
- b) During the year 2020, the Company made partial redemption of its investment in “ABA SEC 1 MSF”, a Mutual Securitization Fund, amounting to SR 5,538,968. As at December 31, 2020, the Company had sold the remaining balance of the related investments to BankMed DIFC Branch (a related party) at nil consideration and recorded a loss on disposal of SR 8,898,532.

As a result of the above sales, the management reversed a previously recorded provision for expected credit losses on those two investments in the amount of SR 9,440,159.

21. FIDUCIARY ASSETS

Fiduciary assets comprise investments and funds managed by the Company on behalf of the clients.

Assets under management

This represents Med-SI Real Estate Development Fund II’s net assets managed by the Company amounting to SR 8,904,093 as at December 31, 2021 (December 31, 2020: SR 12,556,446). Assets of the fund are not recorded in the Company’s statement of financial position.

22. FINANCIAL INSTRUMENTS

Financial assets

	2021 SR	2020 SR
Financial assets at amortized cost		
Cash and cash equivalents	104,666,849	42,188,194
Term deposit	18,857,461	7,542,984
Accrued commission income and other receivables	432,073	295,496
	123,956,383	50,026,674
	2021 SR	2020 SR
Current financial liabilities		
Lease liability	580,450	546,067
Non-current financial liabilities		
Lease liability	564,149	1,141,421
Total financial liabilities	1,144,599	1,687,488

Fair values

On December 31, 2021, the fair values of the Company’s financial assets and financial liabilities approximate the carrying value.

Financial instruments risk management objectives and policies

The Company’s activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk, and special commission rate risk), credit risk, and liquidity risk. The Company’s overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Company’s financial performance.

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22. FINANCIAL INSTRUMENTS (Continued)

Financial instruments risk management objectives and policies (continued)

Market risk

Foreign currency risk

Currency risk is the risk that the value of a financial investment will fluctuate due to changes in foreign exchange rates. Management closely monitors the exchange rate fluctuations and believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals with US Dollars. The Company did not undertake significant transactions in foreign currencies other than US Dollars and since Saudi Riyal is currently on a fixed parity to the US Dollars, therefore the management believes that the Company does not have any significant exposure to currency risk.

Price risk

Price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices. The Company's investments are susceptible to market price risk arising from uncertainties about future prices. The Company manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration. As at the reporting date, the 1% movement in price would result in an increase/decrease amounting to nil (December 31, 2020: nil).

Special commission rate risk

The Company is subject to special commission rate risk on its special commission bearing demand deposits, term deposits, and lease liabilities. All of the special commission bearing assets and liabilities of the Company carry a fixed rate of the special commission and therefore, management believes that the Company is not exposed to any special commission rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which are potentially subject to the concentration of credit risk, consist principally of cash at the bank, term deposits, accrued income, and other receivables.

	2021 SR	2020 SR
Financial assets at amortized cost		
Cash and cash equivalents	104,666,849	42,188,194
Term deposit	18,857,461	7,542,984
Accrued commission income and other receivables	432,073	295,496
	123,956,383	50,026,674

The management has conducted a review of expected credit losses as required under IFRS 9 and based on such assessment, the management has recorded for the cash and cash equivalents, a provision for expected credit losses amounting to SR 10,681 (Note 10).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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22. FINANCIAL INSTRUMENTS (Continued)

Financial instruments risk management objectives and policies (continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

December 31, 2021	Within 3 months SR	3 months to 1 year SR	1 to 5 years SR	More than 5 years SR	Total SR
Lease liability	580,450	-	580,450	-	1,160,900
Trade payable	304,022	-	-	-	304,022
	<u>884,472</u>	<u>-</u>	<u>580,450</u>	<u>-</u>	<u>1,464,922</u>
December 31, 2020	Within 3 months SR	3 months to 1 year SR	1 to 5 years SR	More than 5 years SR	Total SR
Lease liability	580,450	-	1,160,900	-	1,741,350
Trade payable	231,151	-	-	-	231,151
	<u>811,601</u>	<u>-</u>	<u>1,160,900</u>	<u>-</u>	<u>1,972,501</u>

23. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Capital Market Authority (CMA) has issued Prudential Regulations (the "Rules") dated December 30, 2012 (corresponding to Safar 17, 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	2021 SR'000	2020 SR'000
Capital base:		
Tier I	120,915	46,456
Tier II	-	-
Total capital base (A)	<u>120,915</u>	<u>46,456</u>
Minimum capital requirement:		
Market risk	2,467	989
Credit risk	26,976	12,532
Operational risk	1,314	26,061
Total minimum capital requirement (B)	<u>30,757</u>	<u>39,582</u>
Surplus in the capital (C=A-B)	<u>90,158</u>	<u>6,874</u>
Capital adequacy (D=A/B)	<u>3.93</u>	<u>1.17</u>

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23. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO (Continued)

- A. The capital base of the Company is comprised of:
Tier 1 capital includes share capital, statutory reserve, and audited retained earnings (accumulated losses)
- B. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Rules issued by the CMA.
- C. The Company manages its capital base in light of Pillar I and Pillar II of the Rules issued by the CMA and the capital base should not be less than the minimum capital requirement.
- D. The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

24. EVENTS SUBSEQUENT TO THE REPORTING DATE

- * On February 17, 2022, the Company received a letter from the Capital Market Authority Council notifying it the suspension of all the licenses granted to the Company until it meets the capital adequacy requirements.
- * On April 14, 2022, the existing shareholders of the company signed a sale and purchase agreement (SPA) to sell 100% of the share capital of the Company to Gulf Islamic Investment LLC and GII Capital Ltd.

Except for the above, no events have occurred subsequent to the reporting date and before the issuance of these financial statements, which require adjustments to or disclosure in these financial statements.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on Ramadan 18, 1443H (April 19, 2022).