

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS FOR THE YEAR
ENDED DECEMBER 31, 2019 AND
INDEPENDENT AUDITOR'S REPORT**

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the shareholders

SaudiMed Investment Company

(A Saudi Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **SaudiMed Investment Company** (A Saudi Closed Joint Stock Company) ("the Company"), which comprise the statement of financial position as at December 31, 2019, 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 the notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, 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 Certified Public 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. 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.

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.

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 International Standards on Auditing endorsed in the Kingdom of Saudi Arabia 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.

Independent Auditor's report to the shareholders of SaudiMed Investment Company (Continued)**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

As part of an audit in accordance with International Standards on Auditing endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 disclosure 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 represents 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.

Deloitte and Touche & Co.
Chartered Accountants
P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia

Mutahhar Hamiduddin
(License No. 296)
Rajab 29, 1441H
March 24, 2020

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Notes	December 31, 2019 SR	December 31, 2018 SR
ASSETS			
Non-current assets			
Investments held at fair value through other comprehensive income	5	19,513,152	24,135,593
Investments held at amortized cost	6	14,053,591	26,504,106
Long term deposit	7	16,037,674	18,822,513
Property and equipment	8	348,009	477,562
Intangible assets	9	207,354	270,835
Deferred tax assets	10	4,499,388	758,433
Right-of-use assets	3	2,176,438	-
Total non-current assets		56,835,606	70,969,042
Current assets			
Cash and cash equivalents	11	92,217,400	95,647,135
Investments held at amortized cost	6	3,881,250	-
Accrued income, prepayments and other receivables	12	1,529,070	1,079,080
Total current assets		97,627,720	96,726,215
TOTAL ASSETS		154,463,326	167,695,257
EQUITY AND LIABILITIES			
Equity			
Share capital	17	100,000,000	100,000,000
Statutory reserve	18	7,615,017	7,615,017
Retained earnings		42,810,252	54,826,592
Investment revaluation reserve	5	(2,487,510)	1,635,593
Total equity		147,937,759	164,077,202
Non-current liabilities			
Employees defined benefit obligations	14	2,206,101	1,591,000
Lease liability – non-current portion	3	1,632,254	-
Total non-current liabilities		3,838,355	1,591,000
Current liabilities			
Accrued expenses and other payables	15	1,458,695	1,386,378
Provision for income tax	16	648,067	640,677
Lease liability – current portion	3	580,450	-
Total current liabilities		2,687,212	2,027,055
TOTAL LIABILITIES		6,525,567	3,618,055
TOTAL EQUITY AND LIABILITIES		154,463,326	167,695,257

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 DECEMBER 31, 2019

	Notes	December 31, 2019 SR	December 31, 2018 SR
OPERATING INCOME			
Special commission income	19	8,469,269	9,036,768
Asset management fees	13	3,275,835	8,000,000
Placement fees		187,500	281,250
Corporate advisory income		112,500	106,667
Total operating income		12,045,104	17,424,685
OPERATING EXPENSES			
Impairment loss on financial assets	6, 7, 11	17,963,647	96,660
Employees' salaries and related charges		5,657,667	7,044,542
General and administration expenses	20	1,967,051	1,401,826
Board of Directors' remuneration	13	600,000	600,000
Amortization of right-of-use assets		544,110	-
Depreciation of property and equipment	8	129,553	309,288
Amortization of intangible assets	9	63,481	63,480
Rent expense		41,667	615,450
Advisory fees		-	(9,951,233)
Total operating expenses		26,967,176	180,013
(LOSS) / INCOME FROM MAIN OPERATIONS		(14,922,072)	17,244,672
Other income, net	21	28,344	3,462
(Loss) / Profit before income tax		(14,893,728)	17,248,134
Income tax expense	16	(532,432)	(1,688,827)
Deferred tax	10	3,674,728	(1,774,972)
(LOSS) / PROFIT FOR THE YEAR		(11,751,432)	13,784,335
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Re-measurement of employees defined benefit obligations, net	10 , 14	(264,908)	155,200
Net change in fair value of investments held at FVTOCI	5	(4,123,103)	(3,638,363)
Other comprehensive loss		(4,388,011)	(3,483,163)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(16,139,443)	10,301,172
BASIC AND DILUTED EARNINGS PER SHARE:			
(Loss) / income for the year from main operations	22	(1.49)	1.72
Total comprehensive (loss) / income for the year	22	(1.61)	1.03

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, 2019

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Investment revaluation reserve SR	Total SR
Balance at January 1, 2018		100,000,000	6,240,463	42,261,611	5,273,956	153,776,030
Profit for the year		-	-	13,784,335	-	13,784,335
Other comprehensive income / (loss) for the year		-	-	155,200	(3,638,363)	(3,483,163)
Total comprehensive income for the year		-	-	13,939,535	(3,638,363)	10,301,172
Transfer to the statutory reserve	18	-	1,374,554	(1,374,554)	-	-
Balance at December 31, 2018		100,000,000	7,615,017	54,826,592	1,635,593	164,077,202
Loss for the year		-	-	(11,751,432)	-	(11,751,432)
Other comprehensive loss for the year		-	-	(264,908)	(4,123,103)	(4,388,011)
Total comprehensive loss for the year		-	-	(12,016,340)	(4,123,103)	(16,139,443)
Balance at December 31, 2019		100,000,000	7,615,017	42,810,252	(2,487,510)	147,937,759

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, 2019

	Notes	December 31, 2019 SR	December 31, 2018 SR
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit before income tax		(14,893,728)	17,248,134
<i>Adjustments for:</i>			
Amortization of right-of-use assets		544,110	-
Interest cost		72,606	-
Depreciation of property and equipment	8	129,553	309,288
Amortization of intangible assets	9	63,481	63,480
Employees defined benefit obligations	14	321,106	300,780
Impairment losses on financial assets	6, 7, 11	17,963,647	96,660
Operating cash flows before movements in working capital		4,200,775	18,018,342
<i>Movements in working capital:</i>			
Accrued income, prepayments and other receivables		(449,990)	394,945
Accrued expenses and other payables		72,317	(10,084,045)
Cash generated from operations		3,823,102	8,329,242
Income tax paid	16	(525,042)	(2,054,418)
Employees defined benefits paid	14	(37,140)	(346,780)
Net cash generated from operating activities		3,260,920	5,928,044
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of capital on investment held at FVOCI	5	499,338	-
Proceeds from sale of investments held at amortized cost	6	-	2,812,500
Purchase of investments held at amortized cost	6	-	(14,437,500)
Net cash generated from / (used in) investing activities		499,338	(11,625,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal repayment of lease liability		(580,450)	-
Net cash used in financing activities		(580,450)	-
Net change in cash and cash equivalents		3,179,808	(5,696,956)
Cash and cash equivalents at the beginning of the year	11	95,647,135	101,527,690
Expected credit loss impact on cash and cash equivalents	11	(6,609,543)	(183,599)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	92,217,400	95,647,135
<i>Supplemental non-cash information:</i>			
Actuarial re-measurement of employee benefit obligations	14	331,135	(194,000)
Adjustment on opening retained earnings on adoption of IFRS 9		-	992,781
Net change in fair value of investments held at FVTOCI	5	4,123,103	3,638,363

The accompanying notes form an integral part of these financial statements

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 17 June 2007).

The Company operates in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010243382 on 19 Muharram 1429H (corresponding to 28 January 2007).

The principal activities of the Company are trading as principal, agent and underwriting, managing investment funds and arranging, providing advisory and safekeeping services relating to financial papers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”), collectively hereafter referred to as “IFRS”.

Historical cost convention

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values and employee defined benefit obligations which have been actuarially valued as explained in the accounting policies below. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

(a) Reporting currency

These financial statements are presented in Saudi Riyals (“SR”) which is the functional currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income.

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.

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”).

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 period. 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 at 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. 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; or

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

- 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 investments 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 clearly represent a recovery of part of the cost of the investment.

On adoption of IFRS 9, the available for sale equity investments were classified to financial assets at FVTOCI.

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 not designated any debt instruments as at FVTPL.

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 amounts due from banks and customers. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since 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.

SAUDIMED INVESTMENT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

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.

SAUDIMED INVESTMENT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 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 contract, 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. 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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Measurement and recognition of expected credit losses (continued)

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 month 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.

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 investments 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 investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

SAUDIMED INVESTMENT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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 liability is recognized in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities at FVTPL (Continued)

Changes in fair value attributable to a financial liability's credit risk that are 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 a financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank current accounts, 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 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 amortised cost using the Effective Profit Rate (EPR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in special commission income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method to allocate the costs of the related assets over the estimated useful lives as shown in note 8.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

An item of property and equipment and any significant part initially recognised is derecognised 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 derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end with any changes recognised on a prospective basis.

Intangible assets

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.

The Company applies an annual rate of amortization over 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 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.

Income tax

The Company is subject to the Regulations of the General Authority of Zakat and Income Tax (“GAZT”) in the Kingdom of Saudi Arabia. Income tax are 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 it is probable that taxable profits will 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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 the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Accounts payable and accrued expenses

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

Impairment of non-financial assets

The Company assesses at the audit of each reporting period whether there is any indication that non-financial assets may be impaired.

Non-financial assets other than goodwill, if any, are tested for impairment when events or change in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amount, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units 'CGU'). Recoverable amount is the higher for which of an asset's fair value less cost of disposals and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management. When the carrying amount of an assets or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Such impairment loss is recognized in the statement of profit or loss in the period it has occurred.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exists or may have decreased. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the statement of profit or loss. Impairment losses on goodwill, if any, are not reversible.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Employees defined benefit obligations

Employees defined benefit obligations 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 the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's articles of association, the Company is required to allocate 10% of its net income each year to a statutory reserve. The Company may discontinue such transfers when such reserve reaches minimum of 30% of its share capital. Such reserve is not subject to dividend distribution.

Revenue recognition

IFRS 15 requires the Company to recognize revenue from contracts with customers based on a five-step model as follows:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

The Company recognises 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.

The Company recognizes revenue from the following major sources:

Asset management fees

Asset management fees are recognised on an accrual basis as services are provided. Such services are recognized over a period of time.

Special commission income

Special commission income is recognised 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 recognised when services are performed in accordance with the contract terms.

The adoption of IFRS 15 revenue from contracts with customers has not had any impact on the amounts reported in the financial statements but has resulted in increased disclosure.

Earnings per share

The Company presents basic and diluted (if any) earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held (if any). Diluted EPS, if any, is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

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.

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 the 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 the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

New and amended standards adopted by the Company

IFRS 16 ‘Leases’ was effective starting January 1, 2019 where the standard replaces the existing guidance on leases, including IAS 17 ‘Leases’, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions that takes the Legal Form of a Lease contract”.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Company’s statement of financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for Lessees.

For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life of the leased assets.

The Company has applied IFRS 16, using the modified retrospective method, with the result that the comparative amounts are not restated and that the lease liability as at January 1, 2019 (the date of transition) is calculated as the present value of the outstanding rentals due under the remaining term of the lease, discounted using the Company’s incremental borrowing rate as at the date of the transition. The equal and opposite side of the lease liability calculated like this, is the right-of-use (“RoU”) asset. Therefore, there is no adjustment against opening retained earnings as at the transition date.

IFRS 16 transition disclosures also require the Company to present the reconciliation. The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognized lease liabilities as of January 1, 2019:

	<u>Saudi riyals</u>
Off-balance sheet lease obligations as of December 31, 2018	1,160,900
Less: short term leases recognized on a straight line basis as an expense	-
Less: low value leases recognized on a straight line basis as an expense	-
Add: amounts for reasonably certain extension options	1,741,350
Net lease liability recognized as at January 1, 2019	<u>2,902,250</u>
Discounted lease liability due to initial application of IFRS 16 as of January 1, 2019	2,720,548
Less: payments made during the year ended December 31, 2019	(580,450)
Add: finance cost on lease for the year ended December 31, 2019	72,606
Lease liability as of December 31, 2019	<u>2,212,704</u>

Right-of use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Movement for right-of-use assets as follows:

Right-of-use assets due to initial application of IFRS 16 as of January 1, 2019	2,720,548
Less: amortization of right-of-use during the year ended December 31, 2019	(544,110)
Right-of-use assets as of December 31, 2019	<u>2,176,438</u>

SAUDIMED INVESTMENT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

New and amended standards adopted by the Company (Continued)

Maturity Analysis of Lease Liabilities

The following table represents lease liabilities analysed according to their earliest contractual maturity:

December 31, 2019	On demand	Less than 1 year	Equal to or more than 1 year but less than 5 years	Total
Lease liabilities	-	580,450	1,741,350	2,321,800

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Company uses incremental borrowing rate as a discount factor to compute the present value of lease liability.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Company has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

Revised IFRS's

Effective for annual periods beginning on or after January 1, 2019

- Amendments to IFRS 9: *Prepayment Features with Negative Compensation*.
- Amendments to IAS 28: "Investment in Associates and Joint Ventures": *Relating to long-term interests in associates and joint ventures*.
- Annual Improvements to IFRSs 2015-2017 Cycle: *Amendments to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs"*.
- Amendments to IAS 19: *"Employee Benefits Plan Amendment, Curtailment or Settlement"*.
- IFRIC 23: *"Uncertainty over Income Tax Treatments"*

The above standards, amendments or interpretations did not have a material impact on the financial statements of the Company.

New and revised standards and interpretations not yet effective

Effective for annual periods beginning after January 1, 2020

- Amendments regarding the definition of material.
- Amendments to clarify the definition of a business.
- IFRS 17: *"Insurance Contracts"*
- Amendments to IFRS 10 *"Consolidated Financial Statements"* and IAS 28 *"Investments in Associates and Joint Ventures (2011)"* relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.
- Amendments to IFRSs 2, 3, 6, 14 and IASs 1, 8, 34, 37, 38 and IFRICs 12, 19, 20, 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.
- Amendments to IFRS 7 *"Financial Instruments: Disclosures and IFRS 9 — Financial Instruments"* regarding pre-replacement issues in the context of the IBOR reform.

The Company does not expect that the above standards, amendments or interpretations will have a material effect on its financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Critical accounting judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (refer to note 4.2 below), that the management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the 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, the financial statements continue to be prepared on the going concern basis.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.2 Key sources of estimation uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Useful lives of property and equipment and intangible assets

The Company's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

Assumptions used to assess impairment of non-current assets.

Determining whether a non-current asset is impaired requires an estimation of the value in use of the non-current asset or the cash generating unit where the non-current asset belongs. The value in use calculation requires the management to estimate the future cash flows expected to arise from the non-current asset or the cash generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Assumptions used to determine the actuarial value of the employees defined benefit obligations

The Company makes various estimates in determining the actuarial value of the employees defined benefit obligations. These estimates are disclosed in note 14.

5. INVESTMENTS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2019 SR	December 31, 2018 SR
<i>Investment in:</i>		
Med Income Fund	10,244,457	14,965,669
Middle East Venture Fund	9,268,695	9,169,924
	19,513,152	24,135,593

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

5. INVESTMENTS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
(Continued)

	December 31, 2019	December 31, 2018
	SR	SR
Cost:		
At beginning of the year	22,500,000	22,500,000
Redemption of capital during the year	(499,338)	-
Cost at end of the year	22,000,662	22,500,000
Valuation adjustment:		
At beginning of the year	1,635,593	5,273,956
Change in fair value	(4,123,103)	(3,638,363)
At end of the year	(2,487,510)	1,635,593
Net investments at end of the year	19,513,152	24,135,593

6. INVESTMENTS HELD AT AMORTIZED COST

	December 31, 2019	December 31, 2018
	SR	SR
<i>Investment in:</i>		
Cell C PTY LTD Bonds (note b)	12,937,500	12,937,500
Less: Expected Credit Loss provision (note a)	(9,056,250)	(497,809)
	3,881,250	12,439,691
Fixed rate notes issued by Mutual Securitization Fund ABA SEC 1 MSF (note c)	14,437,500	14,437,500
Less: Expected Credit Loss provision (note a)	(383,909)	(373,085)
	14,053,591	14,064,415
Total	17,934,841	26,504,106

(a)

	Investments held at amortized cost		
December 31, 2019	Non- Investment grade	Unrated	Total
Credit exposure	12,937,500	14,437,500	27,375,000
Provision for credit losses	(9,056,250)	(383,909)	(9,440,159)
Net amount			17,934,841
	Investments held at amortized cost		
December 31, 2018	Non- Investment grade	Unrated	Total
Credit exposure	12,937,500	14,437,500	27,375,000
Provision for credit losses	(497,809)	(373,085)	(870,894)
Net amount			26,504,106

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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6. INVESTMENTS HELD AT AMORTIZED COST (Continued)

- (b) During 2015, the Company purchased Cell C Euro bonds amounting to SR 30,937,500 (EUR 7.5 million) through Bankmed – Lebanon (the “Parent Company”), which are classified as held to maturity investment as the Company has clear intention and ability to hold the investment till its maturity date. Bankmed – Lebanon had confirmed to the Company that the foreign exchange fluctuation relating to the principal element of this bond would be borne by them and therefore the investment for the Company was effectively denominated in US Dollar using a fixed exchange rate of 1 Euro to 1.1 US Dollar.

On 30 December 2016, the Issuer of Cell C Euro Bonds (the “Issuer”) sent a notice to its bondholders indicating that it would not be able to make the bi-annual interest payment due on 1 January 2018. The notice also indicated that the Issuer was in the process of preparing a recapitalization plan to be negotiated with its creditors, and invited all the holders of the Cell C Notes to appoint a representative to participate in the negotiations. Subsequently, the Issuer communicated the revised term sheet to its bondholders in pursuance of finalizing a restructuring plan, whereby the current Cell C Notes would be replaced with two new notes issued by the Issuer partly directly and partly through a special purpose vehicle.

Subsequently during 2017, the Issuer announced that it signed a Restructuring Agreement with its key lenders, majority bondholders and new equity investors while indicating that the closing of the agreement was subject to execution of detailed formal agreements and requisite regulatory approvals which were expected later in 2017.

Based on the above information, management of the Company carried out an assessment of the likely impairment against the carrying value of such investment, as at 31 December 2016, taking into account the information available at the date of such assessment about the restructuring plan and the available market quotes of the investment (though there is no active trading in these investments). As a result of such assessment, management suspended the interest income for the six month period ended 31 December 2016 amounting to SR 1,264 thousand and made an impairment provision amounting to SR 4,525 thousand against the carrying value of the investment as at 31 December 2016.

Subsequently, during 2017 based on the progress on such restructuring plan, management decided to reverse the impairment loss recorded in the books during 2016.

On 11 August 2017, the restructuring plan was concluded and the Company obtained the following in exchange of its investment in Cell C Euro bonds:

- An 8.625% Cell C PTY LTD bonds maturing on 2 August 2020 amounting to SR 12,937 thousand.
- An 8.625% Cedar Cellular Investment bonds maturing on 2 August 2020 amounting to SR 19,677 thousand.
- An interest payment of SR 2,859 thousand including the suspended interest of 2016 and covering the period from January 1, 2017 till the date of conclusion of the restructuring.
- An agreement to make a payment amounting to SR 404 thousand to be settled after 6 months from the date the restructuring was concluded.

Further, on 27 September 2017, a partial redemption of SR 819 thousand was made against Cedar Cellular Investment bonds, and on 20 December 2017, the Company sold the remaining unredeemed Cedar Cellular Investment bonds to Bankmed (the “Parent Company”) at the face value of SR 18,857 thousand. As part of the sale agreement it was agreed that the sale proceeds would be deposited in a blocked account with Bankmed (long term time deposit) earning 4.25% per annum and maturing on 20 December 2022.

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6. INVESTMENTS HELD AT AMORTIZED COST (Continued)

Cell C PTY LTD bond has a non-investment grade rating of D from S&P (2018: B- from S&P). During the year ended December 31, 2019, Cell C PTY LTD defaulted on its interest payment due on December 1, 2019. Accordingly, the Company suspended the interest income not received and recorded 70% provision on the exposure based on the Company's ECL methodology.

- (c) In 2018, SaudiMed made an investment in a Mutual Securitization Fund "ABA SEC 1 MSF" through subscribing in 77 Class A asset backed fixed rate notes of USD 50,000 SR 187,000 each (USD 3,850,000 equivalent to SR 14,437,500). These notes were issued at an annual interest rate of 8% and mature on June 30, 2027. The Company has a clear intention and ability to hold the above investment till its maturity.

7. LONG TERM DEPOSIT

	December 31, 2019 SR	December 31, 2018 SR
Long term deposit (note a)	18,857,461	18,857,461
Less: Provision for credit losses	(2,819,787)	(34,948)
	<u>16,037,674</u>	<u>18,822,513</u>

- (a) Long term deposit at December 31, 2019 represents a deposit with Bankmed (the "Parent Company") amounting to SR 18,857,461 maturing on December 20, 2022 and earning a rate of return of 4.25% per annum.
- (b) The credit quality of long-term deposit is managed using data from reputable external credit rating agencies. The S&P rating for this exposure is a non-investment grade of CCC for 2019 (2018: B-).

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8. PROPERTY AND EQUIPMENT

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	Motor vehicles	4 years
Furniture and fixtures	10 years		

	Leasehold improvements SR	Computers SR	Furniture and fixtures SR	Office equipment SR	Motor vehicles SR	Total 2019 SR
Cost:						
At January 1, 2019	1,539,775	989,857	684,274	470,326	557,199	4,241,431
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At December 31, 2019	<u>1,539,775</u>	<u>989,857</u>	<u>684,274</u>	<u>470,326</u>	<u>557,199</u>	<u>4,241,431</u>
Accumulated depreciation:						
At January 1, 2019	1,524,308	666,305	635,874	440,278	497,104	3,763,869
Depreciation charge for the year	5,064	56,491	13,106	26,842	28,050	129,553
At December 31, 2019	<u>1,529,372</u>	<u>722,796</u>	<u>648,980</u>	<u>467,120</u>	<u>525,154</u>	<u>3,893,422</u>
Net book value						
At December 31, 2019	<u>10,403</u>	<u>267,061</u>	<u>35,294</u>	<u>3,206</u>	<u>32,045</u>	<u>348,009</u>
At January 1, 2019	<u>15,467</u>	<u>323,552</u>	<u>48,400</u>	<u>30,048</u>	<u>60,095</u>	<u>477,562</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

8. PROPERTY AND EQUIPMENT (Continued)

	Leasehold improvements SR	Computers SR	Furniture and fixtures SR	Office equipment SR	Motor vehicles SR	Total 2018 SR
Cost:						
At January 1, 2018	1,539,775	989,857	684,274	470,326	557,199	4,241,431
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At December 31, 2018	1,539,775	989,857	684,274	470,326	557,199	4,241,431
Accumulated depreciation:						
At January 1, 2018	1,443,868	584,070	594,431	415,853	416,359	3,454,581
Depreciation charge for the year	80,440	82,235	41,443	24,425	80,745	309,288
At December 31, 2018	1,524,308	666,305	635,874	440,278	497,104	3,763,869
Net book value						
At December 31, 2018	15,467	323,552	48,400	30,048	60,095	477,562
At January 1, 2018	95,907	405,787	89,843	54,473	140,840	786,850

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

9. INTANGIBLE ASSETS

Intangible assets comprise of computer software. The cost of intangible assets is amortised on a straight-line basis over the estimated useful life of 8 years.

	December 31, 2019 SR	December 31, 2018 SR
Cost:		
Balance at the beginning of the year	1,048,350	1,048,350
Additions	-	-
At end of the year	1,048,350	1,048,350
Accumulated amortisation:		
Balance at the beginning of the year	777,515	714,035
Amortization charge for the year	63,481	63,480
At end of the year	840,996	777,515
Net book value:		
At end of the year	207,354	270,835

10. 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:

	December 31, 2019 SR	December 31, 2018 SR
Opening balance	758,433	2,572,205
Amount recognized in the statement of profit or loss	3,674,728	(1,774,972)
Amount recognized in the other comprehensive income	66,227	(38,800)
Closing balance	4,499,388	758,433

Deferred tax assets relate to provisions and accumulated depreciation. Management believes that future taxable profits will be available against which deferred tax asset can be realized. Asset for deferred taxation comprising temporary differences related to:

	December 31, 2019 SR	December 31, 2018 SR
Property and equipment	247,550	222,345
Employee defined benefit obligations	441,220	318,200
Provision for expected credit losses	3,810,618	217,888
	4,499,388	758,433

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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10. DEFERRED TAX ASSETS (Continued)

	2019		2018	
	Deferred tax asset SR	Profit or loss SR	Deferred tax asset SR	Profit or loss SR
Temporary differences arising in net book value of property and equipment	25,205	(25,205)	6,586	(6,586)
Temporary differences arising in net defined benefit obligation	123,020	(56,793)	(48,000)	9,200
Temporary differences arising in provisions for expected credit losses	3,592,730	(3,592,730)	(1,772,358)	1,772,358
	3,740,955	(3,674,728)	(1,813,772)	1,774,972

11. CASH AND CASH EQUIVALENTS

	December 31, 2019 SR	December 31, 2018 SR
Demand deposit (note a)	98,633,059	95,560,450
Bank current accounts	360,857	254,297
Cash at bank	98,993,916	95,814,747
Less: Expected Credit Loss	(6,793,143)	(183,600)
	92,200,773	95,631,147
Cash in hand	16,627	15,988
	92,217,400	95,647,135

Bank current accounts and demand deposit are placed with reputed banks who have good credit ratings with limited credit risk.

(a) Demand deposit earns an average rate of return of 6% per annum (2018: 6% per annum). The demand deposit is with Bankmed (the "Parent Company") (see note 7b).

12. ACCRUED INCOME, PREPAYMENTS AND OTHER RECEIVABLES

	December 31, 2019 SR	December 31, 2018 SR
Accrued commission income	334,398	436,879
Prepaid expenses	416,757	231,863
Accrued asset management fee (Note 13)	572,626	215,866
Refundable deposit	92,178	87,178
Other assets	113,111	107,294
	1,529,070	1,079,080

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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13. RELATED PARTY TRANSACTIONS AND BALANCES

Following are the significant transactions with related parties during the year:

<u>Related party</u>	<u>Nature of transactions</u>	December 31, 2019 SR	December 31, 2018 SR
<i>Parent Company</i>			
Bankmed – Lebanon	Special commission income	6,058,534	6,057,219
	Custody charges	26,594	19,514
<i>Managed Fund</i>			
Med-SI Real Estate Development Fund II	Management fees	3,275,835	8,000,000
<i>Board of Directors</i>			
	Board of Directors' remuneration	600,000	600,000
<i>Key management</i>			
	Key management compensation	1,125,000	1,552,500

In addition to the above, most of the routine banking transactions of the Company are carried out with Bankmed (the "Parent Company"). Demand deposits at the end of the reporting period with Bankmed amounted to SR 98,633,059 (2018: SR 95,560,450) and are included under cash and cash equivalents (note 11). Long term deposit at the end of the reporting period with Bankmed is SR 18,857,461 (2018: SR 18,857,461). As at December 31, 2019, the Company had a receivable from Med-SI Real Estate Development Fund II amounting to SR 572,626 (2018: Nil).

14. EMPLOYEES DEFINED BENEFIT OBLIGATIONS

	December 31, 2019 SR	December 31, 2018 SR
Balance at the beginning of the year	1,591,000	1,831,000
Current service cost	243,559	228,780
Interest cost	77,547	72,000
Paid during the year	(37,140)	(346,780)
Actuarial loss / (gain)	331,135	(194,000)
Balance at the end of the year	2,206,101	1,591,000

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:

	December 31, 2019	December 31, 2018
Discount rate	3.60%	4.90%
Rate of salary increases	2%	2%

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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14. EMPLOYEES DEFINED BENEFIT OBLIGATIONS (Continued)

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 reporting period, 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.

	December 31, 2019	December 31, 2018
Increase in discount rate of 1 %	1,948,000	1,412,000
Decrease in discount rate of 1 %	2,513,000	1,803,000
Increase in rate of salary increase of 1 %	2,515,000	1,808,000
Decrease in rate of salary increase of 1 %	1,942,000	1,406,000

15. ACCRUED EXPENSES AND OTHER PAYABLES

	December 31, 2019	December 31, 2018
	SR	SR
Accrued employee bonuses	1,105,650	1,105,650
Accounts payable	343,735	248,149
Accrued expenses	9,310	32,579
	1,458,695	1,386,378

16. PROVISION FOR INCOME TAX

The company is owned by Non-Saudi partners, and hence is subject only to income tax. The income tax liability is calculated on the basis of the income tax law issued by General Authority of Zakat and Tax (GAZT).

Components of taxable income

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

	December 31, 2019	December 31, 2018
	SR	SR
Adjusted net income for the year	3,654,940	8,444,135
Taxable income of foreign shareholders	3,654,940	8,444,135
Estimated income tax at 20%	730,988	1,688,827

The movement in the provision for zakat and income tax for the year ended 31 December 2019 is as follows:

	Income tax SR	Total SR
Balance at beginning of the year	640,677	640,677
Charge for the year	730,988	730,988
Over provision for pervious year	(198,556)	(198,556)
Payments during the year	(525,042)	(525,042)
Balance at end of the year	648,067	648,067

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16. PROVISION FOR INCOME TAX (Continued)

The movement in the provision for zakat and income tax for the year ended 31 December 2018 is as follows:

	Income tax SR	Total SR
Balance at beginning of the year	1,006,268	1,006,268
Charge for the year	1,688,827	1,688,827
Payments during the year	(2,054,418)	(2,054,418)
Balance at end of the year	<u>640,677</u>	<u>640,677</u>

Status of assessments

The Company has filed its zakat and tax returns for all the years up to December 31, 2018 and has obtained final zakat and income tax certificate up to the year ended December 31, 2013 and provisional zakat and income tax certificates for the years from December 31, 2014 through December 31, 2018.

17. SHARE CAPITAL

The share capital of the Company, amounting to SR 100,000,000, is divided into 10,000,000 shares of SR 10 each (2018: 10,000,000 shares of SR 10 each).

18. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia and the Company's by-laws, the Company has established a statutory reserve to which it appropriates 10% of net income until the reserve would equal 30% of the share capital. This reserve is not available for dividend distribution.

19. SPECIAL COMMISSION INCOME

	December 31, 2019 SR	December 31, 2018 SR
Special commission income from:		
- demand deposits	5,313,059	5,301,526
- investments held at amortized cost	1,465,446	1,948,299
- investments held at FVTOCI	945,289	1,031,250
- time deposits	745,475	755,693
	<u>8,469,269</u>	<u>9,036,768</u>

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20. GENERAL AND ADMINISTRATION EXPENSES

	December 31, 2019 SR	December 31, 2018 SR
Travel expenses	322,443	369,769
Subscription fees	279,042	319,745
Professional and consulting services expenses	269,386	262,718
Maintenance expense	355,957	104,956
Attestation and government related expenses	146,913	123,595
Utilities	89,756	94,374
Withholding tax	22,535	1,876
Other expenses	481,019	124,793
	<u>1,967,051</u>	<u>1,401,826</u>

21. OTHER INCOME, NET

	December 31, 2019 SR	December 31, 2018 SR
Commission income	36,084	5,884
Currency exchange differences, net	(7,740)	(5,125)
Other	-	2,703
	<u>28,344</u>	<u>3,462</u>

22. EARNINGS PER SHARE

Earnings per share attributable to income from main operation and net income for the year is calculated by dividing results from main operations and net income for the year, respectively, by the weighted average number of shares outstanding during the year.

Weighted average number of shares outstanding during 2019 were 10 million (2018: 10 million).

23. SEGMENT INFORMATION

The Company operates solely in the Kingdom of Saudi Arabia. For management purposes, the Company is organized into business units based on services provided and has the following reportable segments:

Investment banking services

Investment banking provides corporate finance advisory, private placements, public offerings of equity and debt securities, trade sales, mergers, acquisitions, divestitures, spin-offs, syndications and structured products as well as managing proprietary investments.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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23. SEGMENT INFORMATION (Continued)

Corporate

Corporate manages future corporate development and controls all treasury related functions. It also comprises strategy and business development, legal and compliance, finance, operations, human resources and client relation management.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and loss.

December 31, 2019	Investment banking services SR	Corporate SR	Total SR
Total operating income	5,986,570	6,058,534	12,045,104
Expenses			
Employees' salaries and related charges	2,811,933	2,845,734	5,657,667
Rent expense	20,709	20,958	41,667
Depreciation and amortisation	95,940	97,094	193,034
Amortization of right of use assets	270,430	273,680	544,110
Board of Directors' remuneration	298,208	301,792	600,000
Impairment loss on financial assets	8,928,161	9,035,486	17,963,647
General and administration expenses	977,649	989,402	1,967,051
Total operating expenses	13,403,030	13,564,146	26,967,176
Loss from main operations	(7,416,460)	(7,505,612)	(14,922,072)
Other income / (expense) net	36,084	(7,740)	28,344
Loss before income tax	(7,380,376)	(7,513,352)	(14,893,728)
Income tax expense	(264,625)	(267,807)	(532,432)
Deferred tax	1,826,387	1,848,341	3,674,728
Loss for the year	(5,818,614)	(5,932,818)	(11,751,432)
Total assets	44,211,246	110,252,080	154,463,326
Total liabilities	4,356,252	2,169,315	6,525,567

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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23. SEGMENT INFORMATION (Continued)

December 31, 2018	Investment banking services SR	Corporate SR	Total SR
Total operating income	11,367,466	6,057,219	17,424,685
Expenses			
Employees' salaries and related charges	4,595,698	2,448,844	7,044,542
Advisory fees	(9,951,233)	-	(9,951,233)
Rent expense	401,506	213,944	615,450
Depreciation and amortisation	243,185	129,583	372,768
Board of Directors' remuneration	391,426	208,574	600,000
Expected credit loss provision	63,059	33,601	96,660
General and administration expenses	914,519	487,307	1,401,826
Total operating expenses	(3,341,840)	3,521,853	180,013
Income from main operations	14,709,306	2,535,366	17,244,672
Other income / (expense) net	8,587	(5,125)	3,462
Profit before income tax	14,717,893	2,530,241	17,248,134
Income tax expense (Deferred tax asset impact)	(1,157,951)	(617,021)	(1,774,972)
Income tax expense	(1,101,752)	(587,075)	(1,688,827)
Profit for the year	12,458,190	1,326,145	13,784,335
Total assets	52,719,431	114,975,826	167,695,257
Total liabilities	2,360,336	1,257,719	3,618,055

24. FIDUCIARY ASSETS

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

Investments

The market value of the investments held by the Company in a fiduciary capacity at December 31, 2019 amounted to SR 8.621 million including cash balance of SR 1.053 million (December 31, 2018: SR 49.079 million including cash balance of SR 13.625 million). Such assets are not recorded in the Company's statement of financial position.

Assets under management

This represents the real estate development fund's net assets managed by the Company having a net asset value of SR 121,788,917 as at December 31, 2019 (December 31, 2018: SR 757,755,817). Assets of such fund are not recorded in the Company's statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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25. FINANCIAL INSTRUMENTS

Capital management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Company's overall strategy remains unchanged from the previous year.

The capital structure of the Company consists of equity comprising share capital, the investment revaluation reserve, retained earnings and the statutory reserve.

Categories of financial instruments

	December 31, 2019	December 31, 2018
<i>Financial assets through other comprehensive Income</i>		
Investments	19,513,152	24,135,593
<i>Financial assets at amortized cost</i>		
Cash and cash equivalents	92,217,400	95,647,135
Accrued income and other receivables	1,112,313	847,217
Investments	17,934,841	26,504,106
Deferred tax asset	4,499,388	758,433
Long term deposit	16,037,674	18,822,513
<i>Financial liabilities at amortized cost</i>		
Accrued expenses and other payables	1,458,695	1,386,378

Financial risk management objectives

The Company's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value risk, and 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.

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 concentration of credit risk, consist principally of cash at bank, accrued income and other receivables and investments.

Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

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25. FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Carrying amount				Fair Value Level			
	FVTPL SR	FVTOCI SR	Amortized cost SR	Total SR	1	2	3	Total
December 31, 2019								
Cash and cash equivalents	-	-	92,217,400	92,217,400	92,217,400	-	-	92,217,400
Investments	-	19,513,152	17,934,841	37,447,993	-	37,447,993	-	37,447,993
December 31, 2018								
Cash and cash equivalents	-	-	95,647,135	95,647,135	95,647,135	-	-	95,647,135
Investments	-	24,135,593	26,504,106	50,639,699	-	50,639,699	-	50,639,699

Foreign exchange risk

Currency risk is the risk that the value of a financial investment will fluctuate due to change 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.

Special commission rate risk

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

SAUDIMED INVESTMENT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

25. FINANCIAL INSTRUMENTS (Continued)

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled:

	2019				2018			
	No fixed maturity SR	Less than 12 months SR	More than 12 months SR	Total SR	No fixed maturity SR	Less than 12 months SR	More than 12 months SR	Total SR
Cash and cash equivalents	92,217,400	-	-	92,217,400	95,647,135	-	-	95,647,135
Accrued income and other receivables	-	1,112,313	-	1,112,313	-	847,217	-	847,217
Investments held at amortized cost	-	3,881,250	14,053,591	17,934,841	-	-	26,504,106	26,504,106
Investments held at FVTOCI	19,513,152	-	-	19,513,152	24,135,593	-	-	24,135,593
Deferred tax asset	-	4,499,388	-	4,499,388	-	758,433	-	758,433
Long term deposit	-	-	16,037,674	16,037,674	-	-	18,822,513	18,822,513
Financial assets	111,730,552	9,492,951	30,091,265	151,314,768	119,782,728	1,605,650	45,326,619	166,714,997
Accrued expenses and other payables	-	1,458,695	-	1,458,695	-	1,386,378	-	1,386,378
Financial liabilities	-	1,458,695	-	1,458,695	-	1,386,378	-	1,386,378
<i>Net</i>	111,730,552	8,034,256	30,091,265	149,856,073	119,782,728	219,272	45,326,619	165,328,619

Market price risk

Market 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.

SAUDIMED INVESTMENT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

26. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The capital base, minimum capital requirement and capital adequacy ratio of the Company as per the CMA's Prudential Rules are as follows:

	2019	2018
	SR 000's	SR 000's
Capital Base:		
Tier 1 Capital	143,232	161,412
Tier 2 Capital	-	1,636
Total Capital Base	143,232	163,048
Minimum Capital Requirement:		
Market risk	2,552	3,021
Credit risk	107,112	106,667
Operational risk	6,741	3,081
Total minimum capital required (see note (d) below)	116,405	112,769
Capital Adequacy Ratio:		
Total Capital Ratio (times)	1.23	1.45
Tier 1 Capital Ratio (times)	1.23	1.43
Surplus in the capital	26,827	50,279

- a) The capital base consists of Tier 1 capital (which includes share capital, statutory reserve and audited retained earnings) and Tier 2 capital (which include available for sale investment valuation reserve). The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.
- b) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules and the capital base should not be less than the minimum capital requirement.
- c) 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.
- d) The minimum capital required as per Article 6 (g) of the Authorised Persons regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in respect of the licensed activities of the Company is SR 50 million.

27. EVENTS SUBSEQUENT TO THE REPORTING DATE

No events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on **Rajab 7, 1440H (corresponding to March 14, 2019)**.