

**SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS FOR THE YEAR
ENDED DECEMBER 31, 2018 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, 2018

INDEX	PAGE
Independent auditor's report	1 – 3
Statement of financial position	4
Statement of profit or loss and other comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 – 46

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, 2018, 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, 2018, 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.

Emphasis of matter

As a result of a change in the applicable regulations in the Kingdom of Saudi Arabia, effective for accounting periods beginning on or after January 1, 2018, the Company has prepared 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.

For all periods up to and including the year ended December 31, 2017, the Company prepared the financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia. The financial statements for the year ended December 31, 2018 are the Company's first financial statements prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. Accordingly, we have reviewed the adjustments for conversion from SOCPA standards to IFRS standards and the other adjustments as disclosed in note 29 to the accompanying financial statements.

Other matter

We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the Company other than with respect to the adjustments explained above and, accordingly, we do not express an opinion or any other form of assurance on the corresponding figures for the year ended December 31, 2017 and opening balances on IFRS adoption on January 1, 2017.

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.

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



Ehsan A. Makhdoum
License No. 358
Rajab 17, 1440H
March 24, 2019



SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Notes	December 31, 2018 SR	December 31, 2017 SR	January 1, 2017 SR
ASSETS				
Non-current assets				
Investments held at fair value through other comprehensive income	6	24,135,593	27,773,956	25,023,330
Investments held at amortized cost	7	26,504,106	15,750,000	29,225,391
Long term deposit	8	18,822,513	18,857,461	-
Property and equipment	9	477,562	786,850	1,124,779
Intangible assets	10	270,835	334,315	398,071
Deferred tax assets	11	758,433	2,572,205	2,779,006
Total non-current assets		70,969,042	66,074,787	58,550,577
Current assets				
Cash and cash equivalents	12	95,647,135	101,527,690	151,223,514
Short term deposits		-	-	32,871,882
Accrued income, prepayments and other receivables	13	1,079,080	1,474,025	2,484,062
Total current assets		96,726,215	103,001,715	186,579,458
TOTAL ASSETS		167,695,257	169,076,502	245,130,035
EQUITY AND LIABILITIES				
Equity				
Share capital	18	100,000,000	100,000,000	100,000,000
Statutory reserve	19	7,615,017	6,240,463	5,267,600
Retained earnings		54,826,592	43,254,392	34,605,476
Investment revaluation reserve	6	1,635,593	5,273,956	2,523,330
Total equity		164,077,202	154,768,811	142,396,406
Non-current liabilities				
Employees defined benefit obligations	15	1,591,000	1,831,000	1,513,000
Total non-current liabilities		1,591,000	1,831,000	1,513,000
Current liabilities				
Short term borrowings		-	-	90,724,640
Accrued expenses and other payables	16	1,386,378	11,470,423	9,776,084
Provision for zakat and income tax	17	640,677	1,006,268	719,905
Total current liabilities		2,027,055	12,476,691	101,220,629
TOTAL LIABILITIES		3,618,055	14,307,691	102,733,629
TOTAL EQUITY AND LIABILITIES		167,695,257	169,076,502	245,130,035

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, 2018

	Notes	December 31, 2018 SR	December 31, 2017 SR
OPERATING INCOME			
Special commission income	20	9,036,768	11,761,278
Asset management fees		8,000,000	8,187,500
Placement fees		281,250	281,250
Corporate advisory income		106,667	150,000
Total operating income		17,424,685	20,380,028
OPERATING EXPENSES			
Special commission expense on short term borrowings	14	-	429,130
Employees' salaries and related charges		7,044,542	7,167,114
Advisory fees	16a	(9,951,233)	2,600,000
Rent expense		615,450	774,310
Depreciation of property and equipment	9	309,288	453,354
Amortisation of intangible assets	10	63,480	63,756
General and administration expenses	21	1,401,826	1,541,978
Board of Directors' remuneration	14	600,000	200,000
Expected credit loss provision	22	96,660	-
Reversal of impairment loss against held to maturity investments	7	-	(4,524,609)
Total operating expenses		180,013	8,705,033
INCOME FROM MAIN OPERATIONS		17,244,672	11,674,995
Other income, net	23	3,462	168,632
Profit before income tax		17,248,134	11,843,627
Income tax expense	17	(1,688,827)	(2,003,047)
Deferred tax expense		(1,813,772)	(206,801)
PROFIT FOR THE YEAR		13,745,535	9,633,779
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of employees defined benefit obligations	15	194,000	(12,000)
Net change in fair value of equity investments designated at FVTOCI		(3,638,363)	2,750,626
Other comprehensive (loss) / income		(3,444,363)	2,738,626
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,301,172	12,372,405
BASIC AND DILUTED EARNINGS PER SHARE:			
Income for the year from main operations	24	1.72	1.17
Total comprehensive income for the year	24	1.03	1.24

The accompanying notes form an integral part of these financial statements

SAUDIMED INVESTMENT COMPANY
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STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Notes	Share capital SR	Statutory reserve SR	Retained earnings SR	Investment revaluation reserve SR	Total SR
Balance at January 1, 2017 under SOCPA		100,000,000	5,267,600	31,810,496	2,523,330	139,601,426
Impact of adoption of International Financial Reporting Standards ("IFRS")	29	-	-	2,794,980	-	2,794,980
Balance at January 1, 2017 under IFRS		100,000,000	5,267,600	34,605,476	2,523,330	142,396,406
Profit for the year		-	-	9,633,779	-	9,633,779
Other comprehensive income / (loss) for the year		-	-	(12,000)	2,750,626	2,738,626
Total comprehensive income / (loss) for the year		-	-	9,621,779	2,750,626	12,372,405
Transfer to the statutory reserve during the year		-	972,863	(972,863)	-	-
Balance at December 31, 2017		100,000,000	6,240,463	43,254,392	5,273,956	154,768,811
Impact of adoption of IFRS 9	5	-	-	(992,781)	-	(992,781)
Adjusted total equity at January 1, 2018		100,000,000	6,240,463	42,261,611	5,273,956	153,776,030
Profit for the year		-	-	13,745,535	-	13,745,535
Other comprehensive income / (loss) for the year		-	-	194,000	(3,638,363)	(3,444,363)
Total comprehensive income / (loss) for the year		-	-	13,939,535	(3,638,363)	10,301,172
Transfer to the statutory reserve		-	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

The accompanying notes form an integral part of these financial statements

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	December 31, 2018	December 31, 2017
Notes	SR	SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	17,248,134	11,843,627
Depreciation of property and equipment	9 309,288	453,354
Amortisation of intangible assets	10 63,480	63,756
Employees defined benefit obligations	15 300,780	328,000
Gain on sale of property and equipment	23 -	(16,000)
Expected credit loss provision	96,660	-
Reversal of impairment loss against investments held at amortized cost	7 -	(4,524,609)
Operating cash flows before movements in working capital	18,018,342	8,148,128
Movements in working capital:		
Decrease in accrued income, prepayments and other receivables	394,945	1,010,037
(Decrease) / increase in accrued expenses and other payables	(10,084,045)	1,694,339
Cash generated from operations	8,329,242	10,852,504
Income tax paid	17 (2,054,418)	(1,716,684)
Employees defined benefits paid	15 (346,780)	(22,000)
Net cash generated from operating activities	5,928,044	9,113,820
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	9 -	(115,425)
Proceeds from sale of property and equipment	-	16,000
Redemption of short term deposits	-	32,871,882
Proceeds from sale of investments held at amortized cost	7 2,812,500	50,614,384
Purchase of investments held at amortized cost	7 (14,437,500)	(32,614,384)
Placement of a long term deposit	-	(18,857,461)
Net cash (used in) / generated from investing activities	(11,625,000)	31,914,996
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short term borrowings	14 -	(90,724,640)
Net cash used in financing activities	-	(90,724,640)
Net decrease in cash and cash equivalents	(5,696,956)	(49,695,824)
Cash and cash equivalents at the beginning of the year	101,527,690	151,223,514
Expected credit loss impact on cash and cash equivalents	(183,599)	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	95,647,135	101,527,690
<i>Supplemental non-cash information:</i>		
Actuarial remeasurement of employee benefit obligations	(194,000)	12,000
Adjustment on opening retained earnings on adoption of IFRS 9	5 992,781	-
Net change in fair value of investment at FVTOCI	6 3,638,363	(2,750,626)

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, 2018

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 2008).

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

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”. The requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards have been applied in preparing these financial statements. Refer to note 29 which discloses the impact of adopting IFRS in these financial statements.

These financial statements as at and for the year ended December 31, 2018, have been prepared in accordance with IFRS. For the annual periods up to the year ended December 31, 2017, the Company prepared its financial statements in accordance with generally accepted accounting standards issued by SOCPA.

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at December 31, 2018, together with the comparative statements of financial position as at January 1, 2017 and December 31, 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Company’s opening statement of financial position was prepared as at January 1, 2017 which is the Company’s date of transition to IFRSs. Note 29 contains the adjustments made by the Company in restating its SOCPA financial statements, including the statements of financial position as at January 1, 2017 and December 31, 2017 and the statements of profit or loss and other comprehensive income, changes in equity for the year ended December 31, 2017. The statement of financial position as at January 1, 2017 and December 31, 2017 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended December 31, 2017 have been restated as a result of the above-mentioned adoption of IFRS.

These financial statements for the year ended December 31, 2018 represent the first audited financial statements issued in accordance with IFRS.

Basis of preparation

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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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.

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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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").

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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Effective interest method (Continued)

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
- 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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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).

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Definition of default (Continued)

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 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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Measurement and recognition of expected credit losses (Continued)

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.

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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

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 9.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

Zakat and 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. Zakat and income tax are provided on an accruals basis. The zakat charge is computed on the zakat base. Income tax 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.

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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

Leases when the Company is lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the non-cancellable period of lease together with any further terms for which the Company has the option to continue the lease when at the inception of the lease it is reasonable certain that the Company will exercise the option.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 IFRS issued but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases
Annual improvements to IFRS Standards 2015-2017 Cycle	Amendments to IFRS 3 Business Combination, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
Amendment to IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement

IFRS 16 Leases

IFRS 16 is applicable for the year beginning on January 1, 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires an on-balance sheet accounting model.

The Company does not anticipate any material impact to the Company's financial position or results of its operations as a result of IFRS 16.

Annual Improvements to IFRS Standards 2015-2017 Cycle

IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The management of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

The Company has not early adopted any standards or interpretations.

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.

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 15.

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The results of the valuation are reported to the board of directors.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

5. IMPACT OF ADOPTION OF IFRS 9

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Further, the provision for expected credit loss was SR 992,781 recorded in retained earnings as of January 1, 2018 comprising of SR 194,368 on Cash and cash equivalents, SR 34,872 on long term deposit, and SR 763,541 on Investments held at amortized cost.

6. INVESTMENTS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2018 SR	December 31, 2017 SR
<i>Investment in:</i>		
Med Income Fund	14,965,669	18,400,688
Middle East Venture Fund	9,169,924	9,373,268
	24,135,593	27,773,956
	December 31, 2018 SR	December 31, 2017 SR
Cost:		
At beginning of the year	22,500,000	22,500,000
Additions during the year	-	-
Disposal during the year	-	-
Cost at end of the year	22,500,000	22,500,000
Valuation adjustment:		
At beginning of the year	5,273,956	2,523,330
Change in fair value	(3,638,363)	2,750,626
At end of the year	1,635,593	5,273,956
Net investments at end of the year	24,135,593	27,773,956

7. INVESTMENTS HELD AT AMORTIZED COST

	December 31, 2018 SR	December 31, 2017 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)	(497,809)	-
	12,439,691	12,937,500
Fixed rate notes issued by Mutual Securitisation Fund		
ABA SEC 1 MSF (note c)	14,437,500	-
Less: Expected Credit Loss provision (note a)	(373,085)	-
RYMCO SEC 1 MSF" (note d)	-	2,812,500
	26,504,106	15,750,000

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

7. INVESTMENTS HELD AT AMORTIZED COST (Continued)

(a)

December 31, 2018	Investments held at amortized cost		
	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			<u>26,504,106</u>

(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 2017. 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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

7. INVESTMENTS HELD AT AMORTIZED COST (Continued)

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.

Cell CPTY LTD bond has a non-investment grade rating of B- from S&P.

- (c) In Q1 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 30 June 2027. The Company has a clear intention and ability to hold the above investment till its maturity.
- (d) During 2013, the Company made an investment in Mutual Securitization Fund "RYMCO SEC 1 MSF" through subscribing in 15 class A asset backed fixed rate notes of USD 100,000 or SR 375,000 each (SR 5,625,000). These notes were issued at an annual interest rate of 7%. During the first half of 2016, 50% of the investment was redeemed by the issuer. During the 1st half of 2018, USD 663,615 or SR 2,488,556 was redeemed by the issuer. The remaining investment was fully redeemed during Q3 2018.

8. LONG TERM DEPOSIT

	December 31, 2018 SR	December 31, 2017 SR
Long term deposit (note a)	18,857,461	18,857,461
Less: Provision for credit losses	(34,948)	-
	<u>18,822,513</u>	<u>18,857,461</u>

- (a) Long term deposit at 31 December 2018 represents a deposit with Bankmed (the "Parent Company") amounting to SR 18,857,461 maturing on 20 December 2022 and earning a rate of return of 4.25% per annum (see note 7b).
- (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 B- for 2018 and 2017.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

9. 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:

	10 years		Office equipment		4-10 years		Total
	Leasehold improvements	Computers	Motor vehicles	Office equipment	Motor vehicles	4 years	
	SR	SR	SR	SR	SR	SR	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	<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, 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	<u>1,524,308</u>	<u>666,305</u>	<u>635,874</u>	<u>440,278</u>	<u>497,104</u>		<u>3,763,869</u>
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

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

9. PROPERTY AND EQUIPMENT (Continued)

	Leasehold	Computers	Furniture	Office	Motor vehicles	Total
	improvements	SR	and fixtures	equipment	SR	2017
	SR	SR	SR	SR	SR	SR
Cost:						
At January 1, 2017	1,539,775	989,857	684,274	467,100	553,000	4,234,006
Additions	-	-	-	3,226	112,199	115,425
Disposals	-	-	-	-	(108,000)	(108,000)
At December 31, 2017	1,539,775	989,857	684,274	470,326	557,199	4,241,431
Accumulated depreciation:						
At January 1, 2017	1,289,890	498,504	527,691	379,087	414,055	3,109,227
Depreciation charge for the year Relating to disposals	153,978	85,566	66,740	36,766	110,304	453,354
At December 31, 2017	1,443,868	584,070	594,431	415,853	416,359	3,454,581
Net book value						
At December 31, 2017	95,907	405,787	89,843	54,473	140,840	786,850
At January 1, 2017	249,885	491,353	156,583	88,013	138,945	1,124,779

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

10. 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, 2018 SR	December 31, 2017 SR
Cost:		
Balance at the beginning of the year	1,048,350	1,048,350
Additions	-	-
At end of the year	<u>1,048,350</u>	<u>1,048,350</u>
Accumulated amortisation:		
Balance at the beginning of the year	714,035	650,279
Amortisation charge for the year	63,480	63,756
At end of the year	<u>777,515</u>	<u>714,035</u>
Net book value:		
At end of the year	<u>270,835</u>	<u>334,315</u>

11. DEFERRED TAX ASSETS

	December 31, 2018 SR	December 31, 2017 SR
Opening balance	2,572,205	2,779,006
Reversal of temporary differences during the year	(1,813,772)	(206,801)
Closing balance	<u>758,433</u>	<u>2,572,205</u>

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, 2018 SR	December 31, 2017 SR
Property and equipment	222,345	215,759
Employee defined benefit obligations	318,200	366,200
Provision for advisory fees	-	1,990,246
Impairment Provision	217,888	-
	<u>758,433</u>	<u>2,572,205</u>

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

12. CASH AND CASH EQUIVALENTS

	December 31, 2018 SR	December 31, 2017 SR
Demand deposit (note a)	95,560,450	101,134,096
Bank current accounts	254,297	372,477
Cash at bank	95,814,747	101,506,573
Less: Expected Credit Loss (note 22)	(183,600)	-
	95,631,147	101,506,573
Cash in hand	15,988	21,117
	95,647,135	101,527,690

Bank current accounts and demand deposit are placed with reputed banks who have good credit ratings with limited credit risk (see note 8b).

- (a) Demand deposit earns an average rate of return of 6% per annum (2017: 6% per annum). The demand deposit is with Bankmed (the "Parent Company") as disclosed in note 14.

13. ACCRUED INCOME, PREPAYMENTS AND OTHER RECEIVABLES

	December 31, 2018 SR	December 31, 2017 SR
Accrued commission income	436,879	245,584
Prepaid expenses	231,863	391,433
Accrued asset management fee	215,866	215,866
Refundable deposit	87,178	87,178
Receivable from investments held at amortized cost (note 7)	-	404,299
Other assets	107,294	129,665
	1,079,080	1,474,025

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

14. 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>	<u>December 31, 2018 SR</u>	<u>December 31, 2017 SR</u>
<i>Parent Company</i>			
Bankmed – Lebanon	Short term borrowings settled	-	90,724,640
	Special commission income on demand deposits (note 12)	5,301,526	5,272,872
	Special commission expense on short term borrowings	-	429,130
	Custody charges	19,514	49,642
	Sale of Cedar Cellular Investment bonds (note 7b)	-	(18,857,461)
	Long term deposit (note 8)	-	18,857,461
<i>Managed Fund</i>			
Med-SI Real Estate Development Fund II	Management fees	8,000,000	8,000,000
<i>Board of Directors</i>	Board of Directors' remuneration	600,000	200,000

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 95,560,450 (2017: SR 101,134,096) and are included under cash and cash equivalents (note 12). Long term deposit at the end of the reporting period with Bankmed is SR 18,822,513 (2017: SR 18,857,461).

15. EMPLOYEES DEFINED BENEFIT OBLIGATIONS

	<u>December 31, 2018 SR</u>	<u>December 31, 2017 SR</u>
Balance at the beginning of the year	1,831,000	1,513,000
Current service cost	228,780	261,000
Interest cost	72,000	67,000
Paid during the year	(346,780)	(22,000)
Actuarial (gain) / Loss	(194,000)	12,000
Balance at the end of the year	1,591,000	1,831,000

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

15. EMPLOYEES DEFINED BENEFIT OBLIGATIONS (Continued)

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, 2018	December 31, 2017	January 1, 2017
Discount rate	4.90%	4.25%	4.50%
Rate of salary increases	2%	3 %	6%

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.

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, 2018	December 31, 2017	January 1, 2017
Increase in discount rate of 1 %	1,412,000	1,615,000	1,332,000
Decrease in discount rate of 1%	1,803,000	2,090,000	1,731,000
Increase in rate of salary increase of 1%	1,808,000	2,093,000	1,734,000
Decrease in rate of salary increase of 1%	1,406,000	1,609,000	1,327,000

16. ACCRUED EXPENSES AND OTHER PAYABLES

	December 31, 2018	December 31, 2017
	SR	SR
Accrued employee bonuses	1,105,650	1,082,250
Accounts payable	248,149	193,760
Accrued expenses	32,579	43,182
Accrued advisory fee (a)	-	9,951,231
Accrued board of director's remuneration	-	200,000
	1,386,378	11,470,423

- a) During the year, the Company reached an agreement with a third party provider, whereby the Company was released from any related dues whether past or future, and consequently reversed such accrual as reflected in the Company's statement of profit or loss and other comprehensive income.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

17. PROVISION FOR ZAKAT AND 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, 2018 SR	December 31, 2017 SR
Adjusted net income for the year	8,444,135	10,510,509
Taxable income of foreign shareholders	8,444,135	10,510,509
Estimated income tax at 20%	1,688,827	2,102,102

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

	Zakat SR	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	-	640,677	640,677

The movement in the provision for zakat and income tax for the year ended 31 December 2017 is as follows:

	Zakat SR	Income tax SR	Total SR
Balance at beginning of the year	180,186	539,719	719,905
Charge for the year	-	2,102,102	2,102,102
Under / (over) provision for previous year	100	(99,155)	(99,055)
Payments during the year	(180,286)	(1,536,398)	(1,716,684)
Balance at end of the year	-	1,006,268	1,006,268

Status of assessments

The Company has filed its zakat and tax returns for all the years up to 31 December 2017 and has obtained final zakat and income tax certificate up to the year ended 31 December 2013 and provisional zakat and income tax certificates for the years from 31 December 2014 through 31 December 2017.

18. 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 (2017: 10,000,000 shares of SR 10 each).

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

19. 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.

20. SPECIAL COMMISSION INCOME

	December 31, 2018 SR	December 31, 2017 SR
Special commission income from:		
- demand deposits	5,301,526	5,272,872
- investments held at amortized cost	1,948,299	3,507,252
- investments held at FVTOCI	1,031,250	1,031,250
- time deposits	755,693	1,949,904
	<u>9,036,768</u>	<u>11,761,278</u>

21. GENERAL AND ADMINISTRATION EXPENSES

	December 31, 2018 SR	December 31, 2017 SR
Travel expenses	369,769	424,460
Subscription fees	319,745	283,557
Professional and consulting services expenses	262,718	226,269
Maintenance expense	104,956	154,616
Attestation and government related expenses	123,595	88,798
Utilities	94,374	107,442
Withholding tax	1,876	24,087
Other expenses	124,793	232,749
	<u>1,401,826</u>	<u>1,541,978</u>

22. EXPECTED CREDIT LOSS PROVISION

The following table shows the movement in lifetime ECL in accordance with the simplified approach set out in IFRS 9.

	<u>Lifetime ECL - not credit impaired</u>			Total SR
	Cash at bank	Investments held at amortized cost	Long term deposit	
Balance at January 1, 2018	194,368	763,541	34,872	992,781
Provision for credit losses – changes in exposures and remeasurement	(10,769)	107,353	76	96,660
Balance at 31 December 2018	<u>183,599</u>	<u>870,894</u>	<u>34,948</u>	<u>1,089,441</u>

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

23. OTHER INCOME, NET

	December 31, 2018 SR	December 31, 2017 SR
Commission income	5,884	5,237
Dividend income	-	342,919
Gain on disposal of property and equipment	-	16,000
Retrocession income	-	4,410
Currency exchange differences, net	(5,125)	(199,934)
Other	2,703	-
	<u>3,462</u>	<u>168,632</u>

24. 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 2018 were 10 million (2017: 10 million).

25. 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.

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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

25. 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)	(1,183,263)	(630,509)	(1,813,772)
Income tax expense	(1,101,752)	(587,075)	(1,688,827)
Profit for the year	12,432,878	1,312,657	13,745,535
Total assets	52,719,431	114,975,826	167,695,257
Total liabilities	2,360,336	1,257,719	3,618,055
December 31, 2017	Investment banking services SR	Corporate SR	Total SR
Total operating income	13,157,252	7,222,776	20,380,028
Expenses			
Employees' salaries and related charges	4,699,333	2,467,781	7,167,114
Special commission expense on short term borrowings	-	429,130	429,130
Reversal of impairment loss against held to maturity investments	(4,524,609)	-	(4,524,609)
Advisory fees	2,600,000	-	2,600,000
Rent expense	499,891	274,419	774,310
Depreciation and amortization	333,844	183,266	517,110
Board of Directors' remuneration	129,119	70,881	200,000
General and administration expenses	995,493	546,485	1,541,978
Total operating expenses	4,733,071	3,971,962	8,705,033

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

25. SEGMENT INFORMATION (Continued)

December 31, 2017	Investment banking services SR	Corporate SR	Total SR
Income from main operations	8,424,181	3,250,814	11,674,995
Other income / (expense) net	368,566	(199,934)	168,632
Profit before income tax	8,792,747	3,050,880	11,843,627
Income tax expense	(1,293,158)	(709,889)	(2,003,047)
Income tax expense (Deferred tax asset impact)	(206,801)	-	(206,801)
Profit for the year	7,292,788	2,340,991	9,633,779
As at December 31, 2017			
Total assets	45,263,661	123,812,841	169,076,502
Total liabilities	12,838,585	1,469,106	14,307,691

26. 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 31 December 2018 amounted to SR 49.079 million including cash balance of SR 13.625 million (2017: SR 63.048 million including cash balance of SR 8.982 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 757,755,817 as at 31 December 2018 (2017: SR 984,460,360). Assets of such fund are not recorded in the Company's statement of financial position.

27. 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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

27. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments

	December 31, 2018	December 31, 2017	January 1, 2017
<i>Financial assets through other comprehensive Income</i>			
Investments	24,135,593	27,773,956	25,023,330
<i>Financial assets at amortized cost</i>			
Cash and cash equivalents	95,647,135	101,527,690	151,223,514
Short term deposits	-	-	32,871,882
Accrued income and other receivables	847,217	1,082,592	2,173,935
Investments	26,504,106	15,750,000	29,225,391
Deferred tax asset	758,433	2,572,205	-
Long term deposit	18,822,513	18,857,461	-
<i>Financial liabilities at amortized cost</i>			
Accrued expenses and other payables	1,386,378	11,470,423	9,776,084
Short term borrowings	-	-	90,724,640

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.

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).

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

27. FINANCIAL INSTRUMENTS (Continued)

	Carrying amount				Fair Value Level			
	FVTPL SR	FVTOCI SR	Amortised		1	2	3	Total
			cost SR	Total SR				
December 31, 2018								
Cash at Bank	-	-	95,647,135	95,647,135	95,647,135	-	-	95,647,135
Investments	-	24,135,593	26,504,106	50,639,699	12,439,691	29,030,084	9,169,924	50,639,699
December 31, 2017								
Cash at Bank	-	-	101,527,690	101,527,690	101,527,690	-	-	101,527,690
Investments	-	27,773,956	15,750,000	43,523,956	12,937,500	21,213,188	9,373,268	43,523,956

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
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

27. 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:

	2018				2017			
	No fixed maturity	Less than 12 months	More than 12 months	Total	No fixed maturity	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	95,647,135	-	-	95,647,135	101,527,690	-	-	101,527,690
Accrued income and other receivables	-	847,217	-	847,217	-	1,082,592	-	1,082,592
Investments held at amortized cost	-	-	26,504,106	26,504,106	-	-	15,750,000	15,750,000
Investments held at FVTOCI	24,135,593	-	-	24,135,593	27,773,956	-	-	27,773,956
Deferred tax asset	-	758,433	-	758,433	-	2,572,205	-	2,572,205
Long term deposit	-	-	18,822,513	18,822,513	-	-	18,857,461	18,857,461
Financial assets	119,782,728	1,605,650	45,326,619	166,714,997	129,301,646	3,654,797	34,607,461	167,563,904
Accrued expenses and other payables	-	1,386,378	-	1,386,378	-	11,470,423	-	11,470,423
Financial liabilities	-	1,386,378	-	1,386,378	-	11,470,423	-	11,470,423
<i>Net</i>	119,782,728	219,272	45,326,619	165,328,619	129,301,646	(7,815,626)	34,607,461	156,093,481

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
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

28. 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:

	2018	2017
	SR 000's	SR 000's
<i>Capital Base:</i>		
Tier 1 Capital	161,412	146,588
Tier 2 Capital	1,636	5,274
Total Capital Base	163,048	151,862
<i>Minimum Capital Requirement:</i>		
Market risk	3,021	3,229
Credit risk	106,667	105,331
Operational risk	3,081	3,496
Total minimum capital required (see note (d) below)	112,769	112,056
<i>Capital Adequacy Ratio:</i>		
Total Capital Ratio (times)	1.45	1.36
Tier 1 Capital Ratio (times)	1.43	1.31
Surplus in the capital	50,279	39,806

- 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.

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

29. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS")

29.1 Effect of IFRS adoption on the Statement of Financial Position as at January 01, 2017

	Note	Amounts previously reported under SOCPA	Effect of transition to IFRS	Opening IFRS statement of financial position
ASSETS				
Non-current assets				
Investments held at fair value through other comprehensive income		25,023,330	-	25,023,330
Investments held at amortized cost		29,225,391	-	29,225,391
Long term deposit		-	-	-
Property and equipment		1,124,779	-	1,124,779
Intangible assets		398,071	-	398,071
Deferred tax assets	29.6 A	-	2,779,006	2,779,006
Total non-current assets		55,771,571	2,779,006	58,550,577
Current assets				
Cash and cash equivalents		151,223,514	-	151,223,514
Short term deposits		32,871,882	-	32,871,882
Accrued income, prepayments and other receivables		2,484,062	-	2,484,062
Total current assets		186,579,458	-	186,579,458
TOTAL ASSETS		242,351,029	2,779,006	245,130,035
EQUITY AND LIABILITIES				
EQUITY				
Share capital		100,000,000	-	100,000,000
Statutory reserve		5,267,600	-	5,267,600
Retained earnings		31,810,496	2,794,980	34,605,476
Investment revaluation reserve		2,523,330	-	2,523,330
Total equity		139,601,426	2,794,980	142,396,406
Non-current liabilities				
Employees defined benefit obligations	29.6 B	1,528,974	(15,974)	1,513,000
Total non-current liabilities		1,528,974	(15,974)	1,513,000
Current liabilities				
Short term borrowings		90,724,640	-	90,724,640
Accrued expenses and other payables		9,776,084	-	9,776,084
Provision for zakat and income tax		719,905	-	719,905
Total current liabilities		101,220,629	-	101,220,629
TOTAL LIABILITIES		102,749,603	(15,974)	102,733,629
TOTAL EQUITY AND LIABILITIES		242,351,029	2,779,006	245,130,035

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

29. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (Continued)

29.2 Reconciliation of equity as at January 01, 2017

	Note	As at January 1, 2017
Total equity under SOCPA		139,601,426
Actuarial value of employees defined benefit obligations	29.6 B	24,000
Deferred tax income	29.6 A	2,770,980
Total equity under IFRS		142,396,406

29.3 Effect of IFRS adoption on the Statement of Financial Position as at December 31, 2017

	Note	Amounts previously reported under SOCPA	Effect of transition to IFRS	Opening IFRS statement of financial position
ASSETS				
Non-current assets				
Investments at fair value through other comprehensive income		27,773,956	-	27,773,956
Investments held at amortized cost		15,750,000	-	15,750,000
Long term deposit		18,857,461	-	18,857,461
Property and equipment		786,850	-	786,850
Intangible assets		334,315	-	334,315
Deferred tax assets	29.6 A	-	2,572,205	2,572,205
Total non-current assets		63,502,582	2,572,205	66,074,787
Current assets				
Cash and cash equivalents		101,527,690	-	101,527,690
Short term deposits		-	-	-
Accrued income, prepayments and other receivables		1,474,025	-	1,474,025
Total current assets		103,001,715	-	103,001,715
TOTAL ASSETS		166,504,297	2,572,205	169,076,502
EQUITY AND LIABILITIES				
EQUITY				
Share capital		100,000,000	-	100,000,000
Statutory reserve		6,240,463	-	6,240,463
Retained earnings		40,566,259	2,688,133	43,254,392
Investment revaluation reserve		5,273,956	-	5,273,956
Total equity		152,080,678	2,688,133	154,768,811
Non-current liabilities				
Employees defined benefit obligations	29.6 B	1,946,928	(115,928)	1,831,000
Total non-current liabilities		1,946,928	(115,928)	1,831,000
Current liabilities				
Short term borrowings		-	-	-
Accrued expenses and other payables		11,470,423	-	11,470,423
Provision for zakat and income tax		1,006,268	-	1,006,268
Total current liabilities		12,476,691	-	12,476,691
TOTAL LIABILITIES		14,423,619	(115,928)	14,307,691
TOTAL EQUITY AND LIABILITIES		166,504,297	2,572,205	169,076,502

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

29. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (Continued)

29.4 Effect of IFRS adoption on the Statement of Profit or Loss and other comprehensive income for the year ended December 31, 2017

	Note	Amounts previously reported under SOCPA	Effect of transition to IFRS	IFRS statement of profit or loss
OPERATING INCOME				
Special commission income		11,761,278	-	11,761,278
Asset management fees		8,187,500	-	8,187,500
Placement fees		281,250	-	281,250
Corporate advisory income		150,000	-	150,000
Total operating income		20,380,028	-	20,380,028
OPERATING EXPENSES				
Special commission expense on short term borrowings		429,130	-	429,130
Employees’ salaries and related charges	29.6 B	7,279,068	(111,954)	7,167,114
Advisory fees		2,600,000	-	2,600,000
Rent expense		774,310	-	774,310
Depreciation of property and equipment		453,354	-	453,354
Amortisation of intangible assets		63,756	-	63,756
General and administration expenses		1,541,978	-	1,541,978
Board of Directors’ remuneration		200,000	-	200,000
Expected credit loss Provision		-	-	-
(Reversal of impairment loss) / impairment loss against held to maturity investments		(4,524,609)	-	(4,524,609)
Total operating expenses		8,816,987	(111,954)	8,705,033
INCOME FROM MAIN OPERATIONS		11,563,041	111,954	11,674,995
Other income, net		168,632	-	168,632
PROFIT BEFORE INCOME TAX		11,731,673	111,954	11,843,627
Income tax expense		(2,003,047)	-	(2,003,047)
Deferred tax expense	29.6 A	-	(206,801)	(206,801)
PROFIT FOR THE YEAR		9,728,626	(94,847)	9,633,779
Other comprehensive income				
Remeasurement of employees defined benefit obligations	29.6 B	-	(12,000)	(12,000)
Net change in fair value of equity investments designated at FVTOCI		2,750,626	-	2,750,626
Other comprehensive income		2,750,626	(12,000)	2,738,626
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,479,252	(106,847)	12,372,405

SAUDIMED INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

29. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
(“IFRS”) (Continued)

29.5 First time adoption of IFRS -- effect on the statement of cash flow

The adoption of IFRS did not have material impact on the amounts reported as cash flows from operating, investing and financing activities for the year ended December 31, 2017.

29.6 Notes to the Reconciliations

(A) IAS 12 Income Taxes and Revised Zakat Standard issued by SOCPA

Under Saudi GAAP, for an entity that is owned by Saudi and GCC nationals and other than Saudi and GCC nationals (mixed Company), Zakat and Income tax is an obligation for those shareholders' and accordingly, those are accounted for as a charge to the shareholders' equity. Accordingly, no deferred income tax was accounted for in those financial statements. Under IAS 12 zakat and income tax are considered as Company's expense and accordingly charged to the statement of profit or loss and other comprehensive income. The Company also recognised the deferred income tax on all the taxable/deductible temporary differences.

(B) IAS 19 Employees' benefits

Under Saudi GAAP, the Company was required to recognise the provision for employees' end-of-service benefits for the amounts payable at the financial position date in accordance with the employees' contracts of employment applicable to employees' accumulated periods of service. However, under IAS 19, the Company is required to recognise an amount of a liability that equals to the net amount of present value of the defined benefit obligation, deferred actuarial gains and losses, deferred past service costs at the statement of financial position. Accordingly, the Company has restated employees defined benefits obligations under IFRS as at January 1, 2017 and December 31, 2017. The impact of restatement that pertains to prior years has been charged to opening retained earnings at January 1, 2017 and impact related to period 2017 has been adjusted in the statement of profit or loss and other comprehensive income for the year ended December 31, 2017. Remeasurements are the actuarial gain or losses which represents the changes in the provision for employees benefits obligations resulting from the effect of changes in actuarial assumptions. The above remeasurements are recognized in the statement of comprehensive income for the year ended December 31, 2017.

30. APPROVAL OF THE FINANCIAL STATEMENTS

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