

NATIONAL MEDICAL CARE COMPANY

(SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

**FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER
2020**

National Medical Care Company
(Saudi Joint Stock Company)
Interim condensed financial statements
For the three-month and nine-month period ended 30 September 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF NATIONAL MEDICAL CARE COMPANY (SAUDI JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of National Medical Care Company (the "Company") as at 30 September 2020, and the related interim condensed statement of comprehensive income, for the three-month and nine-month periods ended 30 September 2020, and the related interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2020, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

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

Other Matter:

The financial statements of the Company for the year ended 31 December 2019 have been audited by another auditor who expressed an unmodified opinion on those financial statements on 29 Jumada al-Alkhira 1441H (corresponding to 23 February 2020) and the interim condensed financial statements of the Company for the period ended 30 September 2019 have also been reviewed by another independent auditor who has issued an unmodified conclusion on those financial statements on 10 Rabi Al-awwal 1441H (corresponding to 7 November 2019).

for Ernst & Young


Yousef A. AlMubarak
Certified Public Accountant
License No. (427)



Riyadh: 17 Rabi' al Awwal 1442 H
(3 November 2020)

National Medical Care Company
(Saudi Joint Stock Company)
Interim condensed statement of financial position
As at 30 September 2020


	Note	30 September 2020 SR (Unaudited)	31 December 2019 SR (Audited)
Assets			
Non-current assets			
Property and equipment	4	502,559,455	536,536,503
Intangible assets		1,943,325	1,597,285
Total non-current assets		504,502,780	538,133,788
Current assets			
Inventories		48,141,648	51,838,945
Trade receivables, prepayments and others	5	484,475,141	386,605,932
Cash and cash equivalents	6	339,477,452	379,665,910
Total current assets		872,094,241	818,110,787
Total assets		1,376,597,021	1,356,244,575
Equity and liabilities			
Equity			
Share capital		448,500,000	448,500,000
Statutory reserve		186,021,947	186,021,947
Retained earnings		383,936,632	398,368,587
Total equity		1,018,458,579	1,032,890,534
Liabilities			
Non-current liabilities			
Long-term loan	10	89,132,613	95,074,788
Employees' end-of-service benefits		88,873,297	85,148,670
Total non-current liabilities		178,005,910	180,223,458
Current liabilities			
Trade payables, accruals and others	7	122,077,225	92,676,260
Current portion of long-term loan	10	5,942,174	5,942,174
Zakat provision	11	52,113,133	44,512,149
Total current liabilities		180,132,532	143,130,583
Total liabilities		358,138,442	323,354,041
Total equity and liabilities		1,376,597,021	1,356,244,575



Chairman
Saad Abdulmohsen Alfadly



Chief Executive Officer
Abdulaziz Alobaid



Chief Financial Officer
Jahanzeb Ahmed Khan

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

National Medical Care Company
(Saudi Joint Stock Company)
Interim condensed statement of comprehensive income
For the three-month and nine-month periods ended 30 September 2020

	Note	For the three-month period ended		For the nine-month period ended	
		30 September	30 September	30 September	30 September
		2020	2019	2020	2019
		SR	SR	SR	SR
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue		213,304,565	173,513,375	594,355,978	522,879,190
Cost of revenue		(162,240,496)	(133,400,127)	(432,208,554)	(396,497,422)
Gross profit		51,064,069	40,113,248	162,147,424	126,381,768
Selling and marketing expenses		(10,091,566)	(1,575,451)	(21,773,129)	(6,053,800)
General and administrative expenses		(18,273,731)	(18,907,012)	(51,621,522)	(54,832,807)
Operating income		22,698,772	19,630,785	88,752,773	65,495,161
Other income, net		2,177,105	3,357,726	7,404,381	13,813,772
Finance cost		-	(624,060)	-	(2,012,604)
Income before zakat		24,875,877	22,364,451	96,157,154	77,296,329
Zakat	11	(8,551,952)	(5,720,982)	(20,889,109)	(16,848,958)
Net income for the period		16,323,925	16,643,469	75,268,045	60,447,371
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		16,323,925	16,643,469	75,268,045	60,447,371
Basic and diluted earnings per share:					
Basic and diluted earnings per share from net income	12	0.36	0.37	1.68	1.35



Chairman
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Chief Executive Officer
Abdulaziz Alobaid



Chief Financial Officer
Jahanzeb Ahmed Khan

National Medical Care Company
(Saudi Joint Stock Company)
Interim condensed statement of changes in equity
For the nine-month period ended 30 September 2020

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
As at 1 January 2020	448,500,000	186,021,947	398,368,587	1,032,890,534
Income for the period	-	-	75,268,045	75,265,045
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	75,268,045	75,268,045
Dividends (note 8)	-	-	(89,700,000)	(89,700,000)
As at 30 September 2020 (Unaudited)	448,500,000	186,021,947	383,936,632	1,018,458,579
As at 1 January 2019	448,500,000	186,021,947	362,342,715	996,864,662
Income for the period	-	-	60,447,371	60,447,371
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	60,447,371	60,447,371
Dividends (note 8)	-	-	(44,850,000)	(44,850,000)
As at 30 September 2019 (Unaudited)	448,500,000	186,021,947	377,940,086	1,012,462,033



Chairman
Saad Abdulmohsen Alfadly



Chief Executive Officer
Abdulaziz Alobaid



Chief Financial Officer
Jahanzeb Ahmed Khan

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

National Medical Care Company
(Saudi Joint Stock Company)
Interim condensed statement of cash flows
For the nine-month period ended 30 September 2020

	Note	2020 SR (Unaudited)	2019 SR (Unaudited)
Operating activities			
Income before zakat		96,157,154	77,296,329
Non-cash adjustments to reconcile profit before zakat to net cash flows:			
Depreciation		42,972,506	51,454,292
Loss on disposal of property and equipment		108,552	-
Amortization of intangible assets		352,439	585,799
Allowance for expected credit losses	5	21,214,605	5,704,883
Allowance for expected medical rejections	5	32,323,303	28,565,253
Provision for slow moving inventories		604,593	-
Provision of Employees' end-of-service benefits		12,831,710	12,116,812
		206,564,862	175,723,368
Working capital adjustments:			
Trade receivables, prepayments and others		(151,407,117)	(121,144,130)
Inventories		3,092,703	(2,949,425)
Trade payables, accruals and others		29,400,966	(2,549,199)
Net cash generated from operations		87,651,414	49,080,614
Zakat paid	11	(13,288,125)	(12,496,754)
Employees' end-of-service benefits paid		(9,107,084)	(7,731,548)
Net cash from operating activities		65,256,205	28,852,312
Investing activities			
Additions to property and equipment		(9,219,417)	(8,842,209)
Proceeds from disposal of property and equipment		115,407	-
Additions to intangible assets		(698,478)	-
Net cash used in investing activities		(9,802,488)	(8,842,209)
Financing activities			
Repayment of long-term loan		(5,942,175)	(15,033,084)
Dividends paid	8	(89,700,000)	(44,850,000)
Net cash used in financing activities		(95,642,175)	(59,883,084)
Net decrease in cash and cash equivalents		(40,188,458)	(39,872,981)
Cash and cash equivalents at the beginning of the period		379,665,910	344,557,818
Cash and cash equivalents at the end of the period	6	339,477,452	304,684,837



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Abdulaziz Alobaid



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

1. Corporate information and activities

National Medical Care Company (the “Company”) is a Saudi Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010194785 dated 9 Muharram 1425 (H) (corresponding to 29 February 2004).

The company carries out its activities through the following branches:

- Riyadh Care Hospital under commercial registration No. 1010195325 dated 22 Muharram 1425 (H) (corresponding to 14 March 2004).
- National Hospital under commercial registration No. 1010195327 dated 22 Muharram 1425 (H) (corresponding to 14 March 2004).
- Care Company for Pharmaceutical and Medical Distribution under commercial registration No. 1010301247 dated 14 Safar 1432 (H) (corresponding to 19 January 2011).
- Family Health Care Center under commercial registration No. 1010397064 dated 29 Muharram 1435 (H) (corresponding to 2 December 2013).

The Company is engaged in the business to establish, own, equip, manage, maintain and operate healthcare facilities and provide Home Health Care services.

The Company is subsidiary of Saudi Medical Care Group Company (the “Parent”) which owns 49.2% of the Company’s shares, while the remaining shares, which represent 50.8%, are publicly owned by several shareholders with less than 5% ownership each.

The registered office is located at Arrayyan District, P.O. Box 29393, Riyadh 11457, Kingdom of Saudi Arabia.

2. Basis of preparation

2.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard “Interim Financial Reporting” (“IAS 34”) endorsed in the Kingdom of Saudi Arabia (“KSA”).

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company annual financial statements for the year ended 31 December 2019. In addition, results for the interim period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2.2 Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention using the accruals basis of accounting. For employee and other post-employment benefits, actuarial present value calculations are used.

2.3 Functional and presentation currency

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

2.4 Significant accounting judgements, estimates and assumptions

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

The significant judgments made by management in applying the Company accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2019. However, in view of the current uncertainty regarding COVID 19, any future change in assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amounts of assets or liabilities affected in future periods. As the situation continues to evolve, management will continue to assess the impact based on prospective developments (see also note 16).

3. Changes to the Company's accounting policies

The accounting policies and methods of calculation adopted in the preparation of interim condensed financial statements are consistent with those followed in the preparation of the Company annual financial statements for the year ended 31 December 2019, except for the adoption of amendments to standards effective as of 1 January 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Company. As required by IAS 34, endorsed in kingdom of Saudi Arabia the nature and effect of these changes are disclosed below.

3.1 Amendments to IFRS 3: definition of a business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed financial statements of the Company but may impact future periods if the Company enter into any business combinations.

3.2 Amendments to IAS 1 and IAS 8: definition of material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed financial statements of the Company.

3.3 Amendments to IFRS 9, IAS 39 and IFRS 7: interest rate benchmark reform

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (RFR). The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. These amendments had no impact on the interim condensed financial statements of the Company.

4. Property and equipment

	For the nine- month period ended	For the year ended
	30 September 2020 SR	31 December 2019 SR
	(Unaudited)	(Audited)
Cost:		
At the beginning of the period / year	1,237,736,582	1,230,009,364
Additions during the period / year	9,219,417	9,787,976
Disposals during the period / year	(7,855,640)	(708,000)
Transfers to intangible assets	-	(1,352,758)
At the end of the period / year	1,239,100,359	1,237,736,582
Accumulated depreciation:		
At the beginning of the period / year	701,200,079	633,745,653
Depreciation charge for the period / year	42,972,506	68,082,776
Relating to disposals during the period / year	(7,631,681)	(628,350)
At the end of the period / year	736,540,904	701,200,079
Net book amounts:		
At the end of the period / year	502,559,455	536,536,503

Additions and disposals during the period mainly pertain to medical equipment.

The Company has land and buildings, with net book value of SR 259 million as at 30 September 2020 (31 December 2019: SR 338 million) pledged to the Ministry of Finance against loan granted to the Company (Note 10).

5. Trade receivables, prepayments and others

	For the nine- month period ended	For the year ended
	30 September 2020 SR	31 December 2019 SR
	(Unaudited)	(Audited)
Trade accounts receivables	425,178,522	313,875,707
Due from a related party - trade receivables (note 9)	242,622,265	233,844,633
Allowance for expected medical rejections	(121,761,425)	(107,586,375)
	546,039,362	440,133,965
Less:		
Allowance for expected credit losses	(92,629,467)	(73,053,014)
Net trade receivables	453,409,895	367,080,951
Letter of guarantees margin (see note below)	13,926,518	5,612,563
Advances to suppliers	9,482,564	8,262,822
Prepaid expenses	3,648,049	4,461,692
Others	4,008,115	1,187,904
	484,475,141	386,605,932

5. Trade receivables, prepayments and others (continued)

Movements of allowance for expected medical rejections are as follows:

	For the nine- month period ended	For the year ended
	30 September 2020	31 December 2019
	SR	SR
	(Unaudited)	(Audited)
At the beginning of the period / year	107,586,375	88,836,145
Charge for the period / year	32,323,303	44,692,664
Write-off during the period / year	(18,148,253)	(25,942,434)
At the end of the period / year	121,761,425	107,586,375

Movements of allowance for expected credit losses are as follows:

	For the nine- month period ended	For the year ended
	30 September 2020	31 December 2019
	SR	SR
	(Unaudited)	(Audited)
At the beginning of the period / year	73,053,014	69,172,321
Charge for the period / year	21,214,605	5,403,146
Write-off during the period / year	(1,638,152)	(1,522,453)
At the end of the period / year	92,629,467	73,053,014

Letter of guarantee represent performance guarantees issued to governmental entities and addition during the period represents additional performance guarantees issued against renewal of a contract (note15).

6. Cash and cash equivalents

	For the nine- month period ended	For the year ended
	30 September 2020	31 December 2019
	SR	SR
	(Unaudited)	(Audited)
Cash and bank balances	139,477,452	179,665,910
Short-term deposits*	200,000,000	200,000,000
	339,477,452	379,665,910

*Short-term bank deposits represent time deposits with local banks with original maturities of less than three months and have an average rate of return of 0.75% (2019: 2.08%) per annum.

7. Trade payables, accruals and others

	For the nine- month period ended	For the year ended
	30 September 2020 SR	31 December 2019 SR
	(Unaudited)	(Audited)
Trade payables	27,944,512	35,444,382
Employees' related accruals	41,167,833	35,379,290
Accrued expenses	44,863,905	13,766,447
VAT payable	4,054,149	3,282,462
Others	4,046,826	4,803,679
	122,077,225	92,676,260

8. Dividend distribution

The Board of Directors in their meeting held on 29 Jumada Al-Ula 1441H (corresponding to 24 January 2020) proposed final dividend of SR 2.00 (2019: SR 1.00) per share totaling to SR 89,700,000 (2019: SR 44,850,000) which was approved by the Company's general assembly on 22 Sha'ban 1441H (corresponding to 15 April 2020).

9. Related parties

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

Related party transactions

			Transactions during nine- month period ended	
	Relation	Nature of transaction	30 September 2020 SR	30 September 2019 SR
			(Unaudited)	(Unaudited)
General Organization for Social Insurance	Indirect shareholder	Revenue from medical service	235,245,908	203,988,502
Drager Arabian Co. Ltd.	Owned by a shareholder	Purchases	139,388	89,968

Related party balances

			For the nine- month period ended	For the year ended
	Relation		30 September 2020 SR	31 December 2019 SR
			(Unaudited)	(Audited)
<i>Due from a related party:</i>				
General Organization for Social Insurance (note 5)	Indirect shareholder		242,622,265	233,844,633
<i>Due to a related party:</i>				
Drager Arabian Co. Ltd.	Owned by a shareholder		16,921	32,193

9. Related parties (continued)

Key management personnel

	Charge for nine-month period ended	
	30 September 2020	30 September 2019
	SR	SR
	(Unaudited)	(Unaudited)
Short-term benefits	8,357,765	8,554,826
Attendance allowance and committee's remuneration	2,104,000	1,900,000
Post-employment benefits	330,404	287,831
	10,792,169	10,742,657

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

Terms and conditions of transactions with related parties

The transactions with related parties are at terms as agreed by the management. Outstanding balances as at 30 September 2020 and 31 December 2019 are unsecured, interest free and are to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables during the current period and prior year. The Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

10. Long-term loan

	For the nine-month period ended	For the year ended
	30 September 2020	31 December 2019
	SR	SR
	(Unaudited)	(Audited)
Within one year – current	5,942,174	5,942,174
One to five years	29,710,870	29,710,870
More than five years	59,421,743	65,363,918
Long-term loan- non-current	89,132,613	95,074,788
Total long-term loan	95,074,787	101,016,962

On 10 December 2012, the Company signed a loan agreement with the Ministry of Finance to finance construction work under progress amounting to SR 154,112,000. The Company was able to utilize only SR 118,843,485 during 2013 and 2015. The loan is payable in 20 equal annual instalments, the first instalment of which is due after 5 years of the contract date. The first instalment became due on 11 October 2017. The loan is an interest free and is secured by the Company's collateralised land and buildings (note 4).

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

National Medical Care Company
(Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
30 September 2020

11. Zakat

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

	For the nine- month period ended	For the year ended
	30 September 2020	31 December 2019
	SR	SR
	(Unaudited)	(Audited)
At the beginning of the period / year	44,512,149	34,386,991
Provided during the period / year	20,889,109	22,621,912
Paid during the period / year	(13,288,125)	(12,496,754)
	52,113,133	44,512,149

The Company has filed its zakat returns with the General Authority of Zakat and Tax ("GAZT") and received the zakat certificates up to 31 December 2019. The Company received final zakat assessments upto the year 2007. The Company is currently conducting assessment procedures for the years 2008 to 2015, However, final assessments for these years have not been issued.

12. Earnings per share

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

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

Basic and diluted earnings per share from total income.

	For the three-month period ended		For the nine-month period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total income for the period	16,323,925	16,643,469	75,268,045	60,447,371
Weighted average number of ordinary shares	44,850,000	44,850,000	44,850,000	44,850,000
Basic and diluted earnings per share	0.36	0.37	1.68	1.35

13. Segment reports

The Company's operations principally consist of one main operating segment, which is hospital services. Accordingly, presenting different segmental information is not considered necessary. Furthermore, the Company's operations are conducted in the Kingdom of Saudi Arabia only.

14. Fair value of assets and liabilities

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the period ended 30 September 2020, there were no movements between the levels.

As at 30 September 2020 and 31 December 2019, the fair values of the Company's financial instruments are estimated to approximate their carrying values.

15. Contingent liabilities and capital commitments

The Company has capital commitments resulting from the expansion and renovation of National Care Hospital as of 30 September 2020 amounting to SR 6.8 million (31 December 2019: SR 0.9 million).

The Company has contingent liabilities arising from letters of guarantee issued to certain customers as at 30 September 2020 amounting SR 16.9 million (31 December 2019: SR 16.9 million). Letters of guarantee represent performance guarantees issued to governmental institutions

There are various legal cases filed against the Company by former employees and third parties, however, the outcome of these cases is not yet certain as most of the cases are under hearings. Information relating to the amounts of these claims and the provisions against them are not disclosed, as management believes this may prejudice the Company's position in litigation. However, the Company has made appropriate provisions for certain legal cases. Management is confident that the outcome of these cases will be in favor of the Company and provisions recognised in the financial statements are sufficient to cover the risks involved.

16. Impact of COVID-19 on the financial statements

Earlier this year the existence of novel coronavirus (COVID-19) was confirmed and characterized as a pandemic by the World Health Organisation (WHO) during March 2020.

The government of Saudi Arabia, consistent with many other governments around the world introduced various measures to combat the outbreak, including travel restrictions, quarantines, curfews, closure of business and other venues and lockdown of certain areas. The Company witnessed drop in outpatient visits once the curfew was implemented, however, patient volumes started to return to normal levels once restrictions were lifted in late June.

The extent to which the pandemic impacts Company's business and operations is ascertainable but the financial impact over the next 12 months cannot be measured reliably as it depends on various current factors and future developments, that the Company may not be able to estimate reliably during the current period. These factors include virus transmission rate, duration of the outbreak, advent of second wave of the virus, precautionary actions that may be taken by the authorities to control the spread and impact of those actions on economic activity, impact to the businesses of the Company's customers, etc.

Considering the challenges of the uncertainty around the extent and duration of business and economic impact, management is monitoring the situation with a continued focus on sustainability of supply chain, maintenance of sufficient liquidity and safety of employees and customers. Further, management has taken several steps to mitigate the effects of the pandemic, including costs reduction measures, offering teleconsultations and Home Health Care services, etc.

In view of the above, management has made certain estimates and assumptions and any future change in assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amounts of assets or liabilities affected in the future periods. As the situation continues to evolve, management will continue to assess the impact based on prospective developments.

17. Approval of the interim condensed financial statements

These interim condensed financial statements were approved for issuance by the Board of Directors on 17 Rabi' al Awwal 1442H (corresponding to 3 November 2020).