

**NATIONAL MEDICAL CARE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2020

NATIONAL MEDICAL CARE COMPANY
(SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

For the year ended 31 December 2020

INDEX	PAGE
Independent auditor's report	1-4
Statement of financial position	5
Statement of comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9 – 40



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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Medical Care Company (the "Company"), which comprise the statement of financial position as at 31 December 2020, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, 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 that are endorsed by the Saudi Organization for Certified Public Accountants.

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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other 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.

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).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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

Key Audit Matters

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
<p>During the year ended 31 December 2020, the Company recognised revenue of SR 809 million (2019: SR 708 million).</p> <p>The Company recognises revenue upon satisfaction of performance obligations attached to medical and related services at the fair value of consideration received or receivable, net of variable consideration.</p> <p>Certain contracts with customers include variable considerations in the form of prompt payment discount, medical rejection by insurance companies or any expected discounts for some of the services provided. Significant accounting judgments, estimates and assumptions are made by the management to determine the variable consideration.</p> <p>Revenue recognition is considered as a key audit matter due to the existence of risks associated with the amount of revenues related to the controls and judgments that mainly depend on management's estimates when the amount of revenue is recognised.</p> <p><i>Refer to note 3.1 for the accounting policy related to revenue recognition and note 4.1 for estimates and assumption used in revenue recognition.</i></p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> Assessed the appropriateness of the Company's revenue recognition. Assessment of the appropriateness of significant accounting judgments, estimates and assumptions made by the management to determine the variable consideration. Assessment of the design and testing (on a sample basis) the operating effectiveness of relevant controls in relation to revenue recognition. Involvement of our IT experts in testing the related IT controls. Performance of analytical procedures by comparing the expectations with actual revenue and analysing the variances. Performing tests (on a sample basis) of settlements, claims and collections made with major clients of the Company. Assessing the adequacy of relevant disclosures in the financial statements.
Expected credit losses	
<p>As of 31 December 2020, the carrying value of trade receivables amounted to SR 482.8 million. (2019: SR 363.4 million) and the allowance for expected credit losses amounted SR 112.7 million (2019: SR 73.1 million)</p> <p>The Company assesses at each reporting period whether the financial assets carried at amortised cost are credit-impaired. The Company's management has applied simplified credit loss model to determine the allowance for impairment of trade receivables. The expected credit loss model involves the use of various assumptions, macro-economic factors, and the study of historical trends relating to Company's trade receivable collection experience.</p> <p><i>Refer to note 3.7 for the accounting policy related to financial instruments and note 4.1 for estimates and assumption used in allowance for expected credit losses.</i></p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> Testing of a sample of data used in the expected credit loss model to the underlying accounting records. Evaluating of the ECL model calculations, agreeing the data inputs and checking the mathematical accuracy of the calculations. Comparing the Company's definition of default, as outlined in the accounting policy against the definition that Company uses for credit risk management. Assessing whether the disclosures in the financial statements are adequate.

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

Other Information Included in the Company's 2020 Annual Report

Other information consists of the information included in the Company's 2020 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's 2020 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Company's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and Company's By-laws, 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 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 that are 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 that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Auditor's Responsibilities for the Audit of Financial Statements (continued)

- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young



Abdulaziz A. Al-Sowailim
Certified Public Accountant
License No. (277)

Riyadh: 9 Sha'aban 1442H
(22 March 2021)

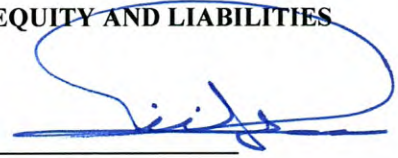



National Medical Care Company
(Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 SR	2019 SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	494,529,809	536,536,503
Intangible assets	7	5,398,589	1,597,285
TOTAL NON-CURRENT ASSETS		499,928,398	538,133,788
CURRENT ASSETS			
Inventories	8	45,849,105	51,838,945
Trade receivables, prepayments, and others	9	514,176,599	386,605,932
Cash and cash equivalents	10	372,672,212	379,665,910
TOTAL CURRENT ASSETS		932,697,916	818,110,787
TOTAL ASSETS		1,432,626,314	1,356,244,575
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	448,500,000	448,500,000
Statutory reserve	12	186,021,947	186,021,947
Retained earnings		402,426,984	398,368,587
TOTAL EQUITY		1,036,948,931	1,032,890,534
LIABILITIES			
NON-CURRENT LIABILITIES			
Term loan	14	89,132,614	95,074,788
Employees' end-of-service benefits	15	92,667,784	85,148,670
TOTAL NON-CURRENT LIABILITIES		181,800,398	180,223,458
CURRENT LIABILITIES			
Trade payables, accruals, and others	16	150,718,185	92,676,260
Current portion of term loan	14	5,942,174	5,942,174
Zakat payable	17	57,216,626	44,512,149
TOTAL CURRENT LIABILITIES		213,876,985	143,130,583
TOTAL LIABILITIES		395,677,383	323,354,041
TOTAL EQUITY AND LIABILITIES		1,432,626,314	1,356,244,575


Chairman
Saad Abdulmohsen Alfadly


Chief Executive Officer
Abdulaziz Alobaid


Chief Financial Officer
Jahanzeb Ahmed Khan


The attached notes 1 to 31 form part of these financial statements.


National Medical Care Company
(Saudi Joint Stock Company)

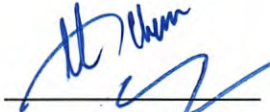
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 SR	2019 SR
Revenue	19	808,953,117	708,393,995
Cost of revenue		(585,072,241)	(542,738,344)
GROSS PROFIT		223,880,876	165,655,651
Selling and marketing expenses	20	(42,359,708)	(5,996,266)
General and administrative expenses	21	(67,408,460)	(71,289,080)
OPERATING INCOME		114,112,708	88,370,305
Other income, net	22	9,184,230	16,562,940
Finance costs		-	(2,221,619)
INCOME BEFORE ZAKAT		123,296,938	102,711,626
Zakat	17	(26,027,938)	(22,621,911)
INCOME FOR THE YEAR		97,269,000	80,089,715
Other comprehensive (loss)/income for the year			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement (loss) gain on employees' end-of-service benefits	15	(3,510,603)	786,157
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		93,758,397	80,875,872
Earnings per share:			
Basic and diluted earnings per share from income for the year	23	2.17	1.79


 Chairman
Saad Abdulmohsen Alfadly


 Chief Executive Officer
Abdulaziz Alobaid


 Chief Financial Officer
Jahanzeb Ahmed Khan

The attached notes 1 to 31 form part of these financial statements.

National Medical Care Company
(Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
As at 1 January 2019	448,500,000	186,021,947	362,342,715	996,864,662
Income for the year	-	-	80,089,715	80,089,715
Other comprehensive income	-	-	786,157	786,157
Total comprehensive income	-	-	80,875,872	80,875,872
Dividends (note 13)	-	-	(44,850,000)	(44,850,000)
As at 31 December 2019	448,500,000	186,021,947	398,368,587	1,032,890,534
As at 1 January 2020	448,500,000	186,021,947	398,368,587	1,032,890,534
Income for the year	-	-	97,269,000	97,269,000
Other comprehensive loss	-	-	(3,510,603)	(3,510,603)
Total comprehensive income	-	-	93,758,397	93,758,397
Dividends (note 13)	-	-	(89,700,000)	(89,700,000)
As at 31 December 2020	448,500,000	186,021,947	402,426,984	1,036,948,931



Chairman
Saad Abdulmohsen Alfadly



Chief Executive Officer
Abdulaziz Alobaid



Chief Financial Officer
Jahanzeb Ahmed Khan

The attached notes 1 to 31 form part of these financial statements.

National Medical Care Company
(Saudi Joint Stock Company)

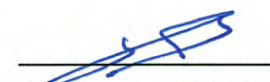
STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

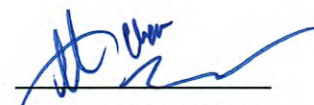
	Note	2020 SR	2019 SR
OPERATING ACTIVITIES			
Income before zakat		123,296,938	102,711,626
<i>Non-cash adjustments to reconcile income before zakat to net cash flows:</i>			
Depreciation of property and equipment	6	55,318,831	68,082,776
Amortisation of intangible assets	7	883,438	584,294
Loss / (gain) on disposal of property and equipment		106,553	(95,350)
Allowance for expected medical rejections	9	41,757,232	44,692,665
Allowance for expected credit losses	9	41,366,007	5,403,146
Provision for inventories	8	1,431,060	144,469
Provision of employees' defined benefit liabilities	15	15,560,317	16,237,174
Finance costs		-	2,221,619
		<u>279,720,376</u>	<u>239,982,419</u>
<i>Working capital adjustments:</i>			
Trade receivables, prepayments and others		(210,693,907)	(40,677,208)
Inventories		4,558,780	3,212,743
Trade payables, accruals and others		58,005,930	(16,356,399)
		<u>131,591,179</u>	<u>186,161,555</u>
Net cash generated from operations			
Zakat paid	17	(13,323,461)	(12,496,753)
End of service indemnities paid	15	(11,551,806)	(11,835,144)
		<u>106,715,912</u>	<u>161,829,658</u>
Net cash generated from operating activities			
INVESTING ACTIVITIES			
Additions to property and equipment	6	(13,536,106)	(9,787,976)
Proceeds from disposal of property and equipment	6	117,416	175,000
Additions to intangible assets	7	(4,684,742)	(458,433)
		<u>(18,103,432)</u>	<u>(10,071,409)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Repayment of term loan	26	(5,942,174)	(69,578,538)
Dividends paid	13	(89,664,004)	(44,850,000)
Finance costs paid		-	(2,221,619)
		<u>(95,606,178)</u>	<u>(116,650,157)</u>
Net cash used in financing activities			
Net (decrease) increase in cash and cash equivalents		(6,993,698)	35,108,092
Cash and cash equivalents at the beginning of the year		379,665,910	344,557,818
		<u>372,672,212</u>	<u>379,665,910</u>
Cash and cash equivalents at the end of the year			
	10	<u>372,672,212</u>	<u>379,665,910</u>



Chairman
Saad Abdulmohsen Alfadly



Chief Executive Officer
Abdulaziz Alobaid



Chief Financial Officer
Jahanzeb Ahmed Khan

The attached notes 1 to 31 form part of these financial statements.

National Medical Care Company (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

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

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

These financial statements are prepared on a historical cost basis.. The financial statements are presented in Saudi Riyals, which is the functional, and presentation currency of the Company and all values are rounded to the nearest one Riyal, except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a) The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.
- b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c) The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Revenue recognition (continued)

Patient services

The patient services revenue is recognized when the services are rendered to the patient net off any discount or rebates and expected rejections by the insurance companies (if applicable) at the time of providing services to the patients.

Sale of goods

The sales from medicine, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net of any discount or rebates and expected rejections by the insurance companies (if applicable) at the time of delivery of goods to the patients.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of comprehensive income.

Others

All other revenues are recognized on an accrual basis.

Based on IFRS 15, for advance from customer or accounts receivable, the Company used the practical expedient. As such, the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects, at contract inception, that the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to the customer will be one year or less.

3.2 Foreign currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of comprehensive income, if material.

3.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such costs include the cost of replacing parts of the property and equipment, borrowing costs for long-term construction projects if the recognition criteria are met and decommissioning and site restoration costs, if applicable.

Depreciation is calculated on all property and equipment, other than land and capital work-in-progress, at the following useful lives calculated to write off the cost of each asset on a straight-line basis over its expected useful life:

<i>Category of property and equipment</i>	<i>Useful lives</i>
Buildings and leasehold improvements	10-33
Medical and general equipment	6-7
Motor vehicles and ambulances	4
Furniture and office equipment	6-7
Computers hardware	3

Capital work-in-progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Company's policies.

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property and equipment (continued)

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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 comprehensive income under other operating income when the asset is de-recognized.

The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of property and equipment takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the property and equipment in a fit and proper state for their ongoing use at hospitals and the forecast timing of disposal.

3.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalised and the related expenditure is reflected in statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The following useful lives have been determined for the intangible assets:

<i>Category of intangible assets</i>	<i>Useful lives</i>
Licenses	3 years
Software	3 years

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 *Impairment of non-financial assets*

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised as income immediately in the statement of comprehensive income.

3.6 *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

National Medical Care Company (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition

A financial asset or financial liability is recognized when the Company becomes a party to the contractual provisions of the instrument, which is generally on trade date.

Classification

The Company classifies its financial assets into the following measurement categories:

- Those to be measured subsequently at amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (FVTPL). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Financial liabilities are not reclassified.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through the profit or loss are expensed in the statement of comprehensive income.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the profit or loss or other comprehensive income (irrevocable election at the time of recognition).

De-recognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Company has transferred substantially all the risks and rewards of the asset or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial instruments (continued)

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment

For accounts receivables, the Company recognizes expected credit losses based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date.

The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

Financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.8 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

3.9 Inventories

Inventories are measured at the lower of cost or net realizable value with due allowance for any obsolete or slow moving items, near to expiry items and damages. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

3.10 Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3.11 Contingent assets and liabilities

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable. An assessment is made at each reporting date to recognize contingent liabilities which are probable obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Employees' end-of-service benefits

The Company operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The plan is unfunded. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in profit or loss on the defined benefit liability are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Company recognizes the following changes in the defined benefit obligation in the profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

3.13 Zakat and Value Added Tax (VAT)

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the profit or loss. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations 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 clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

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 financial statements of, nor is there expected to be any future impact to the Company

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

3.15 Standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Standards and interpretations issued but not yet effective (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the financial statement of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Standards and interpretations issued but not yet effective (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the financial statement of the Company.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

4.1 Estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.1 Estimates and assumptions (continued)

Revenue recognition

The application of IFRS 15 has required management to make the following judgements:

- *Satisfaction of performance obligations*

The Company is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

- *Determination of transaction prices*

The Company is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Company assess the impact of any variable consideration in the contract, due to insurance claims discount or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

- *Transfer of control in contracts with customers*

In case where the Company determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

Allowance for expected credit losses

For trade receivables, the Company applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from published default rates and historical information of the Company and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Employees' end-of-service benefits

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

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.1 Estimates and assumptions (continued)

Useful lives of property and equipment

The useful life of each of the Company's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

Provision for inventories

Inventories are held at the lower of cost or net realizable value. When inventories become slow moving or obsolete or near to expiry or damages, an estimate is made for their fair value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are slow moving or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cashflows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

5. SEGMENT INFORMATION

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.

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

6. PROPERTY AND EQUIPMENT

	<i>Lands</i>	<i>Buildings and leasehold improvements</i>	<i>Medical and general equipment</i>	<i>Motor vehicles and ambulances</i>	<i>Furniture and office equipment</i>	<i>Computer hardware</i>	<i>Capital work-in- progress</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cost:								
At 1 January 2020	58,780,660	760,268,169	358,296,309	8,143,003	26,660,453	25,587,988	-	1,237,736,582
Additions	-	-	10,957,252	414,445	169,435	1,744,755	250,219	13,536,106
Disposals/transfers	-	(5,049)	(6,793,666)	(293,800)	(714,776)	(100,850)	-	(7,908,141)
At 31 December 2020	58,780,660	760,263,120	362,459,895	8,263,648	26,115,112	27,231,893	250,219	1,243,364,547
Accumulated depreciation:								
At 1 January 2020	-	355,993,360	295,405,628	7,680,763	21,017,801	21,102,527	-	701,200,079
Depreciation charge for the year	-	21,597,171	28,197,650	310,024	2,710,488	2,503,498	-	55,318,831
Relating to disposals /transfers	-	(5,047)	(6,746,876)	(271,123)	(560,292)	(100,834)	-	(7,684,172)
At 31 December 2020	-	377,585,484	316,856,402	7,719,664	23,167,997	23,505,191	-	748,834,738
Net book value:								
At 31 December 2020	58,780,660	382,677,636	45,603,493	543,984	2,947,115	3,726,702	250,219	494,529,809

- a) Property and equipment include land and buildings amounting to SR 326 million (2019: SR 338 million) pledged against the loan obtained from the Ministry of Finance (note 14).
- b) Additions to capital work-in-progress of SR 250,219 (2019: SR 1,556,853) represents computer software and hardware project.

NATIONAL MEDICAL CARE COMPANY

(Saudi Joint Stock company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2020

6. PROPERTY AND EQUIPMENT (continued)

	<i>Lands</i>	<i>Buildings and leasehold improvements</i>	<i>Medical and general equipment</i>	<i>Motor vehicles and ambulances</i>	<i>Furniture and office equipment</i>	<i>Computer hardware</i>	<i>Capital work-in- progress</i>	<i>Total</i>
	SR	SR	SR	SR	SR	SR	SR	SR
Cost:								
At 1 January 2019	58,780,660	761,717,540	353,260,440	8,641,765	25,994,322	20,057,784	1,556,853	1,230,009,364
Additions	-	803,239	2,999,619	209,238	245,676	5,530,204	-	9,787,976
Disposals/transfers	-	-	-	(708,000)	-	-	-	(708,000)
Transferred to intangible assets (note 7)	-	(2,252,610)	2,036,250	-	420,455	-	(1,556,853)	(1,352,758)
At 31 December 2019	58,780,660	760,268,169	358,296,309	8,143,003	26,660,453	25,587,988	-	1,237,736,582
Accumulated depreciation:								
At 1 January 2019	-	336,264,924	253,798,930	7,430,875	17,722,073	18,528,851	-	633,745,653
Depreciation charge for the year	-	21,580,541	40,021,770	878,238	3,295,728	2,306,499	-	68,082,776
Relating to disposals /transfers	-	(1,852,105)	1,584,928	(628,350)	-	267,177	-	(628,350)
At 31 December 2019	-	355,993,360	295,405,628	7,680,763	21,017,801	21,102,527	-	701,200,079
Net book value:								
At 31 December 2019	58,780,660	404,274,809	62,890,681	462,240	5,642,652	4,485,461	-	536,536,503

NATIONAL MEDICAL CARE COMPANY

(Saudi Joint Stock company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2020

6. PROPERTY AND EQUIPMENT (continued)

The depreciation charge has been allocated in the statement of comprehensive income as follows:

	2020	2019
	SR	SR
Cost of revenue	43,102,677	53,337,411
General and administrative expenses (note 21)	12,216,154	14,745,365
At the end of the year	55,318,831	68,082,776

7. INTANGIBLE ASSETS

	License & software 2020 SR	License & software 2019 SR
Cost:		
Balance as at 1 January	4,025,620	2,214,429
Additions (see note below)	4,684,742	458,433
Transfers from property and equipment (note 6)	-	1,352,758
Balance as at 31 December	8,710,362	4,025,620
Accumulated amortisation:		
Balance as at 1 January	2,428,335	1,844,041
Amortisation charge for the year (note 21)	883,438	584,294
Balance as at 31 December	3,311,773	2,428,335
Net book value:		
Balance as at 31 December	5,398,589	1,597,285

Additions during the year amounting to SR 4.6 million represents mainly IP wireless solution installed during the year relating to Riyadh Care Hospital.

8. INVENTORIES

	2020	2019
	SR	SR
Pharmaceuticals	24,890,428	31,180,543
Medical supplies	21,247,935	20,620,560
Consumables and cleaning materials	1,446,609	1,169,116
	47,584,972	52,970,219
Less: provision for inventories	(1,735,867)	(1,131,274)
	45,849,105	51,838,945

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

8. INVENTORIES (continued)

The movement of the provision for inventories is as follows:

	2020 SR	2019 SR
Balance as at 1 January	1,131,274	986,805
Charge for the year (a)	1,431,060	144,469
Written-off during the year	(826,467)	-
	<u>1,735,867</u>	<u>1,131,274</u>
Balance as at 31 December	<u>1,735,867</u>	<u>1,131,274</u>

- a) Charge of the year represents provision for expired medicine amounting to SR 0.46 million and provision for flow moving consumables amounting to SR 0.9 million.
- b) Cost of inventories recognized in the statement of comprehensive income for the year ended 31 December 2020 amounted to SR 116 million (2019: SR 75 million).

9. TRADE RECEIVABLES, PREPAYMENTS AND OTHERS

	2020 SR	2019 SR
Trade receivables	397,792,724	310,227,672
Due from a related party - trade receivables (note 18)	323,541,288	233,844,633
	<u>721,334,012</u>	<u>544,072,305</u>
Gross trade receivables	721,334,012	544,072,305
Allowance for expected medical rejections	(125,733,930)	(107,586,375)
	<u>595,600,082</u>	<u>436,485,930</u>
Less:		
Allowance for expected credit losses	(112,774,211)	(73,053,014)
	<u>482,825,871</u>	<u>363,432,916</u>
Net trade receivables	482,825,871	363,432,916
Letters of guarantee margin	15,526,518	5,612,563
Advances to suppliers	7,776,955	8,262,822
Prepaid expenses	3,581,308	4,461,692
Others	4,465,947	4,835,939
	<u>514,176,599</u>	<u>386,605,932</u>

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

9. TRADE RECEIVABLES, PREPAYMENTS AND OTHERS (continued)

Terms and conditions:

Trade and other receivables are non-interest bearing and are generally on a term of 90 days. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

- a) As of 31 December 2020, the amounts due from governmental and semi-governmental entities represent 79% of total trade receivables and due from related parties (2019: 72%). Normally such entities are granted extended credit terms compare to other customers.
- b) The three-year contract with General Organization for Social Insurance (indirect shareholder) for occupational hazard was due to expire on 31 December 2020. The Company has received notification on that date for the extension of the contract for a period of three months ending on 31 March 2021. The negotiations to renew the contract are currently ongoing. The contract gave exclusive rights to the Company to treat occupational injuries in its facilities within the Riyadh region.
- c) Letters of guarantee represent margins given for the performance guarantees issued to governmental entities and addition during the year represents margins given on additional performance guarantees issued against renewal of a contract (note 24).
- d) The movement in the expected medical rejections is as follows:

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Balance as at 1 January	107,586,375	88,836,145
Charge for the year	41,757,232	44,692,665
Written-off during the year	(23,609,677)	(25,942,435)
Balance as at 31 December	125,733,930	107,586,375

- e) The movement in the allowance for expected credit losses is as follows:

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Balance as at 1 January	73,053,014	69,172,321
Charge for the year (note 20)	41,366,007	5,403,146
Written-off during the year	(1,644,810)	(1,522,453)
Balance as at 31 December	112,774,211	73,053,014

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

9. TRADE RECEIVABLES, PREPAYMENTS AND OTHERS (continued)

As at 31 December, the ageing analysis of gross trade receivables is as follows

	<i>Total SR</i>	<i>Less than one year SR</i>	<i>Greater than one year SR</i>
31 December 2020	721,334,012	431,740,610	289,593,402
31 December 2019	544,072,305	278,546,552	265,525,753

10. CASH AND CASH EQUIVALENTS

	<i>2020 SR</i>	<i>2019 SR</i>
Cash on hand	263,876	278,794
Cash at bank	172,408,336	179,387,116
Short-term deposits (see note a below)	200,000,000	200,000,000
	<u>372,672,212</u>	<u>379,665,910</u>

- a) Short-term bank deposits represent time deposits with local banks with original maturities of less than three months and have an average rate of commission of 0.65% (2019: 2.08%) per annum.

11. ISSUED AND PAID-UP SHARE CAPITAL

The Company's authorised, issued and paid-up share capital comprise of 44,850,000 shares (2019: 44,850,000 shares) of SR 10 each (2019: SR 10 each) amounting to SR 448,500,000 (2019: SR 448,500,000).

12. STATUTORY RESERVE

In accordance with Saudi Regulations for Companies and the Company's bylaws, the Company is establishing the statutory reserve by appropriation of 10% of the annual net profit until the reserve is equal to 30% of share capital. This statutory reserve is not available for distribution to shareholders currently.

13. DIVIDEND DISTRIBUTION

The Board of Directors in their meeting held on 29 Jumada Al-Ula 1441H (corresponding to 24 January 2020) proposed dividend of SR 2 (2019: SR 1) per share totaling to SR 89,700,000 (2019: SR 44,850,000) which was approved at the General Assembly meeting held on 22 Sha'ban 1441H (corresponding to 15 April 2020).

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

14. TERM LOAN

Aggregate maturities of loan from Ministry of Finance are as follows:

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Within one year – current portion	5,942,174	5,942,174
One to five years	23,768,696	23,768,696
More than five years	65,363,918	71,306,092
Term loan- non-current portion	89,132,614	95,074,788
Total term loan	95,074,788	101,016,962

On 10 December 2012, the Company signed a loan agreement with the Ministry of Finance to fund the 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 with the first instalment due after 5 years of the contract date. The first instalment became due on 11 October 2017. The loan is interest free and is secured by the Company's collateralised land and buildings (note 6).

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.

15. EMPLOYEES’ END-OF-SERVICE BENEFITS

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Balance as at 1 January	85,148,670	81,532,797
Service and interest cost	15,560,317	16,237,174
Paid during the year	(11,551,806)	(11,835,144)
Actuarial loss (gain) on the defined benefit obligation recognized in OCI	3,510,603	(786,157)
Balance as at 31 December	92,667,784	85,148,670

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

15. EMPLOYEES' END-OF-SERVICE BENEFITS (continued)

The principal actuarial assumptions used to calculate the present value of the liability for employees' end of service indemnities are as follows:

	2020	2019
Discount factor	2.06%	2.60%
Expected salary growth	2.25%	2.65%
Expected growth of benefits paid	11.35%	11.30%

The sensitivity analysis on the balance of the liability for end of service indemnities for the change, main assumptions while maintaining the other assumptions at the reporting date is as follows:

	Increase (Decrease)	31 December 2020	31 December 2019
Discount factor	+1%	86,218,405	79,279,698
	-1%	100,107,372	91,930,887
Expected salary growth	+1%	100,503,090	92,302,163
	-1%	85,747,903	78,841,997
Expected growth of benefits paid	+10%	91,612,765	84,169,840
	-10%	93,806,896	86,242,286

16. TRADE PAYABLES, ACCRUALS AND OTHERS

	2020 SR	2019 SR
Trade payables	39,379,795	35,444,382
Accrued expenses	42,982,530	13,766,447
Employees' related accruals	57,844,330	35,379,290
VAT payable	6,597,443	3,282,462
Others	3,914,087	4,803,679
	<u>150,718,185</u>	<u>92,676,260</u>

Terms and conditions:

Trade payables and other payables are non-interest bearing and have a term of two to four months.

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

17. ZAKAT PAYABLE

The Company's Zakat charge for the year ended 31 December 2020 amounted to SR 26,027,938 (2019: SR 22,621,911) which is charged to the profit and loss in accordance with the GAZT regulations.

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Shareholders' equity	943,190,534	952,014,661
Non-current assets	(499,928,398)	(538,133,788)
Non-current liabilities	360,326,244	322,083,378
Adjusted net income	210,303,584	168,912,176
	<u>1,013,891,964</u>	<u>904,876,427</u>

a). Zakat provision

The movement in Zakat provision as of 31 December is as follows:

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Balance as at 1 January	44,512,149	34,386,991
Charge for the year	26,027,938	22,621,911
Paid during the year	(13,323,461)	(12,496,753)
Balance as at 31 December	<u>57,216,626</u>	<u>44,512,149</u>

b. Zakat status

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 up to the year 2014. The Company is currently conducting assessment procedures for the years 2015 to 2018, however, final assessments for these years have not been issued.

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

18. RELATED PARTY DISCLOSURES

Related parties represent, major shareholders, directors and key management personnel of the Company, or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a) Related party transactions

Significant transactions and balances with related parties in the ordinary course of business which are included in the financial statements are summarized as follows:

	<i>Relation</i>	<i>Nature of transaction</i>	2020 SR	2019 SR
General Organization for Social Insurance	Indirect shareholder	Revenue from medical service	312,279,484	278,458,881
Drager Arabian Co. Ltd.	Owned by a shareholder	Purchases	173,352	167,573

b) Related party balances

		2020 SR	2019 SR
<i>Due from a related party:</i>			
General Organization for Social Insurance (note 9)	Indirect shareholder	323,541,288	233,844,633
<i>Due to a related party:</i>			
Drager Arabian Co. Ltd.	Owned by a shareholder	17,311	32,193

c) Compensation of key management personnel of the Company

Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The compensation to key management is shown below:

	2020 SR	2019 SR
Short-term benefits	12,723,712	10,805,032
BOD remuneration, attendance allowance and committee's remuneration	2,590,000	1,985,000
Post-employment benefits	420,573	392,743
	15,734,285	13,182,775

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

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

18. RELATED PARTY DISCLOSURES (continued)

d) 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 31 December 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 year 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.

19. REVENUE

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Revenue by category:		
Rendering of clinical services	715,480,996	624,128,890
Sale of medicine	93,472,121	84,265,105
	808,953,117	708,393,995

Company's revenues are recognised at a point in time.

20. SELLING AND MARKETING EXPENSES

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Allowance for expected credit losses (note 9)	41,366,007	5,403,146
Promotion expenses	993,701	593,120
	42,359,708	5,996,266

21. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Salaries and wages	32,797,613	34,175,899
Depreciation (note 6)	12,216,154	14,745,365
Office supplies	4,892,263	5,496,128
Repair and maintenance	2,706,748	3,981,888
Professional fees	2,488,962	2,342,727
Board of Directors' remuneration	1,900,000	1,900,000
Security expenses	1,095,216	687,778
Amortisation (note 7)	883,438	584,294
Others	8,428,066	7,375,001
	67,408,460	71,289,080

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

22. OTHER INCOME, NET

	2020 SR	2019 SR
Income from time deposits	3,374,011	6,753,301
Care academy	2,707,771	3,652,706
Rental income	1,251,127	1,321,117
Others	1,851,321	4,835,816
	9,184,230	16,562,940

23. EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") is calculated by dividing the income for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is the same as 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 year attributable to ordinary equity holders and weighted average number of ordinary share outstanding during the year used in the basic and diluted EPS computations:

Basic and diluted earnings per share from total income.

	2020 SR	2019 SR
Total income for the year	97,269,000	80,089,715
Weighted average number of ordinary shares	44,850,000	44,850,000
Basic and diluted earnings per share	2.17	1.79

24. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Company has capital commitments resulting from the expansion and renovation of National Care Hospital as of 31 December as follows:

	2020 SR	2019 SR
Capital commitments	335,989	900,000

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

24. COMMITMENTS AND CONTINGENCIES (continued)

Letters of credit and guarantee

The Company has outstanding guarantees, as follows:

	2020 SR	2019 SR
Letters of guarantee	<u>15,526,518</u>	<u>16,949,622</u>

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 favour of the Company and provisions recognised in the financial statements are sufficient to cover the risks involved.

25. 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 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.

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

25. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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 year during which the change has occurred. During the year ended 31 December 2020, there were no movements between the levels.

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

26. FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
Financial assets at amortised cost:		
Trade receivables	721,334,012	544,072,305
Short-term deposits with banks	200,000,000	200,000,000
Cash at bank.	172,408,336	179,387,116
Cash on hand	263,876	278,794
Letters of guarantee margin	15,526,518	5,612,563
	<hr/>	<hr/>
Total financial assets	1,109,532,742	929,350,778
	<hr/> <hr/>	<hr/> <hr/>

FINANCIAL LIABILITIES AT AMORTISED COST

	<i>Effective interest rate</i>	<i>Maturity</i>	<i>2020</i>	<i>2019</i>
			<i>SR</i>	<i>SR</i>
Current interest-bearing liabilities:				
Term loan	Interest free	Less than 1 year	5,942,174	5,942,174
Trade payables, accruals and others	Interest free	Less than 1 year	150,718,185	92,676,260
			<hr/>	<hr/>
Total financial liabilities- current			156,660,359	98,618,434
			<hr/> <hr/>	<hr/> <hr/>
Non-current interest-bearing liabilities:				
Term loan	Interest free	More than 1 year	89,132,614	95,074,788
			<hr/> <hr/>	<hr/> <hr/>

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

26. FINANCIAL ASSETS AND LIABILITIES (continued)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	<i>1 January 2020</i>	<i>Cash flows</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Term loans	101,016,962	(5,942,174)	95,074,788
	<i>1 January 2019</i>	<i>Cash flows</i>	<i>31 December 2019</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Term loans	170,595,500	(69,578,538)	101,016,962

RISK MANAGEMENT

The Company's principal financial liabilities mainly comprise term loan, trade payables, advances from customers, amounts due to a related party, accrued expenses and other liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commission rate risk, currency risk and other price risk. Financial instruments affected by market risk include loan.

Commission rate risk

Commission rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market commission rates. The Company is not exposed to commission rate risk as it does not carry any variable commission-bearing assets and liabilities.

Currency risk

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Company does not have significant exposure to currency risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables including related parties' balances and other current financial assets) and from its financing activities, including balances with banks.

26. FINANCIAL ASSETS AND LIABILITIES (continued)

RISK MANAGEMENT

Credit risk (continued)

Trade receivables

Credit risk is managed subject to the Company's established policy, procedures and control defined to mitigate the credit risk. Receivables of the Company comprise primarily of Government and its related ministries, insurance companies and others. The Company seeks to manage its credit risk by setting credit limits, credit period by monitoring outstanding receivables and ensuring close follow-ups. The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The credit terms are extended to customers where the Company does not expect any inability to pay.

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

Short-term deposits with banks and cash at banks

Credit risk from balances with banks and financial institution is managed by the Company's treasury department in accordance with the Company's policy. The Company seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

The management has developed policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the Company maintains sufficient liquidity. Senior management continuously reviews information on the Company's liquidity developments.

The Company has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of idle funds through time deposits and short-term deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations.

The Company's terms of sales and services require amounts to be paid within 90 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

26. FINANCIAL ASSETS AND LIABILITIES (continued)

Risk management (continued)

The table below summarizes the maturities of the Company's financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

As at 31 December 2020	<i>On demand SR</i>	<i>Within one year SR</i>	<i>One to five years SR</i>	<i>More than five years SR</i>	<i>Total SR</i>
Term loans	-	5,942,174	23,768,696	65,363,918	95,074,788
Trade payables	39,379,795	-	-	-	39,379,795
Accruals and other liabilities	111,338,390	-	-	-	111,338,390
	150,718,185	5,942,174	23,768,696	65,363,918	245,792,973
As at 31 December 2019	<i>On demand SR</i>	<i>Within one year SR</i>	<i>One to five years SR</i>	<i>More than five years SR</i>	<i>Total SR</i>
Term loans	-	5,942,174	23,768,696	71,306,092	101,016,962
Trade payables	35,444,382	-	-	-	35,444,382
Accruals and other liabilities	57,231,878	-	-	-	57,231,878
	92,676,260	5,942,174	23,768,696	71,306,092	193,693,222

27. CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Company informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, term loan, employee terminal benefit, zakat payable, trade and other payables, less cash and bank balances.

National Medical Care Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

27. CAPITAL MANAGEMENT (continued)

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Term loan	95,074,788	101,016,962
Employees terminal benefits	92,667,784	85,148,670
Zakat payable	57,216,626	44,512,149
Less: Bank balances and cash	(372,672,212)	(379,665,910)
	(127,713,014)	(148,988,129)
Equity	1,036,948,931	1,032,890,534
Capital and net debt	909,235,917	883,902,405

28. SUBSEQUENT EVENTS

In the opinion of management, no significant subsequent events have occurred subsequent since 31 December 2020 that would have a material impact on the financial position or financial performance of the Company.

29. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

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 and ER 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 currently not be able to estimate reliably. 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 on 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 ensuring patient safety, sustainability of supply chain, maintenance of sufficient liquidity and safety of employees. 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 years. As the situation continues to evolve, management will continue to assess the impact based on prospective developments.

NOTES TO THE FINANCIAL STATEMENTS (continued))

As at 31 December 2020

30. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to align with current year presentation

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for issuance by the Board of Directors on 9 Sha'aban 1442H (corresponding to 22 March 2021).