

**CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS
SUBSIDIARIES**

**LIMITED REVIEW REPORT AND THE
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED
31 MARCH 2019**

CLEOPATRA HOSPITAL “S.A.E.” AND ITS SUBSIDIAREIS

Consolidated interim financial statements - For the three months period ended 31 March 2019

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Limited Review Report for the Interim Financial Statements

To: The Board of Directors of Cleopatra Hospital (S.A.E.) and its subsidiaries

Introduction

We conducted our limited review on the accompanying consolidated interim financial statements of Cleopatra Hospital (S.A.E.) and its subsidiaries (the "Group") which comprise the consolidated interim statement of financial position as at 31 March 2019 and the related consolidated interim statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other notes. The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is limited to express an opinion on these consolidated financial statements based on our limited review.

Scope of the limited review

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

Conclusion

In light of our limited review, nothing has come to our attention which causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 31 March 2019, and its financial performance, and its cash flows for the three months period then ended in accordance with the Egyptian Accounting Standards.

Wael Sakr
R.A.A. 26144
F.R.A. 381

30 May 2019
Cairo



CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

Consolidated statement of financial position - At 31 March 2019

(All amounts in Egyptian Pounds)

	Note	31 March 2019	31 December 2018
Assets			
Non-current assets			
Fixed assets	6	618,219,510	560,487,087
Goodwill	7	210,747,034	196,676,034
Intangible assets	7	44,354,000	44,354,000
Payments under long term investments	8	143,550,000	143,550,000
Subsidiaries not consolidated	9	362,500	362,500
Total non-current assets		1,017,233,044	945,429,621
Current assets			
Inventories	10	48,112,557	40,752,369
Trade receivables	11	317,401,322	302,841,491
Due from related parties	31	11,567,384	7,057,927
Debtors and other debit balances	12	70,666,059	48,463,398
Cash on hand and at banks	13	813,000,357	953,422,594
Total current assets		1,260,747,679	1,352,537,779
Total assets		2,277,980,723	2,297,967,400
Equity			
Share capital	18	800,000,000	800,000,000
Reserves	19	274,181,651	274,181,651
Retained earnings		583,319,296	529,815,360
Total equity of the parent company		1,657,500,947	1,603,997,011
Non-controlling interests	20	76,355,499	74,719,570
Total equity		1,733,856,446	1,678,716,581
Liabilities			
Non-current liabilities			
Non-current portion of borrowings	17	-	67,879,332
Employee incentive plan	16	67,573,570	45,232,497
Deferred tax liabilities	29	65,985,080	66,869,150
Total non-current liabilities		133,558,650	179,980,979
Current liabilities			
Provisions	14	25,407,628	24,901,675
Creditors and other credit balances	15	335,572,433	317,745,368
Current portion of borrowings and bank overdraft	17	11,583,419	27,224,536
Current income tax liabilities	28	38,002,147	69,398,261
Total current liabilities		410,565,627	439,269,840
Total liabilities		544,124,277	619,250,819
Total equity and liabilities		2,277,980,723	2,297,967,400

- The accompanying notes on pages 7 - 49 from an integral part of these financial statements,
- Limited review report is attached

Mr. Khalid Hassan Ahmed
Group CFO

Dr. Ahmed Ezz Eldin Mahmoud
CEO & Managing Director

Dr. Mohamed Tarek Zahed
Non-Executive Chairman

30 May 2019



CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

Consolidated statement of profit or loss For the three months period ended 31 March 2019

(All amounts in Egyptian Pounds)

	Note	31 March 2019	31 March 2018
Operating revenue	21	415,978,654	347,156,476
Less:			
Operating costs	22	(261,817,388)	(229,817,511)
Gross profit		154,161,266	117,338,965
Add / (Less):			
General and administrative expenses	23	(97,606,732)	(54,363,305)
Costs of acquisition activities		(523,257)	(2,562,398)
Provisions	14	(2,676,078)	(6,243,982)
Other income	25	2,022,596	3,018,149
Contribution to the comprehensive medical insurance	27	(1,040,196)	-
Finance income	26	29,379,431	30,077,102
Finance expenses	26	(3,157,347)	(11,951,106)
Profit for the period before income tax		80,559,683	75,313,425
Current tax	28	(26,303,887)	(19,483,556)
Deferred tax	29	884,069	1,365,751
Profit after income tax		55,139,865	57,195,620
Profit for:			
Owners of the parent company		53,503,936	53,306,684
Non-controlling interests	20	1,635,929	3,888,936
Profit after income tax		55,139,865	57,195,620
Earning per share	30	0.034	0.036

- The accompanying notes on pages 7 - 49 from an integral part of these financial statements,

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

Consolidated statement of comprehensive income For the three months period ended 31 March 2019

(All amounts in Egyptian Pounds)	<u>Note</u>	<u>31 March 2019</u>	<u>31 March 2018</u>
Profit for the period		55,139,865	57,195,620
Other comprehensive income		-	-
Comprehensive income for the period		<u>55,139,865</u>	<u>57,195,620</u>
Profit for:			
Owners of the parent Company		53,503,936	53,306,684
Non-controlling interests		<u>1,635,929</u>	<u>3,888,936</u>
Profit after income tax		<u>55,139,865</u>	<u>57,195,620</u>

- The accompanying notes on pages 7 - 49 from an integral part of these financial statements,

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

**Consolidated statement of changes in equity
For the three months period ended 31 March 2019**

(All amounts in Egyptian Pounds)

	Share capital	Reserves	Retained earnings	Total Shareholders equity of the parent Company	Non-controlling interest	Total equity
Balance at 1 January 2018	800,000,000	270,150,127	260,349,167	1,330,499,294	55,729,276	1,386,228,570
Dividends for employees	-	-	(21,290,984)	(21,290,984)	(1,323,731)	(22,614,715)
Reserves formed	-	4,127,298	(4,130,450)	(3,152)	3,152	-
Comprehensive income for the period	-	-	53,306,684	53,306,684	3,888,936	57,195,620
Balance at 31 March 2018	800,000,000	274,277,425	288,234,417	1,362,511,842	58,297,633	1,420,809,475
Balance at 1 January 2019	800,000,000	274,181,651	529,815,360	1,603,997,011	74,719,570	1,678,716,581
Comprehensive income for the period	-	-	53,503,936	53,503,936	1,635,929	55,139,865
Balance at 31 March 2019	800,000,000	274,181,651	583,319,296	1,657,500,947	76,355,499	1,733,856,446

- The accompanying notes on pages 7 - 49 from an integral part of these financial statements,

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

**Consolidated statement of cash flows
For the three months period ended 31 March 2018**

(All amounts in Egyptian Pounds)		31 March	31 March
	Note	2019	2018
<u>Cash flows from operating activities</u>			
Profit before tax		80,559,683	75,313,425
Adjustments to reconcile net income to cash flows from operating activities			
Fixed assets depreciation	6	13,971,448	10,397,347
Profit from sale of fixed assets	25	(236,794)	(134,609)
Impairment of inventories	10	161,115	(140,108)
Impairment of trade receivables	11	31,741,418	7,057,654
Provisions	14	2,676,078	6,243,985
Employee incentive plan	15	22,341,073	10,322,000
Interests and commissions	26	2,079,053	11,895,019
Interests payable	26	<u>(29,379,431)</u>	<u>(30,077,102)</u>
Operating profits before changes in assets and		123,913,643	90,877,611
Changes in assets and liabilities			
Change in inventories	10	(6,247,303)	(5,712,330)
Change in trade receivables	11	(46,301,249)	(49,956,162)
Change in due from related parties	31	(4,509,456)	(4,933,931)
Change in debtors and other debit balances	12	(17,405,823)	(865,513)
Change in Creditors and other credit balances	15	30,218,256	16,704,114
Provision used		(2,170,125)	(1,257,186)
Income tax paid		<u>(57,700,000)</u>	<u>-</u>
Net cash flows generated from operating activities		<u>19,797,943</u>	<u>44,856,603</u>
<u>Cash flows from investing activities</u>			
Payments for purchase fixed assets		(13,768,572)	(11,709,706)
Payments for projects under construction	6	(49,624,309)	(8,508,974)
Prepayments for purchasing fixed assets		(2,709,932)	(6,115,515)
Proceeds from sale of fixed assets		492,805	134,871
Payments under long term investments	8	-	(108,000,000)
Deposits with a maturity of more than 3 months from the date of placement	13	-	11,000,000
Payments for business acquisition		(25,000,000)	-
Interests received		<u>28,380,522</u>	<u>30,321,545</u>
Net cash flows generated from/(used in) investing activities		<u>(62,229,486)</u>	<u>(92,877,779)</u>
<u>Cash flows from financing activities</u>			
Proceeds from bank overdraft		27,582,598	23,281,672
Payment of borrowings and bank overdraft		(111,103,047)	(148,805,180)
Dividends paid		(14,284)	(20,011,921)
Interests and commissions paid		<u>(14,455,961)</u>	<u>(25,371,196)</u>
Net cash flows generated from financing activities		<u>(97,990,694)</u>	<u>(170,906,625)</u>
Change in cash and cash equivalents during the period			
		(140,422,237)	(218,927,801)
Cash and cash equivalents at the beginning of the period		<u>953,422,594</u>	<u>996,130,631</u>
Cash and cash equivalents at the end of the period	13	<u>813,000,357</u>	<u>777,202,830</u>

- The accompanying notes on pages 7 - 49 from an integral part of these financial statements,

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIAREIS

Notes to the consolidated interim financial statements

For the three months period ended 31 March 2019

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

1. Indroduction

Cleopatra Hospital Company (Lasheen and Partners) was established as a limited partnership on 19 July 1979. The decision of the Chairman of Investment Authority No. 4092 of 2005 was issued on 27 June 2005 authorising the transfer of the legal type of Cleopatra Hospital (Lasheen and Partners) from a "limited partnership" into Cleopatra Hospital Company "S.A.E." in accordance with the provisions of Law No. (8) of 1997 and Law No. (95) of 1992.

The Company's purpose is to establish a private hospital to provide advanced modern health and medical services, as well as the medical care of inpatients. The Company may have interest or participate in any manner in companies or other firms which carry on similar activities in Egypt or abroad. The Company may acquire, merge or affiliate such entities under the General Authority for Investment.

The Company is located at 39, 41 Cleopatra Street, Heliopolis, Cairo.

The Parent Company is Care HealthCare Ltd., which owns 80% of the Company's share capital at 30 December 2017 Care Health Ltd. Shares has changed to be 69.4%.

On 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the total shares of Cairo Specialised Hospital. Cleopatra Hospital S.A.E share in Cairo Specialised Hospital has changed to reach 53.67% due to the write off of treasury shares.

On 28 September 2017, the ownership in Cairo specialised Hospital increased to 53.88% due acquisition of shares from the non-controlling shareholders in of Cairo specialised Hospital.

On 22 September 2015, Cleopatra Hospital S.A.E. acquired 99.92% of the total shares of Nile Badrawi Hospital Company.

On 24 January 2016, Cleopatra Hospital S.A.E. acquired 99.99% of the total shares of Al-Shorouk Hospital.

On 18 March 2019, Cleopatra Hospital S.A.E acquired the fixed assets, operations and management of Queens Hospital.

These consolidated interim financial statements have been approved for issuance by the Board of Directors of the Parent Company on 30 May 2019

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

Notes to the consolidated interim financial statements

For the three months period ended 31 March 2019

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies

The principal accounting policies used in the preparation of these consolidated interim financial statements are set out below.

A. Basis of preparation of the consolidated interim financial statements

The consolidated interim financial statements have been prepared in accordance with the Egyptian Accounting Standards (EASs) and the relevant laws. The consolidated interim financial statements have been prepared under the historical cost convention.

The preparation of the consolidated interim financial statements in conformity with EASs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas where the most significant accounting estimates and judgements applied in preparation of the consolidated interim financial statements are disclosed in Note 4.

The EAS's require the reference to the most recent issues by other parties with which they are associated, which are responsible for setting accounting standards and use similar scopes and concepts to develop accounting standards and philosophies and other procedures accepted in the industry, to the extent at which these concepts do not conflict with the requirements of the Egyptian Standards on Auditing, which deal with similar related subjects, definitions, basis of recognition, concepts on the measurement of assets, liabilities, revenue and expenses included in the scope of the preparation and presentation of the interim financial statements when there is no Egyptian standard on accounting or legal requirements that explain the accounting process for certain balances or transactions.

Matters that have not been addressed in the Egyptian Standards are subject to the International Financial Reporting Standards (IFRS) until the Egyptian Standards that address such matters are issued.

B. New Egyptian Accounting Standards ("EAS") and interpretations not yet adopted:

On 28 March 2019, the minister of Investment issued a decree no. 69 for 2019 which includes new standards and amendments to the existing standards. The amendments in the EASs have been published in the official gazette on 7 April 2019. These changes are mainly represented in three new standards which should be adopted for the financial periods commencing on or after 1 January 2020 as follows:

1- EAS No. (47) – "Financial instruments":

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

The standard includes a new classes of classification and impairment model for financial assets which reflects the business model in order to manage the assets and their cash flows through this business model.

EAS No. (47) replaced 'incurred loss' model in EAS No. (26) by 'expected credit loss' model.

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(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

New Egyptian Accounting Standards ("EAS") and interpretations not yet adopted: (continued)

2- EAS No. (48) – "Revenue from contracts with customers":

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

This standard established a comprehensive framework for determining how much and when revenues should be recognized. This standard replaces EAS No. (11) 'revenues' and EAS No. (8) 'construction contracts'.

3- EAS No. (49) – "Leases":

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standard No. (48) – 'Revenue from contracts with customers' should be adopted at the same time.

EAS No. (49) introduces a single lease accounting model for lease contracts. A lessee recognizes his right-of-use for assets and lease liability which represents his lease instalments liability. There are some exemptions for short-term lease contracts and assets lease contracts with low value.

This standard replaces the EAS No. (20) 'Accounting rules and standards related to financial lease'.

C. Basis of consolidation

1. Subsidiaries

Subsidiaries are the companies (including special purpose entities) with which the Group does not deal and shall not have rights in variable returns through its participation in the subsidiary, and shall have the ability to impact such returns through its authority over its subsidiaries. The Group's authority over the a subsidiary arises when the Group has outstanding rights giving the Group the current ability to instruct relevant activities, such as activities that impact the subsidiary's returns. Potential voting rights that may be practiced or transferred are taken into consideration when assessing the existence of authority over the subsidiary.

The acquisition method of accounting is used to account for the acquisition of a subsidiary from outside the group by the Group. The cost of an acquisition is measured at the fair value or consideration of assets given by the Company for acquisition and/ or equity instruments issued and/ or liabilities incurred by the Company, and/or the liabilities accepted on behalf of the acquiree at the date of exchange plus any costs that are directly attributable to the acquisition. Net assets, including the identifiable contingent liabilities acquired at their fair value at the date of acquisition, are measured at fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the mentioned net assets, the difference is recognised directly in the statement of profit and loss.

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(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Basis of consolidation (continued)

In case the acquisition process is carried out by an entity under joint control, subsidiaries are fully consolidated from the date on which control is transferred to the Group. The historical cost method is used where assets and liabilities are transferred from the consolidated interim financial statements to the highest joint control entity which consolidated the transferred company. If this is not possible, transfer will be made at the same value stated in the transferred company's books. The difference between the carrying value of the net assets referred to and the cost of acquisition is recognised in equity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Inter-companies transactions, balances and unrealised gains on transactions between the Group's companies are excluded. Unrealised losses are eliminated, and are considered as an indication of the impairment of the transferred assets.

Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted at the Group's level.

The consolidated interim financial statements include the interim financial statements of the following subsidiaries:

	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Al-Shorouk Hospital Company S.A.E.	Egypt	99.99%
Nile Badrawi Hospital Company S.A.E.	Egypt	99.92%
Cairo Specialised Hospital Company S.A.E.	Egypt	53.88%

2. Sale, acquisition and non-controlling interests

The Group recognises sales and acquisitions made with the minority, as transactions with parties outside the Group. Gains or losses on disposal of equity to the minority, are recognised in the consolidated equity. Where purchase is made from minority, the difference between the consideration paid and the carrying value of the share purchased in the subsidiary's assets is recognised as a reserve in the consolidated equity.

3. Associates

- Associates are entities over which the Group has significant influence but not control. A shareholding in these entities ranges between 20% and 50% of the voting rights.
- Investments in associates are accounted for by the equity method of accounting. Investments are initially recognised at cost.
- Goodwill arising from shareholding in associates is stated within investment cost net of accumulated impairment.
- The Group's share of its associates' post-acquisition profit and loss is recognised in the profit and loss statement, and its share of post-acquisition movements in associates' reserves is recognised in reserves, in exchange for the adjustment of carrying value of investment against the Group's share in post-acquisition changes in equity after the acquisition date.

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(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Basis of consolidation (continued)

- When the Group's share of losses in associates equals or exceeds its interest in the associate, including any other receivables or unsecured borrowings, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies applied in the associates are adjusted when necessary to ensure consistency with the policies adopted by the Group.

D. Segment reporting

Business segments are reported in line with the reports provided internally to the senior management, which makes decisions related to resources allocation and evaluation of segments' performance in the Group. The senior management is represented in Group's executive management committee. The segment reports are provided to the Group based on each company, as each subsidiary is considered a separate business segment.

E. Foreign currency translation

(1) Functional and presentation currency

Items included in the consolidated interim financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated interim financial statements are presented in Egyptian Pounds (EGP), which is the Group's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions during the year are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the revaluation of monetary assets and liabilities denominated in foreign currencies at the consolidated financial position date are recognised in the consolidated statement of profit or loss.

F. Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and bringing it to a ready-for-use condition.

All expenses attributed to the acquisition and establishment of fixed assets are recognised at the accounts of projects under construction. When the fixed asset is complete and brought to a ready-for-use condition, the asset's amount is transferred to the account of fixed assets.

All repair and maintenance costs are charged to the statement of profit and loss for the fiscal year in which they are incurred. Major renovation costs are capitalised over the asset's cost when they are expected to raise the expected pattern of the Company's future economic benefits over the estimated original benefits of the asset acquisition. These costs will be depreciated at the lower of the asset's remaining useful life or the expected useful life of these renovations, the net carrying amount of the disposed part is eliminated.

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(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Fixed assets (continued)

The straight line method is used to calculate the depreciation by reducing the asset's value to its salvage value over the estimated useful life except the land that is not considered a depreciable asset. The fixed assets' salvage value and useful life are reviewed annually, and adjusted if appropriate.

The depreciation rates by type of asset are as follows:

Buildings	2.5%
Machinery and equipment	10%
Tools and instruments	25%
Furniture and fixtures	15%
Vehicles	20%
Computers	25%
Leasehold improvement	Remaining of the lease contract
Acquired assets	Over the remaining productive years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the amount estimated to be recovered from operation. Gains and losses on disposals are determined by comparing the realisable value with the net carrying amount, and the difference is recognised in the statement of profit or loss.

G. Intangible assets

1. Goodwill

Goodwill results from the acquisition of subsidiaries and represents the excess of the cost of acquisition of shareholding in subsidiaries over the fair value of the Group's share of the net assets of the acquired associate at the date of acquisition. Goodwill resulting from the acquisition of a subsidiary is included within intangible assets.

The Group's management conducts analysis annually or at shorter intervals, where there is an indication for impairment, to estimate whether the carrying value of goodwill is expected to be fully recovered, and reduce the carrying value of goodwill if it is higher than the expected recoverable amount. Any losses resulting from impairment of goodwill are charged to the statement of profit or loss, and cannot be reversed subsequently.

Profits and losses resulting from the disposal of investments in subsidiaries or associates comprise the carrying value of the goodwill related to the investment.

Goodwill is allocated to cash generating units for the purpose of measurement of impairment. Allocation is made on cash generating units or a group of cash generating units that are expected to directly benefit from goodwill.

2. Trade name

Trade name is included within intangible assets, and represents the trade name of both Nile Badrawi Hospital S.A.E. and Al-Shorouk Hospital S.A.E., resulting from the acquisition at fair value at the date of acquisition.

3. Non-competition agreement

The fair value of the recognised asset is depreciated in such agreements over the period during which it is expected to be beneficial. The period is specified to be two years long.

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(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

H. Inventories

Inventories are evaluated at the lower of actual cost or net realisable value. Cost is determined using the moving average method and includes purchase cost and other direct costs. The net realisable value comprises the estimated selling price in the ordinary course of business, less realisable expenses. Allowance is made for slow moving inventories based on management's assessment of inventory movements.

I. Financial assets

First – Classification:

The Company classifies its financial assets into the following categories at initial recognition depending on the purpose for which the financial assets were acquired. The management of the Company has classified its financial assets within the group of loans and receivables.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable values that are not quoted in an active market.

They are included in current assets, except for those with maturities greater than 12 months after the financial position date. In this case, they are classified as non-current assets.

Loans and receivables include accounts receivables, cash and bank balances, and due from related parties.

Second: Initial and subsequent measurement:

1. The financial assets are measured on acquisition at fair value plus transaction costs.
2. The financial assets are derecognised when the right to receive cash flows from such assets has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership.
3. Loans and receivables are subsequently measured at amortised cost using the effective interest method.

Third: Impairment of financial assets:

Assets recognised at amortised cost

The Company assesses, at the end of each financial period, whether there is evidence that a financial asset or a group of financial assets is impaired.

Impairment of a financial asset or group of financial assets is recognised if an impairment evidence exists as a result of one or more events that occurred after the initial recognition (a "loss event") and if the loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably measured.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a decrease in the estimated future cash flows, such as future changes or economic conditions that correlate with the impairment evidence.

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIAREIS

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For the three months period ended 31 March 2019

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Financial assets (continued)

Fixed assets' impairment loss is measured at amortised cost, which is the difference between the asset's carrying amount and the present value of the estimated future cash flows (after eliminating future losses that have not occurred) discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment decreases and the decrease can be related to an event occurring after the initial recognition (such as an improvement in the debtor's credit rating), the reversal of the impairment is recognised in the statement of profit or loss.

J. Impairment of non-financial assets

Intangible assets that have an indefinite useful life, and so are not depreciated, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal of the asset or the value expected to be recovered its use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are independent cash inflows.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that impairment losses recognised for the asset no longer exist or have decreased. Loss of impairment, which should not exceed the fair value that will be determined (net of depreciation), is reversed. Such reversal is recognised in the statement of profit or loss, excluding goodwill.

K. Share capital

Ordinary shares are classified as equity.

L. Legal reserve

As required by the Company's Articles of Association, 5% of the net profit shall be transferred to constitute the legal reserve, once the interim financial statements are approved by the Company's ordinary general assembly meeting. Such transfer may be discontinued when the reserve equals 50% of the Company's issued and paid up capital. Whenever this reserve is lower than this percentage, the deduction should be continued. This reserve is not available for distribution.

M. Provisions

Provisions are recognised when the Company has a (legal or constructive) obligation as a result of past events. It is expected that this settlement will result in an outflow of the Company's resources, which ensures that economic benefits will arise, and it is probable that the resource usage will be required to settle the obligation and a reliable estimate of the amount of this obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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N. Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Trade payables are initially recognised at fair value of products and services received from others, whether they have been billed or not. Long term liabilities are recognised at their present value, and trade payables are subsequently shown at amortised cost using the effective interest method.

O. Borrowings and advances

Borrowings are initially recorded at received amounts less the cost of obtaining the loan. Borrowings are subsequently stated at amortised cost using the effective interest method; any difference between proceeds (net of borrowing cost) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective yield method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of this asset. The cost of borrowing, which is capitalised, is determined based on actual borrowing costs, which are incurred by the Group during the year due to borrowing process, less any income realised from the temporary investment of funds borrowed.

Borrowings and advances are classified as current liabilities unless the Group has an unconditional right to defer the settlement of such obligations for a period of not less than 12 months after the date of the interim financial statements.

P. Employees' benefits

(1) Pension and insurance scheme

The Group pays contributions to the Public Authority for Social Insurance on a mandatory basis in accordance with the rules of Social Security Law. The Group has no further obligations other than the payment of its obligations. The regular contributions are recognised as periodic costs for the period in which they are due and as such are included in staff costs.

(2) Employee incentive plan

Cleopatra Hospital grants units of cash bonus to the selected employees of the Group according to the criteria, basis, and rules established by the Remuneration Committee to activate this plan. To connect the interests of the beneficiaries of the system with the interest of the shareholders and to ensure that the participants with high efficiency obtain the appropriate incentive to support the growth and stability and maintain the high-efficiency workers within the management team.

The remuneration committee of the Company supervises the implementation of the system under the control and supervision of the Company's Board of Directors.

System elements

Each beneficiary shall be given units of monetary reward or a fixed presentage of the amounts allocated to the system in accordance with the award of the remuneration committee.

The remuneration committee shall determine the date of grant.

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Employees' benefits (continued)

Amounts due to the plan are determined according to a specific mechanism and include the following:

- A) Payments calculated on the basis of the difference between the average market value of the Parent Company's shares on 30 September 2020 and the share price at the date of its public offering on the Stock Exchange on 2 June 2016.
- B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 30 September 2020 and 30 September 2016.
 - The beneficiaries' entitlements from the system shall be paid within one month of the end of the fourth year of the system ("maturity date" or within one month from the date of any entitlement to the system in accordance with its terms and conditions).
 - This system is not a system of remuneration and motivation for the employees of the Company by granting or giving any rights in the shares of the Company as this system is a system of monetary incentives.
 - The Remuneration Committee shall be entitled to amend the mechanism for calculating amounts due in light of any developments related to the Company's activities or achieving its objectives and after the presentation to the Board of Directors for approval and clarification of the justifications for this amendment. The Remuneration Committee is entitled to reallocate units that have not been used or are available in general to existing or new beneficiaries.
 - The Group recognizes the cost of incentives related to the services rendered by the employees under the system over the period in which the service is performed. The Group recognizes the liability for the system at the date of each financial position in accordance with the fair value of the consideration expected to be paid to the employees on the grant date. The fair value of these liabilities is estimated at the date of the financial position taking into account all the circumstances relating to the expected discounted cash flows at the effective rate of return applicable.
 - The Group recognises the fair value of the employees' services received as expenses in the statement of profit or loss.

Q. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, including cash balances, trade and notes payable for rendering medical services and sale of medicine throughout the Group's ordinary course of business, and excluding sales taxes, deductions or discounts.

Revenues are recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits related to the sale process will flow to the Group; and when other specific criteria have been met for each of the Group's activities as described below. The revenue amount will not be considered reliably measurable unless all contingent liabilities are settled. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Medical services revenue

The Group renders several medical services, including surgeries, admission, medical supervision, analyses, investigations, x-rays and outpatient services. The medical service income is recognised when the service is rendered to the patient.

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Revenue recognition (continued)

Sale of medicine revenue

The Group sells drugs through the hospital's pharmacy or when giving them to inpatients admitted in the hospital. The Group recognises the revenues of medicines when the patient receives the medicine or when the medicine is used for the treatment of inpatients.

Rental income

The Groups rents spaces to others. Such rental is recognised in the statement of profit or loss over the period of contract.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable generated from the recognition of interest is impaired, the carrying amount will be reduced to its recoverable amount.

R. Leases

1. Finance Lease

Leases are accounted for in accordance with Law 95 for the year 1995 if the tenant is not obliged to purchase the asset at the end of the lease term; the lease is registered in the register of the Companies' Department; the lease grants the tenant the right to purchase the assets at a definite date and a definite amount; and the contract period represents at least 75% of the expected useful life of the asset, at least, or the present value of the total lease payments represents at least 90% of the value of the asset.

The cost of lease, including the cost of maintenance of the leased assets are recognised as an expense in the consolidated statement of profit or loss for the period in which they occurred. If the Group decides to exercise the right to purchase the leased assets, the cost of the right to purchase is capitalised as a fixed asset, which is depreciated over the useful life of the expected remaining life of the asset in the same method followed with similar assets.

2. Operating leases

Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any discounts received from the lessor) are recognised as expense in the statement of profit or loss on a straight-line basis over the period of the lease.

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S. Current and deferred income tax

The income tax for the period is calculated on the basis of the tax laws enacted at the financial position date. The management periodically evaluates the tax situation through tax returns, taking into account the differences that may arise from some interpretations issued by administrative or regulatory authorities, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

Deferred income tax is fully recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated interim financial statements. The deferred income taxes are not accounted for if it arises from initial recognition of an asset or liability other than those arising from business combination that at the time of the transaction affects neither accounting nor taxable income.

Deferred income tax is determined using tax rates in accordance with the law prevailing at the consolidated financial position date that are expected to apply when the deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

T. Dividends

Dividends are recognised in the consolidated interim financial statements in the period in which the dividends are approved by the Company's General Assembly of Shareholders.

U. Cash and cash equivalents

For the purpose of preparation of consolidated statement of cash flows, cash and cash equivalents includes cash in hand, bank current accounts, and term deposits with maturities of three months of the date of deposit.

V. Fair value of financial instruments

Fair value is the price that would be obtained for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction of selling an asset or transferring a liability occurs either:

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

The Company must be able to reach the primary market or the most beneficial market.

The fair value of the asset or liability is measured using the assumptions that market participants might use when pricing the asset or liability by assuming that market participants act for their economic benefit.

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Fair value of financial instruments (continued)

Fair value measurement for a non-financial asset takes into consideration the market participant's ability to generate economic benefits through the best and ultimate use of the asset, or by selling them to another market participant that would ensure the best and ultimate use of the asset.

The Company uses valuation techniques appropriate in the circumstances for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value of all assets and liabilities in the interim financial statements are measured and included in the fair value hierarchy below, on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Other valuation techniques where all lowest level inputs that are significant to the fair value measurement are directly or indirectly observable.
- Level 3 - Valuation techniques where all lowest level inputs that are significant to the fair value measurement are not observable.

As for assets and liabilities in the separate interim financial statements, on a periodic basis, the company determines the level, in the case of transfers between levels within the hierarchy during the revaluation of the classification (based on the lowest input levels that are considered to be significant to the fair value measurement in its entirety) at the end of each reporting period.

The management determines the policies and procedures for measuring the fair value either regularly or irregularly. External valutors are engaged in the valuation of significant assets. The criteria for selecting the valuator include their knowledge of the market, reputation, independence and compliance with the professional standards. The management determines the valuation techniques that should be applied on a case by case basis.

The management in cooperation with the Company's external valutors compare the changes in fair value for each asset and liability with the relative external sources to assess whether these changes are reasonable.

The fair value of non-current investments is determined based on the discounted cash flows, pricing models, net assets of invested companies or prices in counterpart markets.

The financial instruments are measured according to Level No. 2, and there is no difference between book value and fair value of of financial instruments as the deposits are payable on relatively short terms and a variable interest is added to the loans associated with the declared Corridor of the Central Bank of Egypt.

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3. Financial risk management

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including the risk of change in foreign currency and risk of change in interest rates), credit risk and liquidity risk. The Group is not exposed to any price risk as it does not have financial assets at fair value through profit and loss. The Group's management aims to minimise potential adverse effects of such risks on the financial performance of the Group by the monitoring process performed by the Finance Department, Company's General Manager, Executive Committee at the level of the Parent Company.

The Group does not use any derivative financial instruments to hedge specific risks.

A) Market risk

i. Risk of change in foreign currency rates

Foreign exchange risk arises from the foreign currency rates that affect the payments and receipts in foreign currency, as well as the valuation of assets and liabilities in foreign currencies. Given the nature of the Group's activities, the Group does not undertake transactions denominated in foreign currencies as it carries out all purchases in the Egyptian Pound. The Group's very limited revenue in foreign currencies are generated from certain foreign embassies. The management considers that foreign currency denominated balances are insignificant.

At the end of the year, the net financial assets of foreign currencies before impairment are denominated in Egyptian Pound as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
US Dollars	27,604,270	32,969,736
Euro	338,296	46,276
GBP	55,574	366,910

At 31 March 2019, if the EGP had been more/ less by 10% against foreign currencies, with all other variables held constant, net profit after taxes would have increased / decreased as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
US Dollars	2,760,427	3,296,974
Euro	33,830	4,628
GBP	5,557	36,691

ii. Fair value and cash flows risks resulting from the change in interest rates

The Parent Company obtained long-term loans at interest rates linked to the corridor rate declared by the Central Bank of Egypt, and therefore, it is exposed to cash flow risks.

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Financial risk management (continued)

B) Credit risk

Credit risk arises from cash and deposits with banks as well as credit risks associated with the Group's customers. Risk management is monitored for the Group taken as a whole, through the executive management, the central finance department and the executive committee at the level of the Parent Company.

For banks, only highly credit rating banks with high solvency are dealt with and are subject to the control of the Central Bank of Egypt.

For customers, each Hospital's management analyses the credit risks of each potential new customer before being approved as a credit customer by the Finance Director and the General Manager in accordance with the Group's established policies, including Cleopatra Hospital Company or the subsidiaries. The Parent Company's Executive Committee follows-up the compliance with credit terms, and reviews cases of default and debt ageing report to take the necessary decisions whether to cancel the credit or to refer the defaulted customer to the Legal Department for their necessary actions.

The management makes impairment of 100% for customers in default for more than 150 days as of the date of the invoice. After deducting the amounts that expected to be collected after calculating the loss given default rate. The management also establishes the Group-based provision for impairment at historical default rates. The management calculates historical default rates for each customer individually on a monthly basis for defaulted customer balances for more than 150 days until 360 days from the financial position date. Based on those rates, the management calculates a provision on defaulted customers receivables for less than 150 days.

Cash at banks is placed with local banks that are subject to the supervision of the Central Bank of Egypt. Accordingly, management believes that credit risk resulting from the cash at bank is minimal.

Below are the balances that are exposed to the credit risks:

	<u>31 March</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
Cash at banks	811,291,666	952,046,248
Trade receivables	365,062,905	318,870,667
Accrued income	1,420,065	421,157

C) Liquidity risk

The management makes cash flow projections on monthly basis, which are discussed during the Executive Committee's meeting of the Parent Company, and takes the necessary actions to negotiate with suppliers, follow-up the collection process and manage the inventory balances in order to ensure sufficient cash is maintained to discharge the Company's liabilities.

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Financial risk management (continued)

The table below shows the Company's liabilities by maturity:

	Below 3 months	3 months to 1 year	1 year to 5 years	Above 5 years
Suppliers and notes payable	113,497,183	60,763,171	-	-
Loans and financing interests	9,019,048	-	-	-
Accrued expenses	114,968,467	31,467,924	-	-
Miscellaneous creditors	9,369,027	923,673	-	-

During February 2018 and March 2018, the borrowing rate (corridor) decreased by 1% and 1% respectively which will affect the Company's liabilities regarding borrowings and finance interest.

(2) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maximise returns for shareholders and provide benefits to the stakeholders, and to maintain an optimal capital structure to reduce the cost of capital, as is followed by other companies operating in the same industry.

The Group's management monitors capital structure using the gearing ratio, which is calculated as the ratio of net debt to total borrowings, advances, notes payable, and due to related parties, less cash. The total capital represents the total net debt in addition to shareholders' equity as shown in the consolidated financial position.

Net debt to total invested capital as at 31 March 2019 and 31 December 2018 is as follows:

	31 March 2019	31 December 2018
Creditors and other credit balances	335,572,433	317,745,368
Employee incentive plan	67,573,570	45,232,497
Borrowings and over draft banks	11,583,419	95,103,868
Less: Cash on hand and at banks	(813,000,357)	(953,422,594)
Net debt	(398,270,935)	(495,340,861)
Total shareholders' equity	1,733,856,446	1,678,716,581
Total invested capital	1,335,585,511	1,183,375,720
Net debts to total invested capital	(29.82%)	(41.86%)

(3) Estimations of fair values of financial instruments

The fair value of current financial assets and liabilities approximates their carrying amounts after taking into account any impairment. The Company owns long-term loan from an Egyptian bank, and the management believes that the fair value of the loan approximates its carrying amount as it was issued at a variable rate linked to the interest rate corridor declared by the Central Bank of Egypt.

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4. Critical accounting estimates, assumptions and judgements

Critical accounting estimates and assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the actual results.

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Group reviews the provision at the date of each financial position, and adjusts it to reflect the best current estimate by using the appropriate advisory expertise.

Impairment of goodwill and other intangible assets

The Group's management evaluates goodwill and other intangible assets annually to determine any impairment in goodwill. The carrying amount of goodwill is reduced if it is higher than the expected recoverable amount. Any losses resulting from the impairment of goodwill is charged to the statement of profit or loss, and cannot be reversed subsequently, (Note 7) illustrates more information regarding this.

Impairment of trade receivables and customers

Impairment of receivables and customer balances is estimated by monitoring ageing of receivables. The Group's management examines the credit position and ability of debtors and customers to make payments for their past due debts. Impairment is recognised for amounts due from debtors and customers whose credit position does not allow them to pay their dues as believed by the management. In addition, the Group calculates impairment on the Group basis for customers and balances that suffered impairment but not yet determined, by reference to historical default rates applicable to some of the Group companies.

Employee incentive plan

Cleopatra Hospital Group has an incentive plan for some employees of the parent company. The remuneration committee of the parent company oversees the implementation of the plan under the supervision of the parent company's board of directors. Each beneficiary is granted a cash bonus or a fixed percentage of the amounts allocated to the plan.

This plan is not considered as a plan of remuneration and motivation for employees in the group by granting any rights in the shares of the parent company, As it is a plan of cash incentives based in part on the value of shares. The values of the components of the plan are calculated at current discount rates, either for share-based payments or for payments calculated on the basis of the difference between (EBITDA) and maturity as of 30 September 2020 and 30 September 2016. The discounts rates used in calculating the system values are also reviewed with the market discount rates and reviewing the calculated valued by system elements with the approved fives years plans from the management yearly.

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Critical accounting estimates, assumptions and judgements (continued)

The plan consists of the following:

- A) Payments calculated on the basis of the difference between the market value of the Parent Company's shares on 30 September 2020 and the share price at the date of its public offering on the Stock Exchange on 2 June 2016.
- B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 30 September 2020 and 30 September 2016.
- Liabilities are estimated at each financial position date based on the present value of the expected cash flows discounted at market rate of return.
 - These estimates are calculated by an independent expert and include the impact of market conditions using the total shareholders return (TSR) as well as other non-market conditions using earning before interest, tax, depreciation and amortization (EBITDA).
 - The assumption used, including the discount rates and expected performance are reviewed in accordance with approved management plans annually and assumptions adjusted if nessecary.

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5. Segment reporting

Business segments are reported in line with the reports provided internally to the senior management, which makes decisions related to resources allocation and evaluation of segments' performance in the Group. The senior management is represented in Group's executive management committee. The segment reports are provided to the Group based on each company, as each subsidiary is considered a separate business segment.

Below is a summary of each segment, which is presented For the three months period ended 31 March 2019 for each segment:

Statement of financial position	Cairo			Nile		Consolidated adjustment	Total
	Cleopatra Hospital Company	Specialised Hospital	Badrawi Hospital	Al Shorouk Hospital	Hospital		
Non-current assets	923,094,888	105,924,918	72,512,056	88,527,430	(172,826,248)	1,017,233,043	
Current assets	908,890,399	156,858,250	129,974,337	79,648,760	(14,624,066)	1,260,747,680	
Total assets	1,831,985,287	262,783,168	202,486,393	168,176,190	(187,450,314)	2,277,980,724	
Current liabilities	168,307,983	94,064,545	94,572,204	75,737,595	(22,116,700)	410,565,627	
Non-current liabilities	71,911,325	6,404,629	297,127	839,164	54,106,404	133,558,649	
Total Liabilities	240,219,308	100,469,174	94,869,331	76,576,759	31,989,704	544,124,276	
Statement of profit or loss:							
Operating revenue	183,765,307	86,704,851	76,185,082	70,297,093	(973,679)	415,978,654	
Operating costs	(104,981,618)	(56,058,959)	(50,459,136)	(48,542,961)	(1,774,714)	(261,817,388)	
Gross profit	78,783,689	30,645,892	25,725,946	21,754,132	(2,748,393)	154,161,266	
Other expenses and revenues	(33,732,375)	(27,104,466)	(23,148,804)	(16,248,925)	1,213,169	(99,021,401)	
Profit for year	45,051,314	3,541,426	2,577,142	5,505,207	1,213,169	55,139,865	
Other Items							
Capital expenditure	59,441,106	20,001,247	11,114,688	2,112,773	-	74,669,814	
Fixed assets depreciation	3,982,719	3,447,335	1,668,006	3,582,022	2,791,297	13,971,448	

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Segment reporting (continued)

Below is a summary of each segment, which is presented For the three months period ended 31 March 2018 for each segment:

	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	Consolidated adjustment	Total
<u>Statement of financial position</u>						
Non-current assets	945,513,080	71,380,932	53,086,464	66,597,046	(161,659,539)	974,917,983
Current assets	838,510,422	116,796,820	77,424,873	57,353,779	(9,415,122)	1,080,670,772
Total assets	1,784,023,502	188,177,752	130,511,337	123,950,825	(171,074,661)	2,055,588,755
Current liabilities	171,792,781	60,095,152	68,014,040	60,499,283	(14,395,238)	346,006,018
Non-current liabilities	228,567,620	4,839,019	(532,968)	(719,321)	56,618,913	288,773,263
Total Liabilities	400,360,401	64,934,171	67,481,072	59,779,962	42,223,675	634,779,281
<u>Statement of profit or loss:</u>						
Operating revenue	157,650,824	69,532,260	61,971,037	61,744,823	(3,742,468)	347,156,476
Operating costs	(91,888,079)	(48,892,227)	(42,551,193)	(45,475,487)	989,475	(229,817,511)
Gross profit	63,762,745	20,640,033	19,419,844	16,269,336	(2,752,993)	117,338,965
Other expenses and revenues	(22,652,143)	(12,215,456)	(15,724,422)	(10,768,713)	1,217,389	(60,143,345)
Profit for year	41,110,602	8,424,577	3,695,422	5,500,623	(1,535,604)	57,195,620
<u>Other Items</u>						
Capital expenditure	8,579,301	91,123,114	3,165,379	5,466,401	-	26,334,195
Fixed assets depreciation	2,826,623	2,446,901	1,030,106	1,301,713	2,792,004	10,397,347

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Segment reporting (continued)

Below is a summary of each segment, which is presented for the financial year ended 31 December 2018 for each segment:

<u>Statement of financial position</u>	<u>Cleopatra Hospital Company</u>	<u>Cairo Specialised Hospital</u>	<u>Nile Badrawi Hospital</u>	<u>Al Shorouk Hospital</u>	<u>Consolidated adjustment</u>	<u>Total</u>
Non-current assets	856,816,465	104,725,535	65,510,510	88,362,063	(170,034,952)	945,379,621
Current assets	1,038,193,892	142,876,181	116,418,259	55,982,278	(882,831)	1,352,587,779
Total assets	1,895,010,357	247,601,716	181,928,769	144,344,341	(170,917,783)	2,297,967,400
Current liabilities	230,576,494	82,247,024	76,666,496	57,527,264	(7,747,438)	439,269,840
Non-current liabilities	117,719,201	6,582,124	222,353	722,853	54,734,448	179,980,979
Total Liabilities	348,295,695	88,829,148	76,888,849	58,250,117	46,987,010	619,250,819
<u>Statement of profit or loss:</u>						
Operating revenue	677,269,997	287,495,594	257,216,457	254,844,857	(20,687,928)	1,456,138,977
Operating costs	(396,578,948)	(200,160,104)	(169,204,082)	(186,250,556)	9,676,570	(942,517,120)
Gross profit	280,691,049	87,335,490	88,012,375	68,594,301	(11,011,358)	513,621,857
Other expenses and revenues	(76,433,107)	(43,381,926)	(42,307,298)	(41,170,319)	4,869,292	(198,423,358)
Profit for year	204,257,942	43,953,564	45,705,077	27,423,982	(6,142,066)	315,198,499
<u>Other Items</u>						
Capital expenditure	49,402,239	54,053,091	25,296,793	30,787,692	-	159,539,815
Fixed assets depreciation	13,045,121	11,623,869	4,704,859	5,935,988	11,167,395	46,477,232

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

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(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

6. Fixed assets

	Lands	Machinery, equipment and devices	Furniture	Buildings	Vehicles	Computers	Projects under construction	Total
At 1 January 2017								
Cost	105,329,262	319,552,050	35,727,241	247,079,683	7,085,873	29,713,125	25,435,666	769,922,900
Accumulated depreciation	-	(184,863,505)	(25,639,881)	(73,700,280)	(4,693,689)	(8,508,666)	-	(297,406,021)
Net book Amount	105,329,262	134,688,545	10,087,360	173,379,403	2,392,184	21,204,459	25,435,666	472,516,879
Year ended 31 December 2018								
Opening net book amount	105,329,262	134,688,545	10,087,360	173,379,403	2,392,184	21,204,459	25,435,666	472,516,879
Additions	-	59,091,963	6,793,374	3,882,646	209,897	16,594,893	48,412,349	134,985,122
Disposals	-	(6,538,134)	(530,171)	-	(116,109)	(100,259)	-	(7,284,673)
Transfers from projects under construction	-	838,188	5,743,783	45,803,279	-	-	(52,385,250)	-
Depreciation for the year	-	(23,093,360)	(3,521,738)	(11,145,407)	(715,110)	(8,001,617)	-	(46,477,232)
Accumulated depreciation of disposal	-	6,070,435	462,773	-	116,109	97,674	-	6,746,991
Closing net book amount	105,329,262	171,057,637	19,035,381	211,919,921	1,886,971	29,795,150	21,462,765	560,487,087
At 31 December 2018								
Cost	105,329,262	372,944,067	47,734,227	296,765,608	7,179,661	46,207,759	21,462,765	897,623,349
Accumulated depreciation	-	(201,886,430)	(28,698,846)	(84,845,687)	(5,292,690)	(16,412,609)	-	(337,136,262)
Net book Amount	105,329,262	171,057,637	19,035,381	211,919,921	1,886,971	29,795,150	21,462,765	560,487,087
At 31 March 2019								
Opening net book amount	105,329,262	171,057,637	19,035,381	211,919,921	1,886,971	29,795,150	21,462,765	560,487,087
Additions	-	20,561,762	1,131,116	108,602	-	534,092	49,624,310	71,959,882
Disposals	-	(2,465,090)	(280,135)	-	-	(15,785)	-	(2,761,010)
Transfers from projects under construction	-	1,313,626	769,708	1,473,826	-	-	(3,557,160)	-
Depreciation for the year	-	(6,990,772)	(1,133,699)	(3,023,448)	(172,356)	(2,651,173)	-	(13,971,448)
Accumulated depreciation of disposal	-	2,209,079	280,135	-	-	15,785	-	2,504,999
Balance at 31 March 2019	105,329,262	185,686,242	19,802,506	210,478,901	1,714,615	27,678,069	67,529,915	618,219,510
Cost	105,329,262	392,354,365	49,354,916	298,348,036	7,179,661	46,726,066	67,529,915	966,822,221
Accumulated depreciation	-	(206,668,123)	(29,552,410)	(87,869,135)	(5,465,046)	(19,047,997)	-	(348,602,711)
Net book Amount	105,329,262	185,686,242	19,802,506	210,478,901	1,714,615	27,678,069	67,529,915	618,219,510

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7. Business combination and intangible assets

Cost	Trade name	31 March	Goodwill
		2019 Total	
Balance at 1 January 2018	44,354,000	44,354,000	196,676,034
Balance at 31 December 2018	44,354,000	44,354,000	196,676,034
Balance at 1 January 2019	44,354,000	44,354,000	196,676,034
Business acquired	-	-	14,071,000
Balance at 31 March 2019	44,354,000	44,354,000	210,747,034

The good will is as follows:

	Balance at 1 January 2018	Business acquisition	Balance at 31 March 2019
Nile Badrawi Hospital	75,853,020	-	75,853,020
Al Shorouk Hospital S.A.E.	120,823,014	-	120,823,014
Queens Hospital	-	14,071,000	14,071,000
Total	196,676,034	14,071,000	210,747,034

Goodwill

To calculate goodwill, Nile Badrawi Hospital Company S.A.E. and Al-Shorouk Hospital S.A.E. were considered as a cash generating unit, and goodwill resulting from acquisition was allocated.

Recoverable amount of cash-generating unit is estimated by calculating the value in use, using pre-tax cash flows based on financial budgets approved by the management, which cover a period of five years maximum. The management determines the specific assumptions of cash flow forecasts based on past experience and expectations of the market.

Estimates have been made in terms of sales growth, operating costs and expected gross profit. Future capital expenditures for future replenishment plans have been taken into account for the same outstanding assets. A discount rate and a long-term growth rate have been used to reflect the specific risks associated with the activity and economy sector.

Trade name

The fair value of the trade name is estimated using relief from royalty method. This method determines the value by referring to the nominal royalty payments, which are provided when acquiring the asset compared with the license of the asset and trade name by a third party.

Queens Hospital acquisition

On January 16, 2019, Cleopatra Hospital S.A.E signed a contract to transfer the activity of Queen's Hospital. Cleopatra Hospital S.A.E acquired the assets, inventory and contracted with the employment of Queens Hospital from the date of acquisition with a total of LE 25 million. The acquisition resulted in an increase in the cost of acquisition over the fair value of the net assets of the acquired company which was recognized as goodwill as shown in the table above. Cleopatra Hospital S.A.E has acquired fixed assets except for land and buildings. Cleopatra Hospital S.A.E has signed an 18-year lease contract for the Queens Hospital land and building.

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Business combination and intangible assets (continued)

The fair value of net assets was calculated at the acquisition date, which represents assets other than non-current tangible assets at the date of acquisition.

The income recognized in the statement of income, which has been contributed by Queens Hospital since the date of acquisition, amounted to approximately LE 863,000. The net loss for this period amounted to approximately LE 143,000.

Queens Hospital was consolidated in accordance with the Egyptian Accounting Standard No. 29 on Business Combinations as of March 18, 2019, the date on which the acquiree effectively controlled the business and assets acquired by the Company and transferred the ability to control the financial and operating policies of the Company. Assets acquired and goodwill are as follows:

	<u>EFP</u>
Acquisition cost	
Cash paid	25,000,000
Total acquisition cost	25,000,000
Total fair value of acquired assets	(10,929,000)
Intangible asset	14,071,000
	<u>EFP</u>
Fixed assets	8,567,000
Medical inventory	1,274,000
Debtors and other debit balances	1,088,000
Total fair value of acquired assets	10,929,000
Intangible asset	14,071,000

8. Advance payment for investment

	<u>31 March 2019</u>	<u>31 December 2018</u>
Advance payment for investment	143,550,000	143,550,000
	143,550,000	143,550,000

On 31 August 2017, the Company entered into an initial (conditional) contract for the purchase of the land and the private building in a hospital in the Arab Republic of Egypt. On 12 October 2017, the Company deposited an amount of LE 143,550,000 under an ESCROW account contract which was concluded on 4 October, on 13 December 2018, the ownership of the land and the building was transferred to the company under a public power of attorney and ESCROW account was released as part of the total acquisition, which includes management and operation of the hospital. The company is now in the process of signing a contract of purchase for the management and operation of the hospital.

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Advance payment for investment (continued)

Upon completion of the purchase contract for the management and operation of the hospital, the Group will account for the acquisition in accordance with the Egyptian Accounting Standard on Business Combinations. On December 3, 2018, the Extraordinary General Assembly approved the acquisition of fixed assets and the management and operation of the hospital.

9. Subsidiaries not consolidated

	<u>Investment Percentage</u>	<u>Country of Origin</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
Investment in CHG for medical services*	20%	Egypt	112,500	112,500
Investment in CHG Pharma for pharmacies management**	98%	Egypt	250,000	250,000
			<u>362,500</u>	<u>362,500</u>

* Subsidiaries not consolidated includes investments amounting to LE 112,500 cash contribution to the capital of to CHG Medical Services Company and in accordance with the extraordinary general assembly meeting and Article 16 of the Articles of Association of CHG Medical Services, the shares of the Cleopatra Hospital are preferred shares entitling the owner three times of the ordinary share of profits and vote power on Decisions of the General Assembly.

** Subsidiaries not consolidated includes Investments amounting to LE 250,000 cash contribution to the capital of CHG Pharma for the management of pharmacies.

The above companies are be consolidated as the operations did not start yet at the date of the issuance of the interim financial statements in 31 March 2019.

10. Inventories

	<u>31 March 2019</u>	<u>31 December 2018</u>
Medical supply inventory	26,789,954	21,990,570
Medicine inventory	17,488,612	15,272,404
Hospitality inventory	736,668	552,251
Stationary inventory	1,114,237	972,815
Maintenance and spare parts inventory	2,331,305	2,131,092
Food and beverage inventory	65,168	85,510
	<u>48,525,944</u>	<u>41,004,642</u>
Less: Impairment of inventory	<u>(413,387)</u>	<u>(252,273)</u>
	<u>48,112,557</u>	<u>40,752,369</u>

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Inventories (continued)

Movement in the provision for inventory is as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Balance at the begining of the period / year	252,273	435,336
Provisions formed during the period / year	161,115	11,993
Provisions no longer required during the period / year	-	(195,056)
Balance at the end of the period / year	<u>413,387</u>	<u>252,273</u>

11. Trade receivables

	<u>31 March 2019</u>	<u>31 December 2018</u>
Due from customers	313,200,848	313,191,872
Income from inpatients	5,560,808	5,678,795
	<u>318,761,656</u>	<u>318,870,667</u>
Less:		
Impairment of customers' balances	(47,661,583)	(15,920,165)
	<u>317,401,322</u>	<u>302,841,491</u>

The income from inpatients comprises the revenues that have not been billed at the financial position date for their stay while the procedures of the medical services have not been completed. Such income is calculated net of the amounts collected in advance during the year of their stay.

Movement in the provision for impairment is as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>	<u>31 March 2018</u>
Balance at the 1 January	15,920,165	20,162,345	20,162,345
Provision formed during the period / year	33,861,328	24,588,858	9,930,633
Provision no longer required during the period / year	(2,119,910)	(22,752,631)	(1,430,469)
Write-offs during the period / year	-	(6,078,407)	(1,442,510)
Balance at the end of the period / year	<u>47,661,583</u>	<u>15,920,165</u>	<u>27,219,999</u>

Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 148,860,126 (31 December 2018: EGP 144,440,117).

At the financial position date, the balances that were past due but not impaired amounted to EGP 144,440,117 (31 December 2018: EGP 119,839,118) regarding customers and transactions with no history of default. The ageing analysis of these balances is as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Less than one month	51,194,033	44,982,196
From one to five months	93,246,084	74,856,922

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Trade receivables (continued)

The management creates a 100% impairment of customers who are overdue for more than 150 days from the claim date. After deducting the amounts that expected to be collected after calculating the loss given default rate. It also creates a group-based provision based on historical failure rates. The management calculates historical failure rates for each customer per month on the accounts of customers whose debts exceed 150 days to 360 days from the date of the financial position. Based on these rates, the management calculates a provision for debts of customers whose debts are not more than 150 days old. The trade receivables balance which their ages exceeded 150 days as of 31 March 2019 amounted to EGP 66,579,796 (31 December 2018: 52,517,271).

12. Debtors and other debit balances

	<u>31 March 2019</u>	<u>31 December 2018</u>
Advances to suppliers	39,093,460	29,443,639
Prepaid expenses	19,360,328	11,670,972
Withholding taxes	711,995	531,887
Employees custodies	2,256,332	1,870,937
Deposits with others	4,661,429	3,388,690
Accrued interest income	1,420,065	421,157
Other debtors	4,073,690	2,047,356
	<u>71,577,299</u>	<u>49,374,638</u>
Less: Impairment in other debit balances	(911,240)	(911,240)
	<u>70,666,059</u>	<u>48,463,398</u>

The movement of the provision for impairment during the period / year is as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Balance at 1 January	911,240	911,240
	<u>911,240</u>	<u>911,240</u>

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13. Cash on hand and at banks

	<u>31 March 2019</u>	<u>31 December 2018</u>
Current accounts	782,109,046	916,668,438
Time deposit	29,182,620	35,377,810
Cash on hand	1,708,691	1,376,346
	<u>813,000,357</u>	<u>953,422,594</u>

The time deposits item includes an amount of LE 5,000,000 deposited in local banks in the Egyptian pound and payable within three months to six months from the date of deposit and is subject to a fixed annual rate of 13.25% (31 December 2018: 13.75% to 14%).

The time deposits item includes an amount 24,182,620 at 31 March 2019 are denominated in local banks in US dollars and are payable within periods ranging from one week to one month from the date of deposit and are subject to a fixed annual return of 2.17% to 2.22%.

Current accounts are subject to a fixed annual rate of 14% (31 December 2018: 14%).

14. Provisions

	<u>31 March 2019</u>	<u>31 December 2018</u>
Provision for claims	10,485,324	11,959,643
Provision for human resources	14,922,304	12,942,032
	<u>25,407,628</u>	<u>24,901,675</u>

Movement in the provision during the year is as follows:

	<u>31 March 2019</u>				
	<u>Balance at the beginning of the year</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at the end of the year</u>
Provision for claims	11,959,643	-	(1,474,319)	-	10,485,324
Provision for human resources	12,942,032	4,902,421	(695,806)	(2,226,343)	14,922,304
Total	<u>24,901,675</u>	<u>4,902,421</u>	<u>(2,170,125)</u>	<u>(2,226,343)</u>	<u>25,407,628</u>

	<u>31 December 2018</u>				
	<u>Balance at the beginning of the year</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at the end of the year</u>
Provisions for claims	14,306,471	5,348,340	(7,695,168)	-	11,959,643
Provision for human resources	7,273,911	23,898,648	(6,183,661)	(12,046,866)	12,942,032
Total	<u>21,580,382</u>	<u>29,246,988</u>	<u>(13,878,829)</u>	<u>(12,046,866)</u>	<u>24,901,675</u>

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Provisions (continued)

	31 March 2018				Balance at the end of the year
	Balance at the beginning of the year	Formed during the year	Utilised during the year	Provisions no longer required	
Provisions for claims	14,306,471	-	-	-	14,306,471
Provision for human resources	7,273,911	8,471,978	(1,257,183)	(2,227,996)	12,260,710
Total	21,580,382	8,471,978	(1,257,183)	(2,227,996)	26,567,181

Provision for claims

Other provisions represent provisions for contingent liabilities on potential claims from certain authorities and parties regarding the Group's activity. The Group did not disclose the usual information on the provisions in accordance to the accounting standards as management believes that doing so may severely affect the outcome of the negotiations with those bodies and authorities. The management reviews these provisions on a yearly basis, and the allocated amount is adjusted according to the latest developments, discussions and agreements with such parties.

Provision for human resources

Other provisions for human resources comprise provisions for the restructure of the Company's employees, the employees leave provision and the provision for the benefits of the employees over 60 years old in accordance with the law.

15. Creditors and other credit balances

	31 March 2019	31 December 2018
Accrued expenses	146,436,389	143,656,414
Suppliers and notes payable	174,260,354	158,143,616
Social insurance	2,580,183	2,148,881
Dividends payable	2,002,803	2,017,087
Other creditors	10,292,704	11,764,941
	335,572,433	317,745,368

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16. Employee incentive plan

	31 March 2019	31 December 2018
Employee incentive plan based on parent company's market value of shares	57,607,518	36,819,510
Employee incentive plan based on earning performance before interest, tax, depreciation and amortization	9,966,052	8,412,987
	<u>67,573,570</u>	<u>45,232,497</u>

Starting from March 2018, the Cleopatra Hospital Group managed to activate the cash-based payment system for some employees of the parent company and some of the other group companies in order to link the interests of the beneficiaries with the shareholders' interest and to ensure that the highly qualified participants receive the appropriate incentive to support the growth and stability of the group. Maintain the highly qualified staff within the management team. The remuneration committee of the parent company oversees the application of the system under the supervision and supervision of the parent company's board of directors.

Each beneficiary is granted a cash bonus or a fixed percentage of the amounts allocated to the system in accordance with the remuneration committee's decision. This system is not a system of remuneration and motivation for employees in the group by granting or granting any rights in the shares of the parent company, which is a system of cash incentives based in part on the value of shares.

The advantages of the system are as follows:

- a- Payments calculated based on the difference between the market value of the Parent Company's shares on 30 June 2020 in the period of 6 months before the date of the interim financial statements and the share price at the date of its offering in the Egyptian Stock Exchange on 2 June 2016.
- b- Payments calculated based on the difference between the profit performance before interest, income taxes, depreciation and amortisation (EBITDA) at the maturity date of 30 September 2020 and 30 June 2016.

17. Borrowings and bank overdraft

	31 March 2019		
	Current portion	Non-current portion	Total
Bank overdraft	11,583,419	-	11,583,419
Total	11,583,419	-	11,583,419
	31 December 2018		
	Current portion	Non-current portion	Total
Bank overdraft	821	-	821
Borrowings	27,223,715	67,879,332	95,103,047
Total	27,224,536	67,879,332	95,103,868

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Borrowings and bank overdraft (continued)

On 14 January 2018, the Company early paid a loan amounting to LE 121,800,000 representing the loan amount in addition to LE 743,091 representing interest for the period from 31 December 2018 to 14 January 2018.

On 17 October 2018, the Board of Directors approved early payment of the current loan balance and settlement of the amounts owed by the Company under the loans and credit facilities in the Interim financial statement approved on 30 September 2018. These amounts are to be repaid through the Company's available cash flows. Accordingly, 100.000.000 Egyptian Pound were paid on 29 November 2018 as partial settlement of the loan.

On 17 February 2019, the Group settled the whole outstanding loans amounted to EGP 90,565,795, in addition to the relevant accrued interest which amounted to EGP 598,947, accordingly the mortgages on Cleopatra Hospital shares which is owned by Care HealthCare Ltd. and Al Shourouk Hospital shares which is owned by Cleopatra Hospital were realised

Financial ratios

Under the terms of the contract, the Company is committed to achieving the following financial ratios:

Debt-to-profit ratio before bank charges, taxes payable and depreciation of financial and intangible assets to be less than or equal to 3.5 for 2017 (31 December 2018: be less than or equal to 3.5).

- Debt service rate to be greater than or equal to 1.
- Trading ratio shall be greater than or equal to 1.

18. Share capital

On 31 December 2016, the company issued share capital was paid through 200 million shares with nominal value EGP 0.5 with total amount EGP 100 million .

On 2 June 2016, 40 million share issued as a secondary issuance where Care Healthcare (Ltd) sold it's shares in private offering and Public offering.

On 6 April 2016, pursuant to the resolution of the Extraordinary General Assembly meeting held on 6 April 2017, the Company's issued share capital was approved to be increased within the limits of Company's authorised share capital, provided that such increase shall be implemented after completion of the secondary offering and be capped at the same number of shares allocated for public and private offerings at the final offering price. The increase shall be funded from the proceeds of the secondary offering after liquidating the share stability account, without applying senior shareholders' priority subscription rights to the increase. Such increase shall be entirely allocated to Care Healthcare Ltd, - the majority shareholder, against the shares offered for the public and private offerings in accordance with the terms set out in the prospectus. Also, the Extraordinary General Assembly decided to authorise the BOD to implement this increase and amend Article 6 and Article 7 of the Company's Memorandum of Association depending on the results of the secondary offering and the related increase. The subscribers in the public and private offerings may not subscribe to this increase.

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Share capital (continued)

Consequently, and in accordance with the minutes of the Board's meeting dated 17 July 2017 and approved by the GAFI on 21 July 2017 and the amending contract approved on 3 August 2017 registered under No, 1598 of 2017, the Company's share capital has been increased to EGP 100,000,000 fully paid and divided into 200,000,000 shares of EGP 0,5 each.

And based on the above, Care Healthcare Ltd. subscribed in capital increase with 40,000,000 shares with a total value of EGP 360,000,000 with the nominal value of EGP 20,000,000 and the increase was reflected in the commercial register dated 7 August 2016. Therefore, the Company's structure of share capital changed as follows:

<u>Name</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd.	159,999,960	79,999,980
Other shareholders	40,000,040	20,000,020
Total	200,000,000	100,000,000

On 6 April 2016, pursuant to the resolution of the Extraordinary General Assembly meeting held on 6 April 2016, the Company's issued share capital was approved to be increased within the limits of Company's authorised share capital, provided that such increase shall be implemented after completion of the secondary offering and be capped at the same number of shares allocated for public and private offerings at the final offering price. The increase shall be funded from the proceeds of the secondary offering after liquidating the share stability account, without applying senior shareholders' priority subscription rights to the increase. Such increase shall be entirely allocated to Care Healthcare Ltd, - the majority shareholder, against the shares offered for the public and private offerings in accordance with the terms set out in the prospectus. Also, the Extraordinary General Assembly decided to authorise the BOD to implement this increase and amend Article 6 and Article 7 of the Company's Memorandum of Association depending on the results of the secondary offering and the related increase. The subscribers in the public and private offerings may not subscribe to this increase. Consequently, and in accordance with the minutes of the Board's meeting dated 17 July 2016 and approved by the GAFI on 21 July 2016 and the amending contract approved on 3 August 2016 registered under No, 1598 of 2016, the Company's share capital has been increased to EGP 100,000,000 fully paid and divided into 200,000,000 shares of EGP 0,5 each.

And based on the above, Care Healthcare Ltd. subscribed in capital increase with 40,000,000 shares with a total value of EGP 360,000,000 with the nominal value of EGP 20,000,000 and the increase was reflected in the commercial register dated 7 August 2016. Therefore, the Company's structure of share capital changed as follows:

And based on the above, shareholders structure will be as follows:

<u>Name</u>	<u>Percentage of ownership</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd.	69.4%	1,109,969,377	554,984,689
Other shareholders	30.6%	490,030,623	245,015,311
Total	100%	1,600,000,000	800,000,000

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19. Reserves

Below is the movement on reserves during the period / year:

	31 March 2019		
	Balance at the beginning of the period / year	formed during the period / year	Balance at the end of the period / year
Legal reserve	54,127,298	-	54,127,298
Special reserve	49,090,006	-	49,090,006
Acquisition reserve	(76,532,044)	-	(76,532,044)
Other reserves	247,496,391	-	247,496,391
Total	274,181,651	-	274,181,651

	31 December 2018		
	Balance at the beginning of the year	Formed during the year	Balance at the end of the year
Legal reserve	50,000,000	4,127,298	54,127,298
Special reserve	49,090,006	-	49,090,006
Acquisition reserve	(76,532,044)	-	(76,532,044)
Other reserves	247,592,165	(95,774)	247,496,391
Total	270,150,127	4,031,524	274,181,651

a) Legal reserve

In accordance with the Law No. 159 of 1981 and the Company's Articles of Association, 5% of the net profit for the year shall be transferred to the legal reserve. Based on a proposal by the Board of Directors, this transfer may be partially discontinued if the legal reserve reaches 50% of the issued capital. The legal reserve is not available for distribution to shareholders.

b) Acquisition reserve

This reserve represents the difference between the value of the acquisition by Cleopatra Hospital Company S.A.E. and the carrying value of net assets and liabilities of Cairo Specialised Hospital Company S.A.E. at the acquisition date, as the two companies are under common control. The reason for the acquisition is the reorganisation of the group companies. Therefore, the assets and liabilities of the subsidiary were transferred at historical cost.

c) Special reserve

The special reserve represents the amount that was due to Care Healthcare Ltd. (Parent Company). Under the letter issued by the Company on 12 April 2016, both parties have agreed that this amount shall be claimed only in the case of dissolution or liquidation of the Company, either voluntary or for any other legal reason. In that case, the due amount shall be divided between recent shareholders of the Company upon liquidation or dissolution at the same proportion of their shares in the Company's share capital to the total number of shares issued. Accordingly, this amount has been recognised as special reserve in equity. In addition to the resulting reconciliation from treasury shares related to Cairo Specialised Hospital (Subsidiary Company).

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Reserves (continued)

d) Other reserves

The amount represents the amount transferred from share premium according to the requirements of Law No.159 of 1981, and there is no movement in this reserve during the year.

Below is the movement of other reserves as follows:

	31 March 2019				
	Payment	Number of shares	Nominal value	Share capital	Share premium
Private offering and share capital increase	306,000,000	34,000,000	0.5 EGP	17,000,000	289,000,000
Public offering	54,000,000	6,000,000	0.5 EGP	3,000,000	51,000,000
Expenses of 2016 shares issued*	-	-	-	-	(31,982,360)
Expenses of 2017 shares issued***	-	-	-	-	(27,582,576)
Transfer to legal reserve**	-	-	-	-	(32,938,673)
Total	360,000,000	40,000,000		20,000,000	247,496,391

* The expenses of share issuance amounting to EGP 31,982,360 comprise the expenses amount of IPO of shares of increasing the Company's capital (public and private subscription), representing the expenses of registration, promotion and other legal and professional expenses.

** Based on Article 94 of the executive regulations of the Law of Companies No. 159 of 1981, an amount of EGP 32,938,673 from the proceeds of public and private subscriptions was used to increase the legal reserve to reach 50% of the issued share capital.

*** The expenses of share issuance amounting to EGP 27,582,576 comprise the expenses amount of IPO of shares of increasing the Company's capital, representing the expenses of registrations promotion and other legal and professional expenses.

20. Non-controlling interests

	Share capital	Legal reserve	Retained earnings	Share of minority interest on settlement of acquisition	Total
Balance at 1 January 2018	12,731,320	7,009,051	35,868,721	120,184	55,729,276
Employees dividends	-	-	(1,323,731)	-	(1,323,731)
Legal reserve	-	3,152	-	-	3,152
Comprehensive income for the year	-	-	20,310,873	-	20,310,873
Balance at 31 December 2018	12,731,320	7,012,203	54,855,863	120,184	74,719,570
Balance at 1 January 2019	12,731,320	7,012,203	54,855,863	120,184	74,719,570
Comprehensive income for the period	-	-	1,635,929	-	1,635,929
Balance at 31 March 2019	12,731,320	7,012,203	56,491,792	120,184	76,355,499

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21. Operating revenue

	<u>31 March 2019</u>	<u>31 March 2018</u>
Accommodation and medical supervision revenue	103,701,839	86,712,243
Surgeries revenue	81,991,653	66,680,911
Outpatient clinics revenue	51,736,474	48,045,135
Laboratories revenue	37,428,486	28,863,488
Cardiac catheterization revenue	35,928,052	27,813,741
Service charge revenue	30,780,415	24,708,483
Radiology revenue	21,866,902	17,224,980
Emergency revenue	16,806,978	16,293,275
Revenues of oncology centre	8,775,747	9,456,324
Pharmacy revenue	9,704,682	8,000,973
Dentistry revenue	3,756,270	3,362,216
Physiotherapy revenue	4,776,362	3,526,357
Endoscopy revenue	3,260,289	2,823,425
Cardiac tests revenue	3,006,860	1,900,231
Other departments revenues	2,457,645	1,744,694
	<u>415,978,654</u>	<u>347,156,476</u>

22. Operating costs

	<u>31 March 2019</u>	<u>31 March 2018</u>
Medical and pharmaceutical supplies	80,909,323	72,054,810
Doctors' fees	74,537,082	67,613,604
Salaries, wages and benefits	67,312,595	57,091,416
Maintenance, spare parts and energy expenses	9,416,552	7,602,188
Food, beverage and consumables costs	12,521,890	10,825,296
Fixed assets depreciation	11,461,490	9,880,909
Other expenses	5,658,456	4,749,288
	<u>261,817,388</u>	<u>229,817,511</u>

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23. General and administrative expenses

	31 March 2019	31 March 2018
Salaries, wages and benefits	47,115,312	32,091,306
Professional and consulting fees	4,443,731	3,479,472
Impairment of trade receivables	31,741,418	8,500,164
Donations	3,639,800	2,869,971
Fixed assets depreciation	2,509,958	516,439
Maintenance, spare parts and energy expenses	1,258,314	1,134,633
Food, beverage and consumables costs	1,515,704	1,119,874
Rent	862,402	342,490
Other expenses	4,520,093	4,308,956
	97,606,732	54,363,305

24. Expenses by nature

	31 March 2019	31 March 2018
Salaries, wages and benefits*	114,427,907	89,182,722
Medical and pharmaceutical supplies	80,909,323	72,054,810
Doctors' fees	74,537,082	67,613,604
Impairment of trade receivables	31,741,418	8,500,164
Food, beverage and consumables costs	14,037,594	11,945,170
Fixed assets depreciation and write-off	13,971,448	10,397,348
Maintenance, spare parts and energy expenses	10,674,866	8,736,821
Donations	3,639,800	2,869,971
Other expenses	15,484,682	12,880,206
	359,424,120	284,180,816

*** Employees' costs**

	31 March 2019	31 March 2018
Salaries, wages and incentives	83,166,720	71,366,685
Employees' incentives	22,321,073	10,321,939
Employees' benefits	4,402,355	3,972,413
Social insurance	4,537,759	3,521,685
	114,427,907	89,182,722

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Expenses by nature (continued)

Incentives item includes an amount of EGP 20,788,008 (31 December 2018: EGP 7,476,006) which represents the amount of the payments calculated on the basis of the difference between the market value of the Parent Company's shares at 30 June 2020 and the share price at the date of offering its shares in the Egyptian Stock Exchange on 2 June 2016. And an amount of EGP 1,553,065 (31 December 2018: EGP 2,845,933) which represents the value of payments calculated on the basis of the difference between profit before interest and (EBITDA) at the maturity date of 30 June 2020 and 30 June 2016.

25. Other income

	<u>31 March 2019</u>	<u>31 March 2018</u>
Rent	1,189,068	693,927
Buffet income and cafeteria concession	62,002	109,099
Capital gains	236,794	134,609
Miscellaneous income	534,732	2,080,514
	<u>2,022,596</u>	<u>3,018,149</u>

26. Finance income / (expenses)

	<u>31 March 2019</u>	<u>31 March 2018</u>
Finance income		
Interest income	29,379,431	30,077,102
Total finance income	<u>29,379,431</u>	<u>30,077,102</u>
Finance costs		
Interest expense	(2,079,053)	(11,895,019)
Currency valuation differences	(1,078,294)	(56,087)
Total finance expenses	<u>(3,157,347)</u>	<u>(11,951,106)</u>
Net finance income	<u>26,222,084</u>	<u>18,125,996</u>

27. Contribution in the comprehensive medical insurance plan

Represents the amount of Cleopatra Hospital and its subsidiaries contribution in the unified medical treatment plan with a percentage of 0.0025 from total profit which is regarding the period from 1 July 2018 to 31 March 2019, that is according to article No. 40 of law No. 2 of 2018 which is regarding the comprehensive health insurance plan.

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28. Income taxes

Income tax expense as stated in the statement of profit or loss includes:

	31 March 2019	31 March 2018
Current income tax for the period / year	26,303,887	19,483,556
Deferred tax (Note 29)	(884,069)	(1,365,751)
	25,419,818	18,117,805

The tax on profit before tax theoretically differs from the amount expected to be earned by applying the average tax rate applicable to the Company's profits as follows:

	31 March 2019	31 March 2018
Net profit before tax	71,457,583	75,313,425
Income tax calculated based on the applicable local tax rate	16,077,959	16,945,522
Add/ (less):		
Non-taxable expenses	9,818,840	1,617,981
Income not subject to tax	(476,982)	(445,698)
Income taxes	25,419,817	18,117,805
Effective tax rate	35.57%	24%

	31 March 2019	31 December 2018
Current income tax liabilities		
Balance at 1 January	68,398,260	11,961,946
Payments during the period / year	(57,700,000)	(14,589,922)
Current period / year tax	26,303,887	90,383,148
Advance payments to tax authorities	-	(18,356,911)
	37,002,147	69,398,261

29. Deferred tax

Change in tax assets and liabilities during the year is as follows:

	Balance at 1 Jan 2019 (Liability)	(Expense)/ income charged to the statement of profit or loss during the period	Balance at 31 March 2019 (Liability)
Liabilities			
Fixed assets	(15,718,421)	(181,659)	(15,900,080)
Fixed assets - Effect of fair value	(44,754,796)	628,041	(44,126,755)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
Total Liabilities	(70,452,867)	(446,382)	(70,006,485)
Assets			
Provisions (excluding claims provision)	3,583,718	437,687	4,021,405
Net deferred tax - Liability	(66,869,149)	884,069	(65,985,080)

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Deferred tax (continued)

	Balance at 1 Jan 2018 (Liability)	(Expense)/ income charged to the statement of profit or loss during the year	Balance at 31 December 2018 (Liability)
Liabilities			
Fixed assets	(9,480,250)	(6,238,171)	(15,718,421)
Fixed assets - Effect of fair value	(47,267,460)	2,512,664	(44,754,796)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
Total Liabilities	(66,727,360)	(3,725,507)	(70,452,867)
Assets			
Provisions (excluding claims provision)	2,297,143	1,286,575	3,583,718
Net deferred tax - Liability	(64,430,217)	(2,438,933)	(66,869,150)

	Balance at 1 Jan 2018 (Liability)	(Expense)/ income charged to the statement of profit or loss during the year	Balance at 31 March 2018 (Liability)
Liabilities			
Fixed assets	(9,480,250)	(384,480)	(9,864,730)
Fixed assets - Effect of fair value	(47,267,460)	628,200	(46,639,260)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
Total Liabilities	(66,727,360)	243,720	(66,483,640)
Assets			
Provisions (excluding claims provision)	2,297,143	1,122,030	3,419,173
Net deferred tax - Liability	(64,430,217)	1,122,030	(66,064,467)

30. Earning per share

The basic earnings per share for the year is calculated by dividing the net profit of the year by the number of shares outstanding during the three months ended 31 March 2019. The earnings per share is EGP 0.03 (31 March 2018: EGP 0.04).

	31 March 2019	31 March 2018
Distributable profit	55,139,865	57,195,620
Number of shares issued	1,600,000,000	1,600,000,000
Earning per share	0.034	0.04

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31. Related parties transactions

During the year the Group made transactions with certain related parties. The Balances with related parties at the financial statements date as well as the transactions during the year were as follows:

Balances of financial position

<u>(Related parties)</u>	<u>Nature of transaction</u>	<u>Transaction value</u>	<u>Balance due from / (to) related parties 31 December 2018</u>
Care HealthCare (Parent Company)	Expenses paid on behalf of the parent Company	3,876,981	3,876,981
CHG for medical services	Expenses paid on behalf of the Company	7,240,433	3,180,946
CHG Pharma	Expenses paid on behalf of the Company	499,970	-
			<u>7,057,927</u>

32. Tax position

Cleopatra Hospital S.A.E.

(1) Corporate tax

- Inspection was made up to 31 December 2014, and a clearance certificate was obtained from the Tax Authority.
- Tax returns were filed regularly in the legal deadlines.
- 2015 and 2016 were inspected and an internal committee has been formed and the amounts has been settled.
- 2017 and 2018 inspections is being processed.

(2) Salaries tax

- Inspection was made up to 31 December 2013, and all tax payables were settled, and a clearance certificate was obtained from the Tax Authority.
- Tax on earnings was inspected for 2014, and the internal committee is finished.
- 2015 and 2016 were inspected and settled .
- Inspection was not made for 2017 and 2018 .

(3) Stamp duty tax

- Inspection was made up to 31 July 2006 and tax was paid.
- Inspection was made from 1 August 2006 to 31 December 2013. The Company was notified of stamp duty on form 19 dated 23 April 2015. Tax assessment was issued for an amount of EGP 72.966 on 3 May 2015. An was made by the company on 3 may 2015 and the amount was paid.
- Years from 2014 to 2017 inspection is being processed.

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Tax position (continued)

(4) VAT

- Inspection was made up to 31 December 2004.
- Inspection was made for sales tax from 2005 to 2015 and differences was settled.
- 2016, 2017 and 2018 was not inspected
- Tax returns were filed regularly in the legal deadline.

(5) Advance payment

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter [From 1 January 2019 : 31 December 2019]

Cairo Specialised Hospital "S.A.E."

(1) Corporate tax

- The company was inspected from inception till 2008, and all entitlements were paid.
- Years from 2009 till 2014, the inspection has been finalized and settled
- For 2015 : 2018, the company is being inspected currently.

(2) Tax on salaries and wages

- The Company was inspected since the inception of activity to 2009, and all tax dues were paid.
- An internal committee was formed for the years from 2010 to 2013, and the result of the committee was transferred to the tax appeal committee.
- Years 2014, 2015 and 2016 are under inspection.
- Year 2017 and 2018 was not inspected.

(3) Stamp duty

- The Company was inspected since the inception to 31 July 2006, and all entitlements were paid.
- The Company was assessed on presumptive basis from August 2006 to 2013.
- The Company for the years 2014, 2015 and 2017 were not inspected.

(4) VAT

- The Company registered in April 2017.
- Tax returns were annually submitted in the legal deadline.

(5) Advance payments

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter [From 1 January 2019 : 31 December 2019]

Nile Badrawi Hospital

(1) Corporate tax

- Years up to 2014 were settled, and all dues were paid.
- 2015 and 2016 was inspected .
- Committee's decision regarding delay penalties has been made and the differences was settled with tax authority.

(2) Salaries tax

- Years up to 2011 were inspected, settled, and paid. No tax is due for the years up to 2011.
- Tax settlement is in progress for the years from 2012 to 2016.
- 2017 and 2018 has not been inspected yet.

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Tax position (continued)

(3) Stamp duty

- Years up to 30 July 2006 were inspected and paid.
- Years from 1 August 2006 up to 2014 are currently being inspected. There is a claim of EGP 220,960, for which an objection was filed on 31 October 2016.
- Years from 2015 to 2017 were inspected.
- 2018 has not been inspected yet.

(4) VAT

- The Company registered in April 2017.
- Tax returns were annually submitted in the legal deadline.

(5) Advance payments

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter [From 1 January 2019 : 31 December 2019]

Al Shorouk Hospital S.A.E.

(1) Industrial and commercial profits tax

- Years up to 2014 have been inspected, payment was made, tax differences were settled, and a certificate of clearance and full payment was issued.
- Tax returns for the years 2015,2016 and 2017 have been submitted and inspection tookplace for 205 and 2016.
- 2017 and 2018 inspection is in progress

(2) Tax on earning

- The Company was inspected and settled up to 31 December 2004 and settled.
- Internal committees were formed for 2005 to 2014.
- 2015 and 2016 inspection is in progress.
- No inspection was made for 2017.

(3) Stamp duty tax

- The Company was inspected up to 31 July 2006, and settlement was made.
- The Company was inspected on a presumptive basis from 1 August 2006 to 2014.
- The Company was not inspected for the years 2015 and 2017.
- The Company regularly submits the tax returns on the legal deadlines.

(4) VAT

- The Company was registered since May 2018.
- Tax returns annually submitted in it's legal deadline.

(5) Advance payments

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter [From 1 January 2019 : 31 December 2019]

33. Commitments

Capital commitments:

Capital commitments related to fixed assets at financial year end, which are not yet due, amounted to EGP 21,728,865 (31 December 2018: EGP 7.232.846).

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34. Other matters

- A. With reference to the disclosures issued by the Company on 20 October 2017, 2 November 2017, 18 January 2018 and 31 January 2018 to the Egyptian Stock Exchange regarding the dispute concerning the plot of land of the Nile Badrawi Hospital (the "Company") to which a request has been submitted to the Committee for the Resolution of Investment Disputes, in accordance with what was referred to in the offering of the shares of Cleopatra Hospital in the Egyptian Stock Exchange, please be informed that - as indicated in the disclosures above - the Nile Badrawi Hospital has filed a lawsuit to discharge the company against the General Authority for River Transportation and the invalidity of any seizure order in this regard. In addition, the General Authority for River Transportation filed a sub-suit in the case of the clearance requesting the Nile Badrawi Hospital Company to pay the amount of EGP 36 million; the value of the disputed land, EGP 7 million; the value of the right to use this land and the legal benefits, in addition to the amount of EGP 20 million as a compensation and nullification of any contract between the Nile Badrawi and Abraaj Capital or any other entity to sell the disputed land, given that the Nile Badrawi Hospital Company provided its defense in this regard, taking into account the following:
- 1- That the Ministerial Committee for the Resolution of Investment Disputes issued a resolution on 18 February 2003, approving the non-objection of the General Authority for River Transportation to approve the disposal of land in return for an appropriate compensation. The Committee also approved the proposal that the compensation should be the value of what was paid to Cairo Governorate when the land was purchased.
 - 2- As stated in the Disclosure dated 2 November 2017 - the Technical Secretariat of the Ministerial Committee for Dispute Resolution has notified the Nile Badrawi Hospital Company in its meeting held on 1 November 2017 that it had issued a letter to the General Authority for River Transportation on 27 October 2017 - upon a request from the Company - confirming that the Nile Badrawi Hospital is a company subject to the law of guarantees and incentives for investment and that article 9 stipulates that: "The administrative way may not impose security on companies and entities or seize, takeover, retain, freeze or confiscate their funds." I have asked the General Authority for River Transportation to take the necessary measures to stop any action against Nile Badrawi Hospital Company until the dispute is resolved and presented to the Ministerial Committee for Resolution of Investment Dispute to take its decision in this regard. This dispute is also being handled by the State Land Recovery Commission.
 - 3- That there is no sale of the disputed land between the Nile Badrawi Hospital and any other party.
 - 4- Cleopatra Hospital is entitled to refer to the former owners of the Nile Badrawi Hospital "S.A.E"- in accordance with the contract for the sale of the shares of the Nile Badrawi Hospital - and to claim any losses and / or damages and / or obligations that may be incurred by the Company and / or Nile Badrawi "S.A.E" resulting from any dispute concerning the ownership of land of the Nile Badrawi Hospital.

In light of the above, the financial liabilities of this dispute are subject to conflict between the parties concerned and shall be definitively determined in accordance with the provisions and resolutions to be issued in the above-mentioned cases or any settlement that may be agreed by the parties. At this stage, and until the final settlement of this dispute, it is difficult to determine the financial liabilities that may result from this dispute.