

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

LIMITED REVIEW REPORT
AND THE CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE NINE MONTHS PERIOD ENDED
AT 30 SEPTEMBER 2018



CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

Consolidated interim financial statements - For the nine months period ended 30 September 2018

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Limited Review Report for the Interim Financial Statements

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

Introduction

We have performed a limited review for 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 30 September 2018 and the related consolidated interim statements of income, comprehensive income, changes in shareholders' equity and cash flows for the nine 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 30 September 2018, and its financial performance, and its cash flows for the nine months period then ended in accordance with the Egyptian Accounting Standards.

Basma Samra
R.A.A. 6588
F.R.A. 137

Mansour & Co. PricewaterhouseCoopers



3 December 2018
Cairo

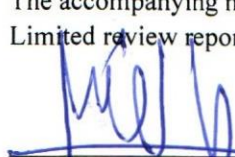
CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of financial position - At 30 September 2018

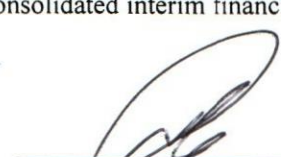
(All amounts in Egyptian Pounds)

	Note	30 September 2018	31 December 2017
Assets			
<u>Non-current assets</u>			
Fixed assets	6	516,731,270	472,516,879
Goodwill	7	196,676,034	196,676,034
Intangible assets	7	44,354,000	44,354,000
Payments under long term investments	8	143,550,000	143,550,000
Total non-current assets		901,311,304	857,096,913
<u>Current assets</u>			
Inventories	9	35,565,934	30,089,146
Trade receivables	10	299,017,788	185,436,395
Due from related parties	30	24,079,655	5,421,027
Debtors and other debit balances	11	38,170,943	22,099,915
Cash on hand and at banks	12	963,536,900	1,007,130,631
Total current assets		1,360,371,220	1,250,177,114
Total assets		2,261,682,524	2,107,274,027
Equity and Liabilities			
<u>Equity</u>			
Share capital	17	800,000,000	800,000,000
Reserves	18	274,181,651	270,150,127
Retained earnings		445,796,039	260,349,167
Total equity of the parent company		1,519,977,690	1,330,499,294
Non-controlling interests	19	68,495,508	55,729,276
Total equity		1,588,473,198	1,386,228,570
<u>Liabilities</u>			
<u>Non-current liabilities</u>			
Non-current portion of borrowings and bank overdraft	16	167,879,332	276,303,047
Employee incentive plan	15	41,638,577	24,821,000
Deferred tax liabilities	28	66,079,209	64,430,217
Total non-current liabilities		275,597,118	365,554,264
<u>Current liabilities</u>			
Provisions	13	17,986,339	21,580,382
Creditors and other credit balances	14	299,681,302	246,313,285
Current portion of borrowings and bank overdraft	16	32,589,859	75,635,580
Current income tax liabilities	27	47,354,708	11,961,946
Total current liabilities		397,612,208	355,491,193
Total liabilities		673,209,326	721,045,457
Total equity and liabilities		2,261,682,524	2,107,274,027

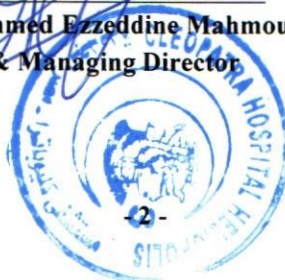
The accompanying notes on pages 7 - 49 from an integral part of these consolidated interim financial statements. Limited review report is attached


Mr. Khaled Hassan Ahmed
Group CFO


Dr. Ahmed Ezzeddine Mahmoud
CEO & Managing Director


Dr. Mohamed Tarek Zahed
Non-Executive Chairman

3 December 2018



CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated interim statement of profit or loss - For the nine months period ended 30 September 2018

(All amounts in Egyptian Pounds)

	Note	Nine months ended 30 September		Three months ended 30 September	
		2018	2017	2018	2017
Operating revenue	20	1,062,105,346	817,127,057	388,325,265	293,248,729
Less:					
Operating costs	21	(697,038,567)	(572,440,264)	(246,255,135)	(202,255,729)
Gross profit		365,066,779	244,686,793	142,070,130	90,993,000
Add / (Less):					
General and administrative expenses	22	(134,670,632)	(116,995,009)	(45,719,162)	(43,164,651)
Costs of acquisition activities		(4,572,429)	(2,020,243)	(289,638)	(725,520)
Provisions	13	(3,681,721)	(4,946,807)	484,252	(367,000)
Other income	24	5,632,440	4,870,654	1,699,335	2,294,744
Finance income	25	94,148,617	40,579,794	32,023,173	13,691,412
Finance expenses	25	(30,904,020)	(54,811,045)	(9,226,424)	(20,631,187)
Contribution to the comprehensive medical insurance plan	26	(2,690,221)	-	(2,690,221)	-
Profit for the period before income tax		288,328,813	111,364,137	118,351,445	42,090,798
Current tax	27	(61,724,706)	(24,096,817)	(24,657,141)	(6,437,683)
Deferred tax	28	(1,648,991)	(2,655,699)	(2,144,292)	(3,667,446)
Profit after income tax		224,955,116	84,611,621	91,550,012	31,985,669
Profit for:					
Owners of the parent company		210,868,305	75,999,483	86,247,508	28,250,127
Non-controlling interests	19	14,086,811	8,612,138	5,302,504	3,735,542
Profit for the period		224,955,116	84,611,621	91,550,012	31,985,669
Earning per share	29	0.14	0.42	0.06	0.16

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

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated interim statement of comprehensive income
For the nine months period ended 30 September 2018

(All amounts in Egyptian Pound)

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Profit for the period	224,955,116	84,611,621	91,550,012	31,985,669
Other comprehensive income	-	-	-	-
Comprehensive income for the period	224,955,116	84,611,621	91,550,012	31,985,669
Comprehensive income for:				
Owners of the parent company	210,868,305	75,999,483	86,247,508	28,250,127
Non-controlling interests	14,086,811	8,612,138	5,302,504	3,735,542
Profit for the period	224,955,116	84,611,621	91,550,012	31,985,669

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

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated interim statement of changes in equity - For the nine months period ended 30 September 2018

(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 2017	100,000,000	298,037,805	168,655,027	566,692,832	43,804,490	610,497,322
Dividends for employees	-	-	(13,338,392)	(13,338,392)	(1,067,790)	(14,406,182)
Reserves	-	-	(653,184)	(653,184)	653,184	-
Transactions with non-controlling interest	-	(400,876)	-	(400,876)	(212,484)	(613,360)
Comprehensive income for the period	-	-	75,999,483	75,999,483	8,612,138	84,611,621
Balance at 30 September 2017	100,000,000	297,636,929	230,662,934	628,299,863	51,789,538	680,089,401
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	-	-	(21,290,983)	(21,290,983)	(1,323,731)	(22,614,714)
Reserves	-	4,031,524	(4,130,450)	(98,926)	3,152	(95,774)
Comprehensive income for the period	-	-	210,868,305	210,868,305	14,086,811	224,955,116
Balance at 30 September 2018	800,000,000	274,181,651	445,796,039	1,519,977,690	68,495,508	1,588,473,198

The accompanying notes on pages 7 - 49 form an integral part of these consolidated interim financial statements.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of cash flows - For the nine months period ended 30 September 2018

(All amounts in Egyptian Pounds)

	Note	30 September 2018	30 September 2017
Cash flows from operating activities			
Profit before tax		288,328,813	111,364,137
Adjustments to reconcile net income to cash flows from operating activities			
Fixed assets depreciation	6	32,550,441	24,025,523
Fixed assets write off	6	-	3,296,590
Profit from sale of fixed assets	24	(549,626)	(711,226)
Amortization of intangible assets	7	-	4,012,504
Impairment of trade receivables	8	(3,389,296)	6,978,082
Impairment of inventories	10	(183,063)	354,244
Provisions	13	(3,594,043)	(3,716,869)
Interests and commissions	25	30,904,020	53,834,269
Interests payable	25	(94,121,910)	(40,579,794)
Employee incentive plan	15	16,817,577	11,442,000
Income tax paid	27	(26,331,944)	(30,594,847)
Operating profits before changes in assets and liabilities		240,430,969	139,704,613
Changes in assets and liabilities			
Change in inventories	9	(5,293,725)	(1,995,271)
Change in trade receivables	10	(110,192,096)	(58,503,642)
Related Parties Transactions	30	(18,658,628)	120,000
Change in debtors and other debit balances		(4,420,798)	(4,460,226)
Change in Creditors and other credit balances		66,605,778	40,421,964
Net cash flows generated from operating activities		168,471,500	115,287,438
Cash flows from investing activities			
Payments for purchase fixed assets	6	(47,251,852)	(65,315,083)
Payments for projects under construction	6	(29,570,289)	(34,406,209)
Down payments for purchase of fixed assets		606,935	970,368
Interests received		(11,976,708)	(8,441,726)
Proceeds from sale of fixed assets		94,448,388	41,678,516
Deposits with a maturity of more than 3 months from the date of placement	12	-	(613,360)
Finance income		11,000,000	178,208,630
Net cash flows generated from investing activities		17,256,474	112,081,136
Cash flows from financing activities			
Receipts from borrowings and overdraft	16	59,961,914	83,581,185
Interests and commissions paid		(45,188,207)	(63,608,382)
Payment of borrowings and overdraft		(211,431,350)	(97,914,327)
Dividends paid	16	(21,664,062)	(13,982,430)
Net cash flows used in financing activities		(218,321,705)	(91,923,954)
Change in cash and cash equivalents during the period		(32,593,731)	135,444,620
Cash and cash equivalents at the beginning of the period		996,130,631	44,374,417
Cash and cash equivalents at the end of the period	12	963,536,900	179,819,037

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

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

Notes to the consolidated interim financial statements

For the nine months period ended 30 September 2018

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

1. Introduction

Cleopatra Hospital (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 "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. And as of 31 December 2016 Cleopatra Hospital S.A.E share in Cairo Specialised Hospital has changed to reach 53.67% due to the write off of treasury shares. Related to Cairo specialised Hospital on 28 September 2017, the ownership percentage became 53.88% due to purchasing from the non-controlling interest 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 .

These consolidated financial statements have been approved for issuance by the Board of Directors of the Parent Company on 14 august 2018.

2. Accounting policies

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

A. Basis of preparation of the consolidated financial statements

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

The preparation of the consolidated 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 financial statements are disclosed in Note 4.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

Notes to the consolidated interim financial statements

For the nine months period ended 30 September 2018

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

Basis of preparation of the consolidated financial statements (continued)

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 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. 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.

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 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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

Notes to the consolidated interim financial statements

For the nine months period ended 30 September 2018

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

Basis of consolidation (continued)

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 financial statements include the financial statements of the following subsidiaries:

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

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated interim financial statements

For the nine months period ended 30 September 2018

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

C. 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.

D. Foreign currency translation

(1) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated 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.

E. 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 period 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.

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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

Notes to the consolidated interim financial statements

For the nine months period ended 30 September 2018

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

Fixed assets (continued)

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	Duration of the contract

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.

F. 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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated interim financial statements

For the nine months period ended 30 September 2018

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

G. 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.

H. 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 (S.A.E.) AND ITS SUBSIDIAREIS

Notes to the consolidated interim financial statements

For the nine months period ended 30 September 2018

(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.

I. 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 income 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.

J. Share capital

Ordinary shares are classified as equity.

K. 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 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.

L. 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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M. 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.

N. 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 income 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 financial statements.

O. 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.

P. 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.

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Revenue recognition (continued)

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.

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 income 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.

Q. 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 income 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 income on a straight-line basis over the period of the lease.

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R. 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 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.

S. Dividends

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

T. 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.

U. 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 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 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 valuers 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 valuers 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 analysis of fair value of financial instruments as well as further details on how they are measured are presented in Note 22.

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

	<u>30 September 2018</u>	<u>31 December 2017</u>
US Dollars	25,461,162	13,985,889
Euro	45,602	47,074
GBP	369,346	53,739

At 30 September 2018, 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>30 September 2018</u>	<u>31 December 2017</u>
US Dollars	2,546,116	1,398,589
Euro	4,560	4,707
GBP	36,935	5,374

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>30 September</u> <u>2018</u>	<u>31 December</u> <u>2017</u>
Cash at banks	957,964,425	1,004,971,339
Trade receivables	315,790,840	205,598,741

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	112,904,484	33,706,632	-	-
Loans and financing interests	5,366,144	27,223,715	167,879,332	-
Accrued expenses	97,523,381	41,565,115	-	-
Miscellaneous creditors	7,086,933	2,775,036	-	-

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 30 September 2018 and 31 December 2017 is as follows:

	30 September 2018	31 December 2017
Creditors and other credit balances	299,681,302	246,313,285
Employee incentive plan	41,638,577	24,821,000
Borrowings	200,469,191	351,938,627
Less: Cash on hand and at banks	(963,536,900)	(1,007,130,631)
Net debt	(421,747,830)	(384,057,719)
Total shareholders' equity	1,588,473,198	1,386,228,570
Total invested capital	1,166,725,368	1,002,170,851
Net debts to total invested capital	(36,15%)	(38,32%)

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Financial risk management (continued)

(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.

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.

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Critical accounting estimates, assumptions and judgements (continued)

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 five years plans from the management yearly.

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 necessary.

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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 period ended 30 September 2018 for each segment:

Statement of financial position	Nile			Total
	Cleopatra Hospital Company	Cairo Specialised Hospital	Badrawi Hospital	
Non-current assets	843,511,891	93,979,057	58,171,768	901,311,304
Current assets	1,064,645,173	128,650,379	105,183,493	1,360,371,220
Total assets	1,908,157,064	222,629,436	163,355,261	2,261,682,524
Current liabilities	204,831,230	70,939,874	70,391,037	397,612,208
Non-current liabilities	213,628,224	6,388,909	262,297	275,597,118
Total Liabilities	418,459,454	77,328,783	70,653,334	673,209,326
Statement of profit or loss:				
Operating revenue	493,562,983	208,478,235	188,037,717	1,062,105,346
Operating costs	(290,346,658)	(147,811,710)	(126,488,824)	(697,038,567)
Gross profit	203,216,325	60,666,525	61,548,893	365,066,779
Other expenses and revenues	(55,975,434)	(30,184,876)	(28,181,809)	(140,111,663)
Profit for period	147,240,891	30,481,649	33,367,084	224,955,116
Other Items				
Capital expenditure	22,881,483	35,431,204	14,545,818	88,798,849
Fixed assets depreciation	8,473,885	8,207,230	3,345,613	32,550,441
			15,940,344	-
			4,147,701	8,376,012

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Segment reporting (continued)

Below is a summary of each segment, which is presented for the financial year ended 31 December 2017 for each segment:

	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	Consolidated interim	Total
<u>Statement of financial position</u>						
Non-current assets	837,064,742	64,704,716	5,951,191	63,243,820	(158,867,556)	857,096,913
Current assets	1,037,118,806	112,708,712	69,215,774	44,904,557	(13,770,735)	1,250,177,114
Total assets	1,874,183,548	177,413,428	120,166,965	108,148,377	(172,638,291)	2,107,274,027
Current liabilities	211,493,367	54,819,100	59,209,651	48,091,740	(18,122,665)	355,491,193
Non-current liabilities	304,822,632	4,909,467	(584,735)	(840,211)	57,247,111	365,554,264
Total Liabilities	516,315,999	59,728,567	58,624,916	47,251,529	39,124,446	721,045,457
<u>Statement of profit or loss:</u>						
Operating revenue	492,799,986	244,212,788	202,184,637	191,441,728	(3,870,985)	1,126,768,154
Operating costs	(305,748,233)	(175,459,099)	(150,772,666)	(149,039,678)	(7,153,931)	(788,173,607)
Gross profit	187,051,753	68,753,689	51,411,971	42,402,050	(11,024,916)	338,594,547
Other expenses and revenues	(104,505,781)	(41,609,708)	(38,792,886)	(33,997,036)	(1,451,544)	(220,356,955)
Profit for period	82,545,972	27,143,981	12,619,085	8,405,014	(12,476,460)	118,237,592
<u>Other Items</u>						
Capital expenditure	37,504,890	27,245,666	43,469,662	16,248,625	-	124,468,844
Fixed assets depreciation	9,018,359	7,982,256	2,589,810	3,797,909	11,168,017	34,556,351

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Segment reporting (continued)

Below is a summary of each segment, which is presented for the nine-month period ended 30 September 2017 for each segment:

	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	Consolidated interim	Total
<u>Statement of financial position</u>						
Non-current assets	695,890,373	65,881,424	42,697,970	62,173,158	(154,738,049)	711,103,876
Current assets	456,970,660	100,939,290	64,493,235	49,787,480	(12,844,032)	659,346,633
Total assets	1,152,060,033	166,820,714	107,191,205	111,960,638	(167,582,081)	1,370,450,509
Current liabilities	175,082,514	53,399,633	53,103,708	54,347,961	(16,266,819)	319,666,997
Non-current liabilities	311,170,383	4,267,376	(1,264,177)	(1,354,782)	57,875,311	370,694,111
Total Liabilities	486,252,897	57,667,009	51,839,531	52,993,179	41,608,492	690,361,108
<u>Statement of profit or loss:</u>						
Operating revenue	355,946,269	179,414,931	145,333,505	139,347,470	(2,915,118)	817,127,057
Operating costs	(22,383,271)	(128,901,156)	(109,515,412)	(108,302,765)	(5,337,660)	(572,440,264)
Gross profit	135,562,998	50,513,775	35,818,093	31,044,705	(8,252,778)	244,686,793
Other expenses and revenues	(72,564,241)	(31,900,950)	(29,389,383)	(24,569,080)	(1,651,518)	(160,075,172)
Profit for period	62,988,757	18,612,825	6,428,710	6,475,625	(9,904,296)	84,611,621
<u>Other Items</u>						
Capital expenditure	34,094,093	22,895,890	37,712,371	13,460,664	-	108,163,018
Fixed assets depreciation	5,837,344	5,638,018	1,610,019	2,564,130	8,376,012	24,025,523

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

6. Fixed assets

	Lands	Machinery, equipment & devices	Furniture	Buildings	Vehicles	Computers	Projects under construction	Total
At 1 January 2017								
Cost	105,329,262	255,879,958	31,262,465	243,858,285	7,324,873	8,471,350	11,136,369	663,262,562
Accumulated depreciation	-	(170,003,459)	(23,375,941)	(63,227,187)	(3,723,923)	(6,209,748)	-	(266,540,258)
Net book Amount	105,329,262	85,876,499	7,886,524	180,631,098	3,600,950	2,261,602	11,136,369	396,722,304
Year ended 31 December 2017								
Opening net book amount	105,329,262	85,876,499	7,886,524	180,631,098	3,600,950	2,261,602	11,136,369	396,722,304
Additions	-	63,997,645	4,600,686	1,731,833	-	6,344,544	37,209,353	113,884,061
Disposals	-	(3,457,396)	(223,631)	-	(239,000)	(7,105)	-	(3,927,132)
Depreciation for the year	-	-	-	-	-	-	(3,296,591)	(3,296,591)
Acquired assets	-	3,131,843	87,721	1,489,565	-	14,904,336	(19,613,465)	-
Acquired assets accumulated depreciation	-	(18,155,869)	(2,490,172)	(10,473,093)	(1,131,197)	(2,306,020)	-	(34,556,351)
Accumulated depreciation for disposals	-	3,295,823	226,232	-	161,431	7,102	-	3,690,588
Closing 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
At 31 December 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
At 30 September 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	-	26,845,991	5,213,871	3,246,587	14,397	11,931,006	29,570,289	76,822,141
Disposals	-	(2,711,518)	(303,357)	-	(116,109)	(18,085)	-	(3,149,069)
Transfers from projects under construction	-	838,188	3,731,871	26,646,498	-	-	(31,216,557)	-
Depreciation for the period	-	(17,134,794)	(2,477,191)	(6,575,848)	(547,727)	(5,814,881)	-	(32,550,441)
Accumulated depreciation for disposals	-	2,654,914	302,652	-	116,109	18,085	-	3,091,760
Balance at 30 September 2018	105,329,262	145,181,326	16,555,206	196,696,640	1,858,854	27,320,584	23,789,398	516,731,270
Cost	105,329,262	344,524,711	44,369,626	276,972,768	6,984,161	41,626,046	23,789,398	843,595,972
Accumulated depreciation	-	(199,343,385)	(27,814,420)	(80,276,128)	(5,125,307)	(14,305,462)	-	(326,864,702)
Net book Amount at the end of the period	105,329,262	145,181,326	16,555,206	196,696,640	1,858,854	27,320,584	23,789,398	516,731,270

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For the nine months period ended 30 September 2018

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7. Business combination and intangible assets

<u>Cost</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>Total</u>	<u>Goodwill</u>
Balance at 1 January 2017	44,354,000	5,350,005	49,704,005	196,676,034
Amortisation for the year	-	(5,350,005)	(5,350,005)	-
Balance at 31 December 2017	44,354,000	-	44,354,000	196,676,034
Balance at 1 January 2018	44,354,000	-	44,354,000	196,676,034
Balance at 30 September 2018	44,354,000	-	44,354,000	196,676,034

The good will is as follows:

	<u>Balance at 1 January 2018</u>	<u>Acquisition of a subsidiary</u>	<u>Balance at 30 September 2018</u>
Nile Badrawi Hospital	75,853,020	-	75,853,020
Al Shorouk Hospital S,A,E,	120,823,014	-	120,823,014
Total	196,676,034	-	196,676,034

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.

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8. Payments under long term investments

	<u>30 September 2018</u>	<u>31 December 2017</u>
Payments under long term investments	143,550,000	143,550,000
	<u>143,550,000</u>	<u>143,550,000</u>

At 31 August 2017, Cleopatra Company signed an limited contract for purchasing new hospital in ARE, at 12 October 2017. The Company paid 143,550,000 EGP, and the payment made an agreement made in 4 October 2017, At 29 September 2017.

9. Inventories

	<u>30 September 2018</u>	<u>31 December 2017</u>
Medical supply inventory	19,494,667	16,372,040
Medicine inventory	12,486,796	11,031,641
Hospitality supplies inventory	2,259,282	1,669,134
Stationary inventory	903,358	757,419
Maintenance and spare parts inventory	606,548	605,258
Food and beverage inventory	67,556	88,990
	<u>35,818,207</u>	<u>30,524,482</u>
Less:		
Impairment of inventory	(252,273)	(435,336)
	<u>35,565,934</u>	<u>30,089,146</u>

Movement in the provision for inventory is as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Balance at the begining of the period/year	435,366	-
Provisions formed during the period / year	11,993	435,336
Provisions no longer required during the period / year	(195,056)	-
Balance at the end of the period / year	<u>252,273</u>	<u>435,336</u>

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10. Trade receivables

	<u>30 September 2018</u>	<u>31 December 2017</u>
Due from customers	309,030,588	200,935,193
Income from inpatients	6,760,252	4,663,548
	<u>315,790,840</u>	<u>205,598,741</u>
Less:		
Impairment of customers' balances	(16,773,050)	(20,162,346)
Net trade receivables	<u>299,017,788</u>	<u>185,436,395</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 period of their stay.

Movement in the provision for impairment is as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Balance at 1 January	20,162,346	42,514,466
Provisions formed during the period / year	20,880,134	31,639,307
Provisions no longer required during the period / year	(19,264,910)	(20,810,455)
Write-offs during the period / year	(5,004,520)	(33,180,972)
Balance at the end of the period / year	<u>16,773,050</u>	<u>20,162,346</u>

Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 121,057,380 (31 December 2017: EGP 66,308,345),

At the financial position date, the balances that were past due but not impaired amounted to EGP 106,773,214 (31 December 2017: EGP 106,290,448) regarding customers and transactions with no history of default. The ageing analysis of these balances is as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Less than 1 month	56,182,150	41,616,049
1 to 5 months	50,591,064	64,674,399

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.

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11. Debtors and other debit balances

	<u>30 September 2018</u>	<u>31 December 2017</u>
Advances to suppliers	23,708,925	14,229,591
Prepaid expenses	6,900,467	2,951,292
Deposits with others	2,765,689	1,158,804
Employees custodies	2,184,707	1,761,372
Withholding taxes	1,312,305	1,864,062
Accrued interest income	144,865	471,343
Other debtors	2,065,225	574,691
	<u>39,082,183</u>	<u>23,011,155</u>
Less: Impairment in other debit balances	(911,240)	(911,240)
	<u>38,170,943</u>	<u>22,099,915</u>

The movement of the provision for impairment is as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Balance at 1 January	911,240	1,113,366
No longer required during the period / year	-	(202,126)
	<u>911,240</u>	<u>911,240</u>

12. Cash on hand and at banks

	<u>30 September 2018</u>	<u>31 December 2017</u>
Current accounts	930,106,925	963,221,104
Time deposit	27,857,500	41,750,235
Cash on hand	5,572,475	2,159,292
	<u>963,536,900</u>	<u>1,007,130,631</u>

Deposits are held with local banks in the EGP and have maturity of nine months from the date of placements with fixed interest rate amounted to 14% (31 Decdember 2017: from 14% to 16%).

Current account are held with local bank in EGP with fixed interest rate amounted to 14% (31 December 2017: from 14% to 15%).

For the cash flow porpose the cash and cash equivalent is as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Cash on hand and at banks	963,536,900	396,819,037
Deposits with a maturity of more than 3 months from the date of placement	-	(217,000,000)
Cash and cash equivalents	<u>963,536,900</u>	<u>179,819,037</u>

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13. Provisions

	30 September 2018	31 December 2017
Provision for claims	12,657,863	14,306,471
Provision for human resources	5,328,476	7,273,911
	17,986,339	21,580,382

Movement in the provision during the period is as follows:

	30 September 2018				
	Balance at the beginning of the period	Formed during the period	Utilised during the period	Provisions no longer required	Balance at the end of the period
Provision for claims	14,306,471	50,000	(1,698,608)	-	12,657,863
Provision for human resources	7,273,911	14,701,066	(5,577,156)	(11,069,345)	5,328,476
Total	21,580,382	14,751,066	(7,275,764)	(11,069,345)	17,986,339

	31 December 2017				
	Balance at the beginning of the year	Formed during the year	Utilised during the year	Provisions no longer required	Balance at the end of the year
Provision for claims	16,470,824	200,000	(2,364,353)	-	14,306,471
Provision for human resources	8,453,881	15,152,216	(8,058,747)	(8,273,439)	7,273,911
Total	24,924,705	15,352,216	(10,423,100)	(8,273,439)	21,580,382

	30 September 2017				
	Balance at the beginning of the period	Formed during the period	Utilised during the period	Provisions no longer required	Balance at the end of the period
Provision for claims	16,470,824	-	(2,364,352)	-	14,106,472
Provision for human resources	8,453,881	7,026,635	(6,299,324)	(2,079,828)	7,101,364
Total	24,924,705	7,026,635	(8,663,676)	(2,079,828)	21,207,836

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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

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

14. Creditors payable and other credit balances

	<u>30 September 2018</u>	<u>31 December 2017</u>
Suppliers and notes payable	146,611,116	98,897,890
Accrued expenses	139,088,496	137,489,897
Social insurance	2,093,220	1,678,957
Dividends payable	2,026,501	1,075,849
Other creditors	9,861,969	7,170,692
	<u>299,681,302</u>	<u>246,313,285</u>

15. Employee incentive plan

	<u>30 September 2018</u>	<u>31 December 2017</u>
Employee incentive plan based on parent company's market value of shares	31,278,398	20,402,000
Employee incentive plan based on earning performance before interest, tax, depreciation and amortization	10,360,179	4,419,000
	<u>41,638,577</u>	<u>24,821,000</u>

Starting from March 2017, 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 September 2020 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 September 2016.

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16. Borrowings and bank overdraft

	30 September 2018		
	Current portion	Non-current portion	Total
Borrowings	27,223,715	167,879,332	195,103,047
Bank overdraft	5,366,144	-	5,366,144
Total	32,589,859	167,879,332	200,469,191

	31 December 2017		
	Current portion	Non-current portion	Total
Borrowings	49,674,502	276,303,047	325,977,549
Bank overdraft	25,961,078	-	25,961,078
Total	75,635,580	276,303,047	351,938,627

At 14 January 2018, the company settled one of the outstanding loans (Optional Accelerated Payment) with an amount of EGP 121,800,000 which represent the total principal of the loan plus an amount of EGP 743,091 which represent the interest as from 31 December 2017 to 14 January 2018.

Term loans and overdrafts above include an amount of EGP 195.103.047 with interest rate of 2.4% in addition to the corridor rate declared by the Central Bank of Egypt. starting from September 2017 the interest rate changed to be 1.9% in addition to the corridor rate declared by the Central Bank of Egypt and secured by:

- The loan will be repaid on 10 rising semi annual installments after 18 months from the first withdrawal.
- Pledge of 14% of Care Healthcare limited shares in Cleopatra Hospital Company S.A.E.
- Pledge of 52.7% of Cleopatra Hospital Company S.A.E. shares in Cairo Specialised Hospital Company S.A.E. out of 53.88%. (note 34)
- Pledge of 51% of Cleopatra Hospital Company S.A.E. Share in Nile Badrawi Hospital Company S.A.E. (note 34)
- Pledge of Cleopatra Hospital Company S.A.E. shares in Al Shorouk Hospital Company S.A.E.

Loans covenants

Under the terms of the borrowing facilities, the Group is required to comply with the following:

- Debt/EBITDA: Less than or equal 3.5 for 2017 (2016: less than or equal 4.3).
- Debt service coverage ratio (DSCR): Greater than or equal 1.
- Current ratio: Greater than or equal 1.

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17. Share capital

On 31 December 2016, the company issued share capital was paid through 200 million shares with nominal value EGP 5.0 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, 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:

<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 September 30, 2017, the Extraordinary General Meeting of the Company approved an increase in the authorized capital from LE 800,000,000 to LE 2,000,000,000 and an increase in issued capital from LE 100,000,000 to LE 800,000,000 with an increase of EGP 700,000,000 by inviting shareholders to subscribe In the shares of the increase through the issuance of 1,400,000,000 shares subscribed to the nominal value of the share of 0.5 Egyptian pounds per share, the full value of the value of the subscription, note that the shareholders of the company may subscribe to the increase each by its share in the capital or the sale of all or Part of the right to subscribe separately from the original share knowing that it will be completed The right of subscription rights and the shares of the increase in favor of small shareholders from the smallest to the largest until the amount of fractures.

According to above share capital for the Company became EGP 800,000,000 paid share capital distributed across 1,600,000,000 shares.

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Share capital (continued)

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

Name	Percentage of ownership	Number of shares	Nominal value
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

18. Reserves

Below is the movement on reserves during the period:

	30 September 2018		
	Balance at the beginning of the period	Provision made during the period	Balance at the end of the period
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

	31 December 2017		
	Balance at the beginning of the year	Provision made during the year	Balance at the end of the year
Legal reserve	50,000,000	-	50,000,000
Special reserve	49,090,006	-	49,090,006
Acquisition reserve	(76,131,168)	(400,876)	(76,532,044)
Other reserves	275,078,967	(27,486,802)	247,592,165
Total	298,037,805	(27,887,678)	270,150,127

During 2017, the group had an acquisition cost of EGP 400,876 due to the purchase of 5576 of Cairo specialised hospital shares from the non-controlling interests owners. Hence, the amount has been added to the Acquisition reserve with the disposal of accumulated book value for those shares amounted to EGP 212,484 from the non controlling interest.

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 period 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.

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Reserves (continued)

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).

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 period.

Below is the movement in the reserves:

	30 September 2018				
	Payment	Number of shares	Nominal value	Share capital	Share premium
Private offering and share capital increase	306,000,000	34,000,000	EGP 0.5	17,000,000	289,000,000
Public offering	54,000,000	6,000,000	EGP 0.5	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 27,582,586 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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

Notes to the consolidated interim financial statements For the nine months period ended 30 September 2018

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19. Non-Controlling interests

	Share capital	Legal reserve	Retained earnings	Share of minority interest on settlement of acquisition	Total
Balance at 1 January 2017	12,787,080	6,388,216	24,509,010	120,184	43,804,490
Employee Dividends	-	-	(1,067,790)	-	(1,067,790)
Legal Reserve	-	653,184	-	-	653,184
Transaction with non-controlling interest	(55,760)	(32,349)	(124,375)	-	(212,484)
Comprehensive income for the period	-	-	8,612,138	-	8,612,138
Balance at 30 September 2017	12,731,320	7,009,051	31,928,983	120,184	51,789,538
Balance at 1 January 2018	12,731,320	7,009,051	35,868,721	120,184	55,729,276
Employee Dividends	-	-	(1,323,731)	-	(1,323,731)
Legal reserve	-	3,152	-	-	3,152
Comprehensive income for the period	-	-	14,086,811	-	14,086,811
Balance at 30 September 2018	12,731,320	7,012,203	48,631,801	120,184	68,495,508

20. Operating revenues

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Accommodation and medical supervision revenue	275,553,714	224,584,945	97,398,498	79,487,384
Surgeries revenue	208,949,218	165,453,454	82,592,285	62,517,761
Outpatient clinics revenue	143,607,709	108,504,096	52,288,306	40,041,371
Laboratories revenue	90,931,882	74,916,773	33,209,961	27,541,738
Cardiac catheterization revenue	87,710,165	54,564,999	30,481,197	16,914,947
Service charge revenue	76,667,364	54,550,088	28,886,732	19,647,967
Radiology revenue	54,345,165	38,953,341	19,803,568	13,904,798
Emergency revenue	48,372,309	36,252,085	17,045,742	12,732,698
Pharmacy revenue	23,536,449	20,281,227	8,228,263	6,890,384
Physiotherapy revenue	10,864,383	6,077,526	3,956,855	2,150,987
Dentistry revenue	9,287,093	8,273,509	3,225,957	2,979,612
Endoscopy revenue	8,978,212	5,422,591	3,521,357	1,876,834
Cardiac tests revenue	6,665,998	4,911,153	2,274,396	1,739,550
Other departments revenues	16,635,685	14,381,270	5,412,148	4,822,698
	1,062,105,346	817,127,057	388,325,265	293,248,729

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

21. Operating cost

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Medical and pharmaceutical supplies	216,223,439	186,253,109	76,176,308	67,629,385
Doctors' fees	201,252,099	156,040,008	72,353,705	56,716,529
Salaries, wages and benefits	174,392,695	140,963,553	58,385,969	46,789,380
Food, beverage and consumables costs	33,316,071	24,751,383	11,513,239	8,436,893
Fixed assets depreciation	28,300,967	21,668,692	9,577,659	6,437,686
Maintenance, spare parts and energy expenses	27,549,154	27,334,354	11,958,097	10,888,590
Other expenses	16,004,142	15,429,165	6,290,158	5,357,266
	697,038,567	572,440,264	246,255,135	202,255,729

22. General and administrative expenses

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Salaries, wages and benefits	84,195,343	60,387,691	24,686,505	21,267,479
Consultancy and legal fees	13,024,044	13,467,182	4,024,761	5,824,279
Donations	8,603,171	1,135,056	2,866,600	378,879
Fixed assets depreciation	4,249,474	5,653,421	1,955,781	2,254,338
Maintenance, spare parts and energy expenses	4,100,711	2,804,676	1,598,900	1,353,164
Food, beverages, and consumable costs	3,902,409	2,214,413	1,496,368	597,405
Rents	1,700,519	1,283,174	505,911	434,905
Impairment of trade receivables	1,615,224	12,989,489	3,440,677	5,870,283
Intangible assets depreciation	-	4,012,504	-	1,337,502
Other expenses	13,279,737	13,047,403	5,143,659	3,846,417
	134,670,632	116,995,009	45,719,162	43,164,651

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For the nine months period ended 30 September 2018

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

23. Expenses by nature

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Salaries, wages and benefits *	258,588,038	201,351,244	83,072,474	68,056,859
Medical and pharmaceutical supplies	216,223,439	186,253,109	76,176,308	67,629,385
Doctors' fees	201,252,099	156,040,008	72,353,705	56,716,529
Food, beverage and consumables costs	37,218,480	26,965,796	13,009,607	9,034,298
Fixed assets depreciation	32,550,441	27,322,113	11,533,442	8,692,024
Maintenance, spare parts and energy expenses	31,649,865	30,139,030	13,556,997	12,241,754
Donations	8,603,171	1,135,056	2,866,600	378,879
Impairment of trade receivables	1,615,224	12,989,489	3,440,677	5,870,283
Amortization of intangible assets	-	4,012,504	-	1,337,502
Other expenses	44,008,442	43,226,924	15,964,487	15,462,867
	831,709,199	689,435,273	291,974,297	245,420,380

* Employees' costs

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Salaries and wages	177,858,761	137,961,562	59,569,773	41,528,810
Bonuses and incentives	52,879,804	48,254,383	14,884,673	21,374,206
Social insurance	10,650,926	8,423,390	3,558,707	2,788,894
Employees' benefits	17,198,547	6,711,909	5,059,321	2,364,949
	258,588,038	201,351,244	83,072,474	68,056,859

The rewards and incentives item includes an amount of EGP 10,876,398 (EGP 20,402,000 as at 31 December 2017) 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 September 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 5,491,179 (EGP 4,419,000 at 31 December 2017) 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 September 2020 and 30 September 2016.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

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24. Other income

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Rent	1,903,500	1,454,310	598,495	473,146
Buffet income and cafeteria concession	859,544	1,303,531	606,495	386,167
Gain on sales of assets	549,626	711,226	377,932	711,226
Miscellaneous income	2,319,770	1,401,587	116,413	724,205
	5,632,440	4,870,654	1,699,335	2,294,744

25. Finance income/ (expenses)

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Finance income				
rInterest payable	94,121,910	40,579,794	32,005,295	13,691,412
Currency valuation differences	26,707	-	17,878	-
Total finance income	94,148,617	40,579,794	32,023,173	13,691,412
Finance costs				
Interest receivable	(30,904,020)	(50,175,898)	(9,226,424)	(17,571,375)
Accelerated payment discount	-	(1,894,001)	-	(936,766)
Bank commissions	-	(1,764,370)	-	(1,764,370)
Currency valuation differences	-	(976,776)	-	(358,676)
Total finance expenses	(30,904,020)	(54,811,045)	(9,226,424)	(20,631,187)
Net finance (expenses)/ income	63,244,597	(14,231,251)	(14,231,251)	(6,939,775)

26. Contribution to the comprehensive medical insurance plan

Represents the amount of Cleopatra Hospital contribution in the unified medical treatment plan with a percentage of 0.0025 from total profit which is regarding the period from 1 January 2018 to 30 September 2018, 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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27. Income taxes

Income tax expense as stated in the statement of income includes:

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Current income tax for the period	61,724,706	24,096,817	24,657,141	6,437,683
Deferred tax	1,648,991	2,655,699	2,144,292	3,667,446
	63,373,697	26,752,516	26,801,433	10,105,129

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:

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Net profit before tax	288,328,813	111,364,137	118,351,445	42,090,798
Income tax calculated based on the applicable local tax rate	64,873,983	25,056,931	26,629,075	9,470,430
Add/ (less):				
Non-taxable expenses	2,871,493	5,392,132	855,965	2,426,065
Income not subject to tax	(4,371,779)	(4,099,947)	(683,607)	(1,791,366)
Prior years adjustments	-	403,400	-	-
Income taxes	63,373,697	26,752,516	26,801,433	10,105,129
Effective tax rate	22,11%	24,02%	22,97%	24,01%

Current income tax liabilities

	30 September 2018	31 December 2017
Balance at 1 January	11,961,946	31,578,146
Payments during the period / year	(13,094,002)	(30,594,847)
Current period / year tax	61,724,706	32,682,010
Advance payments to tax authorities	(13,237,942)	(21,703,363)
	47,354,708	11,961,946

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

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28. Deferred tax

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

	Balance at 1 January 2018 (Liability)	(Expense)/ income charged to the statement of income during the period	Balance at 30 September 2018 (Liability)
<u>Liabilities</u>			
Fixed assets	(9,480,250)	(3,107,120)	(12,587,370)
Fixed assets - Effect of fair value	(47,267,460)	1,884,603	(45,382,857)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
Total Liabilities	(66,727,360)	(1,222,517)	(67,949,877)
<u>Assets</u>			
Provisions (excluding claims provision)	2,297,143	(426,475)	1,870,668
Net deferred tax - Liability	(64,430,217)	(1,648,992)	(66,079,209)
	Balance at 1 January 2017 (Liability)	(Expense)/ income charged to the statement of income during the period	Balance at 30 September 2017 (Liability)
<u>Liabilities</u>			
Fixed assets	(2,823,503)	(6,656,747)	(9,480,250)
Fixed assets - Effect of fair value	(49,780,264)	2,512,804	(47,267,460)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
Total Liabilities	(62,583,417)	(4,143,943)	(66,727,360)
<u>Assets</u>			
Provisions (excluding claims provision)	2,590,052	(292,909)	2,297,143
Net deferred tax - Liability	(59,993,365)	(4,436,852)	(64,430,217)

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For the nine months period ended 30 September 2018

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29. Earning per share

The basic earnings per share for the period is calculated by dividing the net profit of the period by the number of shares outstanding during the financial period ended 30 September 2018, and as there is no proposed dividends, the net distributable profits were determined on the basis of the net profit for the period without deducting the employees' share and the remuneration of directors in dividends. The earnings per share is EGP 0.14 (30 September 2017: EGP 0.42).

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Distributable profit	224,955,116	84,611,621	91,550,012	31,985,669
Number of shares issued	1,600,000,000	200,000,000	1,600,000,000	200,000,000
Earning per share	0.14	0.42	0.06	0.16

30. Related parties transactions

The Group during the period deals with certain related parties, The Balances with related parties at the financial statements date as well as the transactions during the period 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</u>
Due From related parties, Care HealthCare (Parent Company)	Expenses paid on behalf of the parent company	3,876,983	3,876,983
CHG Company for Medical Services (Subsidiary)	Expenses paid on behalf of the Company	20,202,672	20,202,672
			24,079,655
Due to related parties Board of directors	Bonuses	1,045,000	-
			-

On August 6, 2017, CHG Medical Services Company was established as an Egyptian Joint Stock Company. Cleopatra Hospital's share is 20% of the total capital. These shares are considered to be excellent shares and entitle the holder to three times the ordinary share of profits and voting on General Assembly resolutions In accordance with the extraordinary general assembly resolution held on 22 March 2018 which was approved by the General Authority for Investment on 3 October 2018.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

Notes to the consolidated interim financial statements

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31. 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.
- Inspection was not made for 2015 and 2016.
- Inspection was not made for 2017.

(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 an internal committee is being formed.
- Inspection was not made for 2015 and 2016.
- 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 appointment is being made to study the objection in the internal committee.
- Years from 2014 to 2018 were not inspected.

(4) VAT

- Inspection was made up to 31 December 2004.
- Inspection was made for sales tax from 2005 to 2015 and differences was settled.
- Tax returns were filed regularly in the legal deadline.

(5) Advance payment

- Approval has been submitted to the tax Authority for the advance payment.
- The advance payment has been approved by the Tax Authority for the taxable period from 1 January 2018 till 31 December 2018.

Cairo Specialised Hospital "S,A,E,"

(1) Corporate tax

- The company was inspected since the beginning of operations activity until 2008, and all entitlements were paid.
- For Years from 2009 till 2014, the inspection has been finalized and the differences has been calculated amounted with EGP 594,616 and the Company paid EGP 700,000 as an advance payment.
- The Company was not inspected for the years 2015, 2016 , 2017 and 2018.

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Tax position (continued)

(2) Tax on salaries and wages

- The Company was inspected since the beginning of operations activity until 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 still under inspection.
- Year 2017 and 2018 was not inspected.

(3) Stamp duty

- The Company was inspected since the beginning of operations activity until 31 July 2006, and all entitlements were paid.
- The Company was assessed on presumptive basis from August 2006 to 2013, and appeal was filed in the legal due date.
- The Company has not been inspected from 2014 until 2018.

(4) VAT

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

(5) Advance payments

- Approval has been submitted to the tax Authority for the advance payment.
- The advance payment has been approved by the Tax Authority for the taxable period from 1 January 2018 till 31 December 2018.

Nile Badrawi Hospital

(1) Corporate tax

- Years up to 2012 were settled, and all dues were paid.
- Years from 2013 to 2016 are currently being inspected.
- The inspection for 2015 and 2016 is under preparation.
- 2017 have not been inspected yet.

(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 2012 to 2016.
- Year 2017 and 2018 was not inspected.

(3) Stamp duty

- Years up to 31 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, therefore an internal committee was formed and the company is in the process of paying the amount.
- 2015, 2016, 2017 and 2018 have not been inspected yet.

(4) VAT

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

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Tax position (continued)

(5) Advance payments

- Approval has been submitted to the tax Authority for the advance payment.
- The advance payment has been approved by the Tax Authority for the taxable period from 1 January 2018 till 31 December 2018.

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 and 2016 have been submitted and no inspection was performed to date.
- 2017 and 2018 no inspection made.

(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.
- Inspections are running for 2015 and 2016.
- No inspection was made for 2017 and 2018.

(3) Stamp duty tax

- The Company was inspected up to 31 December 2013, and settlement was made.
- The Company was inspected on a presumptive basis from 2014 to 2017.
- The Company regularly submits the tax returns on the legal deadlines.

(4) VAT

- The Company was registered since May 2017.
- Tax returns annually submitted in it's legal deadline.

(5) Advance Payments

- Approval has been submitted to the tax Authority for the advance payment.
- The advance payment has been approved by the Tax Authority for the taxable period from 1 January 2018 till 31 December 2018.

32. Commitments

Capital commitments related to fixed assets at financial period end, which are not yet due, amounted to EGP 11,260,131 (31 December 2017: EGP 4,362,175).

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33. Other matters

With reference to the disclosures issued by the Company on 20 October 2016, 2 November 2016, 18 January 2017 and 31 January 2017 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 2016 - the Technical Secretariat of the Ministerial Committee for Dispute Resolution has notified the Nile Badrawi Hospital Company in its meeting held on 1 November 2016 that it had issued a letter to the General Authority for River Transportation on 27 October 2016 - 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.

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Other matters (continued)

- Due to the accelerated payment of the loan on 14 January 2018, the loan was un-pledged on 11 October 2018 for the shares regarding Cairo Specialized Hospital Company which is owned by Cleopatra Hospital Company that was pledged as collateral for the loan.
- Due to the accelerated payment of the loan on 14 January 2018, the loan was un-pledged on 14 October 2018 for the shares regarding Nile Badrawi Hospital Company which is owned by Cleopatra Hospital Company that was pledged as collateral for the loan.
- On 17 October 2018, the Board of Directors approved the accelerated payment regarding the loans and settlement of the amounts due from the Company under the contracts of loans and credit facilities in the financial position approved on 30 September 2018. Such payments shall be settled through the cash flows available at the Company.

34. Subsequent events

Due to the accelerated payment of the loan on 14 January 2018, the loan was un-pledged on 11 October 2018 for the shares regarding Cairo Specialized Hospital Company which is owned by Cleopatra Hospital Company that was pledged as collateral for the loan.

Due to the accelerated payment of the loan on 14 January 2018, the loan was un-pledged on 14 October 2018 for the shares regarding Nile Badrawi Hospital Company which is owned by Cleopatra Hospital Company that was pledged as collateral for the loan.

On October 17, 2018, the Board of Directors approved the accelerated payment regarding the loans and settlement of the amounts due from the Company under the contracts of loans and credit facilities in the financial position approved on 30 September 2018. Such payments shall be settled through the cash flows available at the Company.