

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

**LIMITED REVIEW REPORT
AND THE CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED
AT 30 JUNE 2017**



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

Consolidated interim financial statements - For the six-month period ended 30 June 2017

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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 reviewed the accompanying consolidated interim statement of financial position of Cleopatra Hospital (S.A.E.) and its subsidiaries (the "Group") as at 30 June 2017 and the related consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month 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 June 2017, and its financial performance, and its cash flows for the six-month period then ended in accordance with the Egyptian Accounting Standards.

Basma Samra

Member of the Egyptian Society of Accountants & Auditors

Member of the Egyptian Tax Society

R.A.A. 6588

EFSA Registration 137

Mansour & Co. PricewaterhouseCoopers

Cairo on 21 August 2017



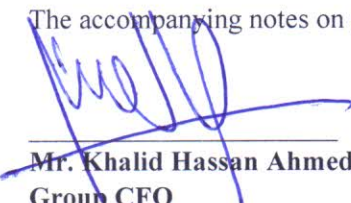
CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

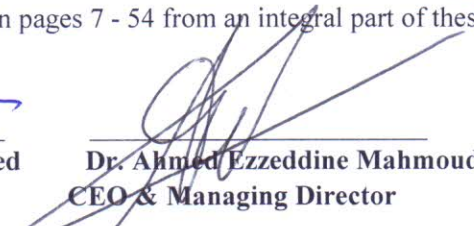
Consolidated interim statement of financial position - At 31 June 2017

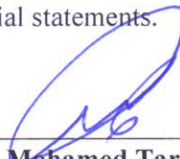
(All amounts in Egyptian Pounds)

	Note	30 June 2017	31 December 2016
Assets			
<u>Non-current assets</u>			
Fixed assets	6	429,747,704	396,722,304
Goodwill	7	196,676,034	196,676,034
Intangible assets	7	47,029,002	49,704,005
Total non-current assets		673,452,740	643,102,343
<u>Current assets</u>			
Inventory	8	45,727,955	46,116,907
Trade receivables	9	161,736,005	125,935,773
Debtors and other debit balances	10	45,962,482	25,625,099
Cash on hand and at banks	11	415,215,807	439,583,047
Total current assets		668,642,249	637,260,826
Total assets		1,342,094,989	1,280,363,169
<u>Equity</u>			
Share capital	16	100,000,000	100,000,000
Reserves	17	298,037,805	298,037,805
Retained earnings		202,412,807	168,655,027
Total equity of the parent company		600,450,612	566,692,832
Non-controlling interests	18	48,266,480	43,804,490
Total equity		648,717,092	610,497,322
<u>Non-current liabilities</u>			
Non-current portion of borrowings	15	301,140,298	325,977,549
Employee long-term incentive plan	14	6,361,322	-
Deferred tax liabilities	26	58,981,618	59,993,365
Total non-current liabilities		366,483,238	385,970,914
<u>Current liabilities</u>			
Provisions	12	25,909,249	24,924,705
Creditors and other credit balances	13	215,368,657	175,222,518
Current portion of borrowings and overdraft	15	68,167,502	52,169,564
Current income tax liabilities	25	17,449,251	31,578,146
Total current liabilities		326,894,659	283,894,933
Total liabilities		693,377,897	669,865,847
Total shareholders' equity and liabilities		1,342,094,989	1,280,363,169

The accompanying notes on pages 7 - 54 from an integral part of these financial statements.


Mr. Khalid Hassan Ahmed
Group CFO


Dr. Ahmed Ezzeddine Mahmoud
CEO & Managing Director


Dr. Mohamed Tarek Zahed
Non-Executive Chairman

21 August 2017

Limited review report is attached



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

Consolidated interim statement of profit or loss - For the six months period ended 30 June 2017

(All amounts in Egyptian Pounds)

	Note	Six months ended 30 June		Three months ended 30 June	
		2017	2016	2017	2016
Operating revenue	19	523,878,328	413,433,848	261,824,529	202,357,502
Less:					
Operating costs	20	(370,184,535)	(286,608,181)	(189,422,519)	(143,500,035)
Gross profit		153,693,793	126,825,667	72,402,010	58,857,467
Add / (Less):					
General and administrative expenses	21	(75,125,081)	(55,937,555)	(36,424,258)	(30,987,475)
Provisions	12	(4,579,807)	(9,160,974)	(1,816,572)	(8,192,534)
Other income	22	2,575,910	3,890,542	1,418,516	2,534,083
Finance income	24	26,888,382	5,312,340	13,343,299	2,795,899
Finance expenses	24	(34,179,858)	(28,838,842)	(17,344,405)	(14,717,617)
Profit for the period before income tax		69,273,339	42,091,178	31,578,590	10,289,823
Current tax	25	(17,659,134)	(14,411,704)	(8,260,934)	(5,188,456)
Deferred tax	26	1,011,747	3,119,663	241,496	3,182,760
Profit after income tax		52,625,952	30,799,137	23,559,152	8,284,127
Profit for:					
Owners of the parent company		47,749,356	25,683,466	22,578,577	6,618,110
Non-controlling interests	18	4,876,596	5,115,671	980,575	1,666,017
Profit for the period		52,625,952	30,799,137	23,559,152	8,284,127

The accompanying notes on pages 7 - 54 from an integral part of these financial statements.

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

Consolidated interim statement of comprehensive income For the six months period ended 30 June 2017

(All amounts in Egyptian Pounds)

	Note	Six months ended 30 June		Three months ended 30 June	
		2017	2016	2017	2016
Profit for the period		52,625,952	30,799,137	23,559,152	8,284,127
Other comprehensive income		-	-	-	-
Comprehensive income for the period		52,625,952	30,799,137	23,559,152	8,284,127

The accompanying notes on pages 7 - 54 from an integral part of these financial statements.

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

Consolidated interim statement of changes in equity - For the six months period ended 30 June 2017

(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 2016	80,000,000	(62,303,508)	108,270,052	125,966,544	33,250,055	159,216,599
Dividends	-	-	(13,541,700)	(13,541,700)	-	(13,541,700)
Reserves	-	51,213,088	(3,833,595)	47,379,493	229	47,379,722
Share of non-controlling interest interests from the acquisition of subsidiaries	-	-	-	-	16,925	16,925
Comprehensive income for the period	-	-	25,683,466	25,683,466	5,115,671	30,799,137
Balance at 30 June 2016	80,000,000	(11,090,420)	116,578,223	185,487,803	38,382,880	223,870,683
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	-
Comprehensive income for the period	-	-	47,749,356	47,749,356	4,876,596	52,625,952
Balance at 30 June 2017	100,000,000	298,037,805	202,412,807	600,450,612	48,266,480	648,717,092

The accompanying notes on pages 7 - 54 from an integral part of these financial statements.

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

Consolidated statement of cash flows - For the six months period ended 30 June 2017

(All amounts in Egyptian Pounds)	Note	30 June 2017	30 June 2016
<u>Cash flows from operating activities</u>			
Profit before tax		69,273,339	42,091,178
Adjustments to reconcile net income to cash flows from operating activities			
Fixed asserts depreciation	6	15,333,499	13,963,954
Fixed assets write off	6	3,296,590	-
Profit from sale of fixed assets		(86,846)	(4,541)
Amortization of intangible assets	7	2,675,003	2,674,998
Impairment of inventories	8	163,235	-
Impairment of trade receivables	9	13,901,083	13,684,547
Impairment of no longer required of trade receivables	9	(6,781,876)	(6,745,528)
Impairment write off of trade receivables	9	(3,478,485)	-
Provisions formed	12	5,503,367	9,470,482
Provisions no longer required	12	(923,560)	(309,508)
Provisions utilized	12	(3,595,263)	(3,021,638)
Employee incentive plan	14	6,361,322	-
Interests and commissions		33,561,758	29,345,720
Interests payable	24	(26,888,382)	(5,814,425)
Income tax paid		(21,218,482)	(32,181,673)
Operating profits before changes in assets and liabilities		87,096,302	63,153,566
Changes in assets and liabilities			
Change in inventories		225,717	(3,262,346)
Change in trade receivables		(39,440,954)	(18,275,813)
Change in debtors and other debit balances		(30,565,310)	(15,166,128)
Change in Creditors and other credit balances		19,194,028	24,132,213
Net cash flows generated from operating activities		36,509,783	50,581,492
<u>Cash flows from investing activities</u>			
Payments for purchase fixed assets		(29,517,580)	(3,888,034)
Payments for projects under construction		(22,357,620)	(10,956,271)
Proceeds from sale of fixed assets		306,557	7,045
Payments to acquisition of subsidiary, net cash acquired		-	(235,052,181)
Deposits with a maturity of more than 3 months from the date of placement		38,634,246	23,463,178
Interests received		26,546,762	5,814,425
Collected from housing bonds		-	38,080
Net cash flows generated from/(used in) investing activities		13,612,365	(220,573,758)
<u>Cash flows from financing activities</u>			
Receipts from borrowings and overdraft		11,984,719	207,241,218
Payment of borrowings and overdraft		(20,824,032)	-
Dividends paid		(13,977,229)	-
Interests and commissions paid		(13,038,602)	(485,865)
Net cash flows (used in) / generated from financing activities		(35,855,144)	206,755,353
Change in cash and cash equivalents during the period		14,267,004	36,763,087
Cash and cash equivalents at the beginning of the period		44,374,419	47,017,746
Cash and cash equivalents at the end of the period	11	58,641,423	83,780,833

The accompanying notes on pages 7 - 54 from an integral part of these financial statements.

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

Notes to the consolidated interim financial statements

For the six-month period ended 30 June 2017

(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 Cleopatra Street, Heliopolis, Cairo.

The Parent Company is Care HealthCare Ltd., which owns 80% of the Company's share capital.

On 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the total shares 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 21 August 2017.

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 six-month period ended 30 June 2017

(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 six-month period ended 30 June 2017

(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	53.67%

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 six-month period ended 30 June 2017

(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 balance sheet 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 year in which they are incurred. Major renovation costs are capitalised over the asset's cost when they are expected to raise the expected pattern of the Company's future economic benefits over the estimated original benefits of the asset acquisition. These costs will be depreciated at the lower of the asset's remaining useful life or the expected useful life of these renovations, the net carrying amount of the disposed part is eliminated.

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 six-month period ended 30 June 2017

(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	10%
Computers	25%

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 SUBSIDIAREIS

Notes to the consolidated interim financial statements

For the six-month period ended 30 June 2017

(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 balance sheet 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.

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

Notes to the consolidated interim financial statements

For the six-month period ended 30 June 2017

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

Financial assets (continued)

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.

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.

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

Notes to the consolidated interim financial statements

For the six-month period ended 30 June 2017

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

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.

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.

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)

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 year 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 percentage 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.

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 market value of the Parent Company's shares on June 30, 2020 and the share price at the date of its public offering on the Stock Exchange on June 2, 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 June 2020 and 30 June 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.

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

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

Employees' benefits (continued)

- 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.

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.

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

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.

R. Current and deferred income tax

The income tax for the year is calculated on the basis of the tax laws enacted at the balance sheet 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 balance sheet 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.

