

**CLEOPATRA HOSPITAL S.A.E.  
(Egyptian Joint Stock Company)**

**LIMITED REVIEW REPORT  
AND SEPARATE INTERIM FINANCIAL STATEMENTS FOR  
THE NINE MONTHS PERIOD ENDED  
30 SEPTEMBER 2016**



**CLEOPATRA HOSPITAL S.A.E.**

**Separate interim financial statements for the nine months period ended 30 September 2016**

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## Limited review report on the interim financial statements

**To: The Board of Directors of Cleopatra Hospital S.A.E.**

### Introduction

We conducted our limited review to the accompanying separate interim financial statements of Cleopatra Hospital Company S.A.E (Egyptian Joint Stock Company) representing the separate statement of financial position as at 30 September 2016 and the related separate interim statements of income, comprehensive income, changes in shareholders' equity and cash flows for the nine months period then ended, and a summary of the significant accounting policies and other notes to the financial statements. The management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express an opinion on these interim financial statements based on our limited review.

### Scope of limited review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Review of Interim Financial Statements Performed by the Auditor of the Entity". A limited review of interim 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 interim financial statements.

### Conclusion

In light of our limited review, nothing has come to our attention which causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Company as at 30 September 2016, its financial performance and its cash flows for the nine months period then ended in accordance with the Egyptian Accounting Standards.

### Emphasis of matter

The corresponding figures for the separate interim statements of income, comprehensive income, changes in shareholders' equity and cash flows for the period from 1 January 2015 to 30 September 2015 were not reviewed, and no limited review report was issued thereon. It should be taken into consideration that the requirements of financial reporting framework of the corresponding figures were complied with, while the corresponding figures in the statement of financial position represent the figures of 31 December 2015, which were audited and an unqualified report dated 6 April 2016 was issued.

Ahmed Gamal El-Atrees  
R.A.A. 8784  
E.F.S.A. 136  
Mansour & Co. PricewaterhouseCoopers

17 November 2016  
Cairo



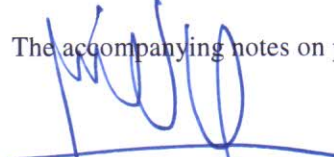
CLEOPATRA HOSPITAL S.A.E.

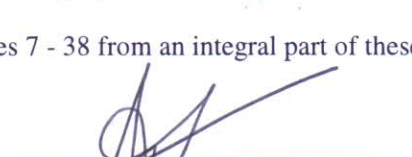
Separate interim statement of financial position - At 30 September 2016

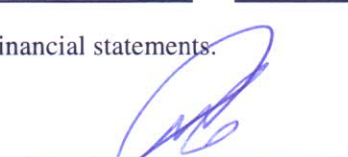
(All amounts in Egyptian Pounds)

	Note	30 September 2016	31 December 2015
<b><u>Non-current assets</u></b>			
Fixed assets	5	57,858,657	61,804,067
Investments in subsidiaries	6	605,189,399	366,047,399
<b>Total non-current assets</b>		<b>663,048,056</b>	<b>427,851,466</b>
<b><u>Current assets</u></b>			
Held-to-maturity investments	7	-	38,080
Inventories	8	9,459,976	7,869,572
Trade receivables	9	49,786,635	39,935,176
Debtors and other debit balances	10	9,616,605	13,258,191
Cash at banks and on hand	11	352,727,206	38,557,392
<b>Total current assets</b>		<b>421,590,422</b>	<b>99,658,411</b>
<b>Total assets</b>		<b>1,084,638,478</b>	<b>527,509,877</b>
<b><u>Equity</u></b>			
Share capital	15	100,000,000	80,000,000
Reserves	16	373,647,933	13,827,660
Retained earnings		120,027,104	106,194,741
<b>Total shareholders' equity</b>		<b>593,675,037</b>	<b>200,022,401</b>
<b><u>Non-current liabilities</u></b>			
Creditors and other credit balances - non-current portion	13	6,715,580	54,095,303
Non-current portion of borrowings	14	346,277,549	162,400,000
Deferred income tax liabilities	24	419,049	1,411,516
<b>Total non-current liabilities</b>		<b>353,412,178</b>	<b>217,906,819</b>
<b><u>Current liabilities</u></b>			
Provisions	12	7,094,268	6,179,017
Creditors and other credit balances	13	75,484,203	42,198,330
Current portion of borrowings	14	45,137,251	40,600,000
Current income tax liabilities	23	9,835,541	20,603,310
<b>Total current liabilities</b>		<b>137,551,263</b>	<b>109,580,657</b>
<b>Total liabilities</b>		<b>490,963,441</b>	<b>327,487,476</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,084,638,478</b>	<b>527,509,877</b>

The accompanying notes on pages 7 - 38 from an integral part of these financial statements.

  
Mr. Khalid Hassan Ahmed  
Group Head of Finance

  
Dr. Ahmed Ezzeddine Mahmoud  
CEO & Managing Director

  
Dr. Mohamed Tarek Zahed  
Chairman - Non Executive

17 November 2016

Limited review report is attached



CLEOPATRA HOSPITAL S.A.E.

Separate interim statement of income  
For the nine months period ended 30 September 2016

(All amounts in Egyptian Pounds)

	Note	Nine months ended 30 September		Three months ended 30 September	
		2016	2015	2016	2015
Operating revenue	17	273,115,958	238,462,246	93,876,863	81,852,950
<b>Less:</b>					
Operating costs	18	(169,144,479)	(149,235,634)	(57,645,391)	(47,068,838)
<b>Gross profit</b>		<b>103,971,479</b>	<b>89,226,612</b>	<b>36,231,472</b>	<b>34,784,112</b>
<b>Add / (Less)</b>					
General and administrative expenses	19	(34,993,051)	(29,360,052)	(10,732,524)	(12,361,191)
Provisions	12	(1,146,857)	(2,230,129)	(295,473)	(743,376)
Finance income	22	9,273,659	3,623,902	6,385,226	1,010,407
Finance costs	22	(41,347,455)	(984,743)	(12,057,242)	(984,682)
Other income (expenses)	20	1,565,766	657,475	(455,552)	193,426
<b>Profit for the period before income tax</b>		<b>37,323,541</b>	<b>60,933,065</b>	<b>19,075,907</b>	<b>21,898,696</b>
Current tax	23	(9,852,417)	(15,080,926)	(4,611,376)	(5,605,287)
Deferred tax	24	992,467	737,250	287,149	423,004
<b>Profit after income tax</b>		<b>28,463,591</b>	<b>46,589,389</b>	<b>14,751,680</b>	<b>16,716,413</b>

The accompanying notes on pages 7 - 38 from an integral part of these financial statements.

**CLEOPATRA HOSPITAL S.A.E.**

**Separate interim statement of comprehensive income  
For the nine months period ended 30 September 2016**

(All amounts in Egyptian Pounds)

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Profit for the period	28,463,591	46,589,389	14,751,680	16,716,413
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>28,463,591</b>	<b>46,589,389</b>	<b>14,751,680</b>	<b>16,716,413</b>

The accompanying notes on pages 7 - 38 from an integral part of these financial statements.

**CLEOPATRA HOSPITAL S.A.E.****Separate interim statement of changes in shareholders' equity  
For the nine months period ended 30 September 2016****(All amounts in Egyptian Pounds)**

	<b>Capital</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 January 2015</b>	<b>80,000,000</b>	<b>11,637,554</b>	<b>43,694,642</b>	<b>135,332,196</b>
Comprehensive income for the period	-	-	46,589,389	<b>46,589,389</b>
<b>Balance at 30 September 2015</b>	<b>80,000,000</b>	<b>11,637,554</b>	<b>90,284,031</b>	<b>181,921,585</b>
<b>Balance at 1 January 2016</b>	<b>80,000,000</b>	<b>13,827,660</b>	<b>106,194,741</b>	<b>200,022,401</b>
Dividends	-	-	(11,397,561)	<b>(11,397,561)</b>
Increase in share capital	20,000,000	-	-	<b>20,000,000</b>
Reserves	-	359,820,273	(3,233,667)	<b>356,586,606</b>
Comprehensive income for the period	-	-	28,463,591	<b>28,463,591</b>
<b>Balance at 30 September 2016</b>	<b>100,000,000</b>	<b>373,647,933</b>	<b>120,027,104</b>	<b>593,675,037</b>

The accompanying notes on pages 7 - 38 from an integral part of these financial statements.

**CLEOPATRA HOSPITAL S.A.E.**

**Separate interim statement of cash flows  
For the nine months period ended 30 September 2016**

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>30 September 2016</u>	<u>30 September 2015</u>
<b><u>Cash flows from operating activities</u></b>			
Net profit before tax		37,323,541	60,933,065
<b>Adjustments to reconcile net income to cash flows from operating activities</b>			
Fixed assets depreciation	5	6,443,705	4,913,196
Provisions	12	1,455,952	2,230,129
Utilised from provisions	12	(231,606)	(105,574)
Provisions no longer required	12	(309,095)	-
Impairment of trade receivables	9	1,646,256	1,712,059
Interest and commissions		41,347,455	984,743
Finance income		(9,259,577)	(3,623,902)
Income tax paid		(20,620,186)	(21,372,222)
<b>Operating profits before changes in assets and liabilities</b>		<b><u>57,796,445</u></b>	<b><u>45,671,494</u></b>
<b>Change in assets and liabilities</b>			
Change in inventories		(1,590,404)	(47,908)
Change in trade receivables		(11,497,716)	(5,255,673)
Change in debtors and other debit balances		(38,549,090)	16,345,866
Change in creditors and other credit balances		11,237,228	145,272,589
<b>Net cash flows generated from operating activities</b>		<b><u>17,396,463</u></b>	<b><u>201,986,368</u></b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets		(1,744,442)	(3,487,598)
Payments for projects under construction		(753,853)	-
Proceeds from bonds		38,080	-
Interest received		9,259,577	3,623,902
Payments for acquisition of subsidiary		(239,142,000)	(357,138,234)
Deposits with maturity of more than 3 months from the date of placement		9,650,000	-
<b>Net cash flows used in investing activities</b>		<b><u>(222,692,638)</u></b>	<b><u>(357,001,930)</u></b>
<b><u>Cash flows from financing activities</u></b>			
Paid to increase share capital		20,000,000	-
Share premium proceeds		340,000,000	-
Proceeds from borrowings		208,714,800	203,000,000
Repayment of borrowings		(20,300,000)	-
Interest and commissions paid		(19,298,811)	-
<b>Net cash flows generated from financing activities</b>		<b><u>529,115,989</u></b>	<b><u>203,000,000</u></b>
<b>Change in cash and cash equivalents during the period</b>		<b><u>323,819,814</u></b>	<b><u>47,984,438</u></b>
Cash and cash equivalents at the beginning of the period		23,557,392	53,632,054
<b>Cash and cash equivalents at the end of the period</b>	11	<b><u>347,377,206</u></b>	<b><u>101,616,492</u></b>

The accompanying notes on pages 7 - 38 from an integral part of these financial statements.

## **CLEOPATRA HOSPITAL S.A.E.**

### **Notes to the separate interim financial statements**

#### **For the nine months period ended 30 September 2016**

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

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#### **1. General information**

Cleopatra Hospital (Lasheen & Co.) is a limited partnership company incorporated on 19 July 1979. On 27 June 2005, a resolution no. 4092 of 2005 was issued by the Chairman of the General Authority For Investment (GAFI) authorizing Cleopatra Hospital (Lasheen & Co.), "a limited partnership company", to transform its legal form to Cleopatra Hospital S.A.E. in accordance with the provisions of Law No. 8 for 1997 and Law No. 95 for 1992.

The purpose of the Company is to establish a private hospital with the aim to offer modern and high quality medical services and provide medical care and treatment for patients. 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, Masr Al Jadidah, Cairo.

The Parent Company is Care Healthcare Ltd, which owns 99.99% of the Company's share capital.

On 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the shares of Cairo Specialised Hospital.

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

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

These separate interim financial statements have been approved for issuance by the management of the Company on 17 November 2016.

#### **2. Accounting policies**

The following are the accounting policies applied in the preparation of these separate interim financial statements:

##### **A. Basis of preparation**

The separate interim financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and relevant laws, which have all been applied consistently throughout the fiscal year except when otherwise indicated. The separate interim financial statements have been prepared under the historical cost convention.

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

## CLEOPATRA HOSPITAL S.A.E.

### Notes to the separate interim financial statements For the nine months period ended 30 September 2016

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

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#### **Basis of preparation (continued)**

The EASs require the reference to the International Financial Reporting Standard when there is no EAS or legal requirements that explain the treatment of specific balances and transactions.

#### **Subsidiaries**

Subsidiaries are the entities (including special purpose entities) over which the Company has the power to directly or indirectly govern its financial and operating policies. The Company usually has a shareholding of more than one half of voting rights. The effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls the subsidiary.

The separate interim financial statements of the Company have been prepared pursuant to the relevant local laws, and the consolidated financial statements of the Company and its subsidiaries have been prepared in conformity with EASs. The separate interim financial statements of the Company should be read in conjunction with the consolidated financial statements as at and for the nine months period ended 30 September 2016 in order to obtain full information on the Company's financial position, business results, cash flows and changes in equity.

Subsidiaries and associates are accounted for in the Parent Company's separate interim financial statements using the cost method. Under this method, the investments are recognised at the acquisition cost, including any goodwill less any impairment loss, and the dividends are recognised in the statement of income when such dividends are approved and the Parent Company's right to collect them is established.

#### **New and amended EASs adopted by the Company**

In accordance with the Resolution of the Ministry of Investment No. (110) of 2015 issued on July 2015, the EASs issued by the Ministerial Resolution of 2006 have been abolished and replaced with the accounting standards attached in the Resolution No. (110) referred to, provided that this Resolution shall enter into force as of 1 January 2016 and shall be applicable to the entities whose fiscal year begins on or after this date.

It is noteworthy that there is no material impact of such amendments on values included in the Company's financial statements upon adoption of the new standards, except for the following:

- Acquisition costs charged to subsidiaries within the statement of comprehensive income rather than capitalising them in accordance with the standards whose effective date has expired.

Other amendments applicable to the Company's activity and financial statements are summarised by certain matters related to the presentation and disclosure. Accordingly, the balance sheet will be differently presented and the presentation of the working capital will be eliminated therefrom. Also, business results of the Company will be presented in two separate statements, the first one will present the components of the revenue and expenses (statement of income) and the second one will begin with the profit or loss and present the components of income which will be included in equity to show the comprehensive income (statement of other comprehensive income). Financial risk has been disclosed and the fair values have been measured in further detail.

## CLEOPATRA HOSPITAL S.A.E.

### Notes to the separate interim financial statements For the nine months period ended 30 September 2016

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

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#### B. Foreign currency translation

##### (1) Functional and presentation currency

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

##### (2) Transactions and balances

Foreign currency transactions during the year are translated into the functional 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 balance sheet date are recognised in the statement of income.

#### C. Fixed assets

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

All expenses incurred by the Company to acquire or construct fixed assets are recognised within "projects under construction". When the fixed asset is commissioned and brought to ready-for-use condition, the asset's value is transferred to the fixed assets.

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

The depreciation rates by type of asset are as follows:

Buildings	2.5%
Machinery , equipment & devices	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 its 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 income.

## CLEOPATRA HOSPITAL S.A.E.

### Notes to the separate interim financial statements For the nine months period ended 30 September 2016

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

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#### D. Inventories

Inventories are measured at the lower of actual cost or net realisable value. Cost is determined using the weighted 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 sale expenses. Allowance is made for slow moving inventories on the basis of management's assessment of inventory movements.

#### E. Financial assets

##### (1) 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:

##### **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.

##### (2) Initial and subsequent measurement:

The financial assets are measured on acquisition at fair value plus transaction costs.

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.

Loans and receivables are subsequently measured at amortised cost using the effective interest method.

##### (3) Impairment of financial assets:

##### **Assets recognised at amortised cost**

The Company assesses, at the end of each reporting 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.**

### **Notes to the separate interim financial statements For the nine months period ended 30 September 2016**

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

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#### **Financial assets (continued)**

Evidence of impairment may include indications that the debtors or a group of debtors is 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 income.

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 income.

#### **F. Share capital**

Ordinary shares are classified as equity.

#### **G. 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 general assembly meeting. Such transfer may be discontinued when the reserve equals 50% of the 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.

#### **H. 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.

#### **I. 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.

## **CLEOPATRA HOSPITAL S.A.E.**

### **Notes to the separate interim financial statements For the nine months period ended 30 September 2016**

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

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#### **J. Borrowings and advances**

Borrowings are recognised initially at the amount of the proceeds received, net of transaction costs incurred. 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 are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the financial statements.

#### **K. Employee benefits**

##### **(1) Employees' share of profit**

According to the Companies Law, the Company pays 10% of its cash dividends to its employees up to a maximum equal to the total salaries of the latest fiscal year before distribution. Employees' share of profit is recognised as a part of dividends in equity and as a liability when approved by the Shareholders' General Assembly. No liability is recognised for employees' share of profit relating to undistributed profits.

##### **(2) Pension and insurance scheme**

The Company pays contributions to the Public Authority for Social Insurance on a mandatory basis in accordance with the rules of Social Security Law. The Company has no further payment obligations other than those which have been paid. Regular contributions are recognised as periodic costs for the year in which they are due and as such are included in staff costs.

#### **L. 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 ordinary course of business, and excluding sales taxes, deductions or discounts.

The Company recognises revenue 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 Company; and when other specific criteria have been met for each of the Company's activities as described below. The revenue amount will not be considered reliably measurable unless all contingent liabilities are settled. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

## CLEOPATRA HOSPITAL S.A.E.

### Notes to the separate interim financial statements For the nine months period ended 30 September 2016

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

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#### Revenue recognition (continued)

##### Medical services revenue

The Company, through Cleopatra Hospital, renders several medical services, including surgeries, admission, medical supervision, laboratories, tests, different types of radiology and outpatient clinics. Revenue from medical service is recognised when the service is rendered to the patient.

##### Sale of medicine revenue

The Company sells medicine through a hospital pharmacy or uses them for treatment in case of stay. Revenue is recognised once the medicine is received by the patient or used during the patient's stay in hospital.

##### 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.

#### M. 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 income statement on a straight-line basis over the period of the lease.

#### N. 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. Management periodically evaluates 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 separate interim financial statements. 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 taxes are determined using tax rates in accordance with the law prevailing at the 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 income 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.

## **CLEOPATRA HOSPITAL S.A.E.**

### **Notes to the separate interim financial statements For the nine months period ended 30 September 2016**

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

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#### **O. Dividends**

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

#### **P. Cash and cash equivalents**

For the purpose of preparation of statement of cash flows, cash and cash equivalents include cash on hand, bank current accounts and term deposits with maturities of three months from the date of placement.

#### **Q. 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.

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

## **CLEOPATRA HOSPITAL S.A.E.**

### **Notes to the separate interim financial statements**

#### **For the nine months period ended 30 September 2016**

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

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#### **Fair value of financial instruments (continued)**

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 valuer 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.

#### **R. Corresponding figures**

Where necessary, corresponding figures have been reclassified to conform to changes in presentation in the current year.

#### **S. 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 Company. The senior management is represented in Company's executive management committee. The Company as a whole is considered a separate business segment of the Group.

## CLEOPATRA HOSPITAL S.A.E.

### Notes to the separate interim financial statements For the nine months period ended 30 September 2016

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

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#### 3. Financial risk management

##### (1) Financial risk factors

The Company'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 rate), credit risk and liquidity risk. The Company is not exposed to any price risk as it does not have financial assets at fair value through profit and loss. The Company's management aims to minimise potential adverse effects of such risks on the financial performance of the Company by the monitoring process performed by the Finance Department, Company's General Manager, and Executive Committee at the level of the Parent Company.

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

##### (A) Market risk

###### i. Risk of change in foreign currency rates

Foreign currency risk represents the changes in foreign currency rates, which impact the payments and receipts denominated in foreign currencies, as well as the evaluation of foreign currency assets and liabilities. Given the nature of the Company's activities, the Company does not undertake transactions denominated in foreign currencies as it carries out all purchases in Egyptian Pound. The Company's very limited revenue in foreign currencies are generated from certain foreign embassies. Management is of the opinion that the foreign currency balances are considered immaterial.

At the end of the period / year, the net foreign currency financial assets denominated in EGP was as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
USD	167,112	37,933

At 30 September 2016, if the EGP is 40% more or less against USD with all other variables held constant, net profit after taxes will increase/ decrease as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
USD	66,845	15,973

###### ii. Fair value and cash flow interest rate risk

The Company availed a long-term loan at interest rate corridor declared by the Central Bank, and therefore, it is not exposed to cash flow risks.

## CLEOPATRA HOSPITAL S.A.E.

### Notes to the separate interim financial statements For the nine months period ended 30 September 2016

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

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#### Financial risk management (continued)

##### (B) Credit risk

Credit risk arises from cash and bank balances, deposits with banks, as well as credit exposures to customers. The credit risks are managed for the Company's as a whole by its Executive Management, Central Finance Department, and Executive Committee at the level of the Parent Company.

For banks, the Company deals with banks with high credit ratings and creditworthiness that are regulated by the Central Bank of Egypt.

In case of customers, the Hospital's Financial Director and General Manager perform analysis on the credit risk for each potential credit customer in accordance with the Group's policies, including Cleopatra Hospital or subsidiaries. The Parent Company's Executive Committee follows-up the compliance with credit terms, and reviews default cases 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. Note (9) to these financial statements provides more detailed information in respect of this matter.

The management establishes a provision for impairment of 100% for defaulted customers for more than 150 days from the invoice date, in addition to a category-based provision at historical default rates.

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.

Balances exposed to credit risks are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Cash at banks	351,774,627	38,355,130
Trade receivables	56,985,539	45,487,823

##### (C) Liquidity risk

The management makes cash flow projections on a monthly basis, which are discussed during the Executive Committee's meeting, 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.

## CLEOPATRA HOSPITAL S.A.E.

### Notes to the separate interim financial statements For the nine months period ended 30 September 2016

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

#### Financial risk management (continued)

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

	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
Suppliers	21,055,987	123,062	-	-
Due to related parties	-	-	-	7,383,502
Loans and financing interests	-	101,647,438	488,197,072	53,690,650
Accrued expenses	10,359,934	-	-	-
Other creditors	14,207,444	575,704	-	1,521,860

Subsequent to the balance sheet date the lending rate (Corridor) has increased 3% which will affect the company liabilities related to related parties , loans and finance expenses.

#### (2) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital consistent with other companies operating in the same field.

The Company's management monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and advances, notes payable and due to related parties less cash. Total share capital is represented by Total net debt plus shareholders' equity as shown in the balance sheet plus net debt.

Net debt to total capital ratio as at 30 September 2016 and 31 December 2015 is as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Creditors and other credit balances	82,199,783	96,293,633
Borrowings	391,414,800	203,000,000
Less: Cash at banks and on hand	(352,727,206)	(38,557,392)
<b>Net debt</b>	<b>120,887,377</b>	<b>260,736,241</b>
Total shareholders' equity	593,675,037	200,022,401
<b>Total capital</b>	<b>714,562,414</b>	<b>460,758,642</b>
<b>Net debt to total capital ratio</b>	17%	56.58%

Net debt to total capital ratio changed due to the loan obtained by the Company during the nine-month period ended 30 September 2016.

#### (3) Fair value estimation

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

