

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS
"EGYPTIAN JOINT STOCK COMPANY"**

**AUDITOR'S REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**



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

Consolidated financial statements for the year ended 31 December 2016

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Auditor's report

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Cleopatra Hospital (S.A.E.) and its subsidiaries (the "Group"), which comprise the consolidated financial position as at 31 December 2016 and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the fiscal year then ended, and a summary of significant accounting policies and other notes.

Management's responsibility for the consolidated financial statements

These consolidated financial statements are the responsibility of the Group's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Egyptian Accounting Standards and in light of the prevailing Egyptian laws. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.



The Shareholders of Cleopatra Hospital (S.A.E.) and its Subsidiaries
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cleopatra Hospital (S.A.E.) and its subsidiaries (the "Group"), as at 31 December 2016, its consolidated financial performance, and its consolidated cash flows for the fiscal year then ended in accordance with the Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

A handwritten signature in blue ink, appearing to read 'Ahmed Gamal El-Atrees', is written over a faint grid background.

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



12 March 2017
Cairo

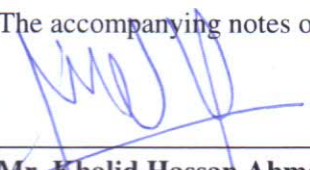
CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

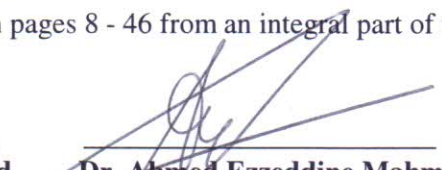
Consolidated statement of financial position - At 31 December 2016

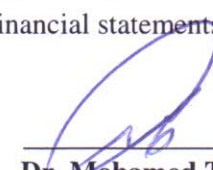
(All amounts in Egyptian Pounds)

	Note	2016	2015
Assets			
Non-current assets			
Fixed assets	6	396,722,304	267,049,952
Intangible assets	7	246,380,039	97,195,020
Total non-current assets		643,102,343	364,244,972
Current assets			
Held-to-maturity investments	8	-	38,080
Inventory	9	46,116,907	15,517,957
Trade receivables	10	125,935,773	89,986,584
Debitors and other debit balances	11	25,625,099	18,282,142
Cash on hand and at banks	12	439,583,047	109,906,869
Total current assets		637,260,826	233,731,632
Total assets		1,280,363,169	597,976,604
Equity and liabilities			
Equity attributable to owners of the parent Company			
Share capital	16	100,000,000	80,000,000
Reserves	17	298,037,805	(62,303,508)
Retained earnings		167,839,138	108,270,052
Total equity of the parent company		565,876,943	125,966,544
Minority / non-controlling interests	18	44,620,379	33,250,055
Total equity		610,497,322	159,216,599
Non-current liabilities			
Non-current portion of borrowings	15	325,977,549	162,400,000
Creditors and other credit balances - non-current portion	14	-	47,379,723
Deferred tax liabilities	26	59,993,365	43,802,580
Total non-current liabilities		385,970,914	253,582,303
Current liabilities			
Provisions	13	24,924,705	19,890,797
Creditors and other credit balances	14	175,222,518	92,550,296
Current portion of borrowings	15	52,169,564	40,600,000
Current income tax liabilities	25	31,578,146	32,136,609
Total current liabilities		283,894,933	185,177,702
Total liabilities		669,865,847	438,760,005
Total shareholders' equity and liabilities		1,280,363,169	597,976,604

The accompanying notes on pages 8 - 46 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

11 March 2017

Auditor's report is attached



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

Consolidated statement of profit or loss - For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	Note	2016	2015
Operating revenue	19	864,449,678	411,539,715
Less:			
Operating costs	20	<u>(614,027,753)</u>	<u>(271,778,519)</u>
Gross profit		250,421,925	139,761,196
Add / (Less)			
General and administrative expenses	21	(107,539,641)	(40,673,242)
Other provisions	13	(4,141,182)	(3,422,585)
Other income	22	6,267,246	2,521,355
Finance income	24	32,291,002	6,253,536
Finance cost	24	<u>(57,366,359)</u>	<u>(8,487,998)</u>
Profit for the year before income tax		119,932,991	95,952,262
Current tax	25	(31,068,249)	(24,889,872)
Deferred tax	25	<u>543,394</u>	<u>(2,166,243)</u>
Profit for the year		<u>89,408,136</u>	<u>68,896,147</u>
Distributed as follows:			
Equity of the parent's shareholders		76,344,453	66,765,516
Minority Interest	18	<u>13,063,683</u>	<u>2,130,631</u>
Profit for the year		<u>89,408,136</u>	<u>68,896,147</u>

The accompanying notes on pages 8 - 46 from an integral part of these financial statements.

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

Consolidated statement of comprehensive income - For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	<u>2016</u>	<u>2015</u>
Profit for the period	89,408,136	68,896,147
Other comprehensive income	-	-
Comprehensive income for the period	<u>89,408,136</u>	<u>68,896,147</u>

The accompanying notes on pages 8 - 46 from an integral part of these financial statements.

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

Consolidated statement of changes in shareholders' equity - For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	Share capital	Reserve	Retained earnings	Shareholders equity		Total equity
				Parent Company	Minority interest	
Balance at 1 January 2015	80,000,000	11,637,554	43,694,642	135,332,196	-	135,332,196
Transfer to reserves	-	2,190,106	(2,190,106)	-	-	-
Share of minority interests from the acquisition of subsidiaries	-	-	-	-	31,119,424	31,119,424
Acquisition reserve	-	(76,131,168)	-	(76,131,168)	-	(76,131,168)
Profit for the year	-	-	66,765,516	66,765,516	2,130,631	68,896,147
Balance at 31 December 2015	80,000,000	(62,303,508)	108,270,052	125,966,544	33,250,055	159,216,599
Balance at 1 January 2016	80,000,000	(62,303,508)	108,270,052	125,966,544	33,250,055	159,216,599
Paid up capital increase	20,000,000	-	-	20,000,000	-	20,000,000
Formed reserves	-	360,341,313	(3,233,667)	357,107,646	(1,710,283)	355,397,363
Dividends distributions	-	-	(13,541,700)	(13,541,700)	-	(13,541,700)
Share of minority interests from the acquisition of subsidiaries	-	-	-	-	16,924	16,924
Profit for the year	-	-	76,344,453	76,344,453	13,063,683	89,408,136
Balance at 31 December 2016	100,000,000	298,037,805	167,839,138	565,876,943	44,620,379	610,497,322

The accompanying notes on pages 8 - 46 from an integral part of these financial statements.

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

Consolidated statement of cash flows - For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	Note	2,016	2015
Cash flows from operating activities			
Profit before tax		119,932,991	95,952,262
Adjustments to reconcile net income to cash flows from operating activities			
Fixed assets depreciation and write-off	6	26,728,514	9,410,849
Loss / (gain) on sale of fixed assets		-	15,970
Amortization of intangible assets	7	5,349,995	-
Provisions formed during the year	13	10,865,355	3,422,585
Provisions utilised during the year	13	(11,177,398)	(6,774,940)
Provisions no longer required	13	(6,724,173)	-
Impairment in trade receivables	21	25,581,599	7,852,192
Impairment no longer required	21	(7,966,502)	-
Trade receivables impairment write-off		(6,844,712)	-
Finance income		(25,592,289)	(6,160,009)
Finance cost		57,366,359	8,487,998
Paid Income tax		(35,734,890)	(21,372,222)
Operating profits before changes in assets and liabilities		151,784,849	90,834,685
Changes in assets and liabilities			
Change in inventories		(21,886,754)	(2,003,182)
Change in trade receivables		(26,432,535)	(12,425,803)
Change in debtors and other debit balances		(50,516,682)	29,038,137
Change in creditors and other credit balances		38,687,470	67,405,515
Net cash flows generated from operating activities		91,636,348	172,849,352
Cash flows from investing activities			
Proceeds from sale of fixed assets		128,359	10,859
Payments to purchase fixed assets		(44,768,945)	(10,398,432)
Payments to acquisition of subsidiaries		(235,052,181)	(306,858,975)
Deposits with a maturity of more than 3 months from the date of placement		(332,319,507)	(62,889,123)
Finance gain collected		25,592,289	6,160,009
Proceeds from housing bonces		38,080	-
Net cash flows used in investing activities		(586,381,905)	(373,975,662)
Cash flows from financing activities			
Proceeds from capital increase		20,000,000	-
Proceeds from share premium		340,000,000	-
Proceeds from borrowings		208,714,800	203,000,000
Payments from borrowings		(43,936,940)	-
Finance cost paid		(32,675,632)	(8,487,998)
Net cash flows generated from financing activities		492,102,228	194,512,002
Change in cash and cash equivalents during the year		(2,643,329)	(6,614,308)
Cash and cash equivalents at the beginning of the year		47,017,746	53,632,054
Cash and cash equivalents at the end of the year	12	44,374,417	47,017,746

The accompanying notes on pages 8 - 46 from an integral part of these financial statements.

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

Notes to the consolidated financial statements - For the year ended 31 December 2016

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

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, Helioples, Cairo.

The parent 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 shares of Cairo Specilaised 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 consolidated financial statements have been approved for issuance by the board of directors of the parent company on 11 March 2017.

2. Accounting policies

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

A. Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and 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 management to exercise its judgement in the process of applying the Group's accounting policies. The most significant accounting estimates and judgements applied in preparation of the consolidated financial statements are disclosed in Note 4.

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

Notes to the consolidated financial statements - For the year ended 31 December 2016

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

Basis of preparation of 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 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 is subject to the International Financial Reporting Standards (IFRS) until the Egyptian Standards that address such matters are issued.

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.

B. Basis of consolidation

i. 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.

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

Notes to the consolidated financial statements - For the year ended 31 December 2016

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

Basis of consolidation (continued)

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.

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 are excluded. Unrealised losses are eliminated, and are considered as an indication of the impairment of the transferred assets.

Subsidiaries including, companies which were under joint control, are consolidated in these financial statements from date of acquisition. Accordingly, comparative figures for the statements of income, comprehensive income, cash flows and shareholders' equity reflect the Parent Company's figures independently. As for the financial position, the comparative figures present the financial position of the consolidated financial statements at 31 December 2015. In addition to the period from 1 October 2015 to 31 December 2015, regarding Cairo specialized hospital and Nile Badrawi hospital, and the financial position, comparative figures present the financial position for the financial statements of the Group as of 31 December 2015 (except for Al Shrouk Hospital).

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%

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

Notes to the consolidated financial statements - For the year ended 31 December 2016

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

Basis of consolidation (continued)

ii. Sale, acquisition and minority interests - 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.

iii. 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 income 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.
- 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.

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 by 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 Pound, 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 income.

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

Notes to the consolidated financial statements - For the year ended 31 December 2016

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

E. 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 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.

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.

F. Intangible assets

i. 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 income statement, and cannot be reversed subsequently.

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

Notes to the consolidated financial statements - For the year ended 31 December 2016

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

Intangible assets (continued)

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.

ii. Trade name

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

iii. 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.

G. Inventory

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

i. 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.

ii. 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.

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

Notes to the consolidated financial statements - For the year ended 31 December 2016

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

Financial assets (continued)

iii. 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.

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.

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 income statement, excluding goodwill.

J. Share capital

Ordinary shares are classified as equity.

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

Notes to the consolidated financial statements - For the year ended 31 December 2016

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

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.

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 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.

O. Employees' benefits

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.

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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 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

i. 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 year 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.

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Leases (continued)

ii. Operating lease

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 year 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. 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 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 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.

S. Dividends

Dividends are recognised in the Company's consolidated financial statements in the year 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.

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

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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 fluctuations in foreign currency rates

Foreign currency risk represents the changes in foreign currency rates, which affects the payments and receipts denominated in foreign currencies, as well as the evaluation of foreign currency assets and liabilities. 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 Egyptian Pound. The Group'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 year, the net foreign currency before impairment of financial assets denominated in EGP was as follows:

	<u>2016</u>	<u>2015</u>
USD	13,776,733	56,716
EUR	41,944	18,896
GBP	53,019	-

At 31 December 2016, if the value of EGP is 40% more or less against foreign currencies, with all other variables held constant, net profit after taxes will increase / decrease as follows:

	<u>2016</u>	<u>2015</u>
USD	5,510,693	22,686
EUR	16,778	7,558
GBP	21,208	-

ii. Fair value and cash flow interest rate risk

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

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

Financial risk management (continued)

(B) Credit risk

Credit risk arises from cash at banks, as well as credit risk linked to the Group's customers. Credit risks are managed for the Group 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.

For customers, the Financial Director and the General Manager of each hospital 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.

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 provision based on the historical default rates.

Cash at banks is placed with local banks that are subject to the supervision of 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>2016</u>	<u>2015</u>
Cash at banks	432,258,309	109,353,010
Trade receivables	168,450,239	114,663,360

(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 Group's liabilities.

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 and notes payable	83,085,653	2,761,280	-	-
Accrued expenses except for finance interest	43,774,829	-	-	-
Loans and financing interests	159,913,232	496,216,804	7,653,525	-
Other creditors	4,296,953	2,601,910	-	-

During November 2016, the lending rate (Corridor) has increased by 3% which will affect the company liabilities related to loans and finance interest.

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Financial risk management (continued)

(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, note payable and due to related parties, less cash. Total share capital is represented in net debt plus total equity as shown in the balance sheet plus net debt.

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

	<u>2016</u>	<u>2015</u>
Creditors and other credit balances	175,222,518	139,930,019
Borrowings	378,147,113	203,000,000
Less: Cash at banks and on hand	<u>(439,583,047)</u>	<u>(109,906,869)</u>
Net debt	113,786,584	233,023,150
Total equity	<u>610,497,322</u>	<u>159,216,599</u>
Total capital	<u>724,283,906</u>	<u>392,239,749</u>
Net debt to total capital ratio	16%	59%

Net debt to total capital ratio changed due to the loan obtained by the Company during the year ended 31 December 2016. In addition to owner's equity as a result of shares public and private offering and subscription and increase in share capital.

(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 the impairment. The Parent Company availed a 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.

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

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4. Critical accounting estimates, assumptions and judgements

Critical accounting estimates and assumptions

Estimates and assumptions are evaluated 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.

A. Other provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is more likely 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 each balance sheet date, and adjusts it to reflect the best current estimate by using the appropriate advisory expertise.

B. Impairment of goodwill and other intangible assets

The Group's management evaluates goodwill 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 income, and cannot be reversed subsequently, (Note 7) illustrates more information regarding this.

C. Impairment of trade receivables

Impairment of trade receivables is estimated by monitoring ageing of borrowings. 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 based on the Group for customers and balances that suffered impairment but not determined by reference to historical default rates applicable to some of the Group companies.

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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 year ended 31 December 2016 for each segment:

	Cleopatra Hospital	Cairo Specialised Hospital	Nile Badrawy Hospital	Al Shorouk Hospital	Total
Balance sheet:					
Non-current assets	305,468,181	51,524,659	176,938,641	109,170,862	643,102,343
Current assets	429,985,690	92,498,534	72,575,305	42,201,297	637,260,826
Total assets	735,453,871	144,023,193	249,513,946	151,372,159	1,280,363,169
Current liabilities	151,351,225	48,106,997	43,524,146	40,912,565	283,894,933
Non-current liabilities	326,539,644	3,074,788	40,006,117	16,350,365	385,970,914
Total liabilities	477,890,869	51,181,785	83,530,263	57,262,930	669,865,847
Income statement:					
Operating revenue	379,787,945	185,486,151	155,736,936	143,438,646	864,449,678
Operating costs	(240,404,431)	(138,953,973)	(122,268,886)	(112,400,463)	(614,027,753)
Gross profit	139,383,514	46,532,178	33,468,050	31,038,183	250,421,925
Other expenses and revenues	(95,595,925)	(18,197,206)	(25,407,835)	(21,812,823)	(161,013,789)
Profit for the year	43,787,589	28,334,972	8,060,215	9,225,360	89,408,136
Other items					
Capital expenditure	6,816,630	30,399,835	4,049,589	3,500,386	44,766,440
Fixed assets depreciation	6,731,320	4,429,609	6,678,448	6,089,803	23,929,180

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Segment reporting (continued)

Below is a summary of each segment, which is presented for the year ended 31 December 2015 for each segment (note that the consolidated financial statements have been prepared on the basis of the date of the actual acquisition of each subsidiary):

	Cleopatra Hospital	Cairo Specialised Hospital	Nile Badrawy Hospital	Total
Balance sheet:				
Non-current assets	427,851,466	25,678,386	18,884,960	472,414,812
Current assets	99,658,411	82,793,359	51,291,592	233,743,362
Total assets	527,509,877	108,471,745	70,176,552	706,158,174
Current liabilities	109,580,657	40,341,609	35,267,169	185,189,435
Non-current liabilities	170,527,096	1,727,506	-	172,254,602
Total liabilities	280,107,753	42,069,115	35,267,169	357,444,037
Income statement:				
Operating revenue	332,002,699	149,377,454	121,307,079	602,687,232
Operating costs	(214,407,386)	(111,849,380)	(81,601,341)	(407,858,107)
Gross profit	117,595,313	37,528,074	39,705,738	194,829,125
Other expenses and revenues	(52,905,108)	(20,279,719)	(36,093,249)	(109,278,076)
Profit for the year	64,690,205	17,248,355	3,612,489	85,551,049
Other items				
Capital expenditure	5,594,200	7,372,987	1,233,595	14,200,782
Fixed assets depreciation	6,425,945	3,380,552	1,136,282	10,942,779

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6. Fixed assets

	Lands	Buildings	Machinery, equipment and devices	Furniture	Vehicles	Computers	Projects under construction	Total 2016
Cost at 1 January 2016	69,264,635	175,024,544	180,712,569	19,502,453	4,596,488	4,330,024	1,599,921	455,030,634
Acquired assets	36,064,627	67,911,188	47,878,476	8,991,488	1,066,195	2,324,416	1,015,196	165,251,586
Additions	-	922,553	27,971,594	2,792,296	1,662,190	1,819,060	9,601,252	44,768,945
Disposals	-	-	(1,762,681)	(23,772)	-	(2,150)	-	(1,788,603)
Transfers	-	-	1,080,000	-	-	-	(1,080,000)	-
Balance at 31 December 2016	105,329,262	243,858,285	255,879,958	31,262,465	7,324,873	8,471,350	11,136,369	663,262,562
Accumulated depreciation at 1 January 2016	-	36,823,505	130,731,926	14,141,456	2,983,795	3,300,000	-	187,980,682
Acquired assets accumulated depreciation	-	15,845,427	27,955,272	7,249,991	466,195	1,974,415	-	53,491,300
Depreciation for the year	-	10,558,255	12,973,547	1,987,446	273,933	935,333	-	26,728,514
Accumulated depreciation of disposal	-	-	(1,657,286)	(2,952)	-	-	-	(1,660,238)
Accumulated depreciation at 31 December 2016	-	63,227,187	170,003,459	23,375,941	3,723,923	6,209,748	-	266,540,258
Net book value at 31 December 2016	105,329,262	180,631,098	85,876,499	7,886,524	3,600,950	2,261,602	11,136,369	396,722,304

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Fixed assets (continued)

	Lands	Buildings	Machinery, equipment and devices	Furniture	Vehicles	Computers	Projects under construction	Total 31 December 2015
At 1 January 2015	14,967,000	38,024,987	63,302,346	4,470,834	2,276,722	817,117	5,532,870	129,391,876
Acquired assets	54,297,635	131,084,514	109,988,035	14,812,050	2,320,195	3,068,664	485,398	316,056,491
Additions	-	386,953	7,720,110	1,079,284	-	490,496	1,550,430	11,227,273
Disposals	-	(2,026)	(253,417)	(19,800)	-	-	(435,907)	(711,150)
Transfers	-	5,532,870	-	-	-	-	(5,532,870)	-
Fixed assets write-off	-	(2,754)	(44,505)	(839,915)	(429)	(46,253)	-	(933,856)
Balance at 31 December 2015	69,264,635	175,024,544	180,712,569	19,502,453	4,596,488	4,330,024	1,599,921	455,030,634
Accumulated depreciation at 1 January 2015	-	10,854,674	50,857,667	3,056,303	1,086,725	748,878	-	66,604,247
Acquired assets accumulated depreciation	-	21,558,387	76,558,602	10,404,764	1,723,118	2,510,050	-	112,754,921
Accumulated depreciation of disposal and assets write-off	-	(1,831)	(169,290)	(588,809)	(214)	(29,191)	-	(789,335)
Depreciation for the year	-	4,412,275	3,484,947	1,269,198	174,166	70,263	-	9,410,849
Accumulated depreciation at 31 December 2015	-	36,823,505	130,731,926	14,141,456	2,983,795	3,300,000	-	187,980,682
Net book value at 31 December 2015	69,264,635	138,201,039	49,980,643	5,360,997	1,612,693	1,030,024	1,599,921	267,049,952

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

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7. Business combination and intangible assets

<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>2016 Total</u>
Cost of intangible assets arising from business combination	196,676,034	44,354,000	5,350,005	246,380,039

<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>2015 Total</u>
Cost of intangible assets arising from business combination	75,853,020	21,342,000	-	97,195,020

<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>2016 Total</u>
Balance at the beginning of the year	75,853,020	21,342,000	-	97,195,020
Additions during the year	120,823,014	23,012,000	10,700,000	154,535,014
Depreciation for the year	-	-	(5,349,995)	(5,349,995)
Balance at the end of the year	196,676,034	44,354,000	5,350,005	246,380,039

Goodwill is as follows:

	<u>Balance at 1 January 2016</u>	<u>Acquisition of a subsidiary</u>	<u>Balance at 31 December 2016</u>
Nile Badrawy Hospital Co.	75,853,020	-	75,853,020
Al-Shorouk Hospital S.A.E.	-	120,823,014	120,823,014
Total	75,853,020	120,823,014	196,676,034

Goodwill

To calculate goodwill, Nile Badrawy 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 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.

Trade name

The fair value of the trade name is estimated by 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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Business combination and intangible assets (continued)

A. Acquisition of Nile Badrawy Hospital Company S.A.E.

On 22 September 2015, Cleopatra Hospital Company S.A.E. acquired 99.92% of the total shares of Nile Badrawy Hospital Company S.A.E. This acquisition resulted in increase of the cost of acquisition over the fair value of the net assets of the acquired company, which were recognised as intangible assets, as indicated in the table above.

The Group expects that the acquisition will result in increase of its market share and to achieve future economic benefits, and upgrade the services offered to patients of the Group's hospitals. The goodwill amounting to approximately EGP 75 million, resulting from the acquisition, is attributed to the list of customers, relations with insurance companies and the available medical experience of the hospital's employees.

The fair value of the net liabilities, which represents the assets and liabilities, excluding intangible non-current assets, is calculated after taking into consideration the contingent liabilities at the date of acquisition and the provisions for the impairment of doubtful loans.

Nile Badrawy Hospital S.A.E. was included in the consolidated financial statements as on 1 October 2015, which is the date on which the acquirer actually established control over the subsidiary and the power of control on the financial and operating policies was transferred to the Company. Net acquired assets and goodwill are as follows:

	<u>EGP</u>
Cost of acquisition:	
Paid-up cash	257,004,947
Direct costs of acquisition	2,000,000
Minority interests at the date of acquisition	130,200
Total cost of acquisition	259,135,147
Fair value of acquired assets	(161,940,127)
Intangible assets	97,195,020

Assets and liabilities resulting from the acquisition of Nile Badrawy Hospital Company S.A.E. were determined on the basis of fair value at 30 September 2015 as follows:

	<u>EGP</u>
Lands	52,838,000
Buildings and constructions	105,770,472
Machinery and equipment	21,921,515
Vehicles	597,077
Projects under construction	485,398
Computers	129,207
Tools and instruments	266,213
Total Fair value of intangible assets	182,007,882
Net liabilities at fair value	(20,067,755)
Net fair value of acquired assets	161,940,127

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

Notes to the consolidated financial statements - For the year ended 31 December 2016

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

Business combination and intangible assets (continued)

B. Acquisition of Cairo Specialised Hospital S.A.E.

At 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the total shares of Cairo Specialised Hospital S.A.E. These are the shares then owned by Creed Healthcare Co. Ltd.. The acquisition is made for a consideration of approximately EGP 107 million, which is the same value Creed Health Care Ltd. paid to acquire Cairo Specialised Hospital in July 2014. As this transaction took place between parties under joint control (because Care Health Care Ltd., the owner of Cleopatra Hospital Company is itself 100% owned to Creed Health Care Ltd.) to restructure ownership of the group companies, uniting-of-interest method is applied for the consolidation of the financial statements of Cairo Specialised Hospital within the consolidated financial statements of Cleopatra Hospital.

The difference between the value of acquisition amounting to approximately EGP 107 million. The book value of the net assets at the date of acquisition amounting to approximately EGP 62 million after taking into account the minority interests amounting to approximately EGP 31 million pounds at the acquisition date. An amount of approximately EGP 76 million is recognised as acquisition reserve within the consolidated equity.

C. Acquisition of Al-Shorouk Hospital S.A.E.

In January 2016, Cleopatra Hospital S.A.E. acquired 99.99% of the total shares of Al-Shorouk Hospital S.A.E. This acquisition resulted in increase of the cost of acquisition over the fair value of the net assets of the acquired company, which were recognised as intangible assets, as indicated in the table above.

The Group expects that the acquisition will result in increase of its market share and to achieve future economic benefits, and upgrade the services offered to patients of the Group's hospitals. The goodwill amounting to approximately EGP 120 million, resulting from the acquisition, is attributed to the list of customers, relations with insurance companies and the available medical experience of the hospital's employees.

The fair value of the net liabilities, which represents the assets and liabilities, excluding intangible non-current assets, is calculated after taking into consideration the contingent liabilities at the date of acquisition and the provisions for the impairment of doubtful loans.

The revenue recognised in the consolidated statement of profit and loss, which is contributed by Al-Shorouk Hospital S.A.E. since the date of acquisition, amounted to approximately EGP 143,506,146 million, and the net profits for this period amounted to approximately EGP 12.23 million. Al-Shorouk Hospital S.A.E. has been included in the consolidated financial statements.

On 1 January 2016, net assets acquired and goodwill were as follows:

<u>Cost of acquisition</u>	<u>EGP</u>
Paid-up cash	239,142,000
Direct costs of acquisition	-
Minority interests at the date of acquisition	16,924
Total cost of acquisition	239,158,924
Fair value of acquired assets	(84,623,910)
Intangible assets	154,535,014

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Business combination and intangible assets (continued)

Assets and liabilities resulting from the acquisition of Al-Shorouk Hospital S.A.E. were determined on the basis of fair value at 31 December 2015 as follows:

	<u>EGP</u>
Buildings and constructions	53,807,252
Lands	36,064,627
Machinery and equipment	20,938,400
Vehicles	600,000
Computers	350,000
Total Fair value of tangible assets	111,760,279
Net liabilities at fair value	(27,136,369)
Net fair value of acquired assets	84,623,910

8. Held-to-maturity investments

Held-to-maturity investments comprise investments in public housing bonds (compulsory) issued by the Ministry of Finance in favour of the Central Bank, which shall be recoverable on 11 July 2015. Such bonds have been collected on 13 January 2016.

9. Inventory

	<u>2016</u>	<u>2015</u>
Medical supply and Pharmacy inventory	43,067,081	14,258,101
Others	3,049,826	1,259,856
	46,116,907	15,517,957

10. Trade receivables

	<u>2016</u>	<u>2015</u>
Due from customers	163,957,688	112,340,748
Income / (prepayments) from inpatients	4,492,551	2,322,612
Less:		
Impairment of trade receivables	(42,514,466)	(24,676,776)
Net trade receivables	125,935,773	89,986,584

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

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

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Trade receivables (continued)

The movement of the provision for impairment is as follows:

	<u>2016</u>	<u>2015</u>
Balance at 1 January	24,676,776	3,422,536
Provision formed during the year	25,581,599	8,457,898
Provisions no longer required	(7,966,502)	(279,679)
Write-offs of provision for receivables during the year	(6,844,712)	(778,867)
Effect of acquisition	7,067,305	13,854,888
Balance at the end of the year	<u>42,514,466</u>	<u>24,676,776</u>

Trade receivable balances, which have not been due till the balance sheet date and have no impairment indicators, amounted to EGP 60,372,774 (2015: EGP 71,181,598).

At the balance sheet date, the balances that were past due but not impaired amounted to EGP 66,929,491 (2015: EGP 13,438,722) regarding customers and transactions with no history of default. The ageing analysis of these balances is as follows:

	<u>2016</u>	<u>2015</u>
More than 15 days and less than 1 month	40,009,048	9,167,504
From one to five months	26,920,443	4,271,218

11. Debtors and other debit balances

	<u>2016</u>	<u>2015</u>
Withholding taxes	9,376,365	6,673,121
Advances to contractors and suppliers	7,510,043	719,126
Prepaid expenses	3,059,592	3,069,905
Due from employees	1,101,278	7,242,569
Deposits with others	783,473	470,030
Due from related parties	148,513	-
Other debtors and accrued interest income	4,759,201	962,251
	<u>26,738,465</u>	<u>19,137,002</u>
Impairment of debtors and other debit balances	(1,113,366)	(854,860)
	<u>25,625,099</u>	<u>18,282,142</u>

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

	<u>2016</u>	<u>2015</u>
Balance at 1 January	854,860	-
Provision formed during the year	313,575	173,161
Provision no longer required	(265,803)	-
Effect of acquisition of subsidiary	210,734	681,699
	<u>1,113,366</u>	<u>854,860</u>

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

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

12. Cash on hand and at banks

	<u>2016</u>	<u>2015</u>
Deposits	395,208,630	62,889,123
Current accounts	37,049,679	46,463,887
Cash on hand	7,324,738	553,859
	<u>439,583,047</u>	<u>109,906,869</u>

Deposits are held with local banks in the EGP and have maturity of up to 6 months from the date of placements with fixed rate ranging from 10.75% to 12% (2015: 7% to 9%).

	<u>2016</u>	<u>2015</u>
Cash on hand and at banks	439,583,047	109,906,869
Deposits with a maturity of more than 3 months	(395,208,630)	(62,889,123)
Cash and cash equivalents	<u>44,374,417</u>	<u>47,017,746</u>

13. Provisions

	<u>2016</u>	<u>2015</u>
Provision for claims	16,470,824	15,638,201
Provision for human resources claims	5,054,267	2,307,000
Employees leave provision	2,583,022	1,035,539
Provision for the benefits of the employees over 60 years	816,592	910,057
	<u>24,924,705</u>	<u>19,890,797</u>

The movement of provisions during the year is as follows:

	<u>2016</u>					
	<u>Balance at the beginning of the year</u>	<u>Effect of acquisition of subsidiaries</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at the end of the year</u>
Provision for claims	15,638,201	11,870,000	1,043,800	(7,737,936)	(4,343,241)	16,470,824
Provision for human resources claims	2,307,000	-	6,968,621	(2,747,604)	(1,473,750)	5,054,267
Employees' leave provision	1,035,539	200,124	2,277,907	(206,208)	(724,340)	2,583,022
Provision for the benefits of the employees over 60 years	910,057	-	575,027	(485,650)	(182,842)	816,592
Total	<u>19,890,797</u>	<u>12,070,124</u>	<u>10,865,355</u>	<u>(11,177,398)</u>	<u>(6,724,173)</u>	<u>24,924,705</u>

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

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

Provisions (continued)

	2015					Balance at the end of the year
	Balance at beginning of the year	Effect of acquisition of subsidiaries	Formed during the year	Utilised Balance during the year	Provisions no longer required	
Provision for claims	2,814,868	19,436,433	-	(6,613,100)	-	15,638,201
Provision for human resources claims	-	-	2,307,000	-	-	2,307,000
Employees' leave provision	-	439,367	596,172	-	-	1,035,539
Provision for the benefits of the employees over 60 years	552,484	-	519,413	(161,840)	-	910,057
Total	3,367,352	19,875,800	3,422,585	(6,774,940)	-	19,890,797

Provision for claims

Other provisions represent provisions for contingent liabilities for potential claims from certain authorities and bodies regarding the Company's activities. The information that is usually published on provisions has not been disclosed in accordance with Egyptian Standards on Auditing, since the management believes that their disclosure may strongly affect the results of negotiations with such authorities and bodies. The management reviews such provisions annually. The specified amount shall be adjusted in line with the latest developments, discussions and agreement with such authorities and bodies.

Provision for human resources claims

Other provisions for human resources comprise provisions for the restructure of the Company's employees.

Employees leave provision

It is represented by employees' entitlements for not receiving their full leave balance in accordance with the law.

Provision for the benefits of the employees over 60 years

It represents the provisions that have been made against benefits of employees over 60 years on their retirement in accordance with the law.

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

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14. Creditors and other credit balances

	2016	2015
Suppliers and notes payable	85,846,933	45,879,798
Accrued expenses	80,639,548	39,169,200
Social insurance	1,277,182	1,111,470
Refundable deposits	340,857	1,181,371
Due to related parties (Note 26)	-	47,379,723
Other creditors	7,117,998	5,208,457
	175,222,518	139,930,019
Less:		
Creditors and other credit balances - non-current portion	-	(47,379,723)
	175,222,518	92,550,296

15. Borrowings

The borrowing balance is as follows:

	2016	2015
Total loan amount	378,147,113	203,000,000
Less: Current portion of borrowings	(52,169,564)	(40,600,000)
Non-current portion of borrowings	325,977,549	162,400,000

Loans (1) and (2)

	2016	2015
Total loan amount	371,114,800	203,000,000
Less: Current portion of borrowings	(45,137,251)	(40,600,000)
Non-current portion of borrowings	325,977,549	162,400,000

The movement of borrowings during the year is as follows:

	2016			
	Balance at beginning of the year	Proceeds during the year	Repaid during the year	Balance at the end of the year
Commercial International Bank loan (1)	203,000,000	-	(40,600,000)	162,400,000
Commercial International Bank loan (2)	-	208,714,800	-	208,714,800
Total	203,000,000	208,714,800	(40,600,000)	371,114,800

	2015			
	Balance at beginning of the year	Proceeds during the year	Repaid during the year	Balance at the end of the year
Commercial International Bank loan (1)	-	203,000,000	-	203,000,000
Total	-	203,000,000	-	203,000,000

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Borrowings (continued)

The details of borrowings are as follows:

- (1) A loan facility of EGP 203,000,000 from the Commercial International Bank to finance 100% of the cost of equity acquisition of Cairo Specilaised Hospital. The loan will be due for repayment in ten equal semi-annual instalments commencing 31 December 2016 until 31 December 2020 at an interest rate of 2,4% in addition to the interest rate corridor declared by the Central Bank of Egypt.
- (2) A loan of EGP 230,000,000 from the Commercial International Bank (of which an amount of EGP 208,714,800 has been withdrawn up to the statement of financial position date) to finance 100% of the cost of equity acquisition of Al-Shorouk Hospital Company. The loan will be due for repayment in ten equal semi-annual instalments commencing 18 months after the first withdrawal date at an interest rate of 2,4% in addition to the interest rate corridor declared by the Central Bank of Egypt.

<u>Repayment</u>	<u>The repayment percentage from the total loan</u>	<u>Maturity date</u>
1 st installment	2.1739%	18 month form the 1st withdrwal date
2 nd instalment	2.1739%	24 month form the 1st withdrwal date
3 rd instalment	2.1739%	30 month form the 1st withdrwal date
4 th instalment	2.1739%	36 month form the 1st withdrwal date
5 th instalment	10.8696%	42 month form the 1st withdrwal date
6 th instalment	10.8696%	48 month form the 1st withdrwal date
7 th instalment	10.8696%	54 month form the 1st withdrwal date
8 th instalment	10.8696%	60 month form the 1st withdrwal date
9 th instalment	23.9130%	66 month form the 1st withdrwal date
10 th instalment	23.9130%	72 month form the 1st withdrwal date

Main guarantees for loans no (1) and (2) above:

- The Company has pledged its shares in the Cairo Specilaised Hospital S.A.E. amounting to 52,7% in favour of the Commercial International Bank.
- Also, Care Healthcare Ltd has pledged 51% of its shares in Cleopatra Hospital in favour of the Commercial International Bank.
- On 19 January 2016, Cleopatra Hospital obtained another loan from the Commercial International Bank worth of EGP 230 million. Care Health Care Company pledged its remaining shares as a guarantee for the bank's loan of a total mortgage rate of 99,99%. In the event of Company's share capital increase, split of shares or issuance of additional shares for any reason, same shares shall remain pledged for the bank before and after the increase by 99,99% for the Company, 52,7% for Cairo Specialised Hospital Company S.A.E., 51% for Nile Badrawy Hospital S.A.E. and 100% for Al-Shorouk Hospital S.A.E. of shares acquired by the Company. The percentage of shares pledged for the bank shall not be reduced.
- Cleopatra Hospital Company pledged all its owned shares in Al-Shorouk Hospital as a guarantee for the same loan.
- Cleopatra Hospital Company pledged 51% of its owned shares in Nile Badrawy Hospital S.A.E. as a guarantee for the same loan.

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Borrowings (continued)

Al-Shorouk Hospital S.A.E.

	2016		
	Borrowings	Overdraft	Total
Current portion	873,387	6,158,926	7,032,313
	2015		
	Borrowings	Overdraft	Total
Current portion	980,214	8,497,257	9,477,471
Non-current portion	891,782	-	891,782

- (3) On 25 November 2014, Al Shorouk Hospital Company sold the whole land and buildings (Plot No. 11, Area C) as per a preliminary contract with the International Company for Finance Lease (Incolease), provided the sale contract is not executed unless a lease agreement over the land is concluded. On the same date, the Company entered into a lease contract for 3 years whereby the Company has the right to buy the asset after the end of the lease period with 1 EGP.

The amounts due to Faisal Bank, which represent the remaining amount of the total land price amounting to 2,902,945, were paid by Incolease and leased back to Al Shorouk Hospital Company for 3 years with a predetermined net amount equalling the amount paid to Faisal Bank after calculating the interest for 3 years. Due to the substance of this transaction, it is considered as a loan secured against the asset rather than a sale. Such a transaction is outside of the scope of the Egyptian Accounting Standard 20 "Accounting Rules and Standards Related to Finance Lease".

Accordingly, the transaction was not considered as a sale and lease-back agreement but it was considered as a loan from Incolease for 36 months - where each monthly instalment amounts to EGP 93,160 with a variable interest based on the corridor rates declared by the Central Bank of Egypt.

Main guarantees for overdraft:

Financial credit contract in overdraft account with Bank Audi

The bank has royalty right over funds related to Al-Shorouk Hospital Company S.A.E. including accounts, deposits and other funds in the possession of the bank at any given time, or under its control, or delivered, deposited or registered in the name of the bank to guarantee any payments or liabilities that are currently payable, or may be subsequently payable by the Al-Shorouk Hospital Company S.A.E.

Credit facility contract in form of overdraft account with Société Arabe Internationale de Banque

The bank has the right to withhold any amounts, papers, or endorsable documents; or any funds or bonds attributed to the Al-Shorouk Hospital Company S.A.E. received by the bank or managed by any of its branches or clients. In addition, the bank has the right to dispose and recognise them as amounts paid from Al-Shorouk Hospital Company S.A.E. to settle the balance payable or which may be accrued from time to time under the bank's books and entries. Under this explicit acknowledgement and without the need to another acknowledgement from Al-Shorouk Hospital Company S.A.E., such funds are considered as indivisible guarantee as security against amounts that may be due to or from the bank.

The average interest rate on bank overdrafts in EGP was 15% (31 December 2015: 10%).

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16. Share capital

At 31 December 2015, the issued and paid up capital comprises 8 million shares of EGP 10 each, totalling EGP 80 million. The underwriting was as follows:

Name	Number of shares	Nominal value
Care Healthcare Ltd	7,999,998	79,999,980
Amr Abdul Kareem Tawheed Hilal	1	10
Walid Fayez Said	1	10
Total	8,000,000	80,000,000

On 6 April 2016, the Company's General Assembly approved the division of shares bringing the number to 160 million shares of EGP 0,5 each, totalling EGP 80 million. Accordingly, the share capital is as follows:

Name	Number of shares	Nominal value
Care Healthcare Ltd	159,999,960	79,999,988
Amr Abdul Kareem Tawheed Hilal	20	1
Walid Fayez Said	20	1
Total	160,000,000	80,000,000

On 2 June 2016, 40 million shares of the shares held by Care Healthcare Ltd. have been traded in the Egyptian Exchange through 2 tiers, public offering and private offering. Accordingly, the Company's shareholder structure has changed as follows:

Name	Number of shares	Nominal value
Care Healthcare Ltd	119,999,960	59,999,980
Private offering	32,000,000	16,000,000
Public offering	8,000,000	4,000,000
Amr Abdul Kareem Tawheed Hilal	20	10
Walid Fayez Said	20	10
Total	160,000,000	80,000,000

Details of public and private offerings are as below:

a. Public offering

Public offering was opened on 22 May 2016 and closed at the end of business day on 30 May 2016. The number of offered shares amounted 6 million shares at offering price EGP 9 per share, totalling EGP 54,000,000. The offering was received in a number of 171,600,000 shares of total amount EGP 1,544,400,000. Thus, the covering ratio amounted 28,6 times the number of shares offered for the IPO. Allocation is made for each subscriber proportionally between the total shares offered for sale and the total shares required for purchase, taking into account rounding the fractions of numbers in favour of minority investors.

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Share capital (continued)

b. Private offering

A number of 14,000,000 shares totalling EGP 126,000,000 were subscribed at offering price EGP 9 per share. 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.

Name	Number of shares	Nominal value
Care Healthcare Ltd	159,999,960	79,999,980
Ahmed El Sayed El Sayed Hassan	1,200,000	600,000
El Sayed El Sayed Hassan Mousa	1,000,000	500,000
National Investment Bank portfolio 10	980,000	490,000
Other shareholders	36,820,040	18,410,020
Total	200,000,000	100,000,000

17. Reserves

Below is the movement of reserves during the year:

	2016		
	Balance at 1 January	Formed during the year	Balance at 31 December
Legal reserve	13,827,660	36,172,340	50,000,000
Acquisition reserve	(76,131,168)	-	(76,131,168)
Special reserve	-	49,090,006	49,090,006
Other reserves	-	275,078,967	275,078,967
	(62,303,508)	360,341,313	298,037,805
	2015		
	Balance at 1 January	Formed during the year	Balance at 31 December
Legal reserve	11,637,554	2,190,106	13,827,660
Acquisition reserve	-	(76,131,168)	(76,131,168)
	11,637,554	(73,941,062)	(62,303,508)

a. Legal reserve

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

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Reserves (continued)

Below is the movement on legal reserve during the year:

	2016		
	Balance at beginning of the year	Formed during the year	Balance at the end of the year
Legal reserve	13,827,660	36,172,340	50,000,000
Total	13,827,660	36,172,340	50,000,000

In accordance with article (94) of the executive regulation of Companies Law No. 159 of 1981, an amount of EGP 32,938,637 was used from the proceeds of the public and private offerings to increase the legal reserve to equal 50% of the issued capital.

	2015		
	Balance at beginning of the year	Formed during the year	Balance at the end of the year
Legal reserve	11,637,554	2,190,106	13,827,660
Total	11,637,554	2,190,106	13,827,660

b. Acquisition reserve

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

c. Special reserve

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

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Reserves (continued)

d. Other reserves

The amount represents the amount transferred from share premium according to the requirements of Law No. 159 of 1981.

Below is the movement on reserves during the year:

	2016				
	Payment	Number of shares	Nominal value	Share capital	Share premium
Public offering	54,000,000	6,000,000	EGP 0,5	3,000,000	51,000,000
Private offering and share capital increase	306,000,000	34,000,000	EGP 0,5	17,000,000	289,000,000
Expenses of shares issued*	-	-	-	-	(31,982,360)
Transfer to legal reserve**	-	-	-	-	(32,938,673)
Total	360,000,000	40,000,000		20,000,000	275,078,967

* Expenses of shares issued amounting EGP 31,982,360 represent the expenses of offering the shares of the increase of the Company's share capital (public and private offerings) which include expenses of registration and promoting in addition to other professional and legal expenses.

** In accordance with Article (94) of the executive regulation of Companies Law No. 159 of 1981, an amount of EGP 32,938,673 was used from the proceeds of the public and private offerings to increase the legal reserve to equal 50% of the issued capital.

18. Minority interests/ non-controlling interests

	Share capital	Legal reserve	Retained earnings	Share of minority interest on settlement of acquisition	Total
Share of minority interests in the acquisition of subsidiaries	12,787,080	8,098,271	10,130,813	103,260	31,119,424
Profit for the year	-	-	2,130,631	-	2,130,631
Balance at 31 December 2015	12,787,080	8,098,271	12,261,444	103,260	33,250,055
Balance at 1 January 2016	12,787,080	8,098,271	12,261,444	103,260	33,250,055
Share of minority interests in the acquisition of subsidiaries	-	-	-	16,924	16,924
Legal reserve	-	(1,710,055)	(228)	-	(1,710,283)
Profit for the year	-	-	13,063,683	-	13,063,683
Balance at 31 December 2016	12,787,080	6,388,216	25,324,899	120,184	44,620,379

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

Notes to the consolidated financial statements - For the year ended 31 December 2016

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

19. Operating revenue

	<u>2016</u>	<u>2015</u>
Admission and medical supervision revenues	219,071,341	101,998,867
Surgeries revenues	179,585,705	65,223,585
Outpatient clinics revenues	130,202,781	72,673,223
Laboratories revenues	71,359,720	36,738,522
Cardiac catheterization revenues	68,746,131	35,724,685
Service charge revenues	45,847,097	19,106,628
Emergency revenues	39,756,540	27,269,411
Radiology revenues	38,721,240	22,246,087
Pharmacy revenues	20,784,850	6,045,715
Revenues of oncology Centre	15,599,812	2,458,596
Dentistry revenues	10,663,064	8,334,904
physiotherapy revenues	7,461,908	5,639,463
Endoscopy revenues	7,194,513	3,069,576
Heart tests revenues	6,061,185	4,683,712
Other departments revenues	3,393,791	326,741
	<u>864,449,678</u>	<u>411,539,715</u>

20. Operating costs

	<u>2016</u>	<u>2015</u>
Medical and pharmaceutical supplies	206,014,986	72,156,375
Doctor fees	170,629,841	95,162,331
Salaries, wages and benefits	147,935,133	72,434,676
Maintenance, spare parts and energy costs	29,409,703	12,322,784
Fixed assets depreciation	25,319,372	9,232,637
Food, beverage and consumables costs	21,398,920	8,773,367
Rents	4,064,941	722,225
Other expenses	9,254,857	974,124
	<u>614,027,753</u>	<u>271,778,519</u>

21. General and administrative expenses

	<u>2016</u>	<u>2015</u>
Salaries, wages and benefits	53,958,163	21,451,843
Impairment of trade receivables	17,662,833	7,852,192
Professional and consulting fees	12,527,663	2,763,297
Amortization of intangible assets	5,349,995	-
Maintenance, spare parts and energy costs	3,174,960	1,441,132
Food, beverage and consumables costs	2,354,803	1,215,690
Rent	1,500,716	1,057,351
Fixed assets depreciation	1,409,142	699,253
Donations	747,963	695,930
Other expenses	8,853,403	3,496,554
	<u>107,539,641</u>	<u>40,673,242</u>

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22. Other income

	<u>2016</u>	<u>2015</u>
Buffet income and cafeteria concessions	2,300,550	1,010,748
Rents	1,531,487	994,574
Miscellaneous income	2,435,209	516,033
	<u>6,267,246</u>	<u>2,521,355</u>

23. Expenses by nature

	<u>2016</u>	<u>2015</u>
Medical and pharmaceutical supplies	206,014,986	72,156,375
Salaries, wages and benefits	201,893,296	93,886,519
Doctor fees	170,629,841	95,162,331
Maintenance, spare parts and energy costs	32,584,663	13,763,916
Fixed assets depreciation and write-off	26,728,514	9,931,890
Food, beverage and consumables costs	23,753,723	9,989,057
Impairment of customers' balances	17,662,833	7,852,192
Other expenses	42,299,538	9,709,482
	<u>721,567,394</u>	<u>312,451,761</u>

24. Finance (expenses)/ income

	<u>2016</u>	<u>2015</u>
Finance income		
Interest Income	25,592,289	6,160,009
Gain on currency translation	6,698,713	93,527
Finance income	<u>32,291,002</u>	<u>6,253,536</u>
Finance cost		
Interest expenses	(55,107,940)	(8,487,998)
Bank commissions	(2,258,419)	-
Finance cost	<u>(57,366,359)</u>	<u>(8,487,998)</u>

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25. Income taxes

Income tax expense as shown in the statement of income is as follows:

	<u>2016</u>	<u>2015</u>
Current income tax	31,068,249	24,889,872
Deferred tax (Note 26)	(543,394)	2,166,243
	<u>30,524,855</u>	<u>27,056,115</u>

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

	<u>2016</u>	<u>2015</u>
Net profit before tax	119,932,993	95,952,262
Income tax calculated based on the applicable local tax rate	26,984,923	21,589,259
Add/ (less):		
Expenses not deductible for tax purposes	11,724,540	5,696,627
Revenue not subject to tax	(9,096,226)	-
Current tax settled in previous years	911,618	-
Effect of applicable tax rate adjustment	-	(229,771)
Income tax	<u>30,524,855</u>	<u>27,056,115</u>

	<u>2016</u>	<u>2015</u>
<u>Current income tax liabilities</u>		
Balance at 1 January	32,136,609	21,372,222
Effect of acquisition of subsidiaries	4,108,178	7,246,737
Payments during the year	(35,734,890)	(21,372,222)
Current tax incurred during the year	31,068,249	24,889,872
	<u>31,578,146</u>	<u>32,136,609</u>

26. Deferred tax

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

	<u>Balance at 1 January 2016 (liability)</u>	<u>Effect of acquisition of subsidiaries Asset/ (liability)</u>	<u>(Expense)/ income charged to the statement of income during the year</u>	<u>Balance at 2016 (liability)</u>
<u>Liabilities</u>				
Fixed assets	(2,129,493)	2,163,446	(2,857,456)	(2,823,503)
Fixed assets - effect of fair value	(38,579,741)	(13,719,925)	2,519,402	(49,780,264)
Intangible assets - effect of fair value	(4,801,950)	(5,177,700)	-	(9,979,650)
Total liabilities	<u>(45,511,184)</u>	<u>(16,734,179)</u>	<u>(338,054)</u>	<u>(62,583,417)</u>
<u>Assets</u>				
Provisions, excluding claims	1,708,604	-	881,448	<u>2,590,052</u>
Net deferred tax - liability	<u>(43,802,580)</u>	<u>(16,734,179)</u>	<u>543,394</u>	<u>(59,993,365)</u>

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

Deferred tax (continued)

	Balance at 1 January 2015 (liability)	Effect of acquisition of subsidiaries Asset/ (liability)	(Expense)/ income charged to the statement of income during the year	Balance at 2015 (liability)
Liabilities				
Fixed assets	(2,297,712)	4,144,261	(3,976,042)	(2,129,493)
Fixed assets - effect of fair value	-	(38,680,936)	101,195	(38,579,741)
Intangible assets - effect of fair value	-	(4,801,950)	-	(4,801,950)
Total liabilities	(2,297,712)	(39,338,625)	(3,874,847)	(45,511,184)
Assets				
Provisions, excluding claims	-	-	1,708,604	1,708,604
Net deferred tax - liability	(2,297,712)	(39,338,625)	(2,166,243)	(43,802,580)

27. Related party transactions

During the year, the Group deals with certain related parties. The Balances with related parties at the date of the financial statements as well as the transactions during the year are as follows:

Balance sheet balances

	Nature of transaction	2016	2015
Related parties			
Care Healthcare Company (Parent Company)			
Creditors and other credit balances (Note 17)	Financing	-	47,379,723
Debtors and other debit balances (Note 11)	Expenses	28,513	-
Board members			
Debtors and other debit balances (Note 11)	prepaid expense	120,000	-

28. Tax position

Cleopatra Hospital S.A.E.

(1) General taxes

- The Company was inspected till 31 December 2013. A tax clearance certificate was obtained from the tax authority.
- Tax returns are regularly submitted on time.
- The Company was not inspected for the year 2015.

(2) Sales taxes

- The Company was inspected till 31 December 2004.
- The Company was not inspected for the years from 2005 to 2015.

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

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Tax position (continued)

(3) Salaries Tax

- The Company was inspected till 31 December 2013. All accruals were paid and a tax clearance certificate was obtained from the tax authority.
- Income tax was inspected for the year 2014, and an internal committee formation is in process.
- The Company was not inspected for the year 2015.

(4) Stamp duty

- The Company was inspected till 31 July 2006 and settlement was made.
- The Company was inspected during the period from 1 August 2006 to 31 December 2013. The Company was notified, through a form No. 19s dated 23 April 2015, of tax assessment of EGP 72,966 for this period. The Company filed an objection to the assessment on 3 May 2015. The internal Committee is in the process of fixing a date to resolve this issue.
- The Company was not inspected for the years 2014 and 2015.

Cairo Sepcialised Hospital Co. S.A.E.

1. Income tax

- The Company was inspected since the inception of activity to 2008, and all entitlements were paid.
- Reinspection of years from 2009 till 2011 is in process.
- Inspection and extraction of forms from year 2012 till 2014 is in process.
- The Company was not inspected in 2015 and tax returns were annually submitted on time.

2. Salaries Tax

- The Company was inspected since the inception of activity to 2009, and all entitlements were paid.
- For years from 2010 till 2013, an internal committee was formed and the results were transferred to an appeal committee.
- Inspection of years 2014 and 2015 is in process.

3. Stamp duty

- The Company was inspected since the inception of activity to 31 July 2006, and all entitlements were paid.
- The Company was assessed on presumptive basis from August 2006 to 2014, and an appeal was filed in the legal due date.
- No inspection took place for years 2014 and 2015.

4. Withholding tax

- The Company was not inspected since the beginning of activity until 2015.

Nile Badrawi Hospital Co. S.A.E.

(1) Industrial and commercial profits tax

- Years to 2009 were settled, and all dues were paid until the end of 2009.
- A settlement until 2012 took place by internal committee and all differences were paid in addition to delay penalties.
- Inspection of year 2013 till 2014 is in process.
- No inspection took place for 2015.

(2) Salaries Tax

- Years up to 2011 were inspected and settled. No tax is due for the years up to 2011.
- Tax settlement is in progress for the years from 2012 to 2015.

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

Tax position (continued)

(3) Stamp duty

- Years up to 30 July 2016 were inspected and settled.
- Years from 1 August 2006 to 2014 are currently inspected, and there is a claim of EGP 220,960 which was objected on 31 October 2016.

Al Shorouk Hospital Co. S.A.E.

(1) Industrial and commercial profits tax

- The inspections was completed till the end of 2014 and no tax is due according to form No. 19.
- The years from 2005 till 2009 are out of sample and have not been inspected. The tax return submitted by the Company has been approved for those years, knowing that the settlement of withholding tax due on tax return for those years to its date, and the amount due for those years amounted to EGP 1,830,580.
- The Company was inspected from the year 2010 till year 2014. Form No. 19 was received and an appeal was filed against it. An internal committee was formed and completed, and the settlement is in progress.

(2) Salaries Tax

- The Company was inspected till 31 December 2014
- There are tax differences for the years from 2001 till 2004 which are still disputed by the Committee of Appeal.
- An internal committee has been formed for the years starting 2005 till 2014, and resulted in an amount of EGP 13,067,312.

(3) Stamp duty tax

- The Company was inspected till 31 July 2006, and settlement was made.
- The Company was inspected on presumptive basis from 1 August 2006 to 2014.
- The Company was not inspected for the year 2015.
- The Company regularly submits the tax returns on time.

29. Commitments

a. Capital commitments:

Capital commitments related to fixed assets at financial year end, which are not yet due, amounted EGP 45,929,445 (2015: EGP 517,310).

b. Rental liabilities:

Rental liabilities at financial year end, which are not yet due, are as follows:

	<u>2016</u>	<u>2015</u>
Less than 1Year	1,275,046	3,115,658
1 to 3 years	1,823,173	2,083,019

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30. Other income

In relation 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, in respect of the dispute over the land on which Nile Badrawy Hospital is constructed (the "Company"); and for which an application is filed to the Committee of the Resolution of Investment Disputes as stated in the prospectus of the shares of Cleopatra Hospital Co. in the Egyptian Stock Exchange; Please be informed - as previously mentioned in the above disclosures - that Nile Badrawy Hospital Company has filed a case to discharge the Company from the liabilities towards RTA, and invalidate any confiscation order in this regard. Moreover, the RTA filed a counter case against the acquittance case, whereby, the RTA pleads to obligate Nile Badrawy Hospital to pay an amount of EGP 36m as the amount of the disputed land and seven million Egyptian pounds against the usufruct of the land plus the legal interests; in addition to an amount of EGP 20m as compensation, and to judge with invalidity of any sale contracts between Nile Badrawy Hospital Co. and the UAE Abraaj Capital Co. or any third party for selling the disputed land. It should be noted that Nile Badrawy Hospital Company submitted its defence in this regard, taking into consideration of the following:

- a. On 18 Feb 2003, the Ministerial Committee for the Resolution of Investment Disputes issued a decision; whereby, it acknowledged that the RTA has no objection for the disposal of the land against a proper consideration. The Committee acknowledged that the consideration shall be the amount paid to Cairo Governorate upon purchase of the land.
- b. As previously mentioned in the disclosure dated 2 Nov 2016, the technical expertise of the Ministerial Committee for the Resolution of Investment Disputes notified the Nile Badrawy Hospital Co. in its session held on 1 Nov 2016 that it had issued a letter to the RTA on 27 October 2016 based on a request by the company, in which it confirmed that Nile Badrawy Hospital Co. is subject to the Investment Guarantees and Incentives Law, article no. 9 which stipulates: "Administrative Guardianship shall not be imposed on companies or establishments, nor shall their property and funds be detained, seized, retained in protective custody, frozen or confiscated." Moreover, the Company requested the RTA to take the necessary actions to halt any procedures against Nile Badrawy Hospital Co. until conclusion of the dispute and filing the case to the Ministerial Committee for the Resolution of Investment Disputes to take its decision in this respect. This dispute was also deliberated before the State Land Recovery Committee.
- c. There is no sale contract for the disputed land between Nile Badrawy Hospital Co. and any third party.
- d. Cleopatra Hospital Co. may claim the previous owners of Nile Badrawy Hospital LLC according to the sale contract of the shares of Nile Badrawy Hospital Co. and claiming them for any losses, damages and/or obligations that may be incurred by the company and/or Nile Badrawy Hospital Co. as a result of any dispute related to the possession of the land, upon which Nile Badrawy Hospital is constructed.

In light of the above, the financial obligations of the dispute are under litigation between the concerned parties, and may be conclusively determined according to the judgments and decisions that may be issued in the above-mentioned cases or in any reconciliation agreed upon by the parties. In this phase and until this dispute is conclusively settled, it is difficult to determine the financial obligations arising from this dispute.