CLEOPATRA HOSPITALS GROUP

CHG

ANNUAL REPORT

2017

Charting a Clear Path to

GROWTH

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CHG at a Glance

Cleopatra Hospitals Group S. A. E. is the largest private hospital group in Egypt by number of operating hospitals and number of beds.

Cleopatra Hospitals Group (CHG) is the leading integrated healthcare provider in Egypt, leveraging its platform across multiple assets, world-class medical facilities and services to enhance patients' quality of life. Our mission is to deliver the finest quality of healthcare in Egypt in a safe, reliable, and caring environment and through highly trained healthcare providers, state-of-the-art facilities, and the latest medical technology, putting patients and their families first.

Established in 2014 as Egypt's first and largest network of integrated hospitals, CHG was subsequently listed on the Egyptian Stock Exchange in 2016 and today owns and operates four of the nation's leading hospitals. CHG's hospitals enjoy a track record of success that exceeds 30 years and includes Cleopatra Hospital, Cairo Specialised Hospital, Nile Badrawi Hospital, and Al Shorouk Hospital. CHG acts as a leader in the healthcare space by offering a full-fledged range of inpatient and outpatient services made possible through a strong and growing geographical footprint in Egypt's most populated urban areas. CHG hospitals are multi-specialty tertiary care hospitals offering a full array of specialized healthcare services.

The Group's strategy is strongly focused on improving its service quality, integrating its platform to achieve higher efficiencies, enhancing utilization and optimizing existing capacity, expanding its geographical footprint and referral channels, strengthening its brand as a healthcare leader, and establishing centers of excellence and ultimately becoming the provider of choice for all patients.

4
operational hospitals across our platform

+30 years
subsidiary track record

643
patient beds including c. 420 wards and 120 ICU beds

+2,300
total medical staff including c. 1,000 consultants, 600 resident doctors and c. 900 nursing staff

+870,000
cases served in FY17*

1,127 EGP MN
in FY17 consolidated revenues with 30% y-o-y growth

259 EGP MN
EBITDA in FY17 with a 23% margin

** This number includes unique outpatient, emergency room, and inpatient visits.*

Note from our CEO

From the start, confidence in our business model and our growth potential was rightfully demonstrated with heightened investor appetite that saw CHG's initial offering over 10x oversubscribed.

Dear Shareholders,

It is with great honor that I introduce our first annual report as a publicly traded company. Cleopatra Hospitals Group (CHG) has come a long way since our very successful IPO in June 2016 on the Egyptian Exchange, and I am proud to report on the solid foundation we have built over the years and the strong financial results of 2017. From the start, confidence in our business model and our growth potential was rightfully demonstrated with heightened investor appetite that saw CHG's initial offering over 10x oversubscribed. We have since deployed our post-IPO strategy to maximize long-term value by investing in our infrastructure, patient safety and medical technology, building a cross-asset integrated platform to optimize revenues and extract cost efficiencies, and expanding our hospital and feeder network. I am pleased to report that the year just ended was a milestone of success and progress on each of those pillars and one that saw our Group chart a clear path to growth.

In 2017, we delivered value by growing both our top- and bottom-line, while expanding margins across the board. Rising patient volumes and improved pricing produced revenues of EGP 1,127 million and 30% y-o-y growth. Notably, revenue per case served improved by 28% y-o-y. Platform integrations let us extract operational efficiencies, producing a gross profit of EGP 339 million, up 35% y-o-y, while the gross profit margin reached 30%. Meanwhile, the Group recorded a net profit of EGP 118 million—a 32% y-o-y increase despite continued inflationary pressures on our cost base. The Group recorded EBITDA of EGP 259 million, up 32% y-o-y, and with a stable EBITDA margin of 23%.

These financial successes were underpinned by strong operational performance throughout the year and a growing reputation for quality and superior clinical outcomes. We remained true to our commitment to patient safety through investments in facilities' infrastructure and medical technology, key initiatives of which were kicked off in 2016 and continued throughout 2017. Renovation works at Nile Badrawi Hospital and Cairo Specialised Hospital (CSH) are nearing completion, with works at the former having included a new external façade, outpatient facilities, patient-ward floors, as well as significant investments in equipment for operating rooms, intensive-care units, and a new catheterization laboratory. Meanwhile, CSH's façade renovation is progressing according to plan while investments in medical technology included a new full-fledged Philips radiology center of excellence (CoE) that offers the latest technology in MRI, CT scan, mammography and ultrasound. CoEs are the Group's platform for offering tertiary care services that encompass a range of specialities and allow CHG to treat a wider spectrum of medical cases and deliver high quality care.

While investments in infrastructure and technology go a long way to improve the patient experience, their full potential and value-add is not complete without a fully integrated operating platform; one that provides a seamless experience to patients as well as for revenue and cost efficiencies to the Group. To that end CHG has made significant headway in the integration of its platform having introduced several key initiatives, most notable of which are the establishment of common purchasing standards for consumables and pharmaceutical supplies to leverage increased economies of scale; standardized service packaging and pricing across hospitals; the roll out of an umbrella brand for the Group; the deployment of an Enterprise Resource Planning (ERP) system at CSH as a test-pilot for future integration across the Group's hospitals; and a finalized standard organizational chart for the Group's corporate team. These planks awarded CHG with substantial operational efficiencies and improved case and revenue mix as platform integration allows us to extract higher value from services across the board. Revenue per bed, inpatient, outpatient, and ER visits, as well as revenue per surgery, all showed strong year-on-year improvements while staying true to our commitment to service quality and patient safety.

Other key business-development initiatives included forging partnerships with stakeholders such as insurance providers, where we aim to capitalize on the industry trend toward a value-based reimbursement model and away from the fee-for-service model. Initiatives like these improve revenue retention within the Group, extract additional revenue from ancillary services typically covered by insurance, and provide patients a one-stop-shop for healthcare services.

Our investments and our integration initiatives go hand-in-hand with a continued focus on quality; a cornerstone of CHG's growth story. To this end we continue to invest heavily in people and training. In 2017 continuous staff training and awareness-raising helped deliver on patient safety and service quality goals, including infection control practices, environmental safety, and medical management. Over 140 new non-financial KPIs were introduced to measure performance and success rates. Meanwhile, action plans to achieve Joint Commission International (JCI) accreditation at all Group hospitals have been formulated and are currently being overseen by an industry veteran.

2017 was also a year during which we made progress on identifying and pursuing acquisition opportunities to expand the Group's catchment areas into strategic locations. Arrangements to acquire the real estate and operational assets of a hospital in West Cairo were finalized and are pending regulatory approval, a 40-bed extension will be added to Al Shorouk Hospital, while a joint venture was signed with Al Nahda Education S.A.E. to refurbish, equip, and operate a 160-bed brownfield hospital in Beni Suef with a potential expansion to over 200 beds. The Group also identified four polyclinic locations that will help build our feeder network and further expand our reach through low-CAPEX avenues.

In saying this, we could not have reached the levels of accomplishment we did this year without a fundamental element of our success story: our people. Their hard work, commitment, and drive are why no other healthcare operation is quite like CHG. The professionalism of our corporate team, talents of our practicing physicians, dedication of our resident doctors, and unmatched care of our nursing staff are why patients put their trust in us every day.

Our forward-looking strategy will see us continue to deliver on our growth pillars and to drive new integrations and business development initiatives. Across all our hospitals, we aim to become our patients' first choice for healthcare services and to provide superior clinical outcomes, allowing us to remain at the forefront of the ongoing transformation of Egypt's healthcare system as we continue to create value for all our stakeholders.

Dr. Ahmed Ezz El-Din
Chief Executive Officer

Overview of CHG

Currently Cleopatra Hospitals Group holds a majority stake in four of the top ten hospitals in Cairo, encompassing 643 total beds and 50 specialities with over 1,500 resident doctors and consultants and 900 nursing staff. In recent years the Group has taken active steps to standardize the quality of facilities and services at each of its hospitals, in addition to making significant investments in infrastructure and technology upgrades to integrate each of its assets under one platform.

Our Mission

To deliver the finest quality healthcare in Egypt in a safe, reliable, and caring environment that leverages our highly trained healthcare providers, state-of-the-art facilities, and the latest medical technology, always putting patients and their families first.

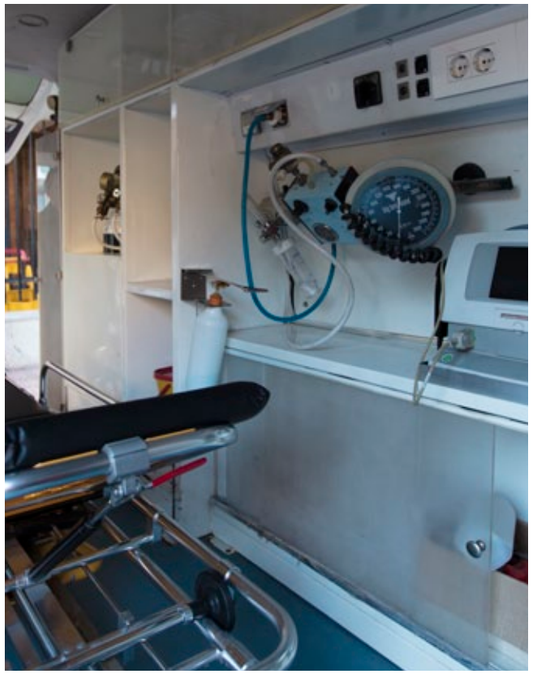
Cleopatra Hospital

Cleopatra Hospital is the Group's flagship hospital, with a 30-year track record of delivering quality care having introduced a wide range of over 40 specialities since its establishment in 1984. Additionally, the hospital has one of Egypt's best-staffed emergency rooms supported by specialized medical doctors as well as by general practitioners.

In 2006, CHC acquired a facility adjacent to Cleopatra Hospital and has developed it into an extension to address the high occupancy rate of its outpatient clinic, ICU, and other departments. In recent years CHG has made a number of improvements at the hospital including major investments in the hospital's medical technology to improve patient outcomes. Additionally, the Group is centralizing the hospital's services in-line with an integrated organizational structure that allows for increased synergies and cross-referrals within the Group's platform.

Location	Heliopolis, Cairo
Built-up Area	7,380 square meters
Date Established	1984
Number of Beds	182
Medical Staff	267 resident doctors, 428 nursing staff, 232 practicing physicians and consultants
Facilities	6 operating rooms, 14 outpatient clinics, 1 catheterization lab
Acquired In	2014

CLEOPATRA HOSPITALS
CLEOPATRA HOSPITAL

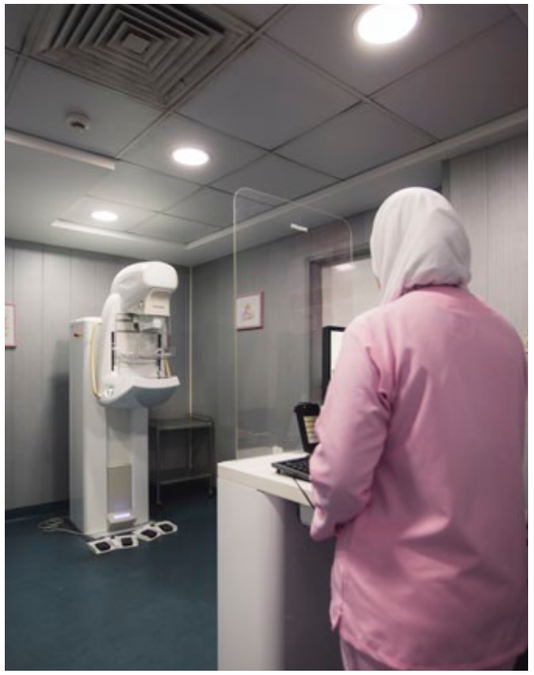


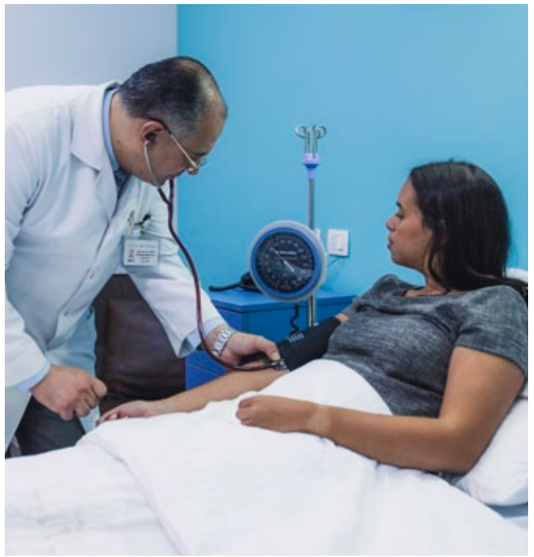
Cairo Specialised Hospital

Cairo Specialised Hospital (CSH) has the largest number of beds among CHG's hospitals, with the Group owning a majority stake amounting to 53.9% of the company's shares. It is one of the oldest private sector hospitals in Egypt, having built a 40-year track record of success. Since acquiring CSH, the Group has overseen the hiring of highly talented staff in several key positions and has undertaken major infrastructural upgrades to the hospital over the past two years. Key renovations include an overhaul of the hospital's kitchen, emergency room, endoscopy unit, laboratory, ICUs, dental department, and operating rooms. In 2017, the Group inaugurated a fully-fledged radiology center of excellence by investing in state-of-the-art radiology equipment powered by Philips.

Location	Heliopolis, Cairo
Built-up Area	14,600 square meters
Date Established	1976
Number of Beds	188
Medical Staff	166 resident doctors, 335 nursing staff, 220 practicing physicians and consultants
Facilities	9 operating rooms, 17 outpatient clinics, 1 catheterization lab
Acquired In	2015

CLEOPATRA HOSPITALS
CAIRO SPECIALISED HOSPITAL

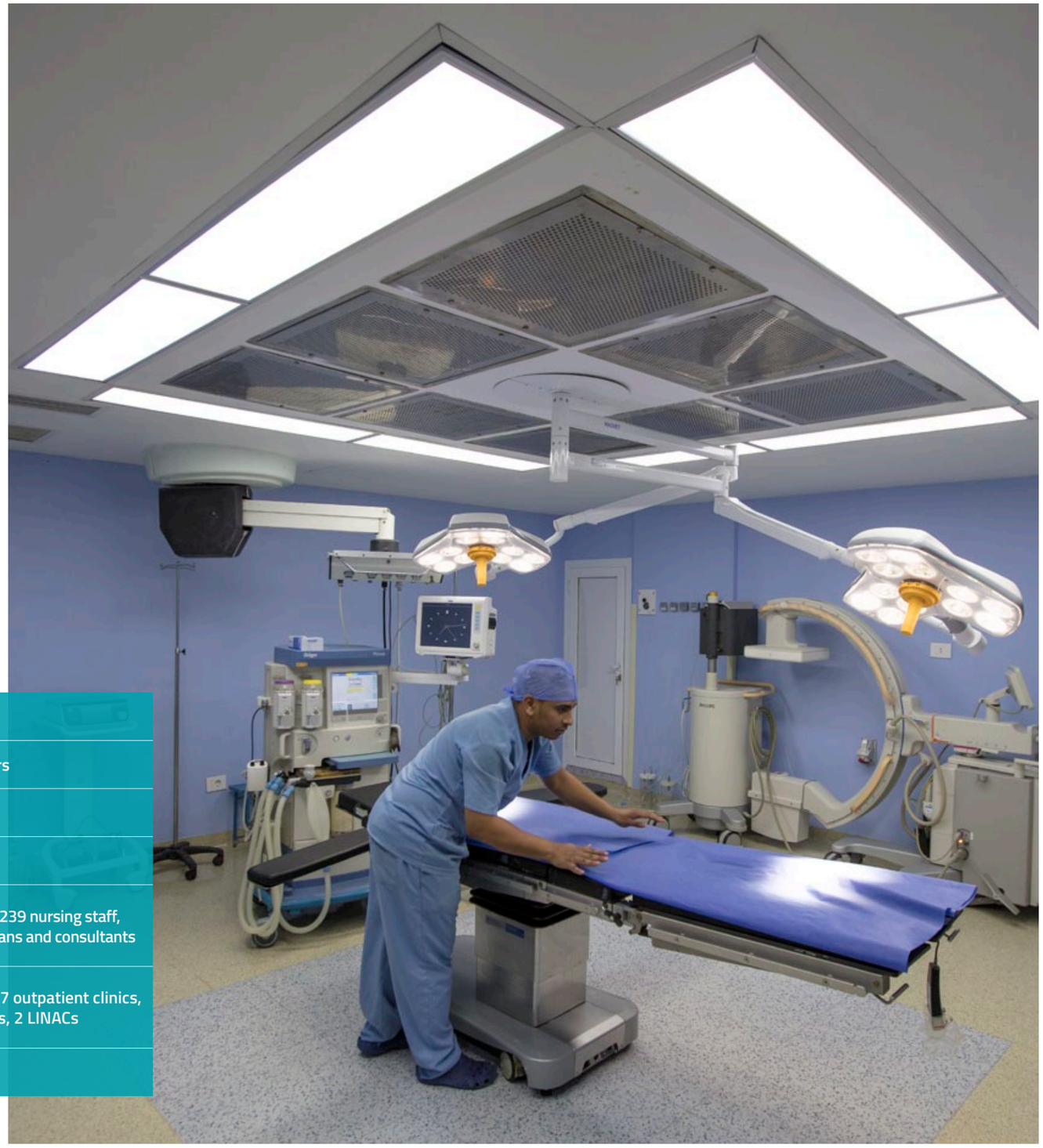




Nile Badrawi Hospital

Located in Maadi, Cairo, Nile Badrawi Hospital has been serving Egyptians for more than 30 years. The hospital specializes in complex treatments such as in vitro fertilization, neonatal care, renal transplants, open-heart surgery, and cardiac catheterizations, in addition to providing all other major specialties. It was also one of the first hospitals in Egypt to offer radiotherapy, and its oncology department is equipped with two linear accelerators. Since acquiring Nile Badrawi Hospital in 2015, CHG has made several improvements, such as developing and initiating a strategic plan to renovate the hospital including its façade, electromechanical works, civil works, and outpatient clinics. In addition, the Group has overseen the hiring of a new management team as well as consultants and international experts to improve use of the catheterization labs.

Location	Maadi, Cairo
Built-up Area	10,980 square meters
Date Established	1985
Number of Beds	152
Medical Staff	123 resident doctors ,239 nursing staff, 205 practicing physicians and consultants
Facilities	5 operating rooms, 17 outpatient clinics, 2 catheterization labs, 2 LINACs
Acquired In	2015



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NILE BADRAWI HOSPITAL

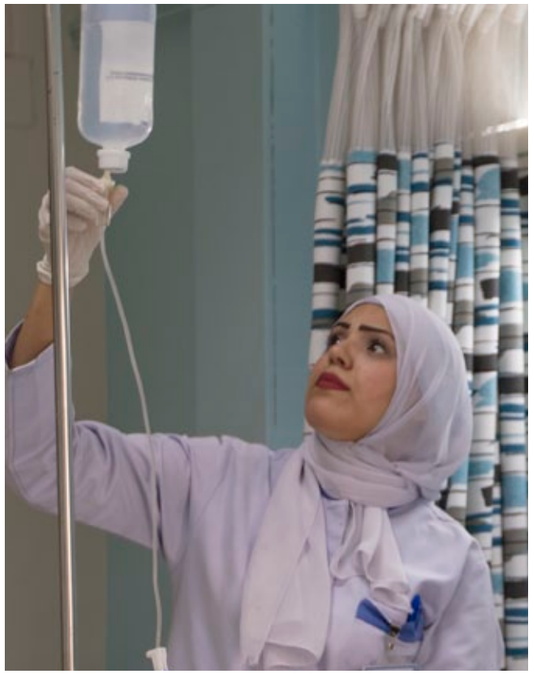
Al Shorouk Hospital

Founded by a group of eminent consultants as a multi-specialty general hospital in West Cairo, Al Shorouk has a 20-year track record of successful patient care. The hospital consists of 121 beds and enjoys a strong reputation in the field of oncology. In 2010, Al Shorouk Hospital Company acquired an adjacent facility and developed it into an extension housing general services and ICU units. Since acquiring the hospital in 2016, CHG has filled key positions and has created management teams that coordinate between the hospital's various medical and non-medical functions and the Group's integrated corporate management structure. In line with the Group's strategy to provide tertiary care facilities through centers of excellence, CHG has inaugurated and continues to develop full-fledged neurology, bariatric, and urology centers at Al Shorouk Hospital.

Location	Mohandeseen, Giza
Built-up Area	5,270 square meters
Date Established	1996
Number of Beds	121
Medical Staff	107 resident doctors, 291 nursing staff, 222 practicing physicians and consultants
Facilities	6 operating rooms, 17 outpatient clinics
Acquired In	2016

CHG

CLEOPATRA HOSPITALS
AL SHOROUK HOSPITAL



Footprint Expansion

In line with the Group's strategy of extending quality medical services and increasing patient access, 2017 saw CHG continue to explore potential locations to establish feeder clinics for its four main hospitals, sign binding agreements to acquire a 92-bed hospital in West Cairo, add a 40-bed extension to Al Shorouk Hospital, and sign a memorandum of understanding (MOU) with Al Nahda Education S.A.E. to invest in and operate a 160-bed brownfield hospital in Beni Suef in Upper Egypt.

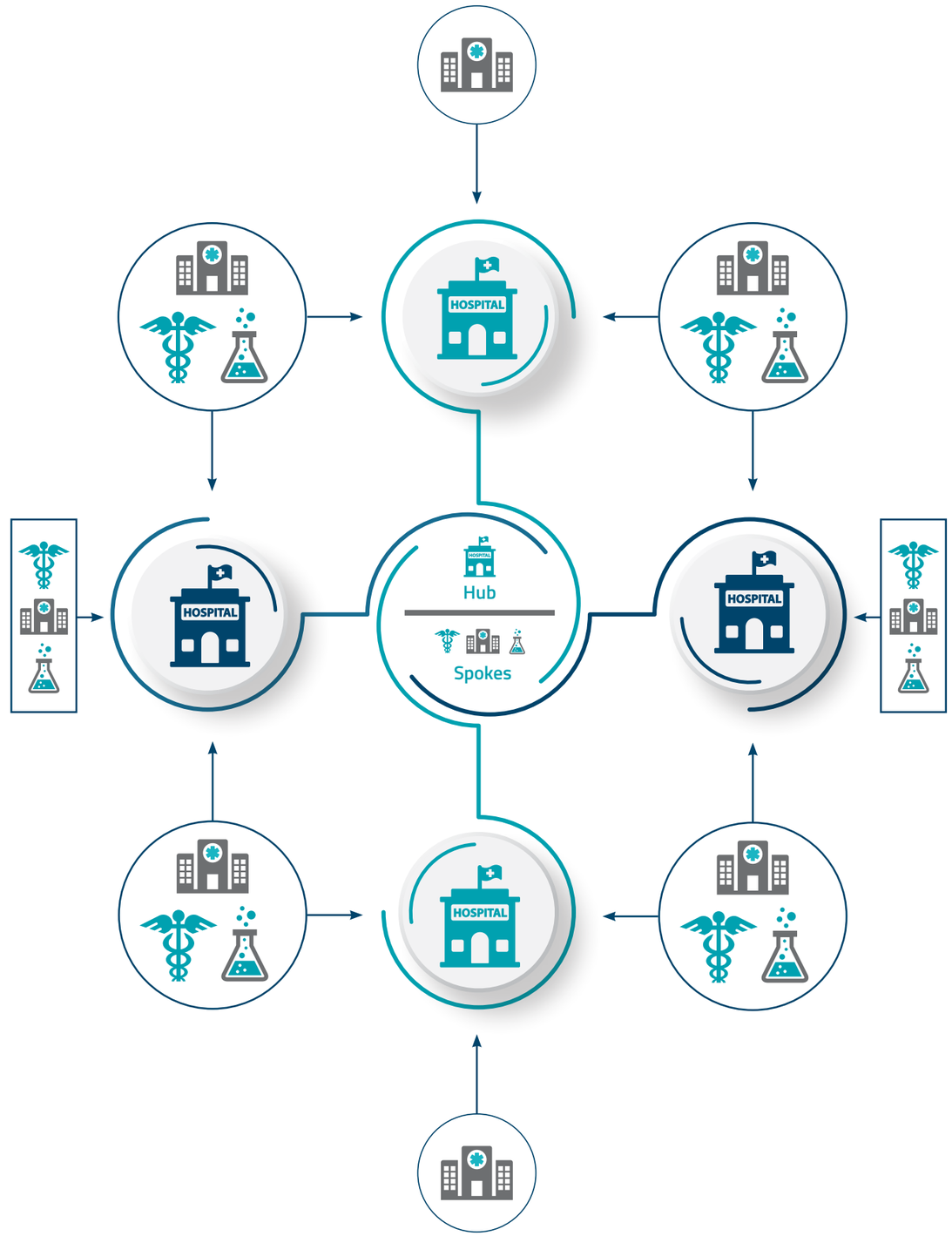
Feeder Network Model

CHG's feeder network acts as a hub-and-spoke model, with hospitals serving as hubs to which major and complex cases are transferred for secondary and tertiary care services. Meanwhile, polyclinics serve as spokes intended to feed the Group hospitals. These are ideally spread out in different geographic locations to help extend the Group's reach while maintaining low CAPEX. CHG anticipates the polyclinic business to be synergistic with CHG's hospitals through the referral of patients.

117 EGP MN

total CAPEX outlay during FY17, including investments in infrastructure and technology upgrades

> "2017 saw CHG continue to explore potential locations to establish feeder clinics for its four main hospitals



Our Market & Industry

> The expected growth in total healthcare expenditure is primarily supported by Egypt's large population and disease profile

Dr. Mohamed Hamed, Head of Cleopatra Hospital's Dentistry Department

Following the Arab Spring in 2011, Egypt carried out many economic and structural reforms aimed at driving sustainable growth. During 2016 and 2017, Egypt was largely successful in implementing a reform program that is repositioning the country as one of the top African investment destinations, with global recognition for its exceptionally well-performing stock market and consistent FDI growth over the last three years. Primary pillars of the reform program included the float of the Egyptian pound to promote export competitiveness and limit the strain on foreign currency reserves; implementation of a value-added tax to support government revenues; the gradual lifting of inefficient energy subsidies to ease fiscal deficits; and interest rate hikes to combat inflation. Today, Egypt's reserves are at their highest levels, the government has recorded a primary surplus for the fiscal year 2017/2018, and inflation rates are beginning to ease from highs of +30% to as low as 13% in the first quarter of 2018. Egypt's reform efforts have been recognized by the International Monetary Fund and were the trigger for a multibillion dollar support facility from the fund which the investment community views as a vote of confidence for the economy.

Healthcare Market

Even though the defensive nature of the Egyptian healthcare system has been challenged by difficult macroeconomic conditions in the country, powerful drivers point to future growth in the sector. Relative to other developed markets, both globally and regionally, Egyptian healthcare is an underpenetrated market with USD 178 of healthcare expenditure per capita in 2014, compared to an average expenditure per capita of USD 1,611 and USD 1,147 in the United Arab Emirates and Saudi Arabia, respectively, and USD 4,739 in OECD member states[1].

[1] *According to the World Bank*

Diverse and highly stratified, Egypt's healthcare landscape can be broadly divided into public and private healthcare, with the latter highly fragmented. The Ministry of Health and Population operates and supervises the majority of public healthcare facilities as well as serves as the primary regulatory body for the country's healthcare system as a whole. For 2015-2017, public healthcare expenditure was about 2.2% of GDP, and in 2014, the government passed a bill to raise public healthcare expenditure to 3% of GDP.

The expected growth in total healthcare expenditure is primarily supported by Egypt's large population and disease profile, in addition to rising health awareness and increased access to multinational insurance companies' healthcare coverage. The government has also been taking steps to facilitate a favorable regulatory environment with the introduction of a new Universal Healthcare bill.

On average, Egypt's GDP growth is expected to be higher than in other regional and more developed markets; an expected CAGR for GDP per capita of 5.2% between 2017 and 2022[2] compared to an expected average rate of 3.3 % for G7 countries. The Group also anticipates this relatively high GDP per capita growth will result in greater healthcare expenditure in the future. Home to 104.2 million people in 2017, Egypt's total healthcare expenditure has been growing at a CAGR of 7.4% since 2010, now estimated to be around EGP 106.0 billion in 2017 and should reach EGP 130 billion by 2022.

The Private Healthcare Market

Overall, Egypt's private healthcare market is underpenetrated and shows large potential for growth. Highly fragmented, the top ten hospitals – four of which are majority held by CHG – control a 10% share of the market for hospitals with over 100

[2] *According to the IMF World Economic Database*

beds in Greater Cairo, while a wide range of for-profit and non-profit service providers that includes clinics, pharmacies, nongovernmental organizations, mosques, and church clinics also provides private-sector healthcare services in Egypt. The fragmented nature of the industry provides for significant opportunities in consolidation and acquisition, which is a primary growth pillar for the Group. Most private healthcare providers are concentrated in Cairo and other urban areas. In 2015, Egypt had approximately 970 private hospitals (about 58% of the total number) providing c. 31,100 hospital beds (approximately 25% of total beds in Egypt)[3].

Opportunities Ahead

There is ample opportunity for private healthcare providers to promote quality healthcare in the country due to pressures on public health facilities, insufficient public funding, and a decreasing quality of healthcare in public facilities. Egypt currently has a low number of overall beds (1.3 beds per 1,000 people compared to the global average of 2.95 in 2015), paving the way for a larger private healthcare market to fill the gap and provide adequate healthcare.

Meanwhile, demand for well-established quality healthcare that offers more advanced and wider-ranging services than public facilities is on the rise, due to the following drivers.

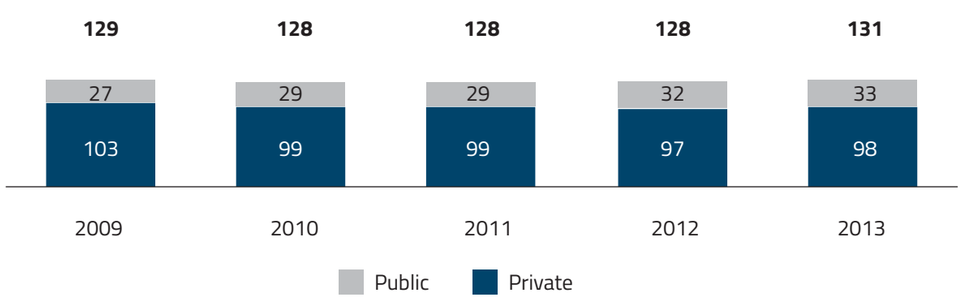
Increasingly Attractive Demographic Profile

Major contributors to the rising demand for healthcare in Egypt are the country's high population growth rate and increased life expectancy. With a population that is growing and rapidly aging, the Egyptian population is projected to increase by a CAGR of 2.3% from 2017 to 2022, while the percentage of the population aged 65 or over is projected to grow from 5.2 to 5.6% in Egypt[4].

High Disease Burden

The Egyptian population is also marked with a high disease burden, with the prevalence of several lifestyle and chronic non-communicable disease such as hepatitis C, obesity, diabetes, and various cancers. As GDP per capita grows, the Group expects the expenditure on lifestyle diseases to increase. In particular, diabetes is highly prevalent, amounting to 16.7% of those between the ages of 20 and 79 in 2015. Further, 63.5% of the Egyptian population was overweight in 2016 and 32.0% were considered obese[5]. Diabetes and obesity are drivers of numerous medical conditions that are chronic and require the greatest degree of medical specialization and sophistication, such as diseases of the cardiovascular system, the kidneys, and the eyes. Egypt also has one of the highest prevalence of hepatitis C globally, with 10 to 15 million afflicted in 2016.

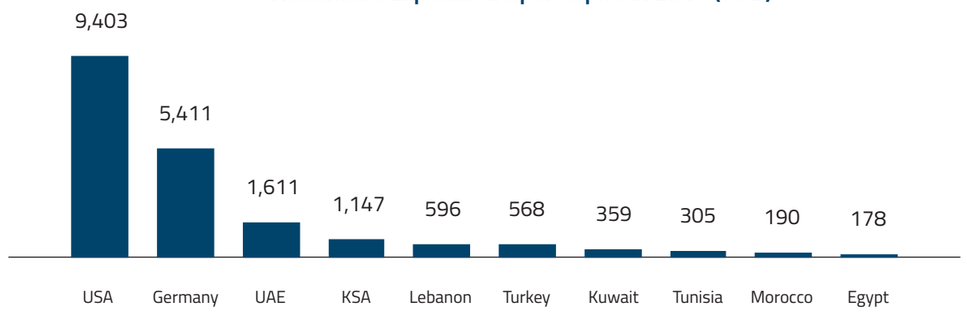
Historical Growth in Number of Beds in Egypt ('000s)



Source: LOGIC, WHO, CAPMAS

[3] *According to CAPMAS*
[4] *According to the IMF World Economic Outlook Database and the World Bank*
[5] *According to the World Health Organization (WHO)*

Healthcare Expenditure per Capita in 2017 (USD)



Source: World Bank

Out-of-Pocket Healthcare Expenditure

Currently the majority of healthcare payments are out-of-pocket; the country's current insurance system covers 60% of the population and does not provide proper access to public healthcare facilities, while private health insurance has a low penetration rate. Private hospitals in Egypt tend to engage in corporate agreements and deals with insurance companies, benefiting from large group coverage. In line with this, corporate accounts and insurance represent almost 80% of private hospitals' sources of revenue. Looking forward, the Group stands to gain more credit clients as multinational insurance companies increase their market penetration and expand healthcare coverage in Egypt.

Universal Healthcare Act

In light of a new comprehensive health insurance bill that has been passed by the Egyptian parliament and is aimed at providing universal health coverage, private healthcare expenditure is expected to grow in the coming years. The newly announced universal health insurance scheme will be rolled out in phases, increasing demand for both public and private healthcare services.

131k

hospital beds in Egypt as of the latest available data for 2013

+1500

hospitals in Egypt, showing a high fragmentation in the market

178 USD

average per capita expenditure on healthcare services in Egypt in 2017, well below global averages

Value Creation

Cleopatra Hospitals Group capitalizes on its established brand equity in an underpenetrated market that has high barriers to entry and leverages its integrated business model and seasoned management to deliver sustainable value to its shareholders.

118 EGP MN

Cleopatra Hospitals Group's net profit in FY17, up 32% y-o-y with net profit margin stable at 10%

Expanding Our Facilities and Range of Services

Our two-fold value-creating strategy focuses on investing in strategically located hospitals and developing these assets to include centers of excellence (CoEs). The Group's existing facilities are well positioned in key catchment areas in Greater Cairo and the Group has identified additional opportunities for strategic expansion through acquisitions. CHG hospitals provide a broad range of quality healthcare services while our CoEs – which will encompass renal transplantation, oncological radiotherapy, and specialized imaging, among other specialties – deliver highly specialized services at premium prices. This model allows the Group to treat a wider spectrum of medical cases across a multi-facility platform and improve access to healthcare for the over one million patients who visit our facilities annually.

Building a Reputation for High Quality

We standardize quality of care and implement unified branding across all our facilities in order to strengthen our reputation, use of best-practice technology, and provide high-quality service centred around patient care and satisfaction. To reinforce the association between the CHG brand and quality care, we actively pursue certifications from global-health and safety-accrediting organizations. The Group has achieved a number of quality certifications, including ISO 9001 for quality management. The combination of our strong brand recognition and reputation for quality services has positioned the Group to capitalize on the increased demand for and expenditure on healthcare services in Egypt, and has placed it at a competitive advantage to its primary competitors. Our reputation attracts new patients through word-of-mouth, referrals, and contract customers; it also allows us to attract world-class consultant doctors to work at our facilities.

Investing in Our Employees

CHG is proud to be among the largest healthcare employers in Egypt, and we recognize that all of our employees – from our world-class doctors to our diligent hospital staff – are our greatest asset. In recent years, we have actively worked to improve our human resources function, and we aim to become the employer of choice in our industry. We regularly invest in the training and professional development of all of our staff, with the goal of enriching their professional experience and creating a highly skilled workforce and talent pipeline. Employee retention and satisfaction are key to our strategy, We recognize that reducing turnover and building institutional knowledge will help us maximize efficiencies and consistently provide a high standard of care across all of our facilities.

Improving Efficiencies to Maximize Value

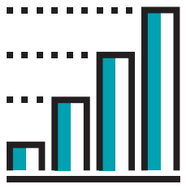
Our efforts to unify our brand and standardize care across all of our hospitals feed into our goal of creating an integrated group and extracting synergies through scale. Our quality management and improvement, IT, human resources, finance, and supply chain functions have been centralized at the Group's central management office. The office is actively working to standardize operating procedures across Group facilities. Notably, centralization of our supply chain function and the establishment of strategic relationships with leading medical technology providers have driven cost savings and cost avoidance while allowing us to purchase top-quality products. Retaining and training talented employees allows us to minimize waste, maximize efficiencies, and continuously improve our standard of care.

Our Forward-looking Strategy

Cleopatra Hospitals Group has adopted a six-pillar forward-looking strategy to foster sustainable business growth and provide exceptional care for as many patients as possible.

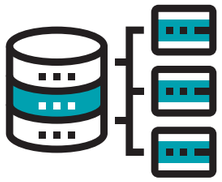
Integrate our platform to achieve higher efficiencies

Establishing an integrated platform across all of our hospitals will allow us to maximize efficiencies and reduce waste, extract economies of scale and deliver margin expansion. In particular, we are working to centralize our procurement processes and institutionalize standardized management structures and policies across the Group. We are developing a comprehensive service platform as well as upgrading facilities and medical equipment to ensure that all CHG hospitals provide patients with consistently high levels of comfort and care.



Enhance utilization and optimize existing capacity

Within the scope of our goal to ensure consistent efficiency and high quality of care across all CHG hospitals, we are placing additional emphasis on enhancing the efficiency and performance of our assets. Our optimization strategy is focused on renovating all facilities, updating equipment in order to adopt new and advanced medical technologies, and attracting highly talented consultants and doctors capable of providing exceptional care using innovative techniques. We are also working to negotiate better deals with contractual clients and attract a variety of contractual client profiles.



Expand hospital capacities and feeder network

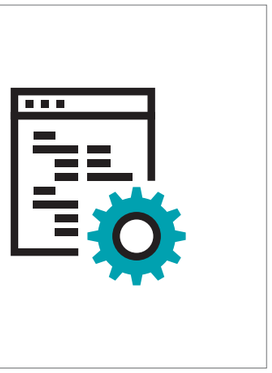
In addition to exploring new hospital acquisitions, we are expanding patient access by developing a network of ambulatory and outpatient center offerings. Ambulatory clinics are relatively underdeveled in Egypt, but they represent a low-CAPEX expansion avenue. We are identifying locations in Cairo and other major cities in Egypt with the intention of establishing a low-CAPEX network of clinics over three to five years. Groups of clinics will expand the reach of our care and act as feeders, transferring complex cases to a designated "hub" hospital.

Strengthen our unified brand

One of our key assets as a group is our proven track record and well-respected brand, which we are continually taking steps to unify and strengthen. To accomplish this, we are initiating a two-phase strategy. Phase one focuses on standardizing the quality of equipment, services, and staff training across all hospitals, attracting best-in-class doctors, implementing a unified HIS system, standardizing our call center and our registration process to promote unified brand awareness, conducting ongoing patient satisfaction surveys, and executing specialty awareness campaigns. Meanwhile, phase two will focus on clearly defining the Group's brand identity, communicating this brand to the public through internal and external channels, and integrating individual hospital brands under the new umbrella brand.

Leverage a stronger position with insurance and contract clients

Cleopatra Hospitals Group is actively working to cultivate stronger relationships with insurance and contract clients to increase the proportion of Group revenue gained through these channels and ensure sustained profitability. Between 2015 and 2017 revenue derived from credit customers has grown steadily from 58% in 2015 to 62% in 2017. Upgrading our facilities will also lead our hospitals to be categorized as premium healthcare facilities by insurance and corporate clients whose constituents will benefit from the accessibility and comprehensive services provided by the Group's hospitals, ultimately allowing us to migrate to the value-based reimbursement model and away from the current fee-for-service model.



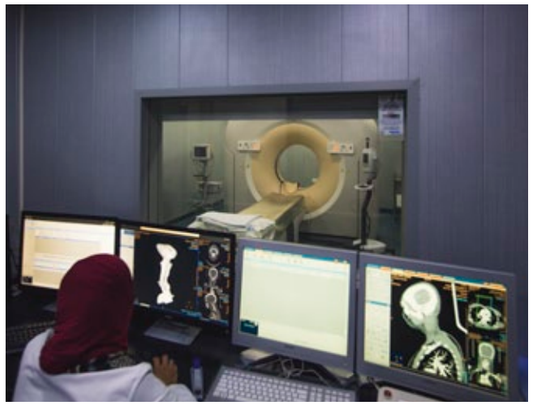
Establish centers of excellence and achieve international accreditation

While working to ensure the quality of all of our services, we are also taking steps to develop centers of excellence (CoEs) in each of our hospitals that will focus on providing specific tertiary services based on each hospital's unique strengths. These centers will minimize CAPEX by eliminating the need to invest in the same equipment across all assets. CoEs will also foster affiliations with international institutions and make it possible to attract globally renowned experts.

All of our facilities' renovations, equipment upgrades, and efforts to standardize quality of staff training and service provision are undertaken with the aim of achieving Joint Commission International (JCI) accreditation including HACCP certification across all of our hospitals. We are currently implementing changes based on an in-house accreditation assessment conducted in the first quarter of 2017. JCI accreditation will ensure that we are delivering care based on leading, evidence-based practices, will create a culture of safety for patients, visitors, and staff, will improve our ability to attract exceptional medical talent, and will provide a framework for control and continuous improvement.

Radiology Center of Excellence

The Group's CoE model was officially launched with the inauguration of its first radiology center at Cairo Specialised Hospital in late 2016. The state-of-the art center contains imaging technology from Philips, one of the world's leading healthcare technology providers, and equips CSH to deliver industry-leading image quality and minimally invasive procedures. The center offers services including breast MRI, cardiac MRI, CT and MRI angiography, coronary calcium scoring, joint arthrography, mammotomy and ultrasound-guided breast biopsy, among others.



Micro-invasive Surgeries and Cardiology Center of Excellence

The Group's second center of excellence was launched in its flagship hospital, Cleopatra, in mid 2017. The Philips catheterization lab is one of the most advanced pieces of medical equipment available in the country, with a CAPEX investment north of EGP 20 million. The catheterization lab allows our doctors to perform a wide range of diagnostic and interventional procedures and expands the Group's capabilities in micro-invasive surgeries, which are also performed by laparoscopy in operating theaters. Services offered include coronary, vascular, congenital, neurological, and ERCP diagnostics and interventions, among others.

Renal Transplantation Center of Excellence

CHG's third center of excellence was launched in Nile Badrawi Hospital in mid 2017 focusing on renal transplantation. The Group undertook major medical renovations and improvements to enhance its transplantation offering, by revamping operating rooms, introducing the latest anesthesia equipment, and introducing kidney dialysis units in intermediate care rooms for post-transplantation recovery. The center of excellence provides our patients with a holistic and well-rounded renal transplantation center that offers all necessary components for successful transplantation outcomes.

2017 in Review

2017 was a year of continued progress and development for Cleopatra Hospitals Group

+870,000

cases served in FY17, including unique outpatient, emergency room, and inpatient visits

Operational Highlights

CHG continued to implement its strategy in 2017, pushing forward on operational efficiency while prioritizing quality and patient safety and delivering a resilient performance despite the challenging environment.

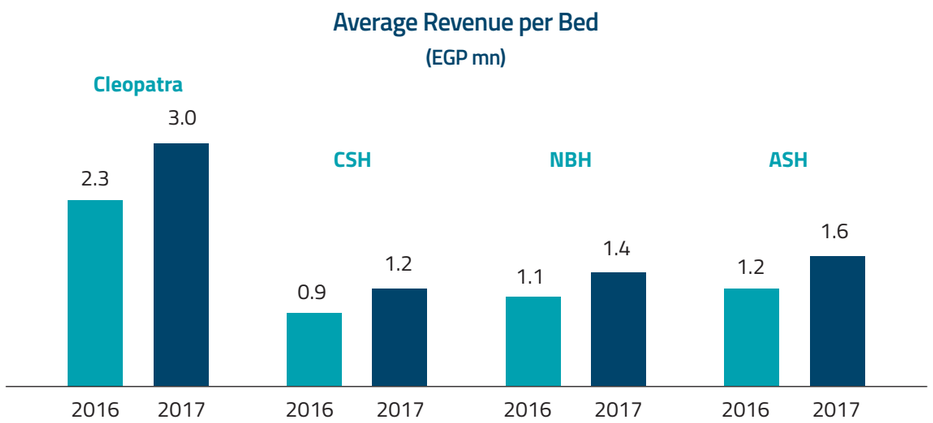
Operational KPIs

36,127
surgeries performed

573,962
outpatient visits

247,050
ER visits

49,981
inpatient visits



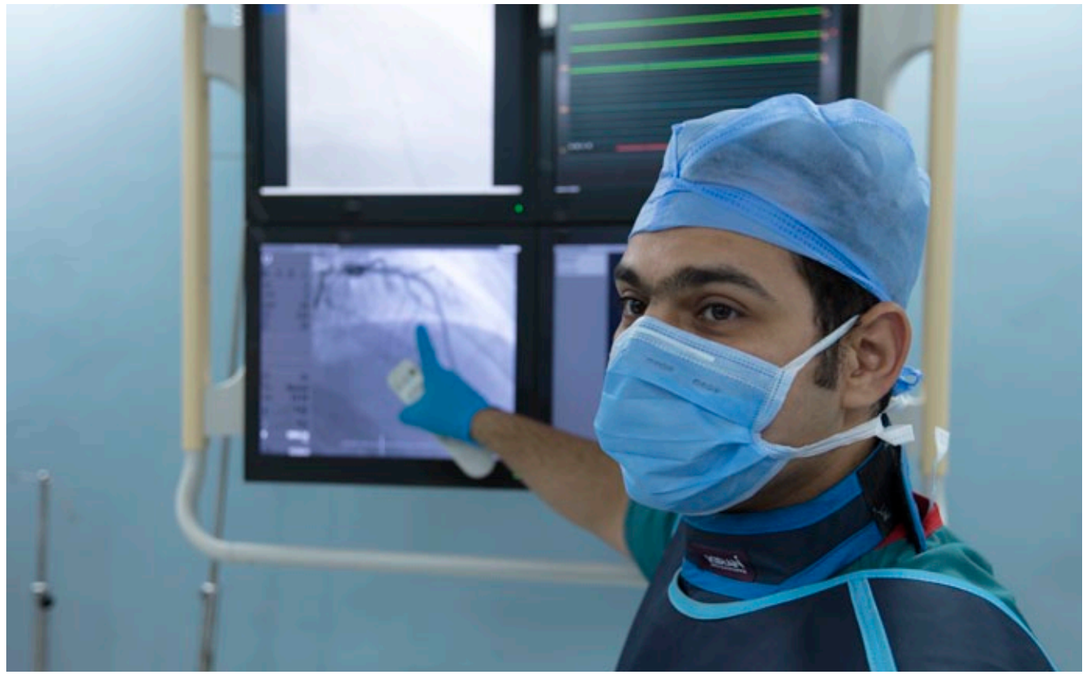
2017 was a year of continued progress and development for Cleopatra Hospitals Group having made headway on its investment program and rolled out key platform integration initiatives across its hospitals. Our integration efforts were geared toward driving cost efficiencies and extracting favorable synergies such as revenue enhancements and resource sharing to maximize value.

Key integration efforts included centralizing the Group's procurement function, enhancing referrals among its hospitals, continuing to centralize its key back- and front-office functions, as well as strengthening its partnerships and contractual arrangements with credit clients by creating uniform policies, procedures, and pricing. The Group was successful in rolling out a unified umbrella brand through targeted marketing campaigns aimed at increasing awareness of the Group's network of facilities and associating it with a single brand as well as with quality patient care.

Meanwhile, the Group's efforts in the way of asset and technology upgrades saw it implement renovations and technology upgrades across its hospitals, most notable of which were the introduction of the Group's first center of excellence in radiology as well as the introduction of a state-of-the-art catheterization lab, among other major medical investments.

The past year has also witnessed major clinical improvements through the establishment of a central quality function, with a key mandate being the preparation for and achievement of JCI accreditation for Group hospitals. Additionally, we continued to invest in human resources as a key pillar of success, developing knowledge and enhancing expertise of all medical staff through quality mentoring programs and significant training initiatives.

On the management front, the Group has centralized its corporate management functions and has brought on-board a pool of high-caliber executives and senior management directors.



Integration & Institutionalization

- Standardization of service packages and pricing across assets
- Common purchasing practices and code standardization for over 50,000 consumables
- Adoption of an ERP system across the Group to build a single integrated patient management experience across all facilities
- Finalized a standard organizational chart and filled in key positions across our corporate team
- Promoted the Group's new "umbrella" brand and corporate identity

Extracted Economies of Scale and Operational Efficiencies

Infrastructure & Technology

- Renovation work on NBH and CSH's façades as well as NBH's outpatient facilities and patient-ward floors
- Equipment upgrades at NBH including operating rooms and intensive-care units
- New state-of-the-art catheterization laboratory at Cleopatra Hospital and NBH
- New full-fledged Philips imaging centre of excellence (CoE) at CSH that offers MRI, CT scan, mammography and ultrasound
- ER and ICU renovations across all hospitals, including new ICU wards with electric beds, ventilators, monitors, and direct current (DC) shocks

Enhanced the Group's Asset Infrastructure and Patient Experience

Business Development

- Restructured the central sales division's reporting lines to allow for better communication about services offered
- Improved service packaging and standardized pricing for consumables, pathology, and radiology services across all hospitals
- Introduced the one-stop-shop model allowing credit and contract patients to access ancillary services as part of their insurance coverage
- Established clear referral pathways and reached out to consulting physicians to increase share of their business
- Built partnerships with insurance providers and as key stakeholders in the business

Optimized Patient Flow and Enhanced Revenue

Quality Enhancements

- Set up a central quality function spearheaded by an industry veteran with a track record of accreditations across Egyptian hospitals
- Delivered on several goals as part of the ongoing initiative to achieve Joint Commission International (JCI) accreditation across all hospitals
- Rolled-out over 165 safety and quality policies to improve both medical and non-medical services
- Staff training and awareness raising on topics such as infection control practices, environmental safety, and medical and medication management
- Developed over 140 non-financial KPIs to measure quality performance

Enhanced Quality, Patient Safety, and Clinical Outcomes

Financial Highlights

1,127 EGP MN
total consolidated revenue in 2017

+30%
year-over-year revenue growth in 2017

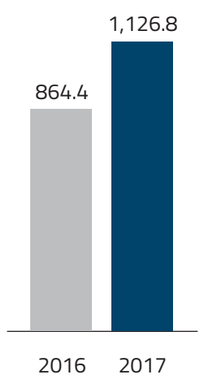
30%
gross profit margin in 2017

23%
adjusted EBITDA margin in 2017

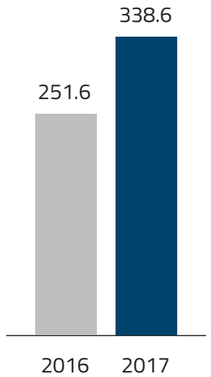
10%
net profit margin in 2017

118 EGP MN
net profit in 2017

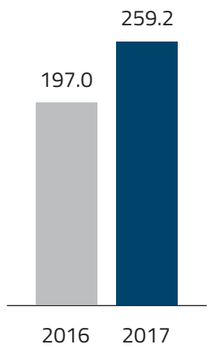
Revenue Progression
(EGP mn)



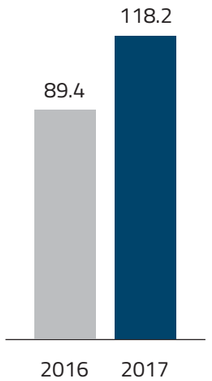
Gross Profit Progression
(EGP mn)



EBITDA Progression
(EGP mn)



Net Profit Progression
(EGP mn)



Revenue by Hospital in 2017

Cleopatra Hospital	43%
Cairo Specialised Hospital	22%
Nile Badrawi Hospital	18%
Al Shorouk Hospital	17%

Dr. Tamer Osama, Nile Badrawi Hospital's Anesthesiologist

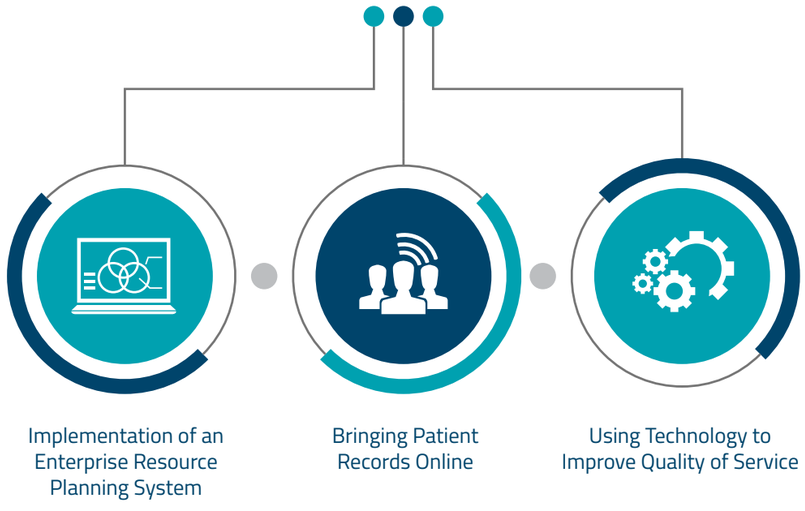
Platform Integration

In 2017 the Group made significant headway building its fully-integrated multi-asset platform. Under "One Cleopatra", the Group's unified brand and integrated asset management program, we pushed to increase cost efficiencies and realize anticipated synergies in order to enhance revenue and maximize value through resource-sharing as well as to improve patient experiences across all CHG hospitals.

Employing a multi-pronged approach in 2017, CHG concentrated on developing its information technology, human resources, and supply chain departments to achieve seamless Group-wide integration.

Information Technology

Building an integrated and reliable IT platform to support the functioning of the Group's hospitals was vital to the overall integration initiative to standardize quality of service, increase cost effectiveness, and offer new ways to communicate with and enable key stakeholders.



Implementation of an Enterprise Resource Planning System

In 2017 the Group successfully adopted an end-to-end hospital information system natively integrated with an Enterprise Resource Planning (HIS/ERP) system in order to automate processes within the hospitals, minimize human error on different fronts (clinical, front office, and back office) and to improve the accuracy and reliability of data and reporting, as well as to increase efficiency and ensure better control and monitoring of Group functions in every hospital. The new system also allows for the unification of the presentation and accessibility of data across all hospitals – including operation rooms, medical services, labs, radiology, emergency rooms, warehousing, and financial systems – and standardizes information collection forms to align with JCI requirements and ensure a consistent process for collecting patient data.

We also standardized the operational procedures and processes used within each department across Group hospitals, which included the unification of operational KPIs as well as sales and consultant performance reports.

Bringing Patient Records Online

As part of our long-term goal of developing unified patient records across our platform, we are bringing all medical records of radiology patients online and implementing regulated access for all our current systems. Upon the completion of the PACS system, all patients are assigned a unified medical number that links radiology history and all movements through CHG facilities in order to build a full medical record that can be accessed remotely by physicians. To support this project, we have implemented unified procedures for the management of our radiology department and the electronic archiving of patient scans, making it possible to begin using an e-prescription system to prepare patients' prescriptions at outpatient clinics.

We have also begun the process of archiving all medical files online to decrease file retrieval time and enable us to outsource physical archiving and keep only the files of active patients on hospital premises. Bringing patients' records online will also free up space inside our hospitals while decreasing the risk of human error in data entry. This project is worth USD 150,000 and will be completed over two years.

Using Technology to Improve Quality of Service

2017 saw CHG implement IT systems aimed at enhancing security measures and improving patient care. New systems at the Group's hospitals include an outpatient queue management system and an outpatient pharmacy queue system. Our corporate website usability has also been enhanced to ensure a better visitor experience and to make it easier to learn about our services, check the OPD schedules in every hospital, learn about new promotions, and many other improvements. We have also upgraded our surveillance system and brought our Group-wide unified emergency call center online to help incoming patients call for an ambulance more easily and check ICU availability online.

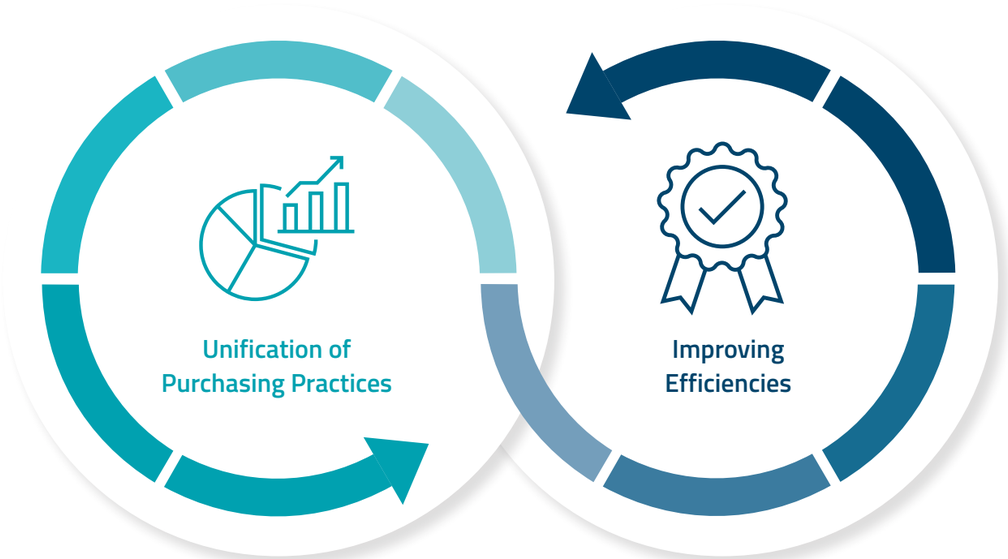
Data Management and Protection

To improve reliability of our IT infrastructure, we implemented several security measures at our data center and upgraded our internet defense systems. All CHG members are required to adhere to strict policies regarding the access and distribution of patient information, and we have ensured diligent protection of our server room. To guarantee reliable access to our systems, we also upgraded our network and physical infrastructure.

> "CHG concentrated on developing its IT, human resources, and supply chain departments to achieve seamless Group-wide integration

Supply Chain

In line with the Group's integration initiatives across our multi-asset platform, the Group's supply chain was upgraded from administrative procurement to a fully-fledged Supply Chain and Material Planning Department, with the main goal of improving operational efficiency.



Unification of Purchasing Practices

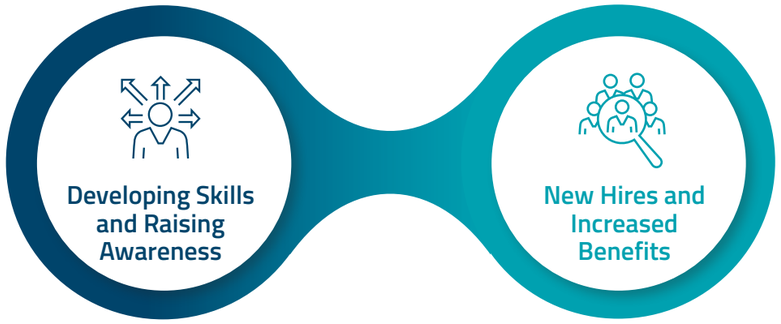
In tandem with the standardization of service packages and pricing for consumables, and pathology and radiology services across all hospitals, we also established common purchasing practices and code standardizations for over 50,000 consumables. Together with the free-floated prices of consumables and the implementation of a cost-plus method, our code-standardization efforts have allowed for sustained economies of scale and sees us offer the biggest tenders in the private healthcare market. Our strong bargaining power with suppliers allows us to ensure the best quality, receive competitive pricing, set favorable terms with no shortfalls or supply interruptions, and ultimately, deliver on cost-saving targets.

Improving Efficiencies

The Group's integration efforts in 2017 also included optimizing its supply channels to further reduce costs and better manage resources. On the logistics front, we leveraged our warehouses in 2017 to exercise further control and improve accessibility, streamlining our inventories and increasing operational efficiency. Our Supply Chain and Material Planning Department also heads our pharmaceutical management division, which successfully ensured and developed the right stock and inventory levels to meet our growing demand.

Human Resources

One of the primary planks of the Group's fully-integrated platform is the continued development of an efficient staff body in each hospital well-qualified to deliver quality service and adhere to international patient safety standards.



Developing Skills and Raising Awareness

As part of our larger goal to establish systematically skilled personnel in every CHG hospital, we continued to invest in developing our human resources and enhancing our medical staff's expertise through mentoring programs and training initiatives. In 2017, we held various staff training and development programs and raised awareness on topics such as life support programs, infection control practices, environmental safety, and medical management, as well as introduced over 140 new non-financial KPIs to measure performance and success rates. During the year, we pushed forward with HR initiatives to develop core competencies and skills, with Group-wide staff training programs to familiarize employees with international safety standards and set them on track to achieve their respective KPIs.

We also continued to implement our training program for nurses in cooperation with universities across Egypt, all in our endeavor to provide an all-encompassing theoretical and practical platform of knowledge for nurses across the Group's hospitals.

New Hires and Increased Benefits

2017 also witnessed a streamlined organizational structure and augmented employee benefits to accommodate our expanded multi-asset platform. We continued working on a standard organizational chart and filled key positions across our corporate team, including Group Co-Chief Operating Officers for East and West Cairo and Marketing Director. We also appointed Managing Directors for new hospitals and formed Engineering and Project Management departments and an Internal Audit function. Institutionalizing our corporate management functions led to an increase in our pool of high-caliber executives and senior management directors.

Over the course of 2017, the Group was focused on reinforcing staffing needs that better suited the Group's integration strategy, as well as on cutting cross-functional redundancies in order to streamline operations across our multi-asset platform.

During the year, the Group also added benefits for its employees, and its Human Resources function continued developing its services Group-wide. Providing health insurance schemes, profit-sharing schemes, life insurance schemes, and non-fringe benefits such as recreational trips and vouchers, the Group also re-conducted salary scaling exercises to competitively match salaries in the market – as per its annual practice – with an average salary adjustment of 50 to 70% since 2014, and kept running its performance management systems and employee satisfaction surveys.

Management Discussion & Analysis

2017 was a milestone year for CHG which saw it deliver on several strategic fronts

1.1 EGP BN

Cleopatra Hospitals Group's consolidated revenues for FY17, up 30% year-on-year

Management Discussion & Analysis

> CHG's reputation for quality and patient safety along with its integration push saw it deliver a solid financial performance and shareholder value

2017 was a milestone year for CHG which saw it deliver on several key initiatives including optimizing capacity and patient flow, extracting increased operational efficiency on the back of further integration and investments in infrastructure and technology upgrades, with all fronts serving to improve patient safety and quality of service and drive significant revenue growth. Management's success in delivering on its strategy along with the Group's reputation and quality of outcomes allowed it to post a 30% y-o-y growth in revenues for 2017 to EGP 1,126.8 million, with top-line growth also being supported by an improved case mix and pricing. In parallel, the Group's efforts in the way of platform integration and extracting operational efficiencies saw net profit for the year record a 32% y-o-y increase to EGP 118.2 million, with net profit margin stable at 10% despite severe inflationary pressures on the Group's cost base.

In 2017 the Group also made significant progress in its efforts to grow its asset base and expand its feeder network, with key developments including signing definitive agreements to acquire the real estate and operational assets of a hospital in West Cairo; entering a joint venture with Al Nahda Education S.A.E. to refurbish, equip, and operate a 160-bed brownfield hospital in Beni Suef with a potential expansion to over 200 beds; and initiating regulatory procedures to issue a mandatory tender offer to acquire 100% of the outstanding share capital of the 110-bed El Nozha Hospital in East Cairo. Additionally, CHG has identified polyclinic locations throughout Cairo and is making progress on the Al Shorouk Hospital extension which is poised to add 40 beds to the Group's capacity by 2019.

Revenue Progression by Hospital (EGP mn)

	2015	*% Change*	2016	*% Change*	2017
Cleopatra Hospital	332	*14%*	380	*30%*	493
CSH	149	*24%*	185	*32%*	244
Nile Badrawi	128	*22%*	156	*29%*	202
Al Shorouk	139	*4%*	144	*33%*	191

Revenues

Consolidated revenues in FY17 reached EGP 1,126.8 million, up 30% y-o-y on the back of a higher number of cases served as well as an improved case mix and improved pricing. Inpatient revenues continued to be the largest contributor to revenues at 25% in FY17, followed by surgeries at 20% and outpatient clinics at 14%. Inpatient care and surgeries were also the highest contributor to revenue growth during the year, recording 30% and 28% y-o-y increases respectively. Both segments contributed 44% to consolidated revenue growth in absolute terms in FY17. Meanwhile Other Services revenues were the fastest growing during the year at 53% versus 2016, followed by revenues from laboratories (+37%) and radiology (+36%).

The largest contributor to Group revenues in FY17 was Cleopatra Hospital (43.6%), followed by Cairo Specialised Hospital (21.6%), Nile Badrawi Hospital (17.9%), and Al Shorouk Hospital (16.9%).

Revenue by Segment in 2017

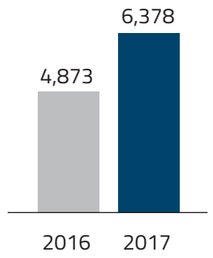
Surgeries	20%
Outpatient Clinics	14%
Inpatients	25%
Laboratories	9%
Cardiac Catheterization	7%
Radiology	5%
Emergency Room	4%
All Others	16%

25%

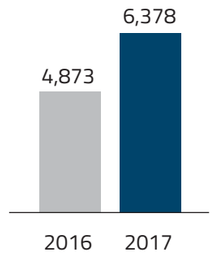
inpatients visits' contribution to total revenues, constituting the largest share per segment

"The largest contributor to Group revenues in FY17 was Cleopatra Hospital at 43.6%.

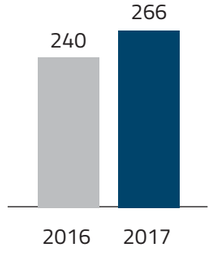
Revenue per Surgery* (EGP)



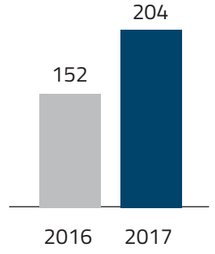
Revenue per Inpatient Stay* (EGP)



Revenue per Outpatient Visit* (EGP)



Revenue per ER Visit* (EGP)



Historical figures have been adjusted to account for standardization of KPI reporting across all hospitals.

Cost of Goods Sold

Cost of goods sold came in at EGP 788.2 million in FY17, recording a 28.6% y-o-y increase in line with the revenue growth albeit with a lower COGS to sales ratio which inched down to 70% from 71% in FY16. The Group's ability to control cost increases despite operating in an inflationary environment is largely due to its operational efficiency and to extracting cost synergies on the back of its cross-asset integration program. The cost of medical supplies was the largest COGS constituent at 33% in FY17 or EGP 259.5 million, up 26% y-o-y. The Group managed to improve its consumables to sales ratio during FY17, recording 23% compared to 24% in FY16 on the back of its cross-asset procurement programs. Medical supplies were also the largest driver of COGS growth during the year, contributing 31% to cost increases in absolute terms. Constituting the second-largest share of COGS at 28%, fees to consulting physicians inched down as a percentage of sales to 19% versus 20% in FY16, recording EGP 217.5 million in FY17, up 27% y-o-y. Meanwhile, salaries and wages remained stable as a percentage of sales in FY17 at 17%, and recorded a total of EGP 187.3 million during the year, up 27% y-o-y.

Gross Profit

The Group's improving sales mix along with cost-control initiatives saw top-line growth reflected on gross profit which recorded a 35% y-o-y increase in FY17 to EGP 338.6 million. Gross profit margin also recorded a one-point expansion to 30% during the year, while GPM in 4Q17 posted a three-point expansion due to a solid 46% y-o-y increase in quarterly gross profit to EGP 94.1 million.

General & Administrative Expenses

General and administrative (G&A) expenses include the company's non-medical staff costs, including those of senior management and group-level professional consulting fees. Total G&A expenses recorded EGP 161.4 million in FY17, up 53% y-o-y and posting a G&A to sales ratio of 14% versus 12% in FY16. Higher G&A expenses were driven by higher salaries and increased benefits for employees, including the roll-out of medical insurance plans for hospital staff, which contributed c. 70% to G&A growth in absolute terms. Meanwhile, the Group also incurred expenses of c. EGP 7 million for consultancy and regulatory fees related to its acquisitions and inorganic expansion drive, however, these were offset by a reduction in impairments by EGP 7 million as the Group delivered on its restructuring efforts and enhanced its working capital cycle. It is worth noting that G&A expenses also include the Group's Long-Term Incentive Program (LTIP) which booked EGP 24.8 million in FY17. A non-cash charge linked to share price appreciation and EBITDA growth, the LTIP has a four-year vesting period maturing by 30 June 2020, after which amounts will be disbursed. Management views its LTIP as a key pillar for retaining valuable talent and driving long-term sustainable growth. The Group also recorded one-time consultancy costs related to ongoing acquisitions of EGP 5.3 million in FY17 compared to EGP 1.6 million in the previous year.

EBITDA

The Group's EBITDA, which factors out acquisition expenses and the LTIP's non-cash charge, came in at EGP 259.2 million in FY17, up a solid 32% y-o-y and yielding a stable EBITDA margin of 23%.

Net Profit

CHG recorded a net profit of EGP 118.2 million in FY17, up 32% y-o-y with net profit margin stable at 10%.

CAPEX

FY17 saw the Group push forward with an extensive CAPEX program to upgrade infrastructure assets and technology across hospitals. Total CAPEX outlays during the year recorded EGP 117 million, bringing the Group's total investments since the IPO to EGP 170 million over two years. This CAPEX drive will continue into 2018 as the Group delivers on its quality enhancement and patient safety strategies.

Outlook

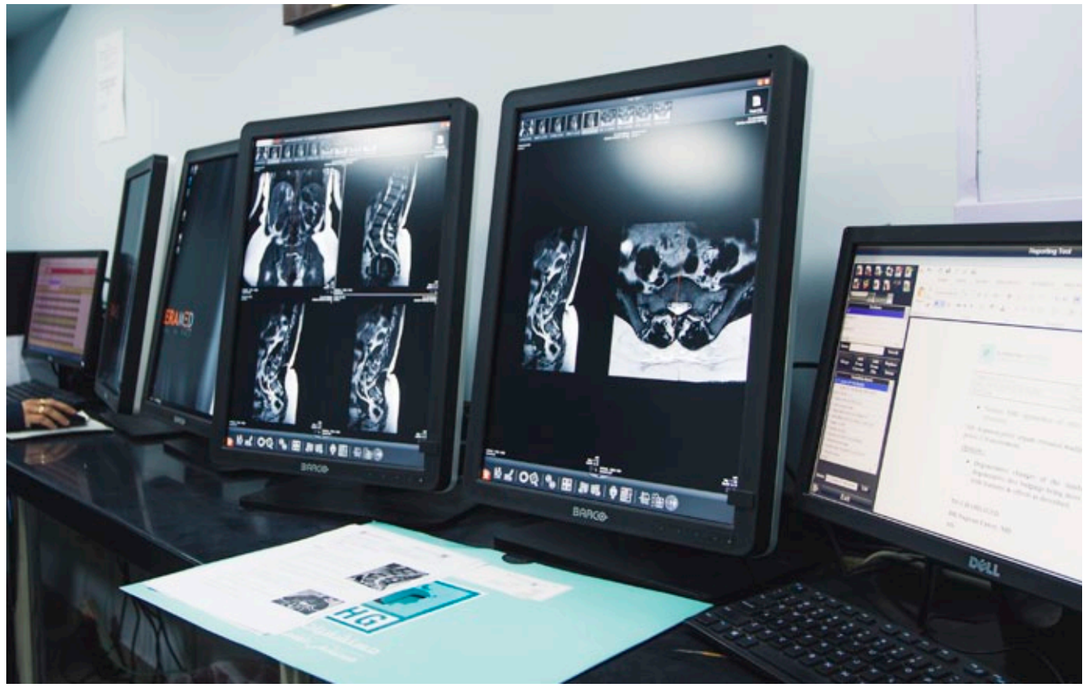
Cleopatra Hospital Group's strategy remains true to the goal of providing quality healthcare services to as many people as possible by continuously investing in infrastructure and medical technology and expanding its reach throughout Egypt. The Group will also continue with its asset-integration program to extract operational efficiencies and enhance patient safety. CHG has already made significant progress in reshaping the organization and is today ideally positioned for further growth and value creation for all stakeholders.

COGS Breakdown in 2017

Medical Supplies	33%
Doctor Fees	28%
Salaries & Wages	24%
Other	16%

Gross Profit by Hospital in 2017

Cleopatra Hospital	54%
Cairo Specialised Hospital	15%
Nile Badrawi Hospital	20%
Al Shorouk Hospital	12%



Corporate Governance

Supported by a strong corporate governance structure and the strategic leadership of its Board, Cleopatra Hospitals Group endeavours to comply with the strictest ethical standards and the best-in-class corporate governance framework

Governance Structure

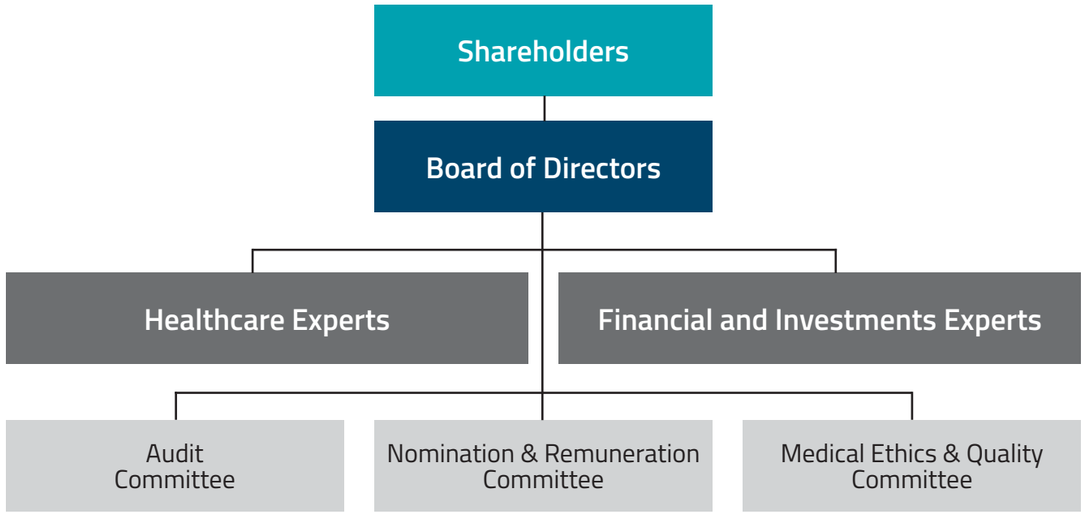
Cleopatra Hospitals Group's board strives to comply with best-in-class corporate governance frameworks and strict ethical standards as it aims to safeguard the interest of its stakeholders and the communities where it operates.

As a publicly-listed company on the Egyptian Exchange (EGX), CHG's corporate affairs are governed by Law No. 159 of 1981 and its Executive Regulations or the Companies Law, the Egyptian Capital Market Law, the EGX Listing Rules, as well as other laws governing companies incorporated in Egypt and its articles of association.

The Group is subject to Egyptian disclosure requirements and is required to publish annual and quarterly financial statements prepared in accordance with Egyptian Accounting Standards (EAS), to provide notices of any material developments to the Financial Regulatory Authority (FRA) and the EGX, and to provide EGX with minutes of the company's ordinary and extraordinary general meetings.

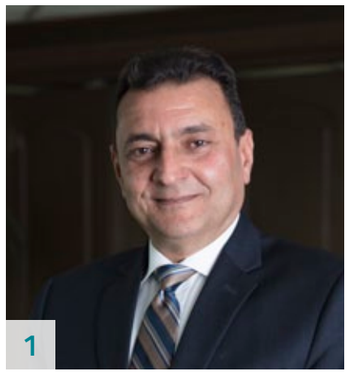
> "The Group's board provides the oversight and experience necessary to implement a solid corporate governance framework

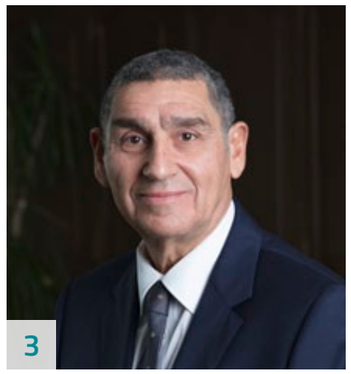
Corporate Governance Structure



Board of Directors

The Group's board of directors provides the oversight and experience necessary to implement a solid corporate governance framework, a cornerstone of the company's long-term success and value creation. Comprised of a total of nine seats, four members of the board of directors are experts in the healthcare field, five serve the board with relevant financial and investment expertise. Eight members are non-executive directors, four of which are independent.





1 Dr. Tarek Zahed
Non-Executive Chairman

Dr. Zahed was a founder of Cairo Specialised Hospital in 1981, where he has been chairman since 2001. He served as a consultant to the Medical Services Division of the Egyptian Presidency for 25 years. He is a fellow of the American Academy of Implant Dentistry, International Congress of Oral Implantologists, and a member of the Dental Society of Western Pennsylvania. He holds a BSc in Dentistry from Cairo University and a MDS in implant dentistry from the University of Pittsburgh School of Dental Medicine.

2 Dr. Ahmed Ezz El-Din
Chief Executive Officer

Dr. Ahmed Ezz El-Din brings over 35 years of healthcare experience to the Group and a deep insight into healthcare businesses in Egypt. Prior to assuming his role as the Group's CEO, Dr. Ezz El-Din was the Director of Government Affairs and Policy, Middle East, North Africa and Pakistan, at Johnson & Johnson Medical, where he also held the position of Managing Director for Egypt and Libya. Prior to that, Dr. Ezz El-Din held key positions at GlaxoSmithKline, including Sales and Commercial Director at GSK Egypt and Sudan Country Manager. He has over 18 years of global experience with MSD under his belt. Dr. Ezz El-Din has a bachelor's degree in Pharmaceutical Science from Cairo University.

3 Sameh Mahmoud Mohsen
Non-Executive Director

Mr. Mohsen is a founder and former CEO of Cleopatra Hospital and has worked in the industry for more than 29 years. He holds a Bachelor of Engineering from Cairo University.

4 Ahmed Adel Badreldin
Non-Executive Director

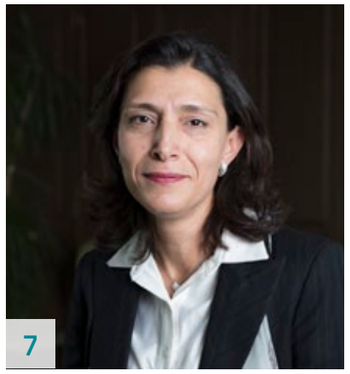
Mr. Badreldin is a partner and Head of MENA at the Abraaj Group and oversees its investments in the Middle East and North Africa.

5 Omar Ezz Al Arab
Non-Executive Director

Mr. Ezz Al Arab is a member of the Abraaj Group's MENA investment team and is involved in all aspects of the investment process including deal origination, execution, and portfolio management. Mr. Ezz Al Arab has over ten years of private equity and investment banking experience in Europe and the Middle East in sectors such as oil and gas, healthcare, education, and fast-moving consumer goods. Prior to joining Abraaj in 2009, Mr. Ezz Al Arab worked at JP Morgan in London as part of the mergers and acquisitions team in the Natural Resources Group where he advised on more than USD 15 billion worth of transactions. Mr. Ezz Al Arab holds a bachelor's degree in Law and Business from the University of Warwick, UK.

6 Dr. Mohamed Awad Tag El Din
Independent Non-Executive Director

Dr. Awad Tag El Din was the Egyptian Minister of Health from March 2002 to December 2005. Prior to that, he was the president and vice president of Ain Shams University for one and four years, respectively. He holds a bachelor's degree in medicine, two diplomas in internal medicine and pulmonology diseases, and a PhD from Ain Shams University. He is also a professor and consultant of pulmonology.



7 Lobna El Dessouky
Independent Non-Executive Director

Ms. El Dessouky leverages over two decades of professional experience in a wide range of sectors to fulfill her numerous advisory and board roles. Currently, Ms. El Dessouky holds the post of Advisor for the European Bank for Construction and Development's Enterprise Growth Program and is Advisor to the Audit Committee at Qalaa Holdings, having been a member of the committee since December 2012. She is also an Adjunct Professor of Managerial Accounting and Automated Financial Reporting at the American University in Cairo where she teaches MBA finance courses. Ms. El Dessouky holds a bachelor's degree in commerce from Helwan University and an MBA in Management Consultancy from Sheffield University, UK. She is a CPA, CFM, and CMA holder and is also a member of the Association of Corporate Governance Practitioners and a Certified Director from the Egyptian Institute of Directors.

8 Omar Atef Kinawy
Independent Non-Executive Director

Mr. Kinawy joined the Group in 2015. Prior to that, he was the former deputy head of the Egyptian General Intelligence and graduated from the Egyptian Military College in 1968.

9 Nabil Walid Kamhawi
Independent Non-Executive Director

Mr. Kamhawi has over 40 years of consulting, audit, and advisory experience in Europe and the Middle East in a wide range of industries. He was the managing partner of Ernst & Young in Egypt following its integration with Arthur Andersen, of which he was the managing partner. Mr. Kamhawi holds a bachelor' degree in commerce (accounting) from Ain Shams University and is a member of the Institute of Chartered Accountants in England and Wales.

Committees of the Board

To help the board of directors achieve its governance goals, the board has established three committees: an Audit Committee, a Medical Ethics and Quality Committee, and a Nominations and Remuneration Committee.

1 Audit Committee

The Group's Audit Committee consists of three non-executive directors, two of which are independent. The committee's role is to assist the board in its oversight of financial statements and to ensure that the financial statements abide by the auditor and EFSA's recommendations.

Members

- **Nabil Walid Kamhawi:** Chairman of the Committee
- Lobna El Dessouky
- Omar Ezz Al Arab

2 Medical Ethics and Quality Committee

The Medical Ethics and Quality Committee oversees the development and implementation of the Group's quality control programs. The committee monitors performance indicators and provides recommendations on strategic directions for the development of the Group's services.

Members

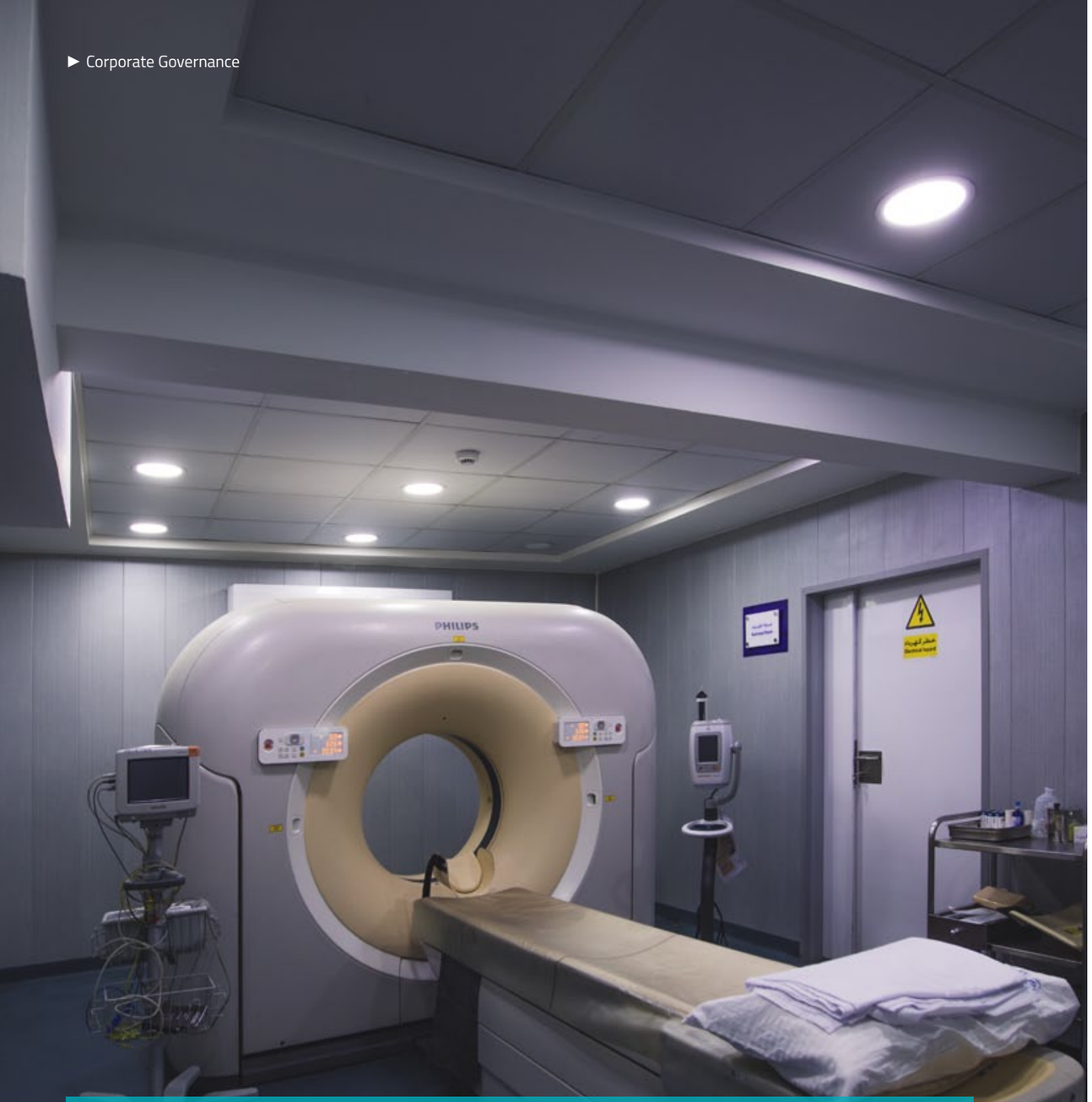
- **Dr. Mohamed Awad Tag El Din:** Chairman of the Committee
- Dr. Nagwa El Hosseiny

3 Nomination and Remuneration Committee

The Nominations and Remuneration Committee is in charge of providing recommendations on the remuneration of the senior management, reviewing the Group's bonus schemes, and developing the employment succession plan.

Members

- **Adel Badr El Din:** Chairman of the Committee
- Omar Ezz Al Arab
- Nabil Walid Kamhawi



Executive Management

Cleopatra Hospitals Group is led by a seasoned and experienced management team who bring decades of experience to the table. The managing directors of each of the Group's four hospitals have an average of over 30 years of experience in the healthcare sector.

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1 Dr. Ahmed Ezz El-Din
Chief Executive Officer

Dr. Ahmed Ezz El-Din brings over 35 years of healthcare experience to the group and a deep insight into healthcare businesses in Egypt. Prior to assuming his role as the Group's CEO, Dr. Ezz El-Din was the Director of Government Affairs and Policy, Middle East, North Africa and Pakistan, at Johnson & Johnson Medical, where he also held the position of Managing Director for Egypt and Libya. Prior to that, Dr. Ezz El-Din held key positions at GlaxoSmithKline, including Sales and Commercial Director at GSK Egypt and Sudan Country Manager. He has over 18 years of global experience with MSD under his belt. Dr. Ezz El-Din has a bachelor's degree in pharmaceutical science from Cairo University.

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2 Khaled Hassan
Chief Financial Officer

Mr. Khaled Hassan joined the Group in 2015 as Chief Financial Officer with over 25 years of financial experience under his belt. Previously, Mr. Hassan was the Finance Director at Dina Farms, a subsidiary of Gozour Holding for which Mr. Hassan was the Group Financial Controller. Prior to that he was the Group Financial Controller at ASEC Holding, Chief Financial Officer of FRANKE Egypt, and Finance Manager at the Olympic Group. Mr. Hassan holds a bachelor's degree in accounting from Cairo University and is a Master Financial Controller and a Certified Financial Modeler.


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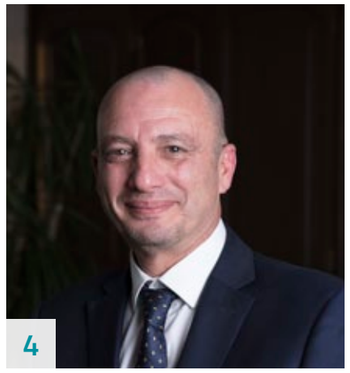
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3 Dr. Moharram El-Badawy
Chief Operating Officer – West Cairo

Prior to joining the Group in June 2016, for over 30 years Dr. El-Badawy was the Professor of Radio Diagnosis at the National Cancer Institute and led the Radio Diagnosis Department for nine years. His previous roles include board member of the Radio Diagnosis Department in Daghastani Hospital Jeddah, K.S.A. for six years, referee for the Egyptian Journal of the National Cancer Institute, and referee for the Journal of Egyptian Society.

4 Dr. Mohamed Abdulla Ewais
Chief Operation Officer – East Cairo

Before joining the Group, Dr. Ewais was the Chief Executive Officer of Saudi German Hospital (SGH) Jeddah. Prior to 2013, he was Chief Operations Officer for seven years at the same facility. In addition to his role as CEO, Dr. Ewais was the Chairman of the Risk Committee across Saudi German Hospitals Group and all its entities.

5 Marwa El Abassiry
Chief Human Resources Officer

Ms. Marwa El Abassiry joined the Group in February 2015. Previously she was the Human Resources Business Partner and Head of HR at Electrolux Egypt. Ms. El Abassiry holds a Bachelor of Arts from the Al-Alsun Faculty at Ain Shams University, a Senior Professional in Human Resources (SPHR) Certificate, a Business Coaching Certificate from Life Coaching Egypt, and a Business Administration Diploma from the American University in Cairo.

6 Dr. Hamada Abd El Hamid
Managing Director, Al Shorouk Hospital

Dr. Hamada Abd El Hamid joined the group in August 2017 assuming the role of Managing Director at Al Shorouk Hospital. Prior to joining the Group, Dr. Hamada was the Regional Operations Manager at Andalusia Group (Cairo–Alexandria) and also served as Managing Director of Andalusia Hospital in Maadi from 2010 to 2016. Dr. Hamada holds a master's degree in general surgery and an Egyptian Fellowship in Surgery, a master's degree in business administration, as well as several diplomas including Quality Management from the American University in Cairo and a diploma in hospital administration.

7 Prof. Hassan Shaker
Managing Director, Cairo Specialised Hospital

Professor of Surgery at Ain Shams University's Faculty of Medicine, Dr. Hassan Shaker adds valuable hospital management experience to the Group. Over the past 35 years, Prof. Shaker has held key positions across an array of medical establishments over the past 35 years, including his role as Board Member of the Arab Contractors Medical Center, Director of Ain Shams University Specialized Hospital, Chief Medical Officer and Consultant Surgeon at SA Texaco Inc. Kuwait, and the Director of ASHUSH's Accident and Emergency unit.

8 Dr. Khaled El Noury
Managing Director, Nile Badrawi Hospital

Dr. Khaled El Noury joined the Group in 2015 and assumed the roles of NBH's Managing Director and the Group's Quality Director. He brings over 35 years of experience to these roles, having held the position of Chief Operating Officer of the Children Cancer Hospital, Medical Director of the Arab Contractors Medical Center where he was also the Director of Operations for Accidents and Emergency. Dr. El Noury is also Doctor of Business Administration, Hospital Management, at Assiut University.


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9 Dr. Mohamed Ibrahim
Managing Director, Cleopatra Hospital

Dr. Mohamed Ibrahim joined Cleopatra Hospital in 2001 as its Medical Director and in 2006 assumed his role as Managing Director of the Group's flagship hospital. Dr. Ibrahim began his career as a physician at the Military Hospital and was the Commander of the Navy Hospital in the United Arab Emirates. With over 35 years of medical experience, he holds a master's degree in hospital management from the American University in Cairo.

10 Dr. Amany Adeeb
Marketing Director

Dr. Amany Adeeb is the Group's Marketing Director. Having served in several marketing, sales, and business development positions for a multitude of pharmaceutical companies in Egypt, she brings years of valuable experience to the group. Prior to joining CHG, she was Business Unit Director for Allergan Eye Care Egypt's Scientific Office. Dr. Adeeb holds a Bachelor of Pharmacy from Cairo University, an MBA from Eslsca University and a diploma in International Trade and Marketing from the World Trade Organization Institute in Cairo.

11 Amr El-Ashkar
Information Technology Director

Mr. Amr El-Ashkar joined the Group in November 2015. Previously he was the Chief Information Officer at Integrated Diagnostics Holdings and worked at OMS, the United Nations, and ITWorx. He holds a bachelor's degree in Computer Science from Ain Shams University, a Master of Science in Computer Science from the University of Louisville and a Doctorate in Business Administration from Maastricht Business School, Holland.

12 Eng. Amr Sherif
Projects and Engineering Director

Eng. Amr Sherif joined the Group in 2017 as Projects and Engineering Director responsible for overseeing the Group's projects and expansion plans. He previously served as Projects Director at Dar Al Fouad Hospital where he was responsible for overseeing the new Dar El Fouad Hospital project in the Cairo district of Nasr City. Eng. Sherif also holds years of experience as Project Manager for major engineering projects during his time at the French-Arab Engineering Consulting Company. Eng. Sherif holds a Bachelor of Architecture from Ain Shams University and is an architecture consultant at the Engineers Syndicate.

13 Haitham Naiel
Legal Director

Haitham Naiel is an appeals attorney with a special focus on commercial and labor matters as well as commercial and legal risk assessment. He holds more than than 15 years of experience across several industries that spans a number of highly respectable organizations, such as Hikma & EPCI Pharma, Lafarge Cement, Nile Valley Gas, Regaey Attia Law Firm and Yehia El-Gamal Law Firm. Mr. Naiel ensures that all statutory and regulatory requirements are properly met and that the Group is complying with all required laws. Mr. Naiel graduated from the Faculty of Law at Ain Shams University.

14 Hassan Fikry
Corporate Strategy and Development Manager

Mr. Hassan Fikry joined the Group in 2015 as Business Analysis Manager before assuming his current role as Corporate Strategy and Development Manager. Mr. Fikry brings valuable business development experience to the Group having previously been the Co-Founder and Executive Director of El-Seha Laboratories, the Executive Director of the Ahmed H. Fikry Medical Centre, and Coordinator, Strategic Planner, at Orascom Telecom Holding. He holds a Bachelor of Commerce and Economics from the John Molson School of Business at Concordia University.


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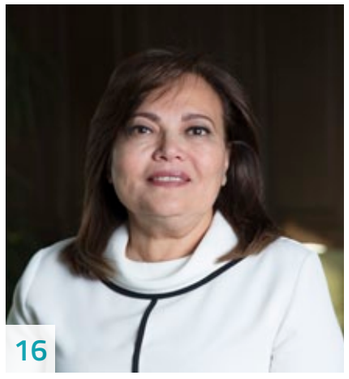
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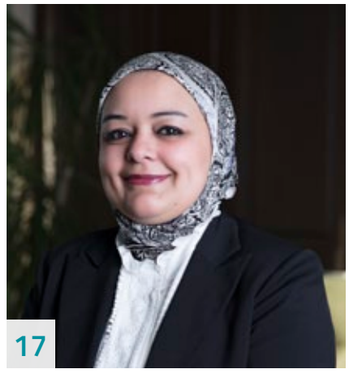
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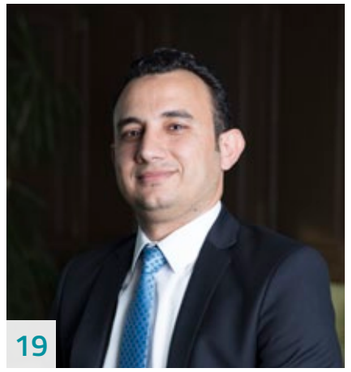
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15 Hoda Yehia
Investor Relations Director

Ms. Hoda Yehia joined the Group after the IPO in 2016 to lead its investor relations function. Ms. Yehia has ten years of experience in the field of investor relations, having previously led the function at Ghabbour Auto, one of Egypt's leading automotive manufacturers. She joined Ghabbour Auto in 2009 where she held different roles, including Manager of Investor Relations and Corporate Finance. Ms. Yehia began her career at Naeem Holding Company, one of the nation's leading investment banks, as Assistant to the Regional Legal and Investor Relations Director. She holds a Bachelor of Accounting from Cairo University.

16 Dr. Nagwa El Hosseiny
Quality Director

Dr. Nagwa El Hosseiny is a Professor of Internal Medicine at Cairo University. She joined the Group in November 2016 to head the Quality Control Department. Previously she was the Quality Consultant and Head of the Egyptian Executive Committee of Accreditation at the Ministry of Health and Population. Dr. El Hosseiny also held positions in the private healthcare sector, including Quality Manager at Dar Al Fouad Hospital and Senior Consultant and Technical Director at Logistics Company for Consultation where she led, guided, and prepared quality control teams for JCI accreditation. Dr. El Hosseiny is also a member of the Scientific Board of Arab Healthcare and Accreditation and a member of the JCI's Middle East Advisory Board.

17 Ola Ahmed
Internal Audit Manager

Ms. Ola Ahmed joined the Group in January 2017 as Internal Audit Manager with over 12 years of experience establishing the internal audit function. Her expertise covers internal control and corporate governance review, risk assessment and risk-based auditing. She previously held positions at a number of reputable organizations, including Ernst & Young, PricewaterhouseCoopers, Orascom for Construction Industries, Magrabi, General Motors, and Al Sharkeya for Sugar Industries. The Internal Audit Department reports administratively to the Group's CEO and functionally to the Board Audit Committee.

18 Dr. Sherif Abd El-Fattah
Supply Chain Director

Dr. Sherif Abd El-Fattah has over 20 years of experience in supply chain and operations management in the medical field, having previously held positions that include Supply Chain Director, Deputy General Manager, and Emergency Medical Evacuation Director. He has vast experience in sourcing both direct and indirect materials, as well as inbound and outbound logistics services, and in developing the local supply base to meet world-class quality standards.

19 Tamer Salah
Commercial Manager

Mr. Salah is the Group's Sales and Business Development Manager, bringing over 15 years of industry experience to the Group. He previously held roles at the National Bank of Egypt Insurance Company, Alsalam Hospital, Nova Pharmaceutical Company as well as Nagor and Striker.
Mr. Salah holds a BSc from Cairo University and an MBA with a marketing focus from the Arab Academy for Science, Technology, and Maritime Transport.

Quality and Safety Report

To ensure that the quality of clinical services and patient care at all of our facilities is at a consistently high standard, we conduct ongoing quality assessments at all of our facilities and regularly develop strategies and make improvements to address identified shortcoming.

In 2017, we conducted a Joint Commission International (JCI) readiness assessment across our facilities as part of our process to achieve JCI accreditation for the Group in the coming years. This process is spearheaded by our new Quality Function established in 2017 and led by an industry veteran with 20 years of experience accrediting hospitals across Egypt. We have incorporated the findings of our JCI readiness assessment into a corrective action plan and are implementing changes across our facilities in preparation for our accreditation tests.

We have identified areas for improvement and have begun implementing changes in the following areas:

Policies and Training

We have developed 165 Group-wide quality and safety policies, and we conduct ongoing trainings with hospital staff to ensure clear understanding and consistent implementation of new policies and procedures.

Quality Departments

We are in the process of establishing sufficiently staffed and dedicated quality departments at each of our hospitals.

Patient Safety Management

We are improving patient safety through measures related to infection control and medication management. In 2017, we conducted continuous staff trainings related to hygiene and medication management. We have also implemented a new system codifying the steps of medication management and distribution across our hospitals. CHG has contracted new laundry and food service providers that adhere to the highest standards of quality and safety.

Integrating KPIs

CHG developed a comprehensive set of both financial and non-financial KPIs. This list includes 140 non-financial KPIs, 70% of which are currently measured in our data collection, analysis, and comparison procedures. Going forward, we will integrate 100% of KPIs into these procedures.

Facility Management and Safety

CHG has established an environmental safety team in each hospital responsible for conducting ongoing safety audits as well as for leading fire and disaster drills. These teams are also in the process of developing and refining plans for biomedical, utility, security, fire, disaster, and hazardous waste management.

A Culture of Safety

CHG is actively engaging its staff in activities and trainings in order to cultivate a Group-wide culture of safety embodied by dedicated and informed staff members. This year, we gave particular focus to risk management reporting and error reduction, medication management, environmental safety, and infection control.

Going Forward

In 2018, through continuous staff awareness and training, we will continue to emphasize a "patient first" approach across our platform to ensure high quality and safety standards. Furthermore, we will continue working on completing the implementation needed to reach readiness for national and international (JCI) accreditation.

Financial Statements

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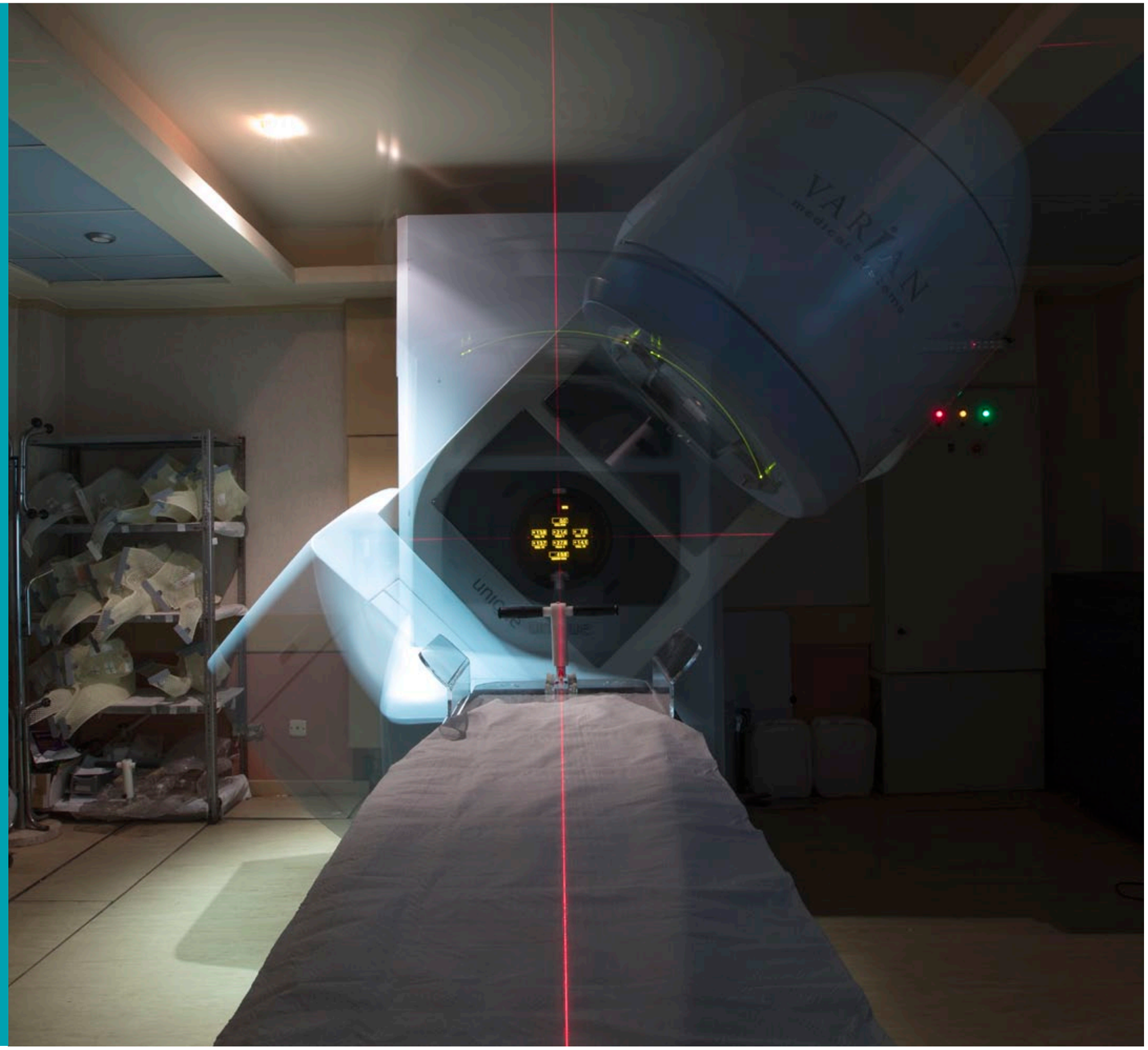

Auditor's report

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 2017 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.

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 2017, 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.

Basma Samra
Member of the Egyptian Society of Accountants & Auditors
Member of the Egyptian Tax Society
R.A.A. 6588
FRARegistration 137
Mansour & Co. PricewaterhouseCoopers

1 March 2018
Cairo

Consolidated statement of financial position

as at December 31, 2017

(All amounts in Egyptian Pounds)

	Note	2017	2016
Assets			
Non-current assets			
Fixed assets	6	472,516,879	396,722,304
Goodwill	7	196,676,034	196,676,034
Intangible assets	7	44,354,000	49,704,005
Payments under long term investments	8	143,550,000	-
Total non-current assets		**857,096,913**	**643,102,343**
Current assets			
Inventories	9	30,089,146	46,116,907
Trade receivables	10	185,436,395	125,935,773
Due from related parties	29	5,421,027	148,513
Debtors and other debit balances	11	22,099,915	25,476,586
Cash on hand and at banks	12	1,007,130,631	439,583,047
Total current assets		**1,250,177,114**	**637,260,826**
Total assets		**2,107,274,027**	**1,280,363,169**
Equity and liabilities			
Equity			
Share capital	17	800,000,000	100,000,000
Reserves	18	270,150,127	298,037,805
Retained earnings		260,349,167	168,655,027
Total equity of the parent company		**1,330,499,294**	**566,692,832**
Non-controlling interests	19	55,729,276	43,804,490
Total equity		**1,386,228,570**	**610,497,322**
Non-current liabilities			
Non-current portion of borrowings	16	276,303,047	325,977,549
Employee incentive plan	15	24,821,000	-
Deferred tax liabilities	27	64,430,217	59,993,365
Total non-current liabilities		**365,554,264**	**385,970,914**
Current liabilities			
Provisions	13	21,580,382	24,924,705
Creditors and other credit balances	14	246,313,285	175,222,518
Current portion of borrowings and bank overdraft	16	75,635,580	52,169,564
Current income tax liabilities	26	11,961,946	31,578,146
Total current liabilities		**355,491,193**	**283,894,933**
Total liabilities		**721,045,457**	**669,865,847**
Total equity and liabilities		**2,107,274,027**	**1,280,363,169**

The accompanying notes on pages 8 - 47 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

22 February 2018

Auditor's report is attached

Consolidated statement of profit or loss

For the year ended 31 December 2017

(All amounts in Egyptian Pounds)

	Note	2017	2016
Operating revenue	20	1,126,768,154	864,449,678
Less:			
Operating costs	21	(788,173,607)	(612,873,224)
Gross profit		**338,594,547**	**251,576,454**
Add / (Less):			
General and administrative expenses	22	(161,362,062)	(105,808,227)
Costs of acquisition activites		(5,332,453)	(1,634,585)
Provisions	13	(7,078,777)	(4,141,182)
Other income	24	5,495,284	5,026,341
Finance income	25	59,442,182	25,413,438
Finance expenses	25	(74,402,268)	(50,499,248)
Profit for the year before income tax		**155,356,453**	**119,932,991**
Current tax	26	(32,682,010)	(31,068,249)
Deferred tax	27	(4,436,851)	543,394
Profit after income tax		**118,237,592**	**89,408,136**
Profit for:			
Owners of the parent company		105,685,716	76,344,453
Non-controlling interests	19	12,551,876	13,063,683
Profit after income tax		**118,237,592**	**89,408,136**
Earning per share	28	**0.57**	**0.62**

The accompanying notes on pages 8 - 47 from an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2017

(All amounts in Egyptian Pounds)

	Note	2017	2016
Profit for the period		118,237,592	89,408,136
Other comprehensive income		-	-
Comprehensive income for the period		**118,237,592**	**89,408,136**

The accompanying notes on pages 8 - 47 from an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

(All amounts in Egyptian Pounds)

	Share capital	Reserves	Retained earnings	Total Shareholders equity of the parent Company	Non-controlling interest	Total equity
Balance at 1 January 2016	**80,000,000**	**(62,303,508)**	**108,270,052**	**125,966,544**	**33,250,055**	**159,216,599**
Capital increase	20,000,000	-	-	**20,000,000**	-	**20,000,000**
Employees dividends	-	-	(12,725,811)	**(12,725,811)**	(815,889)	**(13,541,700)**
Reserves	-	360,341,313	(3,233,667)	**357,107,646**	(1,710,283)	**355,397,363**
Share of non-controlling interest interests from the acquisition of subsidiaries	-	-	-	**-**	16,924	**16,924**
Comprensive income 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**	**168,655,027**	**566,692,832**	**43,804,490**	**610,497,322**
Balance at 1 January 2017	**100,000,000**	**298,037,805**	**168,655,027**	**566,692,832**	**43,804,490**	**610,497,322**
Capital increase	700,000,000	-	-	**700,000,000**	-	**700,000,000**
Dividends for employees	-	-	(13,338,392)	**(13,338,392)**	(1,067,790)	**(14,406,182)**
Reserves formed (utilized)	-	(27,486,802)	(653,184)	**(28,139,986)**	653,184	**(27,486,802)**
Transactions with non-controlling interest	-	(400,876)	-	**(400,876)**	(212,484)	**(613,360)**
Comprensive income for the period	-	-	105,685,716	**105,685,716**	12,551,876	**118,237,592**
Balance at 31 December 2017	**800,000,000**	**270,150,127**	**260,349,167**	**1,330,499,294**	**55,729,276**	**1,386,228,570**

The accompanying notes on pages 8 - 47 from an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017

(All amounts in Egyptian Pounds)

	Note	2017	2016
Cash flows from operating activities			
Profit before tax		155,356,453	119,932,991
Adjustments to reconcile net income to cash flows from operating activities			
Fixed asserts depreciation	6	34,556,351	26,728,514
Fixed assets write off	6	3,296,591	-
Profit from sale of fixed assets	24	(686,240)	-
Amortization of intangible assets	7	5,350,005	5,349,995
Impairment of inventories	9	435,336	-
Impairment of trade receivables	10	31,639,307	25,581,599
Impairment of no longer required of trade receivables	10	(33,180,972)	(7,966,502)
Impairment write off of trade receivables	10	(20,810,456)	(6,844,712)
Provisions formed	13	15,352,216	10,865,355
Provisions no longer required	13	(8,273,439)	(6,724,173)
Provisions utilized	13	(10,423,100)	(11,177,398)
Employee incentive plan	15	24,821,000	-
Interests and commissions	25	73,498,043	57,463,194
Interests payable	25	(59,442,182)	(25,413,438)
Income tax paid	26	(52,298,210)	(35,734,890)
Operating profits before changes in assets and liabilities		**159,190,703**	**152,060,535**
Changes in assets and liabilities			
Change in inventories	9	15,592,425	(21,886,754)
Change in trade receivables	10	(37,148,502)	(26,432,535)
Change in due from related parties	29	(5,272,514)	-
Change in debtors and other debit balances	11	10,365,131	(50,302,142)
Change in Creditors and other credit balances	14	47,026,579	47,198,136
Net cash flows generated from operating activities		**189,753,822**	**100,637,240**
Cash flows from investing activities			
Payments for purchase fixed assets	6	(77,916,708)	(35,167,693)
Payments for projects under construction	6	(37,209,353)	(9,601,252)
Prepayments for purchasing fixed assets		(10,584,782)	(214,540)
Proceeds from sale of fixed assets		2,164,783	128,359
Payments to acquisition of subsidiary, net cash acquired		(613,360)	(235,052,181)
Payments under long term investments	8	(143,550,000)	-
Deposits with a maturity of more than 3 months from the date of placement	12	384,208,630	(332,318,507)
Interests received		63,038,509	25,592,289
Collected from housing bonds		-	38,080
Net cash flows generated from/(used in) investing activities		**179,537,719**	**(586,595,445)**
Cash flows from financing activities			
Paid under capital increase		700,000,000	20,000,000
Issuance premium		-	340,000,000
Proceeds from bank overdraft		122,507,426	32,910,196
Payments for bank overdraft		(102,705,304)	(35,248,527)
Receipts from borrowings and bank overdraft		-	208,714,800
Payment of borrowings and bank overdarft		(46,010,638)	(41,598,609)
Dividends paid		(13,906,465)	(8,510,666)
Interests and commissions paid		(77,420,346)	(32,952,318)
Net cash flows generated from financing activities		**582,464,673**	**483,314,876**
Change in cash and cash equivalents during the year		**951,756,214**	**(2,643,329)**
Cash and cash equivalents at the beginning of the year		44,374,417	47,017,746
Cash and cash equivalents at the end of the year	12	**996,130,631**	**44,374,417**

The accompanying notes on pages 8 - 47 from an integral part of these financial statements.

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

Notes to the consolidated financial statements - For the year ended 31 December 2017

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

1.Indroduction

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

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

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

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

On 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the total shares of Cairo Specialised Hospital. And as of 31 December 2016 Cleopatra Hospital S.A.E share in Cairo Specialised Hospital has changed to reach 53.67% due to the write off of treasury shares.

Related to Cairo specialised Hospital on 28 September 2017, the ownership percentage became 53.88% due to purchasing from the non-controlling interest of Cairo specialised Hospital.

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

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

These consolidated financial statements have been approved for issuance by the Board of Directors of the Parent Company on 1 March 2018.

2.Accounting policies

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

A.Basis of preparation of the consolidated financial statements

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

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

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

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

B.Basis of consolidation

1.Subsidiaries

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

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

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

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

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

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

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

2.Sale, acquisition and non-controlling interests

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

3.Associates

- Associates are entities over which the Group has significant influence but not control. A shareholding in these entities ranges between 20% and 50% of the voting rights.
- Investments in associates are accounted for by the equity method of accounting. Investments are initially recognised at cost.
- Goodwill arising from shareholding in associates is stated within investment cost net of accumulated impairment.
- The Group's share of its associates' post-acquisition profit and loss is recognised in the profit and loss statement, and its share of post-acquisition movements in associates' reserves is recognised in reserves, in exchange for the adjustment of carrying value of investment against the Group's share in post-acquisition changes in equity after the acquisition date.
- When the Group's share of losses in associates equals or exceeds its interest in the associate, including any other receivables or unsecured borrowings, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies applied in the associates are adjusted when necessary to ensure consistency with the policies adopted by the Group.

C.Segment reporting

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

D.Foreign currency translation

1.Functional and presentation currency

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

2.Transactions and balances

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

E.Fixed assets

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

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

All repair and maintenance costs are charged to the statement of profit and loss for the fiscal 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 and equipment	10%
Tools and instruments	25%
Furniture and fixtures	15%
Vehicles	20%
Computers	25%

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

F.Intangible assets

1.Goodwill

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

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

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

Goodwill is allocated to cash generating units for the purpose of measurement of impairment.

Allocation is made on cash generating units or a group of cash generating units that are expected to directly benefit from goodwill.

2.Trade name

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

3.Non-competition agreement

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

G.Inventories

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

H.Financial assets

First – Classification:

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

Loans and receivables:

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

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

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

Second: Initial and subsequent measurement:

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

Third: Impairment of financial assets:

Assets recognised at amortised cost

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

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

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

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

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

I.Impairment of non-financial assets

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

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

J.Share capital

Ordinary shares are classified as equity.

K.Legal reserve

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

L.Provisions

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

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

M.Trade payables

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

N.Borrowings and advances

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

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

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

O.Employees' benefits

1.Pension and insurance scheme

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

2.Employee incentive plan

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

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

System elements

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

The remuneration committee shall determine the date of grant.

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

A) Payments calculated on the basis of the difference between the market value of the Parent Company's shares on 30 June 2020 and the share price at the date of its public offering on the Stock Exchange on 2 June 2016
B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 30 June 2020 and 30 June 2016.

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

P.Revenue recognition

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

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

Medical services revenue

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

Sale of medicine revenue

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

Rental income

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

Interest income

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

Q.Leases

1.Finance lease

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

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

2.Operating leases

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

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

R.Current and deferred income tax

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

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

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

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

S.Dividends

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

T.Cash and cash equivalents

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

U.Fair value of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

3.Financial risk management

1.Financial risk factors

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

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

A.Market risk

i.Risk of change in foreign currency rates

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

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

	2017	2016
US Dollars	13,985,889	15,198,332
Euro	47,074	41,944
GBP	53,739	53,019

At 31 December 2017, if the EGP had been more/ less by 10% against foreign currencies, with all other variables held constant, net profit after taxes would have increased / decreased as follows:

	2017	2016
US Dollars	1,398,589	1,519,833
Euro	4,707	4,194
GBP	5,374	5,302

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

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

B.Credit risk

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

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

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

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

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

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

	2017	2016
Cash at banks	1,004,971,339	432,258,309
Trade receivables	205,598,741	168,450,239

C.Liquidity risk

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

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

	Below 3 months	3 months to 1 year	1 year to 5 years	Above 5 years
Suppliers and notes payable	84,252,936	14,645,915	-	-
Loans and financing interests	2,260	118,634,491	424,306,010	
Accrued expenses	108,462,957	1,858,540	-	-
Miscellaneous creditors	2,496,172	1,865,571	42,488	-

During November 2016, the borrowing rate (corridor) increased by 3%, and this will affect the company's liabilities regarding due from related parties, borrowings and finance interest. During May 2017 and July 2017, the borrowing rate had increased to be 2% and 2% respectively.

2.Capital risk management

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

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

Net debt to total invested capital as at 31 December 2017 and 31 December 2016 is as follows:

	2017	2016
Creditors and other credit balances	246,313,287	175,222,518
Employee incentive plan	24,821,000	-
Borrowings	351,938,627	378,147,113
Less: Cash on hand and at banks	(1,007,130,631)	(439,583,047)
Net debt	**(384,057,717)**	**113,786,584**
Total shareholders' equity	1,386,228,570	610,497,322
Total invested capital	**1,002,170,853**	**724,283,906**
Net debts to total invested capital	(38.32%)	15.71%

3.Estimations of fair values of financial instruments

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

4.Critical accounting estimates, assumptions and judgements

Critical accounting estimates and assumptions

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

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

Provisions

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

Impairment of goodwill and other intangible assets

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

Impairment of trade receivables and customers

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

Employee incentive plan

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

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

The plan consists of the following:

A) Payments calculated on the basis of the difference between the market value of the Parent Company's shares on 30 June 2020 and the share price at the date of its public offering on the Stock Exchange on 2 June 2016.

B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 30 June 2020 and 30 June 2016.

- Liabitities are estimated at each financial position date based on the present value of the expected cash flows discounted at market rate of return.
- These estimates are calculated by an independent export and include the impact of market conditions using the total shareholders return (TSR) as well as other non-market conditions using earning before interest, tax, depreciation and amortization (EBITDA).
- The assumption used, including the discount rates and expected performance are reviewed in accordance with approved management plans annuly and assumptions adjusted if nessecary.

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 2017 for each segment:

	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	Total
Statement of financial position					
Non-current assets	472,292,017	64,704,716	205,580,851	114,519,329	**857,096,913**
Current assets	1,023,348,072	112,708,712	69,215,774	44,904,556	**1,250,177,114**
Total assets	**1,495,640,089**	**177,413,428**	**274,796,625**	**159,423,885**	**2,107,274,027**
Current liabilities	207,141,439	51,878,990	55,431,913	41,038,851	**355,491,193**
Non-current liabilities	304,822,632	4,909,467	39,560,376	16,261,789	**365,554,264**
Total Liabilities	**511,964,071**	**56,788,457**	**94,992,289**	**57,300,640**	**721,045,457**
Statement of profit or loss:					
Operating revenue	492,447,171	241,377,409	201,731,232	191,212,342	**1,126,768,154**
Operating costs	(303,337,790)	(174,798,891)	(157,357,703)	(152,679,223)	**(788,173,607)**
Gross profit	**189,109,381**	**66,578,518**	**44,373,529**	**38,533,119**	**338,594,547**
Other expenses and revenues	(105,984,880)	(43,367,708)	(37,901,022)	(33,103,345)	**(220,356,955)**
Profit for period	**83,124,501**	**23,210,810**	**6,472,507**	**5,429,774**	**118,237,592**
Other Items					
Capital expenditure	35,733,890	22,288,010	40,959,464	14,902,697	**113,884,061**
Fixed assets depreciation	9,018,359	7,982,256	9,785,871	7,769,865	**34,556,351**

The financial information above represents segment data recorded in the Companies books after excluding inter-segment transactions and the affect of the change in the assets value and the liabilities arising from the acquisition.

Below is a summary of each segment, which is presented for the financial year ended 31 December 2016 for each segment:

	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	Total
Statement of financial position					
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**
Statement of profit or loss					
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

6.Fixed assets

	Lands	Machinery, equipment & devices	Furniture	Buildings	Vehicles	Computers	Projects under construction	Total
At 1 January 2016								
Cost	69,264,635	180,712,569	19,502,453	175,024,544	4,596,488	4,330,024	1,599,921	**455,030,634**
Accumulated depreciation	-	(130,731,926)	(14,141,456)	(36,823,505)	(2,983,795)	(3,300,000)	-	**(187,980,682)**
Net book Amount	**69,264,635**	**49,980,643**	**5,360,997**	**138,201,039**	**1,612,693**	**1,030,024**	**1,599,921**	**267,049,952**
Year ended 31 December 2016								
Opening net book amount	69,264,635	49,980,643	5,360,997	138,201,039	1,612,693	1,030,024	1,599,921	**267,049,952**
Additions	-	27,971,594	2,792,296	922,553	1,662,190	1,819,060	9,601,252	**44,768,945**
Disposals	-	(1,762,681)	(23,772)	-	-	(2,150)	-	**(1,788,603)**
Depreciation for the year	-	(12,973,547)	(1,987,446)	(10,558,255)	(273,933)	(935,333)	-	**(26,728,514)**
Acquired assets	36,064,627	47,878,476	8,991,488	67,911,188	1,066,195	2,324,416	1,015,196	**165,251,586**
Transfers from projects under construction	-	1,080,000	-	-	-	-	(1,080,000)	-
Acquired assets accumulated depreciation	-	(27,955,272)	(7,249,991)	(15,845,427)	(466,195)	(1,974,415)	-	**(53,491,300)**
Disposal depreciation	-	1,657,286	2,952	-	-	-	-	**1,660,238**
Closing net book amount	**105,329,262**	**85,876,499**	**7,886,524**	**180,631,098**	**3,600,950**	**2,261,602**	**11,136,369**	**396,722,304**
At 31 December 2016								
Cost	105,329,262	255,879,958	31,262,465	243,858,285	7,324,873	8,471,350	11,136,369	**663,262,562**
Accumulated depreciation	-	(170,003,459)	(23,375,941)	(63,227,187)	(3,723,923)	(6,209,748)	-	**(266,540,258)**
Net book Amount	**105,329,262**	**85,876,499**	**7,886,524**	**180,631,098**	**3,600,950**	**2,261,602**	**11,136,369**	**396,722,304**
Year ended 31 December 2017								
Opening net book amount	105,329,262	85,876,499	7,886,524	180,631,098	3,600,950	2,261,602	11,136,369	**396,722,304**
Additions	-	63,997,645	4,600,686	1,731,833	-	6,344,544	37,209,353	**113,884,061**
Disposals	-	(3,457,396)	(223,631)	-	(239,000)	(7,105)	-	**(3,927,132)**
Fixed assets write-off	-	-	-	-	-	-	(3,296,591)	**(3,296,591)**
Transfers from projects under construction	-	3,131,843	87,721	1,489,565	-	14,904,336	(19,613,465)	-
Depreciation for the year	-	(18,155,869)	(2,490,172)	(10,473,093)	(1,131,197)	(2,306,020)	-	**(34,556,351)**
Disposal depreciation	-	3,295,823	226,232	-	161,431	7,102	-	**3,690,588**
Balance at 31 December 2017	**105,329,262**	**134,688,545**	**10,087,360**	**173,379,403**	**2,392,184**	**21,204,459**	**25,435,666**	**472,516,879**
Cost	105,329,262	319,552,050	35,727,241	247,079,683	7,085,873	29,713,125	25,435,666	**769,922,900**
Accumulated depreciation	-	(184,863,505)	(25,639,881)	(73,700,280)	(4,693,689)	(8,508,666)	-	**(297,406,021)**
Net book Amount at the end of the year	**105,329,262**	**134,668,545**	**10,087,360**	**173,379,403**	**2,392,184**	**21,204,459**	**25,435,666**	**472,516,879**

	Lands	Buildings	Machinery, equipment & 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)	-
Cost 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	-	15,845,427	27,955,272	7,249,991	466,195	1,974,415	-	**53,491,300**
Depreciation	-	10,558,255	12,973,547	1,987,446	273,933	935,333	-	**26,728,514**
Accumulated depreciation of disposals	-	-	(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**

7.Business combination and intangible assets

Cost	Trade name	Non-competition agreement	2017 Total	Goodwill
Balance at 1 January 2016	21,342,000	-	**21,342,000**	75,853,020
Additions during the year	23,012,000	10,700,000	**33,712,000**	120,823,014
Amortisation for the year	-	(5,349,995)	**(5,349,995)**	-
Balance at 31 December 2016	**44,354,000**	**5,350,005**	**49,704,005**	**196,676,034**
Balance at 1 January 2017	44,354,000	5,350,005	**49,704,005**	196,676,034
Amortisation for the year	-	(5,350,005)	**(5,350,005)**	-
Balance at 31 December 2017	**44,354,000**	**-**	**44,354,000**	**196,676,034**

The good will is as follows:

	Balance at 1 January 2017	Acquistion of a subsidiary	Balance at 31 December 2017
Nile Badrawi Hospital	75,853,020	-	75,853,020
Al Shorouk Hospital S.A.E.	120,823,014	-	120,823,014
Total	**196,676,034**	**-**	**196,676,034**

Goodwill

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

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

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

Trade name

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

8.Payments under long term investments

	2017	2016
Payments under long term investments	143,550,000	-
	143,550,000	**-**

9.Inventories

	2017	2016
Medical supply inventory	16,372,040	19,870,897
Medicine inventory	11,031,641	22,285,738
Hospitality supplies inventory	1,669,134	410,555
Stationary inventory	757,419	1,748,016
Maintenance and spare parts inventory	605,258	1,494,892
Food and beverage inventory	88,990	306,809
	30,524,482	**46,116,907**
Less:		
Impairment of inventory	(435,336)	-
	30,089,146	**46,116,907**

10.Trade receivables

	2017	2016
Due from customers	200,935,193	163,957,688
Income from inpatients	4,663,548	4,492,551
	205,598,741	**168,450,239**
Less:		
Impairment of customers' balances	(20,162,346)	(42,514,466)
Net trade receivables	**185,436,395**	**125,935,773**

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

Movement in the provision for impairment is as follows:

	2017	2016
Balance at 1 January	42,514,466	24,676,776
Provisions formed during the period / year	31,639,307	25,581,599
Provisions no longer required during the period/ year	(33,180,972)	(7,966,502)
Write-offs during the period/ year	(20,810,456)	(6,844,712)
Effect of acquisition	-	7,067,305
Balance at the end of the period/ year	**20,162,345**	**42,514,466**

Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 66,308,345 (31 December 2016: EGP 60,372,774).

At the financial position date, the balances that were past due but not impaired amounted to EGP 103,078,824 (31 December 2016: EGP 66,929,491) regarding customers and transactions with no history of default. The ageing analysis of these balances is as follows:

	2017	2016
Less than1 month	41,031,783	40,009,048
1 to 5 months	62,047,041	26,920,443

The management creates a 100% impairment of customers who are overdue for more than 150 days from the claim date. After deducting the amounts that expected to be collected after calculating the loss given default rate. It also creates a group-based provision based on historical failure rates. The management calculates historical failure rates for each customer per month on the accounts of customers whose debts exceed 150 days to 360 days from the date of the financial position. Based on these rates, the management calculates a provision for debts of customers whose debts are not more than five months old.

11.Debtors and other debit balances

	2017	2016
Advances to suppliers	14,229,591	7,710,643
Prepaid expenses	2,951,292	2,992,632
Withholding taxes	1,864,062	9,376,365
Employees custodies	1,761,372	653,301
Deposits with others	1,158,804	649,833
Other debtors	574,691	1,866,757
Accrued interest income	471,343	3,340,421
	23,011,155	**26,589,952**
Less: Impairment in other debit balances	(911,240)	(1,113,366)
	22,099,915	**25,476,586**

The movement of the provision for impairment is as follows:

	2017	2016
Balance at 1 January	1,113,366	854,860
Provisions formed during the period/ year	-	313,575
Effect of acquisition of subsidiary	-	210,734
No longer required during the period/ year	(202,126)	(265,803)
	911,240	**1,113,366**

12.Cash on hand and at banks

	2017	2016
Time deposit	41,750,235	395,208,630
Current accounts	963,221,104	37,049,679
Cash on hand	2,159,292	7,324,738
	1,007,130,631	**439,583,047**

Deposits are held with local banks in the EGP and have maturity of six months from the date of placements with fixed interest rate ranging from 14% to 16% (2016: from 10.75% to 12%).

Current account are held with local bank in EGP with fixed interest rate ranging from 14% to 15% (2016: from 10.75% to 12%).

	2017	2016
Cash on hand and at banks	1,007,130,631	439,583,047
Deposits with a maturity of more than 3 months from the date of placement	(11,000,000)	(395,208,630)
Cash and cash equivalents	**996,130,631**	**44,374,417**

13.Provisions

	2017	2016
Provision for claims	14,306,471	16,470,824
Provision for human resources	7,273,911	8,453,881
	21,580,382	**24,924,705**

Movement in the provision during the period/ year is as follows:

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

	2016					
	Balance at the beginning of the year	Effect of acquisition of subsidiaries	Formed during the year	Utilised during the year	Provisions no longer required	Balance at the end of the year
Provisions for claims	15,638,201	11,870,000	1,043,800	(7,737,936)	(4,343,241)	16,470,824
Provision for human resources	4,252,596	200,124	9,821,555	(3,439,462)	(2,380,932)	8,453,881
Total	**19,890,797**	**12,070,124**	**10,865,355**	**(11,177,398)**	**(6,724,173)**	**24,924,705**

Provision for claims

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

Provision for human resources

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

14.Creditors payable and other credit balances

	2017	2016
Accrued expenses	137,489,897	81,238,810
Suppliers and notes payable	98,897,890	85,846,933
Social insurance	1,678,957	1,464,254
Dividends payable	1,075,849	576,132
Other creditors	7,170,692	6,096,389
	246,313,285	**175,222,518**

15.Employee incentive plan

	2017	2016
Employee incentive plan based on parent company's market value of shares	20,402,000	-
Employee incentive plan based on earning performance before interest, tax, depreciation and amortization	4,419,000	-
	24,821,000	**-**

Starting from March 2017, the Cleopatra Hospital Group managed to activate the cash-based payment system for some employees of the parent company and some of the other group companies in order to link the interests of the beneficiaries with the shareholders' interest and to ensure that the highly qualified participants receive the appropriate incentive to support the growth and stability of the group. Maintain the highly qualified staff within the management team. The remuneration committee of the parent company oversees the application of the system under the supervision and supervision of the parent company's board of directors.

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

The advantages of the system are as follows:

A) Payments calculated based on the difference between the market value of the Parent Company's shares on 30 June 2020 and the share price at the date of its offering in the Egyptian Stock Exchange on 2 June 2016.

B) Payments calculated based on the difference between the profit performance before interest, income taxes, depreciation and amortisation (EBITDA) at the maturity date of 30 September 2020 and 30 June 2016.

16.Borrowings and bank overdraft

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

	2016		
	Current portion	Non-current portion	Total
Bank overfraft	6,158,926	-	6,158,926
Borrowings	46,010,638	325,977,549	371,988,187
Total	**52,169,564**	**325,977,549**	**378,147,113**

Term loans and overdrafts above include an amount of EGP 325,977,549 with interest rate of 2.4% in addition to the corridor rate declared by the Centeral Bank of Egypt, starting from September 2017 the interest rate changed to be 1.9% in addition to the corridor rate declared by the Central Bank of Egypt and secured by:

- Pledge of Cleopatra Hospital Company S.A.E. shares in Cairo Specialised Hospital Company S.A.E.
- Pledge of Care Healthcare limited shares in Cleopatra Hospital Company S.A.E.
- Pledge of 51% of Cleopatra Hospital Company S.A.E. Share in Nile Badrawi Hospital Company S.A.E.
- Pledge of Cleopatra Hospital Company S.A.E. shares in Alshrouk Hospital Company S.A.E.

Loans covencuts

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

- Debt/EBITDA: Less than or equal 3.5 for 2017 (2016: less than or equal 4.3).
- Debt service coverage ratio (DSCR): Greater than or equal 1 for 2016 and 2015.
- Current ratio: Greater than or equal 1 for 2016 and 2015.

17.Share capital

On 31 December 2016, the company issued share capital was paid through 200 million shares with nominal value EGP 5 with total amount EGP 100 million .

On 2 June 2016, 40 million share issued as a secondry issuance where Care Healthcare (Ltd) sold it's shares in prirat offening and Public of fering.

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

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

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

On September 30, 2017, the Extraordinary General Meeting of the Company approved an increase in the authorized capital from LE 800,000,000 to LE 2,000,000,000 and an increase in issued capital from LE 100,000,000 to LE 800,000,000 with an increase of EGP 700,000,000 by inviting shareholders to subscribe In the shares of the increase through the issuance of 1.400.000.000 shares subscribed to the nominal value of the share of 0.5 Egyptian pounds per share, the full value of the value of the subscription, note that the shareholders of the company may subscribe to the increase each by its share in the capital or the sale of all or Part of the right to subscribe separately from the original share knowing that it will be completed The right of subscription rights and the shares of the increase in favor of small shareholders from the smallest to the largest until the amount of fractures. The subscription will be open from November 6, 2017 and end on 5 December 2017 and may be closed in case of covering the entire subscription value.

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

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

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

18.Reserves

Below is the movement on reserves during the year:

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

During the year, the Group acquired 5576 shares from Cairo Specialised Hospital from the non-controlling interest shares for an amount exceeding the minority interest with EGP 400,876. Accordingly, this amount was added to the acquisition reserve, excluding the book value of these shares amounted to EGP 212,484 from the non controlling interest.

	2016		
	Balance at the 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
Special reserve	-	49,090,006	49,090,006
Acquisition reserve	(76,131,168)	-	(76,131,168)
Other reserves	-	275,078,967	275,078,967
Total	**(62,303,508)**	**360,341,313**	**298,037,805**

A.Legal reserve

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

B.Acquisition reserve

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

C.Special reserve

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

D.Other reserves

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

Below is the movement in the reserves:

	31 December 2017				
	Payment	Number of shares	Nominal value	Share capital	Share premium
Private offering and share capital increase	306,000,000	34,000,000	EGP 0.5	17,000,000	289,000,000
Public offering	54,000,000	6,000,000	EGP 0.5	3,000,000	51,000,000
Expenses of 2016 shares issued*	-	-	-	-	(31,982,360)
Expenses of 2017 shares issued***	-	-	-	-	(27,486,802)
Transfer to legal reserve**	-	-	-	-	(32,938,673)
Total	**360,000,000**	**40,000,000**		**20,000,000**	**247,592,165**

	31 December 2016				
	Payment	Number of shares	Nominal value	Share capital	Share premium
Private offering and share capital increase	306,000,000	34,000,000	EGP 0.5	17,000,000	289,000,000
Public offering	54,000,000	6,000,000	EGP 0.5	3,000,000	51,000,000
Expenses of 2016 shares issued*	-	-	-	-	(31,982,360)
Transfer to legal reserve**	-	-	-	-	(32,938,673)
Total	**360,000,000**	**40,000,000**		**20,000,000**	**275,078,967**

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

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

**** The expenses of share issuance amounting to EGP 27,486,802 comprise the expenses amount of IPO of shares of increasing the Company's capital, representing the expenses of registrations promotion and other legal and professional expenses.*

19.Non-Controlling interests

	Share capital	Legal reserve	Retained earnings	Share of minority interest on settlement of acquisition	Total
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**
Employees dividends	-	-	(815,889)	-	**(815,889)**
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**	**24,509,010**	**120,184**	**43,804,490**
Balance at 1 January 2017	12,787,080	6,388,216	24,509,010	120,184	**43,804,490**
Employee Dividends	-	-	(1,067,790)	-	**(1,067,790)**
Legal Reserve	-	653,184	-	-	**653,184**
Transaction with non-controlling interest	(55,760)	(32,349)	(124,375)	-	**(212,484)**
Comprehensive income for the year	-	-	12,551,876	-	**12,551,876**
Balance at 31 December 2017	**12,731,320**	**7,009,051**	**35,868,721**	**120,184**	**55,729,276**

20.Operating revenues

	2017	2016
Accommodation and medical supervision revenue	284,794,190	219,071,341
Surgeries revenue	230,425,388	179,585,705
Outpatient clinics revenue	152,453,195	130,202,781
Laboratories revenue	97,835,632	71,359,720
Cardiac catheterization revenue	78,932,900	68,746,131
Service charge revenue	75,230,123	45,847,097
Radiology revenue	52,825,331	38,721,240
Emergency revenue	50,465,274	39,756,540
Revenues of oncology centre	31,652,138	15,599,812
Pharmacy revenue	28,369,651	20,784,850
Dentistry revenue	11,517,148	10,663,064
Physiotherapy revenue	9,130,476	7,461,908
Endoscopy revenue	8,332,111	7,580,122
Cardiac tests revenue	6,652,704	6,061,185
Other departments revenues	8,151,893	3,008,182
	1,126,768,154	**864,449,678**

21.Operating cost

	2017	2016
Medical and pharmaceutical supplies	259,532,053	206,014,986
Doctors' fees	217,469,382	170,629,841
Salaries, wages and benefits	187,331,182	147,451,209
Maintenance, spare parts and energy expenses	36,365,515	29,409,703
Food, beverage and consumables costs	35,277,121	21,019,857
Fixed assets depreciation	30,344,363	25,443,325
Rents	5,594,484	4,867,066
Other expenses	16,259,507	8,037,237
	788,173,607	**612,873,224**

22.General and administrative expenses

	2017	2016
Salaries, wages and benefits	91,710,939	53,958,163
Professional and consulting fees	18,443,496	10,893,077
Impairment of trade receivables	10,828,848	17,662,833
Fixed assets depreciation	7,508,578	1,409,142
Amortization of intangible assets	5,350,005	5,350,000
Maintenance, spare parts and energy expenses	3,795,923	3,174,960
Food, beverage and consumables costs	2,347,916	2,274,944
Rent	1,727,079	1,500,716
Other expenses	19,649,278	9,584,392
	161,362,062	**105,808,227**

23.Expenses by nature

	2017	2016
Salaries, wages and benefits*	279,042,121	201,409,372
Medical and pharmaceutical supplies	259,532,053	206,014,986
Doctors' fees	217,469,382	170,629,841
Maintenance, spare parts and energy expenses	40,161,438	32,584,663
Fixed assets depreciation and write-off	37,852,941	26,852,467
Food, beverage and consumables costs	37,625,037	23,294,801
Impairment of trade receivables	10,828,848	17,662,833
Amortization of intangible assets	5,350,005	5,350,000
Other expenses	61,673,844	34,882,488
	949,535,669	**718,681,451**

*Employees' costs

	2017	2016
Salaries and wages	195,285,392	163,061,115
Bonuses and incentives	58,374,948	27,274,463
Employees' benefits	14,119,833	2,198,856
Social insurance	11,261,948	8,874,938
	279,042,121	**201,409,372**

The rewards and incentives item includes an amount of EGP 20,402,000 (EGP nil as at 31 December 2016) which represents the amount of the payments calculated on the basis of the difference between the market value of the Parent Company's shares at 30 June 2020 and the share price at the date of offering its shares in the Egyptian Stock Exchange on 2 June 2016. And an amount of EGP 4,419,000 (EGP nil at 31 December 2016) which represents the value of payments calculated on the basis of the difference between profit before interest and (EBITDA) at the maturity date of 30 June 2020 and 30 June 2016.

24.Other income

	2017	2016
Rent	1,937,319	1,531,487
Buffet income and cafeteria concession	1,647,709	1,719,286
Capital gains	686,240	-
Miscellaneous income	1,224,016	1,775,568
	5,495,284	**5,026,341**

25.Finance income/ (expenses)

	2017	2016
Finance income		
Interest Payable	59,442,182	25,413,438
Total finance income	**59,442,182**	**25,413,438**
Finance costs		
Interest Receivable	(67,431,475)	(53,552,366)
Quick-payment discount	(2,897,793)	-
Bank commissions	(3,168,780)	(3,910,823)
Currency valuation defferences	(904,220)	6,963,941
Total finance expenses	**(74,402,268)**	**(50,499,248)**
Net finance (expenses)/ income	**(14,960,086)**	**(25,085,810)**

26.Income taxes

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

	2017	2016
Current income tax for the year	32,682,010	31,068,249
Deferred tax (Note 27)	4,436,851	(543,394)
	37,118,861	**30,524,855**

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

	2017	2016
Net profit before tax	155,356,455	119,932,991
Income tax calculated based on the applicable local tax rate	34,955,203	26,984,923
Add/ (less):		
Non-taxable expenses	6,418,302	11,724,540
Income not subject to tax	(4,682,354)	(9,096,226)
Prior years adjustments	427,710	911,618
Income taxes	**37,118,861**	**30,524,855**
Effective tax rate	**23.89%**	**25.45%**

Current income tax liabilities	2017	2016
Balance at 1 January	31,578,146	32,136,609
Payments during the year	(30,594,847)	(35,734,890)
Current year tax	32,682,010	31,068,249
Advance payments to tax authorities	(21,703,363)	-
Effect of acquisition or subsidiaries	-	4,108,178
	11,961,946	**31,578,146**

27.Deferred tax

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

Liabilities	Balance at 1 Jan 2017 (Liability)	Effect of acquisition of subsidiaries Asset/ (liability)	(Expense)/ income charged to the statement of income during the year	Balance at 2017 (Liability)
Fixed assets	(2,823,503)	-	(6,656,747)	(9,480,250)
Fixed assets - Effect of fair value	(49,780,264)	-	2,512,804	(47,267,460)
Intangible assets - Effect of fair value	(9,979,650)	-	-	(9,979,650)
Total Liabilities	**(62,583,417)**	**-**	**(4,143,943)**	**(66,727,360)**
Assets				
Provisions (excluding claims provision)	2,590,052	-	(292,909)	2,297,143
Net deferred tax - Liability	**(59,993,365)**	**-**	**(4,436,852)**	**(64,430,217)**

Liabilities	Balance at 1 Jan 2016 (Liability)	Effect of acquisition of subsidiaries Asset/ (liability)	(Expense)/ income charged to the statement of income during the year	Balance at 2016 (Liability)
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	**(45,511,184)**	**(16,734,179)**	**(338,054)**	**(62,583,417)**
Assets				
Provisions (excluding claims provision)	1,708,604	-	881,448	2,590,052
Net deferred tax - Liability	**(43,802,580)**	**(16,734,179)**	**543,394**	**(59,993,365)**

28.Earning per share

The basic earnings per share for the year is calculated by dividing the net profit of the year by the number of shares outstanding during the financial year ended 31 December 2017, and as there is no proposed dividends, the net distributable profits were determined on the basis of the net profit for the year without deducting the employees' share and the remuneration of directors in dividends. The earnings per share is EGP 0.57 (2016: EGP 0.62).

	2017	2016
Distributable profit	118,237,592	89,408,136
Number of shares issued	207,671,233	145,333,333
	0.57	**0.62**

29.Related parties transactions

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

Balances of financial position

	(Related parties)	Nature of transaction	Transaction value	Balance due from / (to) related parties
Care HealthCare (Parent Company)				
Debtors and other debit balances		Expenses paid on behalf of the parent Company	1,663,580	1,663,580
		Expenses paid on behalf of the Company	3,757,447	3,757,447
Specialized clinics (Under constructing subsidiary)			-	-
				5,421,027

30.Tax position

Cleopatra Hospital S.A.E.

1.Corporate tax

- Inspection was made up to 31 December 2014, and a clearance certificate was obtained from the Tax Authority.
- Tax returns were filed regularly in the legal deadlines.
- Inspection was not made for 2015 and 2016.
- Inspection was not made for 2017.

2.Salaries tax

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

3.Stamp duty tax

- Inspection was made up to 31 July 2006 and tax was paid.
- Inspection was made from 1 August 2006 to 31 December 2013. The Company was notified of stamp duty on form 19 dated 23 April 2015. Tax assessment was issued for an amount of EGP 72.966 on 3 May 2015. An appointment is being made to study the objection in the internal committee.
- Years from 2014 to 2016 were not inspected.

4.VAT

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

Cairo Specialised Hospital "S.A.E."

1.Corporate tax

- The company was inspected from inception till 2008, and all entitlements were paid.
- Years from 2009 till 2014, the inspection has been finalized and the differences has been calculated amounted with EGP 594,616 and the Company paid EGP 700,000 as an advance payment.
- The Company was not inspected for the year 2015, 2016 and 2017 tax returns were annually submitted in the legal deadlines.

2.Tax on salaries and wages

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

3.Stamp duty

- The Company was inspected since the inception to 31 July 2006, and all entitlements were paid.
- The Company was assessed on presumptive basis from August 2006 to 2013, and appeal was filed in the legal due date, No inspection took place for the year 2015.
- The Company for the years 2014, 2015, 2016 and 2017 were not inspected.

4.VAT

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

Nile Badrawi Hospital

1.Corporate tax

- Years up to 2012 were settled, and all dues were paid.
- Years from 2013 to 2014 are currently being inspected.
- 2015 and 2016 have not been inspected yet.

2.Salaries tax

- Years up to 2011 were inspected, settled, and paid. No tax is due for the years up to 2011.
- Tax settlement is in progress for the years from 2012 to 2015.
- 2016 has not been inspected yet.

3.Stamp duty

- Years up to 30 July 2006 were inspected and paid.
- Years from 1 August 2006 up to 2014 are currently being inspected. There is a claim of EGP 220.960, for which an objection was filed on 31 October 2016.
- 2015, 2016 and 2017 have not been inspected yet.

4.VAT

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

Al Shorouk Hospital S.A.E.

1.Industrial and commercial profits tax

- Years up to 2014 have been inspected, payment was made, tax differences were settled, and a certificate of clearance and full payment was issued.
- Tax returns for the years 2015 and 2016 have been submitted and no inspection was performed to date.
- 2017, no inspection made.

2.Tax on earning

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

3.Stamp duty tax

- The Company was inspected up to 31 July 2006, and settlement was made.
- The Company was inspected on a presumptive basis from 1 August 2006 to 2014.
- The Company was not inspected for the years 2015 and 2016.
- The Company regularly submits the tax returns on the legal deadlines.

4.VAT

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

31.Commitments

A.Capital commitments:

Capital commitments related to fixed assets at financial year end, which are not yet due, amounted to EGP 4,362,175 (31 December 2016: EGP 45,929,445).

B.Rental liabilities:

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

	2017	2016
Less than one year	1,229,510	1,275,046
1 to 3 years	-	1,823,173

32.Other matters

A. With reference to the disclosures issued by the Company on 20 October 2016, 2 November 2016, 18 January 2017 and 31 January 2017 to the Egyptian Stock Exchange regarding the dispute concerning the plot of land of the Nile Badrawi Hospital (the "Company") to which a request has been submitted to the Committee for the Resolution of Investment Disputes, in accordance with what was referred to in the offering of the shares of Cleopatra Hospital in the Egyptian Stock Exchange, please be informed that - as indicated in the disclosures above - the Nile Badrawi Hospital has filed a lawsuit to discharge the company against the General Authority for River Transportation and the invalidity of any seizure order in this regard. In addition, the General Authority for River Transportation filed a sub-suit in the case of the clearance requesting the Nile Badrawi Hospital Company to pay the amount of EGP 36 million; the value of the disputed land, EGP 7 million; the value of the right to use this land and the legal benefits, in addition to the amount of EGP 20 million as a compensation and nullification of any contract between the Nile Badrawi and Abraaj Capital or any other entity to sell the disputed land, given that the Nile Badrawi Hospital Company provided its defense in this regard, taking into account the following:

1. That the Ministerial Committee for the Resolution of Investment Disputes issued a resolution on 18 February 2003, approving the non-objection of the General Authority for River Transportation to approve the disposal of land in return for an appropriate compensation. The Committee also approved the proposal that the compensation should be the value of what was paid to Cairo Governorate when the land was purchased.

2. As stated in the Disclosure dated 2 November 2016 - the Technical Secretariat of the Ministerial Committee for Dispute Resolution has notified the Nile Badrawi Hospital Company in its meeting held on 1 November 2016 that it had issued a letter to the General Authority for River Transportation on 27 October 2016 - upon a request from the Company - confirming that the Nile Badrawi Hospital is a company subject to the law of guarantees and incentives for investment and that article 9 stipulates that: "The administrative way may not impose security on companies and entities or seize, takeover, retain, freeze or confiscate their funds." I have asked the General Authority for River Transportation to take the necessary measures to stop any action against Nile Badrawi Hospital Company until the dispute is resolved and presented to the Ministerial Committee for Resolution of Investment Dispute to take its decision in this regard. This dispute is also being handled by the State Land Recovery Commission.

3. That there is no sale of the disputed land between the Nile Badrawi Hospital and any other party.

4. Cleopatra Hospital is entitled to refer to the former owners of the Nile Badrawi Hospital "S.A.E"- in accordance with the contract for the sale of the shares of the Nile Badrawi Hospital - and to claim any losses and / or damages and / or obligations that may be incurred by the Company and / or Nile Badrawi "S.A.E" resulting from any dispute concerning the ownership of land of the Nile Badrawi Hospital.

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

B. The Company is in the process of acquiring an existing hospital in the Arab Republic of Egypt, enabling Cleopatra Hospital S.A.E to expand its operations across the country.

Share information:

EGX: CLHO.CA
Listed: June 2016
Shares Outstanding: 1.6 Billion

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