

**CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS  
SUBSIDIARIES**

**LIMITED REVIEW REPORT AND THE  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED  
30 SEPTEMBER 2019**

## CLEOPATRA HOSPITAL “S.A.E.” AND ITS SUBSIDIARIES

### Consolidated interim financial statements For the nine months period ended 30 September 2019

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## Limited Review Report for the Interim Financial Statements

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

### Introduction

We conducted our limited review on the accompanying consolidated interim financial statements of Cleopatra Hospital (S.A.E.) and its subsidiaries (the "Group") which comprise the consolidated interim statement of financial position as at 30 September 2019 and the related consolidated interim statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other notes. The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is limited to express an opinion on these consolidated financial statements based on our limited review.

### Scope of the limited review

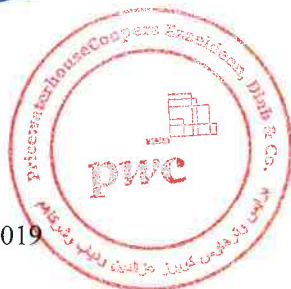
We conducted our limited review in accordance with the Egyptian Standard on Limited Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A limited review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated financial statements.

### Conclusion

In light of our limited review, nothing has come to our attention which causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 September 2019, and its financial performance, and its cash flows for the nine months period then ended in accordance with the Egyptian Accounting Standards.

Wael Sakr  
R.A.A. 26144  
F.R.A. 381

23 November 2019  
Cairo



CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

Consolidated statement of financial position - At 30 September 2019

(All amounts in Egyptian Pounds)

	Note	30 September 2019	31 December 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	6	664,485,035	560,487,087
Goodwill	7	210,747,034	196,676,034
Intangible assets	7	44,354,000	44,354,000
Payments under long term investments	8	278,630,000	143,550,000
Subsidiaries not consolidated	9	-	362,500
<b>Total non-current assets</b>		<b>1,198,216,069</b>	<b>945,429,621</b>
<b>Current assets</b>			
Paid in capital in subsidiaries	35	148,473,511	-
Inventories	10	47,312,996	40,752,369
Trade receivables	11	331,096,246	302,841,491
Due from related parties	31	5,028,837	7,057,927
Debtors and other debit balances	12	118,762,194	48,463,398
Cash on hand and at banks	13	591,502,578	953,422,594
<b>Total current assets</b>		<b>1,242,176,362</b>	<b>1,352,537,779</b>
<b>Total assets</b>		<b>2,440,392,431</b>	<b>2,297,967,400</b>
<b>Equity</b>			
Share capital	18	800,000,000	800,000,000
Reserves	19	284,394,548	274,181,651
Retained earnings		655,281,237	529,815,360
<b>Total equity of the parent company</b>		<b>1,739,675,785</b>	<b>1,603,997,011</b>
Non-controlling interests	20	76,906,843	74,719,570
<b>Total equity</b>		<b>1,816,582,628</b>	<b>1,678,716,581</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current portion of borrowings	17	-	67,879,332
Deferred tax liabilities	29	69,920,160	66,869,150
<b>Total non-current liabilities</b>		<b>69,920,160</b>	<b>134,748,482</b>
<b>Current liabilities</b>			
Provisions	14	19,568,725	24,901,675
Creditors and other credit balances	15	359,145,354	317,745,368
Current portion of borrowings and bank overdraft	17	8,789,081	27,224,536
Employee incentive plan	16	117,894,994	45,232,497
Current income tax liabilities	28	48,491,489	69,398,261
<b>Total current liabilities</b>		<b>553,889,643</b>	<b>484,502,337</b>
<b>Total liabilities</b>		<b>623,809,803</b>	<b>619,250,819</b>
<b>Total equity and liabilities</b>		<b>2,440,392,431</b>	<b>2,297,967,400</b>

- The accompanying notes on pages 7 - 50 from an integral part of these financial statements.

- Limited review report is attached

Mr. Ahmed Adel Badreldin  
Non Executive Chairman

Dr. Ahmed Ezz Eldin Mahmoud  
CEO & Managing Director

Mr. Ahmed Gamal  
Group CFO

21 November 2019

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

Consolidated interim statement of profit or loss  
For the nine months period ended 30 September 2019

(All amounts in Egyptian Pounds)

	Note	Nine months ended		Three months ended	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
Operating revenue	20	1,287,076,289	1,062,105,346	462,034,524	388,325,265
<b>Less:</b>					
Operating costs	21	(835,195,461)	(697,038,567)	(295,022,635)	(246,255,135)
<b>Gross profit</b>		<b>451,880,828</b>	<b>365,066,779</b>	<b>167,011,889</b>	<b>142,070,130</b>
<b>Add / (Less):</b>					
General and administrative expenses	22	(273,358,039)	(137,360,853)	(83,179,733)	(48,409,384)
Costs of acquisition activities		(4,433,551)	(4,572,429)	(3,825,761)	(289,638)
Provisions	13	(1,472,034)	(3,681,721)	342,414	484,252
Other income	24	6,487,307	5,632,440	2,384,100	1,699,335
Finance income	25	71,915,908	94,148,617	16,501,013	32,023,173
Finance expenses	25	(5,832,546)	(30,904,020)	(1,006,774)	(9,226,424)
Pre operations expenses		(3,438,741)	-	-	-
<b>Profit for the period before income tax</b>		<b>241,749,132</b>	<b>288,328,813</b>	<b>98,227,148</b>	<b>118,351,444</b>
Current tax	27	(68,735,466)	(61,724,706)	(23,121,400)	(24,657,141)
Deferred tax	28	(3,051,010)	(1,648,991)	(2,888,714)	(2,144,292)
<b>Profit after income tax</b>		<b>169,962,656</b>	<b>224,955,116</b>	<b>72,217,034</b>	<b>91,550,011</b>
<b>Profit for:</b>					
Owners of the parent company		166,506,012	210,868,305	69,346,176	86,247,508
Non-controlling interests	19	3,456,644	14,086,811	2,870,858	5,302,504
<b>Profit for the period</b>		<b>169,962,656</b>	<b>224,955,116</b>	<b>72,217,034</b>	<b>91,550,012</b>
<b>Earning per share</b>	29	<b>0.11</b>	<b>0.14</b>	<b>0.03</b>	<b>0.06</b>

- The accompanying notes on pages 7 - 50 from an integral part of these financial statements.

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

### Consolidated interim statement of comprehensive income For the nine months period ended 30 September 2019

(All amounts in Egyptian Pounds)

	Nine months ended		Three months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Profit for the period	169,962,656	224,955,116	72,217,034	91,550,012
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>169,962,656</b>	<b>224,955,116</b>	<b>72,217,034</b>	<b>91,550,012</b>
<b>Comprehensive income for:</b>				
Owners of the parent company	166,506,012	210,868,305	69,346,176	86,247,508
Non-controlling interests	3,456,644	14,086,811	2,870,858	5,302,504
<b>Profit for the period</b>	<b>169,962,656</b>	<b>224,955,116</b>	<b>72,217,034</b>	<b>91,550,012</b>

- The accompanying notes on pages 7 - 50 from an integral part of these financial statements.

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

**Consolidated interim statement of changes in equity  
For the nine months period ended 30 September 2019**

(All amounts in Egyptian Pounds)

	Share capital	Reserves	Retained earnings	Total Shareholders equity of the parent Company	Non-controlling interest	Total equity
<b>Balance at 1 January 2018</b>	800,000,000	270,150,127	260,349,167	1,330,499,294	55,729,276	1,386,228,570
Dividends for employees	-	-	(21,290,983)	(21,290,983)	(1,323,731)	(22,614,714)
Reserves	-	4,031,524	(4,130,450)	(98,926)	3,152	(95,774)
Comprehensive income for the period	-	-	210,868,305	210,868,305	14,086,811	224,955,116
<b>Balance at 30 September 2018</b>	<b>800,000,000</b>	<b>274,181,651</b>	<b>445,796,039</b>	<b>1,519,977,690</b>	<b>68,495,508</b>	<b>1,588,473,198</b>
<b>Balance at 1 January 2019</b>	800,000,000	274,181,651	529,815,360	1,603,997,011	74,719,570	1,678,716,581
Dividends for employees	-	-	(30,825,264)	(30,825,264)	(1,526,345)	(32,351,609)
Reserves	-	10,212,897	(10,214,871)	(1,974)	1,974	-
Non-controlling interest	-	-	-	-	255,000	255,000
Comprehensive income for the period	-	-	166,506,012	166,506,012	3,456,644	169,962,656
<b>Balance at 30 September 2019</b>	<b>800,000,000</b>	<b>284,394,548</b>	<b>655,281,237</b>	<b>1,739,675,785</b>	<b>76,906,843</b>	<b>1,816,582,628</b>

- The accompanying notes on pages 7 - 50 from an integral part of these financial statements.

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

**Consolidated statement of cash flows  
For the nine months period ended 30 September 2019**

(All amounts in Egyptian Pounds)	Note	30 September 2019	30 September 2018
<b><u>Cash flows from operating activities</u></b>			
Profit before tax		241,749,132	288,328,813
<b>Adjustments to reconcile net income to cash flows from operating activities</b>			
Fixed assets depreciation	6	45,778,354	32,550,441
Profit from sale of fixed assets	24	(345,721)	(549,626)
Amortization of other debtors	7	(219,777)	-
Impairment of trade receivables	8	48,651,973	(3,389,296)
Impairment of inventories	10	(54,424)	(183,063)
Provisions	13	1,472,034	3,681,721
Interests and commissions	25	2,918,040	30,904,020
Interests payable	25	(71,915,908)	(94,121,910)
Employee incentive plan	15	72,662,497	16,817,577
<b>Operating profits before changes in assets and liabilities</b>		<b>340,696,200</b>	<b>274,038,677</b>
<b>Changes in assets and liabilities</b>			
Change in inventories	9	(5,232,202)	(5,293,725)
Change in trade receivables	10	(76,906,726)	(110,192,096)
Related Parties Transactions	30	2,084,091	(18,658,628)
Change in debtors and other debit balances		(6,977,596)	(4,420,798)
Change in Creditors and other credit balances		55,953,319	66,605,778
Provisions used	14	(6,804,984)	(7,275,764)
Income tax paid	28	(89,642,237)	(26,331,944)
<b>Net cash flows generated from operating activities</b>		<b>213,169,865</b>	<b>168,471,500</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase fixed assets	6	(52,877,659)	(47,251,852)
Payments for projects under construction	6	(88,634,899)	(29,570,289)
Down payments for purchase of fixed assets		(62,552,556)	(11,976,708)
Interests received		72,455,040	606,935
Proceeds from sale of fixed assets		648,973	94,448,388
Deposits with a maturity of more than 3 months from the date of placement	12	-	11,000,000
Finance income		-	-
Payments under long term investments		(135,080,000)	-
Payments for the acquisition of works		(25,000,000)	-
Payments for capital increase of subsidiaries		(148,473,511)	-
<b>Net cash flows (used in) generated from investing activities</b>		<b>(439,514,612)</b>	<b>17,256,474</b>
<b><u>Cash flows from financing activities</u></b>			
Receipts from borrowings and overdraft	16	62,643,822	59,961,914
Interests and commissions paid		(17,884,090)	(45,188,207)
Payment of borrowings and overdraft		(148,958,609)	(211,431,350)
Dividends paid	16	(31,938,892)	(21,664,062)
<b>Net cash flows used in financing activities</b>		<b>(136,137,769)</b>	<b>(218,321,705)</b>
<b>Change in cash and cash equivalents during the period</b>		<b>(362,482,516)</b>	<b>(32,593,731)</b>
Cash and cash equivalents at the beginning of the period		953,422,594	996,130,631
Cash in subsidiaries at acquisition date		562,500	-
<b>Cash and cash equivalents at the end of the period</b>	12	<b>591,502,578</b>	<b>963,536,900</b>

- The accompanying notes on pages 7 - 50 from an integral part of these financial statements.



## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### 1. Introduction

Cleopatra Hospital Company (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 Company "S.A.E." in accordance with the provisions of Law No. (8) Of 1997 and Law No. (95) Of 1992.

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

The Company is located at 39, 41 Cleopatra Street, Heliopolis, Cairo.

The Parent Company is Care HealthCare Ltd., which owns 80% of the Company's share capital at 30 December 2017 Care Health Ltd. Shares has changed to be 69.4% at 11 July 2019 Care Health Ltd. Shares has changed to be 38.87%.

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

On 28 September 2017, the ownership in Cairo specialised Hospital increased to 53.88% due acquisition of shares from the non-controlling shareholders in 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.

On 18 March 2019, Cleopatra Hospital S.A.E acquired the fixed assets, operations and management of Queens Hospital.

On August 6, 2017 CHG Medical Services was established with a capital of LE 250,000 and on March 22, 2018, the Extraordinary General Assembly approved the amendment of some articles of the company's articles of association as follows:

- Amending the authorized capital from 250,000 LE to 2,000,000 LE, the issued and the paid up from LE 250,000 to LE 312,500 with a value of LE 10 per share.
- The capital was underwritten by Cleopatra Hospital Company through preferred shares that entitles the owner to three times the ordinary share in the profits and voting on general assembly decisions.

On December 23, 2018, CHG Pharma was established to manage pharmacies with a capital of LE 250,000 and Cleopatra Hospital Company's contribution is 98% of the capital.

These consolidated interim financial statements have been approved for issuance by the Board of Directors of the Parent Company on 21 November 2019.

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### 2. Accounting policies

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

##### A. Basis of preparation of the consolidated interim financial statements

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

The preparation of the consolidated interim 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 interim 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 interim 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. New Egyptian Accounting Standards (“EAS”) and interpretations not yet adopted:

On 28 March 2019, the minister of Investment issued a decree no. 69 for 2019 which includes new standards and amendments to the existing standards. The amendments in the EASs have been published in the official gazette on 7 April 2019. These changes are mainly represented in six new standards which should be adopted for the financial periods commencing on or after 1 January 2020 as follows:

###### 1- EAS No. (47) – “Financial instruments”:

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

The standard includes a new classes of classification and impairment model for financial assets which reflects the business model in order to manage the assets and their cash flows through this business model.

EAS No. (47) Replaced ‘incurred loss’ model in EAS No. (26) By ‘expected credit loss’ model.

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### New Egyptian Accounting Standards (“EAS”) and interpretations not yet adopted: (continued)

**2- EAS No. (48) – “Revenue from contracts with customers”:**

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

This standard established a comprehensive framework for determining how much and when revenues should be recognized. This standard replaces EAS No. (11) ‘Revenues’ and EAS No. (8) ‘Construction contracts’.

**3- EAS No. (49) – “Leases”:**

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standard No. (48) – ‘Revenue from contracts with customers’ should be adopted at the same time.

EAS No. (49) Introduces a single lease accounting model for lease contracts. A lessee recognizes his right-of-use for assets and lease liability which represents his lease instalments liability. There are some exemptions for short-term lease contracts and assets lease contracts with low value.

This standard replaces the EAS No. (20) ‘Accounting rules and standards related to financial lease’.

#### C. 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 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

#### Basis of consolidation (continued)

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 interim 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 interim financial statements include the interim financial statements of the following subsidiaries:

	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Al-Shorouk Hospital Company S.A.E.	Egypt	99.99%
Nile Badrawi Hospital Company S.A.E.	Egypt	99.92%
Cairo Specialised Hospital Company S.A.E.	Egypt	53.88%
CHG	Egypt	20% (Preferred shares)
CHG	Egypt	98%

#### 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### Basis of consolidation (continued)

- 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.

#### D. 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.

#### E. Foreign currency translation

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

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

#### F. 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.

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### Fixed assets (continued)

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:

Machinery and equipment	10%
Furniture	15%
Buildings	2.5%
Vehicles	20%
Computers	25%
Leasehold improvement	Remaining of the lease contract
Acquired assets	Over the remaining productive years

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.

#### G. Intangible assets

##### 1. Goodwill

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

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

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

Goodwill is allocated to cash generating units for the purpose of measurement of impairment. Allocation is made on cash generating units or a group of cash generating units that are expected to directly benefit from goodwill.

##### 2. Trade name

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

##### 3. Non-competition agreement

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

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### H. 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.

#### I. Financial assets

##### First – Classification:

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

##### **Loans and receivables:**

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

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

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

##### Second: Initial and subsequent measurement:

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

##### Third: Impairment of financial assets:

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

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

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

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

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### Financial assets (continued)

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

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

#### J. 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 profit or loss 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.

#### K. Share capital

Ordinary shares are classified as equity.

#### L. Legal reserve

As required by the parent Company, 5% of the net profit shall be transferred to constitute the legal reserve, once the interim 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.

#### M. 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.



## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### N. 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.

#### O. 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 profit or loss 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 interim financial statements.

#### P. Employees' benefits

##### (1) Pension and insurance scheme

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

##### (2) Employee incentive plan

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

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

##### System elements

Each beneficiary shall be given units of monetary reward or a fixed percentage of the amounts allocated to the system in accordance with the award of the remuneration committee.

The remuneration committee shall determine the date of grant.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### Employees' benefits (continued)

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

- A) Payments calculated on the basis of the difference between the average market value of the Parent Company's shares on 30 June 2020 during the six months preceding the date of the financial position 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.

#### Q. 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### Revenue recognition (continued)

##### 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 profit or loss 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.

#### R. 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 profit or loss 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 profit or loss on a straight-line basis over the period of the lease.

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### **S. Current and deferred income tax**

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

Deferred income tax is fully recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated interim 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.

#### **T. Dividends**

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

#### **U. 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.

#### **V. 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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

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

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

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

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

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

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

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

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

The financial instruments are measured according to Level No. 2, and there is no difference between book value and fair value of financial instruments as the deposits are payable on relatively short terms and a variable interest is added to the loans associated with the declared Corridor of the Central Bank of Egypt.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
US Dollars	28,518,543	32,969,736
Euro	338,306	46,276
GBP	45,227	366,910

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
US Dollars	2,851,854	3,296,974
Euro	33,831	4,628
GBP	4,523	36,691

###### 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

#### Financial risk management (continued)

##### B) Credit risk

Credit risk arises from cash 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 customer's 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 limited.

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

	<b>30 September 2019</b>	<b>31 December 2018</b>
Cash at banks	589,367,007	952,046,248
Trade receivables	395,668,384	318,761,656
Accrued income	451,640	421,157
Employees loans custodies	2,333,112	1,870,937
Due from related parties	5,028,837	7,057,927

##### 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

#### Financial risk management (continued)

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

	Below 3 months	3 months to 1 year	1 year to 5 years	Above 5 years
Suppliers and notes payable	146,594,193	45,036,641	-	-
Loans and financing interests	11,146,234	466,250	-	-
Accrued expenses	120,621,728	31,791,065	-	-

During February 2018 and March 2018, the borrowing rate (corridor) decreased by 1% and 1% respectively which will affect the Company's liabilities regarding borrowings and finance interest.

#### (2) Capital risk management

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

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

Net debt to total invested capital as at 30 September 2019 and 31 December 2018 is as follows:

	30 September 2019	31 December 2018
Creditors and other credit balances	359,145,354	317,745,368
Employee incentive plan	117,894,994	45,232,497
Borrowings and over draft banks	8,789,081	95,103,868
Less: Cash on hand and at banks	(591,502,578)	(953,422,594)
<b>Net debt</b>	<b>(105,673,149)</b>	<b>(495,340,861)</b>
Total shareholders' equity	1,816,582,628	1,678,716,581
<b>Total invested capital</b>	<b>1,710,909,479</b>	<b>1,183,375,720</b>
<b>Net debts to total invested capital</b>	<b>(%6.18)</b>	<b>(41.86%)</b>

#### (3) Estimations of fair values of financial instruments

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



## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### 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 September 2020 and 30 September 2016. The discounts rates used in calculating the system values are also reviewed with the market discount rates and reviewing the calculated valued by system elements with the approved five years plans from the management yearly.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the nine months period ended 30 September 2019

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

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#### Critical accounting estimates, assumptions and judgements (continued)

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

**CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES**

**Notes to the consolidated financial statements - For the nine months period ended 30 September 2019**

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

**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 nine months period ended 30 September 2019 for each segment:

Statement of financial position	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	CHG for Medical Services	CHG Pharma for pharmacies management	Consolidated adjustment	Total
Non-current assets	1,138,429,594	112,319,428	80,147,412	121,035,979	-	-	(253,716,344)	1,198,216,069
Current assets	818,113,517	179,151,220	180,904,905	134,320,379	7,576,465	3,607,300	(81,497,424)	1,242,176,362
<b>Total assets</b>	<b>1,956,543,111</b>	<b>291,470,648</b>	<b>255,356,358</b>	<b>255,356,358</b>	<b>7,576,465</b>	<b>3,607,300</b>	<b>(335,213,768)</b>	<b>2,440,392,431</b>
Current liabilities	289,525,683	103,454,763	140,948,990	78,105,100	27,537,140	4,564,114	(90,246,147)	553,889,643
Non-current liabilities	6,240,552	7,449,225	1,590,010	1,790,050	-	-	52,850,323	69,920,160
<b>Total Liabilities</b>	<b>295,766,235</b>	<b>110,903,988</b>	<b>142,539,000</b>	<b>79,895,150</b>	<b>27,537,140</b>	<b>4,564,114</b>	<b>(37,395,824)</b>	<b>623,809,803</b>
<b>Statement of profit or loss:</b>								
Operating revenue	560,437,260	265,288,077	230,789,652	220,721,566	11,515,869	2,210,313	(3,886,448)	1,287,076,289
Operating costs	(329,380,092)	(173,686,798)	(154,784,903)	(156,781,738)	(16,800,853)	(2,968,235)	(792,842)	(835,195,461)
<b>Gross profit</b>	<b>231,057,168</b>	<b>91,601,279</b>	<b>76,004,749</b>	<b>63,939,828</b>	<b>(5,284,984)</b>	<b>(757,922)</b>	<b>(4,679,290)</b>	<b>451,880,828</b>
Other expenses and revenues	(93,973,716)	(66,503,508)	(59,568,150)	(46,509,354)	(14,988,191)	(448,892)	73,639	(281,918,172)
<b>Profit for year</b>	<b>137,083,452</b>	<b>25,097,771</b>	<b>16,436,599</b>	<b>17,430,474</b>	<b>(20,273,175)</b>	<b>(1,206,814)</b>	<b>(4,605,651)</b>	<b>169,962,656</b>
<b>Other Items</b>								
Capital expenditure	73,567,031	39,861,768	44,262,058	54,941,257	-	-	-	212,632,114
Fixed assets depreciation	15,273,594	11,138,239	4,806,031	6,186,599	-	-	8,373,891	45,778,354

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the nine months period ended 30 September 2019

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

Segment reporting (continued)

Below is a summary of each segment, which is presented for the nine months period ended 30 September 2018 for each segment:

Statement of financial position	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	Consolidated interim	Total
Non-current assets	843,511,891	93,979,057	58,171,768	72,892,159	(167,243,571)	901,311,304
Current assets	1,064,645,173	128,650,379	105,183,493	64,492,539	(2,600,364)	1,360,371,220
<b>Total assets</b>	<b>1,908,157,064</b>	<b>222,629,436</b>	<b>163,355,261</b>	<b>137,384,698</b>	<b>(169,843,935)</b>	<b>2,261,682,524</b>
Current liabilities	204,831,230	70,939,874	70,391,037	60,286,967	(8,836,900)	397,612,208
Non-current liabilities	213,628,224	6,388,909	262,297	(44,821)	55,362,509	275,597,118
<b>Total Liabilities</b>	<b>418,459,454</b>	<b>77,328,783</b>	<b>70,653,334</b>	<b>60,242,146</b>	<b>46,525,609</b>	<b>673,209,326</b>
Statement of profit or loss:						
Operating revenue	493,562,983	208,478,235	188,037,717	186,009,460	(13,983,049)	1,062,105,346
Operating costs	(290,346,658)	(147,811,710)	(126,488,824)	(138,115,437)	5,724,062	(697,038,567)
<b>Gross profit</b>	<b>203,216,325</b>	<b>60,666,525</b>	<b>61,548,893</b>	<b>47,894,023</b>	<b>(8,258,987)</b>	<b>365,066,779</b>
Other expenses and revenues	(55,975,434)	(30,184,876)	(28,181,809)	(29,421,713)	3,652,169	(140,111,663)
<b>Profit for period</b>	<b>147,240,891</b>	<b>30,481,649</b>	<b>33,367,084</b>	<b>18,472,310</b>	<b>(4,606,818)</b>	<b>224,955,116</b>
Other Items						
Capital expenditure	22,881,483	35,431,204	14,545,818	15,940,344	-	88,798,849
Fixed assets depreciation	8,473,885	8,207,230	3,345,613	4,147,701	8,376,012	32,550,441

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the nine months period ended 30 September 2019

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

**Segment reporting (continued)**

Below is a summary of each segment, which is presented for the financial year ended 31 December 2018 for each segment:

Statement of financial position	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	Consolidated adjustment	Total
Non-current assets	856,816,465	104,725,535	65,510,510	88,362,063	(170,034,952)	945,379,621
Current assets	1,038,193,892	142,876,181	116,418,259	55,982,278	(882,831)	1,352,587,779
<b>Total assets</b>	<b>1,895,010,357</b>	<b>247,601,716</b>	<b>181,928,769</b>	<b>144,344,341</b>	<b>(170,917,783)</b>	<b>2,297,967,400</b>
Current liabilities	230,576,494	82,247,024	76,666,496	57,527,264	(7,747,438)	439,269,840
Non-current liabilities	117,719,201	6,582,124	222,353	722,853	54,734,448	179,980,979
<b>Total Liabilities</b>	<b>348,295,695</b>	<b>88,829,148</b>	<b>76,888,849</b>	<b>58,250,117</b>	<b>46,987,010</b>	<b>619,250,819</b>
<u>Statement of profit or loss:</u>						
Operating revenue	677,269,997	287,495,594	257,216,457	254,844,857	(20,687,928)	1,456,138,977
Operating costs	(396,578,948)	(200,160,104)	(169,204,082)	(186,250,556)	9,676,570	(942,517,120)
<b>Gross profit</b>	<b>280,691,049</b>	<b>87,335,490</b>	<b>88,012,375</b>	<b>68,594,301</b>	<b>(11,011,358)</b>	<b>513,621,857</b>
Other expenses and revenues	(76,433,107)	(43,381,926)	(42,307,298)	(41,170,319)	4,869,292	(198,423,358)
<b>Profit for year</b>	<b>204,257,942</b>	<b>43,953,564</b>	<b>45,705,077</b>	<b>27,423,982</b>	<b>(6,142,066)</b>	<b>315,198,499</b>
<u>Other Items</u>						
Capital expenditure	49,402,239	54,053,091	25,296,793	30,787,692	-	159,539,815
Fixed assets depreciation	13,045,121	11,623,869	4,704,859	5,935,988	11,167,395	46,477,232

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the nine months period ended 30 September 2019

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

6. Fixed assets

	Lands	Machinery, equipment and devices	Furniture	Buildings	Vehicles	Computers	Projects under construction	Total
<b>At 1 January 2017</b>								
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)
<b>Net book Amount</b>	<b>105,329,262</b>	<b>134,688,545</b>	<b>10,087,360</b>	<b>173,379,403</b>	<b>2,392,184</b>	<b>21,204,459</b>	<b>25,435,666</b>	<b>472,516,879</b>
<b>Year ended 31 December 2018</b>								
Opening net book amount	105,329,262	134,688,545	10,087,360	173,379,403	2,392,184	21,204,459	25,435,666	472,516,879
Additions	-	59,091,963	6,793,374	3,882,646	209,897	16,594,893	48,412,349	134,985,122
Disposals	-	(6,538,134)	(530,171)	-	(116,109)	(100,259)	-	(7,284,673)
Transfers from projects under construction	-	838,188	5,743,783	45,803,279	-	-	(52,385,250)	-
Depreciation for the year	-	(23,093,360)	(3,521,738)	(11,145,407)	(715,110)	(8,001,617)	-	(46,477,232)
Accumulated depreciation of disposal	-	6,070,435	462,773	-	116,109	97,674	-	6,746,991
<b>Closing net book amount</b>	<b>105,329,262</b>	<b>171,057,637</b>	<b>19,035,381</b>	<b>211,919,921</b>	<b>1,886,971</b>	<b>29,795,150</b>	<b>21,462,765</b>	<b>560,487,087</b>
<b>At 31 December 2018</b>								
Cost	105,329,262	372,944,067	47,734,227	296,765,608	7,179,661	46,207,759	21,462,765	897,623,349
Accumulated depreciation	-	(201,886,430)	(28,698,846)	(84,845,687)	(5,292,690)	(16,412,609)	-	(337,136,262)
<b>Net book Amount</b>	<b>105,329,262</b>	<b>171,057,637</b>	<b>19,035,381</b>	<b>211,919,921</b>	<b>1,886,971</b>	<b>29,795,150</b>	<b>21,462,765</b>	<b>560,487,087</b>
<b>At 30 September 2019</b>								
Opening net book amount	105,329,262	171,057,637	19,035,381	211,919,921	1,886,971	29,795,150	21,462,765	560,487,087
Additions	-	44,407,364	3,646,296	381,212	5,707,361	7,302,426	88,634,899	150,079,558
Disposals	-	(2,815,193)	(750,571)	-	(618,000)	(69,019)	-	(4,252,783)
Transfers from projects under construction	-	23,618,961	4,346,223	34,881,438	406,500	10,215,095	(73,468,217)	-
Depreciation for the year	-	(22,761,618)	(3,687,723)	(10,125,125)	(862,287)	(8,341,601)	-	(45,778,354)
Accumulated depreciation of disposal	-	2,433,028	829,480	-	618,000	69,019	-	3,949,527
<b>Balance at 30 September 2019</b>	<b>105,329,262</b>	<b>215,940,179</b>	<b>23,419,086</b>	<b>237,057,446</b>	<b>7,138,545</b>	<b>38,971,070</b>	<b>36,629,447</b>	<b>664,485,035</b>
Cost	105,329,262	438,155,199	54,976,175	332,028,258	12,675,522	63,656,261	36,629,447	1,043,450,124
Accumulated depreciation	-	(222,215,020)	(31,557,089)	(94,970,812)	(5,536,977)	(24,685,191)	-	(378,965,089)
<b>Net book Amount</b>	<b>105,329,262</b>	<b>215,940,179</b>	<b>23,419,086</b>	<b>237,057,446</b>	<b>7,138,545</b>	<b>38,971,070</b>	<b>36,629,447</b>	<b>664,485,035</b>

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements

For the nine months period ended 30 September 2019

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

#### 7. Business combination and intangible assets

<u>Cost</u>	<u>Trade name</u>	<u>Goodwill</u>
Balance at 1 January 2018	44,354,000	196,676,034
<b>Balance at 31 December 2018</b>	<b>44,354,000</b>	<b>196,676,034</b>
Balance at 1 January 2019	44,354,000	196,676,034
Acquisition of Queens Hospital	-	14,071,000
<b>Balance at 30 September 2019</b>	<b>44,354,000</b>	<b>210,747,034</b>

The good will is as follows:

	<u>Balance at 1 January 2019</u>	<u>Business acquisition</u>	<u>Balance at 30 September 2019</u>
Nile Badrawi Hospital	75,853,020	-	75,853,020
Al Shorouk Hospital S.A.E.	120,823,014	-	120,823,014
Queens Hospital Works	-	14,071,000	14,071,000
<b>Total</b>	<b>196,676,034</b>	<b>14,071,000</b>	<b>210,747,034</b>

#### 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.

#### Queens Hospital acquisition

On January 16, 2019, Cleopatra Hospital S.A.E signed a contract to transfer the activity of Queen's Hospital. Cleopatra Hospital S.A.E acquired the assets, inventory and contracted with the employment of Queens Hospital from the date of acquisition 18 March 2019 with a total of LE 25 million. The acquisition resulted in an increase in the cost of acquisition over the fair value of the net assets of the acquired company which was recognized as goodwill as shown in the table above. Cleopatra Hospital S.A.E has acquired fixed assets except for land and buildings. Cleopatra Hospital S.A.E has signed an 18-year lease contract for the Queens Hospital land and building.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements

For the nine months period ended 30 September 2019

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

#### Business combination and intangible assets (continued)

The fair value of net assets was calculated at the acquisition date, which represents assets other than non-current tangible assets at the date of acquisition.

The income recognized in the statement of income, which has been contributed by Queens Hospital since the date of acquisition, amounted to approximately LE 10,108,539. The net loss for this period amounted to approximately LE 1,713,304.

Queens Hospital was consolidated in accordance with the Egyptian Accounting Standard No. 29 on Business Combinations as of March 18, 2019, the date on which the acquiree effectively controlled the business and assets acquired by the Company and transferred the ability to control the financial and operating policies of the Company. Assets acquired and goodwill are as follows:

	<u>EGP</u>
<b>Acquisition cost</b>	
Cash paid	25,000,000
<b>Total acquisition cost</b>	<u>25,000,000</u>
Total fair value of acquired assets	(10,929,000)
<b>Intangible asset</b>	<u>14,071,000</u>
	<u>EGP</u>
Fixed assets	8,567,000
Medical inventory	1,274,000
Debtors and other debit balances	1,088,000
<b>Total fair value of acquired assets</b>	<u>10,929,000</u>
<b>Intangible asset</b>	<u>14,071,000</u>

#### 8. Advance payment for investment

	<u>30 September 2019</u>	<u>31 December 2018</u>
Advance payment for investment	278,630,000	143,550,000
	<u>278,630,000</u>	<u>143,550,000</u>

On 31 August 2017, the Company entered into an initial (conditional) contract for the purchase of the land and the private building in an ElKatib Hospital in the Arab Republic of Egypt. On 12 October 2017, the Company deposited an amount of LE 143,550,000 under an ESCROW account contract which was concluded on 4 October, on 13 December 2018, the ownership of the land and the building was transferred to the company under a public power of attorney and ESCROW account was released as part of the total acquisition, which includes management and operation of the hospital. The company is now in the process of signing a contract of purchase for the management and operation of the hospital.

Upon completion of the purchase contract for the management and operation of the hospital, the Group will account for the acquisition in accordance with the Egyptian Accounting Standard on Business Combinations. On December 3, 2018, the Extraordinary General Assembly approved the acquisition of fixed assets and the management and operation of the hospital.



## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements

For the nine months period ended 30 September 2019

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

#### Advance payment for investment (continued)

On 7 August 2019, Cleopatra Hospital company signed a contract to transfer the activity of Elkateb Hospital from the Egyptia Company for Hospitals. Accordingly, an amount of EGP 135,080,000 was deposited under an intermediary account contract concluded on 7 August 2019.

#### 9. Subsidiaries not consolidated

	Investment Percentage	Country of Origin	30 September 2019	31 December 2018
Investment in CHG for medical services*	20%	Egypt	-	112,500
Investment in CHG Pharma for pharmacies management**	98%	Egypt	-	250,000
			<u>-</u>	<u>362,500</u>

\* Subsidiaries not consolidated as of December 2018 contribution to the capital of to CHG Medical Services Company and in accordance with the extraordinary general assembly meeting and Article 16 of the Articles of Association of CHG Medical Services, the shares of the Cleopatra Hospital are preferred shares entitling the owner three times of the ordinary share of profits and vote power on Decisions of the General Assembly.

\*\* Subsidiaries not consolidated as of December 2018 contribution to the capital of CHG Pharma for the management of pharmacies.

Business acquisition of Queens Hospital

#### 10. Inventories

	30 September 2019	31 December 2018
Medical supply inventory	26,173,682	21,990,570
Medicine inventory	16,994,804	15,272,404
Maintenance and spare parts inventory	2,456,949	2,131,092
Stationary inventory	1,027,364	972,815
Hospitality inventory	700,255	552,251
Food and beverage inventory	157,790	85,510
	<u>47,510,844</u>	<u>41,004,642</u>
Less: Impairment of inventory	(197,848)	(252,273)
	<u>47,312,996</u>	<u>40,752,369</u>

Movement in the provision for inventory is as follows:

	30 September 2019	31 December 2018	30 September 2018
Balance at the beginning of the period / year	252,273	435,336	435,336
Provisions formed during the period / year	167,545	19,611	11,993
Provisions no longer required during the period/year	-	(202,674)	(195,056)
Written off provisions during the period / year	(221,969)	-	-
<b>Balance at the end of the period / year</b>	<u>197,848</u>	<u>252,273</u>	<u>252,273</u>

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements

For the nine months period ended 30 September 2019

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

#### 11. Trade receivables

	<u>30 September 2019</u>	<u>31 December 2018</u>
Due from customers	389,687,119	313,200,848
Income from inpatients	5,981,265	5,560,808
	<u>395,668,384</u>	<u>318,761,656</u>
<b>Less:</b>		
Impairment of customers' balances	(64,572,138)	(15,920,165)
	<u>331,096,246</u>	<u>302,841,491</u>

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

Movement in the provision for impairment is as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>	<u>30 September 2018</u>
Balance at the 1 January	15,920,165	20,162,345	20,162,346
Provision formed during the period / year	75,388,465	24,588,858	20,880,134
Provision no longer required during the period / year	(26,493,194)	(22,752,631)	(19,264,910)
Write-offs during the period / year	(243,298)	(6,078,407)	(5,004,520)
<b>Balance at the end of the period / year</b>	<u>64,572,138</u>	<u>15,920,165</u>	<u>16,773,050</u>

Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 166,290,840 (31 December 2018: EGP 140,835,484).

At the financial position date, the balances that were past due but not impaired amounted to EGP 135,246,243 (31 December 2018: EGP 119,839,118) regarding customers and transactions with no history of default. The ageing analysis of these balances is as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Less than one month	47,455,106	44,982,196
From one to five months	87,791,137	74,856,922

The management creates a 100% impairment of customers who are overdue for more than 150 days from the claim date. After deducting the amounts that expected to be collected after calculating the loss given default rate. It also creates a group-based provision based on historical failure rates. The management calculates historical failure rates for each customer per month on the accounts of customers whose debts exceed 150 days to 360 days from the date of the financial position. Based on these rates, the management calculates a provision for debts of customers whose debts are not more than 150 days old. The trade receivables balance which their ages exceeded 150 days as of 30 September 2019 amounted to EGP 88,150,036 (31 December 2018: 52,517,271).

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 12. Debtors and other debit balances

	<u>30 September 2019</u>	<u>31 December 2018</u>
Advances to suppliers	93,590,142	29,443,639
Prepaid expenses	13,197,350	11,670,972
Withholding taxes	737,351	531,887
Employees custodies	2,333,112	1,870,937
Deposits with others	4,216,428	3,388,690
Accrued interest income	451,640	421,157
Other debtors	4,927,634	2,047,356
	<u>119,453,657</u>	<u>49,374,638</u>
Less: Impairment in other debit balances	(691,463)	(911,240)
	<u>118,762,194</u>	<u>48,463,398</u>

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

	<u>30 September 2019</u>	<u>31 December 2018</u>	<u>30 September 2018</u>
Balance at 1 January	911,240	911,240	911,240
Impairment no longer required	(219,777)	-	-
	<u>691,463</u>	<u>911,240</u>	<u>911,240</u>

#### 13. Cash on hand and at banks

	<u>30 September 2019</u>	<u>31 December 2018</u>	<u>30 September 2018</u>
Time deposit	97,708,000	35,377,810	27,857,500
Current accounts	491,659,007	916,668,438	930,106,925
Cash on hand	2,135,571	1,376,346	5,572,475
	<u>591,502,578</u>	<u>953,422,594</u>	<u>963,536,900</u>

The time deposits item includes an amount of LE 75,000,000 deposited in local banks in the Egyptian pound and payable within nine months to nine months from the date of deposit and is subject to a fixed annual rate of 12.25% (31 December 2018: 13.75% to 14%).

The time deposits item includes an amount USD 1,400,000 which equal to EGP 22,708,000 at 30 September 2019 are denominated in local banks in US dollars and are payable within periods ranging from one week to one month from the date of deposit and are subject to a fixed annual return of 2.17% to 2.22%.

Current accounts are subject to a fixed annual rate of 12% (31 December 2018: 14%).

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements

For the nine months period ended 30 September 2019

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

#### 14. Provisions

	30 September 2019	31 December 2018
Provision for claims	8,591,425	11,959,643
Provision for human resources	10,977,300	12,942,032
	<b>19,568,725</b>	<b>24,901,675</b>

Movement in the provision during the year is as follows:

	30 September 2019				
	Balance at the beginning of the year	Formed during the year	Utilised during the year	Provisions no longer required	Balance at the end of the year
Provision for human resources	12,942,032	16,911,814	(3,386,766)	(15,489,780)	10,977,300
Provision for claims	11,959,643	50,000	(3,418,218)	-	8,591,425
<b>Total</b>	<b>24,901,675</b>	<b>16,961,814</b>	<b>(6,804,984)</b>	<b>(15,489,780)</b>	<b>19,568,725</b>

	31 December 2018				
	Balance at the beginning of the year	Formed during the year	Utilised during the year	Provisions no longer required	Balance at the end of the year
Provision for human resources	7,273,911	23,898,648	(6,183,661)	(12,046,866)	12,942,032
Provisions for claims	14,306,471	5,348,340	(7,695,168)	-	11,959,643
<b>Total</b>	<b>21,580,382</b>	<b>29,246,988</b>	<b>(13,878,829)</b>	<b>(12,046,866)</b>	<b>24,901,675</b>

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

#### 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.

#### 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.

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### Notes to the consolidated financial statements

For the nine months period ended 30 September 2019

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

#### 15. Creditors and other credit balances

	<u>30 September 2019</u>	<u>31 December 2018</u>
Accrued expenses	152,412,793	143,670,843
Suppliers and notes payable	191,630,834	158,143,616
Social insurance	4,148,551	2,148,881
Dividends payable	2,429,804	2,017,087
Other creditors	8,523,372	11,764,941
	<u><b>359,145,354</b></u>	<u><b>317,745,368</b></u>

#### 16. Employee incentive plan

	<u>30 September 2019</u>	<u>31 December 2018</u>
Employee incentive plan based on parent company's market value of shares	103,617,569	36,819,510
Employee incentive plan based on earning performance before interest, tax, depreciation and amortization	14,277,425	8,412,987
	<u><b>117,894,994</b></u>	<u><b>45,232,497</b></u>

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

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

The advantages of the system are as follows:

- a- Payments calculated based on the difference between the market value of the Parent Company's shares on 30 September 2020 in the period of 6 months before the date of the interim financial statements 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 June 2020 and 30 June 2016.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 17. Borrowings and bank overdraft

	30 September 2019		
	Current portion	Non-current portion	Total
Bank overdraft	8,789,081	-	8,789,081
<b>Total</b>	<b>8,789,081</b>	<b>-</b>	<b>8,789,081</b>

	31 December 2018		
	Current portion	Non-current portion	Total
Bank overdraft	821	-	821
Borrowings	27,223,715	67,879,332	95,103,047
<b>Total</b>	<b>27,224,536</b>	<b>67,879,332</b>	<b>95,103,868</b>

On 14 January 2018, the Company early paid a loan amounting to LE 121,800,000 representing the loan amount in addition to LE 743,091 representing interest for the period from 31 December 2018 to 14 January 2018.

On 17 October 2018, the Board of Directors approved early payment of the current loan balance and settlement of the amounts owed by the Company under the loans and credit facilities in the Interim financial statement approved on 30 September 2018. These amounts are to be repaid through the Company's available cash flows. Accordingly, 100,000,000 Egyptian Pound were paid on 29 November 2018 as partial settlement of the loan.

On 17 February 2019, the Group settled the whole outstanding loans amounted to EGP 90,565,795, in addition to the relevant accrued interest which amounted to EGP 598,947, accordingly the mortgages on Cleopatra Hospital shares which is owned by Care HealthCare Ltd. and Al Shourouk Hospital shares which is owned by Cleopatra Hospital were realised

#### Financial ratios

Under the terms of the contract, the Company is committed to achieving the following financial ratios:

Debt-to-profit ratio before bank charges, taxes payable and depreciation of financial and intangible assets to be less than or equal to 3.5 for 2017 (31 December 2016: be less than or equal to 4.3).

- Debt service rate to be greater than or equal to 1.
- Trading ratio shall be greater than or equal to 1.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 18. Share capital

On 31 December 2016, the company issued share capital was paid through 200 million shares with nominal value EGP 0.5 with total amount EGP 100 million.

On 2 June 2016, 40 million share issued as a secondary issuance where Care Healthcare (Ltd) sold its shares in private offering and Public of offering.

On 6 April 2016, pursuant to the resolution of the Extraordinary General Assembly meeting held on 6 April 2017, the Company's issued share capital was approved to be increased within the limits of Company's authorised share capital, provided that such increase shall be implemented after completion of the secondary offering and be capped at the same number of shares allocated for public and private offerings at the final offering price. The increase shall be funded from the proceeds of the secondary offering after liquidating the share stability account, without applying senior shareholders' priority subscription rights to the increase. Such increase shall be entirely allocated to Care Healthcare Ltd, - the majority shareholder, against the shares offered for the public and private offerings in accordance with the terms set out in the prospectus. Also, the Extraordinary General Assembly decided to authorise the BOD to implement this increase and amend Article 6 and Article 7 of the Company's Memorandum of Association depending on the results of the secondary offering and the related increase. The subscribers in the public and private offerings may not subscribe to this increase.

Consequently, and in accordance with the minutes of the Board's meeting dated 17 July 2016 and approved by the GAFI on 21 July 2016 and the amending contract approved on 3 August 2016 registered under No, 1598 of 2016, the Company's share capital has been increased to EGP 100,000,000 fully paid and divided into 200,000,000 shares of EGP 0,5 each.

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

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

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, 2018 and end on 5 December 2018 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements

For the nine months period ended 30 September 2019

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

#### Share capital (continued)

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

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

On July 11, 2019, Care Health Care Ltd sold 504 million shares of its shares in Cleopatra Hospital Company with a total equity capital of 38.87%.

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

Name	Percentage of ownership	Number of shares	Nominal value
Care Healthcare Ltd.	37.87%	605,969,377	302,984,689
Other shareholders	62.13%	994,030,623	497,015,311
<b>Total</b>	<b>100%</b>	<b>1,600,000,000</b>	<b>800,000,000</b>

#### 19. Reserves

Below is the movement on reserves during the period / year:

	30 September 2019		
	Balance at the beginning of the period / year	formed during the period / year	Balance at the end of the period / year
Legal reserve	54,127,298	10,212,897	64,340,195
Special reserve	49,090,006	-	49,090,006
Acquisition reserve	(76,532,044)	-	(76,532,044)
Other reserves	247,496,391	-	247,496,391
<b>Total</b>	<b>274,181,651</b>	<b>10,212,897</b>	<b>284,394,548</b>

	31 December 2018		
	Balance at the beginning of the year	Formed during the year	Balance at the end of the year
Legal reserve	50,000,000	4,127,298	54,127,298
Special reserve	49,090,006	-	49,090,006
Acquisition reserve	(76,532,044)	-	(76,532,044)
Other reserves	247,592,165	(95,774)	247,496,391
<b>Total</b>	<b>270,150,127</b>	<b>4,031,524</b>	<b>274,181,651</b>



## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements

For the nine months period ended 30 September 2019

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

#### Reserves (continued)

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 year.

Below is the movement of other reserves as follows:

	30 September 2019				
	Payment	Number of shares	Nominal value	Share capital	Share premium
Private offering and share capital increase	306,000,000	34,000,000	EGP 0.5	17,000,000	289,000,000
Public offering	54,000,000	6,000,000	EGP 0.5	3,000,000	51,000,000
Expenses of 2016 shares issued*	-	-	-	-	(31,982,360)
Expenses of 2017 shares issued***	-	-	-	-	(27,582,576)
Transfer to legal reserve**	-	-	-	-	(32,938,673)
<b>Total</b>	<b>360,000,000</b>	<b>40,000,000</b>		<b>20,000,000</b>	<b>247,496,391</b>

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

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

\*\*\* The expenses of share issuance amounting to EGP 27,582,576- comprise the expenses amount of IPO of shares of increasing the Company's capital, representing the expenses of registrations promotion and other legal and professional expenses.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements

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#### 20. Non-controlling interests

	Share capital	Legal reserve	Retained earnings	Share of minority interest on settlement of acquisition	Total
Balance at 1 January 2018	12,731,320	7,009,051	35,868,721	120,184	55,729,276
Employees dividends	-	-	(1,323,731)	-	(1,323,731)
Legal reserve	-	3,152	-	-	3,152
Comprehensive income for the year	-	-	20,310,873	-	20,310,873
<b>Balance at 31 December 2018</b>	<b>12,731,320</b>	<b>7,012,203</b>	<b>54,855,863</b>	<b>120,184</b>	<b>74,719,570</b>
Balance at 1 January 2019	12,731,320	7,012,203	54,855,863	120,184	74,719,570
Non-controlling interest in the acquisition of subsidiaries	255,000	-	-	-	255,000
Dividends of employees	-	-	(1,526,345)	-	(1,526,345)
Legal reserve	-	1,974	-	-	1,974
Comprehensive income for the period	-	-	3,456,644	-	3,456,644
<b>Balance at 30 September 2019</b>	<b>12,986,320</b>	<b>7,014,177</b>	<b>56,786,162</b>	<b>120,184</b>	<b>76,906,843</b>

#### 21. Operating revenue

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Accommodation and medical supervision revenue	302,502,533	260,852,160	99,613,839	92,622,481
Surgeries revenue	271,139,425	208,949,218	105,108,035	82,592,285
Outpatient clinics revenue	160,715,963	143,607,709	58,451,518	52,288,306
Laboratories revenue	115,195,220	90,931,882	39,743,356	33,209,961
Cardiac catheterization revenue	103,220,205	87,710,165	39,373,633	30,481,197
Service charge revenue	94,813,375	76,667,364	34,059,614	28,886,732
Radiology revenue	71,783,273	54,345,165	26,226,320	19,803,568
Emergency revenue	52,976,514	48,372,309	18,502,497	17,045,742
Pharmacy revenue	33,325,781	23,536,449	12,453,993	8,228,263
Oncology revenue	27,643,818	25,773,984	9,079,081	8,340,175
Physiotherapy revenue	13,580,353	10,864,383	4,575,805	3,956,855
Dentistry revenue	12,143,502	9,287,093	4,548,431	3,225,957
Endoscopy revenue	11,484,067	8,978,212	4,487,115	3,521,357
Cardiac tests revenue	8,978,476	6,665,998	3,146,241	2,274,396
Other departments revenues	7,573,784	5,563,255	2,665,046	1,848,062
	<b>1,287,076,289</b>	<b>1,062,105,346</b>	<b>462,034,524</b>	<b>388,325,265</b>

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22. Operating costs

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Medical and pharmaceutical supplies	249,861,461	216,223,439	87,938,818	76,176,308
Doctors' fees	232,056,521	201,252,099	85,790,021	72,353,705
Salaries, wages and benefits	214,645,874	174,392,695	74,014,211	58,385,969
Food, beverage and consumables costs	39,306,350	33,316,071	13,010,909	11,513,239
Fixed assets depreciation	38,222,963	28,300,967	13,394,308	9,577,659
Maintenance, spare parts and energy expenses	31,013,337	27,549,154	12,747,371	11,958,097
Other expenses	30,088,955	16,004,142	8,126,997	6,290,158
	<b>835,195,461</b>	<b>697,038,567</b>	<b>295,022,635</b>	<b>246,255,135</b>

23. General and administrative expenses

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Salaries, wages and benefits	158,416,563	84,195,343	51,373,389	24,686,505
Consultancy and legal fees	13,135,990	13,024,044	5,204,487	4,024,761
Donations	10,997,933	8,603,171	3,710,333	2,866,600
Fixed assets depreciation	7,555,388	4,249,474	2,702,875	1,955,781
Maintenance, spare parts and energy expenses	5,183,024	4,100,711	1,750,758	1,598,900
Food, beverages, and consumable costs	3,870,728	3,902,409	1,134,982	1,496,368
Rents	2,635,766	1,700,519	908,419	505,911
Impairment of trade receivables	48,895,266	1,615,224	7,698,609	3,440,677
Other expenses	22,667,381	15,969,960	8,695,881	7,833,882
	<b>273,358,039</b>	<b>137,360,853</b>	<b>83,179,733</b>	<b>48,409,384</b>

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24. Expenses by nature

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Salaries, wages and benefits *	374,084,281	258,588,038	125,387,600	83,072,474
Medical and pharmaceutical supplies	249,861,461	216,223,439	87,938,818	76,176,308
Doctors' fees	232,056,521	201,252,099	85,790,021	72,353,705
Food, beverage and consumables costs	43,177,078	37,218,480	14,145,891	13,009,607
Fixed assets depreciation	45,778,354	32,550,441	16,097,183	11,533,442
Maintenance, spare parts and energy expenses	36,240,818	31,649,865	14,498,129	13,556,997
Donations	10,997,933	8,603,171	3,710,333	2,866,600
Impairment of trade receivables	48,895,266	1,615,224	7,698,609	3,440,677
Other expenses	70,900,533	46,698,665	22,935,784	18,654,712
	<b>1,111,992,245</b>	<b>834,339,420</b>	<b>378,202,368</b>	<b>294,664,519</b>

\* Employees' costs

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Salaries, wages and bonuses	343,197,020	230,738,565	113,958,591	72,309,631
Social insurance	14,949,396	10,650,926	5,343,109	3,558,707
Employees' benefits	15,937,865	17,198,547	6,085,900	5,059,321
	<b>374,084,281</b>	<b>258,588,038</b>	<b>125,387,600</b>	<b>83,072,474</b>

Salaries, wages and bonuses item includes an amount of EGP 66,798,059 (31 December 2018: EGP 10,876,398) which represents the amount of the payments calculated on the basis of the difference between the market value of the Parent Company's shares at 30 September 2020 and the share price at the date of offering its shares in the Egyptian Stock Exchange on 2 June 2016. And an amount of EGP 5,864,438 (30 September 2018: EGP 5,491,179) which represents the value of payments calculated on the basis of the difference between profit before interest and (EBITDA) at the maturity date of 30 September 2020 and 30 September 2016.

25. Other income

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Rent	3,428,359	1,903,500	1,617,457	598,495
Buffet income and cafeteria concession	180,840	859,544	67,410	606,495
Gain on sales of assets	345,721	549,626	48,927	377,932
Miscellaneous income	2,532,387	2,319,770	650,306	116,413
	<b>6,487,307</b>	<b>5,632,440</b>	<b>2,384,100</b>	<b>1,699,335</b>

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26. Finance income / (expenses)

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
<b>Finance income</b>				
Interest payable	71,915,908	94,121,910	16,501,013	32,005,295
Currency valuation differences	-	26,707	-	17,878
<b>Total finance income</b>	<b>71,915,908</b>	<b>94,148,617</b>	<b>16,501,013</b>	<b>32,023,173</b>
<b>Finance costs</b>				
Interest receivable	(2,918,040)	(30,904,020)	(252,788)	(9,226,424)
Currency valuation differences	(2,914,506)	-	(753,986)	-
<b>Total finance expenses</b>	<b>(5,832,546)</b>	<b>(30,904,020)</b>	<b>(1,006,774)</b>	<b>(9,226,424)</b>
<b>Net finance (expenses)/ income</b>	<b>66,083,362</b>	<b>63,244,597</b>	<b>15,494,239</b>	<b>(14,231,251)</b>

27. Expenses before operations

Expenses before operations of CHG Medical Services and CHG Pharma for the management of pharmacies from the date of establishment of the companies to the official operating date amounted to LE 7,395,317 and LE 490,000 respectively, EGP 3,956,576 pre-operating expenses of CHG Medical Services and EGP 490,000 of pre-operating expenses of CHG Pharma for the management of pharmacies were excluded from the consolidated financial statements as a result of related party transactions. Expenses before operations included in the consolidated financial statements is LE 3,438,741.

28. Income taxes

Income tax expense as stated in the statement of profit or loss during the period / year includes:

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Current income tax for the period	68,735,466	61,724,706	23,121,400	24,657,141
Deferred tax	3,051,010	1,648,991	2,888,714	2,144,292
	<b>71,786,476</b>	<b>63,373,697</b>	<b>26,010,114</b>	<b>26,801,433</b>

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**Income taxes (continued)**

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

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Net profit before tax	241,749,132	288,328,813	98,227,148	118,351,445
Income tax calculated based on the applicable local tax rate	59,226,555	64,873,983	23,461,551	26,629,075
<b>Add/ (less):</b>				
Non-taxable expenses	18,520,889	2,871,493	5,006,761	855,965
Income not subject to tax	(5,960,968)	(4,371,779)	(2,458,198)	(683,607)
<b>Income taxes</b>	<b>71,786,476</b>	<b>63,373,697</b>	<b>26,010,114</b>	<b>26,801,433</b>
<b>Effective tax rate</b>	<b>29.69%</b>	<b>22.11%</b>	<b>26.48%</b>	<b>22.97%</b>

	30 September 2019	31 December 2018
<u>Current income tax liabilities</u>		
Balance at 1 January	69,398,261	11,961,946
Payments during the period / year	(75,674,028)	(14,589,922)
Current period / year tax	68,735,465	90,383,148
Advance payments to tax authorities	(13,968,209)	(18,356,911)
	<b>48,491,489</b>	<b>69,398,261</b>

**29. Deferred tax**

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

	Balance at 1 January 2019 (Liability)	(Expense)/ Income charged to the statement of profit or loss during the period	Balance at 30 September 2019 (Liability)
<u>Liabilities</u>			
Fixed assets	(15,718,421)	(4,437,954)	(20,156,375)
Fixed assets - Effect of fair value	(44,754,796)	1,884,126	(42,870,670)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
<b>Total Liabilities</b>	<b>(70,450,847)</b>	<b>(2,553,828)</b>	<b>(73,006,695)</b>
<u>Assets</u>			
Provisions (excluding claims provision)	3,583,717	(497,182)	3,086,535
<b>Net deferred tax - liability</b>	<b>(66,869,150)</b>	<b>(3,051,010)</b>	<b>(69,920,160)</b>

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Deferred tax (continued)

	Balance at 1 Jan 2018 (Liability)	(Expense)/ Income charged to the statement of profit or loss during the year	Balance at 31 December 2018 (Liability)
<u>Liabilities</u>			
Fixed assets	(9,480,250)	(6,238,171)	(15,718,421)
Fixed assets - Effect of fair value	(47,267,460)	2,512,664	(44,754,796)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
<b>Total Liabilities</b>	<b>(66,727,360)</b>	<b>(3,725,507)</b>	<b>(70,452,867)</b>
<u>Assets</u>			
Provisions (excluding claims provision)	2,297,143	1,286,574	3,583,717
<b>Net deferred tax - Liability</b>	<b>(64,430,217)</b>	<b>(2,438,933)</b>	<b>(66,869,150)</b>

	Balance at 1 January 2018 (Liability)	(Expense)/ income charged to the statement of income during the period	Balance at 30 September 2018 (Liability)
<u>Liabilities</u>			
Fixed assets	(9,480,250)	(3,107,120)	(12,587,370)
Fixed assets - Effect of fair value	(47,267,460)	1,884,603	(45,382,857)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
<b>Total Liabilities</b>	<b>(66,727,360)</b>	<b>(1,222,517)</b>	<b>(67,949,877)</b>
<u>Assets</u>			
Provisions (excluding claims provision)	2,297,143	(426,474)	1,870,669
<b>Net deferred tax - Liability</b>	<b>(64,430,217)</b>	<b>(1,648,991)</b>	<b>(66,079,208)</b>

30. Earnings 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 nine months ended 30 September 2019.

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Distributable profit	169,962,656	224,955,116	72,217,034	91,550,012
Number of shares issued	1,600,000,000	1,600,000,000	1,600,000,000	1,600,000,000
<b>Earning per share</b>	<b>0.11</b>	<b>0.14</b>	<b>0.03</b>	<b>0.06</b>

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#### 31. Related parties transactions

During the year the Group made transactions 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

<u>(Related parties)</u>	<u>Nature of transaction</u>	<u>Transaction value</u>	<u>Balance due from / (to) related parties 30 September 2019</u>	<u>Balance due from / (to) related parties 30 December 2018</u>
Care HealthCare (Parent Company)	Expenses paid on behalf of the parent Company	896,864	4,773,845	3,876,981
CHG for medical services (subsidiary)	Expenses paid on behalf of the Company	3,180,946	-	3,180,946
Other parties	Expenses paid on behalf of related parties	254,992	254,992	-
			<u>5,028,837</u>	<u>7,057,927</u>

#### 32. 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.
- 2015 and 2016 were inspected and an internal committee has been formed and the amounts has been settled.
- 2017 and 2018 inspections is being processed.

##### (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 salaries earnings was inspected for 2014, and the internal committee is finished. and model A/1 which clarified that the tax has been paid has been received.
- 2015 and 2016 were inspected and settled.
- 2017 and 2018 were inspected and an internal committee has been formed and the amounts has been settled.

##### (3) Stamp duty tax

- Inspection was made up to 31 July 2006 and tax was paid.
- Inspection was made up to 2013 and tax was paid.
- Years from 2014 to 2017 inspection is being processed.
- 2018, there was no inspection till financial statements date.



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#### Tax position (continued)

##### (4) VAT

- Inspection was made up to 31 December 2004.
- Inspection was made for sales tax from 2005 to 2015 and differences was settled.
- 2016, 2017 and 2018 was not inspected
- Tax returns were filed regularly in the legal deadline.

##### (5) Advance payments

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter [ From 1 January 2019 : 31 December 2019 ]

#### 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 settled
- For 2015: 2018, the company is being inspected currently.

##### (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.
- For 2014: 2018, the company is being inspected currently.

##### (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.
- Inspection was made from 2014 to 2016 and tax was paid.
- Years 2017 and 2018 were not inspected

##### (4) VAT

- The Company registered in April 2017.
- Tax returns were filed monthly in the legal deadline.

##### (5) Advance payments

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter [ From 1 January 2019 : 31 December 2019 ]

#### Nile Badrawi Hospital

##### (1) Corporate tax

- Years up to 2012 were settled, and all dues were paid.
- 2013 and 2014 were inspected and an internal committee has been formed and the amounts has been settled.
- 2015 and 2016 are reinspecting.
- For 2017 and 2018, the company is being inspected currently.

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#### Tax position (continued)

##### (2) Salaries tax

- Years up to 2011 were inspected, settled, and paid. No tax is due for the years up to 2011.
- Tax was inspected for the years from 2012 to 2016 and it was objected and reinspected and internal committee has been formed
- 2017 and 2018 has not been inspected yet.

##### (3) Stamp duty

- Years up to 31 July 2006 were inspected and paid.
- Years from 1 August 2006 up to 2014 are currently being inspected. There is a claim of EGP 220,960, for which an objection was filed on 31 October 2016 and internal committee has been formed and all amounts due for these years have been settled and paid.
- Years from 2015 to 2017 were inspected and this inspection was objected.
- 2018 has not been inspected yet.

##### (4) VAT

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

##### (5) Advance payments

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter [ From 1 January 2019 : 31 December 2019 ]

#### 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.
- Years from 2015 to 2018 have been inspected, payment was made, tax differences were settled, and a certificate of clearance and full payment was issued.

##### (2) Salaries tax

- The Company was inspected and settled up to 31 December 2004 and settled.
- Internal committees were formed for 2005 to 2014.
- For 2015: 2018, the company is being inspected currently.

##### (3) Stamp duty tax

- The Company was inspected up to 31 July 2013, and settlement was made.
- Years from 2014 to 2016 were inspected and internal committee has been formed and all amounts due for these years have been and paid.
- For 2017: 2018, the company is being inspected currently.

##### (4) VAT

- The Company was registered since April 2017.
- Tax returns annually submitted in its legal deadline.

##### (5) Advance payments

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter [ From 1 January 2019: 31 December 2019 ]

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#### 33. Commitments

##### Capital commitments:

Capital commitments related to fixed assets at financial year end, which are not yet due, amounted to EGP54,299,618 (31 December 2018: EGP 7,232,846).

#### 34. Other matters

With reference to the disclosures issued by the Company on 20 October 2016, 2 November 2017, 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 defence 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.

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#### Other matters (continued)

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. In addition, Cleopatra Hospital Company seeks to negotiate and settle the final consensual agreement between the parties in dispute in this matter.

#### 35. Subsequent events

On November 1, 2019, the Cleopatra Hospital Company received the activity of "El Kateb" hospital from the Egyptian Company for Hospitals and will be consolidated starting from the fourth quarter during 2019.

In accordance with the decision of the Board of Directors of Cairo Specialized Hospital Company on 13 March 2019 and the approval of the Board of Directors of Cleopatra Hospital Company on 14 March 2019, it was subscribed to increase the capital of Cairo Specialized Company by 50 million EGP to become 76.519.960 EGP, On November 14, 2019, the capital increase amount was paid and the notation in the commercial register was done, The share of Cleopatra Hospital Company amounted to EGP 27,473,511.

In accordance with the decision of the Board of Directors of Nile Badrwai Hospital on 13 March 2019 and the approval of the Board of Directors of Cleopatra Hospital Company on 14 March 2019, it was subscribed to increase the capital of Nile Badrawi Company by 180 million Egyptian pounds to become EGP 200. Underwriting was made amounted to EGP 121 million thus issued capital become EGP 141 million. The amount of capital increase was paid and notation in the commercial registry on November 14, 2019 thus paid up capital becomes EGP 141 million.

<u>Name</u>	<u>Total capital increase</u>	<u>Cleopatra Hospital company share in capital increase</u>
Cairo specialized hospital company.	50,000,000	27,473,511
Nile Badrawi hospital company.	121,000,000	121,000,000
<b>Total</b>	<b>171,000,000</b>	<b>148,473,511</b>