

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

**LIMITED REVIEW REPORT AND THE
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED
31 MARCH 2020**

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

Consolidated financial statements - For the three months period ended 31 March 2020

Index	Page
Limited review report	1
Consolidated statement of financial position	2
Consolidated statement of profit or loss	3
Consolidated statement of comprehensive income	4
Consolidated statement of changes in shareholders' equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7 - 50



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 31 March 2020 and the related consolidated interim statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory 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 a conclusion 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 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 31 March 2020, and its financial performance, and its cash flows for the three months period then ended in accordance with the Egyptian Accounting Standards.

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

18 June 2020
Cairo




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

Consolidated statement of financial position - At 31 March 2020

(All amounts in Egyptian Pounds)

	Note	31 March 2020	31 December 2019
Assets			
Non-current assets			
Fixed assets	6	931,846,306	908,495,300
Right of use	32	9,704,795	10,247,595
Goodwill	7	369,263,334	369,263,334
Intangible assets	7	44,354,000	44,354,000
Advance payment for investments	8	21,693,653	-
Total non-current assets		1,376,862,088	1,332,360,229
Current assets			
Inventories	9	64,923,927	49,260,610
Trade receivables	10	382,186,666	337,153,648
Due from related parties	29	255,000	2,019,705
Debtors and other debit balances	11	129,245,570	105,227,154
Treasury bills	12	149,064,723	50,099,258
Cash and cash equivalent	13	591,225,855	791,267,839
Total current assets		1,316,901,741	1,335,028,214
Total assets		2,693,763,829	2,667,388,443
Equity			
Share capital	17	800,000,000	800,000,000
Reserves	18	284,394,548	284,394,548
Retained earnings		828,269,690	746,183,287
Total equity of the parent company		1,912,664,238	1,830,577,835
Non-controlling interests	19	109,793,017	103,926,707
Total equity		2,022,457,255	1,934,504,542
Liabilities			
Non-current liabilities			
Lease liability	32	5,385,289	5,834,432
Deferred tax liabilities	27	73,903,107	74,794,486
Total non-current liabilities		79,288,396	80,628,918
Current liabilities			
Provisions	14	16,114,290	15,558,340
Creditors and other credit balances	15	357,235,893	442,334,530
Employee incentive plan	16	129,072,581	129,072,581
Lease liability	32	2,793,532	2,651,440
Current income tax liabilities	26	86,801,882	62,638,092
Total current liabilities		592,018,178	652,254,983
Total liabilities		671,306,574	732,883,901
Total equity and liabilities		2,693,763,829	2,667,388,443

- The accompanying notes from (1) to (23) are integral part of these consolidated financial statements.
- Limited review report is attached


Mr. Ahmed Adel Badreldin
Non Executive Chairman


Dr. Ahmed Ezz Eldin Mahmoud
CEO & Managing Director


Mr. Ahmed Gashal
Group CFO

18 June 2020



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

Consolidated statement of profit or loss
For the three months period ended 31 March 2020

(All amounts in Egyptian Pounds)	Note	31 March 2020	31 March 2019
Operating revenue	20	502,881,418	415,978,654
Less:			
Operating costs	21	<u>(331,661,025)</u>	<u>(261,817,388)</u>
Gross profit		171,220,393	154,161,266
Add / (Less):			
General and administrative expenses	22	(70,015,919)	(98,646,928)
Costs of acquisition activates		-	(523,257)
Provisions	14	(3,884,203)	(2,676,078)
Other income	24	1,756,360	2,022,596
Finance income	25	18,290,349	29,379,431
Finance expenses	25	<u>(623,759)</u>	<u>(3,157,347)</u>
Profit for the period before income tax		116,743,221	80,559,683
Current tax	26	(29,681,886)	(26,303,887)
Deferred tax	27	<u>891,378</u>	<u>884,069</u>
Profit after income tax		87,952,713	55,139,865
Profit for:			
Owners of the parent company		82,086,403	53,503,936
Non-controlling interests	19	<u>5,866,310</u>	<u>1,635,929</u>
Profit after income tax		87,952,713	55,139,865
Earning per share	28	0.05	0.03

- The accompanying notes from (1) to (33) are integral part of these consolidated financial statements.

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

Consolidated statement of comprehensive income For the three months period ended 31 March 2020

(All amounts in Egyptian Pounds)	<u>Note</u>	<u>31 March 2020</u>	<u>31 March 2019</u>
Profit for the period		87,952,713	55,139,865
Other comprehensive income		-	-
Total comprehensive income for the period		<u>87,952,713</u>	<u>55,139,865</u>
Profit for:			
Owners of the parent Company		82,086,403	53,503,936
Non-controlling interests		<u>5,866,310</u>	<u>1,635,929</u>
Profit after income tax		<u>87,952,713</u>	<u>55,139,865</u>

- The accompanying notes from (1) to (33) are integral part of these consolidated financial statements.

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

**Consolidated statement of changes in equity
For the three months period ended 31 March 2020**

(All amounts in Egyptian Pounds)

	Share capital	Reserves	Retained earnings	Total Shareholders equity of the parent Company	Non-controlling interest	Total equity
Balance at 1 January 2019	800,000,000	274,181,651	529,815,360	1,603,997,011	74,719,570	1,678,716,581
Total compressive income for the period	-	-	53,503,936	53,503,936	1,635,929	55,139,865
Balance at 31 March 2019	800,000,000	274,181,651	583,319,296	1,657,500,947	76,355,499	1,733,856,446
Balance at 1 January 2020	800,000,000	284,394,548	746,183,287	1,830,577,835	103,926,707	1,934,504,542
Total compressive income for the period	-	-	82,086,403	82,086,403	5,866,310	87,952,713
Balance at 31 March 2020	800,000,000	284,394,548	828,269,690	1,912,664,238	109,793,017	2,022,457,255

- The accompanying notes from (1) to (33) are integral part of these consolidated financial statements.

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

Consolidated statement of cash flows
For the three months period ended 31 March 2020

(All amounts in Egyptian Pounds)	Note	31 March 2020	31 March 2019
<u>Cash flows from operating activities</u>			
Profit before tax		116,743,221	80,559,683
Adjustments to reconcile net income to cash flows from operating activities			
Fixed assets depreciation	6	20,701,096	13,971,448
Profit from sale of fixed assets	24	(233,789)	(236,794)
Impairment of inventories	9	14,051	161,115
Impairment of trade receivables	10	13,014,335	31,741,418
Provisions	14	3,884,203	2,676,078
Employee incentive plan	16	-	22,341,073
Interests and commissions	25	379,893	2,079,053
Interests payable	25	(18,290,349)	(29,379,431)
Operating profits before changes in assets and liabilities		136,212,661	123,913,643
Changes in assets and liabilities			
Change in inventories		(15,677,368)	(6,247,303)
Change in trade receivables		(58,047,353)	(46,301,249)
Change in due from related parties		1,764,705	(4,509,456)
Change in debtors and other debit balances		20,006,021	(17,405,823)
Change in creditors and other credit balances		(49,916,458)	30,218,256
Provision used	14	(3,328,253)	(2,170,125)
Income tax paid		(5,518,096)	(57,700,000)
Net cash flows generated from operating activities		25,495,859	19,797,943
<u>Cash flows from investing activities</u>			
Payments for purchase fixed assets		(7,468,084)	(13,768,572)
Payments for projects under construction		(36,071,349)	(49,624,309)
Prepayments for purchasing fixed assets		(43,968,212)	(2,709,932)
Proceeds from sale of fixed assets		263,918	492,805
Payments under investments		(57,182,882)	-
Treasury bills		(98,965,465)	-
Payments for business acquisition		-	(25,000,000)
Interests received		18,234,124	28,380,522
Net cash flows used in investing activities		(225,157,950)	(62,229,486)
<u>Cash flows from financing activities</u>			
Proceeds from bank overdraft		-	27,582,598
Payment of borrowings and bank overdraft		-	(111,103,047)
Dividends paid		-	(14,284)
Interests and commissions paid		(379,893)	(14,455,961)
Net cash flows used in financing activities		(379,893)	(97,990,694)
Change in cash and cash equivalents during the period		(200,041,984)	(140,422,237)
Cash and cash equivalents at the beginning of the period		791,267,839	953,422,594
Cash and cash equivalents at the end of the period	13	591,225,855	813,000,357

- The accompanying notes from (1) to (33) are integral part of these consolidated financial statements.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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.

Care Health is the main shareholder in the company with a 37.87% shareholding.

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, As of 28 September 2017, the shareholding rate has become 53.88% as a result of the company purchasing shares of non-controlling interests in Cairo Specialist Hospital. As of 14 November 2019, the percentage of the contribution of Cleopatra Hospital Company S.A.E. has changed to 54.58% for the subscription in the capital increase of the Cairo Specialist Hospital Company.

On 22 September 2015, Cleopatra Hospital S.A.E. acquired 99.92% of the total shares of Nile Badrawi Hospital Company, According to the decision of the Board of Directors of the Nile Hospital Badrawi on 13 March 2019 and the approval of the Board of Directors of the Cleopatra Hospital Company on 14 March 2019, the authorized capital of the Nile Badrawy Company has been increased by EGP 180 million to become EGP 200 million and this has been subscribed in the amount of EGP 121 million to make the paid-up capital EGP 141 million. The amount of the capital increase has been paid in full by the Cleopatra Hospital Company, and consequently, the contribution of Cleopatra Company is 99.989%.

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

On 6 August 2017 CHG Medical Services was established with a capital of EGP 250,000 and on 22 March 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 EGP 250,000 to EGP 2,000,000, the issued and the paid up from EGP 250,000 to EGP 312,500 with a value of EGP 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.
- According to the above, the Cleopatra Hospital Company's contribution to the capital amounts to 20%, entitling it to 60% in voting rights and dividends as preferred shares.

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

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

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

Introduction (continued)

On 1 November 2019, Cleopatra Hospital Company finalized the acquisition of Al Kateb Hospital Operations, land and building, and on 27 November, Cleopatra Hospital Company established CHG for Hospitals with a capital of EGP 30 million with ownership percentage of 99.99%.

These consolidated financial statements have been approved for issuance by the Board of Directors of the Parent Company on 18 June 2020.

2. Accounting policies

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

A. Basis of preparation of the consolidated financial statements

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

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

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

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

B. New Egyptian Accounting Standards (“EAS”) and interpretations adopted

In 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. The group has applied the following accounting standards, amendments and interpretations for the first time on its annual reporting periods starting from 1 January 2019.

Adopted standards

- Egyptian Accounting Standard No. (22) - “earning per share” - All establishments that apply the Egyptian accounting standards should calculate and display earning per share in the profits according to Egyptian Accounting Standard No. (22).

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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

- Egyptian Accounting Standard No. (49) - “Lease Contracts” - First Stage (Lease Contracts subject to Law 95 of 1995 is recognized in the statement of the financial position as an asset (the right to use the leased asset) and a financial obligation to pay the lease payments. Except for the short-term and the small valued lease contracts.

New standards to be adopted

Some new and revised accounting standards have been published that are not mandatory for the financial statements for the financial years beginning on or after 1 January 2020. On April 12, 2020, the Financial Supervisory Authority decided to postpone the application of amendments to the Egyptian Accounting Standards to the interim financial statements and limit them to the annual financial statements by the end of 2020.

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

Standard name	EAS 47 “Financial instruments”
Nature of change	<p>EAS 47, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.</p> <p>The Group has reviewed its financial assets and liabilities and expects the following impact from the application of the new standard on 1 January 2020. On April 12, 2020, the Financial Supervisory Authority decided to postpone the application of amendments to the Egyptian Accounting Standards to the interim financial statements and limit them to the annual financial statements by the end of 2020.</p> <p>The company's financial assets consist of the following:</p> <p>Trade receivables Time deposits Cash and cash equivalents Related parties</p>
Impact	<p>Trade receivables and amounts due from related parties and bank balances are debt instruments currently classified as loans and receivables and are measured at the cost consumed under Egyptian Accounting Standard No. 26. The Group has estimated that it meets the terms of the classification at the cost consumed according to Egyptian Accounting Standard No. 47, where it is are cash flows from principle payments and interest payments only, and the company's business model is to maintain and collect debt instruments.</p> <p>There will be no impact on the Group's registration of financial obligations, as the new requirements affect the recording of financial liabilities recorded at fair value through profit or loss and the Group does not have any of these obligations. The rules for de-recognition have been transferred from the Egyptian Accounting Standard 26 “Financial Instruments: Measurement and Recognition” and have not been changed.</p>

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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

	<p>The new impairment model requires recognition of provisions for impairment based on expected credit losses instead of credit losses incurred only, as is the case in accordance with the Egyptian Accounting Standard 26. It applies to financial assets classified at amortized cost and debt instruments measured at fair value through other comprehensive income and contract assets Under Egyptian Accounting Standard 48, “Revenue from Contracts concluded with Clients”, Debt Lease Balances, Loan Commitments, and Some Financial Guarantee Contracts. And based on the evaluations implemented to date.</p> <p>The new standard also introduces extended terms of disclosure and changes in presentation. It is expected to change the nature and size of the Group's disclosures regarding its financial instruments, especially in the year in which the new standard is applied.</p>
Mandatory application date/ Date of adoption by group	Applies to financial periods beginning on or after 1 January 2020. The Group will apply the new rules retroactively from 1 January 2020 taking the practicable methods permitted under the standard. Comparative figures for 2019 will not be modified.

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

Standard name	EAS 48 “Revenue from contracts with customers”
Nature of change	<p>It issued a new standard for revenue recognition, replacing Egyptian Accounting Standard No. 11 covering contracts for sales of goods and services and Egyptian Accounting Standard No. 8 covering construction contracts.</p> <p>The new standard is based on the principle of revenue recognition when transferring control of goods or services to a customer.</p>
Impact	The effects of applying the new standard on the company's financial statements are being evaluated, and revenue is measured for all existing contracts in force under Egyptian Accounting Standard Model 48 consisting of five steps.
Mandatory application date/ Date of adoption by group	Mandatory for financial years beginning on or after 1 January 2020. The company intends to apply the new standard using a modified approach to retroactively applying, which means that the cumulative effect of the application will be recognized in the retained earnings from 1 January 2020, and that comparative figures will not be modified. On April 12, 2020, the Financial Supervisory Authority decided to postpone the application of amendments to the Egyptian Accounting Standards to the interim financial statements and limit them to the annual financial statements by the end of 2020.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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

(3) EAS No. (49) – “Leases”:

Standard name	EAS 49 “Lease contracts” stage two (lease contract) except for those which were subject to Law 95 for the year 1995.
Nature of change	<p>Egyptian Accounting Standard No. (49) for rental contracts was issued, which requires two-stage implementation. The first stage relates to leasing contracts that were subject to Law 95 of 1995 and is applicable in the financial periods beginning on or after 1 January 2019. The explanation above shows the impact of the application of the first stage on the financial statements. The second stage is related to leasing contracts other than those that were subject to Law 95 of 1995 and is applicable for financial periods beginning on or after 1 January 2020.</p> <p>In accordance with the new standard, at the statement of financial position an asset is recognised as (the right to use the leased asset) and a financial obligation to make the lease payments. Except for the short-term and small-valued leasing contracts.</p>
Impact	<p>The group has formed a team for the application of the standard, and it has been found that the group has contracts that meet the first stage. The application has been implemented and there is no effect on the retained earnings in the beginning of the period or the profits of the year because the contract to which the standard applies has been engaged to during the year 2019 and for the second stage of the Egyptian Accounting Standard No. 49, the team reviewed the rental arrangements other than those that were subject to Law 95 for the year 1995 in the group, in light of the new rent accounting rules.</p>
Mandatory application date/ Date of adoption by group	<p>The group will apply the second stage of Egyptian Accounting Standard No. 49 to operating lease contracts from the mandatory date of application from 1 January 2020. The group intends to use the practical means provided by the standard and the comparison numbers for the year will not be modified before the initial application of the standard. The right of use assets arising from operating lease contracts will be measured at the amount of the lease liability at the date of the initial application (adjusted for any advance or due rental expense). On April 12, 2020, the Financial Supervisory Authority decided to postpone the application of amendments to the Egyptian Accounting Standards to the interim financial statements and limit them to the annual financial statements by the end of 2020.</p>

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.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

Basis of consolidation (continued)

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

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

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

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

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

	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Al-Shorouk Hospital Company S.A.E.	Egypt	99.99%
Nile Badrawi Hospital Company S.A.E.	Egypt	99.989%
Cairo Specialised Hospital Company S.A.E.	Egypt	54.58%
CHG for Medical Services Company S.A.E.	Egypt	20% (Preferred shares)
CHG Pharma for Pharmacies Management Company S.A.E.	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.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

Basis of consolidation (continued)

3. Associates

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

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

(2) Transactions and balances

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

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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.

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, equipment and devices	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.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

Intangible assets (continued)

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.

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.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

Financial assets (continued)

Third: Impairment of financial assets:

Assets recognised at amortised cost

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

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

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

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

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

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

L. Legal reserve

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

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.

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 financial statements.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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.

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 2 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 2 June 2020 and 2 June 2016.
 - The beneficiaries' entitlements from the system shall be paid within one month of the end of the fourth year of the system ("maturity date" or within one month from the date of any entitlement to the system in accordance with its terms and conditions).
 - This system is not a system of remuneration and motivation for the employees of the Company by granting or giving any rights in the shares of the Company as this system is a system of monetary incentives.
 - The Remuneration Committee shall be entitled to amend the mechanism for calculating amounts due in light of any developments related to the Company's activities or achieving its objectives and after the presentation to the Board of Directors for approval and clarification of the justifications for this amendment. The Remuneration Committee is entitled to reallocate units that have not been used or are available in general to existing or new beneficiaries.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

Employees' benefits (continued)

- The Group recognizes the cost of incentives related to the services rendered by the employees under the system over the period in which the service is performed. The Group recognizes the liability for the system at the date of each financial position in accordance with the fair value of the consideration expected to be paid to the employees on the grant date. The fair value of these liabilities is estimated at the date of the financial position taking into account all the circumstances relating to the expected discounted cash flows at the effective rate of return applicable.
- The Group recognises the fair value of the employees' services received as expenses in the statement of profit or loss.

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.

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.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

R. Leases

1. Lease in accordance to law 95 for the year 1995

Before 1 January 2019, leases were accounted in accordance to 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.

After 1 January 2019, the company evaluated the effect of applying the revised Egyptian rental standard No. (49) to all lease contracts subject to Law 95 of 1995.

On the date of the initial recognition, the company recognized the right of use asset in the statement of financial position with an amount equal to the value of the lease contract commitment after deduction of the rent paid in advance. Subsequently, the right of use is measured at cost less accumulated depreciation and impairment losses.

The right of use is depreciated using the straight-line method over the estimated useful life of these assets or the lease term, whichever is less - unless there is a right to the asset at the end of the contract since the company has a right at the end of the lease term.

The first measurement of the lease obligations is made at the present value of future payments discounted using the additional interest rate that the company borrows, and later is measured using the effective interest rate method.

The right of use, as well as lease obligations, are remeasured in the following cases:

- 1- Change in the rental price.
- 2- Amending the lease contract.
- 3- Adjusting the rental period.

2. Lease other the rent in accordance to Law 95 for the year 1995

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 financial statements For the three months period ended 31 March 2020

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

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 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 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.

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.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

Fair value of financial instruments (continued)

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

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

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

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

The management determines the policies and procedures for measuring the fair value either regularly or irregularly. External 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.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

	31 March 2020	31 December 2019
US Dollars	13,851,775	12,790,017
Euro	84,369	372,677
GBP	319,289	51,784

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:

	31 March 2020	31 December 2019
US Dollars	1,385,178	1,279,002
Euro	8,437	37,268
GBP	31,929	5,178

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 financial statements For the three months period ended 31 March 2020

(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:

	31 March 2020	31 December 2019
Cash at banks	589,190,693	788,913,329
Trade receivables	469,475,924	411,428,571
Accrued income	2,220,126	2,383,756
Employees loans custodies	1,932,938	1,597,912
Due from related parties	255,000	2,019,705

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 financial statements For the three months period ended 31 March 2020

(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	158,815,840	34,523,237	-	-
Accrued expenses	134,720,773	3,598,741	-	-

(2) Capital risk management

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

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

Net debt to total invested capital as at 31 March 2020 and 31 December 2019 is as follows:

	31 March 2020	31 December 2019
Creditors and other credit balances	357,235,893	442,334,530
Employee incentive plan	129,072,581	129,072,581
Less: Cash on hand and at banks	(591,225,855)	(791,267,839)
Net debt	(104,917,381)	(219,860,728)
Total shareholders' equity	2,022,457,255	1,934,504,542
Total invested capital	1,917,539,874	1,714,643,814
Net debts to total invested capital	(5.47%)	(12.82%)

(3) Estimations of fair values of financial instruments

The fair value of the current financial assets and liabilities approximate their carrying amount, after taking into account any impairment.

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.

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

Critical accounting estimates, assumptions and judgements (continued)

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 2 June 2020 and 2 June 2016. The discounts rates used in calculating the system values are also reviewed with the market discount rates and reviewing the calculated valued by system elements with the approved five years plans from the management yearly.

The plan consists of the following:

- A) Payments calculated on the basis of the difference between the market value of the Parent Company's shares on 2 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 2 June 2020 and 2 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 three months period ended 31 March 2020

(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 three months period ended 31 March 2020 for each segment:

Statement of financial position	CHG Pharma										Total
	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	CHG for Medical Services	for pharmacies management	CHG for Hospitals	Queens Hospitals	Al Kateb Hospitals	Consolidated adjustment	
Non-current assets	1,377,135,461	148,362,090	151,845,167	164,667,791	-	-	-	8,897,423	1,226,605	(475,272,449)	1,376,862,088
Current assets	722,249,746	235,299,084	215,668,112	162,669,483	11,609,676	7,748,243	7,666,780	9,744,524	22,986,760	(78,740,667)	1,316,901,741
Total assets	2,099,385,207	383,661,174	367,513,279	327,337,274	11,609,676	7,748,243	7,666,780	18,641,947	24,213,365	(554,013,116)	2,693,763,829
Current liabilities	303,226,218	110,485,899	93,458,607	68,879,134	44,416,672	9,739,118	37,525	30,586,714	19,933,765	(88,745,474)	592,018,178
Non-current liabilities	8,241,321	8,748,297	7,810,027	2,778,764	-	-	-	172,099	(56,354)	51,594,242	79,288,396
Total Liabilities	311,467,539	119,234,196	101,268,634	71,657,898	44,416,672	9,739,118	37,525	30,758,813	19,877,411	(37,151,232)	671,306,574
Statement of profit or loss:											
Operating revenue	201,874,469	101,775,485	82,999,652	81,409,023	9,992,920	2,482,931	120,032	1,479,743	24,006,453	(3,259,290)	502,881,418
Operating costs	(115,340,323)	(66,389,719)	(57,199,062)	(58,682,365)	(10,712,211)	(2,517,161)	-	(4,800,491)	(17,774,287)	1,754,594	(331,661,025)
Gross profit	86,534,146	35,385,766	25,800,590	22,726,658	(719,291)	(34,230)	120,032	(3,320,748)	6,232,166	(1,504,696)	171,220,393
Other expenses and revenues	(25,565,959)	(19,144,107)	(15,271,973)	(14,788,859)	(3,047,897)	(252,219)	(27,007)	(361,371)	(4,777,773)	(30,515)	(83,267,680)
Profit for period	60,968,187	16,241,659	10,528,617	7,937,799	(3,767,188)	(286,449)	93,025	(3,682,119)	1,454,393	(1,535,211)	87,952,713
Other Items											
Capital expenditure	3,003,291	5,704,646	14,363,514	18,786,500	-	-	-	619,086	1,062,396	-	43,539,433
Fixed assets depreciation	7,204,526	4,770,556	2,214,031	2,557,426	-	-	-	591,237	29,222	2,791,297	20,158,295

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

(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 year ended 31 December 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 for Pharma management	CHG for Hospitals	Queens Hospitals	Al Kateb Hospitals	Consolidated adjustment	Total
Non-current assets	1,359,643,045	147,428,234	140,238,484	148,468,614	-	-	-	8,869,573	193,429	(472,481,150)	1,332,360,229
Current assets	705,330,892	233,370,563	232,500,663	185,150,667	8,202,583	4,574,484	7,546,748	10,833,205	18,553,824	(71,035,415)	1,335,028,214
Total assets	2,064,973,937	380,798,797	372,739,147	333,619,281	8,202,583	4,574,484	7,546,748	19,702,778	18,747,253	(543,516,565)	2,667,388,443
Current liabilities	331,437,965	123,655,876	108,908,634	83,174,425	37,242,391	6,278,910	10,518	26,056,373	15,902,066	(80,412,175)	652,254,983
Non-current liabilities	8,631,269	8,957,602	8,114,485	2,703,279	-	-	-	-	-	52,222,283	80,628,918
Total Liabilities	340,069,234	132,613,478	117,023,119	85,877,704	37,242,391	6,278,910	10,518	26,056,373	15,902,066	(28,189,892)	732,883,901
Statement of profit or loss:											
Operating revenue	750,271,506	373,955,142	322,735,021	301,279,547	21,477,331	3,974,128	46,748	13,632,520	16,933,494	(6,162,324)	1,798,143,113
Operating costs	(425,681,171)	(245,185,932)	(216,204,117)	(214,177,237)	(29,088,570)	(5,263,040)	-	(20,365,644)	(11,633,772)	(5,055,258)	(1,172,654,741)
Gross profit	324,590,335	128,769,210	106,530,904	87,102,310	(7,611,239)	(1,288,912)	46,748	(6,733,124)	5,299,722	(11,217,582)	625,488,372
Other expenses and revenues	(123,212,785)	(86,052,780)	(73,891,594)	(57,391,467)	(21,741,069)	(665,514)	(10,519)	175,711	(2,416,988)	5,076,714	(360,130,291)
Profit for year	201,377,550	42,716,430	32,639,310	29,710,843	(29,352,308)	(1,954,426)	36,229	(6,557,413)	2,882,734	(6,140,868)	265,358,081
Other Items											
Capital expenditure	203,200,992	78,286,089	97,547,569	88,322,348	-	-	-	10,516,616	193,536	-	478,067,150
Fixed assets depreciation	21,822,250	15,868,122	7,071,582	8,676,920	-	-	-	1,647,042	106	9,518,063	64,604,063

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

(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 period ended 31 March 2019 for each segment:

Statement of financial position	Cleopatra Hospital Company	Nile			Consolidated adjustment	Total
		Cairo Specialised Hospital	Badrawi Hospital	Al Shorouk Hospital		
Non-current assets	923,094,888	105,924,918	72,512,056	88,527,430	(172,826,248)	1,017,233,044
Current assets	908,890,399	156,858,250	129,974,337	79,648,760	(066,624,14)	1,260,747,680
Total assets	1,831,985,287	262,783,168	202,486,393	168,176,190	(187,450,314)	2,277,980,724
Current liabilities	168,307,983	94,064,545	94,572,204	75,737,595	(22,116,700)	410,565,627
Non-current liabilities	71,911,325	6,404,629	297,127	839,164	54,106,404	133,558,649
Total Liabilities	240,219,308	100,469,174	94,869,331	76,576,759	31,989,704	544,124,276
Statement of profit or loss:						
Operating revenue	183,765,307	86,704,851	76,185,082	70,297,093	(973,679)	415,978,654
Operating costs	(104,981,618)	(56,058,959)	(50,459,136)	(48,542,961)	(1,774,714)	(261,817,388)
Gross profit	78,783,689	30,645,892	25,725,946	21,754,132	(2,748,393)	154,161,266
Other expenses and revenues	(33,732,375)	(27,104,466)	(23,148,804)	(16,248,925)	1,213,169	(99,021,401)
Profit for period	45,051,314	3,541,426	2,577,142	5,505,207	(1,535,224)	55,139,865
Other Items						
Capital expenditure	59,441,106	2,001,247	11,114,688	2,112,773	-	74,669,814
Fixed assets depreciation	3,982,719	3,582,022	1,668,006	1,947,404	2,791,297	13,971,448

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

Notes to the consolidated financial statements
For the three months period ended 31 March 2020

(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
At 1 January 2019								
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)
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
Year ended 31 December 2019								
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	67,911,000	96,598,912	5,441,238	29,972,602	5,707,361	13,512,845	194,091,983	413,235,941
Disposals	-	(4,710,344)	(1,637,964)	-	(728,570)	(174,716)	-	(7,251,594)
Transfers from projects under construction	-	24,305,231	8,134,661	35,087,404	406,500	10,299,288	(78,233,084)	-
Depreciation for the year	-	(32,060,753)	(5,146,467)	(13,935,163)	(1,221,853)	(12,239,826)	-	(64,604,062)
Accumulated depreciation of disposal	-	4,117,770	1,606,872	-	728,570	174,716	-	6,627,928
Closing net book amount	173,240,262	259,308,453	27,433,721	263,044,764	6,778,979	41,367,457	137,321,664	908,495,300
At 31 December 2019								
Cost	173,240,262	489,137,866	59,672,162	361,825,614	12,564,952	69,845,176	137,321,664	1,303,607,696
Accumulated depreciation	-	(229,829,413)	(32,238,441)	(98,780,850)	(5,785,973)	(28,477,719)	-	(395,112,396)
Net book Amount	173,240,262	259,308,453	27,433,721	263,044,764	6,778,979	41,367,457	137,321,664	908,495,300
At 31 March 2020								
Opening net book amount	173,240,262	259,308,453	27,433,721	263,044,764	6,778,979	41,367,457	137,321,664	908,495,300
Additions	-	4,120,599	934,013	13,850	205,000	2,194,622	36,071,349	43,539,433
Disposals	-	(479,092)	(73,477)	-	(125,538)	(13,372)	-	(691,479)
Transfers from projects under construction	-	-	-	-	-	-	-	-
Depreciation for the period	-	(10,177,372)	(1,531,852)	(4,025,979)	(369,837)	(4,053,255)	-	(20,158,295)
Accumulated depreciation of disposal	-	476,188	46,258	-	125,538	13,363	-	661,347
Balance at 31 March 2020	173,240,262	253,248,776	26,808,663	259,032,635	6,614,142	39,508,815	173,393,013	931,846,306
Cost	173,240,262	492,779,373	60,532,698	361,839,464	12,644,414	72,026,426	173,393,013	1,346,455,650
Accumulated depreciation	-	(239,530,597)	(33,724,035)	(102,806,829)	(6,030,272)	(32,517,611)	-	(414,609,344)
Net book Amount	173,240,262	253,248,776	26,808,663	259,032,635	6,614,142	39,508,815	173,393,013	931,846,306

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

(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 2019	44,354,000	196,676,034
Acquisition of Queens Hospital	-	14,071,000
Acquisition of Al-Kateb Hospital	-	158,516,300
Balance at 31 December 2019	44,354,000	369,263,334
Balance at 1 January 2019	44,354,000	369,263,334
Balance at 31 March 2020	44,354,000	369,263,334

The good will is as follows:

	<u>Balance at 1 January 2020</u>	<u>Business acquisition</u>	<u>Balance at 31 March 2020</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
Al-Kateb Hospital Works	158,516,300	-	158,516,300
Total	369,263,334	-	369,263,334

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.

As a result of the effects of the emerging corona virus the management has evaluated the goodwill impairment on the date of the financial statements by using adjusted cash flow that reflect the actual data till may 2020 and the expected changes in the following periods including revenue, operating & capital expenses.

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.

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

Business combination and intangible assets (continued)

Queens Hospital acquisition

On 16 January 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 EGP 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.

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.

Queens Hospital was consolidated in accordance with the Egyptian Accounting Standard No. 29 on Business Combinations as of 18 March 2019, the date on which the acquire 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>
Acquisition cost	
Cash paid	25,000,000
Total acquisition cost	25,000,000
Total fair value of acquired assets	(10,929,000)
Intangible asset	14,071,000
	<u>EGP</u>
Fixed assets	8,567,000
Medical inventory	1,274,000
Debtors and other debit balances	1,088,000
Total fair value of acquired assets	10,929,000
Intangible asset	14,071,000

ElKateb Hospital acquisition

On 31 August 2017, the Company entered into an initial (conditional) contract for the purchase of the land and the building of Elkatib Hospital in the Arab Republic of Egypt. On 12 October 2017, the Company deposited an amount of EGP 143,550,000 under an ESCROW account contract which was concluded on 4 October 2017, 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. On 3 December 2018, the Extraordinary General Assembly approved the acquisition of fixed assets, the management and operation of the hospital, and on 7 August 2019, the Cleopatra Hospital Company signed a contract to transfer the ElKateb activity from the Egyptian Hospital Company, and therefore an amount of EGP 135,080,000 was deposited under an ESCROW account, which It was concluded on 7 August 2019. On 1 November 2019, the company has completed the acquisition of the entire works, land and building of ElKateb Hospital.

The acquisition resulted in an excess of the acquisition cost over the fair value of the net assets acquired by the company which were recognized as goodwill. Cleopatra Hospital Company S.A.E has acquired the fixed assets.

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

Business combination and intangible assets (continued)

The fair value of the net assets was calculated at the date of acquisition which represents other assets other than the non-current tangible assets at the date of acquisition. The net assets acquired and goodwill are as follows:

	<u>EGP</u>
Acquisition cost	
Cash paid	278,630,000
Total acquisition cost	278,630,000
Fair value of acquired assets:	
Land	67,911,000
Buildings	28,350,000
Machinery and Equipment	23,852,700
Fair value of acquired assets	120,113,700
Goodwill	158,516,300

8. Advance payment for investment

	<u>31 March 2020</u>	<u>31 December 2019</u>
Advance payment for investment in CHG for Hospitals	15,000,000	-
Advance payment for investment in CSH	6,693,653	-
	21,693,653	-

9. Inventories

	<u>31 March 2020</u>	<u>31 December 2019</u>
Medical supply inventory	31,228,863	29,073,827
Medicine inventory	28,271,506	15,672,268
Maintenance and spare parts inventory	1,253,658	2,370,177
Stationary inventory	1,659,278	1,429,697
Hospitality inventory	2,544,273	750,298
Food and beverage inventory	138,056	121,999
	65,095,634	49,418,266
Less: Impairment of inventory	(171,707)	(157,656)
	64,923,927	49,260,610

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

Inventories (continued)

Movement in the provision for inventory is as follows:

	31 March 2020	31 December 2019	31 March 2019
Balance at the beginning of the period /	157,656	252,273	252,273
Provisions formed during the period / year	16,202	178,439	161,115
Provisions no longer required during the period / year	(2,151)	(221,970)	-
Write-offs during the period / year	-	(51,086)	-
Balance at the end of the period / year	171,707	157,656	413,388

10. Trade receivables

	31 March 2020	31 December 2019
Due from customers	464,474,298	404,257,833
Income from inpatients	5,001,626	7,170,738
	469,475,924	411,428,571
Less:		
Impairment of customers' balances	(87,289,258)	(74,274,923)
	382,186,666	337,153,648

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:

	31 March 2020	31 December 2019	31 March 2019
Balance at the beginning of the period / year	74,274,923	15,920,165	15,920,165
Provision formed during the period / year	18,750,157	90,136,850	33,861,328
Provision no longer required during the period / year	(5,735,822)	(31,538,796)	(2,119,910)
Used during the period / year	-	(243,296)	-
Balance at the end of the period / year	87,289,258	74,274,923	47,661,583

Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 167,329,632 (2019: EGP 175,266,845).

At the financial position date, the balances that were past due but not impaired amounted to EGP 177,263,096 (31 December 2019: EGP 139,528,894) regarding customers and transactions with no history of default. The ageing analysis of these balances is as follows:

	31 March 2020	31 December 2019
Less than one month	60,714,882	54,114,665
From one to five months	116,548,214	85,414,229

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

Trade receivables (continued)

The management creates a 100% impairment for 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 31 December 2019 amounted to EGP 177,263,096 (31 December 2019: EGP 89,462,094).

In addition, due to the circumstances of the emerging corona virus. The management determined some of the customers who they faced problems matching their balances. An extra impairment provision has been formed against the risk of defaulting.

11. Debtors and other debit balances

	<u>31 March 2020</u>	<u>31 December 2019</u>
Advances to suppliers	94,645,348	85,296,087
Prepaid expenses	20,491,864	6,584,551
Withholding taxes	1,190,348	817,251
Employees custodies	1,932,938	1,597,912
Deposits with others	4,106,505	4,039,506
Accrued income	2,220,126	2,383,756
Other debtors	4,802,175	4,651,825
	<u>129,389,304</u>	<u>105,370,888</u>
Less: Impairment in other debit balances	(143,734)	(143,734)
	<u>129,245,570</u>	<u>105,227,154</u>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>	<u>31 March 2019</u>
Balance at 1 January	143,734	911,240	911,240
No longer required	-	(767,506)	-
	<u>143,734</u>	<u>143,734</u>	<u>911,240</u>

12. Treasury bills

	<u>31 March 2020</u>	<u>31 December 2019</u>
Treasury bills (Maturity 182 days)	53,600,000	53,600,000
Treasury bills (Maturity 91 days)	100,000,000	-
Less: Unearned revenue	(4,535,277)	(3,500,742)
	<u>149,064,723</u>	<u>50,099,258</u>

Treasury bills are entitled to a constant annual return of 11.77% and 11.40% after tax.

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

13. Cash and cash equivalents

	<u>31 March 2020</u>	<u>31 December 2019</u>
Time deposit	204,315,189	177,021,887
Current accounts	384,875,504	611,891,442
Cash on hand	2,035,162	2,354,510
	<u>591,225,855</u>	<u>791,267,839</u>

The time deposits item includes an amount of EGP 194,895,849 (31 December 2019: EGP 167,426,027) deposited in local banks in the Egyptian pound and payable within one month from the date of deposit and is subject to a fixed annual rate of 9.75% (31 December 2019: 12.25%).

The time deposits item includes an amount EGP 9,419,340 at 31 March 2020 (31 December 2019: EGP 9,595,860) are denominated in local banks in US dollars and are payable within one 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 6.5% to 7% (31 December 2019: from 9.5%to 10%).

14. Provisions

	<u>31 March 2020</u>	<u>31 December 2019</u>
Provision for claims	10,595,033	7,297,337
Provision for human resources	5,519,257	8,261,003
	<u>16,114,290</u>	<u>15,558,340</u>

Movement in the provision during the period is as follows:

	<u>31 March 2020</u>				
	<u>Balance at the beginning of the period</u>	<u>Formed during the period</u>	<u>Utilised during the period</u>	<u>Provisions no longer required</u>	<u>Balance at the end of the period</u>
Provision for human resources	8,261,003	7,926,938	(1,395,418)	(4,197,490)	10,595,033
Provision for claims	7,297,337	154,755	(1,932,835)	-	5,519,257
Total	<u>15,558,340</u>	<u>8,081,693</u>	<u>(3,328,253)</u>	<u>(4,197,490)</u>	<u>16,114,290</u>
	<u>31 December 2019</u>				
	<u>Balance at the beginning of the year</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at the end of the year</u>
Provision for human resources	12,942,032	27,238,314	(11,908,806)	(20,010,537)	8,261,003
Provisions for claims	11,959,643	220,000	(4,882,306)	-	7,297,337
Total	<u>24,901,675</u>	<u>27,458,314</u>	<u>(16,791,112)</u>	<u>(20,010,537)</u>	<u>15,558,340</u>

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

Provisions (continued)

	31 March 2019				Balance at the end of the period
	Balance at the beginning of the period	Formed during the period	Utilised during the period	Provisions no longer required	
Provision for human resources	11,959,643	-	(1,474,319)	-	10,485,324
Provision for claims	12,942,032	4,902,421	(695,806)	(2,226,343)	14,922,304
Total	24,901,675	4,902,421	(2,170,125)	(2,226,343)	25,407,628

Provision for human resources

Other provisions for human resources include 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 Company's activity. The Company 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.

15. Creditors and other credit balances

	31 March 2020	31 December 2019
Accrued expenses	138,319,514	185,130,961
Suppliers and notes payable	193,339,077	238,768,735
Social insurance	5,698,306	3,960,937
Dividends payable	2,429,642	2,430,224
Other creditors	17,449,354	12,043,673
	357,235,893	442,334,530

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

16. Employee incentive plan

	<u>31 March 2020</u>	<u>31 December 2019</u>
Employee incentive plan based on parent company’s market value of shares	109,072,692	109,072,692
Employee incentive plan based on earning performance before interest, tax, depreciation and amortization	19,999,889	19,999,889
	<u>129,072,581</u>	<u>129,072,581</u>

On the 9th of June 2020, the company paid an amount of 136,833,605 Egyptian pounds to those deserving the employee incentive plan which ends on 2nd of June 2020 according to the plan’s conditions. The amount was calculated based on a study made by the management and presented to the committee of nominations which is delegated by the board which includes the method to calculate the final amount for the employee incentive plan in the light of the formed provision as well as the total number of units assigned to the plan which amount to 44 million units with a total of 136,833,605 Egyptian pounds. The nominee committee accepted the proposed study and accordingly the management hasn’t changed the provision amount for this purpose as the change during the period was insignificant.

The movement during the period is as follows:

	<u>Balance at 1 January 2020</u>	<u>Formed during the period</u>	<u>Balance at 31 March 2020</u>
Employee incentive plan	129,072,581	-	129,072,581
Total	<u>129,072,581</u>	<u>-</u>	<u>129,072,581</u>

The movement during the year is as follows:

	<u>Balance at 1 January 2019</u>	<u>Formed during the year</u>	<u>Balance at 31 December 2019</u>
Employee incentive plan	45,232,497	83,840,084	129,072,581
Total	<u>45,232,497</u>	<u>83,840,084</u>	<u>129,072,581</u>

17. Share capital

Share capital of the Company is EGP 800,000,000 paid share capital distributed across 1,600,000,000 shares

Shareholders structure is as follows:

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

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

18. Reserves

Below is the movement on reserves during the period:

	31 March 2020		
	Balance at the beginning of the period	formed during the period	Balance at the end of the period
Legal reserve	64,340,195	-	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
Total	284,394,548	-	284,394,548

	31 December 2019		
	Balance at the beginning of the year	formed during the year	Balance at the end of the 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
Total	274,181,651	10,212,897	284,394,548

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). Valued at EGP 47,379,722 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). Valued at EGP 1,710,284

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.

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

19. Non-controlling interests

	Share capital	Legal reserve	Retained earnings	Share of minority interest on settlement of acquisition	Total
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	22,526,489	-	-	-	22,526,489
Minority interests 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 year	-	-	7,950,019	-	7,950,019
Balance at 31 December 2019	35,512,809	7,014,177	61,279,537	120,184	103,926,707
Balance at 1 January 2020	35,512,809	7,014,177	61,279,537	120,184	103,926,707
Comprehensive income for the period	-	-	5,866,310	-	5,866,310
Balance at 31 March 2020	35,512,809	7,014,177	67,145,847	120,184	109,793,017

20. Operating revenue

	31 March 2020	31 March 2019
Accommodation and medical supervision revenue	123,389,971	103,701,839
Surgeries revenue	108,602,387	81,991,653
Outpatient clinics revenue	57,802,048	51,736,474
Laboratories revenue	46,975,910	37,428,486
Cardiac catheterization revenue	44,606,708	35,928,052
Service charge revenue	37,816,907	30,780,415
Radiology revenue	24,610,274	21,866,902
Emergency revenue	14,726,332	16,806,978
Revenues of oncology centre	9,108,520	8,775,747
Pharmacy revenue	13,156,912	9,704,682
Dentistry revenue	7,167,903	3,756,270
Physiotherapy revenue	5,169,228	4,776,362
Endoscopy revenue	3,734,011	3,260,289
Cardiac tests revenue	3,008,035	3,006,860
Other departments revenues	3,006,272	2,457,645
	502,881,418	415,978,654

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

21. Operating costs

	31 March 2020	31 March 2019
Medical and pharmaceutical supplies	99,204,469	80,909,323
Doctors' fees	87,851,124	74,537,082
Salaries, wages and benefits	90,380,760	67,312,595
Maintenance, spare parts and energy expenses	9,805,764	9,416,552
Consumables costs	11,193,120	12,521,890
Fixed assets depreciation	16,968,645	11,461,490
Other expenses	16,257,143	5,658,456
	331,661,025	261,817,388

22. General and administrative expenses

	31 March 2020	31 March 2019
Salaries, wages and benefits	38,851,101	47,115,312
Professional and consulting fees	5,258,058	4,443,731
Impairment of trade receivables	13,014,337	31,741,418
Fixed assets depreciation	3,732,451	2,509,958
Maintenance, spare parts and energy expenses	2,961,603	1,258,314
Consumables costs	1,076,334	1,515,704
Rent	1,437,219	862,402
Other expenses	3,684,816	9,200,089
	70,015,919	98,646,928

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

23. Expenses by nature

	31 March 2020	31 March 2019
Salaries, wages and benefits*	129,231,861	114,427,907
Medical and pharmaceutical supplies	99,204,469	80,909,323
Doctors' fees	87,851,124	74,537,082
Maintenance, spare parts and energy expenses	12,767,367	10,674,866
Fixed assets depreciation	20,701,096	13,971,448
Consumables costs	12,269,454	14,037,594
Impairment of trade receivables	13,014,337	31,741,418
Other expenses	26,637,236	20,164,678
	401,676,944	360,464,316

* Employees' costs

	31 March 2020	31 March 2019
Salaries, wages and incentives	106,774,749	83,166,720
Employees' incentives	4,678,524	22,321,073
Employees' benefits	11,705,293	4,402,355
Social insurance	6,073,295	4,537,759
	129,231,861	114,427,907

Miscellaneous expenses included an amount of EGP 1,441,000 Allowances of members of the Board of Directors (31 December 2019: EGP 4,351,667).

The item includes wages, salaries, and bonuses amounting to EGP Nil (31 March 2019: EGP 20,778,008) representing the value of the payments that are calculated on the basis of the difference between the weighted average value of the market value of the parent company's shares on 2 June 2020 during the six months preceding the history of the financial position and the price The stock, at the date of its shares being offered on the stock exchange on 2 June 2016. The amount of EGP Zero (31 March 2019: EGP 2,845,933) represents the value of the payments that are calculated on the basis of the difference between the pre-interest profit performance and income, depreciation and amortization taxes (EBITDA) on the date Maturity 2 June 2020 and 2 June 2016.

24. Other income

	31 March 2020	31 March 2019
Rent	995,348	1,251,070
Capital gains	233,789	236,794
Miscellaneous income	527,223	534,732
	1,756,360	2,022,596

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

Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

25. Finance income / (expenses)

	<u>31 March 2020</u>	<u>31 March 2019</u>
Finance income		
Interest income	18,290,349	29,379,431
Total finance income	<u>18,290,349</u>	<u>29,379,431</u>
Finance costs		
Interest expense	(379,893)	(2,079,053)
Currency valuation differences	(243,866)	(1,078,294)
Total finance expenses	<u>(623,759)</u>	<u>(3,157,347)</u>
Net finance income	<u>17,666,590</u>	<u>26,222,084</u>

26. Income taxes

Income tax expense as stated in the statement of profit or loss includes:

	<u>31 March 2020</u>	<u>31 March 2019</u>
Current income tax for the period / year	29,681,886	26,303,887
Deferred tax	(891,378)	(884,069)
	<u>28,790,508</u>	<u>25,419,818</u>

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:

	<u>31 March 2020</u>	<u>31 March 2019</u>
Net profit before tax	116,743,221	80,559,683
Income tax calculated based on the applicable local tax rate	26,267,224	18,125,931
Add/ (less):		
Non-taxable expenses	4,287,883	7,770,867
Income not subject to tax	(2,676,667)	(476,980)
Unrecognized deferred tax assets	912,068	
Income taxes	<u>28,790,508</u>	<u>25,419,818</u>
Effective tax rate	<u>24.66%</u>	<u>31.55%</u>

Current income tax liabilities

	<u>31 March 2020</u>	<u>31 December 2019</u>
Balance at 1 January	62,638,092	69,398,261
Payments during the period / year	(5,518,096)	(75,674,028)
Current period / year tax	29,681,886	94,261,190
Advance payments to tax authorities	-	(25,347,331)
	<u>86,801,882</u>	<u>62,638,092</u>

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

27. Deferred tax

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

	Balance at 1 January 2020 (Liability)	(Expense)/ Income charged to the statement of profit or loss during the period	Balance at 31 March 2020 (Liability)
<u>Liabilities</u>			
Fixed assets	(25,051,476)	(249,839)	(25,301,315)
Fixed assets - Effect of fair value	(42,242,629)	628,041	(41,614,588)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
Total Liabilities	(77,273,755)	378,202	(76,895,553)
<u>Assets</u>			
Provisions (excluding claims provision)	2,479,269	513,177	2,992,446
Net deferred tax - liability	(74,794,486)	891,379	(73,903,107)
	Balance at 1 January 2019 (Liability)	(Expense)/ Income charged to the statement of profit or loss during the year	Balance at 31 December 2019 (Liability)
<u>Liabilities</u>			
Fixed assets	(15,718,421)	(9,333,055)	(25,051,476)
Fixed assets - Effect of fair value	(44,754,796)	2,512,167	(42,242,629)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
Total Liabilities	(70,452,867)	(6,820,888)	(77,273,755)
<u>Assets</u>			
Provisions (excluding claims provision)	3,583,717	(1,104,448)	2,479,269
Net deferred tax - liability	(66,869,150)	(7,925,336)	(74,794,486)
	Balance at 1 January 2019 (Liability)	(Expense)/ Income charged to the statement of profit or loss during the period	Balance at 31 March 2019 (Liability)
<u>Liabilities</u>			
Fixed assets	(15,718,421)	(181,659)	(15,900,080)
Fixed assets - Effect of fair value	(44,754,796)	628,041	(44,126,755)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
Total Liabilities	(70,452,867)	446,382	(70,006,485)
<u>Assets</u>			
Provisions (excluding claims provision)	3,583,718	437,687	4,021,405
Net deferred tax - liability	(66,869,149)	884,069	(65,985,080)

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

28. Earnings per share

The basic share of the profit for the period is calculated by dividing the net profit for the period for the company's shareholders by the weighted average number of shares outstanding during the period after excluding the distribution of employee dividends.

	31 March 2020	31 March 2019
Profit	87,952,713	55,139,865
Minority	(5,866,310)	(1,635,929)
Distributable profit	82,086,403	53,503,936
Number of shares issued	1,600,000,000	1,600,000,000
Earning per share	0.05	0.03

29. Related parties transactions

During the period / 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 period were as follows:

Balances of financial position

<u>(Related parties)</u>	<u>Nature of transaction</u>	Balance due from / (to) related parties 31 March 2020	Balance due from / (to) related parties 31 December 2019
Care HealthCare (Parent Company)	Expenses paid on behalf of the parent Company	-	1,764,705
Other parties	Expenses paid on behalf of related parties	255,000	255,000
		255,000	2,019,705

The transactions with the related parties are the company's dealings with the subsidiary / associates companies, whether by buying, selling or exchanging services. Prices, policies and conditions related to these operations are approved by the company's management and are on the same basis as dealing with others.

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

30. Tax position

Cleopatra Hospital S.A.E.

(1) Corporate tax

- Inspection was made up to 31 December 2014, and a clearance certificate was obtained from the Tax Authority.
- Tax returns were filed regularly in the legal deadlines.
- 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/9 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 2018 inspection is being processed.

(4) VAT

- Inspection was made up to 31 December 2004.
- Inspection was made for sales tax from 2005 to 2014 and differences was settled.
- 2015, 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 2020 : 31 December 2020)

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 2013, and all tax dues were paid.
- Inspection was made from 2014: 2018, the tax was paid and the delay fine was transferred to the appeals committee.

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

Tax position (continued)

(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, reinspection and full payment were made.
- Inspection was made from 2014 to 2016 and tax was paid.
- Years from 2014:2016 were inspected, and all dues were 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 2020 : 31 December 2020).

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 re-inspected and internal committee was completed and payment is being processed.
- For 2017 and 2018 are re-inspected and the payment is being processed currently.

(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 re-inspected and internal committee has been formed
- 2017 and 2018 has not bee 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 paid.
- 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 2020: 31 December 2020).

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

Tax position (continued)

Al Shorouk Hospital S.A.E.

(1) Industrial and commercial profits tax

- Years from 2014 to 2018 have been inspected, payment was made, tax differences were settled.

(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 December 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, internal committee was formed, and differences were paid.

(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 2020: 31 December 2020]

31. Commitments

Capital commitments:

Capital commitments related to fixed assets at financial year end, which are not yet due, amounted to EGP 83,424,490 (31 December 2019: EGP 7,994,121).

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

32. Right of use

Lease liabilities

	<u>31 March 2020</u>	<u>31 December 2019</u>
During one year	3,365,748	3,068,741
More than a year	<u>8,202,826</u>	<u>9,168,016</u>
	<u>11,568,574</u>	<u>12,236,757</u>
Discount rate	16.65%	16.65%
The present value of the lease obligations is as follows:		
During one year	2,793,532	2,651,440
More than a year	<u>5,385,289</u>	<u>5,834,432</u>
Balance	<u>8,178,821</u>	<u>8,485,872</u>

Right of use:

The right of use is a lease contract related to medical equipment that was measured at the beginning of the contract at a value equal to the value of the lease obligations in addition to the rental expenses and is subsequently depreciated over the life of the lease using the straight line.

	<u>31 March 2020</u>	<u>31 December 2019</u>
Beginning balance	10,247,595	-
Additional during the period / year	-	10,646,173
Depreciation	<u>(542,800)</u>	<u>(398,578)</u>
	<u>9,704,795</u>	<u>10,247,595</u>

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

Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

33. Significant events

On February 13, 2020, Cleopatra Hospital Company, the General Authority for River Transport and Nile Badrawi Hospital Company and the heirs of the late Engineer Hassan Badrawi signed a comprehensive and final settlement agreement according to which agreement was reached to resolve, settle and end all disputes and claims related to the land on which the Nile Badrawi Hospital is located, And it was also agreed that both the General Authority for River Transport and the Nile Badrawi Hospital Company will give up disputes arising from each of them regarding the land subject to settlement. The total settlement amounted to 36 million Egyptian pounds as part of the settlement located within the confiscated amounts from the sale of shares of the Nile Badrawi Hospital to the Cleopatra Hospital. Negotiations are also being held with the Nile Badrawi Hospital shareholders on the final settlement of any matters related to the company and the sellers.

When it comes to the outbreak of the emerging corona virus effect on the financial services from a financial perspective, the management has reviewed the decrease in receivables, and they formed extra provisions against the expected effects (Disclosure 10). As well as reviewing the intangible assets impairment using adjusted valuations to reflect the current circumstances and the expectation for those assets, resulting in no decrease in the assets.

The management also reviewed the working capital's position and liquidity in light of the increase of inventory retention to control the risk of supplies and medical services inflow, and the management thinks that the expected effect is going to be insignificant as there is adequate liquidity.

Regarding operation risks, the Group's number one priority is guaranteeing the safety and wellbeing of its staff, both medical and non-medical, and of its patients and their families. Across all eight of the Group's medical facilities and offices health and safety protocols have been tightened, with additional measures including:

- Daily deep cleaning and sterilization of all medical and non-medical facilities.
- Provision of necessary Personal Protective Equipment (PPE) for all staff and patients.
- Strict internal hygiene and sanitization protocols for all medical staff, patients, and visitors.
- Infrared temperature screening at all group hospital entrances.
- Switch to facial recognition and away from fingerprint identification across all CHG facilities.
- New patient engagement and visitor management protocols to minimize the risk of exposure.
- New ER and outpatient clinic protocols to ensure prompt detection, isolation, and reporting of all potential COVID-19-positive patients.
- Fourteen days of paid leave, with extensions granted on a case-by-case basis, for all staff working in high-risk departments and who are suspected of having encountered potential COVID-19-positive cases.
- Work-from-home arrangement for all non-medical staff with limited access to the Group's offices granted on a rotational basis.
- In parallel, the Group has enhanced its Hospital Incident Command System to guarantee CHG's ability to adapt to the evolving COVID-19 situation from an operational point of view. As of today, measures include:
 - The draw up of an emergency staffing plan to ensure the Group can meet round-the-clock staffing needs.
 - Back-office contingency planning to ensure business continuity.
 - Engagement programme with the Group's consultants to address any needs or concerns that may arise.