

CLEOPATRA HOSPITAL COMPANY "S.A.E."

**AUDITOR'S REPORT AND
THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

CLEOPATRA HOSPITAL "S.A.E."

Separate financial statements - For the year ended 31 December 2019

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Auditor's report

To: The Shareholders of Cleopatra Hospital Company S.A.E.

Report on the separate financial statements

We have audited the accompanying separate financial statements of Cleopatra Hospital Company "S.A.E." (the Company) which comprise the separate statement of financial position as at 31 December 2019 and the separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

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

Auditor's responsibility

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

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

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



The Shareholders of Cleopatra Hospital Company S.A.E.

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Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Cleopatra Hospital Company "S.A.E." as at 31 December 2019, its financial performance, and its separate cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

Report on other legal and regulatory requirements

The Company maintains proper financial records, which includes all that is required by the law and the Company's statutes, and the accompanying financial statements are in agreement therewith. The inventory counts were taken by the management in accordance with proper principles.

The financial information included in the Board of Directors' report is prepared in accordance with law No. 159 of 1981 and its executive regulations, is in agreement with Company's accounting records, within the limits that such information recorded therein.

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

12 March 2020
Cairo



CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of financial position - At 31 December 2019

(All amounts in Egyptian Pounds)

	Note	2019	2018
Assets			
Non-current assets			
Fixed assets	6	299,034,977	107,151,206
Investments in subsidiaries	7	889,583,770	606,165,259
Advance payments for investment	8	-	143,550,000
Goodwill	9	172,587,300	-
Paid under capital increase in subsidiaries	8	7,500,000	-
Total non-current assets		1,368,706,047	856,866,465
Current assets			
Inventories	10	18,189,643	16,493,555
Trade receivables	11	129,498,041	140,183,957
Due from related parties	30	36,317,205	7,919,353
Debtors and other debit balances	12	24,230,750	33,937,821
Treasury bills	13	50,099,258	-
Cash on hand and at banks	14	443,010,427	839,609,206
Total current assets		701,345,324	1,038,143,892
Total assets		2,070,051,371	1,895,010,357
Equity and Liabilities			
Equity			
Share capital	19	800,000,000	800,000,000
Reserves	20	359,216,308	349,003,411
Retained earnings		562,179,987	397,711,251
Total equity		1,721,396,295	1,546,714,662
Liabilities			
Non-current liabilities			
Non-current portion of borrowings	17	-	67,879,332
Deferred income tax liabilities	28	8,631,269	4,607,372
Total non-current liabilities		8,631,269	72,486,704
Current liabilities			
Provisions	15	5,718,122	6,434,492
Due to related parties	30	2,794,469	25,369
Creditors and other credit balances	16	155,827,280	143,181,232
Current portion of borrowings	17	-	27,223,715
Employees incentive plan	18	129,072,581	45,232,497
Current income tax liabilities	27	46,611,355	53,711,686
Total current liabilities		340,023,807	275,808,991
Total liabilities		348,655,076	348,295,695
Total equity and liabilities		2,070,051,371	1,895,010,357

- The accompanying notes from (1) to (35) are integral part of these separate financial statements.

- Auditor's report is attached

Mr. Ahmed Adel Badr Eldin
Non Executive Chairman

Dr. Ahmed Ezz Eldin Mahmoud
CEO & Managing Director

Mr. Ahmed Gamal
Group CFO

11 March 2020



CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of profit or loss - For the year ended 31 December 2019

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Operating revenue	21	780,837,520	677,269,997
Less:			
Operating costs	22	<u>(457,680,587)</u>	<u>(396,578,948)</u>
Gross profit		323,156,933	280,691,049
Add / (Less)			
General and administrative expenses	23	(128,109,380)	(87,424,121)
Aquisition costs		(6,281,828)	(4,597,512)
Provisions	15	(3,976,186)	(4,675,307)
Other income	25	8,081,959	3,468,498
Finance income	26	74,585,547	117,639,852
Finance expenses	26	<u>(4,959,519)</u>	<u>(36,957,836)</u>
Profit for the year before income tax		262,497,526	268,144,623
Current tax	27	(60,770,757)	(62,977,892)
Deferred tax	28	<u>(4,023,898)</u>	<u>(908,788)</u>
Profit after income tax		<u>197,702,871</u>	<u>204,257,943</u>
Earning per share	29	<u>0.10</u>	<u>0.11</u>

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

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of comprehensive income - For the year ended 31 December 2019

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Profit for the year		197,702,871	204,257,943
Other comprehensive income		<u>-</u>	<u>-</u>
Comprehensive income for the year		<u>197,702,871</u>	<u>204,257,943</u>

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

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of changes in equity - For the year ended 31 December 2019

(All amounts in Egyptian Pounds)

	Share capital	Reserves	Retained earnings	Total
Balance at 1 January 2018	800,000,000	344,971,887	212,895,656	1,357,867,543
Dividends for employees	-	-	(15,315,050)	(15,315,050)
Legal reserve	-	4,127,298	(4,127,298)	-
Other reserves	-	(95,774)	-	(95,774)
Comprehensive income for the year	-	-	204,257,943	204,257,943
Balance at 31 December 2018	800,000,000	349,003,411	397,711,251	1,546,714,662
Balance at 1 January 2019	800,000,000	349,003,411	397,711,251	1,546,714,662
Dividends for employees and board of directors	-	-	(23,021,238)	(23,021,238)
Legal reserve	-	10,212,897	(10,212,897)	-
Comprehensive income for the year	-	-	197,702,871	197,702,871
Balance at 31 December 2019	800,000,000	359,216,308	562,179,987	1,721,396,295

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

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of cash flows - For the year ended 31 December 2019

(All amounts in Egyptian Pounds)

	Note	2019	2018
<u>Cash flows from operating activities</u>			
Profit before tax		262,497,526	268,144,623
Adjustments to reconcile net income to cash flows from operating activities			
Fixed assets depreciation	6	21,822,250	13,045,120
Gains from sales of fixed assets	25	(331,792)	(292,040)
Impairment of trade receivables	11	20,158,701	1,826,665
Provisions	15	3,976,186	4,675,307
Interest and commissions	26	1,926,854	36,957,836
Interest income	26	(74,585,547)	(117,617,754)
Employee incentive plan	18	83,840,084	20,411,497
Operating profits before changes in assets and liabilities		319,304,262	227,151,254
Changes in assets and liabilities			
Change in inventories	10	(422,088)	(4,635,478)
Change in trade receivables	11	(9,472,786)	(62,745,991)
Change in due from related parties	30	(28,342,852)	11,272,409
Change in debtors and other debit balances		10,787,565	(10,918,004)
Change in due to related parties	30	2,769,100	25,369
Change in creditors and other credit balances		24,649,344	31,527,390
Provision used	15	(4,692,556)	(4,663,402)
Income tax paid	27	(67,871,088)	(20,002,021)
Net cash flows generated from operating activities		246,708,901	167,011,526
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets		(33,012,705)	(28,141,708)
Payments for projects under construction	6	(52,217,739)	(4,342,631)
Proceeds from sale of fixed assets		536,915	292,040
Advance payment for purchase of fixed assets		-	(16,917,897)
(Purchase) of treasury bills maturity 183 days	13	(50,099,258)	-
Interest received		74,593,053	117,388,650
Payment for investments in subsidiaries	7	(283,473,511)	(362,500)
Payment for acquisition of investment		(7,500,000)	-
Payments for business acquisition		(160,080,000)	-
Net cash flows generated from investing activities		(511,253,245)	67,915,954
<u>Cash flows from financing activities</u>			
Proceeds from borrowings and bank overdraft		7,149,527	46,199,736
Interests and commissions paid		(14,338,586)	(44,552,384)
Payments of loans and credit facilities		(102,252,574)	(303,033,056)
Dividends paid		(22,612,802)	(14,864,107)
Net cash flows (used in) generated from financing activities		(132,054,435)	(316,249,811)
Change in cash and cash equivalents during the year		(396,598,779)	(81,322,331)
Cash and cash equivalents at the beginning of the year		839,609,206	920,931,537
Cash and cash equivalents at the end of the year	14	443,010,427	839,609,206

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

(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.

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

The purpose of the Company is to establish a private hospital with the aim to offer modern and high quality medical services and provide medical care and treatment for patients. The Company may have interest or participate in any manner in companies or other firms which carry on similar activities in Egypt or abroad, The Company may acquire, merge or affiliate such entities under the General Authority for Investment.

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

The Parent Company is Care HealthCare Ltd., which owns 80% of the Company's share capital at 30 December 2017 Care Health Ltd. Shares has changed to be 69.4% at 11 July 2019 Care Health Ltd. Shares has changed to be 37.87%, According to the evaluation of the Board of Directors on 31 December 2019, there is no company that has control over the group and therefore there is no parent company at the date of the financial statements.

On 16 September 2015, Cleopatra Hospital S.A.E. acquired 52, 7% of the total shares of Cairo Specialised Hospital. And as of 31 December 2016 Cleopatra Hospital S.A.E share in Cairo Specialised Hospital has changed to reach 53.67% due to the write off of treasury shares. On 28 September 2017, the ownership in Cairo specialised Hospital increased to 53, 88% due acquisition of shares from the non-controlling shareholders in of Cairo specialised Hospital, On 14 November 2019, the percentage of the contribution of Cleopatra Hospital Company S.A.E. has changed to 54.58% for the underwriting in the capital increase of the Cairo Specialised 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 Badrawi Hospital on March 13, 2019 and the approval of the Board of Directors of the Cleopatra Hospital Company on March 14, 2019, the authorized capital of the Nile Badrawy Company has been increased by 180 million EGP to become 200 million EGP and this has been underwritten in the amount of 121 million EGP to make the paid-up capital 141 million EGP. The amount of the capital increase has been paid in full by the Cleopatra Hospital Company, thus the Cleopatra Company's contribution becomes 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 250,000 EGP to 2,000,000 EGP, 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 the decisions of the association.
- According to the foregoing, the contribution of the Cleopatra Hospital Company to the capital amounts to 20%, entitling it to 60% in voting rights and dividends as preferred shares.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

Introduction (continued)

On December 23, 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 assets, management and operation of Queens Hospital.

On 1 November 2019, Cleopatra Hospital Company finalized the acquisition of Al Kateb Hospital Operations, land and building, and on 28 November, Cleopatra Hospital Company established CHG for Hospitals with ownership percentage of 99.99%.

These separate financial statements have been approved for issuance by the management of the Company on 11 March 2020.

2. Accounting policies

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

A. Basis of preparation of the separate financial statements

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

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

Subsidiaries

Subsidiaries are all companies (including SPEs) in which the Company has control directly or indirectly over their financial and operating policies. The Company usually owns more than half of the voting rights. The future voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls the subsidiary.

The Company's separate financial statements have been prepared in accordance with the local laws, while the consolidated financial statements of the Company and its subsidiaries have been prepared according to Egyptian Accounting Standards (EASs), The Company's separate financial statements should be read in conjunction with its consolidated financial statements as at and for the financial year ended 31 December 2019 to obtain full information on the Company's financial position, results of operations, cash flows and changes in equity.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

Basis of preparation of the separate financial statements (continued)

The subsidiaries and associates are accounted for in the Parent Company's separate financial statements at cost method. Under this method, investments are recognised at the cost of acquisition, including goodwill, less any impairment loss. Dividends are recognised in the statement of profit or loss, when the dividends are approved to be distributed and the Company's right of collection is established.

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 Company 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 must calculate and display the earning per share in the profits according to the Egyptian Accounting Standard No. (22).
- Egyptian Accounting Standard No. (49) - "Leasing Contracts" - partially implemented, as explained below.

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, however the company did not implement these standards in an earlier stage. The company evaluates the impact of these new standards and interpretations as shown below

(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 company has reviewed its financial assets and liabilities and expects the following impact from the application of the new standard on 1 January 2020</p> <p>The company's financial assets consist of the following: Trade receivables Time deposits Cash and cash equivalents Related parties</p>
Impact	<p>Trade receivables and amounts owed by 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 company 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>

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

New Egyptian Accounting Standards ("EAS") and interpretations adopted (continued)

	<p>There will be no impact on the company's registration of financial obligations, as the new requirements affect the registration of financial liabilities recorded at fair value through profit or loss and the company 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> <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. Based on the evaluations implemented to date, the impact of the new standard on the financial statements is being evaluated.</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 company'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	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 for year 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	The group will apply the standard from its mandatory adoption date of 1 January 2020. The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2020 and that comparatives will not be modified.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

New Egyptian Accounting Standards ("EAS") and interpretations 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	The company has formed a team for the project to apply the standard and it was found that the company does not have contracts that meet the first stage. With regard to the second stage of Egyptian Accounting Standard No. 49, the team reviewed the rental arrangements other than those that were subject to Law No. 95 of 1995 in the company, in light of the new rental accounting rules.
Mandatory application date/ Date of adoption by group	The company 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).

C. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

D. Fixed assets

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

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

All repair and maintenance costs are charged to the statement of profit or loss during the fiscal year in which they are incurred, Major renovation costs are capitalised over the asset's cost when they are expected to raise the expected pattern of the Company's future economic benefits over the estimated original benefits of the asset acquisition, These costs will be depreciated at the lower of the asset's remaining useful life or the expected useful life of these renovations.

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

The depreciation rates by type of asset are as follows:

Machinery and equipment	10%
Tools and instruments	25%
Furniture and fixtures	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 exceeds its estimated recoverable amount 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.

E. Inventories

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

F. Financial assets

(1) Classification:

The Company classifies its financial assets into the following categories at initial recognition depending on the purpose for which the financial assets were acquired:

Loans and receivables:

Loans and receivables are non-derivative financial assets with determined 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.

(2) Initial and subsequent measurement:

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

The financial assets are derecognised when the right to receive cash flows from such assets has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership.

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

(3) Impairment of financial assets:

Assets recognised at amortised cost

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

Impairment of a financial asset or a group of financial assets is recognised if an impairment indicator 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 the group of financial assets that can be reliably measured.

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

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

G. Share capital

Ordinary shares are classified as equity.

H. Legal reserve

As required by the Company's Articles of Association, 5% of the net profit shall be transferred to constitute the legal reserve, once the financial statements are approved by the Company's general assembly, 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.

I. 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, It is probable that an outflow of resources will be required to settle these obligations; 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 contracts and the risks specific to the obligation, the increase in the provision due to the passage of time is recognised as interest expense.

J. 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.

K. 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 liabilities for a period of not less than 12 months after the date of the financial statements,

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

L. Employees' benefits

(1) Employees' share of profit

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

(2) Pension and insurance scheme

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

(3) Employee incentive plan

Cleopatra Hospital grants units of cash bonus to the selected employees of the company 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 market value of the Parent Company's shares on 2 June 2020 and the share price at the date of its public offering on the Stock Exchange on 2 June 2016.
- B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 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."

Notes to the separate financial statements - For the year ended 31 December 2019

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

Employees' benefits (continued)

- The Company 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 recognition of the fair value of the employees' services received as expenses in the statement of profit or loss.

M. Revenue recognition

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

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

Medical services revenue

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

Sale of medicine revenue

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

Interest income

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

N. 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.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

Leases (continued)

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.

O. Current and deferred income tax

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

Deferred income tax is fully recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. Deferred income taxes are not accounted for if they arise 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.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

Current and deferred income tax (continued)

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

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

P. Dividends

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

Q. Cash and cash equivalents

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

R. 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, in the most advantageous market.

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

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

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

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

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

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

Fair value of financial instruments (Continued)

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 values are engaged in the valuation of significant assets, the criteria for selecting the value include their knowledge of the market, reputation, independence and compliance with the professional standards, the management determines the valuation techniques that should be applied on a case by case basis.

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

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

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

The company's financial instruments are financial assets and liabilities, and financial assets include cash balances, current accounts, deposits with banks and financial investments.

Treasury bills

Treasury bills and other government deductible papers are valued at cost upon initial recognition and subsequently evaluated at amortized cost. They are displayed in the statement of financial position at face value, minus accrued interest

S. Corresponding figures

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

T. 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 segment's performance in the Company and the senior management is represented in Group's executive management committee, the segment reports of the company are submitted on the basis of information provided to senior management.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

3. Financial risk management

3.1 Financial risk factors

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

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

(A) Market risk

Risk of change in foreign currency rates

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

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

	<u>2019</u>	<u>2018</u>
US Dollar	9,671,839	31,092,868
Pound	4,978	1,569
Euro	333,834	312,686

At 31 December 2019, if the value of EGP increased/ decreased by 10% against USD, with all other variables held constant, net profit after taxes would increase or decrease as follows:

	<u>2019</u>	<u>2018</u>
US Dollar	967,184	3,109,287
Pound	498	157
Euro	33,383	31,269

(B) Credit risk

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

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

Financial risk management (Continued)

In case of customers, the Hospital's Financial Director and General Manager perform analysis on the credit risk for each potential credit customer in accordance with the Group's policies, including Cleopatra Hospital or subsidiaries. The Parent Company's Executive Committee follows-up the compliance with credit terms, and reviews default cases and debt ageing report to take the necessary decisions whether to cancel the credit or to refer the defaulted customer to the Legal Department for their necessary actions, Note (10) to these financial statements provides more detailed information in respect of this matter.

The management establishes a provision for impairment of 100% for defaulted customers for more than 150 days from the claim date after deducting the amounts that expected to be collected after that date (Loss Given Default), in addition to a category-based provision at historical default rates, Where the management calculates historic default rates for each individual customer per month on the balances of customers due over 150 days up to 360 days from the date of the financial position, Based on these rates, the management calculates a provision for debts of customers with a maturity of 150 days.

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

Balances exposed to credit risks are as follows:

	<u>2019</u>	<u>2018</u>
Cash at banks	441,790,943	838,981,914
Trade receivables	154,033,001	144,560,215
Due from related parties	36,317,205	7,919,353
Due from employees	399,906	455,888

(C) Liquidity risk

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

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

	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
2019				
Accrued expenses	72,762,011	19,578,831	-	-
Suppliers and notes payable	41,142,723	18,185,341	-	-
Due to related parties	2,794,469	-	-	-
	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
2018				
Accrued expenses	49,060,489	16,595,492	-	-
Suppliers and notes payable	38,493,277	23,445,030	-	-
Due to related parties	25,369	-	-	-
Loans and finance interest	18,080,245	55,954,193	47,940,753	-

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

Financial risk management (Continued)

3.2 Capital risk management

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

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

Net debt to total capital ratio as at 31 December 2019 and 31 December 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Borrowings	-	95,103,047
Creditors and other credit balances	155,827,280	143,181,232
Employee incentive plan	129,072,581	45,232,497
Due to related parties	2,794,469	25,369
Less: Cash at banks and on hand	(496,109,685)	(839,609,206)
Net debt	(205,415,355)	(556,067,061)
Total shareholders' equity	1,721,432,524	1,546,714,662
Total Capital	1,515,980,940	990,647,601
Net debts to total capital ratio	(14%)	(56%)

3.3 Estimation of fair value of financial instruments

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

4. Critical accounting estimates, assumptions and judgements

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

The Company makes estimates and assumptions concerning the future, given the nature of the accounting estimates, the resulting accounting estimates will seldom equal the actual results,

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The company reviews the provision at each financial position date, and adjusts it to reflect the current best estimate by using the appropriate advisory experience of experts,

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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

Critical accounting estimates, assumptions and judgements (continued)

Impairment of trade receivables and customers

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

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.

Employee incentive plan determined as follows:

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

The liabilities are estimated at each financial position date based on the present value of the cash flows expected to be paid, discounted at the market rate of return.

These estimates are calculated by an independent expert, and include the effect of market related conditions using "TSR" - "Total Shareholders Return" as well as other non-market conditions using profits from normal activity before interest, taxes, depreciation, and amortization

The assumptions used, including the discount rates and expected performance, are reviewed in accordance with the approved management plans annually, and the assumptions are adjusted if necessary.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

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(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 year ended 31 December 2019 for each segment:

	<u>Cleopatra Hospital</u>	<u>Queens Hospital</u>	<u>El Kateb Hospital</u>	<u>Consolidated adjustment</u>	<u>Total</u>
<u>Statement of financial position</u>					
Non-current assets	1,359,643,045	8,869,573	193,429	-	1,368,706,047
Current assets	705,330,892	10,833,205	18,553,824	(33,372,597)	701,345,324
Total assets	2,064,973,937	19,702,778	18,747,253	(33,372,597)	2,070,051,371
Current liabilities	331,437,965	26,056,373	15,902,066	(33,372,597)	340,023,807
Non-current liabilities	8,631,269	-	-	-	8,631,269
Total Liabilities	340,069,234	26,056,373	15,902,066	(33,372,597)	348,655,076
<u>Statement of profit or loss:</u>					
Operating revenue	750,271,506	13,632,520	16,933,494	-	780,837,520
Operating costs	(425,681,171)	(20,365,644)	(11,633,772)	-	(457,680,587)
Gross profit	324,590,335	(6,733,124)	5,299,722	-	323,156,933
Other expenses and revenues	(123,212,785)	175,711	(2,416,988)	-	(125,454,062)
Profit for year	201,377,550	(6,557,413)	2,882,734	-	197,702,871
<u>Other Items</u>					
Capital expenditure	203,200,992	10,516,616	193,536	-	213,911,144
Fixed assets depreciation	20,175,101	1,647,043	106	-	21,822,250

CLEOPATRA HOSPITAL COMPANY "S,A,E,"

Notes to the separate financial statements - For the year ended 31 December 2019

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6. Fixed assets

	Land	Machinery, equipment and devices	Tools and instruments	Furniture	Buildings	Vehicles	Computers	Leasehold improvements	Projects under construction	Total
At 1 January 2018										
Cost	14,967,000	92,784,026	4,256,576	5,865,005	43,681,821	2,518,793	10,294,061	386,953	-	174,754,235
Accumulated depreciation	-	(56,164,287)	(2,536,998)	(4,427,597)	(19,952,410)	(1,777,484)	(1,796,519)	(386,953)	-	(87,042,248)
Net book amount	14,967,000	36,619,739	1,719,578	1,437,408	23,729,411	741,309	8,497,542	-	-	87,711,987
Year ended 31 December 2018										
Beginning of the year	14,967,000	36,619,739	1,719,578	1,437,408	23,729,411	741,309	8,497,542	-	-	87,711,987
Additions	-	18,626,061	935,540	2,194,532	-	209,897	4,302,115	1,873,563	4,342,631	32,484,339
Disposals	-	(710,408)	-	-	-	(116,109)	-	-	-	(826,517)
Write offs	-	-	-	-	307,398	-	-	-	(307,398)	-
Depreciation for the year	-	(4,688,207)	(1,174,321)	(792,754)	(3,055,392)	(287,999)	(2,721,809)	(324,638)	-	(13,045,120)
Accumulated depreciation of disposals	-	710,408	-	-	116,109	-	-	-	-	826,517
Closing net book amount	14,967,000	50,557,593	1,480,797	2,839,186	20,981,417	663,207	10,077,848	1,548,925	4,035,233	107,151,206
At 31 December 2018										
Cost	14,967,000	110,699,679	5,192,116	8,059,537	43,989,219	2,612,581	14,596,176	2,260,516	4,035,233	206,412,057
Accumulated depreciation	-	(60,142,086)	(3,711,319)	(5,220,351)	(23,007,802)	(1,949,374)	(4,518,328)	(711,591)	-	(99,260,851)
Net book amount	14,967,000	50,557,593	1,480,797	2,839,186	20,981,417	663,207	10,077,848	1,548,925	4,035,233	107,151,206
At 31 December 2019										
Beginning of the year	14,967,000	50,557,593	1,480,797	2,839,186	20,981,417	663,207	10,077,848	1,548,925	4,035,233	107,151,206
Additions	67,911,000	53,062,111	1,106,473	1,191,068	28,557,900	5,376,261	3,966,282	522,310	52,217,739	213,911,144
Disposals	-	(421,172)	(136,759)	-	-	(618,000)	-	-	-	(1,175,931)
Transfer from project under construction	-	16,550,983	332,273	1,609,077	2,790,983	406,500	4,719,425	26,007,475	(52,416,716)	-
Depreciation for the year	-	(9,185,111)	(1,119,099)	(1,142,064)	(3,045,463)	(751,023)	(4,394,342)	(2,185,148)	-	(21,822,250)
Accumulated depreciation of disposals	-	247,908	104,900	-	-	618,000	-	-	-	970,808
Closing net book amount	82,878,000	110,812,312	1,768,585	4,497,267	49,284,837	5,694,945	14,369,213	25,893,562	3,836,256	299,034,977
At 31 December 2019										
Cost	82,878,000	179,891,601	6,494,103	10,859,682	75,338,102	7,777,342	23,281,883	28,790,301	3,836,256	419,147,270
Accumulated depreciation	-	(69,079,289)	(4,725,518)	(6,362,415)	(26,053,265)	(2,082,397)	(8,912,670)	(2,896,739)	-	(120,112,293)
Net book amount	82,878,000	110,812,312	1,768,585	4,497,267	49,284,837	5,694,945	14,369,213	25,893,562	3,836,256	299,034,977

- The cost item for machinery, equipment and devices includes an amount equal EGP 8,567,000 which represents the market value of Queens Hospital assets acquired on 18 March 2018.
- The cost item for land, building, machinery, equipment and devices an amount equal to EGP 120,113,700 which represents the market value of El Kateb Hospital acquired on 1 November 2019.
- The depreciation item for machinery, equipment and devices includes an amount equal to EGP 1,618,642 which represents the depreciation of the acquired assets for the period from 18 March 2019 till 31 December 2019.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2019

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7. Investments in subsidiaries

	Percentage of investment	Country of incorporation	2019	2018
Investments in Nile Badrawi Hospital Co.	99.989%	Egypt	380,004,947	259,004,947
Investments in Al-Shorouk Hospital Co.	99.99%	Egypt	374,142,000	239,142,000
Investments in Cairo Specialised Hospital	54.58%	Egypt	135,129,323	107,655,812
Investments in CHG for medical services	20%	Egypt	62,500	112,500
Investments in CHG Pharma for pharmacies management	98%	Egypt	245,000	250,000
			889,583,770	606,165,259

In accordance with the extraordinary general assembly decision and Article 16 of the statute of CHG Medical Services Company, the shares of Cleopatra Hospital Company are preferred shares which entitle the owner to three times of the ordinary share in profits and voting power on the decisions of the general meeting.

On April 7, 2019, the Extraordinary General Assembly of Al-Shorouk Hospital Company agreed to increase the authorized capital from EGP 50 million to EGP 300 million and the issued from EGP 25 million to EGP 205 million. The amounts paid amounted to EGP 160 million, the full value of the increase was underwritten by Cleopatra Hospital Company LLC

On April 9, 2019, the Extraordinary General Assembly of the Cairo Specialist Hospital Company and the Board of Directors of the Cleopatra Hospital Company approved on March 14, 2019. It was subscribed to increase the capital of the Cairo Specialized Company by EGP 50 million to become the issued and paid-up capital an amount of EGP 76,519,660 and the share of Cleopatra Hospital Company LLC become 41,762,750 EGP with a percentage of 54.58%.

According to the decision of the Board of Directors of the Nile Hospital Company Badrawi on March 13, 2019 and the approval of the Board of Directors of the Cleopatra Hospital Company on March 14, 2019, it was subscribed to increase the capital of the Nile Hospital Company Badrawy by an amount of EGP 121 million EGP to become the issued and paid up capital of EGP 141 million. It has been subscribed in full value of the increase through Cleopatra Hospital Company LLC.

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8. Advance payment for investments

	<u>2019</u>	<u>2018</u>
Advance payment for purchase of investments	-	143,550,000
	<u>-</u>	<u>143,550,000</u>

On 31 August 2017, the Company entered into an initial (conditional) contract for the purchase of the land and the private building in EL Kateb 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 dated 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 December 3, 2018. The Extraordinary General Assembly approved the acquisition of fixed assets and the management and operation of the hospital. On 7 August 2019, Cleopatra Hospital Company signed a contract to transfer the activity of Al-Kateb Hospital from the Egyptian Hospitals Company. Accordingly, an amount of EGP 135.080,000 was deposited under an intermediary account contract concluded on 7 August 2019. On November 1, 2019, the company has completed the acquisition of the activity, land and building of Al-Kateb Hospital and it was consolidated on that date. CHG Hospital Management Company was established to manage El Kateb hospital activity with an issued capital of EGP 30 million, and an amount of EGP 7.5 million representing 25% of the company's capital has been paid. The contribution of the Cleopatra Hospital Company is 99.99% of the total capital.

9. Business combination process and intangible assets

	<u>Goodwill</u>	<u>2019</u>
Goodwill	172,587,300	172,587,300

Queens Hospital Business acquisition

On January 16, 2019. Cleopatra Hospital S.A.E signed a contract to transfer the activity of Queen's Hospital. Cleopatra Hospital S.A.E acquired the assets, inventory and contracted with the employment of Queens Hospital from the date of acquisition 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.

The income recognized in the statement of income, which has been contributed by Queens Hospital since the date of acquisition, amounted to EGP 13,632,520, the net loss for this year amounted to EGP 6,547,925.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

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

Business combination process and intangible assets (continued)

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

	<u>EGP</u>
Acquisition cost	
Cash paid	25,000,000
Total acquisition cost	<u>25,000,000</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	<u>10,929,000</u>
Intangible asset	<u>14,071,000</u>

El Kateb business acquisition

On August 7, 2019, Cleopatra Hospital Company LLC has signed a contract to transfer Al-Kateb Hospital activity. Accordingly, Cleopatra Hospital Company LLC has acquired the assets and contracted employment with Al-Kateb Hospital from the date of acquisition on November 1, 2019 with a total of EGP 278,630,000. This acquisition resulted in an increase in the acquisition cost over the fair value of the net assets acquired by the company which were recognized as goodwill. Cleopatra Hospital Company LLC has acquired the fixed assets.

The fair value of the net assets has been calculated on the date of acquisition, which represents the 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	<u>278,630,000</u>
Land	67,911,000
Buildings	28,350,000
Machinery and equipment	23,852,700
Total fair value of acquired assets	<u>120,113,700</u>
Intangible asset	<u>158,516,300</u>

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

10. Inventories

	<u>2019</u>	<u>2018</u>
Medical supply inventory	11,097,456	9,283,064
Medicine inventory	4,409,705	5,232,879
Maintenance and spare parts inventory	1,256,408	1,235,788
Hospitality supplies inventory	532,999	324,856
Stationary inventory	862,707	396,890
Food and beverage inventory	30,368	20,078
	<u>18,189,643</u>	<u>16,493,555</u>

11. Trade receivables

	<u>2019</u>	<u>2018</u>
Due from customers	149,791,203	141,510,271
Income from inpatients	4,241,798	3,049,944
	<u>154,033,001</u>	<u>144,560,215</u>
Less:		
Impairment of customers' balances	(24,534,960)	(4,376,258)
	<u>129,498,041</u>	<u>140,183,957</u>

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

The movement of the provision for impairment is as follows:

	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year	4,376,258	2,549,593
Provisions formed during the year	34,215,251	6,754,123
Provision used during the year	-	(1,057,314)
Provisions no longer required during the year	(14,056,549)	(3,870,144)
Balance at the end of the year	<u>24,534,960</u>	<u>4,376,258</u>

- Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 62,296,692 (2018: EGP 67,139,938).
- At the financial position date, the balances that were past due but not impaired amounted to EGP 56,394,812 (2018: EGP 54,485,531). The analysis of these balances' useful lives is as follows:

	<u>2019</u>	<u>2018</u>
Less than one month	29,475,762	27,502,164
From one to five months	26,919,050	26,983,367

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Trade receivables (continued)

The management creates a 100% impairment of customers who are overdue for more than 150 days from the claim date after deducting the amounts that expected to be collected after calculating the loss given default rate. It also creates a group-based provision based on historical failure rates. The management calculates historical failure rates for each customer per month on the accounts of customers whose debts exceed 150 days to 360 days from the date of the financial position. Based on these rates, the management calculates a provision for debts of customers whose debts are not more than 150 days, the balances of the Trade receivable whose ages exceeded 150 days in the history of the financial position amounted to EGP 31,099,699 (December 31, 2018: EGP 19,884,802).

12. Debtors and other debit balances

	<u>2019</u>	<u>2018</u>
Advances to suppliers	9,740,379	19,535,217
Prepaid expenses	4,546,582	10,121,778
Deposits with others	3,495,093	2,823,093
Accrued interest income	2,349,161	381,858
Due from employees	399,906	455,888
Withholding taxes	183,160	122,361
Other debtors	3,516,469	497,626
	<u>24,230,750</u>	<u>33,937,821</u>

13. Treasury bills

	<u>2019</u>	<u>2018</u>
Treasury bills (maturities in 182 days)	53,600,000	-
Less: Unearned Interest Income	(3,500,742)	-
	<u>50,099,258</u>	<u>-</u>

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

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

14. Cash on hand and at banks

	<u>2019</u>	<u>2018</u>
Current accounts	1,219,484	627,292
Cash on hand	329,769,056	808,604,104
Time deposits	112,021,887	30,377,810
	<u>443,010,427</u>	<u>839,609,206</u>

Current accounts are maintained in banks controlled by the Central Bank.

Time deposits at 31 December 2019 equivalent to EGP 9,595,860 are denominated in local banks in US dollars and are payable within one month from the date of deposit and are subject to a fixed annual interest rate of 2.17% to 2.22%.

Time deposits equivalent to EGP 102,426,027 are denominated in local banks in EGP and are payable within one month from the date of deposit and are subject to a fixed annual interest rate of 10%. (Dec 31 2018 :12.25%)

Current accounts are subject to a fixed annual rate of 10% (31 December 2018: 14%).

15. Provisions

	<u>2019</u>	<u>2018</u>
Provisions for human resources	4,432,381	4,821,751
Provision for claims	1,285,741	1,612,741
	<u>5,718,122</u>	<u>6,434,492</u>

The movement of provisions during the year is as follows:

	<u>2019</u>				
	<u>Balance at 1 January 2019</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at 2019</u>
Provisions for human resources	4,821,751	11,769,504	(4,285,556)	(7,873,318)	4,432,381
Provision for claims	1,612,741	80,000	(407,000)	-	1,285,741
Total	6,434,492	11,849,504	(4,692,556)	(7,873,318)	5,718,122

	<u>2018</u>				
	<u>Balance at 1 January 2018</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at 31 December 2018</u>
Provisions for human resources	3,313,919	11,188,375	(3,117,475)	(6,563,068)	4,821,751
Provision for claims	3,108,668	50,000	(1,545,927)	-	1,612,741
Total	6,422,587	11,238,375	(4,663,402)	(6,563,068)	6,434,492

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Provisions (continued)

Provision for human resources

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

Provisions for claims

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

16. Creditors and other credit balances

	<u>2019</u>	<u>2018</u>
Accrued expenses	92,294,094	78,067,713
Suppliers and notes payable	59,328,064	61,938,307
Social insurance	1,854,415	854,554
Other creditors	2,350,707	2,320,658
	<u>155,827,280</u>	<u>143,181,232</u>

17. Borrowing

	<u>2019</u>	<u>2018</u>		
	<u>Total</u>	<u>Current portion</u>	<u>Non- current portion</u>	<u>Total</u>
Bank overdraft	-	-	-	-
Loans	-	<u>27,223,715</u>	<u>67,879,332</u>	<u>95,103,047</u>
Total	-	<u>27,223,715</u>	<u>67,879,332</u>	<u>95,103,047</u>

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

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

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Borrowings (continued)

On 17 February 2019, the Company settled the whole outstanding loans, in addition to the relevant accrued interest, accordingly the mortgages on Cleopatra Hospital shares which is owned by Care HealthCare Ltd. and Al Shourouk Hospital shares which is owned by Cleopatra Hospital were realised.

Financial ratios

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

- Debt-to-profit ratio before bank charges, taxes payable and depreciation of financial and intangible assets to be less than or equal to 3.5 for 2018 (2017: be less than or equal to 3.5).
- Debt service rate to be greater than or equal to 1.
- Trading ratio shall be greater than or equal to 1.

18. Employee incentive plan

	<u>2019</u>	<u>2018</u>
Employee incentive plan	129,072,581	45,232,497
Total	<u>129,072,581</u>	<u>45,232,497</u>

The movement of verify financial liabilities during the year is as follows:

	<u>Balance at 1 January 2019</u>	<u>Formed during the year</u>	<u>Balance at 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>

The movement of verify financial liabilities during the year is as follows:

	<u>Balance at 1 January 2018</u>	<u>Formed during the year</u>	<u>Balance at 31 December 2018</u>
Employee incentive plan	24,821,000	20,411,497	45,232,497
Total	<u>24,821,000</u>	<u>20,411,497</u>	<u>45,232,497</u>

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19. Share capital

On September 30, 2017, the Extraordinary General Meeting of the Company approved an increase in the authorized capital from EGP 800,000,000 to EGP 2,000,000,000 and an increase in issued capital from EGP 100,000,000 to EGP 800,000,000 with an increase of EGP 700,000,000 by inviting shareholders to subscribe in the shares of the increase through the issuance of 1,400,000,000 shares subscribed to the nominal value of the share of 0,5 EGP per share, the full value of the value of the subscription, note that the shareholders of the company may subscribe to the increase each by its share in the capital or the sale of all or Part of the right to subscribe separately from the original share knowing that it will be completed The right of subscription rights and the shares of the increase in favour of small shareholders.

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

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

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

On July 11, 2019, CARE Health Care Ltd sold 504 million shares of its shares in Cleopatra Hospital Company. Its share capital reached 38.87% and the 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	100%	1,600,000,000	800,000,000

20. Reserves

	<u>2019</u>	<u>2018</u>
Legal reserve	64,340,195	54,127,298
Special reserve	47,379,722	47,379,722
Other reserves	247,496,391	247,496,391
Total	359,216,308	349,003,411

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Reserves (continued)

20.1. 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. As proposed by the Board of Directors, this transfer may be partially discontinued if the legal reserve reaches 50% of the issued capital. This reserve is not available for distribution to shareholders.

Below is the movement in the legal reserve during the year:

	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
Total	54,127,298	10,212,897	64,340,195
	2018		
	Balance at the beginning of the year	Formed during the year	Balance, at the end of the year
Legal reserve	50,000,000	4,127,298	54,127,298
Total	50,000,000	4,127,298	54,127,298

20.2 Special reserve

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

Below is the movement in the special reserve during the year:

	2019		
	Balance at the beginning of year	Formed during the year	Balance. at the end of year
Special reserve	47,379,722	-	47,379,722
Total	47,379,722	-	47,379,722
	2018		
	Balance at the beginning of year	Formed during the year	Balance. at the end of year
Special reserve	47,379,722	-	47,379,722
Total	47,379,722	-	47,379,722

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Reserves (continued)

20.3 Other reserves

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

Below is the movement in the other reserves during the year:

	2019		
	Balance at the beginning of year	Used during the year	Balance. at the end of year
Other reserves	247,496,391	-	247,496,391
Total	247,496,391	-	247,496,391
	2018		
	Balance at the beginning of year	Used during the year	Balance. at the end of Year
Other reserves	247,592,165	(95,774)	247,496,391
Total	247,592,165	(95,774)	247,496,391

Other reserves are as follows:

	Payment	Number of Shares	Nominal value	Capital	Share premium
Public offering	54,000,000	6,000,000	EGP 0.5	3,000,000	51,000,000
Private offering and share capital increase	306,000,000	34,000,000	EGP 0.5	17,000,000	289,000,000
Expenses of shares issued 2016*	-	-	-	-	(31,982,359)
Expenses of shares issued 2017**	-	-	-	-	(27,582,577)
Transfer to legal reserve	-	-	-	-	(32,938,673)
Total	360,000,000	40,000,000		20,000,000	247,496,391

* These include expenses for the issuance of shares during 2016 and include the expenses of the capital increase of the Company (public offering and special offer) representing registration and promotion expenses and other professional and legal expenses.

** The expenses of the issue of capital increase during 2017 include expenses for the increase of the share capital of the company, which represents registration and promotion expenses and other professional and legal expenses.

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21. Operating revenue

	<u>2019</u>	<u>2018</u>
Surgeries revenue	163,514,211	141,493,295
Accommodation and medical supervision revenue	158,151,926	134,738,863
Outpatient clinics revenue	129,867,088	116,755,530
Laboratories revenue	74,507,783	60,384,787
Emergency revenue	46,764,251	43,131,121
Cardiac catheterization revenue	51,300,056	51,139,939
Service charge revenue	53,641,753	43,719,390
Radiology revenue	42,258,080	35,089,131
Pharmacy revenue	21,838,340	18,919,881
Dentistry revenue	12,228,962	10,972,902
Physiotherapy revenue	11,738,626	10,089,165
Cardiac tests revenue	7,827,439	6,050,013
Endoscopy revenue	6,351,360	4,785,980
Other section revenue	847,645	-
	<u>780,837,520</u>	<u>677,269,997</u>

22. Operating costs

	<u>2019</u>	<u>2018</u>
Doctors' fees	163,490,576	149,124,499
Medical and pharmaceutical supplies	124,201,847	107,044,599
Salaries, wages and benefits	107,255,328	88,553,660
Food, beverage and consumables costs	20,095,256	16,166,298
Maintenance, spare parts and energy expenses	13,713,849	9,516,575
Fixed assets depreciation	17,540,667	8,330,388
Other expenses	11,382,958	17,842,929
	<u>457,680,587</u>	<u>396,578,948</u>

23. General and administrative expenses

	<u>2019</u>	<u>2018</u>
Salaries, wages and benefits	150,821,999	73,216,334
Professional and consulting fees	7,146,410	12,087,963
Fixed assets depreciation	4,281,477	4,714,732
Maintenance, spare parts and energy expenses	2,285,137	1,868,767
Impairment of trade receivables	20,158,702	2,883,979
Rent	3,106,205	1,838,152
Food, beverage and consumables costs	2,217,302	2,434,397
Other expenses	15,821,178	22,782,768
Less: the Group's share of the Company's expenses	(77,729,030)	(34,402,971)
	<u>128,109,380</u>	<u>87,424,121</u>

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24. Expenses by nature

	<u>2019</u>	<u>2018</u>
Salaries, wages and benefits*	258,077,327	161,769,994
Doctors' fees	163,490,576	149,124,499
Medical and pharmaceutical supplies	124,201,847	107,044,599
Food, beverage and consumables costs	22,312,558	18,600,695
Maintenance, spare parts and energy expenses	15,998,986	11,385,342
Fixed assets depreciation	21,822,144	13,045,120
Impairment of trade receivables	20,158,702	2,883,979
Other expenses	37,456,751	54,551,812
Less: The Group's share of the Company's expenses	<u>(77,729,030)</u>	<u>(34,402,971)</u>
	<u>585,789,967</u>	<u>484,003,069</u>

* Employees' costs

	<u>2019</u>	<u>2018</u>
Salaries, wages and incentives	238,830,862	146,586,589
Social insurance	9,132,935	6,457,599
Employees' benefits	<u>10,113,530</u>	<u>8,725,806</u>
	<u>258,077,327</u>	<u>161,769,994</u>

Other expenses item includes an amount of EGP 4,351,667 (2018: EGP 1,425,000) as sitting allowance of the board members.

Incentives include an amount of 72,253,182 (2018: EGP 16,417,510) represents the amount of payments calculated on the basis of the difference between the weighted average market value of the Parent Company on 2 June 2020 during the six months preceding the date of the financial position and the share price On the 2nd of June 2016. And an amount of 11,589,902 (3,993,987 EGP: 2017) represents the value of payments calculated on the basis of the difference between EBITDA Due on 2 June 2020 and 2 June 2016.

25. Other income

	<u>2019</u>	<u>2018</u>
Gain on sale of fixed assets	331,792	292,040
Buffet income and cafeteria concession	14,229	-
Rent	5,837,201	1,128,013
Miscellaneous income	<u>1,898,737</u>	<u>2,048,445</u>
	<u>8,081,959</u>	<u>3,468,498</u>

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26. Finance income/ (expenses)

	<u>2019</u>	<u>2018</u>
Interest income	74,585,547	117,617,754
Currency Translation difference	-	22,098
Total finance income	<u>74,585,547</u>	<u>117,639,852</u>
Debit commission	(1,926,854)	(36,957,836)
Foreign currency valuation	(3,032,665)	-
Total finance expenses	<u>(4,959,519)</u>	<u>(36,957,836)</u>
Net finance expenses	<u>69,626,028</u>	<u>80,682,016</u>

27. Income tax

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

	<u>2019</u>	<u>2018</u>
Current income tax for the year	59,906,293	62,977,892
Deferred tax (Note 28)	4,052,418	908,788
	<u>63,958,711</u>	<u>63,886,680</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>2019</u>	<u>2018</u>
Net profit before tax	262,497,526	268,144,623
Income tax calculated based on the applicable local tax rate	59,061,943	60,332,540
Add / (less):		
Non-deductible expenses	8,895,439	4,424,922
Income not subject to tax	(3,162,724)	(870,782)
Income taxes	<u>64,794,655</u>	<u>63,886,680</u>
Effective tax rate	<u>24.68%</u>	<u>23.83%</u>

Current income tax liabilities

	<u>2019</u>	<u>2018</u>
Balance at 1 January	53,711,686	10,735,815
Payments during the year	(53,854,362)	(10,735,815)
Advance payment during the year	(14,016,726)	(9,266,206)
Current year tax	60,770,757	62,977,892
	<u>46,611,355</u>	<u>53,711,686</u>

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28. Deferred tax

<u>Deferred tax assets</u>	<u>2019</u>	<u>2018</u>
Provisions (excluding claims provision)	997,286	1,084,894
<u>Deferred tax liabilities</u>		
Fixed assets depreciation	(9,617,693)	(5,692,266)
Deferred tax - liability	(8,659,790)	(4,607,372)

The movement on the deferred income tax is as follows:

	<u>2019</u>	<u>2018</u>
Deferred tax assets		
Balance at 1 January	1,084,894	745,632
Charged to the statement profit or loss	(87,608)	339,262
Balance at the end of the year	997,286	1,084,894
Deferred tax liabilities		
Balance at 1 January	(5,692,266)	(4,444,216)
Charged to the statement of profit or loss	(3,936,289)	(1,248,050)
Balance at the end of the year	(9,628,555)	(5,692,266)
Net deferred tax liabilities	(8,631,269)	(4,607,372)

29. Earning per share

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

	<u>2019</u>	<u>2018</u>
Distributable profit	197,702,871	204,257,943
Legal reserves	(9,885,144)	(10,212,897)
Employees and Board of Directors dividends (Distributable)	(26,314,344)	(23,021,238)
Earnings per share	161,503,383	171,023,808
Weighted average number of shares	1,600,000,000	1,600,000,000
Earnings per share of the shareholders' share in the net profit for the year	0.10	0.11

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30. Related parties' transaction

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

<u>The company's name</u>	<u>Nature of transaction</u>	<u>Transaction value</u>	<u>Balance due from / (to) related parties 2019</u>	<u>Balance due from / (to) related parties 2018</u>
Care HealthCare (Parent Company)	Expenses paid on behalf of the Parent Company		1,764,703	3,876,981
Nile Badrawi Hospital (Subsidiary)	The Group's share of the Company's expenses	24,511,783	(894,566)	785,874
	Loans	50,000,000	-	-
	Loan's interests	3,890,000	-	-
	Income from medical activity	70,373	-	-
	Expense from medical activity	435,669	-	-
Cairo Specialised Hospital (Subsidiary)	The Group's share of the Company's expenses	28,401,964	(819,309)	75,551
	Expenses from medical activity	2,483,868	-	-
	Income from medical activity	1,344,277	-	-
	Other income (rents)	171,648	-	-
Al Shorouk Hospital (Subsidiary)	The Group's share of the Company's expenses *	22,882,233	(924,856)	(25,369)
	Expenses from medical activity	72,825	(108,988)	-
	Income from medical activity	30,040	-	-
	Sale of fixed assets	25,454,000	-	-
CHG for medical services (Subsidiaries)	Expenses on behalf of the company	26,552,047	29,023,393	3,180,946
	The Group's share of the Company's expenses *	1,631,208	149,001	-
CHG Pharma for Pharmacies Management (Subsidiary)	Expenses on behalf of the company	5,331,740	5,025,108	-
	The Group's share of the Company's expenses *	301,842	-	-
Other parties	Expenses on behalf of related parties	255,000	255,000	-
CHG Hospitals	Management fees	46,748	(46,750)	-
			33,522,736	7,893,984

* During the year 2017. Cleopatra Hospital Company signed an agreement with its subsidiaries under this contract. The Company allocates the costs of the joint activities to the Group's Companies based on percentages related to the revenues earned for each Company. This agreement was approved by the Company's board of directors and their General Assemblies.

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.

The due from Badrawi Nile Hospital Company includes the amount of 50,000,000 EGP represented in the value of a short-term loan granted by the company to the Nile Badrawi Hospital Company to meet the financial burdens and obligations related to the investment plan and the capital expenditure of the company provided that this loan be repaid within 6 months from the date of receipt. The amount of financing is calculated as a return of 1.9% in addition to the lending rate announced by the Central Bank (Corridor) and is repaid monthly. The payment was received on 19 June 2019.

The Nile Hospital Company has paid in full the loan amount during October 2019.

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31. Commitments

Capital commitments:

The capital commitments related to fixed assets at financial year end is EGP 8,145,900 (2018: EGP 2,749,150).

32. Tax position

(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 was established and the amount were fully paid.
- 2017 and 2018 inspection and an internal committee 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 was inspected for 2014, and an internal committee is being formed, Model 9 / A was obtained and it was explained that the tax was paid in full.
- 2015 and 2016 were inspected and the amount were fully paid.
- 2017 and 2018 were inspected and an internal committee was held, the amount were fully paid.

(3) Stamp duty tax

- Inspection was made up to 31 July 2006 and tax was paid.
- Inspection was made till 2013, the amount were fully paid.
- Years from 2014 to 2017 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 were settled.
- Inspection for 2015 till 2018 was not made.
- Tax returns were filed regularly in the legal deadline.

(5) Advances to tax authority

- Approval has been submitted to the tax Authority for the advance payment for the taxable period from 1 January 2019 till 31 December 2019.
- The advance payment has been approved by the Tax Authority for the taxable period from 1 January 2019 till 31 December 2019.

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33. Subsequent events

On 13 February 2020, Cleopatra Hospital Company, the General Authority for River Transport and the Nile Badrawi Hospital Company and the heirs of the deceased Engineer Hassan Badrawi all 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, as was agreed upon both the General Authority for River Transport and the Nile Badrawi Hospital Company have conceded all the disputes arising from each of them regarding the land under settlement. The total settlement amounted to 36 million EGP, noting that part of the settlement falls within the confiscated amounts from the price of the sale of shares of the Nile Badrawi Hospital Company for the benefit of Cleopatra Hospital, also, negotiations are currently happening with the sellers of Nile Badrawi Hospital Company shares on the final settlement of any related matters between the Company and the sellers.

With regard to the recent outbreak of the Coronavirus, the Company's management is closely monitoring the situation. At this time, the number of registered cases in Egypt is still limited and fully controlled by the concerned authorities, with companies continuing to operate normally. The management of the company is confident that the Egyptian government and the company are well equipped to deal with the evolving situation. Note that the company's management is constantly updating its employees on the developments of the virus and providing them with the necessary training and precautions to ensure the safety of the workforce and its patients. With regard to the company's needs for medicines and consumables, the administration assures that there is sufficient stock for the situation for a period that may reach a month and a half, and given the current situation the company does not see an imminent risk that may have a predictable impact in light of the current situation, and the company's management is studying the situation continuously.