

**CLEOPATRA HOSPITAL S.A.E.
(EGYPTIAN JOINT STOCK COMPANY)**

**AUDITORS' REPORT
AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**



CLEOPATRA HOSPITAL S.A.E.

Separate financial statements for the year ended 31 December 2016

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Auditor's report

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

Report on the separate financial statements

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

Management's responsibility for the 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 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 S.A.E. as at 31 December 2016, its financial performance, and its separate cash flows for the fiscal year then ended in accordance with the Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

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.

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

12 March 2017
Cairo



CLEOPATRA HOSPITAL S.A.E.

Separate statement of financial position - At 31 December 2016

(All amounts in Egyptian Pounds)

	Note	2016	2015
Non-current assets			
Fixed assets	5	61,887,476	61,804,067
Investments in subsidiaries	6	605,189,399	366,047,399
Total non-current assets		667,076,875	427,851,466
Current assets			
Held-to-maturity investments	7	-	38,080
Inventories	8	20,225,249	7,869,572
Trade receivables	9	52,029,720	39,935,176
Debtors and other debit balances	10	13,220,121	13,258,191
Cash at banks and on hand	11	344,510,600	38,557,392
Total current assets		429,985,690	99,658,411
Total assets		1,097,062,565	527,509,877
Equity			
Share capital	15	100,000,000	80,000,000
Reserves	16	372,458,689	13,827,660
Retained earnings		138,391,561	106,194,741
Total shareholders' equity		610,850,250	200,022,401
Non-current liabilities			
Creditors and other credit balances - non-current portion	13	6,715,580	54,095,303
Non-current portion of borrowings	14	325,977,549	162,400,000
Deferred income tax liabilities	24	1,230,017	1,411,516
Total non-current liabilities		333,923,146	217,906,819
Current liabilities			
Other provisions	12	7,775,760	6,179,017
Creditors and other credit balances	13	83,956,791	42,198,330
Current portion of borrowings	14	45,137,251	40,600,000
Current income tax liabilities	23	15,419,367	20,603,310
Total current liabilities		152,289,169	109,580,657
Total liabilities		486,212,315	327,487,476
Total liabilities and shareholders' equity		1,097,062,565	527,509,877

The accompanying notes on pages 8 - 37 from an integral part of these financial statements

Mr. Khalid Hassan Ahmed
Group CFO

11 March 2017

Auditors, report is attached

Dr. Ahmed Ezzeddine Mahmoud
CEO & Managing Director

Dr. Mohamed Tarek Zahed
Non-Executive Chairman



CLEOPATRA HOSPITAL S.A.E.**Separate statement of income - For the year ended 31 December 2016**

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Operating revenue	17	379,887,142	332,002,699
Less:			
Operating costs	18	<u>(240,404,431)</u>	<u>(214,407,386)</u>
Gross profit		139,482,711	117,595,313
Add / (Less)			
General and administrative expenses	19	(39,552,540)	(27,859,422)
Provisions	12	(1,882,837)	(2,973,505)
Finance income	22	19,271,728	5,104,232
Finance costs	22	(57,225,204)	(8,487,998)
Other income	20	<u>1,988,934</u>	<u>1,028,699</u>
Profit for the year before income tax		<u>62,082,792</u>	<u>84,407,319</u>
Current tax	23	(15,436,243)	(20,603,310)
Deferred tax	24	<u>181,499</u>	<u>886,196</u>
Profit for the year after tax		<u>46,828,048</u>	<u>64,690,205</u>

The accompanying notes on pages 8 - 37 from an integral part of these financial statements.

CLEOPATRA HOSPITAL S.A.E.

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

(All amounts in Egyptian Pounds)

	<u>2016</u>	<u>2015</u>
Profit for the year after tax	46,828,048	64,690,205
Other comprehensive income	-	-
Other comprehensive income for the year	<u><u>46,828,048</u></u>	<u><u>64,690,205</u></u>

The accompanying notes on pages 8 - 37 from an integral part of these financial statements.

CLEOPATRA HOSPITAL S.A.E.

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

(All amounts in Egyptian Pounds)

	Share capital	Reserves	Retained earnings	Total
Balance at 1 January 2015	80,000,000	11,637,554	43,694,642	135,332,196
Transfer to the legal reserve	-	2,190,106	(2,190,106)	-
Profit for the year	-	-	64,690,205	64,690,205
Balance at 31 December 2015	80,000,000	13,827,660	106,194,741	200,022,401
Balance at 1 January 2016	80,000,000	13,827,660	106,194,741	200,022,401
Dividends distributions	-	-	(11,397,561)	(11,397,561)
Paid up capital increase	20,000,000	-	-	20,000,000
Other reserves	-	358,631,029	(3,233,667)	355,397,362
Other comprehensive income for the year	-	-	46,828,048	46,828,048
Balance at 31 December 2016	100,000,000	372,458,689	138,391,561	610,850,250

The accompanying notes on pages 8 - 37 from an integral part of these financial statements.

CLEOPATRA HOSPITAL S.A.E.

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

(All amounts in Egyptian Pounds)

	Note	2016	2015
Cash flows from operating activities			
Profit for the year before tax		62,082,792	84,407,319
Adjustments to reconcile net income to cash flows from operating activities			
Fixed assets depreciation and write-off	5	6,731,321	6,550,928
Loss on sale of fixed assets		-	15,970
Provisions formed during the year	12	2,056,134	2,973,505
Provisions utilised during the year	12	(286,094)	(161,840)
Provisions no longer required	12	(173,297)	-
Impairment of trade receivables	9	6,513,605	2,282,745
Impairment no longer required	9	(4,253,177)	(152,634)
Write off for trade receivables	9	(1,164,486)	-
Interests expenses and commissions		57,225,204	8,487,998
Interest income		(19,092,877)	(5,000,274)
Income tax paid	23	(20,620,186)	(21,372,222)
Operating profits before changes in assets and liabilities		89,018,939	78,031,495
Changes in assets and liabilities			
Change in inventories		(12,355,677)	(1,531,750)
Change in trade receivables		(13,190,486)	(7,818,583)
Change in debtors and other debit balances		(43,341,849)	21,921,393
Change in creditors and other credit balances		16,129,787	58,219,742
Net cash flows generated from operating activities		36,260,714	148,822,297
Cash flows from investing activities			
Proceeds from housing bonds		38,080	-
Proceeds from sale of fixed assets		1,900	10,860
Payments to purchase fixed assets		(6,816,630)	(5,594,200)
Finance income received		19,092,877	5,000,274
Payments to investments in subsidiaries		(239,142,000)	(366,047,399)
Deposits with maturity of more than 3 months from the date of placement		(310,350,000)	(15,000,000)
Net cash flows used in investing activities		(537,175,773)	(381,630,465)
Cash flows from financing activities			
Dividends paid		-	-
Paid up capital increase		20,000,000	-
Share premium collected		340,000,000	-
Proceeds from borrowings		208,714,800	203,000,000
Paid from borrowings		(40,600,000)	-
Finance cost paid		(31,596,533)	(266,494)
Net cash flows generated from financing activities		496,518,267	202,733,506
Change in cash and cash equivalents during the year		(4,396,792)	(30,074,662)
Cash and cash equivalents at the beginning of the year		23,557,392	53,632,054
Cash and cash equivalents at the end of the year	11	19,160,600	23,557,392

The accompanying notes on pages 8 - 37 from an integral part of these financial statements.

CLEOPATRA HOSPITAL S.A.E.

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

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

1. General information

Cleopatra Hospital (Lasheen & Co.) is a limited partnership company incorporated on 19 July 1979. On 27 June 2005, a resolution no. 4092 of 2005 was issued by the Chairman of the General Authority for Investment (GAFI) authorizing Cleopatra Hospital (Lasheen & Co.), "a limited partnership company", to transform its legal form to Cleopatra Hospital S.A.E. in accordance with the provisions of Law No. 8 for 1997 and Law No. 95 for 1992.

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

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

The Parent Company is Care Healthcare Ltd, which owns 80% of the Company's share capital.

On 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the shares of Cairo Specialised Hospital.

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

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

These separate financial statements have been approved for issuance by the management of the Company on 11 March 2017.

2. Accounting policies

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

A. Basis of preparation

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.

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

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

Basis of preparation (continued)

The EASs require the reference to the International Financial Reporting Standard when there is no EAS or legal requirements that explain the treatment of specific balances and transactions.

Subsidiaries

Subsidiaries are the entities (including special purpose entities) over which the Company has the power to directly or indirectly govern its financial and operating policies. The Company usually has a shareholding of more than one half of voting rights. The effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls the subsidiary.

The separate financial statements of the Company have been prepared pursuant to the relevant local laws, and the consolidated financial statements of the Company and its subsidiaries have been prepared in conformity with EASs. The separate financial statements of the Company should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2016 in order to obtain full information on the Company's financial position, business results, cash flows and changes in equity.

Subsidiaries and associates are accounted for in the Parent Company's separate financial statements using the cost method. Under this method, the investments are recognised at the acquisition cost, including any goodwill less any impairment loss, and the dividends are recognised in the statement of income when such dividends are approved and the Parent Company's right to collect them is established.

New and amended EASs adopted by the Company

In accordance with the Resolution of the Ministry of Investment No. (110) of 2015 issued on July 2015, the EASs issued by the Ministerial Resolution of 2006 have been abolished and replaced with the accounting standards attached in the Resolution No. (110) referred to, provided that this Resolution shall enter into force as of 1 January 2016 and shall be applicable to the entities whose fiscal year begins on or after this date.

It is noteworthy that there is no material impact of such amendments on values included in the Company's financial statements upon adoption of the new standards, except for the following:

- Acquisition costs charged to subsidiaries within the statement of comprehensive income rather than capitalising them in accordance with the standards whose effective date has expired.

Other amendments applicable to the Company's activity and financial statements are summarised by certain matters related to the presentation and disclosure. Accordingly, the balance sheet will be differently presented and the presentation of the working capital will be eliminated therefrom. Also, business results of the Company will be presented in two separate statements, the first one will present the components of the revenue and expenses (statement of income) and the second one will begin with the profit or loss and present the components of income which will be included in equity to show the comprehensive income (statement of other comprehensive income). Financial risk has been disclosed and the fair values have been measured in further detail.

CLEOPATRA HOSPITAL S.A.E.

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

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

B. 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 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 balance sheet date are recognised in the statement of income.

C. Fixed assets

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

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

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

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

The depreciation rates by type of asset are as follows:

Buildings	2.5%
Machinery , equipment & devices	10%
Tools and instruments	25%
Furniture and fixtures	15%
Vehicles	10%
Computers	25%

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

CLEOPATRA HOSPITAL S.A.E.

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

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

D. Inventories

Inventories are measured at the lower of actual cost or 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.

E. 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 fixed or determinable values that are not quoted in an active market.

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

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

(2) Initial and subsequent measurement:

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

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

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

(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 a group of financial assets is impaired.

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

CLEOPATRA HOSPITAL S.A.E.

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

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

Financial assets (continued)

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

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

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

F. Share capital

Ordinary shares are classified as equity.

G. 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 meeting. Such transfer may be discontinued when the reserve equals 50% of the 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.

H. Provisions

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

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

I. 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.

CLEOPATRA HOSPITAL S.A.E.

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

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

J. Borrowings and advances

Borrowings are recognised initially at the amount of the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any difference between proceeds (net of borrowing cost) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective yield method.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the financial statements.

K. Employee 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 a part of 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.

L. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, including cash balances, trade and notes payable for rendering medical services and sale of medicine throughout the 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.

CLEOPATRA HOSPITAL S.A.E.

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

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

Revenue recognition (continued)

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.

M. Leases

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

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

N. 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 it arises from initial recognition of an asset or liability other than those arising from business combination that at the time of the transaction affects neither accounting nor taxable income.

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

Deferred 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.

O. Dividends

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

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

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

P. Cash and cash equivalents

For the purpose of preparation of 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.

Q. Fair value of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Fair value of financial instruments (continued)

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

R. Corresponding figures

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

S. 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 Company. The senior management is represented in Company's executive management committee. The Company as a whole is considered a separate business segment of the Group.

3. Financial risk management

(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

i. 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.

CLEOPATRA HOSPITAL S.A.E.

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

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

Financial risk management (continued)

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

	<u>2016</u>	<u>2015</u>
USD	248,513	37,933

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

	<u>2016</u>	<u>2015</u>
USD	99,405	15,973

ii. Fair value and cash flow interest rate risk

The Company availed a long-term loan at interest rate corridor declared by the Central Bank, and therefore, it is not exposed to cash flow risks.

(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.

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 (9) 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 invoice date, in addition to a category-based provision at historical default rates.

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.

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

Financial risk management (continued)

Balances exposed to credit risks are as follows:

	<u>2016</u>	<u>2015</u>
Cash at banks	343,273,008	38,355,130
Trade receivables	58,678,309	45,487,823

(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>
Suppliers and note payables	26,305,379	196,928	-	-
Due to related parties	-	-	7,653,525	-
Loans and financing interests	-	153,754,306	495,343,417	-
Accrued expenses	16,110,587	-	-	-
Other creditors	1,454,882	2,238,724	-	-

Subsequent to the period date the lending rate (Corridor) has increased 3% during November 2016 which will affect the company liabilities related to related parties, loans and finance expenses.

(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 balance sheet plus net debt.

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

	<u>2016</u>	<u>2015</u>
Creditors and other credit balances	90,672,371	96,293,633
Borrowings	371,114,800	203,000,000
Less: Cash at banks and on hand	(344,510,600)	(38,557,392)
Net debt	117,276,571	260,736,241
Total shareholders' equity	610,850,250	200,022,401
Total capital	728,126,821	460,758,642
Net debt to total capital ratio	16.1%	56.58%

Net debt to total capital ratio changed due to the loan obtained by the Company during the year ended 31 December 2016.

