

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

**AUDITOR'S REPORT AND
THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**



CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate financial statements - For the year ended 31 December 2017

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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 2017 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 2017, 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.

Basma Samra
R.A.A. 6588
EFSA Registration 137
Mansour & Co. PricewaterhouseCoopers



1 March 2018
Cairo

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of financial position - At 31 December 2017

(All amounts in Egyptian Pounds)

	Note	2017	2016
Assets			
<u>Non-current assets</u>			
Fixed assets	5	87,711,987	61,887,476
Investments in subsidiaries	6	605,802,759	605,189,399
Advance payment for investment	7	143,550,000	-
Total non-current assets		837,064,746	667,076,875
<u>Current assets</u>			
Inventories	8	11,858,077	20,225,249
Trade receivables	9	79,264,631	52,029,720
Due from related parties	27	19,191,762	148,513
Debtors and other debit balances	10	5,872,817	13,071,608
Cash on hand and at banks	11	920,931,537	344,510,600
Total current assets		1,037,118,824	429,985,690
Total assets		1,874,183,570	1,097,062,565
<u>Equity</u>			
Share capital	16	800,000,000	100,000,000
Reserves	17	344,971,887	372,458,689
Retained earnings		212,895,656	138,391,561
Total equity		1,357,867,543	610,850,250
<u>Liabilities</u>			
<u>Non-current liabilities</u>			
Creditors and other credit balances - non-current	13	-	6,715,580
Non-current portion of borrowings	14	276,303,047	325,977,549
Employees incentive plan	15	24,821,000	-
Deferred income tax liabilities	24	3,698,584	1,230,017
Total non-current liabilities		304,822,631	333,923,146
<u>Current liabilities</u>			
Provisions	12	6,422,588	7,775,760
Due to related parties	27	-	937,945
Creditors and other credit balances	13	118,701,673	83,018,846
Current portion of borrowings	14	75,633,320	45,137,251
Current income tax liabilities	24	10,735,815	15,419,367
Total current liabilities		211,493,396	152,289,169
Total liabilities		516,316,027	486,212,315
Total equity and liabilities		1,874,183,570	1,097,062,565

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

Mr Khalid Hassan Ahmed
Group CFO

22 February 2018

Auditor's report is attached

Dr Ahmed Ezzeddine Mahmoud
CEO & Managing Director

Dr Mohamed Tarek Zahed
Non-Executive Chairman



CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of profit or loss - For the year ended 31 December 2017

(All amounts in Egyptian Pounds)

	Note	2017	2016
Operating revenue	18	492,799,983	379,887,142
Less:			
Operating costs	19	(305,748,233)	(240,333,004)
Gross profit		187,051,750	139,554,138
Add / (Less)			
General and administrative expenses	20	(52,393,588)	(37,917,954)
Acquisition costs		(5,332,453)	(1,634,586)
Provisions	12	(2,373,204)	(1,882,837)
Other income	22	3,015,729	1,917,507
Finance income	23	51,061,328	19,271,728
Finance expenses	23	(72,640,708)	(57,225,204)
Profit for the year before income tax		108,388,854	62,082,792
Current tax	24	(23,374,321)	(15,436,243)
Deferred tax	25	(2,468,567)	181,499
Profit after income tax		82,545,966	46,828,048
Earnings per share	26	0.41	0.32

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

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of comprehensive income - For the year ended 31 December 2017

(All amounts in Egyptian Pounds)

	<u>2017</u>	<u>2016</u>
Profit for the year	82,545,966	46,828,048
Other comprehensive income	-	-
Comprehensive income for the year	<u><u>82,545,966</u></u>	<u><u>46,828,048</u></u>

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

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of changes in equity - For the year ended 31 December 2017

(All amounts in Egyptian Pounds)

	Capital	Reserves	Retained earnings	Total
Balance at 1 January 2016	80,000,000	13,827,660	106,194,741	200,022,401
Dividends for the year	-	-	(11,397,561)	(11,397,561)
Increase in share in capital	20,000,000	-	-	20,000,000
Other reserves	-	358,631,029	(3,233,667)	355,397,362
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
Balance at 1 January 2017	100,000,000	372,458,689	138,391,561	610,850,250
Dividends for employees	-	-	(8,041,871)	(8,041,871)
Increase in share in capital	700,000,000	-	-	700,000,000
Other reserves	-	(27,486,802)	-	(27,486,802)
Comprehensive income for the year	-	-	82,545,966	82,545,966
Balance at 31 December 2017	800,000,000	344,971,887	212,895,656	1,357,867,543

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

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of cash flows - For the year ended 31 December 2017

(All amounts in Egyptian Pounds)

	Note	2017	2016
Cash flows from operating activities			
Profit before tax		108,388,854	62,082,792
Adjustments to reconcile net income to cash flows from operating activities			
Fixed assets depreciation	5	9,018,359	6,731,321
Fixed assets write-off	5	732,369	-
Profit from sale of fixed assets	22	(1,148,194)	-
Impairment no longer required of trade receivables	9	(4,578,538)	(4,253,177)
Impairment write-off of trade receivables	9	(5,328,058)	(1,164,486)
Impairment of trade receivables	9	5,807,600	6,513,605
Provisions formed	12	6,531,690	2,056,134
Provisions utilized	12	(3,726,376)	(286,094)
Provisions no longer required	12	(4,158,486)	(173,297)
Interests and commissions	23	72,601,487	57,225,204
Interest income	23	(51,061,328)	(19,092,877)
Employee incentive plan	15	24,821,000	-
Income tax paid	24	(28,057,873)	(20,620,186)
Operating profits before changes in assets and liabilities		129,842,506	89,018,939
Changes in assets and liabilities			
Change in inventories	8	8,367,172	(12,355,677)
Change in trade receivables	9	(23,135,915)	(13,190,486)
Change in related parties	27	(19,043,249)	(136,783)
Change in debtors and other debit balances	10	4,971,623	(36,419,235)
Change in creditors and other credit balances	13	620,286	16,129,787
change in accrual to related parties		(937,945)	-
Net cash flows generated from operating activities		100,684,478	43,046,545
Cash flows from investing activities			
Payments for purchase of fixed assets	5	(30,356,955)	(3,858,960)
Payments for projects under construction	5	(5,376,940)	(2,957,670)
Advance payment for purchase of fixed assets		(1,771,000)	-
Proceeds from sale of fixed assets		1,306,850	1,900
Proceeds from bonds		-	38,080
Interests received		54,031,742	19,092,877
Advance payment for investments		(143,550,000)	-
Payments to investments in subsidiaries	6	(613,360)	(239,142,000)
Deposits with maturity of more than 3 months from the date of placement	11	325,350,000	(310,350,000)
Net cash flows generated from / (used in) investing activities		199,020,337	(537,175,773)
Cash flows from financing activities			
Paid to increase share capital		700,000,000	20,000,000
Share premium proceeds		-	340,000,000
Proceeds from bank overdraft		67,202,026	-
Payments for bank overdraft		(41,243,208)	-
Proceeds from borrowings and credit facilities		-	208,714,800
Interests and commissions paid		(70,713,574)	(31,596,533)
Payments of loans and credit facilities		(45,137,251)	(40,600,000)
Dividends paid		(8,041,871)	(6,785,831)
Net cash flows (used in) / generated from financing activities		602,066,122	489,732,436
Change in cash and cash equivalents during the year		901,770,937	(4,396,792)
Cash and cash equivalents at the beginning of the year		19,160,600	23,557,392
Cash and cash equivalents at the end of the year	11	920,931,537	19,160,600

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

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

(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 June 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 Cleopatra Street, Heliopolis, Cairo.

The Parent Company is Care HeathCare Ltd., which owns 80% of the Company's share capital. At 30 September 2017, Care Healthcare Ltd shares decreased to be 69.4%.

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

On 28 September 2017, the share in Cairo specialised Hospital is 53.88% due to the Company purchased per shares from uncontrolled shares in of Cairo specialised Hospital.

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

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

These separate financial statements have been approved for issuance by the management of the Company on 1 March 2018.

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.

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

Basis of the preparation of the separate financial statements (continued)

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 2016 to obtain full information on the Company's financial position, results of operations, cash flows and changes in equity.

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 income, when the dividends are approved to be distributed and the Company's right of collection is established.

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 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 balance sheet date are recognised in the balance sheet date.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

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

Employee benefits (continued)

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

L. 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.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

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

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 statement of income 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 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.

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.

O. 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.

P. 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.

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, in the most advantageous market.

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

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

Fair value of financial instruments (continued)

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 valuer 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 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.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

(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>2017</u>	<u>2016</u>
US Dollar	3,377,459	1,670,112

At 31 December 2017, 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>2017</u>	<u>2016</u>
US Dollar	337,746	167,011

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

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.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

(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 (8) 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. 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 5 months.

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>2017</u>	<u>2016</u>
Cash at banks	920,118,278	343,273,008
Trade receivables	81,814,391	58,678,309

(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 notes payable	26,397,129	123,990	-	-
Loans and finance interests	-	118,634,491	424,306,010	-
Accrued expenses	64,233,447	123,990	-	-
Creditors	1,616,795	-	-	-

During November 2016, the borrowing rate (corridor) increased by 3% and 2%, and this will affect the Company's liabilities regarding the due to related parties, borrowings and finance interest.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

(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 2017 and 31 December 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Creditors and other credit balances	118,701,673	83,018,846
Borrowings	325,977,549	371,114,800
Less: Cash at banks and on hand	(920,931,540)	(344,510,600)
Net debt	(476,252,318)	109,623,046
Total shareholders' equity	1,357,867,543	610,850,250
Total Capital	881,615,225	720,473,296
Net debts to total capital ratio	(54%)	15%

3.3 Estimation of fair value of financial instruments

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

4. Critical accounting estimates, assumptions and judgements

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 2017

(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 30 June 2020 and 30 June 2016.

The plan consists of the following:

- A) Payments calculated on the basis of the difference between the market value of the Parent Company's shares on June 30, 2020 and the share price at the date of its public offering on the Stock Exchange on June 2, 2016.
- B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 30 June 2020 and 30 June 2016.
 - Liabilities are estimated at each financial position date based on the present value of the expected cash flows discounted at market rate of return.
 - These estimates are calculated by an independent expert and include the impact of market conditions using the total shareholders return (TSR) as well as other non-market conditions using earning before interest, tax, depreciation and amortization (EBITDA).
 - The assumption used, including the discount rates and expected performance are reviewed in accordance with approved management plans annually and assumptions adjusted if necessary.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

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

5. Fixed assets

	Land	Machinery, equipment and devices	Tools and instruments	Furniture	Buildings	Vehicles	Computers	Leasehold improvements	Projects under construction	Total 2017
At 1 January 2016										
Cost	14,967,000	64,085,110	2,733,620	5,088,683	43,555,103	2,276,293	1,215,762	386,953	-	134,308,524
Accumulated depreciation	-	(50,762,675)	(1,988,446)	(3,830,782)	(13,852,625)	(1,241,137)	(759,934)	(68,858)	-	(72,504,457)
Net book amount	14,967,000	13,322,435	745,174	1,257,901	29,702,478	1,035,156	455,828	318,095	-	61,804,067
Year ended 31 December 2016										
Beginning of the year	14,967,000	13,322,435	745,174	1,257,901	29,702,478	1,035,156	455,828	318,095	-	61,804,067
Additions	-	2,163,718	417,085	35,455	15,285	4,815	426,822	-	2,957,670	6,816,630
write off	-	(1,007,745)	-	-	-	-	-	-	-	(1,007,745)
Depreciation for the year	-	(3,006,855)	154,654	(184,572)	(2,995,764)	(47,035)	(373,152)	(278,597)	-	(6,731,321)
Accumulated depreciation of disposals	-	1,005,845	-	-	-	-	-	-	-	1,005,845
Closing net book amount	14,967,000	12,477,398	1,316,913	1,427,879	26,721,999	1,469,621	509,498	39,498	2,957,670	61,887,476
At 31 December 2016										
Cost	14,967,000	65,241,083	3,150,705	5,443,233	43,570,388	2,757,793	1,642,584	386,953	2,957,670	140,117,409
Accumulated depreciation	-	(52,763,685)	(1,833,792)	(4,015,354)	(16,848,389)	(1,288,172)	(1,133,086)	(347,455)	-	(78,229,933)
Net book amount	14,967,000	12,477,398	1,316,913	1,427,879	26,721,999	1,469,621	509,498	39,498	2,957,670	61,887,476
Year ended 31 December 2017										
Beginning of the year	14,967,000	12,477,398	1,316,913	1,427,879	26,721,999	1,469,621	509,498	39,498	2,957,670	61,887,476
Additions	-	27,668,643	1,105,871	421,772	111,433	-	1,049,236	-	5,376,940	35,733,895
Disposals	-	(1,257)	-	-	-	(239)	-	-	-	(3,647)
write off	-	-	-	-	-	-	-	-	(732,369)	(732,369)
Transfer from projects under constructions	-	-	-	-	-	-	7,602,241	-	(7,602,241)	-
Depreciation for the year	-	(3,445,215)	(703,206)	(412,243)	(3,104,021)	(650,743)	(663,433)	(39,498)	-	(9,018,359)
Accumulated depreciation of disposals	-	44,613	-	-	-	161,431	-	-	-	206,044
Closing 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
At 31 December 2017										
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

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

6. Investments in subsidiaries

	Percentage of investment	Country of incorporation	2017	2016
Investments in Nile Badrawi Hospital Co,	99,92%	Egypt	259,004,947	259,004,947
Investments in Al-Shorouk Hospital Co,	99,99%	Egypt	239,142,000	239,142,000
Investments in Cairo Specialised Hospital	53,88%	Egypt	107,655,812	107,042,452
			605,802,759	605,189,399

During 2015, the Company pledged its whole interest in Cairo Specialised Hospital amounting to 52.7% of the total shares in favour of the Commercial International Bank as a security for the borrowing granted to Cleopatra Hospital Company.

During the year ended 31 December 2016, the Company pledged its whole interest in Al Shorouk Hospital amounting to 99,99% of the total shares in favour of the Commercial International Bank as a security for the borrowing granted to Cleopatra Hospital.

7. Advance payment for purchase of fixed assets

	2017	2016
Advance payment for purchase of fixed assets	143,550,000	-
	143,550,000	-

At 31 August 2017, Cleopatra Company signed a limited contract for purchasing new hospital in ARE, at 12 October 2017. The Company paid 143,550,000 EGP, representing 140,000,000 EGP as a part of the purchase price plus 2.5% as real state tax and 50,000 EGP as fees to the broker after the conclusion of the contract, and the payment made an agreement made in 4 October 2017.

8. Inventories

	2017	2016
Medical supply inventory	6,523,835	9,692,817
Medicine inventory	3,721,464	8,406,393
Stationary inventory	312,590	933,694
Maintenance and spare parts inventory	902,091	892,511
Food and beverage inventory	15,946	130,277
Hospitality supplies inventory	382,151	169,557
	11,858,077	20,225,249

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9. Trade receivables

	<u>2017</u>	<u>2016</u>
Due from customers	79,107,657	55,882,725
Income from inpatients	2,706,567	2,795,584
	<u>81,814,224</u>	<u>58,678,309</u>
Less:		
Impairment of customers' balances	(2,549,593)	(6,648,589)
Net trade receivables	<u><u>79,264,631</u></u>	<u><u>52,029,720</u></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 less amounts collected in advance during the year of their stay.

The movement of the provision for impairment is as follows:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	6,648,589	5,552,647
Provisions formed during the year	5,807,600	6,513,605
Write-offs during the year	(5,328,058)	(1,164,486)
Provisions no longer required during the year	(4,578,538)	(4,253,177)
Balance at the end of the year	<u><u>2,549,593</u></u>	<u><u>6,648,589</u></u>

- Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 35,601,026 (2016: EGP 22,329,701).
- At the financial position date, the balances that were past due but not impaired amounted to EGP 36,595,649 (2016: EGP 26,743,354) regarding customers or transactions with no history of default. The analysis of these balances' useful lives is as follows:

	<u>2017</u>	<u>2016</u>
Less than 1 month	23,976,080	18,043,692
From 1 to 5 months	21,444,878	8,699,662

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

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

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

10. Debtors and other debit balances

	<u>2017</u>	<u>2016</u>
Advances to suppliers	2,003,269	4,024,164
Prepaid expenses	1,751,347	643,251
Withholding taxes	833,214	4,341,371
Deposits with others	654,293	131,293
Accrued interest income	152,754	3,123,168
Other debtors	2,530	485,666
	<u>5,397,407</u>	<u>13,071,608</u>

11. Cash on hand and at banks

	<u>2017</u>	<u>2016</u>
Current accounts	920,118,276	17,923,008
Cash on hand	813,261	1,237,592
Time Deposits	-	325,350,000
	<u>920,931,537</u>	<u>344,510,600</u>

Deposits are held with local banks in EGP and have maturity of 3 months to 1 year from the date of placement with fixed interest rate ranging from 12% to 15% (2016: 10.75% to 12%).

For the purpose of preparation of statement of cash flows, cash and cash equivalents balance comprises of:

	<u>2017</u>	<u>2016</u>
Cash on hand and at banks	920,931,537	344,510,600
Deposits with a maturity of more than 3 months from the date of placement	-	(325,350,000)
Cash and cash equivalents	<u>920,931,537</u>	<u>19,160,600</u>

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

12. Provisions

	<u>2017</u>	<u>2016</u>
Provisions for human resources	3,313,919	4,717,092
Provision for claims	3,108,668	3,058,668
	<u>6,422,587</u>	<u>7,775,760</u>

The movement of provisions during the year is as follows:

	2017				
	Balance at 1 January 2017	Formed during the year	Utilised during the year	Provisions no longer required	Balance at 31 December 2017
Provisions for human resources	4,717,092	6,481,690	(3,726,376)	(4,158,486)	3,313,920
Provision for claims	3,058,668	50,000	-	-	3,108,668
Total	<u>7,775,760</u>	<u>6,531,690</u>	<u>(3,726,376)</u>	<u>(4,158,486)</u>	<u>6,422,588</u>

	2016				
	Balance at 1 Jan 2016	Formed during the year	Utilised during the year	Provisions no longer required	Balance at 31 December 2016
Provisions for human resources	3,364,149	1,812,334	(286,094)	(173,297)	4,717,092
Provisions for claims	2,814,868	243,800	-	-	3,058,668
Total	<u>6,179,017</u>	<u>2,056,134</u>	<u>(286,094)</u>	<u>(173,297)</u>	<u>7,775,760</u>

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.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

13. Creditors and other credit balances

	<u>2017</u>	<u>2016</u>
Accrued expenses	89,189,981	53,252,974
Suppliers and notes payable	27,221,346	26,502,307
Social insurance	673,549	575,837
Other creditors	1,616,797	2,687,728
	<u>118,701,673</u>	<u>83,018,846</u>

14. Borrowings

	<u>2017</u>		
	<u>Current portion</u>	<u>Non- current portion</u>	<u>Total</u>
Bank overdraft	25,958,818	-	25,958,818
Loans	49,674,502	276,303,047	325,977,549
Total	<u>75,633,320</u>	<u>276,303,047</u>	<u>351,936,367</u>
	<u>2016</u>		
	<u>Current portion</u>	<u>Non- current portion</u>	<u>Total</u>
Bank overdraft	-	-	-
Loans	45,137,251	325,977,549	371,114,800
Total	<u>45,137,251</u>	<u>325,977,549</u>	<u>371,114,800</u>

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

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

Loans covenants

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

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

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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15. Employee incentive plan

	<u>2017</u>	<u>2016</u>
Employee incentive plan	24,821,000	-
Total	<u>24,821,000</u>	<u>-</u>

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

	<u>Balance at 1 January 2017</u>	<u>Formed during the year</u>	<u>Balance at 31 December 2017</u>
Employee incentive plan	-	24,821,000	24,821,000
Total	-	<u>24,821,000</u>	<u>24,821,000</u>

Beginning from March 2017, the Cleopatra Hospital Group managed to activate the cash-based payment system for some employees shares of the parent company and some of the other group companies in order to link the interests of the beneficiaries with the shareholders' interest and to ensure that the highly qualified participants receive the appropriate incentive to support the growth and stability of the group. and maintain the highly qualified staff within the management team. The remuneration committee of the parent company oversees the application of the system under the supervision and supervision of the parent company's board of directors. Each beneficiary is granted a cash bonus or a fixed percentage of the amounts allocated to the system in accordance with the remuneration committee's decision. This system is not a system of remuneration and motivation for employees in the group by granting any rights in the shares of the parent company, which is a system of cash incentives based in part on the value of shares.

The advantages of the system are as follows:

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

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Reserves (continued)

	2016				
	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	-	-	-	-	(31,982,360)
Expenses of shares issued* 2017	-	-	-	-	(27,486,803)
Transfer to legal reserve**	-	-	-	-	(32,938,673)
Total	360,000,000	40,000,000		20,000,000	247,592,164

* Expenses of shares issued amounting EGP 31,982,360 represent the expenses of offering the shares of the increase of the Company's share capital (public offerings and private offerings) which include expenses of registration and promoting in addition to other professional and legal expenses.

** In accordance with Article (94) of the executive regulation of Companies Law No, 159 of 1981, an amount of EGP 32,938,673 was used from the proceeds of the public offering and private offerings to increase the legal reserve to equal 50% of the issued capital.

18. Operating revenues

	2017	2016
Surgeries revenue	101,413,551	74,416,955
Accommodation and medical supervision revenue	94,744,508	68,099,899
Outpatient clinics revenue	90,773,562	72,157,678
Laboratories revenue	44,396,715	34,383,186
Emergency revenue	35,225,685	30,696,814
Cardiac catheterization revenue	30,840,992	27,853,103
Service charge revenue	30,254,719	17,834,554
Radiology revenue	25,724,440	22,159,913
Pharmacy revenue	15,787,953	10,558,191
Dentistry revenue	10,009,677	9,462,822
Physiotherapy revenue	6,386,757	5,581,233
Cardiac tests revenue	3,947,361	3,628,159
Endoscopy revenue	3,293,973	3,054,635
	492,799,893	379,887,142

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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

19. Operating costs

	<u>2017</u>	<u>2016</u>
Doctors' fees	118,761,078	90,663,701
Medical and pharmaceutical supplies	83,180,780	61,877,503
Salaries, wages and benefits	73,533,995	67,590,529
Maintenance, spare parts and energy expenses	12,114,277	5,876,917
Food, beverage and consumables costs	8,564,124	5,969,632
Fixed assets depreciation	5,179,967	5,451,534
Other expenses	4,414,012	2,903,188
	<u>305,748,233</u>	<u>240,333,004</u>

20. General and administrative expenses

	<u>2017</u>	<u>2016</u>
Salaries, wages and benefits	60,369,243	22,772,585
Professional and consulting fees	9,659,521	3,802,473
Impairment of trade receivables	4,570,760	1,279,787
Fixed assets depreciation	1,318,280	828,949
Food, beverage and consumables costs	1,229,063	2,260,428
Maintenance, spare parts and energy expenses	990,761	618,172
Rent	946,855	1,372,364
Other expenses	12,087,235	4,983,196
Less: the Group's share of the Company's expenses	(38,778,130)	-
	<u>52,393,588</u>	<u>37,917,954</u>

21. Expenses by nature

	<u>2017</u>	<u>2016</u>
Salaries, wages and benefits*	133,903,238	90,363,114
Doctors' fees	118,761,078	90,663,701
Medical and pharmaceutical supplies	83,180,780	61,877,503
Maintenance, spare parts and energy expenses	13,061,132	6,798,581
Food, beverage and consumables costs	9,882,404	7,249,281
Fixed assets depreciation	9,750,727	6,731,321
Impairment of trade receivables	1,229,063	2,260,428
Other expenses	27,151,529	12,307,029
Less: the Group's share of the Company's expenses (Note 26)	(38,778,130)	-
	<u>358,141,821</u>	<u>278,250,958</u>

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

Expenses by nature (continued)

* Employees' costs

	<u>2017</u>	<u>2016</u>
Salaries and wages	87,078,732	76,517,755
Bonuses and incentives	36,853,191	8,620,786
Social insurance	5,376,916	4,527,649
Employees' benefits	4,594,399	696,924
	<u>133,903,238</u>	<u>90,363,114</u>

Other expenses item includes an amount of EGP 1,240,005 (EGP 280.000 :2016) as sitting allowance of the board members.

Bonus and incentives includes and amount of EGP 4,847,210 (EGP Zero :2016) which represents the amount of payments calculated on the basis of the difference between profit before interest and income tax and depreciation and amortization (EBITDA) at the maturity date of 30 September 2020 and 30 September 2016.

22. Other income

	<u>2017</u>	<u>2016</u>
Buffet income and cafeteria concession	948,616	1,024,702
Rent	183,036	169,124
Capital gain	1,148,194	-
Miscellaneous income	735,883	723,681
	<u>3,015,729</u>	<u>1,917,507</u>

23. Finance income/ (expenses)

	<u>2017</u>	<u>2016</u>
Credit interest	51,061,328	19,092,877
Currency valuation difference	-	178,851
Total finance income	<u>51,061,328</u>	<u>19,271,728</u>
Debit commission	(67,026,719)	(53,314,381)
Bank commissions	(3,168,780)	(3,910,823)
Discount on accelerated payment	(2,405,988)	-
Currency valuation difference	(39,221)	-
Total finance expenses	<u>(72,640,708)</u>	<u>(57,225,204)</u>
Net finance expenses	<u>(21,579,380)</u>	<u>(37,953,476)</u>

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24. Income tax

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

	<u>2017</u>	<u>2016</u>
Current income tax for the year	23,374,321	15,436,243
Deferred tax	2,468,567	(181,499)
	<u>25,842,888</u>	<u>15,254,744</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>2017</u>	<u>2016</u>
Net profit before tax	108,388,860	62,082,792
Income tax calculated based on the applicable local tax rate	24,387,494	13,968,628
Add / (less):		
Non-deductible expenses	2,461,257	3,364,741
Income not subject to tax	(1,030,171)	(2,095,500)
Prior year adjustments	24,310	16,875
Income taxes	<u>25,842,888</u>	<u>15,254,744</u>
Effective tax rate	<u>23.84%</u>	<u>24.57%</u>

Current income tax liabilities

	<u>2017</u>	<u>2016</u>
Balance at 1 January	15,419,367	20,603,310
Payments during the year	(15,443,676)	(20,620,186)
Advance payment during the year	(12,614,197)	-
Current year tax	23,374,321	15,436,243
	<u>10,735,815</u>	<u>15,419,367</u>

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

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

25. Deferred tax

<u>Deferred tax assets</u>	<u>2017</u>	<u>2016</u>
Provisions (excluding claims provision)	745,632	1,073,991
<u>Deferred tax liabilities</u>		
Fixed assets depreciation	4,444,216	(2,304,008)
Deferred tax - liability	<u>3,698,584</u>	<u>(1,230,017)</u>

The movement on the deferred tax account is as follows:

	<u>2017</u>	<u>2016</u>
Deferred tax assets		
Balance at 1 January	1,073,991	769,579
Charged to the statement profit and loss	(328,359)	304,412
Balance at the end of the year	<u>745,632</u>	<u>1,073,991</u>
Deferred tax liabilities		
Balance at 1 January	(2,304,008)	(2,181,095)
Charged to the statement of income	(2,140,208)	(122,913)
Balance at the end of the year	<u>4,444,216</u>	<u>(2,304,008)</u>
Net deferred tax liabilities	<u>3,698,584</u>	<u>(1,230,017)</u>

26. Earnings per share

The basic earnings per share for the year is calculated by dividing the net profit of the year by the number of shares outstanding during the financial year ended 31 December 2017, and as there is no proposed dividends, the net distributable profits were determined on the basis of the net profit for the year without deducting the employees' share and the remuneration of directors in dividends. The earnings per share is EGP 0.08 (2016: EGP 0.33).

	<u>2017</u>	<u>2016</u>
Net distributable profits	82,545,972	46,828,048
Number of issued and paid-up capital	207,671,233	145,333,333
Earnings per share (each share)	<u>0.40</u>	<u>0.32</u>

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27. Related parties transaction

The Company during the year deals with certain related parties. The Balances with related parties at the financial statements date as well as the transactions during the year 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</u>
Care HealthCare (Parent Company)	Expenses paid on behalf of the Parent Company	1,663,580	1,663,581
Nile Badrawi Hospital (Subsidiaries)	Income from medical activity	98,439	-
	Expenses paid by the parent Company on behalf of the Company (Consulting)	188,736	-
	Expense from medical activity	878	-
	The Group's share of the Company's expenses *	11,616,960	3,777,738
	Loan settlement	6,715,580	-
	Interest settlement	1,667,338	-
Cairo Specialized Hospital (Subsidiaries)		2,283,588	-
	Expenses from medical activity		
	Rental income	124,436	-
	Income from medical activity	177,615	-
	The Group's share of the Company's expenses *	16,226,367	2,940,110
	Expenses paid on behalf of the parent Company for the Company (Consulting)	852,164	
Al Shorouk Hospital (Subsidiaries)	Expenses from medical activity	135,557	-
	Income from medical activity	55,955	-
	The Group's share of the Company's expenses *	10,934,903	7,052,887
Specialized clinics (Subsidiaries)		3,757,447	3,757,446
			19,191,762

* During the year, 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.

** Due to the company Nile Badrawi Hospital is not paid until five years from the date of the financial year ended 31 December 2015, in the condition of existing of sufficient cash and worth interest at the rate of 2.4% in addition to the price of Corridor announced by the Central Bank of Egypt.

- The revenues and expenses of the medical activity are represented in the medical services and supplies between the Group companies, which are carried out according to the approved price list for each company.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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28. Commitments

Capital commitments:

There is no capital commitments related to fixed assets at financial year end, which are not yet due (2016: EGP 22,385,108).

29. 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.
- Inspection was not made for 2015 and 2016.

(2) Sales tax

- Inspection was made up to 31 December 2004.
- Years from 2005 to 2016 were not inspected.

(3) Salaries tax

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

(4) Stamp duty tax

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

(5) VAT

- Inspection was made up to 31 December 2017.
- Inspection was made for sales tax from 2005 to 2015 and differences was settled.
- Tax returns were filed regularly in the legal deadline.

30. Other matters

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