

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

**AUDITOR'S REPORT
AND THE SAPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

CLEOPATRA HOSPITAL “S.A.E.”

Separate financial statements - For the year ended 31 December 2021

Index	Page
Independent Auditor’s report	1 – 2
Separate statement of Financial Position	3
Separate statement of Profit or Loss	4
Separate statement of Other Comprehensive Income	5
Separate statement of Changes in Equity	6
Separate statement of Cash Flows	7
Notes to the separate financial statements	8 - 54



Auditor's report

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

Report on the separate financial statements

We have audited the accompanying separate financial statements of Cleopatra Hospital Company "S.A.E." (the Company) which comprise the separate statement of financial position as at 31 December 2021 and the separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

These separate financial statements are the responsibility of the Company's management. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Egyptian Accounting Standards and in light of the prevailing Egyptian laws. Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of separate 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,
Page 2**

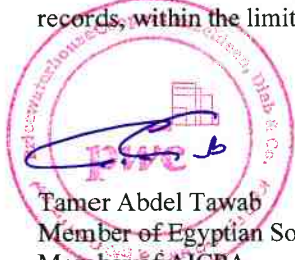
Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Cleopatra Hospital Company "S.A.E." as at 31 December 2021, its separate financial performance, and its separate cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

Report on other legal and regulatory requirements

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

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



Tamer Abdel Tawab
Member of Egyptian Society of Accountants & Auditors
Member of AICPA
R.A.A. 17996
F.R.A. 388

20 March 2022
Cairo

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of financial position - At 31 December 2021

(All amounts in Egyptian Pounds)

	Note	2021	2020
Assets			
Non-current assets			
Fixed assets	8	358,849,948	334,054,902
Right of use assets	9	93,348,683	-
Goodwill	10	172,587,300	172,587,300
Investments in subsidiaries	11-a	1,045,947,470	1,045,947,470
Investments in associates	11-b	1,224,990	1,143,591
Paid under investments purchased		5,673,000	-
Total non-current assets		1,677,631,391	1,553,733,263
Current assets			
Inventories	12	21,813,480	24,343,737
Trade receivables	13	158,999,352	179,476,385
Due from related parties	35	59,357,533	65,276,174
Debtors and other debit balances	14	115,669,638	35,480,888
Financial assets at amortized cost - treasury bills	15	495,338,060	139,446,980
Cash on hand and at banks	16	75,551,933	134,560,287
Total current assets		926,729,996	578,584,451
Total assets		2,604,361,387	2,132,317,714
Equity and Liabilities			
Equity			
Share capital	21	800,000,000	800,000,000
Treasury shares	21	(4,152,742)	-
Retained earnings	22	975,126,950	744,657,574
Employees stock ownership plan	23	8,289,941	-
Reserves	24	390,707,869	369,101,452
Total equity		2,169,972,018	1,913,759,026
Liabilities			
Non-current liabilities			
Lease liability	20	95,184,292	-
Deferred income tax liabilities	33	7,679,698	10,336,764
Purchased investment liability	38	14,485,000	14,485,000
Total non-current liabilities		117,348,990	24,821,764
Current liabilities			
Banks overdraft	17	60,627,560	-
Provisions	18	8,157,517	10,446,601
Creditors and other credit balances	19	158,941,199	147,546,667
Due to related parties	35	13,979,754	-
Lease liability	20	13,292,019	-
Current income tax liabilities	32	62,042,330	35,743,656
Total current liabilities		317,040,379	193,736,924
Total liabilities		434,389,369	218,558,688
Total equity and liabilities		2,604,361,387	2,132,317,714

- The accompanying notes from (1) to (40) are integral part of these separate financial statements.

- Auditor's report is attached

Mr. Ahmed Gamal
Group CFO

Dr. Ahmed Ezz Eldin Mahmoud
CEO & Managing Director

Mr. Ahmed Adel Badr Eldin
Non Executive Chairman

17 March 2022



CLEOPATRA HOSPITAL COMPANY "S.A.E."

Separate statement of profit or loss - For the year ended 31 December 2021

(All amounts in Egyptian Pounds)

	Note	2021	2020
Operating Revenue	25	1,209,767,626	931,042,869
Operating Cost	26	(678,112,536)	(541,098,320)
Gross profit		531,655,090	389,944,549
(Deduct) Add;			
General and administrative expenses	27	(141,877,440)	(103,454,384)
Net impairment losses on financial assets	29	(17,906,921)	(19,424,395)
Provisions	18	(11,952,527)	(12,463,993)
Other income	30	11,419,142	16,305,412
Operating profit		371,337,344	270,907,189
Finance income	31	41,941,634	31,752,048
Finance expenses	31	(22,412,547)	(277,109)
Consulting expenses for acquisition activities		(17,523,030)	(13,158,521)
Profit before income tax		373,343,401	289,223,607
Current tax	32	(83,629,820)	(68,842,037)
Deferred tax	33	2,657,066	(1,705,495)
Net profit for the year		292,370,647	218,676,075
Earnings per share (Basic / Diluted)	34	0.15	0.11

- The accompanying notes from (1) to (40) are integral part of these separate financial statements.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Separate statement of comprehensive income - For the year ended 31 December 2021

(All amounts in Egyptian Pounds)

	<u>2021</u>	<u>2020</u>
Net profit for the year	292,370,647	218,676,075
Other comprehensive income/ (loss):	<u>-</u>	<u>-</u>
Total comprehensive income / (loss) for the year	<u><u>292,370,647</u></u>	<u><u>218,676,075</u></u>

- The accompanying notes from (1) to (40) are integral part of these separate financial statements.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Separate statement of changes in equity - For the year ended 31 December 2021

(All amounts in Egyptian Pounds)

	Share capital	Treasury Shares	Reserves	Retained earnings	Employees stock ownership plan	Total equity
Balance at 1 January 2020	800,000,000	-	359,216,308	562,179,987	-	1,721,396,295
Employees and Board of directors dividends	-	-	-	(26,313,344)	-	(26,313,344)
Reserves formed	-	-	9,885,144	(9,885,144)	-	-
Total comprehensive income for the year	-	-	-	218,676,075	-	218,676,075
Balance at 31 December 2020	800,000,000	-	369,101,452	744,657,574	-	1,913,759,026
Balance at 31 December 2020	800,000,000	-	369,101,452	744,657,574	-	1,913,759,026
Effect of new standards adoption (Note 5)	-	-	-	(17,793,229)	-	(17,793,229)
Balance at 1 January 2021	800,000,000	-	369,101,452	726,864,345	-	1,895,965,797
Treasury shares	-	(4,152,742)	-	-	-	(4,152,742)
Employees dividends declared	-	-	-	(33,174,238)	-	(33,174,238)
Legal reserves	-	-	10,933,804	(10,933,804)	-	-
Other reserves	-	-	10,672,613	-	-	10,672,613
Employees stock ownership plan	-	-	-	-	8,289,941	8,289,941
Total comprehensive income for the year	-	-	-	292,370,647	-	292,370,647
Balance at 31 December 2021	800,000,000	(4,152,742)	390,707,869	975,126,950	8,289,941	2,169,972,018

- The accompanying notes from (1) to (40) are integral part of these separate financial statements.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Separate statement of cash flows - For the year ended 31 December 2021

(All amounts in Egyptian Pounds)

	Note	2021	2020
Cash flows from operating activities			
Profit before income tax	8	373,343,401	289,223,607
Adjustments to settle net profit with cash flow from operating activities			
Fixed assets depreciation	30	41,985,909	33,353,232
Right of use depreciation	13	11,457,391	-
Capital gain	12	(453,823)	(369,559)
Financial assets impairment	16	17,906,921	19,424,395
Inventories impairment	31	178,853	115,285
Provisions	31	11,952,527	12,463,993
Interest and commission - Bank's overdraft	31	9,934,055	-
Interest and commission - Lease contracts	23	12,454,626	-
Interest income		(41,941,634)	(31,752,048)
Employees stock ownership Plan		8,289,941	7,761,024
Loss from investment in associate companies		(81,399)	81,399
Operating cash flows before changing in assets and liabilities		445,026,768	330,301,328
Changes in assets and liabilities			
Changes in inventories	12	2,351,404	(6,269,379)
Changes in trade receivables	13	18,587,525	(69,402,739)
Changes in due from related parties	35	5,918,641	(28,903,969)
Changes in debtors and other debit balances	14	18,993,905	(11,963,181)
Changes in due to related parties	35	13,979,754	(2,794,469)
Changes in creditors and other credit balances	19	(2,492,670)	32,749,258
Employees incentive plan payments		-	(136,833,605)
Changes in working capital		502,365,327	106,883,244
Provision used	16	(14,241,612)	(7,735,514)
Income taxes paid	32	(57,331,146)	(79,709,736)
Impairment of financial assets		(15,609,838)	-
Net cash generated from operating activities		415,182,731	19,437,994
Cash flows from investing activities			
Fixed assets purchase	8	(48,109,137)	(46,821,538)
Projects under construction purchase	8	(19,945,466)	(21,906,976)
Proceeds from the sale of fixed assets		1,727,468	724,916
Advance payment for purchase fixed assets		(6,297,446)	(1,227,969)
Treasury bills (maturities more than 90 days)		-	50,099,258
Interest received		33,485,055	33,638,062
Payments for acquisition of associates		-	(134,378,700)
Payments for acquisition of subsidiaries		-	(1,224,990)
Payments for purchase of long term investments		(5,673,000)	(41,080,212)
Net cash from used in investing activities		(44,812,526)	(162,178,149)
Cash flows from financing activities			
Payment of banks overdraft	17	(404,021,252)	-
Payments for lease liabilities		(17,988,803)	-
Repayments of bank's overdraft	17	464,648,812	-
Interest and commission paid		(9,096,265)	-
Purchase of treasury shares		(74,176,267)	-
Dividends paid		(32,446,129)	(26,263,005)
Net cash from used in financing activities		(73,079,904)	(26,263,005)
Changed in cash and cash equivalents during the year		297,290,301	(169,003,160)
Cash and cash equivalents at the beginning of the year		274,007,267	443,010,427
Cash and cash equivalents at the end of the year	16	571,297,568	274,007,267

- The accompanying notes from (1) to (40) are integral part of these separate financial statements.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

(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 and located in the Arab Republic of Egypt. The decision of the Chairman of Investment Authority No. 4092 of 2005 was issued on 27 June 2005 authorising the conversion of the legal type of Cleopatra Hospital (Lasheen and Partners) from a "limited partnership" into Cleopatra Hospital Company "S.A.E." in accordance with law no.95 of 1992.

Principal activity.

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

Registered address and place of business.

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

Presentation currency.

Presentation currency is Egyptian pound.

These Separate financial statements have been approved for issuance by the Board of Directors of the Parent company on 17 March 2022 and the shareholders of the Parent company have the right to amend the financial statements after issuance.

2. Operating Environment of the Company

Arab Republic of Egypt. The Arab Republic of Egypt displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Further, on 12 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders, and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Egypt and have impacted, and could continue to negatively impact businesses, market participants, clients of the Company, as well as the global economy for an unknown period.

Management is taking necessary measures to ensure sustainability of the Company's operations and support its customers and employees

The management has reviewed the impairment in receivables during the year of 2020, and they formed extra provisions against the expected effects. As well as reviewing the non-financial assets impairment using adjusted valuations to reflect the current circumstances and the expectation for those assets, resulting in no decrease in the assets.

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

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Operating Environment of the Company (continued)

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

- Daily deep cleaning and sterilization of all medical and non-medical facilities.
- Provision of necessary Personal Protective Equipment (PPE) for all staff and patients.
- Strict internal hygiene and sanitization protocols for all medical staff, patients, and visitors.
- Infrared temperature screening at all group hospital entrances.
- Switch to facial recognition and away from fingerprint identification across all CHG facilities.
- New patient engagement and visitor management protocols to minimize the risk of exposure.
- New ER and outpatient clinic protocols to ensure prompt detection, isolation, and reporting of all potential COVID-19-positive patients.
- Fourteen days of paid leave, with extensions granted on a case-by-case basis, for all staff working in high-risk departments and who are suspected of having encountered potential COVID-19-positive cases.
- Work-from-home arrangement for all non-medical staff with limited access to the Group’s offices granted on a rotational basis.
- In parallel, the Company has enhanced its Hospital Incident Command System to guarantee CHG’s ability to adapt to the evolving COVID-19 situation from an operational point of view. As of today, measures include:
 - The draw up of an emergency staffing plan to ensure the Group can meet round-the-clock staffing needs.
 - Back-office contingency planning to ensure business continuity.
 - Engagement programme with the Company’s consultants to address any needs or concerns that may arise.
 - Applying protocols for supply chain management and ensuring that stores and warehouses are sufficient with the necessary medical resources and supplies to ensure that no disturbances occur in the Company's activities and operations.

The future effects of the current economic situation and the above measures are difficult to predict, and management’s current expectations and estimates could differ from actual results.

For the purpose of measurement of expected credit losses (“ECL”) on the Company’s financial assets, and similar assets the Company uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

3. Significant Accounting Policies

A. Basis of preparation.

The Separate financial statements have been prepared in accordance with the Egyptian Accounting Standards (EASs) and the relevant laws. The Separate financial statements have been prepared under the historical cost convention. These policies have been consistently applied to all the periods presented in Note 5, unless otherwise stated.

The preparation of the Separate financial statements in conformity with EASs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the 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.

B. Separate financial statements

1. Subsidiaries

Subsidiaries are those investees, [including structured entities,] that the Company controls because the Company (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Company has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Company may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Company assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Company from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are deconsolidated from the date on which control ceases. The management issues consolidated financial statements to obtain a more comprehensive view of the Company's performance

Investments in subsidiaries are measured at cost less impairment if any.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Company measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction-by-transaction basis, either by using the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Separate financial statements (continued)

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date., after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued, and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

The Subsidiaries are as follows:

	Relationship with Cleopatra Hospital	Country of incorporation	Percentage of ownership 2021	Percentage of ownership 2020
Al-Shorouk Hospital Company S.A.E.	Subsidiary	Egypt	99.99%	99.99%
Nile Badrawi Hospital Company S.A.E.	Subsidiary	Egypt	99.99%	99.99%
Cairo Specialised Hospital Company S.A.E.	Subsidiary	Egypt	56,46%	56,46%
CHG for Medical Services Company S.A.E.	Subsidiary	Egypt	20%	20%
			(preference shares)	(preference shares)
CHG Pharma for Pharmacies Management Company S.A.E.	Subsidiary	Egypt	98%	98%
CHG for hospitals S.A.E.	Subsidiary	Egypt	99.99%	99.99%
Bedaya El Gedida Company for Medical Centers and Hospitals S.A.E.	Subsidiary	Egypt	99.99%	99.99%

2. Associates

Associates are entities over which the company has significant influence (directly or indirectly), but this influence does not extend to being controlled. Generally, it is accompanied by an ownership stake of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the cost method and are subsequently reduced by impairment, if any

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

C. Foreign currency translation

1. Functional and presentation currency

The functional currency of the Company's is the currency of the primary economic environment in which the entity operates, is the national currency of the Arab Republic of Egypt, Egyptian Pounds. The Separate financial statements are presented in Egyptian Pounds, which is the Company's presentation currency.

2. Transactions and balances

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of Egypt at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end are recognised in profit or loss as finance income or costs. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the separate statement of profit or loss within 'finance income or costs. All other foreign exchange gains and losses are presented in the separate statement of profit or loss within [as finance income or costs Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss

D. Fixed Assets

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of fixed assets items is capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of fixed assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year [within other income/(expenses)].

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Property, plant, and equipment (continued)

The depreciation rates by type of asset are as follows:

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

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate.

E. Intangible assets

1. Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Company monitors goodwill and are not larger than an operating segment.

The Company tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of the cash-generating unit containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Intangible assets other than goodwill.

The Company's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software and Non-competition agreement

Acquired computer software licences, trademarks and Non-competition agreement are capitalised on the basis of the costs incurred to acquire and bring them to use.

Internally generated Intangible assets:

Internally generated Intangible assets represented in software development with finite lives are measured at costs that are directly associated with the development of software are recognized as intangible assets where the following criteria are met:

- It is technology feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Intangible assets (continued)

- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Other development expenditure that does not meet the above criteria is recognized as an expense incurred. Development costs previously recognized as expense are not recognized as asset in a subsequent period. Research costs and costs associated with maintenance are recognized as an expense as incurred.

The useful lives of the software development assets are assessed to be finite lives. Assets with finite lives are amortized over their useful lives and tested for impairment whenever there are indications that the assets may be impaired.

Amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the Software development asset from the date it is available for use the estimated useful lives are 5 years

	<u>Useful lives in years</u>
Trade name	Indefinite
Non-competition agreement	7 years

Impairment of non-financial assets.

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

F. Financial instruments – key measurement terms.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements – For the year ended 31 December 2021

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

Financial instruments – key measurement terms. (continued)

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost (“AC”) is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses (“ECL”). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the separate statement of financial position.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement category. AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets impairment – credit loss allowance for ECL.

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and for the exposures arising from contract assets. The Company measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at amortized cost, trade receivables and contract assets are presented in the separate statement of financial position net of the allowance for expected credit loss. For, changes in amortised cost, net of allowance for expected credit loss, are recognised in profit or loss

The Company applies a simplified approach for impairment of financial assets.

Financial assets – De-recognition

The Company derecognized a financial asset when (a) the assets are redeemed or the rights to cash flows from the assets expire or (b) the Company has transferred the rights to cash flows from the financial assets or has entered into a qualifying pass-through arrangement while (i) it has also transferred all the risks and rewards of ownership of the assets or (ii) transfers substantially all the risks and rewards of ownership of the assets or (ii) does not transfer or retain substantially all the risks and rewards of ownership but does not retain control.

Control is retained if the counterparty does not have the practical ability to sell the entire asset to an unrelated third party without the need to impose additional restrictions on the sale.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Financial instruments – key measurement terms. (continued)

Financial liabilities – measurement categories.

Financial liabilities are classified as subsequently measured at amortized cost, contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – de-recognition

Financial liabilities are derecognized when they are terminated (i.e., when the obligation specified in the contract has been fulfilled or cancelled).

G. Cash and cash equivalents.

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent only principal and interest payments, and (ii) they are not designated at FVTPL. Features mandated solely by legislation.

H. Trade and other receivables.

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

I. Trade and other 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.

J. Borrowings and Bank’s overdraft.

Borrowings and Bank’s overdraft are initially recorded at received amounts less the cost of obtaining the loan. Borrowings and Bank’s overdraft 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 separate statement of profit or loss over the period of the borrowings using the effective yield method.

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

Borrowings and advances are classified as current liabilities unless the Company has an unconditional right to defer the settlement of such obligations for a period of not less than 12 months after the date of the financial statements.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

K. Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Company under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in a number of [property and equipment leases] across the Company. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company’s operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the Company’s incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise [small medical equipment and small items of office equipment]

To optimise lease costs during the contract period, the Company sometimes provides residual value guarantees in relation to equipment leases. The Company initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Company does not expect to pay anything under the guarantees. At the end of each reporting period, the expected residual values are reviewed, and adjusted if appropriate, to reflect actual residual values achieved on comparable assets and expectations about future prices.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

L. Current and deferred income tax

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

Deferred income tax is fully recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. The deferred income taxes are not accounted for if it arises from initial recognition of an asset or liability other than those arising from business combination that at the time of the transaction affects neither accounting nor taxable income.

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

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

M. Inventories

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

N. Share capital

Ordinary shares are classified as equity.

Treasury shares.

Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from the equity attributable to the Company's owners until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners

O. Legal reserve

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

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

P. Dividends

Dividends are recognised in the separate financial statements in the period in which the dividends are approved by the Company's General Assembly of Shareholders. The Company record the dividends payable until the distribution project is approved by the General assembly.

Q. 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.

R. Revenue recognition

Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

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 Company's ordinary course of business, and excluding sales taxes, deductions or discounts.

Revenues are recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits related to the sale process will flow to the 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 renders several medical services, including surgeries, admission, medical supervision, analyses, investigations, x-rays and outpatient services. The medical service income is recognised when the service is rendered to the patient.

Sale of medicine revenue

The Company sells drugs through the hospital's pharmacy or when giving them to inpatients admitted in the hospital. The Company recognises the revenues of medicines when the patient receives the medicine or when the medicine is used for the treatment of inpatients.

Rental income

The Company rents spaces to others. Such rental is recognised in the statement of profit or loss over the period of contract.

Interest income

Interest income is recorded for all debt instruments on an accrual basis using the effective interest method.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

S. Earnings per share

Preference shares are not redeemable and are considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the year.

T. Employees' benefits

(1) 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 obligations other than the payment of its obligations. The regular contributions are recognised as periodic costs for the period in which they are due and as such are included in staff costs

(2) Employee stock ownership plan:

a. On 15 October 2020, the company's general assembly agreed to approve the system of reward and motivation for employees, managers, and executive board members of the company, by promising to sell shares, to be effective from July 1, 2020, taking into account obtaining the approval of the Financial Regulatory Authority first so that the company can announce and apply the system, the system was approved by the Financial Regulatory Authority on 31 December 2020.

b. Definition of the system:

- 1- A promise to sell shares equivalent to 5% of the shares issued to the company is made to the employees, managers and members of the executive board of directors of the company and its subsidiary companies who are selected by the supervision committee, noting that the same beneficiary may be selected more than once during the term of the system within the limits of this percentage. The supervision committee may include other beneficiaries during the term of the system.
- 2- The term of the system is a maximum of seven years, starting from 1 July 2020, during which each beneficiary is allocated a specific number of units according to the decision of the supervision committee, with a maximum of five segments.
- 3- The shares allocated to the beneficiary are calculated according to the following equation:

The difference between (1) the share price determined on the basis of the weighted average (Volume Weighted Average Price) in the month prior to the date of allotment and (2) the share price determined on the basis of the weighted average (Volume Weighted Average Price) in the month preceding the date of commencement of exercise Right, which is the date that one year has passed since the date of each allocation ("the share price upon exercising the right"). Then the result is multiplied by the number of units allocated to each particular segment for each beneficiary, and the indicated output is divided by the share price upon exercising the right, resulting in the final number of shares allocated to the beneficiary ("the final number of shares"), which links the economic interest of the beneficiaries of the system with the interest of the shareholders of the company

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

Employees' benefits (continued)

In the event that the total percentage of the output of the number of shares for all the beneficiaries of the system exceeds 1% of the total shares issued to the company annually at any time, the percentage increase will be reduced to 1% in proportion and proportionality to all the beneficiaries of the system who have not exercised their right on the shares allocated to them.

- 4- The final number of shares allocated to each beneficiary is distributed over three years according to the allocation contract for each beneficiary.
- 5- In the event that the beneficiary does not exercise his right during the period of exercising the right, his right to these shares shall be forfeited.
- 6- The issuance of the increase in shares allocated to the application of the system is funded through a special reserve, share premium and / or retained earnings, and / or by converting the reserve money or part thereof into shares, the value of which is increased by the issued capital based on a decision by the company's board of directors or by cash purchase of the company's shares traded on the Egyptian Stock Exchange, as treasury shares, and their allocation according to the system.
- 7- And the fair value of these liabilities is recognized in the statement of profit or loss.
- 8- The General Assembly may terminate this system, subject to obtaining the approval of the Financial Supervisory Authority, without any prejudice to the rights of the beneficiaries.

U. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the separate financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

a) Impairment of goodwill and other intangible assets

The Company's management evaluates goodwill and other intangible assets annually to determine any impairment in goodwill. The carrying amount of goodwill is reduced if it is higher than the expected recoverable amount. Any losses resulting from the impairment of goodwill is charged to the statement of profit or loss, and cannot be reversed subsequently, (Note 10) discloses more information regarding this.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

b) ECL measurement.

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs of the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The data for future information has been extracted from studies of independent companies such as Moody's, S&P.

The Company used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The most significant forward-looking assumptions that correlate with ECL level and their assigned weights were as follows on 31 December 2021:

Variable	Scenario	Assigned weight	Assumption for:				
			2022	2023	2024	2025	2026
Inflation rate	[Base]	[40%]	7.20%	7.40%	7.50%	7.50%	7.30%
	[Upside]	[30%]	7.56%	7.77%	7.88%	7.88%	7.67%
	[Downside 1]	[30%]	6.84%	7.03%	7.13%	7.13%	6.94%
[GDP Growth rate]	[Base]	[40%]	5.70%	5.60%	5.60%	5.80%	5.80%
	[Upside]	[30%]	5.99%	5.88%	5.88%	6.09%	6.09%
	[Downside 1]	[30%]	5.42%	5.32%	5.32%	5.51%	5.51%

c) Useful lives of Fixed assets and right of use

The estimation of the useful lives of items of Fixed assets is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Depreciation of right-of-use assets. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of [Building, and equipment], the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate) the lease. Most extension options in buildings and equipment leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate) the lease.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in Building and equipment leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

Extension and termination options. Extension and termination options are included in a number of Building and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company’s operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

d) Discount rates used for determination of lease liabilities.

The Company uses its incremental borrowing rate as a base for calculation of the discount rate because the interest rate implicit in the lease cannot be readily determined.

The following factors determine the usage of the latest incremental borrowing rate: uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

e) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Company reviews the provision at the date of each financial position, and adjusts it to reflect the best current estimate by using the appropriate advisory expertise.

5. New and amended standards adopted by the Company

In 28 March 2019, the minister of Investment issued a decree no. 69 for 2019 which includes new standards and amendments to the existing standards. The amendments in the EASs have been published in the official gazette on 7 April 2019. These standards are to be applied for the financial year 2021.

The Company has applied new standards that include Egyptian Accounting Standard No. 47 “Financial Instruments” and Egyptian Accounting Standard No. 48 “Revenue from Contracts with Customers” and the Egyptian Accounting Standard No. 49 “Leasing Contracts” and the following is the impact of applying these standards on retained earnings on 1 January 2021:

Retained earnings 31 December 2020	744,657,574
Impact of the change in EAS 47 “Financial Instruments”	(6,563,621)
Impact of the change in EAS 49 “Lease Contracts”	(11,229,608)
Retained earnings 1 January 2021	<u>726,864,354</u>

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

New and amended standards adopted by the Company (continued)

- **Impact on the financial statements**

The following tables show the adjustments recognized for each individual line item:

<u>Separate statement of financial position</u>	Balance as of 31 December 2020	EAS 47	EAS 49 (Second phase)	Adjusted opening balance as at 1 January 2021
Assets				
Non-current assets				
Fixed assets	334,054,902	-	-	334,054,902
Right of use assets	-	-	102,673,541	102,673,541
Goodwill	172,587,300	-	-	172,587,300
Investments in subsidiaries	1,143,591	-	-	1,143,591
Investments in associates	1,045,947,470	-	-	1,045,947,470
Total non-current assets	1,553,733,263	-	102,673,541	1,656,406,804
Current assets				
Inventories	24,343,737	-	-	24,343,737
Trade receivables	179,476,385	(4,940,868)	-	174,535,517
Due from related parties	65,276,174	-	-	65,276,174
Debtors and other debit balances	35,480,888	-	(2,025,193)	33,455,695
Financial assets at amortized cost - treasury bills	139,446,980	-	-	139,446,980
Cash on hand and at banks	134,560,287	(1,622,753)	-	132,937,534
Total current assets	578,584,451	(6,563,621)	(2,025,193)	569,995,637
Total assets	2,132,317,714	(6,563,621)	100,648,348	2,226,402,441
Equity				
Share capital	800,000,000	-	-	800,000,000
Reserves	369,101,452	-	-	369,101,452
Retained earnings	744,657,574	(6,563,621)	(11,229,608)	726,864,345
Total Equity	1,913,759,026	(6,563,621)	(11,229,608)	1,895,965,797
Non-current liabilities				
Lease liabilities	-	-	97,443,684	97,443,684
Deferred tax liabilities	10,336,764	-	-	10,336,764
Purchased investment liabilities	14,485,000	-	-	14,485,000
Total non-current liabilities	24,821,764	-	97,443,684	122,265,448
Current liabilities				
Provisions	10,446,601	-	-	10,446,601
Due to related parties	-	-	-	-
Trade and other payables	147,546,667	-	-	147,546,667
Lease liabilities	-	-	14,434,272	14,434,272
Current income tax liabilities	35,743,656	-	-	35,743,656
Total current liabilities	193,736,924	-	14,434,272	208,171,196
Total liabilities	218,558,688	-	111,877,956	330,436,644
Total equity and liabilities	2,132,317,714	(6,563,621)	100,648,348	2,226,402,441

(1) Egyptian Accounting Standard No. 47 " Financial instruments "

This standard is applied for financial periods beginning on or after 1 January 2021. This standard replaces the corresponding topics in Egyptian Accounting Standard No. (26) and therefore it was amended and reissued after eliminating the paragraphs related to the topics covered by the Egyptian Accounting Standard No. (47), and the scope of the amended Egyptian Accounting Standard No. (26) to address the cases of hedge accounting.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

New and amended standards adopted by the Company (continued)

The details of the new significant accounting policies, the nature and impact of change in previous accounting policies are as follows:

Classification and measurement of financial assets and financial liabilities:

Egyptian Accounting Standard No. (47) largely retains the existing requirements in Egyptian Accounting Standard No. (26) for the classification and measurement of financial liabilities, but it excludes the categories previously mentioned in EAS No. (26) related to financial assets held until Maturity, loans and receivables, and financial investments available for sale or to trade by fair value.

In accordance with EAS 47, upon initial recognition, financial assets are classified and measured at amortized cost, or at fair value through other comprehensive income - investments in debt instruments, or at fair value through other comprehensive income - investments in equity instruments, or at fair value through profit or loss. The classification of financial assets in accordance with Egyptian Accounting Standard No. (47) is usually based on the business model through which financial assets are managed as well as their contractual cash flows. Accordingly, the Company classifies bonds, treasury bills, trade receivables and other debit balances as financial assets at amortized cost.

All the Company's investments in debt instruments that are currently classified as held to maturity will meet the conditions of classification at amortized cost under accounting standard No. (47) and therefore there will be no change in the accounting for these assets and measure those financial assets.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities at fair value through profit or loss and the Company has none of these obligations. Also, the Company has no financial commitments that have been restructured or modified.

Impairment of financial assets

The Company has four types of financial assets that are subject to the new expected credit loss model:

- Balances with banks
- Due from related parties balances
- Trade receivables and debtors and other debit balances
- Financial assets at amortized cost

The Egyptian Accounting Standard No. (47) to review the impairment model of those financial assets subject to the expected credit losses model and its impact of first application on retained earnings and equity.

On that basis, the loss allowance as on 1 January 2021 was determined as follows for both trade receivables and contract assets:

<u>1 January 2021</u>	<u>0 to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 120 days</u>	<u>121 to 360 days</u>	<u>361 to 720 days</u>	<u>Over 720</u>
Expected loss rate	1%	2%	5%	11%	46%	100%	100%
Gross carrying amount	146,579,486	16,275,275	7,792,185	4,376,093	13,839,508	356,108	34,217,085
Loss allowance	1,800,658	324,089	414,021	462,667	6,384,728	356,108	34,217,085

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

New and amended standards adopted by the Company (continued)

Customers and other receivables

The new impairment model requires measurement of financial assets recognizing provisions for impairment based on expected credit losses rather than realized credit losses.

The new impairment model applies to financial assets at amortized cost, The Company has implemented the new rules with effect from 1 January 2021, with the adoption of practical means permitted under the standard. Comparative figures for the year 2020 will not be adjusted.

Financial assets at amortized cost

There will be no material impact on treasury bills for the following reasons:

- Issued and guaranteed by the Egyptian government.
- There is no case of late payments in the past.
- Therefore, the availability of future information will not lead to an increase in the rate of late payments expected.

The following is the effect of applying these standards on the impairment in trade receivables on 1 January 2021:

Trade receivable impairment at 31 Dec 2020	179,476,385
The impact of the first adoption of EAS 47 "Financial Instruments" (Note 13)	(4,940,868)
Trade receivable impairment on 1 January 2021	<u>174,535,517</u>
Impairment of Cash in Banks at 31 Dec 2020	134,560,287
The impact of the first adoption of EAS 47 "Financial Instruments" (Note 16)	(1,622,753)
Impairment of Cash in Banks on 1 January 2021	<u>132,937,534</u>

(2) Egyptian Accounting Standard No. 48 "Revenue from contracts with customers"

A new revenue recognition standard was issued, replacing Egyptian Accounting Standard No. 11 covering contracts for sales of goods and services and Egyptian Accounting Standard No. 8 covering construction contracts.

The new standard is based on the principle of revenue being recognized when control of goods or services is transferred to a customer.

Impact

Management has assessed the effects of applying the new standard on the financial statements and has determined that the recognition and revenue measurement of all existing contracts under the EAS No. (48) five-steps model (identify contract - identify performance obligation determine transaction price – allocate transaction price – recognise revenue) will not change as currently recognized under EAS (11).

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

New and amended standards adopted by the Company (continued)

(3) Egyptian Accounting Standard No. 49 "Lease Contracts"

Egyptian Accounting Standard No. (49) provided a single model for accounting for lease contracts. The lessee recognizes the right to use the assets and to be bound by the lease, which represents their obligation to make lease payments.

This standard replaces the Egyptian Accounting Standard No. (20) "Accounting Rules and Standards Relating to Finance Leasing Operations".

Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

The Company, as a lessee, recognizes a right-of-use asset and a lease liability on the commencement date of the lease.

On the date of initial recognition, the "right of use" asset is recognized in the statement of financial position at a carrying amount as if the standard had been applied since the inception of the lease but discounted using the lending rate to the lessee at the date of application. The right of use asset is depreciated using the straight-line method over the estimated useful life of those assets or the lease term.

The lease liability is initially measured at the present value of future lease payments and the related fixed costs, discounted using the interest rate at which the Company borrows. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method.

Subsequently, the right of use asset and the lease liabilities are re-measured in the following cases:

- Change in the rental price.
- Amendment of the lease contract.
- Adjustment of the rental period.

Leases of short-term assets (less than 12 months including extension options) and leases of low-value items are recognized as an expense in the income statement as incurred.

Egyptian Accounting Standard No. 49 requires the company to assess the lease term as the non-cancellable lease term in line with the lease, as well as the periods covered by the option to determine the lease if the lessee is reasonably certain to exercise that option, and the periods covered by the option to terminate the lease.

A significant portion of the Company's lease includes leases that are extendable through a reciprocal agreement between the Company and the lessor or leases that can be cancelled by the Company immediately or at short notice. All extension and termination options are the right of the Company and not the lessor. In determining the term of the lease, management takes into account all facts and circumstances that create an economic incentive to exercise the option to terminate. Years after termination options are only included in the lease term if it is highly certain that the lease will not be terminated.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

New and amended standards adopted by the Company (continued)

When evaluating the lease term for the adoption of Egyptian Accounting Standard No. 49, the Company decided that extendable future lease periods should be taken into account within the lease term, which represents an increase in future lease payments used in determining the lease liability at initial recognition. The exact term of the lease term is based on the facts and circumstances related to the leased assets and lease contracts.

The impact of applying these standards on lease liabilities (Phase II) on 1 January 2021 is as follows:

Lease liabilities at 31 December 2020	-
Impact of changes of the Egyptian accounting standards EAS No.49 “Lease Contracts”	111,877,956
Lease liabilities at 1 January 2021	<u><u>111,877,956</u></u>

6. Financial risk management

(1) Financial risk factors

The risk management function within the Company is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk. The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Company’s lending and other transactions with counterparties, giving rise to financial assets.

The Company’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the separate statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody’s and Fitch. These ratings are publicly available. Such ratings and the corresponding range of probabilities of default (“PD”) are applied for the following financial instruments: [Cash At banks.]

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Financial Risk Management (continued)

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Company: Probability of Default (“PD”), Exposure at Default (“EAD”), Loss Given Default (“LGD”) and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

For purposes of measuring PD, the Company defines default as a situation when the exposure meets one or more of the following criteria:

For trade receivable and other debit balances:

- The customer meets the unlikeliness-to-pay criteria listed below:
- Evidence that the customer is unable to pay
- Customer checks are returned

For purposes of disclosure, the Company fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Company.

The Company performs assessments based on external ratings for [Cash at banks]

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument’s effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together. This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

PD used for calculating ECLs is lifetime PD. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument.

Principles of assessment based on external ratings. Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to cash at banks.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

Financial Risk Management (continued)

Forward-looking information incorporated in the ECL models. the calculation of ECLs both incorporate supportable forward-looking information. The Company identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Company's [management] and provide the best estimate of the expected macro-economic development over the next [five] years. After [five] years, a mean reversion approach is used, which means that economic variables tend to revert to either a long run average rate (e.g., for Inflation) or a long run average growth rate (e.g., GDP). The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

The Company regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit.

The following are the balances exposed to credit risk before deducting the ECL:

	<u>2021</u>	<u>2020</u>
Cash at banks	74,865,750	133,478,741
Trade receivables	204,848,215	223,435,740
Other debit balances	88,871,458	423,517
Treasury bills	495,338,060	139,446,980
	<u>863,923,483</u>	<u>496,784,978</u>

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity instruments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	<u>At 31 December 2021</u>			<u>At 31 December 2020</u>		
	<u>Monetary financial assets</u>	<u>Monetary financial liabilities</u>	<u>Net position</u>	<u>Monetary financial assets</u>	<u>Monetary financial liabilities</u>	<u>Net position</u>
US Dollars	16,296,740	-	16,296,740	13,495,856	-	13,495,856
Euros	3,559	-	3,559	356,446	-	356,446
Pound Sterling	313,809	-	313,809	4,091	-	4,091
Total	<u>16,614,108</u>	<u>-</u>	<u>16,614,108</u>	<u>13,856,393</u>	<u>-</u>	<u>13,856,393</u>

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Financial Risk Management (continued)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Company entities, with all other variables held constant:

	<u>2021</u>	<u>2020</u>
Impact on profit or loss		
US Dollar strengthening by 10% (2020: strengthening by [10]%)	1,629,674	1,349,586
US Dollar weakening by 10% (2020: weakening by [10]%)	(1,629,674)	(1,349,586)
Euro strengthening by 10% (2020: strengthening by [10]%)	356	409
Euro weakening by 10% (2020: weakening by [10]%)	(356)	(409)
Pound Sterling strengthening by 10% (2020: strengthening by [10]%)	31,381	35,645
Pound Sterling weakening by 10% (2020: weakening by [10]%)	(31,381)	(35,645)

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Company’s exposure to interest rate risks. The table presents the aggregated amounts of the Company’s financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

	<u>Less than 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
31 December 2021			
Total financial assets	570,889,993	-	570,889,993
Total financial liabilities	(60,627,560)	-	(60,627,560)
Net interest sensitivity gap at 31 December 2021	510,262,433		510,262,433
31 December 2020			
Total financial assets	274,007,267	-	274,007,267
Total financial liabilities	-	-	-
Net interest sensitivity gap at 31 December 2020	274,007,267	-	274,007,267

At 31 December 2021, if interest rates at that date had been 100 basis points lower (2020: [100] basis points lower) with all other variables held constant, profit for the year would have been EGP 1,955,295 (2020: EGP 3,175,205) higher, mainly as a result of lower interest expense on variable interest liabilities.

If interest rates had been 100 basis points higher (2021: [100] basis points higher), with all other variables held constant, profit would have been EGP 1,955,295 (2020: EGP 3,175,205) lower, mainly as a result of higher interest expense on variable interest liabilities

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Financial Risk Management (continued)

The Company monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	2021		2020	
	EGP	USD	EGP	USD
Assets				
Cash and cash equivalents	6.5% - 6%	-	6.5% - 6%	-
Current accounts				
Cash and cash equivalents	-	0.75% - 0.5%	-	0.75% - 0.5%
Time Deposits				
Investments in Treasury bills	9% - 8.40%	-	9.6% - 8.96%	-
Liabilities				
Bank's overdraft	9.35%	-	-	-

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by Finance department of the Company. Management monitors monthly rolling forecasts of the Company's cash flows.

The Company seeks to maintain a stable funding base primarily consisting of borrowings, trade and other payables. The Company invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Company's liquidity portfolio comprises cash and cash equivalents (Note 16) [and][.] investments in treasury bills (Note 15). Management estimates that the liquidity portfolio cash, bank deposits can be realised in cash [within a day] in order to meet unforeseen liquidity requirements.

The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the [Finance Department].

The table below shows liabilities at 31 December 2021 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Company expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Financial Risk Management (continued)

The maturity analysis of financial liabilities at 31 December 2021 is as follows:

	Less Than 1 Year	More Than 1 Year	Total
Liabilities			
Banks overdraft	60,627,560	-	60,627,560
Due to related parties	13,979,754	-	13,979,754
Trade payables	158,941,199	-	158,941,199
Lease liabilities	13,292,019	231,977,520	245,269,539
Total future payments, including future principal and interest payments	246,840,532	231,977,520	478,818,052
	Less Than 1 Year	More Than 1 Year	Total
Liabilities			
Trade payables	147,546,667	-	147,546,667
Total future payments, including future principal and interest payments	147,546,667	-	147,546,667

(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 maximise returns for shareholders and provide benefits to the stakeholders, and to maintain an optimal capital structure to reduce the cost of capital, as is followed by other companies operating in the same industry.

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

Net debt to total invested capital as at 31 December 2021 and 31 December 2020 is as follows:

	2021	2020
Creditors and other credit balances	158,941,199	147,546,667
Banks overdraft	60,627,560	-
Lease liabilities	108,476,311	-
Due to related parties	13,979,754	-
Less: Cash and cash equivalents	(570,889,993)	(274,007,267)
Net debt	(228,865,169)	(126,460,600)
Total equity	2,169,972,018	1,913,759,026
Total invested capital	1,941,106,849	1,787,298,426
Net debts to total invested capital	(11.79%)	(7.08%)

(3) Estimations of fair values of financial instruments

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

7. 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 segment reports are provided to the Company based on each company, as each subsidiary is considered a separate business segment.

Below is a summary of each segment, which is presented for the year ended 31 December 2021 for each segment:

	Cleopatra Hospital Company	Queens Hospitals	Al Kateb Hospitals	Consolidated adjustment	Total
<u>Statement of financial position</u>					
Non-current assets	1,469,974,647	72,791,123	134,865,621	-	1,677,631,391
Current assets	791,225,113	106,725,556	63,940,470	(35,161,143)	926,729,996
Total assets	2,261,199,760	179,516,679	198,806,091	(35,161,143)	2,604,361,387
Current liabilities	241,753,084	66,870,655	43,577,783	(35,161,143)	317,040,379
Non-current liabilities	47,363,324	66,602,710	3,382,956	-	117,348,990
Total Liabilities	289,116,408	133,473,365	46,960,739	(35,161,143)	434,389,369
<u>Statement of profit or loss:</u>					
Operating revenue	935,166,243	164,383,486	110,217,897	-	1,209,767,626
Operating costs	(523,192,530)	(77,718,776)	(77,201,230)	-	(678,112,536)
Gross profit	411,973,713	86,664,710	33,016,667	-	531,655,090
Other expenses and revenues	(184,257,324)	(33,963,941)	(21,063,178)	-	(239,284,443)
Profit for year	227,716,389	52,700,769	11,953,489	-	292,370,647
<u>Other Items</u>					
Capital expenditure	57,220,004	2,830,097	8,004,500	-	68,054,601
Fixed assets depreciation	34,827,246	3,171,302	3,987,360	-	41,985,908

Below is a summary of each segment, which is presented for the year ended 31 December 2020 for each segment:

	Cleopatra Hospital	Queens Hospital	El Kateb Hospital	Consolidated adjustment	Total
<u>Statement of financial position</u>					
Non-current assets	1,418,884,666	12,622,947	122,225,650	-	1,553,733,263
Current assets	530,084,089	47,762,788	48,764,069	(48,026,495)	578,584,451
Total assets	1,948,968,755	60,385,735	170,989,719	(48,026,495)	2,132,317,714
Current liabilities	151,198,029	57,212,796	33,352,594	(48,026,495)	193,736,924
Non-current liabilities	24,382,481	275,514	163,769	-	24,821,764
Total Liabilities	175,580,510	57,488,310	33,516,363	(48,026,495)	218,558,688
<u>Statement of profit or loss:</u>					
Operating revenue	748,360,588	59,997,377	122,684,904	-	931,042,869
Operating costs	(424,924,706)	(37,454,147)	(78,719,467)	-	(541,098,320)
Gross profit	323,435,882	22,543,230	43,965,437	-	389,944,549
Other expenses and revenues	(133,256,708)	(11,211,058)	(26,800,708)	-	(171,268,474)
Profit for year	190,179,174	11,332,172	17,164,729	-	218,676,075
<u>Other Items</u>					
Capital expenditure	57,537,645	6,220,772	4,970,096	-	68,728,513
Fixed assets depreciation	27,834,253	2,467,399	3,051,579	-	33,353,231

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

8. Fixed assets

	Lands	Machinery, equipment and devices	Tools and instruments	Furniture	Buildings	Vehicles	Computers	Leasehold improvements	Projects under construction	Total
At 1 January 2020										
Cost	82,878,000	179,891,601	6,494,103	10,859,682	75,338,102	7,777,342	23,281,883	28,790,301	3,836,256	419,147,270
Accumulated depreciation	-	(69,079,289)	(4,725,518)	(6,362,415)	(26,053,265)	(2,082,397)	(8,912,670)	(2,896,739)	-	(120,112,293)
Net book value	82,878,000	110,812,312	1,768,585	4,497,267	49,284,837	5,694,945	14,365,213	25,893,562	3,836,256	295,034,977
Year ended 31 December 2020										
Opening net book value	82,878,000	110,812,312	1,768,585	4,497,267	49,284,837	5,694,945	14,369,213	25,893,562	3,836,256	299,034,977
Additions	-	27,930,166	3,618,527	5,614,445	535,000	3,134,000	5,250,206	739,194	21,906,976	68,728,514
Disposals	-	(706,719)	-	-	-	(82,977)	(53,894)	-	-	(843,590)
Transfers from projects under construction	-	735,380	45,600	-	4,049,696	-	11,894,611	125,312	(16,850,599)	-
Depreciation for the year	-	(15,493,028)	(1,148,088)	(1,717,342)	(3,638,659)	(1,215,949)	(6,720,550)	(3,419,616)	-	(33,353,232)
Accumulated depreciation of disposal	-	391,719	-	-	-	72,064	24,450	-	-	488,233
Closing net book value	82,878,000	123,669,830	4,284,624	8,394,370	50,230,874	7,602,083	24,764,036	23,338,452	8,892,633	334,054,902
At 31 December 2020										
Cost	82,878,000	207,850,428	10,158,230	16,474,127	79,922,798	10,828,365	40,372,806	29,654,807	8,892,633	487,032,194
Accumulated depreciation	-	(84,180,598)	(5,873,606)	(8,079,757)	(29,691,924)	(3,226,282)	(15,608,770)	(6,316,355)	-	(152,977,292)
Net book amount	82,878,000	123,669,830	4,284,624	8,394,370	50,230,874	7,602,083	24,764,036	23,338,452	8,892,633	334,054,902
At 31 December 2021										
Opening net book value	82,878,000	123,669,830	4,284,624	8,394,370	50,230,874	7,602,083	24,764,036	23,338,452	8,892,633	334,054,902
Additions	-	24,853,588	1,114,150	7,819,430	-	3,092,000	10,722,488	507,481	19,945,466	68,054,603
Disposals	-	(2,372,415)	(289,718)	(222,310)	-	-	-	-	-	(2,884,443)
Transfers from projects under construction	-	1,658,725	1,596,624	10,133	9,416,761	-	432,283	11,344,183	(24,458,709)	-
Depreciation for the year	-	(18,211,075)	(1,138,279)	(2,681,511)	(2,828,206)	(2,427,909)	(10,319,018)	(4,379,911)	-	(41,985,909)
Accumulated depreciation of disposal	-	1,098,780	289,718	222,297	-	-	-	-	-	1,610,795
Balance at 31 December 2021	82,878,000	130,697,433	5,857,119	13,542,409	56,819,429	8,266,174	25,599,789	30,810,205	4,379,390	358,849,948
Cost	82,878,000	231,990,326	12,579,286	24,081,380	89,339,559	13,920,365	51,527,577	41,506,471	4,379,390	552,202,354
Accumulated depreciation	-	(101,292,893)	(6,722,167)	(10,538,971)	(32,520,130)	(5,654,191)	(25,927,788)	(10,696,266)	-	(193,352,406)
Net book value at year end	82,878,000	130,697,433	5,857,119	13,542,409	56,819,429	8,266,174	25,599,789	30,810,205	4,379,390	358,849,948

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

9. Right-of-use assets

The Egyptian Standard No. (49) “Leasing Contracts” has been applied in two phases as follows:

The first stage relates to lease contracts that were subject to Law (95) for the year 1995 starting on or after 1 January 2019, which are lease contracts related to medical equipment and measured at the beginning of the contract at a value equal to the value of the lease obligations in addition to rental expenses and subsequently depreciated over the life of the lease contracts using the straight-line method.

The second phase represents lease contracts related to buildings that were subject to Law (95) for the year 1995 starting on or after 1 January 2021 and measured at a carrying amount as if the standard had been applied since inception of the lease but discounted using the lending rate to the lessee at the date of application, and it is subsequently depreciated over the life of the lease using the straight-line method.

	<u>2021</u>	<u>2020</u>
Buildings		
Beginning balance for the year	-	-
Impact of applying the Egyptian Accounting Standard no. 49 “Lease contracts”	102,673,541	-
Additions for the year	2,132,533	-
Depreciation for the year	(11,457,391)	-
Total	<u>93,348,683</u>	<u>-</u>

Lease payments are discounted using the interest rate implicit in the lease contract, if this rate cannot be determined, then the borrowing rate of the lessee is used, which is the rate that the lessee would have to pay to borrow the money needed to obtain an asset of similar value in a similar economic environment with similar terms and conditions, An average interest rate of 11.15% has been used.

10. Business combination and goodwill

	<u>2021</u>	<u>2020</u>
Goodwill cost – Queens Hospital	14,071,000	14,071,000
Goodwill cost – El Kateb Hospital	158,516,300	158,516,300
Total	<u>172,587,300</u>	<u>172,587,300</u>

Queens Hospital acquisition

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

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

Business combination and goodwill (continued)

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

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

ElKateb Hospital acquisition

On 7 August 2019, Cleopatra Hospital Company has signed a contract to transfer El Kateb Hospital activity. Accordingly, Cleopatra Hospital Company has acquired the assets and contracted employment with El Kateb Hospital from the date of acquisition on November 1, 2019 with a total of EGP 278,630,000. This acquisition resulted in an increase in the recognized as goodwill. Cleopatra Hospital Company has acquired the fixed assets.

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

	<u>EGP</u>
Acquisition cost	
Cash paid	278,630,000
Total acquisition cost	<u>278,630,000</u>
	<u>EGP</u>
Fixed assets	67,911,000
Medical inventory	28,350,000
Debtors and other debit balances	23,852,700
Total fair value of acquired assets	<u>120,113,700</u>
Goodwill	<u>158,516,300</u>

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

11. Investments in subsidiaries and associates

a. Investments in subsidiaries:

	Investment Percentage	Country	2021	2020
Investments in Nile Badrawi Hospital Company	99.99%	Egypt	380,004,947	380,004,947
Investments in Al shorouk Hospital Company	100.00%	Egypt	374,142,000	374,142,000
Investments in Cairo Specialised Hospital Company	56.46%	Egypt	149,511,023	149,511,023
Investments in El Bedaya El Gedida for Medical Centers and Hospitals Company	99.99%	Egypt	119,482,000	119,482,000
Investments in CHG for hospitals Company	99.99%	Egypt	22,500,000	22,500,000
Investments in CHG Pharma for Pharmacies Management Company	98%	Egypt	245,000	245,000
Investments in CHG for Medical Services Company*	20% (Preferred shares)	Egypt	62,500	62,500
			<u>1,045,947,470</u>	<u>1,045,947,470</u>

* In accordance with the decision of the extraordinary general assembly of the company and article number 16 of the company article of association of CHG for Medical Services, it was decided to consider the shares of Cleopatra Hospital Company as preferred shares that entitle its owner to three times the share of the ordinary share in the profits and to vote on the decisions of the assembly.

The following is the most important summarized financial information for the subsidiaries as of 31 December 2021:

31December 2021	Total Assets	Total shareholders equity	Total Revenue	Profit for the year
Nile Badrawi Hospital Company	415,836,560	306,912,634	375,285,656	35,357,040
Alshorouk Hospital Company	427,475,134	315,372,977	379,473,301	45,334,483
Cairo Specialised Hospital Company	476,105,166	322,634,732	458,923,126	63,290,351
El Bedaya El Gedida for Medical Centers and Hospitals Company	134,791,228	104,832,704	49,272,776	(11,068,116)
CHG for hospitals Company	25,456,940	24,544,968	1,193,771	814,075
CHG Pharma for Pharmacies Management Company	12,892,846	(6,904,276)	37,365,554	(1,161,552)
CHG for Medical Services Company	69,130,273	(68,135,308)	74,520,431	(10,287,082)

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Investments in subsidiaries and associates (continued)

b. Investments in associates:

	<u>2021</u>	<u>2020</u>
Egypt Healthcare Facilities Services for facility management	1,224,990	1,143,591
	1,224,990	1,143,591
Amount recognized in profit or loss:		
Egypt Healthcare Facilities Services for facility management	81,399	(81,399)
	81,399	(81,399)

The statement below illustrates the sister companies of the company on 31 December 2021, and the share capital of the below sister companies consists of ordinary shares only, in which the company contributes directly.

Company name	The main business place / Country of incorporation	Measurement	Company contribution method
Egypt Healthcare Facilities Services for facility management	Egypt	Cost	49%

The following is the most important summarized financial information on the sister companies as of 31 December 2021:

	<u>Total assets</u>	<u>Total equity</u>	<u>Total revenues</u>	<u>Profit for the year</u>
Egypt Healthcare Facilities Services for facility management	9,861,258	4,445,532	38,705,333	1,945,532

12. Inventories

	<u>2021</u>	<u>2020</u>
Medical supply inventory	10,570,455	12,301,180
Medicine inventory	9,331,382	9,511,569
Maintenance and spare parts inventory	1,063,951	1,186,021
Stationary inventory	518,167	1,009,020
Hospitality inventory	390,428	432,317
Food and beverage inventory	72,678	18,915
	21,947,061	24,459,022
Less: Writedown of inventory	(133,581)	(115,285)
	21,813,480	24,343,737

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

Inventories (continued)

Movement in the provision for inventory is as follows:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	115,285	-
Provisions formed during the year	360,550	115,285
Provisions no longer required during the year	(160,557)	-
Used during the year	(181,697)	-
Balance at the end of the year	<u>133,581</u>	<u>115,285</u>

13. Trade receivables

	<u>2021</u>	<u>2020</u>
Due from customers	201,039,753	212,919,135
Income from inpatients	3,808,462	10,516,605
	<u>204,848,215</u>	<u>223,435,740</u>
Less:		
Impairment of customers' balances	(45,848,863)	(43,959,355)
	<u>158,999,352</u>	<u>179,476,385</u>

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

The Company applies the EAS 47 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of customers over a period of 36 month before each balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The credit loss allowance for trade receivables is determined according to the provision matrix presented in the table below. The provision matrix is based on the number of days that an asset is past due, with adjusting it.

Trade receivables	31 December 2021				31 December 2020			
	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value
- Current until less than 30 days overdue	1%	125,261,394	1,223,556	124,037,838	1%	146,579,486	1,800,658	144,778,828
- 31 to 60 days overdue	6%	19,622,547	1,206,112	18,416,435	2%	16,275,275	324,089	15,951,186
- 61 to 90 days overdue	13%	10,053,402	1,351,195	8,702,207	5%	7,792,185	414,021	7,378,164
- 91 to 120 days overdue	28%	4,726,985	1,317,034	3,409,951	11%	4,376,093	462,667	3,913,426
- 121 to 360 days overdue	64%	11,392,966	7,304,641	4,088,325	46%	13,839,508	6,384,727	7,454,781
- 361 to 720 days overdue	87%	2,694,383	2,349,787	344,596	100%	356,108	356,108	-
- More than 720 days	100%	31,096,538	31,096,538	-	100%	34,217,085	34,217,085	-
Total		<u>204,848,215</u>	<u>45,848,863</u>	<u>158,999,352</u>		<u>223,435,740</u>	<u>43,959,355</u>	<u>179,476,385</u>

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Trade receivables (continued)

	2021	2020
Balance at the beginning of the year	43,959,355	24,534,960
Impact of applying the new Egyptian accounting standard EAS 47 “Financial Instruments”	4,940,868	-
Provisions formed during the year	44,383,734	28,965,471
Provision used during the year	(22,173,459)	-
Provision no longer required during the year	(25,261,635)	(9,541,076)
	45,848,863	43,959,355

14. Debtors and other debit balances

	2021	2020
Advances to suppliers	8,731,932	3,137,165
Prepaid expenses	1,877,967	17,167,687
Withholding taxes	9,519,109	3,925,487
Employee’s custodies	116,122	423,517
Deposits with others	4,326,706	4,237,093
Accrued income	84,428,630	-
Other debtors	6,669,172	6,589,939
	115,669,638	35,480,888

15. Financial assets at amortized cost – Treasury bills

	2021	2020
Treasury Bills (Maturity 31 days)	-	100,000,000
Treasury bills (Maturity 61 days)	498,000,000	40,000,000
Less: Unearned revenue	(2,661,940)	(553,020)
	495,338,060	139,446,980

Treasury bills are entitled to a constant annual return of 8.40% and 9% after taxes on 31 December 2021 (2020: 9% and 9.5%).

The fair value of treasury bills does not differ substantially from the book value, as all maturities of treasury bills are short-term.

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

16. Cash on hand and at banks

	<u>2021</u>	<u>2020</u>
Time deposit	14,871,965	4,699,290
Current accounts	59,993,785	128,779,451
Cash on hand	1,093,758	1,081,546
Deduct:		
Cash and cash equivalents impairment	(407,575)	-
	<u>75,551,933</u>	<u>134,560,287</u>

movement in the impairment is as follows:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the period / year	-	-
Impact of applying the new Egyptian Accounting Standard no.47 “Financial Instruments”	1,622,753	-
No longer required	(1,215,178)	-
Ending balance	<u>407,575</u>	<u>-</u>

The time deposits item includes an amount EGP 14,871,965 on 31 December 2021 (2020: EGP 4,699,290) are denominated in local banks in US dollars and are payable within one from the date of deposit and are subject to a fixed annual return of 0.5% to 0,75%.

Current accounts deposited in Egyptian Pounds are subject to a fixed annual rate of 6% to 6.5% (2020: from 9.5% to 10%).

For the purpose of preparation of the cash flow statements, cash and cash equivalents consist of:

	<u>2021</u>	<u>2020</u>
Cash and bank balances	75,959,508	134,560,287
Treasury bills with maturities of 3 months or less	495,338,060	139,446,980
Total	<u>571,297,568</u>	<u>274,007,267</u>

17. Banks overdraft

	<u>2021</u>	<u>2020</u>
Banks overdraft	60,627,560	-

The company obtained total credit limits in the form of overdrafts from banks in order to finance working capital at an interest rate of 0.1% in addition to the announced lending rate from the Central Bank. The total available credit limits amounted to 285 million EGP and the withdrawn value of these credit limits in 31 December 2021 equals EGP 60,627,560 (Nil in 31 December 2020).

The table below sets out an analysis of liabilities from financing activities and the movements in the Company’s liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Banks overdraft (continued)

Net debt reconciliation

	<u>2021</u>	<u>2020</u>
Cash and cash equivalent	571,297,568	274,007,267
Less:		
Lease liabilities	(108,476,311)	-
Bank Overdraft	(60,627,560)	-
Total	<u>402,193,697</u>	<u>274,007,267</u>

	<u>Lease liability</u>	<u>Cash at bank</u>	<u>Bank overdrafts</u>	<u>Net</u>
Net debt as at 31 December 2020	-	(274,007,267)	-	(274,007,267)
Effect of applying EAS 49 “Lease Contracts” (Note 3/5)	111,877,956	-	-	111,877,956
Cash flows	(1,798,880)	(297,290,301)	60,627,560	(254,651,544)
Net rents	2,132,532	-	-	2,132,532
Other changes				
Interest expense	12,454,626	-	-	12,454,626
Net debt as at 31 December 2021	<u>108,476,311</u>	<u>(571,297,568)</u>	<u>60,627,560</u>	<u>(402,193,697)</u>

18. Provisions

	<u>2021</u>	<u>2020</u>
Provision for claims	1,655,741	2,915,612
Provision for human resources	6,501,776	7,530,989
	<u>8,157,517</u>	<u>10,446,601</u>

Movement in the provision during the year is as follows:

	<u>2021</u>				
	<u>Balance at the beginning of the year</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at the end of the year</u>
Provision for human resources	7,530,989	19,527,928	(12,881,998)	(7,675,144)	6,501,775
Provision for claims	2,915,612	99,743	(1,359,613)	-	1,655,742
Total	<u>10,446,601</u>	<u>19,627,671</u>	<u>(14,241,611)</u>	<u>(7,675,144)</u>	<u>8,157,517</u>
	<u>2020</u>				
	<u>Balance at the beginning of the year</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at the end of the year</u>
Provision for human resources	4,432,381	18,748,769	(7,456,512)	(8,193,649)	7,530,989
Provisions for claims	1,285,741	1,908,873	(279,002)	-	2,915,612
Total	<u>5,718,122</u>	<u>20,657,642</u>	<u>(7,735,514)</u>	<u>(8,193,649)</u>	<u>10,446,601</u>

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Provisions (continued)

Provision for human resources

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

Provision for claims

Other provisions represent provisions for contingent liabilities on potential claims from certain authorities and parties regarding the Company's activity. The Company did not disclose the usual information on the provisions in accordance with the accounting standards as management believes that doing so may severely affect the outcome of the negotiations with those bodies and authorities. The management reviews these provisions on a yearly basis, and the allocated amount is adjusted according to the latest developments, discussions and agreements with such parties.

19. Trade and Other Payables

	<u>2021</u>	<u>2020</u>
Suppliers and notes payable	84,035,841	77,578,948
Accrued expenses	59,859,755	62,413,304
Social insurance	1,657,976	1,466,015
Other creditors	13,387,627	6,088,400
	<u>158,941,199</u>	<u>147,546,667</u>

20. Lease liabilities

The company has applied the new Egyptian accounting standard EAS 49 “Lease contracts” on 1 January 2021. The company has applied the standard using the modified retrospective approach, and the comparative figures have not been restated.

The weighted average incremental borrowing rate applicable to lease commitments recognized on 1 January 2021 was 11.15%.

The lease liabilities represent the present value of the lease obligations related to medical equipment that one of the Company obtained in exchange for lease contracts and lease contracts for buildings, and it was measured at the present value of the contractual lease payments discounted at an implied rate of return 11.15%.

	<u>2021</u>
During the year	15,453,191
More than a year	231,977,520
	<u>247,430,711</u>
The present value of the lease obligations is as follows:	
During the year	13,292,019
More than a year	95,184,292
Balance	<u><u>108,476,311</u></u>

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

Lease liabilities (continued)

	<u>2021</u>
Lease Liabilities were presented as follows:	
Lease liabilities shown as of 31 December 2020	-
Impact of applying the Egyptian Accounting Standard no. 49 “Lease contracts”	111,877,956
Additions during the period	2,132,532
Lease liabilities on 1 January 2021	114,010,488
Add: Interest formed during the year	12,454,626
Deduct: Payments during the year	(17,988,803)
Lease liabilities on 31 December 2021	108,476,311

21. Share capital

Paid Share capital of the Company is EGP 800,000,000 distributed on 1,600,000,000 shares

Shareholder’s structure on 31 December 2021 and 31 December 2020 as follows:

<u>Name</u>	<u>Percentage of ownership</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd.	37.87%	605,969,377	302,984,689
Other shareholders	62.13%	994,030,623	497,015,312
Total	100%	1,600,000,000	800,000,000

The company purchased treasury shares during the year, and the outstanding balance on 31 December 2021 EGP 4,152,742.

22. Retained earning

The Company has applied the change in the Egyptian Accounting Standards related to EAS 47 "Financial Instruments" and EAS 49 "Leasing Contracts", Therefore, the effect of applying the standards on the balances at the beginning of the period was included in the retained earnings, there was no impact on retained earnings from application of EAS 48 “Revenue from contracts with customers”

The movement in profits is as follows:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year before adjustment	744,657,574	562,179,987
Impact of applying the change in Standard 47 “Financial Instruments”	(6,563,621)	-
Impact of applying the change in Standard 49 “Leasing contracts”	(11,229,608)	-
Balance after adjustment	726,864,345	562,179,987
Profits for the year	292,370,647	218,676,075
Reserves	(10,933,804)	(9,885,144)
Dividend	(33,174,238)	(26,313,344)
Balance at the end of the year	975,126,950	744,657,574

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

23. Employee stock ownership plan

The balance of the employees' stock ownership plan is calculated on the basis of the difference between the price weighted average on the month preceding the units granting date and the month prior the units vesting date which is a one year after the granting. the difference is multiplied by the number of units granted to each beneficiary and then divided by the price at vesting resulting in the final shares for beneficiary.

The estimated present value of the incentive and reward scheme for three years is EGP 49,739,647 (estimated payment in the year is EGP 16,579,882), the estimated value for the period recorded in the equity is EGP 8,289,941.

24. Reserves

	<u>2021</u>	<u>2020</u>
Legal reserve	85,159,143	74,225,339
Special reserve	47,379,722	47,379,722
Other reserves	258,169,004	247,496,391
	<u>390,707,869</u>	<u>369,101,452</u>

24/1 Legal Reserves

In accordance with the Companies Law No. 159 of 1981 and the company's articles of association, 5% of the year's net profits are set aside for the legal reserve account. Based on the proposal of the Board of Directors, it is permissible to stop deducting part of the profits for the reserve account if the legal reserve reaches 50% of the paid up capital. The legal reserve is not distributable to shareholders.

Below is the movement on legal reserves during the year:

	<u>2021</u>		
	<u>Balance at the beginning of the year</u>	<u>formed during the year</u>	<u>Balance at the end of the year</u>
Legal reserve	74,225,339	10,933,804	85,159,143
Total	<u>74,225,339</u>	<u>10,933,804</u>	<u>85,159,143</u>

	<u>2020</u>		
	<u>Balance at the beginning of the year</u>	<u>formed during the year</u>	<u>Balance at the end of the year</u>
Legal reserve	64,340,195	9,885,144	74,225,339
Total	<u>64,340,195</u>	<u>9,885,144</u>	<u>74,225,339</u>

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

Reserves (continued)

24/2 Special Reserve

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

Below is the movement on special reserves during the year:

	2021		
	Balance at the beginning of the year	formed during the year	Balance at the end of the year
Special reserve	47,379,722	-	47,379,722
Total	47,379,722	-	47,379,722

	2020		
	Balance at the beginning of the year	formed during the year	Balance at the end of the year
Special reserve	47,379,722	-	47,379,722
Total	47,379,722	-	47,379,722

24/3. Other Reserves

The amount represents the amount transferred from share premium according to the requirements of Law No.159 of 1981, and there is no movement in this reserve during the year.

Below is the movement on other reserves during the year:

	2021		
	Balance at the beginning of the year	formed during the year	Balance at the end of the year
Other reserves	247,496,391	10,672,613	258,169,004
Total	247,496,391	10,672,613	258,169,004

	2020		
	Balance at the beginning of the year	formed during the year	Balance at the end of the year
Other reserves	247,496,391	-	247,496,391
Total	247,496,391	-	247,496,391

CLEOPATRA HOSPITAL COMPANY "S.A.E."**Notes to the separate financial statements - For the year ended 31 December 2021**

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

25. Operating revenue

	2021	2020
Accommodation and medical supervision revenue	372,570,544	264,115,066
Surgeries revenue	177,516,504	153,829,751
Laboratories revenue	157,286,672	113,144,913
Outpatient clinics revenue	125,301,128	91,623,902
Cardiac catheterization revenue	68,803,411	68,553,148
Radiology revenue	87,772,570	74,198,237
Service charge revenue	88,496,019	65,446,025
Emergency revenue	47,603,544	41,203,083
Pharmacy revenue	49,991,738	21,661,122
Physiotherapy revenue	9,333,398	7,839,685
Endoscopy revenue	7,297,849	6,488,716
Dentistry revenue	8,754,241	11,209,988
Cardiac tests revenue	8,344,383	6,716,662
Other sections revenue	695,625	5,012,571
	1,209,767,626	931,042,869

All types of revenue are recognized at the revenue recognition point in time.

26. Operating costs

	2021	2020
Doctor fees	186,612,972	159,369,428
Salaries, wages, and benefits	177,593,266	149,782,334
Medical and pharmaceutical supplies	202,391,543	144,432,562
Fixed assets depreciation	29,573,858	26,825,823
Maintenance, spare parts and energy expenses	25,524,772	17,435,785
Consumables costs	15,246,983	14,155,177
Right of use depreciation	4,990,319	-
Service from others	17,544,446	-
Other expenses	18,634,377	29,097,211
	678,112,536	541,098,320

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

27. General and administrative expenses

	2021	2020
Salaries, wages and benefits	107,324,696	97,415,100
Professional and consulting fees	16,477,084	9,129,592
Maintenance, spare parts and energy expenses	10,966,803	8,975,414
Fixed assets depreciation	12,412,051	6,527,409
Rent	1,067,964	4,411,261
Consumables costs	1,081,588	1,503,111
Right of use depreciation	6,467,072	-
Intangible assets amortization	8,980,779	-
Services from other	25,571,671	15,532,335
Other expenses	(48,472,268)	(40,039,838)
	141,877,440	103,454,384

28. Expenses By nature

	2021	2020
Salaries, wages and benefits	284,917,962	247,197,434
Doctor fees	186,612,972	159,369,429
Medical and pharmaceutical supplies	202,391,543	144,432,562
Fixed assets depreciation	41,985,909	33,353,232
Maintenance, spare parts, and energy expenses	36,491,575	26,411,199
Consumables costs	16,328,571	15,658,288
Right of use depreciation	11,457,391	-
Services from other	26,525,225	-
Other expenses	61,751,096	58,170,398
Deduct: Company's share of subsidiaries expenses	(48,472,268)	(40,039,838)
	819,989,976	644,552,704

29. Net Impairment losses on financial assets

	2021	2020
Impairment in trade receivables	19,122,099	19,424,395
Impairment in cash no longer required	(1,215,178)	-
	17,906,921	19,424,395

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

30. Other income

	<u>2021</u>	<u>2020</u>
Gain on sale of fixed assets	453,823	369,559
Rent	6,754,483	6,745,024
Subsidiaries dividends	-	5,544,239
Investment in associates losses	-	(81,999)
Other income	4,210,836	3,728,589
	<u>11,419,142</u>	<u>16,305,412</u>

31. Finance income / (expenses)

	<u>2021</u>	<u>2020</u>
Finance income		
Interest income	41,941,634	31,752,048
Total finance income	<u>41,941,634</u>	<u>31,752,048</u>
Finance costs		
Debit interest - Credit facilities	(9,934,055)	-
Debit interest – Lease contract	(12,454,626)	-
Foreign currency valuation	(23,866)	(277,109)
Total finance expenses	<u>(22,412,547)</u>	<u>(277,109)</u>
Net finance (expenses) / income	<u>19,529,087</u>	<u>31,474,939</u>

32. Income taxes

	<u>2021</u>	<u>2020</u>
Current income tax for the year	83,629,820	68,842,037
Deferred tax	(2,657,066)	1,705,495
	<u>80,972,754</u>	<u>70,547,532</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>2021</u>	<u>2020</u>
Net profit before tax	373,343,401	289,223,607
Income tax calculated based on the applicable local tax rate	84,002,265	65,075,312
Add:		
Non-taxable expenses	6,926,904	8,657,480
Income not subject to tax	(9,956,415)	(3,185,260)
Income taxes	<u>80,972,754</u>	<u>70,547,532</u>
Effective tax rate	<u>21.69%</u>	<u>24.39%</u>

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

Income taxes (continued)

	<u>2021</u>	<u>2020</u>
<u>Current income tax liabilities</u>		
Balance on 1 January	35,743,656	46,611,355
Payments during the year	(24,591,005)	(43,482,636)
Current year tax	83,629,820	(36,227,100)
Advance payments to tax authorities	(32,740,141)	68,842,037
	<u>62,042,330</u>	<u>35,743,65</u>

33. Deferred tax

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

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Provisions (excluding claims provision)	1,462,900	1,694,473
Total Assets	<u>1,462,900</u>	<u>(94,625,459)</u>
<u>Liabilities</u>		
Fixed assets depreciation	(9,142,598)	(12,031,237)
Net deferred tax - liability	<u>(7,679,698)</u>	<u>(10,336,764)</u>
	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Balance on 1 January	1,694,473	997,286
Charged to the statement of profit or loss	(231,573)	697,187
Total Liabilities	<u>1,462,900</u>	<u>1,694,473</u>
<u>Liabilities</u>		
Balance on 1 January	(12,031,237)	(9,628,555)
Charged to the statement of profit or loss	2,888,639	(2,402,682)
Balance at the end of the year	<u>(9,142,598)</u>	<u>(12,031,237)</u>
Net deferred tax - liability	<u>(7,679,698)</u>	<u>(10,336,764)</u>

34. Earnings per share

The basic share of the profit for the year is calculated by dividing the net profit for the year attributable to the company's shareholders by the weighted average number of shares outstanding.

	<u>2021</u>	<u>2020</u>
Distributable profit	292,370,647	218,676,075
(Less) Employees and Board of Directors dividends	(44,956,211)	(47,283,997)
	<u>247,414,436</u>	<u>171,392,078</u>
Weighted average for number of shares	<u>1,598,704,166</u>	<u>1,600,000,000</u>
Earnings per share (basic and diluted)	<u>0.15</u>	<u>0.11</u>

CLEOPATRA HOSPITAL COMPANY “S.A.E.”

Notes to the separate financial statements - For the year ended 31 December 2021

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

35. Related parties transactions

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

Balances of financial position00

<u>(Related parties)</u>	<u>Nature of transaction</u>	<u>Transaction value</u>	<u>Balance due from / (to) related parties 2021</u>	<u>Balance due from / (to) related parties 2020</u>
Nile Badrawi Hospital (Subsidiary)	The Group's share of the company's expenses	13,217,986	-	-
	Income from medical activity	1,318,206	-	-
	Expense from medical activity	865,899	-	-
Cairo Specialised Hospital (Subsidiary)	The Group's share of the company's expenses	16,162,458	-	-
	Expense from medical activity	2,263,504	-	-
	Income from medical activity	7,646,972	-	-
	Other Income (Rents)	190,386	-	-
Al Shorouk Hospital (Subsidiary)	The Group's share of the company's expenses	13,537,307	-	-
	Expense from medical activity	710,823	-	-
	Income from medical activity	1,462,171	-	-
CHG for Medical Service (Subsidiary)	Expenses on behalf of the company	-	54,288,116	52,616,548
	Income from medical activity	9,076,913	-	-
	The Group's share of the company's expenses	2,671,088	-	1,631,877
CHG Pharma for Pharmacies Management (Subsidiary)	Expenses on behalf of the company	-	3,101,107	8,634,298
	The Group's share of the company's expenses	587,327	-	439,433
	Expenses on behalf of related parties	-	343,820	386,827
CHG for Hospitals	Management fees	1,192,510	(13,979,754)	(1,763,148)
New Bedaya for management of medical centres and Hospitals	Expenses on behalf of the company	-	-	3,330,339
	The Group's share of the company's expenses	2,296,102	1,624,490	-
			<u>45,377,779</u>	<u>65,276,174</u>

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

36. Tax position

(A) Corporate tax

- Inspected until 31 December 2019, and payment was made in full.
- The year of 2020 has inspected, payments has been made and settlement is underway.

(B) Salaries tax

- Inspected until 31 December 2019 and all dues have been paid.
- The year of 2020 has not inspected yet.

(C) Stamp due tax

- Inspected until 31 July 2006, and payment was made.
- Inspected until 2020, payment was made, and the settlement is underway.

(D) VAT

- Inspected until 31 December 2004.
- The years from 2005 till 2015 have been inspected.
- The years from 2016 till 2019 have been inspected.
- Monthly tax returns are submitted on legal dates.

(E) Advance to tax authority

- Approval has been submitted to the tax Authority for the advance payment for the taxable period from 1 January 2021 till 31 December 2021.
- The advance payment has been approved by the Tax Authority for the taxable period from 1 January 2021 till 31 December 2021.

37. Commitments

Capital commitments:

Capital commitments at financial year end, which are not yet due, amounted to EGP 25,250,453 (2020: EGP 3,503,700). Which represents capital commitments to purchase fixed assets and projects under constructions.

38. Purchase of investments creditors

The present value of the cash portion of the remainder of the deal value was estimated at 14,485,000 EGP, and the present value of the fair value of the part of the equity instruments (which represents 40% of the shares of the New Bedaya for Medical Centers and Hospitals) was estimated in June 2023 against the commitment of Dr. Abul-Fotouh with all the conditions for the contracts between the two parties, at an amount of 38,005,000 EGP, of whom an amount of 3,455,000 was recognized within the year's expenses, and it represents for the period from October 1, 2020 to 31 December 2020.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2021

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

39. Significant events

With reference to the voluntary tender offer announcement issued on 9 December 2021 submitted by MCI Capital Healthcare Partners, MCI Capital Healthcare Partners increased its stake in Cleopatra Hospital Company on 30 December 2021 from 3.79% to 26.78%, and Care Healthcare's share has become 29% under this offer. This transaction has been settled at 3 January 2022.

On 30 December 2021, the Company sold 19,948,142 shares from the treasury stock as part of the voluntary offer made by MCI Capital Healthcare Partners for Medicare and the transaction was settled on 3 January 2022. This transaction was not included in the statement of cash flows because it is cash transaction until the date of the financial statements.

The Company signed agreements on 5 October 2021, which are conditional agreements to be implemented under several conditions, the most important of which is obtaining the approvals of the Ministry of Health and Population, as part of a deal to complete and equip a hospital building with a capacity of more than 400 beds in the New Cairo area. Since the conditional grace period has expired, negotiations are currently underway to change some of the terms of the agreement.

On 29 December 2021, the Board of Directors agreed to sign an agreement to complete the construction, management and operation of a medical facility (Sky Hospital) for a period of 27 years, located in the Fifth Settlement area and owned by: Housing and Social Services Fund for Petroleum Sector Workers / Egyptian Natural Gas Company (GASCO) "SAE" The Egyptian Company for the Distribution of Natural Gas for Cities (Town Gas) "LLC" of the General Petroleum Corporation, knowing that the ownership of the hospital will remain for the duration of the contract and after its termination, for the current owners. The contract was signed on 30 December 2021.

40. Subsequent events

On 24 February 2022, the board of directors of Cleopatra Hospital Company "Egyptian Joint Stock Company" unanimously agreed that the company would purchase treasury shares from the open market, provided that execution would be carried out at the price of the security during the trading sessions. From the company's resources and to be implemented from the session on 27 February 2022, until the execution of the purchase of treasury shares amounting to a maximum of 10% of the total shares of the company, and without the participation of any of the main or other shareholders and their related groups in accordance with the law.