

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**LIMITED REVIEW REPORT AND  
THE INTERIM SEPARATE FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED  
30 SEPTEMBER 2017**

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Interim separate financial statements for the nine-month period ended 30 September 2017**

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## Limited review report for the interim separate financial statements

To: The Board of Directors of Cleopatra Hospital Company "S.A.E."

### Introduction

We have reviewed on the accompanying interim separate financial position of Cleopatra Hospital Company (S.A.E.) as at 30 September 2017 and the related interim separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month period then ended and a summary of the significant accounting policies and other explanatory notes. The management is responsible for the preparation and fair presentation of these interim separate financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express an opinion on these interim separate financial statements based on our limited review.

### Scope of the limited review

We conducted our limited review in accordance with Egyptian Standard on Limited Review Engagements 2410, "Limited Review of Interim separate Financial Statements Performed by the Independent Auditor of the Entity". A limited review of interim separate financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim separate financial statements.

### Conclusion

In light of our limited review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements do not present fairly, in all material respects, the financial position of the Company as at 30 September 2017, its financial performance and cash flows for the nine-month period then ended in accordance with the Egyptian Accounting Standards.

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

19 November 2017  
Cairo



CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate interm statement of financial position - At 30 September 2017

(All amounts in Egyptian Pounds)

	Note	30 September 2017	31 December 2016
<b>Assets</b>			
<b><u>Non-current assets</u></b>			
Fixed assets	5	89,286,614	61,887,476
Investments in subsidiaries	6	605,802,759	605,189,399
<b>Total non-current assets</b>		<b>695,089,373</b>	<b>667,076,875</b>
<b><u>Current assets</u></b>			
Inventories	7	20,641,543	20,225,249
Trade receivables	8	75,978,872	52,029,720
Due from Related parties	26	9,746,545	148,513
Debtors and other debit balances	9	17,994,584	13,071,608
Cash on hand and at banks	10	332,609,116	344,510,600
<b>Total current assets</b>		<b>456,970,660</b>	<b>429,985,690</b>
<b>Total assets</b>		<b>1,152,060,033</b>	<b>1,097,062,565</b>
<b><u>Equity</u></b>			
Share capital	15	100,000,000	100,000,000
Reserves	16	372,458,689	372,458,689
Retained earnings		193,348,447	138,391,561
<b>Total equity</b>		<b>665,807,136</b>	<b>610,850,250</b>
<b><u>Liabilities</u></b>			
<b><u>Non-current liabilities</u></b>			
Creditors and other credit balances - non-current portion	12	-	6,715,580
Non-current portion of borrowings	13	296,603,047	325,977,549
Employees incentive plan	14	11,442,000	-
Deferred income tax liabilities	24	3,125,336	1,230,017
<b>Total non-current liabilities</b>		<b>311,170,383</b>	<b>333,923,146</b>
<b><u>Current liabilities</u></b>			
Provisions	11	5,984,803	7,775,760
Creditors and other credit balances	12	88,281,551	83,956,791
Current portion of borrowings	13	63,366,137	45,137,251
Current income tax liabilities	23	17,450,023	15,419,367
<b>Total current liabilities</b>		<b>175,082,514</b>	<b>152,289,169</b>
<b>Total liabilities</b>		<b>486,252,897</b>	<b>486,212,315</b>
<b>Total equity and liabilities</b>		<b>1,152,060,033</b>	<b>1,097,062,565</b>

The accompanying notes on pages 7 - 40 from an integral part of these financial statements

Mr Khalid Hassan Ahmed  
Group CFO

19 November 2017

Limited review report is attached

Dr Ahmed Ezzeddine Mahmoud  
CEO & Managing Director

Dr Mohamed Tarek Zahed  
Non-Executive Chairman

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Separate interim statement of profit or loss  
For the nine months period ended 30 September 2017**

(All amounts in Egyptian Pounds)

	Note	Nine months ended 30 September		Three months ended 30 September	
		2017	2016	2017	2016
Operating revenue	17	355,946,269	273,115,958	127,202,181	93,876,863
<b>Less:</b>					
Operating costs	18	(220,605,252)	(169,144,479)	(77,520,779)	(57,645,391)
<b>Gross profit</b>		<b>135,341,017</b>	<b>103,971,479</b>	<b>49,681,402</b>	<b>36,231,472</b>
<b>Add / (Less)</b>					
General and administrative expenses	19	(33,741,310)	(33,358,465)	(10,496,921)	(9,097,938)
Aquisition costs		(2,020,243)	(1,634,586)	(2,020,243)	(1,634,586)
Provisions	11	(1,405,522)	(1,146,857)	253,367	(295,473)
Other income	20	2,939,136	1,565,766	1,995,053	(455,552)
Finance income	22	34,664,210	9,259,577	11,788,580	6,385,226
Finance expenses	22	(53,408,882)	(41,333,373)	(19,948,330)	(12,057,242)
<b>Profit for the period before income tax</b>		<b>82,368,406</b>	<b>37,323,541</b>	<b>31,252,908</b>	<b>19,075,907</b>
Current tax	23	(17,474,332)	(9,852,417)	(5,026,877)	(4,611,376)
Deferred tax	24	(1,895,318)	992,467	(2,406,213)	287,149
<b>Profit after income tax</b>		<b>62,998,756</b>	<b>28,463,591</b>	<b>23,819,818</b>	<b>14,751,680</b>
<b>Earnings per share</b>		<b>0.31</b>	<b>0.14</b>	<b>0.12</b>	<b>0.07</b>

The accompanying notes on pages 7 - 40 from an integral part of these financial statements

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Separate interim statement of comprehensive income  
For the nine months period ended 30 September 2017**

(All amounts in Egyptian Pounds)

	nine months ended 30 September		three months ended 30 September	
	2017	2016	2017	2016
Profit for the period	62,998,756	28,463,591	23,819,818	14,751,680
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>62,998,756</b>	<b>28,463,591</b>	<b>23,819,818</b>	<b>14,751,680</b>

The accompanying notes on pages 7 - 40 from an integral part of these financial statements

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Separate interim statement of changes in equity  
For the nine months period ended 30 September 2017**

(All amounts in Egyptian Pounds)

	<b>Capital</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 January 2016</b>	<b>80,000,000</b>	<b>13,827,660</b>	<b>106,194,741</b>	<b>200,022,401</b>
Dividends for the year	-	-	(11,397,561)	(11,397,561)
Increase in share in capital	20,000,000	-	-	<b>20,000,000</b>
Other reserves	-	359,820,273	(3,233,667)	<b>356,586,606</b>
Comprehensive income for the period	-	-	28,463,591	<b>28,463,591</b>
<b>Balance at 30 September 2016</b>	<b>100,000,000</b>	<b>373,647,933</b>	<b>120,027,104</b>	<b>593,675,037</b>
<b>Balance at 1 January 2017</b>	<b>100,000,000</b>	<b>372,458,689</b>	<b>138,391,561</b>	<b>610,850,250</b>
Dividends for employees	-	-	(8,041,870)	(8,041,870)
Comprehensive income for the period	-	-	62,998,756	62,998,756
<b>Balance at 30 September 2017</b>	<b>100,000,000</b>	<b>372,458,689</b>	<b>193,348,447</b>	<b>665,807,136</b>

The accompanying notes on pages 7 - 40 from an integral part of these financial statements

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Separate interim statement of cash flows  
For the nine months period ended 30 September 2017**

(All amounts in Egyptian Pounds)	Note	30 September 2017	30 September 2016
<b><u>Cash flows from operating activities</u></b>			
Profit before tax		82,368,406	37,323,541
<b>Adjustments to reconcile net income to cash flows from operating activities</b>			
Fixed assets depreciation	5	5,837,344	6,443,705
Fixed assets write-off	5	732,368	-
Profit from sale of fixed assets	20	(1,181,719)	-
Impairment no longer required of trade receivables	8	(2,664,240)	(2,785,956)
Impairment write-off of trade receivables	8	(2,695,657)	-
Impairment of trade receivables	8	4,866,130	4,432,212
Provisions formed	11	2,285,108	1,455,952
Provisions utilized	11	(3,196,479)	(231,606)
Provisions no longer required	11	(879,586)	(309,095)
Interests and commissions	22	53,375,106	41,347,455
Interest income	22	(34,664,210)	(9,259,577)
Employee incentive plan	14	11,442,000	-
Income tax paid	23	(15,443,676)	(20,620,186)
<b>Operating profits before changes in assets and liabilities</b>		<b>100,180,895</b>	<b>57,796,445</b>
<b>Changes in assets and liabilities</b>			
Change in inventories	7	(416,294)	(1,590,404)
Change in trade receivables	8	(23,455,385)	(11,497,716)
Change in related parties	26	(9,598,032)	11,730
Change in debtors and other debit balances		(6,163,571)	(31,774,990)
Change in creditors and other credit balances		8,469,445	11,237,229
<b>Net cash flows generated from operating activities</b>		<b>69,017,058</b>	<b>24,182,294</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets	5	(28,717,153)	(1,744,442)
Payments for projects under construction	5	(5,376,940)	(753,853)
Proceeds from sale of fixed assets		1,306,963	-
Proceeds from bonds		-	38,080
Interests received		35,904,805	9,259,577
Payments to investments in subsidiaries	6	(613,360)	(239,142,000)
Deposits with maturity of more than 3 months from the date of placement	10	143,350,000	9,650,000
<b>Net cash flows generated from / (used in) investing activities</b>		<b>145,854,315</b>	<b>(222,692,638)</b>
<b><u>Cash flows from financing activities</u></b>			
Paid to increase share capital		-	20,000,000
Share premium proceeds		-	340,000,000
Proceeds from borrowings and credit facilities	13	40,782,772	208,714,800
Interests and commissions paid		(64,235,371)	(19,298,811)
Payments of loans and credit facilities	13	(51,928,388)	(20,300,000)
Dividends paid		(8,041,870)	(6,785,831)
<b>Net cash flows (used in) / generated from financing activities</b>		<b>(83,422,857)</b>	<b>522,330,158</b>
<b>Change in cash and cash equivalents during the period</b>		<b>131,448,516</b>	<b>323,819,814</b>
Cash and cash equivalents at the beginning of the period		19,160,600	23,557,392
<b>Cash and cash equivalents at the end of the period</b>	10	<b>150,609,116</b>	<b>347,377,206</b>

The accompanying notes on pages 7 - 40 from an integral part of these financial statements



## **CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

### **Notes to the interim separate financial statements For the nine-month period ended 30 September 2017**

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

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#### **1. Introduction**

Cleopatra Hospital Company (Lasheen and Partners) was established as a limited partnership on 19 July 1979.

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

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

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

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

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

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

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

These separate financial statements have been approved for issuance by the management of the Company on 19 November 2017.

#### **2. Accounting policies**

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

##### **A. Basis of preparation of the separate financial statements**

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

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

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

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

#### **Subsidiaries**

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

The Company's separate financial statements have been prepared in accordance with the local laws, while the consolidated financial statements of the Company and its subsidiaries have been prepared according to Egyptian Accounting Standards (EASs). The Company's separate financial statements should be read in conjunction with its consolidated financial statements as at and for the financial year ended 31 December 2016 to obtain full information on the Company's financial position, results of operations, cash flows and changes in equity.

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

#### **B. Foreign currency translation**

##### **(1) Functional and presentation currency**

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

##### **(2) Transactions and balances**

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

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#### C. Fixed assets

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

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

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

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

The depreciation rates by type of asset are as follows:

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

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

#### D. Inventories

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

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#### E. Financial assets

##### (1) **Classification:**

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

##### **Loans and receivables:**

Loans and receivables are non-derivative financial assets with determined or determinable values that are not quoted in an active market.

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

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

##### (2) **Initial and subsequent measurement:**

- 1- Financial assets are measured on acquisition at fair value plus transaction costs.
- 2- The financial assets are derecognised when the right to receive cash flows from such assets has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership.
- 3- Loans and receivables are subsequently measured at amortised cost using the effective interest method.

##### (3) **Impairment of financial assets:**

##### **Assets recognised at amortised cost**

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

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

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

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

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

## **CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

### **Notes to the interim separate financial statements For the nine-month period ended 30 September 2017**

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

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#### **F. Share capital**

Ordinary shares are classified as equity.

#### **G. Legal reserve**

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

#### **H. Provisions**

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

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

#### **I. Trade payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Trade payables are initially recognised at fair value of products and services received from others, whether they have been billed or not. Long term liabilities are recognised at their present value, and trade payables are subsequently shown at amortised cost using the effective interest method.

#### **J. Borrowings and advances**

Borrowings are initially recorded at received amounts less the cost of obtaining the loan. Borrowings are subsequently stated at amortised cost using the effective interest method; any difference between proceeds (net of borrowing cost) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective yield method.

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

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

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#### K. Employees' benefits

##### (1) Employees' share of profit

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

##### (2) Pension and insurance scheme

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

##### (3) Employee incentive plan

Cleopatra Hospital grants units of cash bonus to the selected employees of the company according to the criteria, basis, and rules established by the Remuneration Committee to activate this plan. To connect the interests of the beneficiaries of the system with the interest of the shareholders and to ensure that the participants with high efficiency obtain the appropriate incentive to support the growth and stability and maintain the high-efficiency workers within the management team.

The remuneration committee of the Company supervises the implementation of the system under the control and supervision of the Company's Board of Directors.

Amounts due to the plan are determined according to a specific mechanism and include the following:

- A) Payments calculated on the basis of the difference between the market value of the Parent Company's shares on June 30, 2020 and the share price at the date of its public offering on the Stock Exchange on June 2, 2016.
- B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 30 June 2020 and 30 June 2016.
  - The beneficiaries' entitlements from the system shall be paid within one month of the end of the fourth year of the system ("maturity date" or within one month from the date of any entitlement to the system in accordance with its terms and conditions).
  - This system is not a system of remuneration and motivation for the employees of the Company by granting or giving any rights in the shares of the Company as this system is a system of monetary incentives.
  - The Remuneration Committee shall be entitled to amend the mechanism for calculating amounts due in light of any developments related to the Company's activities or achieving its objectives and after the presentation to the Board of Directors for approval and clarification of the justifications for this amendment. The Remuneration Committee is entitled to reallocate units that have not been used or are available in general to existing or new beneficiaries.

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

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#### Employee benefits (continued)

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

#### L. Revenue recognition

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

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

##### Medical services revenue

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

##### Sale of medicine revenue

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

##### Interest income

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

## **CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

### **Notes to the interim separate financial statements For the nine-month period ended 30 September 2017**

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

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#### **M. Leases**

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

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

#### **N. Current and deferred income tax**

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

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

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

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

#### **O. Dividends**

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

#### **P. Cash and cash equivalents**

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

#### **Q. Fair value of financial instruments**

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

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

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



## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

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#### **Fair value of financial instruments (continued)**

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

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

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

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

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

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

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

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

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

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

#### **R. Corresponding figures**

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### 3. Financial risk management

##### 3.1 Financial risk factors

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

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

##### (A) Market risk

###### Risk of change in foreign currency rates

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

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

	<u>30 September 2017</u>	<u>31 December 2016</u>
US Dollar	2,545,170	248,513

At 30 September 2017, if the value of EGP increased/ decreased by 10% against USD, with all other variables held constant, net profit after taxes would increase or decrease as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
US Dollar	254,517	24,851

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

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

##### (B) Credit risk

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

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### Financial risk management (continued)

In case of customers, the Hospital's Financial Director and General Manager perform analysis on the credit risk for each potential credit customer in accordance with the Group's policies, including Cleopatra Hospital or subsidiaries. The Parent Company's Executive Committee follows-up the compliance with credit terms, and reviews default cases and debt ageing report to take the necessary decisions whether to cancel the credit or to refer the defaulted customer to the Legal Department for their necessary actions. Note (8) to these financial statements provides more detailed information in respect of this matter.

The management establishes a provision for impairment of 100% for defaulted customers for more than 150 days from the invoice date, in addition to a category-based provision at historical default rates. Where the management calculates historic default rates for each individual customer per month on the balances of customers due over 150 days up to 360 days from the date of the financial position. Based on these rates, the management calculates a provision for debts of customers with a maturity of 5 months.

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

Balances exposed to credit risks are as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Cash at banks	331,169,163	343,273,008
Trade receivables	82,133,694	58,678,309

#### (C) Liquidity risk

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

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

	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
Suppliers and notes payable	32,956,313	65,089	-	-
Loans and finance interests	-	118,634,491	424,306,010	-
Accrued expenses	39,387,011	71,766	-	-

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### Financial risk management (continued)

##### 3.2 Capital risk management

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

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

Net debt to total capital ratio as at 30 September 2017 and 31 December 2016 is as follows:

	<b>30 September 2017</b>	<b>31 December 2016</b>
Creditors and other credit balances	88,281,551	90,672,371
Borrowings	359,969,184	371,114,800
Less: Cash at banks and on hand	(332,609,116)	(344,510,600)
<b>Net debt</b>	<b>115,641,619</b>	<b>117,276,571</b>
Total shareholders' equity	665,807,136	610,850,250
<b>Total Capital</b>	<b>781,448,755</b>	<b>728,126,821</b>
<b>Net debts to total capital ratio</b>	<b>14,8%</b>	<b>16,11%</b>

##### 3.3 Estimation of fair value of financial instruments

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

#### 4. Critical accounting estimates, assumptions and judgements

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

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

##### Provisions

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

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#### **Critical accounting estimates, assumptions and judgements (continued)**

##### Impairment of trade receivables and customers

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

##### Employee incentive plan

Cleopatra Hospital Group has an incentive plan for some employees of the parent company. The remuneration committee of the parent company oversees the implementation of the plan under the supervision of the parent company's board of directors. Each beneficiary is granted a cash bonus or a fixed percentage of the amounts allocated to the plan.

This plan is not considered as a plan of remuneration and motivation for employees in the group by granting any rights in the shares of the parent company, As it is a plan of cash incentives based in part on the value of shares. The values of the components of the plan are calculated at current discount rates, either for share-based payments or for payments calculated on the basis of the difference between (EBITDA) and maturity as of 30 June 2020 and 30 June 2016.

##### The plan consists of the following:

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

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Notes to the interim separate financial statements - For the nine-month period ended 30 September 2017**

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

**5. Fixed assets**

	Land	Machinery, equipment and devices	Tools and instruments	Furniture	Buildings	Vehicles	Computers	Leasehold improvements	Projects under construction	Total 2017
<b>Cost at 1 January 2017</b>	14,967,000	65,241,083	3,150,705	5,443,233	43,570,388	2,757,793	1,642,584	386,953	2,957,670	140,117,409
Additions	-	27,036,716	473,845	398,644	111,433	-	696,515	-	5,376,940	34,094,094
Disposals	-	(125,700)	-	-	-	(125,000)	-	-	-	(250,700)
Transfers	-	-	-	-	-	-	3,834,231	-	(3,834,231)	-
Write-off	-	-	-	-	-	-	-	-	(732,368)	(732,368)
<b>Cost at 30 September 2017</b>	<b>14,967,000</b>	<b>92,152,099</b>	<b>3,624,550</b>	<b>5,841,877</b>	<b>43,681,821</b>	<b>2,632,793</b>	<b>6,173,330</b>	<b>386,953</b>	<b>3,768,011</b>	<b>173,228,434</b>
<b>Accumulated depreciation at 1 January 2017</b>	-	52,763,685	1,833,792	4,015,354	16,848,389	1,288,172	1,133,086	347,455	-	78,229,933
Depreciation	-	2,045,213	791,877	228,370	2,325,835	153,759	252,793	39,497	-	5,837,344
Accumulated depreciation of disposals	-	(44,613)	-	-	-	(80,844)	-	-	-	(125,457)
<b>Accumulated depreciation at 30 September 2017</b>	-	<b>54,764,285</b>	<b>2,625,669</b>	<b>4,243,724</b>	<b>19,174,224</b>	<b>1,361,087</b>	<b>1,385,878</b>	<b>386,953</b>	-	<b>83,941,820</b>
<b>Net book value at 30 September 2017</b>	<b>14,967,000</b>	<b>37,387,814</b>	<b>998,881</b>	<b>1,598,153</b>	<b>24,507,597</b>	<b>1,271,706</b>	<b>4,787,452</b>	-	<b>3,768,011</b>	<b>89,286,614</b>

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Notes to the interim separate financial statements - For the nine-month period ended 30 September 2017**

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

**Fixed assets (continued)**

	Land	Machinery, equipment and devices	Tools and instruments	Furniture	Buildings	Vehicles	Computers	Leasehold improvements	Projects under construction	Total 2016
Cost at 1 January 2016	14,967,000	64,085,110	2,733,620	5,088,683	43,555,103	2,276,293	1,215,762	386,953	-	134,308,524
Additions	-	2,163,718	417,085	354,550	15,285	481,500	426,822	-	2,957,670	6,816,630
Disposals	-	(1,007,745)	-	-	-	-	-	-	-	(1,007,745)
Cost at 31 December 2016	14,967,000	65,241,083	3,150,705	5,443,233	43,570,388	2,757,793	1,642,584	386,953	2,957,670	140,117,409
Accumulated depreciation at 1 January 2016	-	50,762,675	1,988,446	3,830,782	13,852,625	1,241,137	759,934	68,858	-	72,504,457
Depreciation	-	3,006,855	(154,654)	184,572	2,995,764	47,035	373,151	278,598	-	6,731,321
Accumulated depreciation of disposals	-	(1,005,845)	-	-	-	-	-	-	-	(1,005,845)
Accumulated depreciation at 31 December 2016	-	52,763,685	1,833,792	4,015,354	16,848,389	1,288,172	1,133,085	347,456	-	78,229,933
Net book value at 31 December 2016	14,967,000	12,477,398	1,316,913	1,427,879	26,721,999	1,469,621	509,499	39,497	2,957,670	61,887,476

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### 6. Investments in subsidiaries

	<u>Percentage of investment</u>	<u>Country of incorporation</u>	<u>30 September 2017</u>	<u>31 December 2016</u>
Investments in Nile Badrawi Hospital Co,	99,92%	Egypt	259,004,947	259,004,947
Investments in Al-Shorouk Hospital Co,	99,99%	Egypt	239,142,000	239,142,000
Investments in Cairo Specialised Hospital	53,88%	Egypt	107,655,812	107,042,452
			<u>605,802,759</u>	<u>605,189,399</u>

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

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

#### 7. Inventories

	<u>30 September 2017</u>	<u>31 December 2016</u>
Medical supply inventory	12,609,230	9,692,817
Medicine inventory	5,943,980	8,406,393
Stationary inventory	834,570	933,694
Maintenance and spare parts inventory	993,516	892,511
Food and beverage inventory	118,601	130,277
Hospitality supplies inventory	141,646	169,557
	<u>20,641,543</u>	<u>20,225,249</u>



**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Notes to the interim separate financial statements  
For the nine-month period ended 30 September 2017**

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

**8. Trade receivables**

	<u>30 September 2017</u>	<u>31 December 2016</u>
Due from customers	79,648,807	55,882,725
Income from inpatients	2,484,887	2,795,584
	<u>82,133,694</u>	<u>58,678,309</u>
<b>Less:</b>		
Impairment of customers' balances	(6,154,822)	(6,648,589)
<b>Net trade receivables</b>	<u>75,978,872</u>	<u>52,029,720</u>

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

The movement of the provision for impairment is as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Balance at the beginning of the period /year	6,648,589	5,552,647
Provisions formed during the period /year	4,866,130	6,513,605
Write-offs during the period /year	(2,695,657)	(1,164,486)
Provisions no longer required during the period /year	(2,664,240)	(4,253,177)
<b>Balance at the end of the period / year</b>	<u>6,154,822</u>	<u>6,648,589</u>

- Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 35,601,026 (31 December 2016: EGP 22,329,701).
- At the financial position date, the balances that were past due but not impaired amounted to EGP 36,595,649 (31 December 2016: EGP 26,743,354) regarding customers or transactions with no history of default. The analysis of these balances' useful lives is as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Less than 1 month	20,902,959	18,043,692
From 1 to 5 months	15,692,690	8,699,662

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### 9. Debtors and other debit balances

	<b>30 September 2017</b>	<b>31 December 2016</b>
Advances to suppliers	1,490,646	4,024,164
Withholding taxes	771,724	4,341,371
Prepayments to tax authority	8,490,157	-
Accrued interest income	1,882,573	3,123,168
Prepaid expenses	4,020,878	643,251
Deposits with others	654,293	131,293
Other debtors	684,313	808,361
	<b>17,994,584</b>	<b>13,071,608</b>

#### 10. Cash on hand and at banks

	<b>30 September 2017</b>	<b>31 December 2016</b>
Time Deposits	182,000,000	325,350,000
Current accounts	149,169,163	17,923,008
Cash on hand	1,439,953	1,237,592
	<b>332,609,116</b>	<b>344,510,600</b>

Deposits are held with local banks in EGP and have maturity of 3 months to 1 year from the date of placement with fixed interest rate ranging from 12% to 15% (31 December 2016: 10.75% to 12%).

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

	<b>30 September 2017</b>	<b>31 December 2016</b>	<b>30 September 2016</b>
Cash on hand and at banks	332,609,116	344,510,600	50,245,633
Deposits with a maturity of more than 3 months from the date of placement	(182,000,000)	(325,350,000)	-
<b>Cash and cash equivalents</b>	<b>150,609,116</b>	<b>19,160,600</b>	<b>50,245,633</b>

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Notes to the interim separate financial statements  
For the nine-month period ended 30 September 2017**

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

**11. Provisions**

	<u>30 September 2017</u>	<u>31 December 2016</u>
Provisions for human resources	2,926,135	4,717,092
Provision for claims	3,058,668	3,058,668
	<u>5,984,803</u>	<u>7,775,760</u>

The movement of provisions during the period/year is as follows:

	<u>30 September 2017</u>				
	<u>Balance at 1 January 2017</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at 30 September 2017</u>
Provisions for human resources	4,717,092	2,285,108	(3,196,479)	(879,586)	2,926,135
Provision for claims	3,058,668	-	-	-	3,058,668
<b>Total</b>	<u>7,775,760</u>	<u>2,285,108</u>	<u>(3,196,479)</u>	<u>(879,586)</u>	<u>5,984,803</u>

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

	<u>30 September 2016</u>				
	<u>Balance at the beginning of the period</u>	<u>Formed during the period</u>	<u>Utilised during the period</u>	<u>Provisions no longer required</u>	<u>Balance at the end of the period</u>
Provisions for human resources	3,364,149	1,455,952	-	-	4,279,400
Provisions for claims	2,814,868	-	-	-	2,814,868
<b>Total</b>	<u>6,179,017</u>	<u>1,455,952</u>	<u>(231,606)</u>	<u>(309,095)</u>	<u>7,094,268</u>

Provision for human resources

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### Provisions (continued)

##### Provisions for claims

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

#### 12. Creditors and other credit balances

	<u>30 September 2017</u>	<u>31 December 2016</u>
Accrued expenses	48,105,863	52,975,306
Suppliers and notes payable	33,021,402	26,502,307
Due to related parties	-	7,653,525
Accrued salaries	1,369,448	277,668
Social insurance	656,612	575,837
Other creditors	5,128,226	2,687,728
	<u>88,281,551</u>	<u>90,672,371</u>
<b>Less:</b>		
Creditors and other credit balances - non-current portion	-	(6,715,580)
	<u>88,281,551</u>	<u>83,956,791</u>

#### 13. Borrowings

The borrowing balance is as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Total loan amount	359,969,184	371,114,800
<b>Less: Current portion of borrowings</b>	<u>(63,366,137)</u>	<u>(45,137,251)</u>
<b>Non-current portion of borrowings</b>	<u>296,603,047</u>	<u>325,977,549</u>

Below is the movement of borrowings during the year:

	<u>30 September 2017</u>			
	<u>Balance at the beginning of Period</u>	<u>Proceeds during the period</u>	<u>Repaid during the period</u>	<u>Balance, at the end of Period</u>
Commercial International Bank loan (1)	162,400,000	-	(20,300,000)	142,100,000
Commercial International Bank loan (2)	208,714,800	-	(4,537,251)	204,177,549
Credit facilities	-	40,782,772	(27,091,137)	13,691,635
<b>Total</b>	<u>371,114,800</u>	<u>40,782,772</u>	<u>(51,928,388)</u>	<u>359,969,184</u>

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### Borrowings (continued)

	31 December 2016			Balance, at the end of the year
	Balance at the beginning of the year	Proceeds during the year	Repaid during the year	
Commercial International Bank loan (1)	203,000,000	-	(40,600,000)	162,400,000
Commercial International Bank loan (2)	-	208,714,800	-	208,714,800
<b>Total</b>	<b>203,000,000</b>	<b>208,714,800</b>	<b>(40,600,000)</b>	<b>371,114,800</b>

The details of borrowings are as follows:

A loan facility of EGP 203,000,000 from the Commercial International Bank to finance 100% of the cost of equity acquisition of Specialised Hospital. The loan will be due for repayment in ten equal semi-annual instalments commencing 31 December 2016 until 31 December 2020 at an interest rate of 2,4% in addition to the interest rate corridor declared by the Central Bank of Egypt and the first of September 2017 the interest corridor changed to be 1.9% in addition to the interest rate corridor declared by the Central Bank of Egypt

A loan of EGP 230,000,000 from the Commercial International Bank (of which an amount of EGP 208,714,800 has been withdrawn up to the statement of financial position date) to finance 100% of the cost of equity acquisition of Al-Shorouk Hospital Company. The loan will be due for repayment in ten equal semi-annual instalments commencing 18 months after the first withdrawal date and ends at 22 January 2022 at an interest rate of 2.4% in addition to the interest rate corridor declared by the Central Bank of Egypt and the first of September 2017 the interest corridor changed to be 1.9% in addition to the interest rate corridor declared by the Central Bank of Egypt.

#### Main guarantees:

- The Company has pledged its shares in the Cairo Specialised Hospital S.A.E. amounting to 52,7% in favour of the Commercial International Bank.
- Also, Care Healthcare has pledged 51% of its shares in Cleopatra Hospital in favour of the Commercial International Bank.
- On 19 January 2016, Cleopatra Hospital obtained another loan from the Commercial International Bank worth of EGP 230 million, Care Healthcare Company pledged its remaining shares as a guarantee for the bank's loan of a total mortgage rate of 99,99%. In the event of Company's share capital increase, split of shares or issuance of additional shares for any reason, same shares shall remain pledged for the bank before and after the increase by 99,99% for Cairo Specialised Hospital S,A,E, 52,7% for Nile Badrawi Hospital S.A.E. and 100% for Al Shorouk Hospital S.A.E. of shares acquired by the Company. The percentage of shares pledged for the bank shall not be reduced.
- Cleopatra Hospital Company pledged all its owned shares in Al-Shorouk Hospital as a guarantee for the same loan.
- Cleopatra Hospital Company S.A.E pledged 51% of its owned shares in Nile Badrawi Hospital S.A.E. as a guarantee for the same loan.

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### 14. Employee incentive plan

	<u>30 September 2017</u>	<u>31 December 2016</u>
Employee incentive plan	11,442,000	-
<b>Total</b>	<b><u>11,442,000</u></b>	<b><u>-</u></b>

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

#### 30 September 2017

	<u>Balance at 1 January 2017</u>	<u>Formed during the period</u>	<u>Balance at 30 September 2017</u>
Employee incentive plan	-	11,442,000	11,442,000
<b>Total</b>	<b><u>-</u></b>	<b><u>11,442,000</u></b>	<b><u>11,442,000</u></b>

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

The advantages of the system are as follows:

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### 15. Share capital

At 31 December 2015, the issued and paid up capital comprises 8 million shares of EGP 10 each, totalling EGP 80 million. The underwriting was as follows:

<u>Name</u>	<u>Number of Shares</u>	<u>Nominal value</u>
Care Healthcare Ltd,	7,999,998	79,999,980
Amr Abdul Kareem Tawheed Hilal	1	10
Waleed Fayeze Saeed	1	10
<b>Total</b>	<b>8,000,000</b>	<b>80,000,000</b>

On 6 April 2016, the Company's General Assembly approved the division of shares bringing the number to 160 million shares of EGP 0.5 each, totalling EGP 80 million. Accordingly, the share capital is as follows:

<u>Name</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd,	159,999,960	79,999,980
Amr Abdul Kareem Tawheed Hilal	20	10
Waleed Fayeze Saeed	20	10
<b>Total</b>	<b>160,000,000</b>	<b>80,000,000</b>

Care Healthcare Ltd. issued 40 million shares as a secondary offering in the Egyptian Exchange and sold such shares in both the public and private offerings on 2 June 2016. Accordingly, the structure of the shareholders of the company has changed to become as follows:

<u>Name</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd,	119,999,960	59,999,980
Private offering	34,000,000	16,000,000
Public offering	6,000,000	4,000,000
Amr Abdul Kareem Tawheed Hilal	20	10
Waleed Fayeze Saeed	20	10
<b>Total</b>	<b>160,000,000</b>	<b>80,000,000</b>

Below are the details of the public and private subscriptions:

#### A. Public Offering

Public offering was opened on 22 May 2016 and closed at the end of business day on 30 May 2016. The number of offered shares amounted 6 million shares at offering price EGP 9 per share, totalling EGP 54,000,000. The offering was received in a number of 171,600,000 shares of total amount EGP 1,544,400,000. Thus, the covering ratio amounted 28.6 times the number of shares offered for the IPO. Allocation is made for each subscriber proportionally between the total shares offered for sale and the total shares required for purchase, taking into account rounding the fractions of numbers in favour of minority investors.

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### Share capital (continued)

##### B. Private Offering

A number of 34,000,000 shares totalling EGP 306,000,000 were subscribed at offering price EGP 9 per share.

In accordance with the Extraordinary General Assembly's resolution issued on 6 April 2016 whose minutes of meeting has been approved by the General Authority for Investment and Free Zones on 14 April 2016, it was approved to freeze 100% of the majority shareholder's share in Care Healthcare Ltd,. At the meeting of the General Assembly until listing in the Egyptian Stock Exchange, Freezing the shares not sold through the public and/or private offering shall be effective for six months commencing on the date the Company's shares are traded in the Egyptian Stock Exchange, in addition to the freeze of 51% of the majority shareholder's share in Care Healthcare Ltd, at the date of the General Assembly, the owner of 99.9% of the Company's shares for two financial years commencing on the date the Company's shares are traded in the Egyptian Stock Exchange, in compliance with the provisions of Clause (7) of Article (7) of listing rules of the Egyptian Stock Exchange.

Pursuant to the resolution of the Extraordinary General Assembly meeting held on 6 April 2016, the Company's issued share capital was approved to be increased within the limits of Company's authorised share capital, provided that such increase shall be implemented after completion of the secondary offering and be capped at the same number of shares allocated for public and private offerings at the final offering price. The increase shall be funded from the proceeds of the secondary offering after liquidating the share stability account, without applying senior shareholders' priority subscription rights to the increase. Such increase shall be entirely allocated to Care Healthcare Ltd, the majority shareholder, against the shares offered for the public and private offerings in accordance with the terms set out in the prospectus. Also, the Extraordinary General Assembly decided to authorise the BOD to implement this increase and amend Article 6 and Article 7 of the Company's Memorandum of Association depending on the results of the secondary offering and the related increase. The subscribers in the public and private offerings may not subscribe to this increase. Consequently, and in accordance with the minutes of the Board's meeting dated 17 July 2016 and approved by the GAFI on 21 July 2016 and the amending contract approved on 3 August 2016 registered under No, 1598 of 2016, the Company's share capital has been increased to EGP 100,000,000 fully paid and divided into 200,000,000 shares of EGP 0,5 each.

Based on the above, CARE Healthcare Ltd has subscribed an increase in the Company's share capital by 40,000,000 shares in the amount of EGP 360,000,000 with a nominal value of EGP 20,000,000. This increase was recorded in the Commercial Register on 7 August 2016. Thus, the Company's capital structure was changed to become as follows:

<u>Name</u>	<u>Number of Shares</u>	<u>Nominal value</u>
Care Healthcare Ltd,	159,999,960	79,999,980
Other shareholders	40,000,040	20,000,020
<b>Total</b>	<b>200,000,000</b>	<b>100,000,000</b>



## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### Share capital (continued)

On September 30, 2017, the Extraordinary General Meeting of the Company approved an increase in the authorized capital from LE 800,000,000 to LE 2,000,000,000 and an increase in issued capital from LE 100,000,000 to LE 800,000,000 by inviting shareholders to subscribe in the shares of the increase through the issuance of 1,400,000,000 shares subscribed to the nominal value of the share of 0.5 Egyptian pounds per share, the full value of the value of the subscription, note that the shareholders of the company may subscribe to the increase each by its share in the capital or the sale of all or Part of the right to subscribe separately from the original share knowing that it will be completed The right of subscription rights and the shares of the increase in favor of small shareholders from the smallest to the largest until the amount of fractures. The subscription will be open from November 6, 2017 and end on 5 December 2017 and may be closed in case of covering the entire subscription value.

#### 16. Reserves

	<u>30 September 2017</u>	<u>31 December 2016</u>
Legal reserve	50,000,000	50,000,000
Special reserve	47,379,722	47,379,722
Other reserves	275,078,967	275,078,967
<b>Total</b>	<b><u>372,458,689</u></b>	<b><u>372,458,689</u></b>

##### 16.1 Legal reserve

In accordance with the Law No, 159 of 1981 and the Company's Articles of Association, 5% of the net profit for the year shall be transferred to the legal reserve. As proposed by the Board of Directors, this transfer may be partially discontinued if the legal reserve reaches 50% of the issued capital. This reserve is not available for distribution to shareholders.

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

	<u>30 September 2017</u>		
	<u>Balance at the beginning of the period</u>	<u>Formed during the period</u>	<u>Balance, at the end of the period</u>
Legal reserve	50,000,000	-	50,000,000
<b>Total</b>	<b><u>50,000,000</u></b>	<b><u>-</u></b>	<b><u>50,000,000</u></b>

##### 16,1 Legal reserve

	<u>31 December 2016</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	13,827,660	36,172,340	50,000,000
<b>Total</b>	<b><u>13,827,660</u></b>	<b><u>36,172,340</u></b>	<b><u>50,000,000</u></b>

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### Reserves (continued)

In accordance with article (94) of the executive regulation of Companies Law No, 159 of 1981, an amount of EGP 32,938,637 was used from the proceeds of the public offering and private offerings to increase the legal reserve to equal 50% of the issued capital.

#### 16.2 Special reserve

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

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

	30 September 2017		
	Balance at the beginning of Period	Formed during the period	Balance, at the end of Period
Special reserve	47,379,722	-	47,379,722
<b>Total</b>	<b>47,379,722</b>	<b>-</b>	<b>47,379,722</b>

  

	31 December 2016		
	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
<b>Total</b>	<b>-</b>	<b>47,379,722</b>	<b>47,379,722</b>

#### 16.3 Other reserves

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

There is no movement on this reserve during the nine months ended 30 September 2017.

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

	30 September 2017		
	Balance at the beginning of Period	Formed during the period	Balance, at the end of Period
Other reserves	275,078,967	-	275,078,967
<b>Total</b>	<b>275,078,967</b>	<b>-</b>	<b>275,078,967</b>

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Notes to the interim separate financial statements  
For the nine-month period ended 30 September 2017**

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

**Reserves (continued)**

	<b>31 December 2016</b>		
	<b>Balance at the beginning of the year</b>	<b>Formed during the year</b>	<b>Balance, at the end of the year</b>
Other reserves	-	275,078,967	275,078,967
<b>Total</b>	-	<b>275,078,967</b>	<b>275,078,967</b>

	<b>2016</b>				
	<b>Payment</b>	<b>Number of Shares</b>	<b>Nominal value</b>	<b>Capital</b>	<b>Share premium</b>
Public offering	54,000,000	6,000,000	EGP 0,5	3,000,000	51,000,000
Private offering and share capital increase	306,000,000	34,000,000	EGP 0,5	17,000,000	289,000,000
Expenses of shares issued*	-	-	-	-	(31,982,360)
Transfer to legal reserve**	-	-	-	-	(32,938,673)
<b>Total</b>	<b>360,000,000</b>	<b>40,000,000</b>		<b>20,000,000</b>	<b>275,078,967</b>

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

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

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

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

**17. Operating revenues**

	<b>Nine months ended 30 September</b>		<b>Three months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Surgeries revenue	72,803,458	52,732,262	27,282,787	18,956,349
Accommodation and medical supervision revenue	69,573,158	47,700,078	24,483,197	17,305,119
Outpatient clinics revenue	64,345,150	52,483,271	24,000,109	17,109,488
Laboratories revenue	32,970,924	24,695,204	12,299,954	9,266,224
Emergency revenue	25,849,523	22,336,516	8,736,673	7,424,058
Cardiac catheterization revenue	21,197,070	20,625,512	5,289,520	5,642,906
Service charge revenue	21,882,113	12,499,979	8,196,186	4,688,351
Radiology revenue	19,029,604	16,229,436	6,882,145	5,640,726
Pharmacy revenue	11,133,997	7,622,587	3,957,726	2,530,703
Dentistry revenue	7,267,017	6,694,014	2,571,693	2,354,583
Physiotherapy revenue	4,418,402	4,278,652	1,546,949	1,260,621
Cardiac tests revenue	2,931,225	2,913,169	1,027,461	914,837
Endoscopy revenue	2,544,628	2,305,278	927,781	782,898
	<b>355,946,269</b>	<b>273,115,958</b>	<b>127,202,181</b>	<b>93,876,863</b>

**18. Operating costs**

	<b>Nine months ended 30 September</b>		<b>Three months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Doctors' fees	78,771,850	65,987,906	24,134,449	21,831,328
Medical and pharmaceutical supplies	58,184,334	44,521,071	20,230,725	14,965,511
Salaries, wages and benefits	62,045,445	44,826,234	25,831,378	15,818,286
Maintenance, spare parts and energy expenses	6,620,258	4,625,926	2,563,945	1,699,689
Food, beverage and consumables costs	6,639,721	3,999,602	2,803,770	1,409,308
Fixed assets depreciation	3,328,208	3,367,743	46,554	1,131,316
Other expenses	5,015,436	1,815,997	1,909,958	789,953
	<b>220,605,252</b>	<b>169,144,479</b>	<b>77,520,779</b>	<b>57,645,391</b>

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Notes to the interim separate financial statements  
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(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

**19. General and administrative expenses**

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Salaries, wages and benefits	37,002,675	22,131,521	14,545,756	7,559,075
Professional and consulting fees	7,210,471	923,829	2,881,808	(1,382,461)
Impairment of trade receivables	2,201,890	1,646,256	(223,289)	92,878
Fixed assets depreciation	3,241,504	3,075,962	2,133,960	1,031,923
Food, beverage and consumables costs	676,930	1,084,771	111,488	375,438
Maintenance, spare parts and energy expenses	969,972	597,238	405,896	242,690
Rent	735,597	463,254	227,831	154,918
Other expenses	9,075,848	3,435,634	2,473,305	1,023,477
Less: the Group's share of the Company's expenses	(27,373,587)	-	(12,059,834)	-
	<b>33,741,310</b>	<b>33,358,465</b>	<b>11,496,921</b>	<b>9,097,938</b>

**20. Other income**

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Buffet income and cafeteria concession	778,520	782,804	224,008	260,927
Rent	137,167	126,743	45,869	42,381
Capital gain	1,181,719	86,846	1,181,719	86,846
Miscellaneous income	841,730	569,373	543,457	(845,706)
	<b>2,939,136</b>	<b>1,565,766</b>	<b>1,995,053</b>	<b>(455,552)</b>

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Notes to the interim separate financial statements  
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(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

**21. Expenses by nature**

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Salaries, wages and benefits*	99,048,120	66,957,755	40,377,134	23,377,361
Doctors' fees	78,771,850	65,987,906	24,134,449	21,831,328
Medical and pharmaceutical supplies	58,184,334	44,521,071	20,230,725	14,965,511
Maintenance, spare parts and energy expenses	7,590,230	5,223,164	2,969,841	1,942,379
Food, beverage and consumables costs	7,316,651	5,084,373	2,915,258	1,784,746
Fixed assets depreciation	6,569,712	6,443,705	2,180,514	2,163,239
Impairment of trade receivables	2,201,890	1,646,256	(223,289)	92,878
Other expenses	22,071,870	6,638,714	8,349,871	2,220,473
Less: the Group's share of the Company's expenses (Note 26)	(27,373,587)	-	(12,059,834)	-
	<b>254,381,070</b>	<b>202,502,944</b>	<b>88,874,669</b>	<b>68,377,915</b>

\* Employees' costs

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Salaries and wages	64,663,803	56,303,455	22,474,009	19,567,513
Bonuses and incentives	27,337,066	6,771,357	15,511,761	2,522,013
Social insurance	4,035,315	3,368,414	1,339,484	1,147,423
Employees' benefits	3,011,936	514,529	1,051,880	140,412
	<b>99,048,120</b>	<b>66,957,755</b>	<b>40,377,134</b>	<b>23,377,361</b>

Other expenses item includes an amount of EGP 1,240,005 (EGP 280.000: 30 September 2016) as sitting allowance of the board members.

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

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

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

**22. Finance income/ (expenses)**

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Interest expense	34,664,210	9,259,577	11,788,580	6,385,226
<b>Total finance income</b>	<b>34,664,210</b>	<b>9,259,577</b>	<b>11,788,580</b>	<b>6,385,226</b>
Interest income	(49,864,942)	(39,089,036)	(17,359,024)	(12,398,892)
Acceleration payment	(1,616,163)	-	(1,616,163)	-
Currency valuation differences	(33,776)	14,082	(36,377)	-
Bank commissions	(1,894,001)	(2,258,419)	(936,766)	(341,650)
<b>Total finance expenses</b>	<b>(53,408,882)</b>	<b>(41,333,373)</b>	<b>(19,948,330)</b>	<b>(12,057,242)</b>
Net finance (expenses) / income	<b>(18,744,672)</b>	<b>(32,073,796)</b>	<b>(8,159,750)</b>	<b>(5,672,016)</b>

**23. Income tax**

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

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Current income tax for the period	17,474,332	9,852,417	5,026,877	4,611,376
Deferred tax	1,895,318	(992,467)	2,406,213	(287,149)
	<b>19,369,650</b>	<b>8,859,950</b>	<b>7,433,090</b>	<b>4,324,227</b>

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:

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Net profit before tax	82,368,406	37,323,541	31,252,908	19,075,907
Income tax calculated based on the applicable local tax rate	18,532,891	8,397,797	7,031,904	4,292,079
<b>Add / (less):</b>				
Non-deductible expenses	2,042,736	1,178,078	600,431	39,320
Income not subject to tax	(1,205,977)	(732,800)	(199,245)	(7,176)
Prior year adjustments	-	16,875	-	-
<b>Income taxes</b>	<b>19,369,650</b>	<b>8,859,950</b>	<b>7,433,090</b>	<b>4,324,227</b>
<b>Effective tax rate</b>	<b>23,52%</b>	<b>23,74%</b>	<b>23,78%</b>	<b>22,67%</b>

Current income tax liabilities

	30 September 2017	31 December 2016
Balance at 1 January	15,419,367	20,603,310
Payments during the period / year	(15,443,676)	(20,620,186)
Tax payable during the period/ year	17,474,332	15,436,243
	<b>17,450,023</b>	<b>15,419,367</b>

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Notes to the interim separate financial statements  
For the nine-month period ended 30 September 2017**

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

**24. Deferred tax**

<u>Deferred tax assets</u>	<u>30 September 2017</u>	<u>31 December 2016</u>
Provisions (excluding claims provision)	658,380	1,073,991
<u>Deferred tax liabilities</u>		
Fixed assets depreciation	(3,783,716)	(2,304,008)
<b>Deferred tax - liability</b>	<b><u>(3,125,336)</u></b>	<b><u>(1,230,017)</u></b>

The movement on the deferred tax account is as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
<b>Deferred tax assets</b>		
Balance at 1 January	1,073,991	769,579
Charged to the statement profit and loss	(415,611)	304,412
<b>Balance at the end of the period/year</b>	<b><u>658,380</u></b>	<b><u>1,073,991</u></b>
<b>Deferred tax liabilities</b>		
Balance at 1 January	(2,304,008)	(2,181,095)
Charged to the statement of income	(1,479,708)	(122,913)
<b>Balance at the end of the period/year</b>	<b><u>(3,783,716)</u></b>	<b><u>(2,304,008)</u></b>
<b>Net deferred tax liabilities</b>	<b><u>(3,125,336)</u></b>	<b><u>(1,230,017)</u></b>

**25. Earnings per share**

The basic earnings per share for the year is calculated by dividing the net profit of the year by the number of shares outstanding during the financial period ended 30 September 2017, and as there is no proposed dividends, the net distributable profits were determined on the basis of the net profit for the period without deducting the employees' share and the remuneration of directors in dividends. The earnings per share is EGP 0.08 (31 December 2016: EGP 0.33).

	<u>Nine months ended at 30 September</u>		<u>Three months ended at 30 September</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net distributable profits	62,998,756	28,463,590	23,819,818	14,751,679
Number of issued and paid-up capital	200,000,000	200,000,000	200,000,000	200,000,000
<b>Earnings per share (each share)</b>	<b><u>0.31</u></b>	<b><u>0.14</u></b>	<b><u>0.12</u></b>	<b><u>0.07</u></b>



## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

#### 26. Related parties transaction

The Company during the year deals with certain related parties. The Balances with related parties at the financial statements date as well as the transactions during the period / year are as follows:

<u>The Company's name</u>	<u>Nature of transaction</u>	<u>Transaction value</u>	<u>Balance due from / (to) related parties</u>
Care HealthCare (Parent Company)	Expenses paid on behalf of the Parent Company	28,513	28,513
Nile Badrawi Hospital	Income from medical activity	41,093	-
	Expenses paid by the parent Company on behalf of the Company (Consulting)	787,868	-
	Expense from medical activity	878	-
	The Group's share of the Company's expenses *	7,957,676	717,587
	Loan settlement	6,715,580	-
	Interest settlement	1,667,338	-
Cairo Specialized Hospital	Expenses from medical activity	1,580,826	-
	Rental income	93,327	-
	Income from medical activity	100,362	-
	The Group's share of the Company's expenses *	11,873,113	3,831,337
	Expenses paid on behalf of the parent Company for the Company (Consulting)	634,618	-
Al Shorouk Hospital	Expenses from medical activity	131,509	-
	Rental income	209,130	-
	The Group's share of the Company's expenses *	7,542,800	5,169,108
			<u>9,746,545</u>

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

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

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements For the nine-month period ended 30 September 2017

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

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#### 27. Commitments

##### Capital commitments:

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

#### 28. Tax position

##### First: Corporate tax

- Inspection was made up to 31 December 2014, and a clearance certificate was obtained from the Tax Authority.
- Tax returns were filed regularly in the legal deadlines.
- Inspection was not made for 2015 and 2016.

##### Second: Sales tax

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

##### Third: Salaries tax

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

##### Fourth: Stamp duty tax

- Inspection was made up to 31 July 2006 and tax was paid.
- Inspection was made from 1 August 2006 to 31 December 2013. The Company was notified of stamp duty on form 19 dated 23 April 2015. Tax assessment was issued for an amount of EGP 72,966 on 3 May 2015. An appointment is being made to study the objection in the internal committee.
- Years from 2014 to 2016 were not inspected.

#### 29. Other matters

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