

CLEOPATRA HOSPITAL COMPANY "S.A.E."

**LIMITED REVIEW REPORT AND
THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED
31 MARCH 2019**

CLEOPATRA HOSPITAL "S.A.E."

Separate financial statements - For the three months period ended 31 March 2019

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Limited review report on the interim financial statements

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

Introduction

We conducted our limited review on the accompanying separate interim financial statements of Cleopatra Hospital S.A.E as at 31 March 2019 and the related interim separate financial position, interim separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-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 financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express an opinion on these interim separate interim 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 Financial Statements Performed by the Independent Auditor of the Entity". A limited review of interim 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 financial statements.

Conclusion

In light of our limited review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Company as at 31 March 2019, its financial performance and cash flows for the three-month period then ended in accordance with the Egyptian Accounting Standards.

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

30 May 2019
Cairo



CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Interim separate statement of financial position - At 31 March 2019

(All amounts in Egyptian Pounds)

| | Note | 31 March 2019 | 31 December 2018 |
|--------------------------------------|------|----------------------|----------------------|
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | 5 | 159,308,629 | 107,151,206 |
| Investments in subsidiaries | 6 | 606,165,259 | 606,165,259 |
| Advance payments for investment | 7 | 143,550,000 | 143,550,000 |
| Goodwill | 8 | 14,071,000 | - |
| Total non-current assets | | 923,094,888 | 856,866,465 |
| Current assets | | | |
| Inventories | 9 | 20,888,872 | 16,493,555 |
| Trade receivables | 10 | 144,017,027 | 140,183,957 |
| Due from related parties | 28 | 25,338,448 | 7,919,353 |
| Debtors and other debit balances | 11 | 51,195,603 | 33,937,821 |
| Cash on hand and at banks | 12 | 667,450,447 | 839,609,206 |
| Total current assets | | 908,890,397 | 1,038,143,892 |
| Total assets | | 1,831,985,285 | 1,895,010,357 |
| Equity and Liabilities | | | |
| Equity | | | |
| Share capital | 17 | 800,000,000 | 800,000,000 |
| Reserves | 18 | 349,003,411 | 349,003,411 |
| Retained earnings | | 442,762,566 | 397,711,251 |
| Total equity | | 1,591,765,977 | 1,546,714,662 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Non-current portion of borrowings | 15 | - | 67,879,332 |
| Employees incentive plan | 16 | 67,573,570 | 45,232,497 |
| Deferred income tax liabilities | 27 | 4,337,755 | 4,607,372 |
| Total non-current liabilities | | 71,911,325 | 117,719,201 |
| Current liabilities | | | |
| Provisions | 13 | 6,781,298 | 6,434,492 |
| Due to related parties | 28 | - | 25,369 |
| Creditors and other credit balances | 14 | 133,764,838 | 143,181,232 |
| Current portion of borrowings | 15 | 2,564,372 | 27,223,715 |
| Current income tax liabilities | 26 | 25,197,475 | 53,711,686 |
| Total current liabilities | | 168,307,983 | 230,576,494 |
| Total liabilities | | 240,219,308 | 348,295,695 |
| Total equity and liabilities | | 1,831,985,285 | 1,895,010,357 |

- The accompanying notes on pages 7 - 39 from an integral part of these financial statement
- Auditor's report is attached

Mr. Khalid Hassan Ahmed
Group CFO

30 May 2019

Dr. Ahmed Ezz Eldin Mahmoud
CEO & Managing Director

Dr. Mohamed Tarek Zahed
Non-Executive Chairman



CLEOPATRA HOSPITAL COMPANY (S.A.E.)

**Interim separate statement of profit or loss
For the three months period ended 31 March 2019**

| (All amounts in Egyptian Pounds) | Note | 31 March 2019 | 31 March 2018 |
|--|------|----------------------|---------------------|
| Operating revenue | 19 | 183,765,307 | 157,650,824 |
| Less: | | | |
| Operating costs | 20 | <u>(104,981,618)</u> | <u>(93,888,079)</u> |
| Gross profit | | 78,783,689 | 63,762,745 |
| Add / (Less) | | | |
| General and administrative expenses | 21 | (38,776,054) | (21,678,688) |
| Aquisition costs | | (523,257) | (2,562,398) |
| Provisions | 13 | (670,136) | (4,168,408) |
| Other income | 23 | 656,379 | 2,335,648 |
| Contribution to comprehensive medical insurance plan | 25 | (457,253) | - |
| Finance income | 24 | 25,757,702 | 27,540,219 |
| Finance expenses | 24 | <u>(2,803,583)</u> | <u>(11,902,760)</u> |
| Profit for the period before income tax | | 61,967,487 | 53,326,358 |
| | | | |
| Current tax | 26 | (17,185,789) | (13,055,516) |
| Deferred tax | 27 | <u>269,617</u> | <u>839,760</u> |
| Profit after income tax | | 45,051,315 | 41,110,602 |

- The accompanying notes on pages 7 - 39 from an integral part of these financial statement.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

**Interim separate statement of comprehensive income
For the three months period ended 31 March 2019**

| (All amounts in Egyptian Pounds) | 31 March 2019 | 31 March 2018 |
|--|--------------------------|--------------------------|
| Profit for the period | 45,051,315 | 41,110,602 |
| Other comprehensive income | - | - |
| Comprehensive income for the period | <u>45,051,315</u> | <u>41,110,602</u> |

- The accompanying notes on pages 7 - 39 from an integral part of these financial statement.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

**Interim separate statement of changes in equity
For the three months period ended 31 March 2019**

(All amounts in Egyptian Pounds)

| | Capital | Reserves | Retained earnings | Total |
|-------------------------------------|--------------------|--------------------|--------------------------|----------------------|
| Balance at 1 January 2018 | 800,000,000 | 344,971,887 | 212,895,656 | 1,357,867,543 |
| Dividends for employees | - | - | (15,315,050) | (15,315,050) |
| Legal reserves | - | 4,127,297 | (4,127,297) | - |
| Comprehensive income for the period | - | - | 41,110,602 | 41,110,602 |
| Balance at 31 March 2018 | 800,000,000 | 349,099,184 | 234,563,911 | 1,383,663,095 |
| Balance at 1 January 2019 | 800,000,000 | 349,003,411 | 397,711,251 | 1,546,714,662 |
| Comprehensive income for the period | - | - | 45,051,315 | 45,051,315 |
| Balance at 31 March 2019 | 800,000,000 | 349,003,411 | 442,762,566 | 1,591,765,977 |

- The accompanying notes on pages 7 - 39 from an integral part of these financial statement.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Interim separate statement of cash flows
For the three months period ended 31 March 2019

| (All amounts in Egyptian Pounds) | | | |
|--|------|----------------------|----------------------|
| | Note | 31 March 2019 | 31 March 2018 |
| <u>Cash flows from operating activities</u> | | | |
| Profit before tax | | 61,967,487 | 53,326,358 |
| Adjustments to reconcile net income to cash flows from operating activities | | | |
| Fixed assets depreciation | 5 | 3,982,718 | 2,826,623 |
| Gain from sale of fixed assets | 23 | (121,177) | (77,000) |
| Impairment of trade receivables | 10 | 10,498,469 | (116,713) |
| Provisions | 13 | 670,136 | 4,168,408 |
| Interests and commissions | 24 | 2,803,583 | 11,902,760 |
| Interest income | 24 | (25,757,702) | (27,540,219) |
| Employee incentive plan | 16 | 22,341,073 | 10,322,000 |
| Operating profits before changes in assets and liabilities | | 76,384,587 | 54,812,217 |
| Changes in assets and liabilities | | | |
| Change in inventories | 9 | (3,121,317) | (1,406,518) |
| Change in trade receivables | 10 | (14,331,539) | (18,830,645) |
| Provision utilized | 13 | (323,330) | (442,251) |
| Change in due from related parties | 28 | (17,419,095) | (578,319) |
| Change in debtors and other debit balances | 11 | (11,899,052) | (3,471,370) |
| Change in creditors and other credit balances | 14 | 1,923,059 | 1,292,684 |
| Change in due to related parties | | (25,369) | - |
| Tax paid | | (45,700,000) | - |
| Net cash flows (used in) / generated from operating activities | | (14,512,056) | 31,375,798 |
| <u>Cash flows from investing activities</u> | | | |
| Payments for purchase of fixed assets | 5 | (4,321,780) | (3,274,956) |
| Payments for projects under construction | 5 | (43,283,218) | - |
| Advance payment for purchase of fixed assets | | (3,269,107) | (5,304,340) |
| Proceeds from sale of fixed assets | | 153,036 | 77,000 |
| Interests received | | 24,756,077 | 27,547,014 |
| Advance payment for investments | | - | (108,000,000) |
| Payments for business acquisition | | (25,000,000) | - |
| Net cash flows used in investing activities | | (50,964,992) | (88,955,282) |
| <u>Cash flows from financing activities</u> | | | |
| Proceeds from bank overdraft | | 2,564,370 | 16,930,352 |
| Payments for bank overdraft | | (95,103,047) | (148,805,180) |
| Interests and commissions paid | | (14,143,034) | (25,342,516) |
| Dividends paid | | - | (13,512,683) |
| Net cash flows used in financing activities | | (106,681,711) | (170,730,027) |
| Change in cash and cash equivalents during the period | | (172,158,759) | (228,309,511) |
| Cash and cash equivalents at the beginning of the period | | 839,609,206 | 920,931,537 |
| Cash and cash equivalents at the end of the period | 12 | 667,450,447 | 692,622,026 |

- The accompanying notes on pages 7 - 37 from an integral part of these financial statements

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the three months period ended 31 March 2019

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

1. Introduction

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

On 27 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 and 41 Cleopatra Street, Heliopolis, Cairo.

The Parent Company is Care HeathCare Ltd., which owns 80% of the Company's share capital. At 31 December 2017, Care Healthcare Ltd shares decreased to be 69.4%.

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

On 28 September 2017, the ownership in Cairo specialised Hospital increased to 53.88% due acquisition of shares from the non-controlling shareholders in of Cairo specialised Hospital.

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

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

On 18 March 2019, Cleopatra Hospital S.A.E., acquired the assets, management and operation of Queens Hospital.

These separate interim financial statements have been approved for issuance by the management of the Company on 30 May 2019.

2. Accounting policies

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

A. Basis of preparation of the separate interim financial statements

The separate interim 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 interim financial statements have been prepared under the historical cost convention.

The preparation of the separate interim 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 interim financial statements are disclosed in Note 4.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the three months period ended 31 March 2019

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

Basis of the preparation of the separate interim 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 interim 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 interim financial statements have been prepared in accordance with the local laws, while the consolidated interim financial statements of the Company and its subsidiaries have been prepared according to Egyptian Accounting Standards (EASs). The Company's separate interim financial statements should be read in conjunction with its consolidated interim financial statements as at and for the financial period ended 31 March 2019 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 interim financial statements at cost method. Under this method, investments are recognised at the cost of acquisition, including goodwill, less any impairment loss. Dividends are recognised in the statement of profit or loss, when the dividends are approved to be distributed and the Company's right of collection is established.

B. New Egyptian Accounting Standards ("EAS") and interpretations not yet adopted:

On 28 March 2019, the minister of Investment issued a decree no. 69 for 2019 which includes new standards and amendments to the existing standards. The amendments in the EASs have been published in the official gazette on 7 April 2019. These changes are mainly represented in three new standards which should be adopted for the financial periods commencing on or after 1 January 2020 as follows:

1- EAS No. (47) – "Financial instruments":

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

The standard includes a new classes of classification and impairment model for financial assets which reflects the business model in order to manage the assets and their cash flows through this business model.

EAS No. (47) replaced 'incurred loss' model in EAS No. (26) by 'expected credit loss' model.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the three months period ended 31 March 2019

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

New Egyptian Accounting Standards ("EAS") and interpretations not yet adopted: (continued)

2- EAS No. (48) – "Revenue from contracts with customers":

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

This standard established a comprehensive framework for determining how much and when revenues should be recognized. This standard replaces EAS No. (11) 'revenues' and EAS No. (8) 'construction contracts'.

3- EAS No. (49) – "Leases":

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standard No. (48) – 'Revenue from contracts with customers' should be adopted at the same time.

EAS No. (49) introduces a single lease accounting model for lease contracts. A lessee recognizes his right-of-use for assets and lease liability which represents his lease instalments liability. There are some exemptions for short-term lease contracts and assets lease contracts with low value.

This standard replaces the EAS No. (20) 'Accounting rules and standards related to financial lease'.

C. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

D. Fixed assets

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

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

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the three months period ended 31 March 2019

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

Fixed assets (continued)

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

The depreciation rates by type of asset are as follows:

| | |
|-------------------------|-------------------------------------|
| Machinery and equipment | 10% |
| Tools and instruments | 25% |
| Furniture and fixtures | 15% |
| Buildings | 2.5% |
| Vehicles | 20% |
| Computers | 25% |
| Leasehold improvement | Remaining of the lease contract |
| Acquired assets | Over the remaining productive years |

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

E. Inventories

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

F. Financial assets

(1) Classification:

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

Loans and receivables:

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

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

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

(2) Initial and subsequent measurement:

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

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

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the three months period ended 31 March 2019

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

Financial assets (continued)

(3) Impairment of financial assets:

Assets recognised at amortised cost

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

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

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

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

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

G. Share capital

Ordinary shares are classified as equity.

H. Legal reserve

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

I. Provisions

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

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the three months period ended 31 March 2019

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

J. Trade payables

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

K. Borrowings and advances

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

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

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

L. Employees' benefits

(1) Employees' share of profit

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

(2) Pension and insurance scheme

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

(3) Employee incentive plan

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

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the three months period ended 31 March 2019

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

Employees' benefits (continued)

System elements

Each beneficiary shall be given units of monetary reward or a fixed presentage of the amounts allocated to the system in accordance with the award of the remuneration committee.

The remuneration committee shall determine the date of grant.

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

- A) Payments calculated on the basis of the difference between the market value of the Parent Company's shares on 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 September 2020 and 30 September 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.
 - The Company recognizes the cost of incentives related to the services rendered by the employees under the system over the period in which the service is performed. The Group recognizes the liability for the system at the date of each financial position in accordance with the fair value of the consideration expected to be paid to the employees on the grant date. The fair value of these liabilities is estimated at the date of the financial position taking into account all the circumstances relating to the expected discounted cash flows at the effective rate of return applicable.
 - The recognition of the fair value of the employees' services received as expenses in the statement of profit or loss.

M. Revenue recognition

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

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the three months period ended 31 March 2019

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

Revenue recognition (continued)

Medical services revenue

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

Sale of medicine revenue

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

Interest income

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

N. 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 profit or loss on a straight-line basis over the period of the lease.

O. Current and deferred income tax

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

Deferred income tax is fully recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate interim 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.

P. Dividends

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the three months period ended 31 March 2019

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

Q. Cash and cash equivalents

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

R. Fair value of financial instruments

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

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

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

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

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

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

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

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

As for assets and liabilities in the separate interim 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.

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

Fair value of financial instruments (continued)

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

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

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

S. Corresponding figures

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

T. Segment reporting

Business segments are reported in line with the reports provided internally to the senior management, which makes decisions related to resources allocation and evaluation of segment's performance in the Company and the senior management is represented in Group's executive management committee. The Company is considered as a separate business segment for the Group.

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.

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Financial risk management (continued)

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

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|-----------|--------------------------|-----------------------------|
| US Dollar | 25,722,754 | 31,092,868 |
| Pound | 1,350 | 1,569 |
| Euro | 296,001 | 312,686 |

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

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|-----------|--------------------------|-----------------------------|
| US Dollar | 2,572,275 | 3,109,287 |
| Pound | 135 | 157 |
| Euro | 29,600 | 31,269 |

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.

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

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

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

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

Financial risk management (continued)

Balances exposed to credit risks are as follows:

| | 31 March 2019 | 31 December 2018 |
|--------------------------|------------------|---------------------|
| Cash at banks | 666,689,632 | 838,981,914 |
| Trade receivables | 158,891,754 | 144,560,215 |
| Due from related parties | 25,338,448 | 7,919,353 |

(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:

| | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years |
|-----------------------------|-----------------------|-----------------------|-----------------|----------------------|
| 31 March 2019 | | | | |
| Accrued expenses | 53,322,013 | 16,664,378 | - | - |
| Suppliers and notes payable | 37,818,551 | 23,034,076 | - | - |
| Creditors | 1,596,815 | - | - | - |
| | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years |
| 31 December 2018 | | | | |
| Accrued expenses | 49,060,489 | 16,595,492 | - | - |
| Suppliers and notes payable | 38,493,277 | 23,445,030 | - | - |
| Creditors | 1,869,715 | - | - | - |
| Due to related parties | 25,369 | - | - | - |
| Loans and finance interest | 18,080,245 | 55,954,193 | 47,940,753 | - |

During February 2018 and March 2018 the borrowing rate (corridor) decreased by 1% and 1% and this will affect the Company's liabilities regarding borrowings and finance interest.

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.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

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

Financial risk management (continued)

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

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|-------------------------------------|--------------------------|-----------------------------|
| Borrowings | 2,564,372 | 95,103,047 |
| Creditors and other credit balances | 133,764,837 | 143,181,232 |
| Employee incentive plan | 67,573,570 | 45,232,497 |
| Due to related parties | - | 25,369 |
| Less: Cash at banks and on hand | <u>(667,450,447)</u> | <u>(839,609,206)</u> |
| Net debt | <u>(463,547,668)</u> | <u>(601,299,558)</u> |
| Total shareholders' equity | <u>1,591,765,977</u> | <u>1,546,714,662</u> |
| Total Capital | <u>1,128,218,305</u> | <u>945,415,104</u> |
| Net debts to total capital ratio | (41%) | (64%) |

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.

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.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the three months period ended 31 March 2019

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

Critical accounting estimates, assumptions and judgements (continued)

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 September 2020 and 30 September 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."

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(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 |
|--|-------------------|----------------------------------|-----------------------|------------------|-------------------|----------------|-------------------|------------------------|-----------------------------|--------------------|
| At 1 January 2018 | | | | | | | | | | |
| Cost | 14,967,000 | 92,784,026 | 4,256,576 | 5,865,005 | 43,681,821 | 2,518,793 | 10,294,061 | 386,953 | - | 174,754,235 |
| Accumulated depreciation | - | (56,164,287) | (2,536,998) | (4,427,597) | (19,952,410) | (1,777,484) | (1,796,519) | (386,953) | - | (87,042,248) |
| Net book amount | 14,967,000 | 36,619,739 | 1,719,578 | 1,437,408 | 23,729,411 | 741,309 | 8,497,542 | - | - | 87,711,987 |
| Year ended 31 December 2018 | | | | | | | | | | |
| Beginning of the year | 14,967,000 | 36,619,739 | 1,719,578 | 1,437,408 | 23,729,411 | 741,309 | 8,497,542 | - | - | 87,711,987 |
| Additions | - | 18,626,061 | 935,540 | 2,194,532 | - | 209,897 | 4,302,115 | 1,873,563 | 4,342,631 | 32,484,339 |
| Disposals | - | (710,408) | - | - | - | (116,109) | - | - | - | (826,517) |
| Write offs | - | - | - | - | 307,398 | - | - | - | (307,398) | - |
| Transfer from projects under constructions | - | - | - | - | - | - | - | - | - | - |
| Depreciation for the year | - | (4,688,207) | (1,174,321) | (792,754) | (3,055,392) | (287,999) | (2,721,809) | (324,638) | - | (13,045,120) |
| Accumulated depreciation of disposals | - | 710,408 | - | - | - | 116,109 | - | - | - | 826,517 |
| Closing net book amount | 14,967,000 | 50,557,593 | 1,480,797 | 2,839,186 | 20,981,417 | 663,207 | 10,077,848 | 1,548,925 | 4,035,233 | 107,151,206 |
| At 31 December 2018 | | | | | | | | | | |
| Cost | 14,967,000 | 110,699,679 | 5,192,116 | 8,059,537 | 43,989,219 | 2,612,581 | 14,596,176 | 2,260,516 | 4,035,233 | 206,412,057 |
| Accumulated depreciation | - | (60,142,086) | (3,711,319) | (5,220,351) | (23,007,802) | (1,949,374) | (4,518,328) | (711,591) | - | (99,260,851) |
| Net book amount | 14,967,000 | 50,557,593 | 1,480,797 | 2,839,186 | 20,981,417 | 663,207 | 10,077,848 | 1,548,925 | 4,035,233 | 107,151,206 |
| At 31 March 2019 | | | | | | | | | | |
| Beginning of the year | 14,967,000 | 50,557,593 | 1,480,797 | 2,839,186 | 20,981,417 | 663,207 | 10,077,848 | 1,548,925 | 4,035,233 | 107,151,206 |
| Additions | - | 12,367,265 | 15,325 | 202,854 | - | - | 283,336 | 20,000 | 43,283,219 | 56,171,999 |
| Disposals | - | - | (136,758) | - | - | - | - | - | - | (136,758) |
| Depreciation for the year | - | (1,642,962) | (292,378) | (237,753) | (758,738) | (65,651) | (868,162) | (117,074) | - | (3,982,718) |
| Accumulated depreciation of disposals | - | 104,900 | - | - | - | - | - | - | - | 104,900 |
| Closing net book amount | 14,967,000 | 61,281,896 | 1,171,886 | 2,804,287 | 20,222,679 | 597,556 | 9,493,022 | 1,451,851 | 47,318,452 | 159,308,629 |
| At 31 March 2019 | | | | | | | | | | |
| Cost | 14,967,000 | 123,066,944 | 5,070,683 | 8,262,391 | 43,989,219 | 2,612,581 | 14,879,512 | 2,280,516 | 21,722,122 | 262,447,298 |
| Accumulated depreciation | - | (61,785,048) | (3,898,797) | (5,458,104) | (23,766,540) | (2,015,025) | (5,386,490) | (828,665) | - | (103,138,669) |
| Net book amount | 14,967,000 | 61,281,896 | 1,171,886 | 2,804,287 | 20,222,679 | 597,556 | 9,493,022 | 1,451,851 | 47,318,452 | 159,308,629 |

- The cost item for machinery, equipment and devices includes an amount equal LE 8,567,000 which represents the market value of Queens Hospital assets acquired on 18 March 2018.
- The depreciation item for machinery, equipment and devices includes an amount equal to LE 85,124 which represents the depreciation of the acquired assets for the period from 18 March 2019 till 31 March 2019.

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6. Investments in subsidiaries

| | <u>Percentage of investment</u> | <u>Country of incorporation</u> | <u>31 March 2019</u> | <u>31 December 2018</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 | 107,655,812 |
| Investments in CHG for medical services | 20% | Egypt | 112,500 | 112,500 |
| Investments in CHG Pharma for pharmacies management | 98% | Egypt | 250,000 | 250,000 |
| | | | <u>606,165,259</u> | <u>606,165,259</u> |

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

7. Advance payment for investments

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|---|----------------------|-------------------------|
| Advance payment for purchase of investments | <u>143,550,000</u> | <u>143,550,000</u> |
| | <u>143,550,000</u> | <u>143,550,000</u> |

On 31 August 2017, the Company entered into an initial (conditional) contract for the purchase of the land and the private building in a hospital in the Arab Republic of Egypt. On 12 October 2017, the Company deposited an amount of LE 143,550,000 under an ESCROW account contract dated 4 October 2017. On 13 December 2018, the ownership of the land and the building was transferred to the company under a public power of attorney and ESCROW account was released as part of the total acquisition, which includes management and operation of the hospital. The company is now in the process of signing a contract of purchase for the management and operation of the hospital.

Upon completion of the purchase contract for the management and operation of the hospital, the Group will account for the acquisition in accordance with the Egyptian Accounting Standard on Business Combinations. On December 3, 2018, the Extraordinary General Assembly approved the acquisition of fixed assets and the management and operation of the hospital.

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

8. Business combination process and Intangible assets

| | <u>Goodwill</u> | <u>31 March 2019</u> |
|----------|-----------------|--------------------------|
| Goodwill | 14,071,000 | 14,071,000 |

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

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

The income recognized in the statement of income, which has been contributed by Queens Hospital since the date of acquisition, amounted to approximately LE 863,000. The net loss for this period amounted to approximately LE 143,000.

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

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

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

9. Inventories

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|---------------------------------------|--------------------------|-----------------------------|
| Medical supply inventory | 12,621,567 | 9,283,064 |
| Medicine inventory | 5,976,012 | 5,232,879 |
| Maintenance and spare parts inventory | 1,260,942 | 1,235,788 |
| Hospitality supplies inventory | 555,332 | 324,856 |
| Stationary inventory | 456,388 | 396,890 |
| Food and beverage inventory | 18,631 | 20,078 |
| | <u>20,888,872</u> | <u>16,493,555</u> |

The Medical Supply Inventory item includes an amount of LE 1,274,000 representing the value of the Queens Hospital Inventory acquired on 18 March 2019.

10. Trade receivables

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|-----------------------------------|--------------------------|-----------------------------|
| Due from customers | 155,274,595 | 141,510,271 |
| Income from inpatients | 3,617,159 | 3,049,944 |
| | <u>158,891,754</u> | <u>144,560,215</u> |
| Less: | | |
| Impairment of customers' balances | <u>(14,874,727)</u> | <u>(4,376,258)</u> |
| | <u>144,017,027</u> | <u>140,183,957</u> |

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

The movement of the provision for impairment is as follows:

| | <u>31 March 2019</u> | <u>31 December 2018</u> | <u>31 March 2018</u> |
|--|--------------------------|-----------------------------|--------------------------|
| Balance at the beginning of the period / year | 4,376,258 | 2,549,593 | 2,549,593 |
| Provisions formed during the period / year | 11,632,878 | 6,754,123 | 1,310,296 |
| Provision used during the period / year | - | (1,057,314) | (1,057,314) |
| Provisions no longer required during the period / year | (1,134,409) | (3,870,144) | (369,695) |
| Balance at the end of the period / year | <u>14,874,727</u> | <u>4,376,258</u> | <u>2,432,880</u> |

- Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 59,960,186 (31 December 2018: EGP 67,139,938).

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Trade receivables (continued)

- At the financial position date, the balances that were past due but not impaired amounted to EGP 70,129,594 (31 December 2018: EGP 54,485,531). The analysis of these balances' useful lives is as follows:

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|-------------------------|--------------------------|-----------------------------|
| Less than one month | 31,264,260 | 27,502,164 |
| From one to five months | 38,865,294 | 26,983,367 |

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

The balance of trade receivables over 150 days at the date of the financial position amounted to EGP 25,184,855 (31 December 2018: EGP 19,884,802).

11. Debtors and other debit balances

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|-------------------------|--------------------------|-----------------------------|
| Advances to suppliers | 24,078,256 | 19,535,217 |
| Prepaid expenses | 18,414,543 | 10,121,778 |
| Withholding taxes | 167,990 | 122,361 |
| Deposits with others | 3,483,093 | 2,823,093 |
| Due from employees | 816,196 | 455,888 |
| Accrued interest income | 1,383,483 | 381,858 |
| Other debtors | 2,852,042 | 497,626 |
| | <u>51,195,603</u> | <u>33,937,821</u> |

12. Cash on hand and at banks

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|------------------|--------------------------|-----------------------------|
| Current accounts | 642,507,012 | 808,604,104 |
| Cash on hand | 760,815 | 627,292 |
| Time deposits | 24,182,620 | 30,377,810 |
| | <u>667,450,447</u> | <u>839,609,206</u> |

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

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Notes to the separate financial statements - For the three months period ended 31 March 2019

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

Cash on hand and at banks (continued)

Time deposits at 31 March 2019 are denominated in local banks in US dollars and are payable within periods ranging from one week to one month from the date of deposit and are subject to a fixed annual interest rate of 2.17% to 2.22%.

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

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

| | <u>31 March 2019</u> | <u>31 March 2018</u> |
|---|---------------------------|---------------------------|
| Cash on hand and at banks | 667,450,447 | 692,622,026 |
| Deposits with a maturity of more than 3 months from the date of placement | - | - |
| Cash and cash equivalents | <u>667,450,447</u> | <u>692,622,026</u> |

13. Provisions

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|--------------------------------|--------------------------|-----------------------------|
| Provisions for human resources | 5,168,557 | 4,821,751 |
| Provision for claims | 1,612,741 | 1,612,741 |
| | <u>6,781,298</u> | <u>6,434,492</u> |

The movement of provisions during the year is as follows:

| | <u>31 March 2019</u> | | | | |
|--------------------------------|--|---------------------------------------|---|--|-------------------------------------|
| | <u>Balance at 1 January 2019</u> | <u>Formed during the year</u> | <u>Utilised during the year</u> | <u>Provisions no longer required</u> | <u>Balance at 31 March 2019</u> |
| Provisions for human resources | 4,821,751 | 1,594,658 | (323,330) | (924,522) | 5,168,557 |
| Provision for claims | 1,612,741 | - | - | - | 1,612,741 |
| Total | <u>6,434,492</u> | <u>1,594,658</u> | <u>(323,330)</u> | <u>(924,522)</u> | <u>6,781,298</u> |

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

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

Provisions (continued)

| | 31 March 2018 | | | | Balance at 31 December 2018 |
|-----------------------------------|---------------------------------|------------------------------|--------------------------------|-------------------------------------|-----------------------------------|
| | Balance at 1 January 2018 | Formed during the year | Utilised during the year | Provisions no longer required | |
| Provisions for human resources | 3,313,919 | 5,016,528 | (442,251) | (848,120) | 7,040,076 |
| Provision for claims | 3,108,668 | - | - | - | 3,108,668 |
| Total | 6,422,587 | 5,016,528 | (442,251) | (848,120) | 10,148,744 |

Provision for human resources

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

Provisions for claims

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

14. Creditors and other credit balances

| | 31 March 2019 | 31 December 2018 |
|-----------------------------|--------------------|---------------------|
| Accrued expenses | 69,986,391 | 78,067,713 |
| Suppliers and notes payable | 60,852,627 | 61,938,307 |
| Social insurance | 878,059 | 854,554 |
| Other creditors | 2,047,761 | 2,320,658 |
| | 133,764,838 | 143,181,232 |

The item of accrued expenses includes an amount of EGP 445,597 representing the outstanding expenses of Queen's Hospital, which was acquired on 18 March 2019.

The item of Suppliers and notes payables includes an amount of EGP 55,379 representing the amount of suppliers Queen's Hospital, which was acquired on 18 March 2019

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15. Borrowings

| | 31 March 2019 | | |
|----------------|------------------|---------------------|------------------|
| | Current portion | Non-current portion | Total |
| Bank overdraft | 2,564,372 | - | 2,564,372 |
| Total | 2,564,372 | - | 2,564,372 |

| | 31 December 2018 | | |
|----------------|-------------------|---------------------|-------------------|
| | Current portion | Non-current portion | Total |
| Bank overdraft | - | - | - |
| Loans | 27,223,715 | 67,879,332 | 95,103,047 |
| Total | 27,223,715 | 67,879,332 | 95,103,047 |

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

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

On 17 February 2019, the Company settled the whole outstanding loans amounted to EGP 90,565,795, in addition to the relevant accrued interest which amounted to EGP 598,947, accordingly the mortgages on Cleopatra Hospital shares which is owned by Care HealthCare Ltd. and Al Shourouk Hospital shares which is owned by Cleopatra Hospital were realised.

Financial ratios

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

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

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16. Employee incentive plan

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|-------------------------|--------------------------|-----------------------------|
| Employee incentive plan | 67,573,570 | 45,232,497 |
| Total | <u>67,573,570</u> | <u>45,232,497</u> |

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

| | <u>Balance at 1 January 2019</u> | <u>Formed during the period</u> | <u>Balance at 31 March 2019</u> |
|-------------------------|--|---|---|
| Employee incentive plan | 45,232,497 | 22,341,073 | 67,573,570 |
| Total | <u>45,232,497</u> | <u>22,341,073</u> | <u>67,573,570</u> |

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

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

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 during the six months preceding the date of the financial position and the share price at the date of its offering on the Stock Exchange on June 2, 2016.
- (B) Payments are calculated on the basis of the difference between profit before interest, income tax, depreciation and amortization (EBITDA) on the maturity date 30 June 2020 and 30 June 2016.

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17. Share capital

On 31 December 2016, the company issued share capital was paid through 200 million shares with nominal value EGP 5 with total amount EGP 100 million .

On 2 June 2016, 40 million share issued as a secondary issuance where Care Healthcare (Ltd) sold it's shares in prior offering and Public of offering.

On 6 April 2016, 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.

And based on the above, Care Healthcare Ltd. subscribed in capital increase with 40,000,000 shares with a total value of EGP 360,000,000 with the nominal value of EGP 20,000,000 and the increase was reflected in the commercial register dated 7 August 2016. Therefore, the Company's structure of share capital changed 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 |
| Total | 200,000,000 | 100,000,000 |

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 with an increase of EGP 700,000,000 by inviting shareholders to subscribe In the shares of the increase through the issuance of 1,400,000,000 shares subscribed to the nominal value of the share of 0.5 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.

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

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Share capital (continued)

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

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

18. Reserves

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|-----------------|----------------------|-------------------------|
| Legal reserve | 54,127,298 | 54,127,298 |
| Special reserve | 47,379,722 | 47,379,722 |
| Other reserves | 247,496,391 | 247,496,391 |
| Total | 349,003,411 | 349,003,411 |

18.1 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>31 March 2019</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 | 54,127,298 | - | 54,127,298 |
| Total | 54,127,298 | - | 54,127,298 |
| | <u>31 December 2018</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 | 50,000,000 | 4,127,298 | 54,127,298 |
| Total | 50,000,000 | 4,127,298 | 54,127,298 |

18.2 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.

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Reserves (continued)

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

| | 31 March 2019 | | |
|-----------------|----------------------------------|------------------------|-----------------------------|
| | Balance at the beginning of year | Formed during the year | Balance, at the end of year |
| Special reserve | 47,379,722 | - | 47,379,722 |
| Total | 47,379,722 | - | 47,379,722 |
| | 31 December 2018 | | |
| | Balance at the beginning of year | Formed during the year | Balance, at the end of year |
| Special reserve | 47,379,722 | - | 47,379,722 |
| Total | 47,379,722 | - | 47,379,722 |

18.3 Other reserves

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

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

| | 31 March 2019 | | |
|----------------|----------------------------------|------------------------|-----------------------------|
| | Balance at the beginning of year | Formed during the year | Balance, at the end of year |
| Other reserves | 247,592,165 | (95,774) | 247,496,391 |
| Total | 247,592,165 | (95,774) | 247,496,391 |
| | 31 December 2018 | | |
| | Balance at the beginning of year | Formed during the year | Balance, at the end of Year |
| Other reserves | 247,592,165 | (95,774) | 247,496,391 |
| Total | 247,592,165 | (95,774) | 247,496,391 |

Other reserves are as follows:

| | Payment | Number of Shares | Nominal value | Capital | Share premium |
|---|--------------------|-------------------|---------------|-------------------|--------------------|
| Public offering | 54,000,000 | 6,000,000 | EGP 0,5 | 3,000,000 | 51,000,000 |
| Private offering and share capital increase | 306,000,000 | 34,000,000 | EGP 0,5 | 17,000,000 | 289,000,000 |
| Expenses of shares issued 2016* | - | - | - | - | (31,982,359) |
| Expenses of shares issued 2017* | - | - | - | - | (27,582,577) |
| Transfer to legal reserve** | - | - | - | - | (32,938,673) |
| Total | 360,000,000 | 40,000,000 | | 20,000,000 | 247,496,391 |

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Reserves (continued)

- * These include expenses for the issuance of shares during 2016 and include the expenses of the capital increase of the Company (public offering and special offer) representing registration and promotion expenses and other professional and legal expenses.
- ** The expenses of the issue of capital increase during 2017 include expenses for the increase of the share capital of the company, which represents registration and promotion expenses and other professional and legal expenses.

19. Operating revenue

| | 31 March 2019 | 31 March 2018 |
|---|--------------------------|--------------------------|
| Surgeries revenue | 35,895,861 | 32,313,636 |
| Accommodation and medical supervision revenue | 38,978,812 | 30,532,860 |
| Outpatient clinics revenue | 32,023,647 | 29,171,006 |
| Laboratories revenue | 17,829,298 | 13,854,840 |
| Emergency revenue | 11,143,128 | 10,550,995 |
| Cardiac catheterization revenue | 11,582,740 | 11,270,784 |
| Service charge revenue | 11,997,140 | 9,811,463 |
| Radiology revenue | 9,760,428 | 8,147,761 |
| Pharmacy revenue | 5,388,598 | 4,683,122 |
| Dentistry revenue | 3,103,719 | 2,829,627 |
| Physiotherapy revenue | 2,953,357 | 2,240,702 |
| Cardiac tests revenue | 1,886,819 | 1,050,013 |
| Endoscopy revenue | 1,211,605 | 1,194,015 |
| Other sections revenue | 10,155 | - |
| | 183,765,307 | 157,650,824 |

20. Operating costs

| | 31 March 2019 | 31 March 2018 |
|--|--------------------------|--------------------------|
| Doctors' fees | 39,423,741 | 37,012,425 |
| Medical and pharmaceutical supplies | 29,053,683 | 25,864,842 |
| Salaries, wages and benefits | 24,742,397 | 21,794,679 |
| Food, beverage and consumables costs | 4,472,661 | 3,830,670 |
| Maintenance, spare parts and energy expenses | 2,467,438 | 1,949,678 |
| Fixed assets depreciation | 3,051,618 | 2,552,877 |
| Other expenses | 1,770,080 | 882,908 |
| | 104,981,618 | 93,888,079 |

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

21. General and administrative expenses

| | <u>31 March 2019</u> | <u>31 March 2018</u> |
|---|--------------------------|--------------------------|
| Salaries, wages and benefits | 36,791,859 | 23,243,821 |
| Professional and consulting fees | 3,113,124 | 2,090,073 |
| Fixed assets depreciation | 931,100 | 273,747 |
| Maintenance, spare parts and energy expenses | 376,095 | 331,110 |
| Impairment of trade receivables | 10,498,469 | 940,601 |
| Rent | 792,623 | 283,689 |
| Food, beverage and consumables costs | 527,860 | 549,792 |
| Donations | 2,639,800 | 2,866,630 |
| Other expenses | 2,425,547 | 2,866,630 |
| Less: the Group's share of the Company's expenses | (19,320,423) | (11,574,846) |
| | <u>38,776,054</u> | <u>21,678,688</u> |

22. Expenses by nature

| | <u>31 March 2019</u> | <u>31 March 2018</u> |
|---|--------------------------|--------------------------|
| Salaries, wages and benefits* | 61,534,256 | 45,038,500 |
| Doctors' fees | 39,423,741 | 37,012,425 |
| Medical and pharmaceutical supplies | 29,053,683 | 25,864,842 |
| Food, beverage and consumables costs | 5,000,521 | 4,380,463 |
| Maintenance, spare parts and energy expenses | 2,843,533 | 2,280,788 |
| Fixed assets depreciation | 3,982,718 | 2,826,623 |
| Impairment of trade receivables | 10,498,469 | 940,601 |
| Donations | 2,639,800 | 2,866,630 |
| Other expenses | 8,101,374 | 5,930,741 |
| Less: the Group's share of the Company's expenses (Note 28) | (19,320,423) | (11,574,846) |
| | <u>143,757,672</u> | <u>115,566,767</u> |

*** Employees' costs**

| | <u>31 March 2019</u> | <u>31 March 2018</u> |
|----------------------|--------------------------|--------------------------|
| Salaries and wages | 34,997,890 | 27,394,437 |
| Employees' incentive | 22,321,073 | 11,354,667 |
| Social insurance | 1,950,656 | 1,605,706 |
| Employees' benefits | 2,264,637 | 4,683,690 |
| | <u>61,534,256</u> | <u>45,038,500</u> |

Other expenses item includes an amount of EGP 652,500 in 31 March 2019 (31 December 2018: EGP 454,000) as sitting allowance of the board members.

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Expenses by nature (continued)

Incentives include an amount of 20,788,008 (EGP 7,476,006: 31 March 2018) represents the amount of payments calculated on the basis of the difference between the weighted average market value of the Parent Company on 30 June 2020 during the six months preceding the date of the financial position and the share price On the 2nd of June 2016. And an amount of 1,533,065 (2,845,933 Egyptian pounds: 31 March 2018) represents the value of payments calculated on the basis of the difference between EBITDA Due on 30 June 2020 and 30 June 2016.

23. Other income

| | <u>31 March 2019</u> | <u>31 March 2018</u> |
|----------------------|--------------------------|--------------------------|
| Capital gain | 121,177 | 77,000 |
| Rent | 492,964 | 307,631 |
| Miscellaneous income | 42,238 | 1,951,017 |
| | <u>656,379</u> | <u>2,335,648</u> |

24. Finance income/ (expenses)

| | <u>31 March 2019</u> | <u>31 March 2018</u> |
|-------------------------------|--------------------------|--------------------------|
| Credit interest | 25,757,702 | 27,540,219 |
| Total finance income | <u>25,757,702</u> | <u>27,540,219</u> |
| Debit interest | (1,766,126) | (11,866,339) |
| Currency valuation difference | (1,037,457) | (36,421) |
| Total finance expenses | <u>(2,803,583)</u> | <u>(11,902,760)</u> |
| Net finance expenses | <u>22,954,119</u> | <u>(4,834,692)</u> |

25. Contribution in the comprehensive medical insurance plan

Represents the amount of Cleopatra Hospital contribution in the unified medical treatment plan with a percentage of 0.0025 from total profit which is regarding the period from 1 July 2018 to 31 December 2018 that is according to article No. 40 of law No. 2 of 2018 which is regarding the comprehensive health insurance plan.

| | <u>31 March 2019</u> | <u>31 March 2018</u> |
|----------------------------|--------------------------|--------------------------|
| Total profit | 183,765,307 | - |
| Percentage of contribution | 0.0025 | - |
| Total | <u>457,253</u> | <u>-</u> |

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26. Income tax

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

| | <u>31 March 2019</u> | <u>31 March 2018</u> |
|--|--------------------------|--------------------------|
| Current income tax for the period / year | 17,185,789 | 13,055,516 |
| Deferred tax (Note 27) | (269,617) | (839,760) |
| | <u>16,916,172</u> | <u>12,215,756</u> |

The tax on profit before tax theoretically differs from the amount expected to be earned by applying the average tax rate applicable to the Company's profits as follows:

| | <u>31 March 2019</u> | <u>31 March 2018</u> |
|--|--------------------------|--------------------------|
| Net profit before tax | 61,967,487 | 53,326,358 |
| Income tax calculated based on the applicable local tax rate | 13,942,685 | 11,998,431 |
| Add / (less): | | |
| Non-deductible expenses | 3,228,730 | 300,507 |
| Income not subject to tax | (255,243) | (83,181) |
| Income taxes | <u>16,916,172</u> | <u>12,215,756</u> |
| Effective tax rate | <u>27.30%</u> | <u>22.91%</u> |

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|--|--------------------------|-----------------------------|
| <u>Current income tax liabilities</u> | | |
| Balance at 1 January | 53,711,686 | 10,735,815 |
| Payments during the period / year | (45,700,000) | (10,735,815) |
| Advance payment during the period / year | - | (9,266,206) |
| Current period / year tax | 17,185,789 | 62,977,892 |
| | <u>25,197,475</u> | <u>53,711,686</u> |

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27. Deferred tax

| <u>Deferred tax assets</u> | <u>31 March 2019</u> | <u>31 December 2018</u> |
|---|---------------------------|-----------------------------|
| Provisions (excluding claims provision) | 1,162,925 | 1,084,894 |
| <u>Deferred tax liabilities</u> | | |
| Fixed assets depreciation | <u>(5,500,680)</u> | <u>(5,692,266)</u> |
| Deferred tax - liability | <u>(4,337,755)</u> | <u>(4,607,372)</u> |

The movement on the deferred income tax is as follows:

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|--|---------------------------|-----------------------------|
| Deferred tax assets | | |
| Balance at 1 January | 1,084,894 | 745,632 |
| Charged to the statement profit or loss | 78,030 | 339,262 |
| Balance at the end of the period / year | <u>1,162,924</u> | <u>1,084,894</u> |
| Deferred tax liabilities | | |
| Balance at 1 January | (5,692,266) | (4,444,216) |
| Charged to the statement of profit or loss | 191,587 | (1,248,050) |
| Balance at the end of the period / year | <u>(5,500,679)</u> | <u>(5,692,266)</u> |
| Net deferred tax liabilities | <u>(4,337,755)</u> | <u>(4,607,372)</u> |

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28. Related parties transaction

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

| The company's name | Nature of transaction | Transaction value | Balance due from / (to) related parties 31 March 2019 | Balance due from / (to) related parties 31 March 2018 |
|--|--|-------------------|---|---|
| Care HealthCare (Parent Company) | Expenses paid on behalf of the Parent Company | - | 3,876,981 | 3,876,981 |
| Nile Badrawi Hospital (Subsidiary) | The Group's share of the Company's expenses | 6,312,222 | 4,533,255 | 785,874 |
| | Expenses paid by the parent Company on behalf of the Company (Consulting) | 133,725 | - | - |
| | Income from medical activity | 66,232 | - | - |
| | Expense from medical activity | 119,364 | - | - |
| | | | | |
| Cairo Specialised Hospital (Subsidiary) | The Group's share of the Company's expenses | 7,183,823 | 5,266,433 | 755,551 |
| | Expenses from medical activity | 445,036 | - | - |
| | Expenses paid on behalf of the parent Company for the Company (Consulting) | 154,554 | - | - |
| | Income from medical activity | 126,159 | - | - |
| | Other income (rents) | 42,912 | - | - |
| Al Shorouk Hospital (Subsidiary) | The Group's share of the Company's expenses * | 5,824,379 | 4,176,376 | (25,369) |
| | Expenses paid on behalf of the parent Company for the Company (Consulting) | 133,726 | - | - |
| | Expenses from medical activity | 38,590 | - | - |
| CHG for medical services (Subsidiaries) | Expenses on behalf of the company | 7,035,433 | 7,035,433 | - |
| CHG Pharma for pharmacies management (Subsidiary) | Capital | 449,970 | 449,970 | - |
| | | | 25,338,448 | 7,893,984 |

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

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29. Commitments

Capital commitments:

The capital commitments related to fixed assets at financial year end is EGP 8,420,282 (31 December 2018: EGP 2,749,150).

| | <u>31 March 2019</u> | <u>31 December 2018</u> |
|-------------------|--------------------------|-----------------------------|
| From 1 to 3 years | 31,318,858 | 388,360 |
| From 3 to 5 years | 34,166,027 | - |
| More than 5 years | 139,511,277 | - |

30. Tax position

(1) Corporate tax

- Inspection was made up to 31 December 2014, and a clearance certificate was obtained from the Tax Authority.
- Tax returns were filed regularly in the legal deadlines.
- 2015 and 2016 were inspected and an internal committee was established and the amount were fully paid .
- 2017 and 2018 inspection is being processed.

(2) Salaries tax

- Inspection was made up to 31 December 2013, and all tax payables were settled, and a clearance certificate was obtained from the Tax Authority.
- Tax on earnings was inspected for 2014, and an internal committee is being formed. Model 9 / A was obtained and it was explained that the tax was paid in full.
- 2015 and 2016 were inspected and the amount were fully paid.
- 2017 and 2018 inspection is being processed.

(3) 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 was made by the company on 3 May 2015 and the amount was paid.
- Years from 2014 to 2017 inspection is being processed.

(4) VAT

- Inspection was made up to 31 December 2004.
- Inspection was made for sales tax from 2005 to 2015 and differences were settled.
- Inspection for 2016, 2017 and 2018 was not made.
- Tax returns were filed regularly in the legal deadline.

(5) Advances to tax authority

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