

CLEOPATRA HOSPITAL COMPANY "S.A.E."

**LIMITED REVIEW REPORT AND
THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED
30 SEPTEMBER 2019**

CLEOPATRA HOSPITAL "S.A.E."

Separate financial statements - For the nine months period ended 30 September 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 30 September 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 nine-month period then ended and a summary of the significant accounting policies and other explanatory notes, The management is responsible for the preparation and fair presentation of these interim 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 30 September 2019, its financial performance and cash flows for the nine-month period then ended in accordance with the Egyptian Accounting Standards.

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

23 November 2019
Cairo



CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Interim separate statement of financial position - At 30 September 2019

(All amounts in Egyptian Pounds)

	Note	30 September 2019	31 December 2018
Assets			
Non-current assets			
Fixed assets	6	164,618,335	107,151,206
Investments in subsidiaries	7	681,110,259	606,165,259
Advance payments for investment	8	278,630,000	143,550,000
Goodwill	9	14,071,000	-
Total non-current assets		1,138,429,594	856,866,465
Current assets			
Paid under capital increase in subsidiaries	31	148,473,511	-
Inventories	10	17,172,179	16,493,555
Trade receivables	11	136,023,331	140,183,957
Due from related parties	28	86,431,132	7,919,353
Debtors and other debit balances	12	23,198,959	33,937,821
Cash on hand and at banks	13	406,814,405	839,609,206
Total current assets		818,113,517	1,038,143,892
Total assets		1,956,543,111	1,895,010,357
Equity and Liabilities			
Equity			
Share capital	18	800,000,000	800,000,000
Reserves	19	359,216,308	349,003,411
Retained earnings		501,560,568	397,711,251
Total equity		1,660,776,876	1,546,714,662
Liabilities			
Non-current liabilities			
Non-current portion of borrowings	16	-	67,879,332
Deferred income tax liabilities	27	6,240,552	4,607,372
Total non-current liabilities		6,240,552	72,486,704
Current liabilities			
Provisions	14	4,843,933	6,434,492
Due to related parties	28	-	25,369
Creditors and other credit balances	15	129,685,834	143,181,232
Current portion of borrowings	16	-	27,223,715
Employees incentive plan	17	117,894,994	45,232,497
Current income tax liabilities	26	37,100,922	53,711,686
Total current liabilities		289,525,683	275,808,991
Total liabilities		295,766,235	348,295,695
Total equity and liabilities		1,956,543,111	1,895,010,357

- The accompanying notes on pages 7 - 41 from an integral part of these financial statement.

Mr. Ahmed Adel Badr Eldin
Non Executive Chairman

Dr. Ahmed Ezz Eldin Mahmoud
CEO & Managing Director

Mr. Ahmed Gamal
Group CFO

21 November 2019

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Interim separate statement of profit or loss
For the nine months period ended 30 September 2019

(All amounts in Egyptian Pounds)

	Note	Six months ended		Three months ended	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
Operating revenue	20	560,437,260	493,562,983	197,583,503	185,697,884
Less:					
Operating costs	21	(329,380,092)	(290,346,658)	(110,237,814)	(105,462,666)
Gross profit		231,057,168	203,216,325	87,345,689	80,235,218
Add / (Less)					
General and administrative expenses	22	(109,988,533)	(63,447,437)	(30,218,353)	(22,681,863)
Acquisition costs		(4,433,551)	(4,573,429)	(3,825,761)	(289,638)
Provisions	14	638,791	(3,264,029)	1,081,468	580,507
Other income	24	10,833,056	2,922,006	1,203,459	307,984
Finance income	25	61,863,475	86,035,397	13,900,028	29,149,838
Finance expenses	25	(4,665,692)	(30,271,748)	(729,839)	(8,852,443)
Profit for the period before income tax		185,304,714	190,617,085	68,756,691	78,449,603
Current tax	26	(46,588,082)	(42,965,463)	(15,185,662)	(17,237,363)
Deferred tax	27	(1,633,180)	(411,731)	(1,282,649)	(878,120)
Profit after income tax		137,083,452	147,239,891	52,288,380	60,334,120

- The accompanying notes on pages 7 - 41 from an integral part of these financial statement.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Interim separate statement of comprehensive income
For the nine months period end

(All amounts in Egyptian Pounds)

	Six months ended		Three months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Profit for the period	137,083,452	147,240,891	52,288,380	60,334,120
Other comprehensive income	-	-	-	-
Comprehensive income for the period	137,083,452	147,240,891	52,288,380	60,334,120

- The accompanying notes on pages 7 - 41 from an integral part of these financial statement.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)**Interim separate statement of changes in equity
For the nine months period ended 30 September****(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	-	4,127,298	(4,127,298)	-
Other reserves	-	(95,774)	-	(95,774)
Comprehensive income for the period	-	-	147,240,891	147,240,891
Balance at 30 September 2018	800,000,000	349,003,411	340,694,199	1,489,697,610
Balance at 1 January 2019	800,000,000	349,003,411	397,711,251	1,546,714,662
Dividends for employees	-	-	(23,021,238)	(23,021,238)
Legal reserve	-	10,212,897	(10,212,897)	-
Comprehensive income for the period	-	-	137,083,452	137,083,452
Balance at 30 September 2019	800,000,000	359,216,308	501,560,568	1,660,776,876

- The accompanying notes on pages 7 - 41 from an integral part of these financial statement.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Interim separate statement of cash flows
For the nine months period ended 30 September 2019

(All amounts in Egyptian Pounds)	Note	30 September 2019	30 September 2018
Cash flows from operating activities			
Profit before tax		185,304,714	190,618,085
Adjustments to reconcile net income to cash flows from operating activities			
Fixed assets depreciation	6	15,273,594	8,473,885
Gain from sale of fixed assets	24	(121,177)	(77,000)
Impairment of trade receivables	11	17,950,526	881,330
Provisions	14	(638,791)	3,264,029
Interests and commissions	25	1,926,854	30,271,748
Interest income	25	(61,863,475)	(86,035,397)
Employee incentive plan	17	72,662,497	16,817,577
Operating profits before changes in assets and liabilities		230,494,742	164,214,257
Changes in assets and liabilities			
Change in inventories	10	595,376	(2,138,650)
Change in trade receivables	11	(13,789,901)	(55,835,547)
Change in due from related parties	28	(78,456,779)	(7,488,256)
Change in debtors and other debit balances		14,693,658	(5,875,079)
Change in creditors and other credit balances		(1,544,866)	27,530,505
Change in due to related parties		(25,369)	-
Provision utilized		(951,768)	(2,981,446)
Tax paid		(63,198,846)	(15,297,193)
Net cash flows (used in) / generated from operating activities		87,816,247	102,128,591
Cash flows from investing activities			
Payments for purchase of fixed assets	6	(17,919,163)	(14,588,728)
Payments for projects under construction	6	(46,286,418)	(332,301)
Proceeds from sale of fixed assets		153,035	77,000
Advance payment for purchase of fixed assets		(794,450)	(7,690,449)
Interest income		59,791,129	86,081,039
Paid under capital increase in subsidiaries		(148,473,511)	-
Payments for business acquisition	8	(100,000,000)	-
Deposits with a maturity of more than 3 months from the date of placement	13	(135,080,000)	-
Net cash flows used in investing activities		(388,609,378)	63,546,561
Cash flows from financing activities			
Proceeds from bank overdraft	14	7,149,527	26,595,771
Interests and commissions paid		(14,285,821)	(44,552,385)
Payments for bank overdraft	14	(102,252,574)	(183,429,091)
Dividends paid		(22,612,802)	(14,864,107)
Net cash flows used in financing activities		(132,001,670)	(216,249,812)
Change in cash and cash equivalents during the period		(432,794,801)	(50,574,660)
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	13	406,814,405	870,356,877

- The accompanying notes on pages 7 - 41 from an integral part of these financial statement.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the nine months period ended 30 September 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 September 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 July 11, 2019, the shareholding of CARE Health Care LTD changed to 38.87%

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 August 6, 2017 CHG Medical Services was established with a capital of LE 250,000 and on March 22, 2018, the Extraordinary General Assembly approved the amendment of some articles of the company's articles of association as follows:

- Amending the authorized capital from 250,000 LE to 2.000.000 LE, the issued and the paid up from LE 250.000 to LE 312.500 with a value of LE 10 per share.
- The capital was underwritten by Cleopatra Hospital Company through preferred shares that entitles the owner to three times the ordinary share in the profits and voting on the decisions of the association.

On December 23, 2018, CHG Pharma was established to manage pharmacies with a capital of LE 250,000 and Cleopatra Hospital Company's contribution is 98% of the capital.

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 21 November 2019.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the nine months period ended 30 September 2019

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

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).

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 30 September 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.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the nine months period ended 30 September 2019

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

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 six 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.

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’.

This standard is effective for annual periods beginning on or after 1 January 2020, with early adoption permitted for entities applying Egyptian Accounting Standard 48, “Revenue from Contracts with Customers”.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the nine months period ended 30 September 2019

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

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.

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.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the nine months period ended 30 September 2019

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

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:

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

(3) Impairment of financial assets:

Assets recognised at amortised cost

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

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

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the nine months period ended 30 September 2019

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

Financial assets (continued)

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.

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.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the nine months period ended 30 September 2019

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

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.

System elements

Each beneficiary shall be given units of monetary reward or a fixed percentage 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.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the nine months period ended 30 September 2019

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

Employees' benefits (continued)

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 30 June 2020 and the share price at the date of its public offering on the Stock Exchange on 2 June 2016.
- B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 30 June 2020 and 30 Ujne 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.

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.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the nine months period ended 30 September 2019

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

Revenue recognition (continued)

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.

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 nine months from the date of placement.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

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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 values are engaged in the valuation of significant assets, the criteria for selecting the value include their knowledge of the market, reputation, independence and compliance with the professional standards, the management determines the valuation techniques that should be applied on a case by case basis.

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

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

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Fair value of financial instruments (continued)

The financial instruments are measured according to Level No, 2, and there is no difference between book value and fair value 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.

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
US Dollar	25,673,962	31,092,868
Pound	918	1,569
Euro	296,011	312,686

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

Financial risk management (continued)

At 30 September 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>30 September</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
US Dollar	2,567,296	3,109,287
Pound	92	157
Euro	29,601	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 claim 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:

	30 September 2019	31 December 2018
Cash at banks	406,147,677	838,981,914
Trade receivables	158,350,116	144,560,215
Due from related parties	86,431,132	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
30 September 2019				
Accrued expenses	50,230,762	16,590,200	-	-
Suppliers and notes payable	37,427,705	21,760,682	-	-
	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	-	-
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.

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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 30 September 2019 and 31 December 2018 is as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Borrowings	-	95,103,047
Creditors and other credit balances	129,685,834	143,181,232
Employee incentive plan	117,894,994	45,232,497
Due to related parties	-	25,369
Less: Cash at banks and on hand	<u>(406,814,405)</u>	<u>(839,609,206)</u>
Net debt	(159,233,577)	(556,067,061)
Total shareholders' equity	<u>1,660,776,876</u>	<u>1,546,714,662</u>
Total Capital	<u>1,501,543,299</u>	<u>990,647,601</u>
Net debts to total capital ratio	(11%)	(56%)

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.

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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 September 2020 and 30 September 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 30 June 2020 and the share price at the date of its public offering on the Stock Exchange on 2 June 2016.
- B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 30 June 2020 and 30 June 2016.

Liabilities are estimated at each financial position date based on the present value of the expected cash flows discounted at market rate of return.

These estimates are calculated by an independent expert and include the impact of market conditions using the total shareholders return (TSR) as well as other non-market conditions using earnings 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.

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5. Segment reporting

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

Below is a summary of each segment, which is presented for the nine months period ended 30 September 2019 for each segment:

	Cleopatra Hospital	Queens Hospital	Consolidated adjustment	Total
Statement of financial position				
Non-current assets	1,138,429,594	-	-	1,138,429,594
Current assets	817,070,901	6,288,468	(5,245,852)	818,113,517
Total assets	1,955,500,495	6,288,468	(5,245,852)	1,956,543,111
Current liabilities	286,769,763	8,001,772	(5,245,852)	289,525,683
Non-current liabilities	6,240,552	-	-	6,240,552
Total Liabilities	293,010,315	8,001,772	(5,245,852)	295,766,235
Statement of profit or loss:				
Operating revenue	550,328,721	10,108,539	-	560,437,260
Operating costs	(318,693,372)	(10,686,720)	-	(329,380,092)
Gross profit	231,635,349	(578,181)	-	231,057,168
Other expenses and revenues	(92,838,593)	(1,135,123)	-	(93,973,716)
Profit for year	138,796,756	(2,291,485)	-	137,083,452
Other Items				
Capital expenditure	72,772,581	-	-	72,772,581
Fixed assets depreciation	(15,273,594)	-	-	(15,273,594)

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6. 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 30 September 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	-	17,086,986	315,637	748,417	-	5,376,261	2,861,786	97,076	46,286,418	72,772,581
Disposals	-	-	(136,758)	-	-	(618,000)	-	-	-	(754,758)
Transfer from project under construction	-	15,864,713	332,273	1,609,077	1,382,189	406,500	4,635,231	26,091,668	(50,321,651)	-
Depreciation for the year	-	(6,440,183)	(813,209)	(814,037)	(2,278,039)	(514,965)	(3,066,924)	(1,346,237)	-	(15,273,594)
Accumulated depreciation of disposals	-	-	104,900	-	-	618,000	-	-	-	722,900
Closing net book amount	14,967,000	77,039,109	1,283,640	4,382,643	20,085,567	5,931,003	14,507,941	26,391,432	-	164,618,335
At 30 September 2019										
Cost	14,967,000	143,651,378	5,703,268	10,417,031	45,371,408	7,777,342	22,093,193	28,449,260	-	278,429,880
Accumulated depreciation	-	(66,582,269)	(4,419,628)	(6,034,388)	(25,285,841)	(1,846,339)	(7,585,252)	(2,057,828)	-	(113,811,545)
Net book amount	14,967,000	77,069,109	1,283,640	4,382,643	20,085,567	5,931,003	14,507,941	26,391,432	-	164,618,335

- 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 1,106,608 which represents the depreciation of the acquired assets for the period from 18 March 2019 till 30 September 2019,

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7. Investments in subsidiaries

	Percentage of investment	Country of incorporation	30 September 2019	31 December 2018
Investments in Nile Badrawi Hospital Co.	99.92%	Egypt	259,004,947	259,004,947
Investments in Al-Shorouk Hospital Co.	99.99%	Egypt	314,142,000	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	62,500	112,500
Investments in CHG Pharma for pharmacies management	98%	Egypt	245,000	250,000
			681,110,259	606,165,259

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 six times of the ordinary share in profits and voting power on the decisions of the general meeting.

On April 7, 2019, the Extraordinary General Assembly of Al-Shorouk Hospital Company agreed to increase the authorized capital from LE 50 million to LE 300 million and the issued from LE 25 million to LE 205 million. The amounts paid amounted to LE 100 million.

8. Advance payment for investments

	30 September 2019	31 December 2018
Advance payment for purchase of investments	278,630,000	143,550,000
	278,630,000	143,550,000

On 31 August 2017, the Company entered into an initial (conditional) contract for the purchase of the land and the private building in an EL Kahteb 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. On 7 August 2019, Cleopatra Hospital Company signed a contract to transfer the activity of Al-Kateb Hospital from the Egyptian Hospitals Company. Accordingly, an amount of EGP 135,080,000 was deposited under an intermediary account contract concluded on 7 August 2019.

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9. Business combination process and Intangible assets

	<u>Goodwill</u>	<u>30 September 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 LE 10,108,539, the net loss for this period amounted to LE 1,713,304.

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 acquiree 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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10. Inventories

	<u>30 September 2019</u>	<u>31 December 2018</u>
Medical supply inventory	10,278,409	9,283,064
Medicine inventory	4,741,896	5,232,879
Maintenance and spare parts inventory	1,196,525	1,235,788
Hospitality supplies inventory	432,938	324,856
Stationary inventory	450,720	396,890
Food and beverage inventory	71,691	20,078
	<u>17,172,179</u>	<u>16,493,555</u>

11. Trade receivables

	<u>30 September 2019</u>	<u>31 December 2018</u>
Due from customers	154,925,650	141,510,271
Income from inpatients	3,424,466	3,049,944
	<u>158,350,116</u>	<u>144,560,215</u>
Less:		
Impairment of customers' balances	(22,326,785)	(4,376,258)
	<u>136,023,331</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>30 September 2019</u>	<u>31 December 2018</u>	<u>30 September 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	30,946,088	6,754,123	5,142,728
Provision used during the period / year	-	(1,057,314)	(1,057,314)
Provisions no longer required during the period / year	(12,995,561)	(3,870,144)	(3,204,084)
Balance at the end of the period / year	<u>22,326,785</u>	<u>4,376,258</u>	<u>3,430,923</u>

- Trade receivable balances, which have not been due till the financial position date and have no impairment indicators. Amounted to EGP 92,270,141 (31 December 2018: EGP 67,139,938).
- At the financial position date. The balances that were past due but not impaired amounted to EGP 57,682,421 (31 December 2018: EGP 54,485,531). The analysis of these balances' useful lives is as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Less than one month	26,940,480	27,502,164
From one to five months	29,552,455	26,983,367

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Trade receivables (continued)

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 32,630,084 (31 December 2018: EGP 19,884,802).

12. Debtors and other debit balances

	<u>30 September 2019</u>	<u>31 December 2018</u>
Advances to suppliers	5,575,462	19,535,217
Prepaid expenses	11,209,973	10,121,778
Withholding taxes	136,904	122,361
Deposits with others	3,525,093	2,823,093
Due from employees	603,437	455,888
Accrued interest income	416,736	381,858
Other debtors	1,731,354	497,626
	<u>23,198,959</u>	<u>33,937,821</u>

13. Cash on hand and at banks

	<u>30 September 2019</u>	<u>31 December 2018</u>
Current accounts	313,439,677	808,604,104
Cash on hand	666,728	627,292
Time deposits	92,708,000	30,377,810
	<u>406,814,405</u>	<u>839,609,206</u>

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

Time deposits at 30 September 2019 equivalent to EGP 22,708,800 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 12% (31 December 2018: 14%).

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14. Provisions

	<u>30 September 2019</u>	<u>31 December 2018</u>
Provisions for human resources	3,638,192	4,821,751
Provision for claims	1,205,741	1,612,741
	<u>4,843,933</u>	<u>6,434,492</u>

The movement of provisions during the year is as follows:

	<u>30 September 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 30 September 2019</u>
Provisions for human resources	4,821,751	6,238,241	(544,768)	(6,877,032)	3,638,192
Provision for claims	1,612,741	-	(407,000)	-	1,205,741
Total	<u>6,434,492</u>	<u>6,238,241</u>	<u>(951,768)</u>	<u>(6,877,032)</u>	<u>4,843,933</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>

	<u>30 September 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	3,313,920	8,660,725	(2,981,446)	(5,396,696)	3,596,503
Provision for claims	3,108,668	-	-	-	3,108,668
Total	<u>6,422,588</u>	<u>8,660,725</u>	<u>(2,981,446)</u>	<u>(5,396,696)</u>	<u>6,705,171</u>

Provision for human resources

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

Provisions for claims

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

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15. Creditors and other credit balances

	<u>30 September 2019</u>	<u>31 December 2018</u>
Accrued expenses	66,820,962	78,067,713
Suppliers and notes payable	59,188,387	61,938,307
Social insurance	1,149,129	854,554
Other creditors	2,527,356	2,320,658
	<u>129,685,834</u>	<u>143,181,232</u>

16. Borrowings

	<u>30 September 2019</u>		
	<u>Current portion</u>	<u>Non-current portion</u>	<u>Total</u>
Bank overdraft	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
	<u>31 December 2018</u>		
	<u>Current portion</u>	<u>Non-current portion</u>	<u>Total</u>
Bank overdraft	-	-	-
Loans	27,223,715	67,879,332	95,103,047
Total	<u>27,223,715</u>	<u>67,879,332</u>	<u>95,103,047</u>

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, in addition to the relevant accrued interest, 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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17. Employee incentive plan

	30 September 2019	31 December 2018
Employee incentive plan	117,894,994	45,232,497
Total	117,894,994	45,232,497

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

	Balance at 1 January 2019	Formed during the period	Balance at 30 September 2019
Employee incentive plan	45,232,497	72,662,497	117,894,994
Total	45,232,497	72,662,497	117,894,994

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

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

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 30 June 2020 during the nine months preceding the date of the financial position and the share price at the date of its offering on the Stock Exchange on 2 June 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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18. Share capital

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 favour 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.

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

On July 11, 2019, CARE Health Care Ltd sold 504 million shares of its shares in Cleopatra Hospital Company. Its share capital reached 38.87% and the shareholders' structure is as follows:

<u>Name</u>	<u>Percentage of ownership</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd.	37.87%	605,969,377	302,984,689
Other shareholders	62.13%	994,030,623	497,015,311
Total	100%	1,600,000,000	800,000,000

19. Reserves

	<u>30 September 2019</u>	<u>31 December 2018</u>
Legal reserve	64,340,195	54,127,298
Special reserve	47,379,722	47,379,722
Other reserves	247,496,391	247,496,391
Total	359,216,308	349,003,411

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Reserves (continued)

19.1 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:

	30 September 2019		
	Balance at the beginning of the year	Formed during the year	Balance at the end of the year
Legal reserve	54,127,298	10,212,897	64,340,195
Total	54,127,298	10,212,897	64,340,195
	31 December 2018		
	Balance at the beginning of the year	Formed during the year	Balance, at the end of the year
Legal reserve	50,000,000	4,127,298	54,127,298
Total	50,000,000	4,127,298	54,127,298

19.2 Special reserve

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

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

	30 September 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

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Reserves (continued)

19.3 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:

	30 September 2019		
	Balance at the beginning of year	Formed during the year	Balance. at the end of year
Other reserves	247,592,165	-	247,592,165
Total	247,592,165	-	247,592,165
	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

* 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.

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20. Operating revenue

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Surgeries revenue	119,198,482	104,019,747	45,824,225	42,367,306
Accommodation and medical supervision revenue	112,194,060	97,304,781	36,680,344	36,907,082
Outpatient clinics revenue	95,642,060	85,168,426	34,213,558	30,377,088
Laboratories revenue	53,052,697	44,112,263	17,136,109	16,260,795
Emergency revenue	33,929,126	31,351,017	11,606,115	11,245,246
Cardiac catheterization revenue	34,785,899	37,505,890	12,364,296	13,259,821
Service charge revenue	37,963,288	31,737,660	13,792,494	12,592,314
Radiology revenue	30,549,223	25,828,582	10,943,091	9,723,710
Pharmacy revenue	15,824,418	13,651,906	5,404,465	4,603,418
Dentistry revenue	9,078,368	7,998,153	3,192,546	2,862,405
Physiotherapy revenue	8,291,957	6,975,552	2,827,952	2,696,057
Cardiac tests revenue	5,489,988	4,390,747	1,873,960	1,536,154
Endoscopy revenue	4,437,694	3,518,259	1,724,348	1,266,488
	560,437,260	493,562,983	197,583,503	185,697,884

21. Operating costs

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Doctors' fees	118,124,667	109,359,587	42,294,432	39,131,557
Medical and pharmaceutical supplies	87,029,034	78,315,508	29,283,114	26,372,801
Salaries, wages and benefits	75,817,359	66,616,023	24,734,891	21,984,627
Maintenance, spare parts and energy expenses	9,253,673	6,624,465	4,350,822	2,707,718
Food, beverage and consumables costs	14,306,129	11,924,052	5,121,121	4,380,571
Fixed assets depreciation	12,149,475	6,643,153	4,421,210	2,166,440
Other expenses	13,699,755	10,863,870	32,224	8,718,952
	329,380,092	290,346,658	110,237,814	105,462,666

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22. General and administrative expenses

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Salaries, wages and benefits	122,671,655	56,124,058	38,348,528	15,193,756
Professional and consulting fees	7,163,133	8,800,982	1,842,250	2,941,018
Impairment of trade receivables	17,950,523	1,938,644	934,917	1,949,286
Fixed assets depreciation	3,124,119	1,830,732	1,116,205	770,410
Food, beverage and consumables costs	1,566,741	1,687,830	502,657	654,736
Maintenance, spare parts and energy expenses	1,411,505	1,192,610	285,312	511,526
Rent	2,318,124	1,541,338	772,332	448,065
Donations	7,942,183	8,599,830	2,654,583	2,866,600
Other expenses	11,374,378	9,770,162	4,798,604	4,382,908
	175,522,361	91,486,186	51,255,388	29,718,305
Less: the Group's share of the Company's expenses	(65,533,828)	(28,038,750)	(21,037,035)	(7,036,443)
	109,988,533	63,447,436	30,218,353	22,681,862

23. Expenses by nature

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Salaries, wages and benefits*	198,489,014	122,740,081	63,083,419	37,178,383
Doctors' fees	118,124,667	109,359,587	42,294,432	39,131,557
Medical and pharmaceutical supplies	87,029,034	78,315,508	29,283,114	26,372,801
Maintenance, spare parts and energy expenses	10,665,178	7,817,075	4,636,134	3,219,244
Food, beverage and consumables costs	15,872,870	13,611,882	5,623,778	5,035,307
Fixed assets depreciation	15,273,594	8,473,885	5,537,415	2,936,850
Impairment of trade receivables	17,950,523	1,938,644	934,917	1,949,286
Donations	7,942,183	8,599,830	2,654,583	2,866,600
Other expenses	33,555,390	30,976,352	7,445,410	16,490,943
	504,902,453	381,832,844	161,493,202	135,180,971
Less: the Group's share of the Company's expenses	(65,533,828)	(28,038,750)	(21,037,035)	(7,036,443)
	439,368,625	353,794,094	140,456,167	128,144,528

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Expenses by nature (continued)

* Employees' costs

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Salaries and wages	184,936,287	106,734,767	58,240,746	30,178,162
Social insurance	6,375,435	4,846,352	2,227,178	1,614,068
Employees' benefits	7,177,292	11,158,962	2,615,495	3,241,338
	198,489,014	122,740,081	63,083,419	35,033,568

Other expenses item includes an amount of EGP 2,800,000 in 30 September 2019 (31 December 2018: EGP 1,090,000) as sitting allowance of the board members.

Incentives include an amount of 66,798,059 (EGP 10,876,398: 30 September 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 nine months preceding the date of the financial position and the share price On the 2nd of September 2016. And an amount of 5,864,438 (4,014,053 Egyptian pounds: 30 September 2018) represents the value of payments calculated on the basis of the difference between EBITDA Due on 30 June 2020 and 30 June 2016.

24. Other income

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Rent	9,501,412	857,407	1,106,526	262,473
Capital gain	121,177	77,000	-	-
Miscellaneous income	1,210,467	1,987,599	96,933	45,511
	10,833,056	2,922,006	1,203,459	307,984

25. Finance income/ (expenses)

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Credit interest	61,863,475	86,035,397	13,900,028	29,149,838
Total finance income	61,863,475	86,035,397	13,900,028	29,149,838
Debit interest	(1,926,854)	(30,268,198)	-	(8,872,289)
Currency valuation difference	(2,738,838)	(3,550)	(729,839)	19,846
Total finance expenses	(4,665,692)	(30,271,748)	(729,839)	(8,852,443)
Net finance expenses	57,197,783	55,763,649	13,170,189	20,297,395

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26. Income tax

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

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Current income tax for the period / year	46,588,082	42,965,463	15,185,662	17,237,363
Deferred tax	1,632,180	411,731	1,282,649	878,120
	48,221,262	43,377,194	16,468,311	18,115,483

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

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Net profit before tax	185,304,714	190,618,085	68,756,691	78,449,603
Income tax calculated based on the applicable local tax rate	41,693,561	42,889,069	15,470,256	17,651,161
Add / (less):				
Non-deductible expenses	9,451,209	1,209,044	1,816,318	553,863
Income not subject to tax	(2,924,001)	(720,919)	(818,756)	(89,541)
Income taxes	48,221,262	43,377,194	16,468,311	18,115,483
Effective tax rate	26.02%	22.80%	23.95%	23.21%

	30 September 2019	31 December 2018
<u>Current income tax liabilities</u>		
Balance at 1 January	53,711,686	10,735,815
Payments during the period / year	(53,854,362)	(10,735,815)
Advance payment during the period / year	(9,344,484)	(9,266,206)
Current period / year tax	46,588,082	62,977,892
	37,100,922	53,711,686

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27. Deferred tax

<u>Deferred tax assets</u>	30 September 2019	31 December 2018
Provisions (excluding claims provision)	818,593	1,084,894
<u>Deferred tax liabilities</u>		
Fixed assets depreciation	(7,059,145)	(5,692,266)
Deferred tax - liability	(6,240,552)	(4,607,372)

The movement on the deferred income tax is as follows:

	30 September 2019	31 December 2018
Deferred tax assets		
Balance at 1 January	1,084,894	745,632
Charged to the statement profit or loss	(266,301)	339,262
Balance at the end of the period / year	818,593	1,084,894
Deferred tax liabilities		
Balance at 1 January	(5,692,266)	(4,444,216)
Charged to the statement of profit or loss	(1,366,879)	(1,248,050)
Balance at the end of the period / year	(7,059,145)	(5,692,266)
Net deferred tax liabilities	(6,240,552)	(4,607,372)

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

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 30 September 2019	Balance due from / (to) related parties 30 September 2018
Care HealthCare (Parent Company)	Expenses paid on behalf of the Parent Company	896,864	4,773,845	3,876,981
Nile Badrawi Hospital (Subsidiary)	The Group's share of the Company's expenses	20,703,630	1,850,024	785,874
	Loans	50,000,000	50,000,000	-
	Loan's interests	2,607,083	-	-
	Income from medical activity	70,373	-	-
	Expense from medical activity	123,615	-	-
Cairo Specialised Hospital (Subsidiary)	The Group's share of the Company's expenses	23,798,408	2,277,322	75,551
	Expenses from medical activity	1,572,854	(17,170)	-
	Income from medical activity	595,183	-	-
	Other income (rents)	-	-	-
Al Shorouk Hospital (Subsidiary)	The Group's share of the Company's expenses *	19,800,444	1,615,790	(25,369)
	Expenses from medical activity	56,026	-	-
	Income from medical activity	30,040	-	-
CHG for medical services (Subsidiaries)	Expenses on behalf of the company	-	22,665,425	3,180,946
	The Group's share of the Company's expenses *	1,033,063	201,336	-
CHG Pharma for pharmacies management (Subsidiary)	Expenses on behalf of the company	-	2,608,234	-
	The Group's share of the Company's expenses *	198,282	27,156	-
Other parties	Expenses on behalf of related parties	-	254,990	-
			86,431,132	7,893,983

- * 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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Related parties transactions (continued)

The due from Badrawi Nile Hospital Company includes the amount of 50,000,000 Egyptian pounds represented in the value of a short-term loan granted by the company to the Nile Badrawi Hospital Company to meet the financial burdens and obligations related to the investment plan and the capital expenditure of the company provided that this loan be repaid within 6 months from the date of receipt. The amount of financing is calculated as a return of 1.9% in addition to the lending rate announced by the Central Bank (Corridor) and is repaid monthly. The payment was received on 19 September 2019.

29. Commitments

Capital commitments:

The capital commitments related to fixed assets at financial year end is EGP 3,814,900 (31 December 2018: EGP 2,749,150).

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 and an internal committee 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 salaries 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 were inspected and an internal committee was held, the amount were fully paid.

(3) Stamp duty tax

- Inspection was made up to 31 July 2006 and tax was paid.
- 2013 were inspected, the amount were fully 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.

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31. Subsequent events

On November 1, 2019, the Cleopatra Hospital Company received the activity of "El Kateb" hospital from the Egyptian Company for Hospitals and will be consolidated starting from the fourth quarter during 2019.

In accordance with the decision of the Board of Directors of Cairo Specialized Hospital Company on 13 March 2019 and the approval of the Board of Directors of Cleopatra Hospital Company on 14 March 2019, it was subscribed to increase the capital of Cairo Specialized Company by 50 million EGP to become 76,519,660 EGP. On November 14, 2019, the capital increase amount was paid and the notation in the commercial register was done, hence the paid up capital reached EGP 76,519,960. The share of Cleopatra Hospital Company amounted to EGP 27,473,511.

- In accordance with the decision of the Board of Directors of Nile Badrwai Hospital on 13 March 2019 and the approval of the Board of Directors of Cleopatra Hospital Company on 14 March 2019, it was subscribed to increase the capital of Nile Badrawi Company by 180 million Egyptian pounds to become 200 million Egyptian pounds, it was underwritten to increase the capital by 121 million EGP to become 141 million EGP. On November 14, 2019, the capital increase amount was paid and the notation in the commercial register was done, hence the paid up capital reached EGP 141 million.

<u>Name</u>	<u>Total capital increase</u>	<u>Cleopatra Hospital company share in capital increase</u>
Cairo Specialized Hospital Company	50,000,000	27,473,511
Nile Badrawi Hospital Company	121,000,000	121,000,000
Total	171,000,000	148,473,511