

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES  
"EGYPTIAN JOINT STOCK COMPANY"**

**LIMITED REVIEW REPORT  
AND THE CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE THREE-MONTH PERIOD  
ENDED AT 31 MARCH 2017**



**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS  
"EGYPTIAN JOINT STOCK COMPANY"**

**Consolidated interim financial statements - For the three-month period ended 31 March 2017**

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## Limited Review Report for the Interim Financial Statements

To: **The Shareholders of Cleopatra Hospital (S.A.E.) and its subsidiaries**

### Introduction

We have performed a limited review for the accompanying consolidated interim financial statements of Cleopatra Hospital (S.A.E.) and its subsidiaries (the "Group") which comprise the consolidated interim statement of financial position as at 31 March 2017 and the related consolidated interim statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three -month period then ended, and a summary of significant accounting policies and other notes. The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is limited to express an opinion on these consolidated financial statements based on our limited review.

### Scope of the limited review

We conducted our limited review in accordance with the 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 the consolidated 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 consolidated financial statements.

### Conclusion

In light of our limited review, nothing has come to our attention which causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 31 March 2017, and its financial performance, and its cash flows for the three-month period then ended in accordance with the Egyptian Accounting Standards.

Basma Samra  
Member of the Egyptian Society of Accountants & Auditors  
Member of the Egyptian Tax Society  
R.A.A. 6588  
EFSA Registration 137  
Mansour & Co. PricewaterhouseCoopers



Cairo on 22 May 2017

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES  
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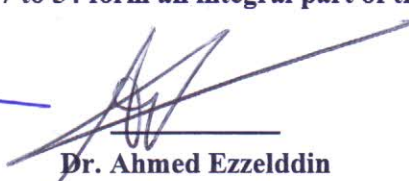
**Consolidated interim statement of financial position- as at 31 March 2017**

(All amounts are shown in Egyptian Pounds)	Note	31 March 2017	31 December 2016
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	6	407,554,974	396,722,304
Intangible assets	7	245,042,538	246,380,039
<b>Total non-current assets</b>		<b>652,597,512</b>	<b>643,102,343</b>
<b>Current assets</b>			
Inventory	8	51,978,154	46,116,907
Trade receivables	9	146,049,726	125,935,773
Debtors and other debit balances	10	54,415,359	25,625,099
Cash on hand and at banks	11	434,370,245	439,583,047
<b>Total current assets</b>		<b>686,813,484</b>	<b>637,260,826</b>
<b>Total assets</b>		<b>1,339,410,996</b>	<b>1,280,363,169</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent company:</b>			
Share capital	16	100,000,000	100,000,000
Reserves	17	298,037,805	298,037,805
Retained earnings		179,834,230	168,655,027
<b>Total equity of the Parent Company</b>		<b>577,872,035</b>	<b>566,692,832</b>
Minority / non-controlling interests	18	47,285,905	43,804,490
<b>Total equity</b>		<b>625,157,940</b>	<b>610,497,322</b>
<b>Non-current liabilities</b>			
Non-current portion of borrowings	15	321,440,298	325,977,549
Employee long term incentive plan	14	2,146,451	-
Deferred tax liabilities	26	59,223,114	59,993,365
<b>Total non-current liabilities</b>		<b>382,809,863</b>	<b>385,970,914</b>
<b>Current liabilities</b>			
Provisions	12	24,283,022	24,924,705
Creditors and other credit balances	13	210,450,905	175,222,518
Current portion of borrowings	15	57,732,920	52,169,564
Current income tax liabilities	25	38,976,346	31,578,146
<b>Total current liabilities</b>		<b>331,443,193</b>	<b>283,894,933</b>
<b>Total Liabilities</b>		<b>714,253,056</b>	<b>669,865,847</b>
<b>Total equity and liabilities</b>		<b>1,339,410,996</b>	<b>1,280,363,169</b>

The accompanying notes on pages 7 to 54 form an integral part of these consolidated financial statements.

  
Mr. Khaled Hasan Ahmed

Group CFO  
Cairo on 22 May 2017  
Limited review report is attached

  
Dr. Ahmed Ezzelddin  
Mahmoud

CEO and Managing Director

  
Dr. Mohamed Tarek Zahed

Non-Executive Board Chairman



**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS  
"EGYPTIAN JOINT STOCK COMPANY"**

**Consolidated interim statement of income  
For the three-month period ended 31 March 2017**

(All amounts are shown in Egyptian Pounds)	<u>Note</u>	<u>31 March 2017</u>	<u>31 March 2016</u>
Operating revenue	19	262,053,799	211,076,346
<b>Less:</b>			
Operating costs	20	(180,762,016)	(143,108,146)
<b>Gross profit</b>		<b>81,291,783</b>	<b>67,968,200</b>
<b>Add/ (less):</b>			
General and administrative expenses	21	(38,700,823)	(24,950,080)
Other provisions	12	(2,763,235)	(968,440)
Other income	22	1,157,394	1,356,459
Finance income	24	13,545,083	2,516,441
Finance cost	24	(16,835,453)	(14,121,225)
<b>Profit for the period before income tax</b>		<b>37,694,749</b>	<b>31,801,355</b>
Current tax	25	(9,398,200)	(9,223,247)
Deferred tax	26	770,251	(63,097)
<b>Profit after income tax</b>		<b>29,066,800</b>	<b>22,515,011</b>
<b>Distributed as follows:</b>			
Owners of the parent company		25,170,779	19,065,356
Minority / non-controlling interests	18	3,896,021	3,449,655
<b>Profit for period</b>		<b>29,066,800</b>	<b>22,515,011</b>

The accompanying notes on pages 7 to 54 form an integral part of these consolidated financial statements.

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS  
"EGYPTIAN JOINT STOCK COMPANY"**

**Consolidated interim statement of comprehensive income  
For the three-month period ended 31 March 2017**

(All amounts are shown in Egyptian Pounds)	<u>31 March 2017</u>	<u>31 March 2016</u>
Net profit for the period	29,066,800	22,515,011
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b><u>29,066,800</u></b>	<b><u>22,515,011</u></b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent company	25,170,779	19,065,356
Minority / non-controlling interests	3,896,021	3,449,655
<b>Total comprehensive income for the period</b>	<b><u>29,066,800</u></b>	<b><u>22,515,011</u></b>

**The accompanying notes on pages 7 to 54 form an integral part of these consolidated financial statements.**

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES "EGYPTIAN JOINT STOCK COMPANY"**

**Consolidated interim statement of changes in equity  
For the three-month period ended 31 March 2017**

(All amounts are shown in Egyptian Pounds)	Share capital	Reserves	Retained earnings	Total equity of the parent company	Minority/ non-controlling interests	Total Equity
<b>Balance at 1 January 2016</b>	80,000,000	(62,303,508)	108,270,052	125,966,544	33,250,055	159,216,599
Share of minority interests from the acquisition of subsidiaries	-	-	-	-	16,924	16,924
Net profit for the period	-	-	19,065,356	19,065,356	3,449,655	22,515,011
<b>Balance at 31 March 2016</b>	<b>80,000,000</b>	<b>(62,303,508)</b>	<b>127,335,408</b>	<b>145,031,900</b>	<b>36,716,634</b>	<b>181,748,534</b>
<b>Balance at 1 January 2017</b>	100,000,000	298,037,805	168,655,027	566,692,832	43,804,490	610,497,322
Formed reserves	-	-	(653,184)	(653,184)	653,184	-
Employees' dividends distribution	-	-	(13,338,392)	(13,338,392)	(1,067,790)	(14,406,182)
Comprehensive income for the period	-	-	25,170,779	25,170,779	3,896,021	29,066,800
<b>Balance at 31 March 2017</b>	<b>100,000,000</b>	<b>298,037,805</b>	<b>179,834,230</b>	<b>577,872,035</b>	<b>47,285,905</b>	<b>625,157,940</b>

The accompanying notes on pages 7 to 54 form an integral part of these consolidated financial statements.

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES  
"EGYPTIAN JOINT STOCK COMPANY"**

**Consolidated interim statement of cash flows  
For the three-month period ended 31 March 2017**

(All amounts are shown in Egyptian Pounds)	Note	31 March 2017	31 March 2016
<b>Cash flows from operating activities</b>			
Net profit before tax		37,694,749	31,801,355
<b>Adjustments to reconcile net income to cash flows from operating activities</b>			
Depreciation	5	7,526,013	6,994,901
Gains on sale of fixed assets		(86,846)	-
Fixed assets write-off		3,296,591	-
Amortisation of intangible assets	7	1,337,501	1,337,501
Provisions formed	12	3,214,565	1,064,461
Provisions no longer required	12	(451,330)	(96,021)
Provisions utilised	12	(3,404,918)	(97,912)
Trade receivables impairment write-off	9	(1,923,412)	(99,403)
Impairment of trade receivables	9	7,975,158	6,900,577
Impairment of trade receivables no longer required	9	(3,615,888)	(5,973,433)
Employee long term incentive plan	14	2,146,451	-
Interests and commissions		16,262,937	14,135,375
Interests payable		(13,545,083)	(2,516,441)
Paid income tax		(2,000,000)	-
<b>Operating profits before changes in assets and liabilities</b>		<b>54,426,488</b>	<b>53,450,960</b>
<b>Changes in assets and liabilities</b>			
Change in inventories		(5,861,247)	(1,691,956)
Change in trade receivables		(22,549,811)	(17,527,173)
Change in debtors and other debit balances		(23,982,229)	(9,571,243)
Change in trade payables and other credit balances		4,873,007	8,342,367
<b>Net cash flows from operating activities</b>		<b>6,906,208</b>	<b>33,002,955</b>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets and projects under construction		(11,301,663)	(2,579,541)
Payments for projects under construction		(10,478,854)	(1,888,620)
Proceeds on sale of fixed assets		212,089	-
Payments for acquisition of subsidiary, net of acquired cash		-	(215,054,758)
Deposits with a maturity of more than 3 months from the date of placement		8,134,246	(20,000,000)
Interests collected		8,737,052	2,516,441
Collected from housing bills		-	38,080
<b>Net cash flows used in investing activities</b>		<b>(4,697,130)</b>	<b>(236,968,398)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,026,105	205,941,123
Interests and commissions paid		(313,741)	(298,493)
<b>Net cash flows generated from financing activities</b>		<b>712,364</b>	<b>205,642,630</b>
<b>Change in cash and cash equivalents during the period</b>		<b>2,921,442</b>	<b>1,677,187</b>
Cash and cash equivalents at the beginning of the period		44,374,419	47,017,746
<b>Cash and cash equivalents at end of the period</b>	12	<b>47,295,861</b>	<b>48,694,933</b>

The accompanying notes on pages 7 to 54 form an integral part of these consolidated financial statements.

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES  
"EGYPTIAN JOINT STOCK COMPANY"**

**Notes to the consolidated interim financial statements  
For the three-month period ended 31 March 2017**

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

**1. General information**

Cleopatra Hospital (Lasheen and Partners) was established as a limited partnership on 19 July 1979. The decision of the Chairman of Investment Authority No. 4092 of 2005 was issued on 27 June 2005 authorising the transfer of the legal type of Cleopatra Hospital (Lasheen and Partners) from a "limited partnership" into Cleopatra Hospital "S.A.E." in accordance with the provisions of Law No. (8) of 1997 and Law No. (95) of 1992.

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

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

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

On 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the total shares of Cairo Specialised Hospital. On 31 December 2016, the shareholding percentage reached 53.67% as a result of the Treasury shares write-off of Cairo Specialised Hospital.

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

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

These consolidated financial statements have been approved for issuance by the Board of Directors of the Parent Company on 22 May 2017.

**2. Accounting policies**

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

**A) Basis of preparation of the consolidated financial statements**

The consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards (EASs) and the relevant laws. The consolidated financial statements have been prepared under the historical cost convention.

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

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES  
"EGYPTIAN JOINT STOCK COMPANY"**

**Notes to the consolidated interim financial statements**

**For the three-month period ended 31 March 2017**

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

**Basis of preparation of the consolidated financial statements (continued)**

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

Matters that have not been addressed in the Egyptian Standards are subject to the International Financial Reporting Standards (IFRS) until the Egyptian Standards that address such matters are issued.

**New and amended versions of EASs adopted by the Company**

In accordance with the Resolution of the Minister of Investment No. (110) of 2015 issued on July 2015, the EASs issued by the Ministerial Resolution of 2006 have been abolished and replaced with the accounting standards attached in the Resolution No. (110) referred to, provided that this Resolution shall enter into force as of 1 January 2016 and shall be applicable to the entities, which their fiscal year begins on or after this date.

It is noteworthy that these amendments have no material impact on values stated in the Company's financial statements when adopting the new standards, except as follows:

Acquisition costs are charged to subsidiaries within the statement of comprehensive income rather than capitalising them in accordance with the standards whose effective date has expired.

Other amendments applicable to the Company's activity and financial statements are summarised in certain matters related to the presentation and disclosure. Accordingly, the statement of financial position will be differently presented and the presentation of the working capital will be eliminated therefrom. Also, the business results of the Company will be presented in two separate statements, the first one will present the components of the revenue and expenses (statement of income) and the second one begins with the profit or loss and present the components of income which will be included in equity to show the comprehensive income (statement of other comprehensive income). Financial risks and fair value measurement are disclosed in further details.

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS  
"EGYPTIAN JOINT STOCK COMPANY"**

**Notes to the consolidated interim financial statements  
For the three-month period ended 31 March 2017**

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

**B) Basis of consolidation**

**1. Subsidiaries**

Subsidiaries are the companies (including special purpose entities) with which the Group does not deal and shall not have rights in variable returns through its participation in the subsidiary, and shall have the ability to impact such returns through its authority over its subsidiaries. The Group's authority over the a subsidiary arises when the Group has outstanding rights giving the Group the current ability to instruct relevant activities, such as activities that impact the subsidiary's returns. Potential voting rights that may be practiced or transferred are taken into consideration when assessing the existence of authority over the subsidiary.

The acquisition method of accounting is used to account for the acquisition of a subsidiary from outside the group by the Group. The cost of an acquisition is measured at the fair value or consideration of assets given by the Company for acquisition and/ or equity instruments issued and/ or liabilities incurred by the Company, and/or the liabilities accepted on behalf of the acquiree at the date of exchange plus any costs that are directly attributable to the acquisition. Net assets, including the identifiable contingent liabilities acquired at their fair value at the date of acquisition, are measured at fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the mentioned net assets, the difference is recognised directly in the statement of profit and loss.

In case the acquisition process is carried out by an entity under joint control, subsidiaries are fully consolidated from the date on which control is transferred to the Group. The historical cost method is used where assets and liabilities are transferred from the consolidated financial statements to the highest joint control entity which consolidated the transferred company. If this is not possible, transfer will be made at the same value stated in the transferred company's books. The difference between the carrying value of the net assets referred to and the cost of acquisition is recognised in equity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Inter-companies transactions, balances and unrealised gains on transactions between the Group's companies are excluded. Unrealised losses are eliminated, and are considered as an indication of the impairment of the transferred assets.

Subsidiaries information were consolidated including companies under joint control from the date of acquisition. Accordingly, comparative figures for the statements of income, comprehensive income, cash flows and shareholders' equity reflect the Parent Company's figures for the three-month period ended 31 December 2015. as well as for the period from 1 October 2015 till 31 December 2015 as for Cairo Specialised Hospital and Nile Badrawi Hospital. As for the financial position, the comparative figures present the financial position for the financial statements of the Group as of 31 December 2015 (except for Al-Shorouk Hospital).

Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted at the Group's level.

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES  
"EGYPTIAN JOINT STOCK COMPANY"**

**Notes to the consolidated interim financial statements  
For the three-month period ended 31 March 2017**

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

**Basis of consolidation (continued)**

The consolidated financial statements include the financial statements of the following subsidiaries:

	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Al-Shorouk Hospital S.A.E.	Egypt	99.99%
Nile Badrawi Hospital S.A.E.	Egypt	99.92%
Cairo Specialised Hospital S.A.E.	Egypt	53.67%

**2. Sale, acquisition and minority interests - non-controlling interests**

The Group recognises sales and acquisitions made with the minority, as transactions with parties outside the Group. Gains or losses on disposal of equity to the minority, are recognised in the consolidated equity. Where purchase is made from minority, the difference between the consideration paid and the carrying value of the share purchased in the subsidiary's assets is recognised as a reserve in the consolidated equity.

**3. Associates**

- Associates are entities over which the Group has significant influence but not control. A shareholding in these entities ranges between 20% and 50% of the voting rights.
- Investments in associates are accounted for by the equity method of accounting. Investments are initially recognised at cost.
- Goodwill arising from shareholding in associates is stated within investment cost net of accumulated impairment.
- The Group's share of its associates' post-acquisition profit and loss is recognised in the income statement, and its share of post-acquisition movements in associates' reserves is recognised in reserves, in exchange for the adjustment of carrying value of investment against the Group's share in post-acquisition changes in equity after the acquisition date.
- When the Group's share of losses in associates equals or exceeds its interest in the associate, including any other receivables or unsecured borrowings, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies applied in the associates are adjusted when necessary to ensure consistency with the policies adopted by the Group.

**C) 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.

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS  
"EGYPTIAN JOINT STOCK COMPANY"**

**Notes to the consolidated interim financial statements  
For the three-month period ended 31 March 2017**

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

**D) Foreign currency translation**

**(1) Functional and presentation currency**

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

**(2) Transactions and balances**

Foreign currency transactions during the year are translated into the measurement 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 the consolidated balance sheet date are recognised in the consolidated statement of income.

**E) Fixed assets**

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

All expenses attributed to the acquisition and establishment of fixed assets are recognised at the accounts of projects under construction. When the fixed asset is complete and brought to a ready-for-use condition, the asset's amount is transferred to the account of fixed assets.

All repair and maintenance costs are charged to the statement of income for 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 net carrying amount of the disposed part is eliminated.

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:

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

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES  
"EGYPTIAN JOINT STOCK COMPANY"**

**Notes to the consolidated interim financial statements**

**For the three-month period ended 31 March 2017**

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

**Fixed assets (continued)**

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

**F) Intangible assets**

1. Goodwill

Goodwill results from the acquisition of subsidiaries and represents the excess of the cost of acquisition of shareholding in subsidiaries over the fair value of the Group's share of the net assets of the acquired associate at the date of acquisition. Goodwill resulting from the acquisition of a subsidiary is included within intangible assets.

The Group's management conducts analysis annually or at shorter intervals, where there is an indication for impairment, to estimate whether the carrying value of goodwill is expected to be fully recovered, and reduce the carrying value of goodwill if it is higher than the expected recoverable amount. Any losses resulting from impairment of goodwill are charged to the income statement, and cannot be reversed subsequently.

Profits and losses resulting from the disposal of investments in subsidiaries or associates comprise the carrying value of the goodwill related to the investment.

Goodwill is allocated to cash generating units for the purpose of measurement of impairment.

Allocation is made on cash generating units or a group of cash generating units that are expected to directly benefit from goodwill.

2. Trade name

Trade name is included within intangible assets, and represents the trade name of both Nile Badrawi Hospital S.A.E. and Al-Shorouk Hospital S.A.E., resulting from the acquisition at fair value at the date of acquisition.

3. Non-competition agreement

The fair value of the recognised asset is depreciated in such agreements over the period during which it is expected to be beneficial. The period is specified to be two years long.

**G) Inventory**

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

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS  
"EGYPTIAN JOINT STOCK COMPANY"**

**Notes to the consolidated interim financial statements  
For the three-month period ended 31 March 2017**

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

**H) Financial assets**

First – 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. The management of the Company has classified its financial assets within the group of loans and receivables.

**Loans and receivables:**

Loans and receivables are non-derivative financial assets with fixed 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 balance sheet 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.

Second: Initial and subsequent measurement:

1. The 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.

Third: Impairment of financial assets:

**Assets recognised at amortised cost**

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

Impairment of a financial asset or group of financial assets is recognised if an impairment evidence 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 group of financial assets that can be reliably measured.

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

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

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

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES  
"EGYPTIAN JOINT STOCK COMPANY"**

**Notes to the consolidated interim financial statements  
For the three-month period ended 31 March 2017**

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

**I) Impairment of non-financial assets**

Intangible assets that have an indefinite useful life, and so are not depreciated, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognised in the statement of income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal of the asset or the value expected to be recovered its use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are independent cash inflows.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that impairment losses recognised for the asset no longer exist or have decreased. Loss of impairment, which should not exceed the fair value that will be determined (net of depreciation), is reversed. Such reversal is recognised in the statement of income, excluding goodwill.

**J) Share capital**

Ordinary shares are classified as equity.

**K) Legal reserve**

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

**L) Provisions**

Provisions are recognised when the Company has a (legal or constructive) obligation as a result of past events. It is expected that this settlement will result in an outflow of the Company's resources, which ensures that economic benefits will arise, and it is probable that the resource usage will be required to settle the obligation and a reliable estimate of the amount of this obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**M) 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 (S.A.E.) AND ITS SUBSIDIARIES  
"EGYPTIAN JOINT STOCK COMPANY"**

**Notes to the consolidated interim financial statements  
For the three-month period ended 31 March 2017**

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**N) Borrowings and advances**

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

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

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

**O) Employees' benefits**

Pension and insurance scheme

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

**P) Employee long term incentive plan**

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

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

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

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

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS  
"EGYPTIAN JOINT STOCK COMPANY"**

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