

**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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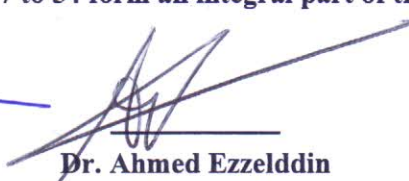
**Consolidated interim statement of financial position- as at 31 March 2017**

(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 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)

**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.

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**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.



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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.

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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.

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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.

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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.

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**Employee long term incentive plan (continued)**

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

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**Q) Revenue recognition**

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

Revenues are recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits related to the sale process will flow to the Group; and when other specific criteria have been met for each of the Group's activities as described below. The revenue amount will not be considered reliably measurable unless all contingent liabilities are settled. The Group 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 Group renders several medical services, including surgeries, admission, medical supervision, analyses, investigations, x-rays and outpatient services. The medical service income is recognised when the service is rendered to the patient.

Sale of medicine revenue

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

Rental income

The Groups rents spaces to others. Such rental is recognised in the statement of income over the period of contract.

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.

**R) Leases**

**1. Finance Lease**

Leases are accounted for in accordance with Law 95 for the year 1995 if the tenant is not obliged to purchase the asset at the end of the lease term; the lease is registered in the register of the Companies' Department; the lease grants the tenant the right to purchase the assets at a definite date and a definite amount; and the contract period represents at least 75% of the expected useful life of the asset, at least, or the present value of the total lease payments represents at least 90% of the value of the asset.

The cost of lease, including the cost of maintenance of the leased assets are recognised as an expense in the consolidated statement of income for the period in which they occurred. If the Group decides to exercise the right to purchase the leased assets, the cost of the right to purchase is capitalised as a fixed asset, which is depreciated over the useful life of the expected remaining life of the asset in the same method followed with similar assets.

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**Leases (continued)**

**2. Operating leases**

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

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

**S) Current and deferred income tax**

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

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

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

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

**T) Dividends**

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

**U) Cash and cash equivalents**

For the purpose of preparation of consolidated statement of cash flows, cash and cash equivalents includes cash in hand, bank current accounts, and term deposits with maturities of three months of the date of deposit.

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**3. Financial risk management**

**(1) Financial risk factors**

The Group'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 rates), credit risk and liquidity risk. The Group is not exposed to any price risk as it does not have financial assets at fair value through profit and loss. The Group's management aims to minimise potential adverse effects of such risks on the financial performance of the Group by the monitoring process performed by the Finance Department, Company's General Manager, Executive Committee at the level of the Parent Company.

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

**A) Market risk**

**i. Risk of change in foreign currency rates**

Foreign exchange risk arises from the foreign currency rates that affect the payments and receipts in foreign currency, as well as the valuation of assets and liabilities in foreign currencies. Given the nature of the Group's activities, the Group does not undertake transactions denominated in foreign currencies as it carries out all purchases in the Egyptian Pound. The Group's very limited revenue in foreign currencies are generated from certain foreign embassies. The management considers that foreign currency denominated balances are insignificant.

At the end of the period, the net financial assets of foreign currencies before impairment are denominated in Egyptian Pound as follows:

	<b>31 March 2017</b>	<b>31 December 2016</b>
US Dollars	14,184,616	13,776,733
Euro	43,080	41,944
GBP	51,476	53,019

At 31 March 2017, if the EGP had been more/ less by 40% against foreign currencies, with all other variables held constant, net profit after taxes would have increased / decreased as follows:

	<b>31 March 2017</b>	<b>31 December 2016</b>
US Dollars	1,418,462	5,510,693
Euro	4,308	16,778
GBP	5,148	21,208

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**Financial risk management (continued)**

**ii. Fair value and cash flows risks resulting from the change in interest rates**

The Parent Company obtained long-term loans at interest rates linked to the corridor rate declared by the Central Bank of Egypt, and therefore, it is exposed to cash flow risks.

**B) Credit risk**

Credit risk arises from cash and deposits with banks as well as credit risks associated with the Group's customers. Risk management is monitored for the Group taken as a whole, through the executive management, the central finance department and the executive committee at the level of the Parent Company.

For banks, only highly credit rating banks with high solvency are dealt with and are subject to the control of the Central Bank of Egypt.

For customers, each Hospital's management analyses the credit risks of each potential new customer before being approved as a credit customer by the Finance Director and the General Manager in accordance with the Group's established policies, including Cleopatra Hospital Company or the subsidiaries. The Parent Company's Executive Committee follows-up the compliance with credit terms, and reviews cases of default 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.

The management makes impairment of 100% for customers in default for more than 150 days as of the date of the invoice. The management also establishes the Group-based provision for impairment at historical default rates. The management calculates historical default rates for each customer individually on a monthly basis for defaulted customer balances for more than 150 days until 360 days from the financial position date. Based on those rates, the management calculates a provision on defaulted customers receivables for less than 5 months.

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

Below are the balances that are exposed to the credit risks:

	<b>31 March 2017</b>	<b>31 December 2016</b>
Cash at banks	431,424,938	432,258,309
Trade receivables	191,000,050	168,450,239

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**Financial risk management (continued)**

**C) Liquidity risk**

The management makes cash flow projections on monthly basis, which are discussed during the Executive Committee's meeting of the Parent Company, 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:

	<b>Below 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>Above 5 years</b>
Suppliers and notes payable	65,343,736	10,133,727	-	-
Accrued expenses except for finance interest	42,792,648	41,668,090	1,935,048	-
Loans and financing interests	41,229,213	146,484,791	439,782,820	-
Miscellaneous creditors	23,241,632	1,185,408	-	-

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

**(2) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maximise returns for shareholders and provide benefits to the stakeholders, and to maintain an optimal capital structure to reduce the cost of capital, as is followed by other companies operating in the same industry.

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



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**Financial risk management (continued)**

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

	<u>31 March 2017</u>	<u>31 December 2016</u>
Creditors and other credit balances:	210,450,905	175,222,518
Employee long term incentive plan	2,146,451	-
Borrowings	379,173,218	378,147,113
<b>Less: Cash on hand and at banks</b>	<b>(434,370,245)</b>	<b>(439,583,047)</b>
<b>Net debt</b>	<b>157,400,329</b>	<b>113,786,584</b>
Total shareholders' equity	625,157,940	610,497,322
<b>Total Capital</b>	<b>782,558,269</b>	<b>724,283,906</b>
<b>Net debts to total capital ratio</b>	20,11%	15.71%

Net debt to total capital ratio changed due to the loan obtained by the Company during the three-month period ended 31 March 2017. In addition to owner's equity as a result of shares public and private offering and subscription and increase in share capital.

**(3) Estimations of fair values of financial instruments**

The fair value of current financial assets and liabilities approximates their carrying amounts after taking into account any impairment. The Company obtained one long-term loan from an Egyptian bank, and the management believes that the fair value of the loan approximates 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**

**Critical accounting estimates and assumptions**

Estimates and assumptions are continually evaluated and are 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. The resulting accounting estimates will seldom equal the actual results.

Other provisions

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

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

Impairment of goodwill and other intangible assets

The Group's management evaluates goodwill and other intangible assets annually to determine any impairment in goodwill. The carrying amount of goodwill is reduced if it is higher than the expected recoverable amount. Any losses resulting from the impairment of goodwill is charged to the statement of income, and cannot be reversed subsequently, (Note 7) illustrates more information regarding this.

Impairment of trade receivables and customers

Impairment of receivables and customer balances is estimated by monitoring ageing of receivables. The Group'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 on the Group basis for customers and balances that suffered impairment but not yet determined, by reference to historical default rates applicable to some of the Group companies.

Impairment of receivables and customers

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

Share-based payments

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

This plan is not considered as a plan of remuneration and motivation for employees in the group by granting any rights in the shares of the parent company, As it is a plan of cash incentives based in part on the value of shares. The values of the components of the plan are calculated at current discount rates, either for share-based payments or for payments calculated on the basis of the difference between (EBITDA) and maturity as of 30 June 2020 and 30 June 2016. Also the discount rates are reviewed and used to calculate the values of the plan with the market discount rates and to review the values calculated by the elements of the system with the five-year plans approved annually by the group management.

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

The plan consists of the following:

- A) Payments calculated on the basis of the difference between the market value of the Parent Company's shares on June 30, 2020 and the share price at the date of its public offering on the Stock Exchange on June 2, 2016. The management has estimated the market price per share on the due date under the expected profit according to the approved Board of Directors five years plan while keeping the values of the other share price estimate components.

Accordingly, company management has assessed that the estimated future market value using the current information available to the management and the approved management plans will not materially differ due to the high discount rates. The management will subsequently use experts and actuaries to better achieve expected cash flows taking into consideration all the potential variables.

- B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 30 June 2020 and 30 June 2016.

The management has adopted the Group's five-year financial plan as a basis for calculating the EBITDA, less the same factor at the date of issue, taking into consideration the actual performance of the Group compared to the five-year plan. The management will subsequently use experts and actuaries to better achieve expected cash flows taking into consideration all the potential variables.

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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 three-month period ended 31 March 2017 for each segment:

	<b>Cleopatra Hospital Company</b>	<b>Cairo Specialised Hospital</b>	<b>Nile Badrawi Hospital</b>	<b>Al Shorouk Hospital</b>	<b>Total</b>
<u>Balance sheet</u>					
Non-current assets	308,171,700	55,315,233	182,933,172	106,177,407	<b>652,597,512</b>
Current assets	468,726,848	94,686,591	72,303,813	51,096,232	<b>686,813,484</b>
<b>Total assets</b>	<b>776,898,548</b>	<b>150,001,824</b>	<b>255,236,985</b>	<b>157,273,639</b>	<b>1,339,410,996</b>
Current liabilities	185,335,723	47,792,572	50,685,527	47,629,371	<b>331,443,193</b>
Non-current liabilities	324,738,573	3,267,781	39,215,349	15,586,511	<b>382,809,863</b>
<b>Total Liabilities</b>	<b>510,074,296</b>	<b>51,060,353</b>	<b>89,900,876</b>	<b>63,215,882</b>	<b>714,253,056</b>
<u>Statement of income:</u>					
Operating revenue	113,611,583	58,119,194	46,567,651	43,755,371	<b>262,053,799</b>
Operating costs	(69,953,537)	(41,141,703)	(35,902,305)	(33,764,471)	<b>(180,762,016)</b>
<b>Gross profit</b>	<b>43,658,046</b>	<b>16,977,491</b>	<b>10,665,346</b>	<b>9,990,900</b>	<b>81,291,783</b>
Other expenses and revenues	(28,353,515)	(9,029,023)	(7,441,661)	(7,400,784)	<b>(52,224,983)</b>
<b>Profit for period</b>	<b>15,304,531</b>	<b>7,948,468</b>	<b>3,223,685</b>	<b>2,590,116</b>	<b>29,066,800</b>
<u>Other Items</u>					
Capital expenditure	3,929,535	6,628,490	10,718,218	504,274	<b>21,780,517</b>
Fixed assets depreciation	1,830,238	1,739,248	2,192,304	1,764,223	<b>7,526,013</b>

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**Segment reporting (continued)**

Below is a summary of each segment, which is presented for the financial year ended 31 December 2016 for each segment (noting that the consolidated financial statements have been prepared based on the actual acquisition date for each subsidiary):

	<b>Cleopatra Hospital Company</b>	<b>Cairo Specialised Hospital</b>	<b>Nile Badrawi Hospital</b>	<b>Al Shorouk Hospital</b>	<b>Total</b>
<u>Balance sheet</u>					
Non-current assets	305,468,181	51,524,659	176,938,641	109,170,862	643,102,343
Current assets	429,985,690	92,498,534	72,575,305	42,201,297	637,260,826
<b>Total assets</b>	<b>735,453,871</b>	<b>144,023,193</b>	<b>249,513,946</b>	<b>151,372,159</b>	<b>1,280,363,169</b>
Current liabilities	151,351,225	48,106,997	43,524,146	40,912,565	283,894,933
Non-current liabilities	326,539,644	3,074,788	40,006,117	16,350,365	385,970,914
<b>Total Liabilities</b>	<b>477,890,869</b>	<b>51,181,785</b>	<b>83,530,263</b>	<b>57,262,930</b>	<b>669,865,847</b>
<u>Statement of income</u>					
Operating revenue	379,787,945	185,486,151	155,736,936	143,438,646	864,449,678
Operating costs	(240,404,431)	(138,953,973)	(122,268,886)	(112,400,463)	(614,027,753)
<b>Gross profit</b>	<b>139,383,514</b>	<b>46,532,178</b>	<b>33,468,050</b>	<b>31,038,183</b>	<b>250,421,925</b>
Other expenses and revenues	(95,595,925)	(18,197,206)	(25,407,835)	(21,812,823)	(161,013,789)
<b>Profit for the year</b>	<b>43,787,589</b>	<b>28,334,972</b>	<b>8,060,215</b>	<b>9,225,360</b>	<b>89,408,136</b>
<u>Other Items</u>					
Capital expenditure	6,816,630	30,399,835	4,049,589	3,500,386	44,766,440
Fixed assets depreciation	6,731,320	4,429,609	6,678,448	6,089,803	23,929,180

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**6. Fixed assets**

	Lands	Buildings	Machinery, equipment & devices	Furniture	Vehicles	Computers	Projects under construction	Total 2017
Cost at 1 January 2017	105,329,262	243,858,285	255,879,958	31,262,465	7,324,873	8,471,350	11,136,369	663,262,562
Additions	-	-	10,214,432	736,309	-	350,922	10,478,854	21,780,517
Disposals	-	-	(125,700)	-	(125,000)	-	-	(250,700)
Write off	-	-	-	-	-	-	(3,296,591)	(3,296,591)
<b>Balance at 31 March 2017</b>	<b>105,329,262</b>	<b>243,858,285</b>	<b>265,968,690</b>	<b>31,998,774</b>	<b>7,199,873</b>	<b>8,822,272</b>	<b>18,318,632</b>	<b>681,495,788</b>
<b>Accumulated depreciation at 1 January 2017</b>	-	63,227,187	170,003,459	23,375,941	3,723,923	6,209,748	-	266,540,258
Amortisation for the period	-	2,638,214	3,912,891	614,195	130,865	229,848	-	7,526,013
Accumulated depreciation of disposals	-	-	(44,613)	-	(80,844)	-	-	(125,457)
<b>Accumulated depreciation at 31 March 2017</b>	-	65,865,401	173,871,737	23,990,136	3,773,944	6,439,596	-	273,940,814
<b>Net book value at 31 March 2017</b>	<b>105,329,262</b>	<b>177,992,884</b>	<b>92,096,953</b>	<b>8,008,638</b>	<b>3,425,929</b>	<b>2,382,676</b>	<b>18,318,632</b>	<b>407,554,974</b>

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**Fixed assets (continued)**

	Lands	Buildings	Machinery, equipment & devices	Furniture	Vehicles	Computers	Projects under construction	Total 2016
Cost at 1 January 2016	69,264,635	175,024,544	180,712,569	19,502,453	4,596,488	4,330,024	1,599,921	455,030,634
Acquired assets	36,064,627	67,911,188	47,878,476	8,991,488	1,066,195	2,324,416	1,015,196	165,251,586
Additions	-	922,553	27,971,594	2,792,296	1,662,190	1,819,060	9,601,252	44,768,945
Disposals	-	-	(1,762,681)	(23,772)	-	(2,150)	-	(1,788,603)
Transfer	-	-	1,080,000	-	-	-	(1,080,000)	-
<b>Balance at 31 December 2016</b>	<b>105,329,262</b>	<b>243,858,285</b>	<b>255,879,958</b>	<b>31,262,465</b>	<b>7,324,873</b>	<b>8,471,350</b>	<b>11,136,369</b>	<b>663,262,562</b>
<b>Accumulated depreciation at 1 January 2016</b>	-	36,823,505	130,731,926	14,141,456	2,983,795	3,300,000	-	187,980,682
Acquired assets	-	15,845,427	27,955,272	7,249,991	466,195	1,974,415	-	53,491,300
Depreciation for the year	-	10,558,255	12,973,547	1,987,446	273,933	935,333	-	26,728,514
Accumulated depreciation of disposals	-	-	(1,657,286)	(2,952)	-	-	-	(1,660,238)
<b>Accumulated depreciation at 31 December 2016</b>	-	63,227,187	170,003,459	23,375,941	3,723,923	6,209,748	-	266,540,258
<b>Net book value at 31 December 2016</b>	<b>105,329,262</b>	<b>180,631,098</b>	<b>85,876,499</b>	<b>7,886,524</b>	<b>3,600,950</b>	<b>2,261,602</b>	<b>11,136,369</b>	<b>396,722,304</b>

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**7. Business combination and intangible assets**

<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>31 March 2017 Total</u>
Cost of intangible assets resulting from business combination	196,676,034	44,354,000	4,012,504	<b>245,042,538</b>

<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>31 December 2016 Total</u>
Cost of intangible assets arising from business combinations	196,676,034	44,354,000	5,350,005	<b>246,380,039</b>

<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>31 March 2017 Total</u>
Balance at the beginning of the period	196,676,034	44,354,000	5,350,005	<b>246,380,039</b>
Depreciation for the period	-	-	(1,337,501)	<b>(1,337,501)</b>
<b>Balance at the end of the period</b>	<b>196,676,034</b>	<b>44,354,000</b>	<b>4,012,504</b>	<b>245,042,538</b>

<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>31 December 2016 Total</u>
Balance at the beginning of the year	75,853,020	21,342,000	-	<b>97,195,020</b>
Additions during the year	120,823,014	23,012,000	10,700,000	<b>154,535,014</b>
Amortisation for the year	-	-	(5,349,995)	<b>(5,349,995)</b>
<b>Balance at the end of the year</b>	<b>196,676,034</b>	<b>44,354,000</b>	<b>5,350,005</b>	<b>246,380,039</b>

**The goodwill is as follows:**

	<u>Balance at 1 Jan 2016</u>	<u>Acquisition of a subsidiary</u>	<u>Balance at 31 March 2017</u>
Nile Badrawi Hospital	75,853,020	-	75,853,020
Al Shorouk Hospital S.A.E.	120,823,014	-	120,823,014
<b>Total</b>	<b>196,676,034</b>	<b>-</b>	<b>196,676,034</b>



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**Business combination and intangible assets (continued)**

**Goodwill**

To calculate goodwill, Nile Badrawi Hospital Company S.A.E. and Al-Shorouk Hospital S.A.E. were considered as a cash generating unit, and goodwill resulting from acquisition was allocated.

Recoverable amount of cash-generating unit is estimated by calculating the value in use, using pre-tax cash flows based on financial budgets approved by the management, which cover a period of five years maximum. The management determines the specific assumptions of cash flow forecasts based on past experience and expectations of the market.

Estimates have been made in terms of sales growth, operating costs and expected gross profit. Future capital expenditures for future replenishment plans have been taken into account for the same outstanding assets. A discount rate and a long-term growth rate have been used to reflect the specific risks associated with the activity and economy sector.

**Trade name**

The fair value of the trade name is estimated using relief from royalty method. This method determines the value by referring to the nominal royalty payments, which are provided when acquiring the asset compared with the license of the asset and trade name by a third party.

**a) Acquisition of Nile Badrawi Hospital Company S.A.E.**

On 22 September 2015, Cleopatra Hospital Company S.A.E. acquired 99.92% of the total shares of Nile Badrawi Hospital Company S.A.E. This acquisition resulted in an increase of the cost of acquisition over the fair value of the net assets of the acquired company, which were recognised as intangible assets, as indicated in the table above.

The Group expects that the acquisition will result in an increase of its market share and to achieve future economic benefits, and upgrade the services offered to patients of the Group's hospitals. The goodwill amounting to approximately EGP 75 million, resulting from the acquisition, is attributed to the list of customers, relations with insurance companies and the available medical experience of the hospital's employees.

The fair value of the net liabilities, which represents the other assets and liabilities, excluding tangible non-current assets, is calculated after taking into consideration the contingent liabilities at the date of acquisition and the provisions for the impairment of doubtful loans.

Nile Badrawi Hospital S.A.E. was included in the consolidated financial statements as at 1 October 2015, which is the date on which the acquirer actually established control over the subsidiary and the power of control on the financial and operating policies was transferred to the Company. Net acquired assets and goodwill are as follows:

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**Business combination and intangible assets (continued)**

	<u>EGP</u>
<b>Cost of acquisition:</b>	
Paid-up cash	257,004,947
Direct costs of acquisition	2,000,000
Minority interests at the date of acquisition	130,200
<b>Total cost of acquisition</b>	<b>259,135,147</b>
Fair value of acquired assets	(161,940,127)
<b>Intangible assets</b>	<b>97,195,020</b>

Assets and liabilities resulting from the acquisition of Nile Badrawi Hospital Company S.A.E. were determined on the basis of fair value at 30 September 2015 as follows:

	<u>EGP</u>
Lands	52,838,000
Buildings and constructions	105,770,472
Machinery and equipment	21,921,515
Vehicles	597,077
Projects under construction	485,398
Computers	129,207
Tools and instruments	266,213
<b>Total fair value of tangible assets</b>	<b>182,007,882</b>
Net liabilities at fair value	(20,067,755)
<b>Net fair value of acquired assets</b>	<b>161,940,127</b>

**b) Acquisition of Cairo Specialised Hospital S.A.E.**

At 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the total shares of Cairo Specialised Hospital S.A.E. These are the shares then owned by Creed Healthcare Co. Ltd. The acquisition is made for a consideration of approximately EGP 107 million, which is the same value Creed Health Care Ltd. paid to acquire Cairo Specialised Hospital in July 2014. As this transaction took place between parties under joint control (because Care Health Care Ltd., the owner of Cleopatra Hospital Company is itself 100% owned to Creed Health Care Ltd.) to restructure ownership of the group companies, uniting-of-interest method is applied for the consolidation of the financial statements of Cairo Specialised Hospital within the consolidated financial statements of Cleopatra Hospital.

The difference between the value of acquisition amounted to approximately EGP 107 million was recognised. The book value of the net assets at the date of acquisition amounting to approximately EGP 62 million after taking into account the minority interests amounting to approximately EGP 31 million at the acquisition date. An amount of approximately EGP 76 million is recognised as acquisition reserve within the consolidated equity.

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**Business combination and intangible assets (continued)**

**c) Acquisition of Al-Shorouk Hospital S.A.E.**

In January 2016, Cleopatra Hospital S.A.E. acquired 99.99% of the total shares of Al-Shorouk Hospital S.A.E. This acquisition resulted in increase of the cost of acquisition over the fair value of the net assets of the acquired company, which were recognised as intangible assets, as indicated in the table above.

The Group expects that the acquisition will result in an increase of its market share and to achieve future economic benefits, and upgrade the services offered to patients of the Group's hospitals. The goodwill amounting to approximately EGP 120 million, resulting from the acquisition, is attributed to the list of customers, relations with insurance companies and the available medical experience of the hospital's employees.

The fair value of the net liabilities, which represents the other assets and liabilities, excluding tangible non-current assets, is calculated after taking into consideration the contingent liabilities at the date of acquisition and the provisions for the impairment of doubtful loans.

The revenue recognised in the consolidated statement of profit and loss, which is contributed by Al-Shorouk Hospital S.A.E. since the date of acquisition, amounted to approximately EGP 143,506,146 million, and the net profits for this period amounted to approximately EGP 12.23 million. Al-Shorouk Hospital S.A.E. has been included in the consolidated financial statements.

On 1 January 2016, net assets acquired and goodwill were as follows:

<u>Cost of acquisition</u>	<u>EGP</u>
Paid-up cash	239,142,000
Direct costs of acquisition	-
Minority interests at the date of acquisition	16,924
<b>Total cost of acquisition</b>	<b>239,158,924</b>
Fair value of acquired assets	(84,623,910)
<b>Intangible assets</b>	<b>154,535,014</b>

Assets and liabilities resulting from the acquisition of Al-Shorouk Hospital S.A.E. were determined on the basis of fair value at 31 December 2015 as follows:

	<u>EGP</u>
Buildings and constructions	53,807,252
Lands	36,064,627
Machinery and equipment	20,938,400
Vehicles	600,000
Computers	350,000
<b>Total Fair value of tangible assets</b>	<b>111,760,279</b>
Net liabilities at fair value	(27,136,369)
<b>Net fair value of acquired assets</b>	<b>84,623,910</b>

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**8. Inventory**

	<u>31 March 2017</u>	<u>31 December 2016</u>
Pharmacy inventory	25,832,716	22,285,738
Medical supply inventory	21,250,586	19,870,897
Maintenance and spare parts inventory	1,744,505	1,494,892
Stationary inventory	2,032,009	1,748,016
Food and beverage inventory	670,646	410,555
Hospitality supplies inventory	447,692	306,809
	<u><b>51,978,154</b></u>	<u><b>46,116,907</b></u>

**9. Trade receivables**

	<u>31 March 2017</u>	<u>31 December 2016</u>
Due from customers	185,790,483	163,957,688
Income from inpatients	5,209,567	4,492,551
<b>Less:</b>		
Impairment of customers' balances	(44,950,324)	(42,514,466)
<b>Net trade receivables</b>	<u><b>146,049,726</b></u>	<u><b>125,935,773</b></u>

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

Movement in the provision for impairment is as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
Balance at 1 January	42,514,466	24,676,776
Provision formed during the year	7,975,158	25,581,599
Provisions no longer required during the period/ year	(3,615,888)	(7,966,502)
Write-offs of provision for receivables during the period/ year	(1,923,412)	(6,844,712)
Effect of acquisition	-	7,067,305
<b>Balance at the end of the period/ year</b>	<u><b>44,950,324</b></u>	<u><b>42,514,466</b></u>

Trade receivable balances, which have not been due till the balance sheet date and have no impairment indicators, amounted to EGP 62,394,600 (31 December 2016: EGP 60,372,774).

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**Trade receivables (continued)**

At the balance sheet date, the balances that were past due but not impaired amounted to EGP 71,375,128 (31 December 2016: EGP 66,929,491) regarding customers and transactions with no history of default. The ageing analysis of these balances is as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
Less than 1 month	30,691,980	40,009,048
1 to 5 months	40,683,149	26,920,443

The management calculates a provision for ageing of receivables for customers whose assets exceeded 150 days from the date of issuing the claim. Based on the calculation of the failure rate of collection over the estimated period, the expected default rate of the customer in the issued claims which are not due within 5 months is calculated. Accordingly, in accordance with the financial position at the date, the failure rate was calculated from the beginning of the period from 1 April 2016 to 30 October 2016 according to each customer's collection status and was applied to the claims from 1 November 2016 to 31 March 2017.

**10. Debtors and other debit balances**

	<u>31 March 2017</u>	<u>31 December 2016</u>
Advances to suppliers	30,295,446	7,710,643
Withholding taxes	10,276,965	9,376,365
Accrued interest income	8,436,383	3,340,421
Prepaid expenses	3,418,606	2,992,632
Deposits with others	637,833	649,833
Due from related parties	28,513	148,513
Other debtors	2,434,979	2,520,058
	<u>55,528,725</u>	<u>26,738,465</u>
Impairment in other debit balances	(1,113,366)	(1,113,366)
	<u>54,415,359</u>	<u>25,625,099</u>

The movement of the provision for impairment during the period/ year is as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
Balance at 1 January	1,113,366	854,860
Provision formed during the period/ year	-	313,575
No longer required during the period/ year	-	(265,803)
Effect of acquisition of subsidiary	-	210,734
	<u>1,113,366</u>	<u>1,113,366</u>

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**11. Cash on hand and at banks**

	<u>31 March 2017</u>	<u>31 December 2016</u>
Time deposit	387,074,384	395,208,630
Current accounts	44,350,554	37,049,679
Cash on hand	2,945,307	7,324,738
	<u>434,370,245</u>	<u>439,583,047</u>

Term deposits are held with local banks in the EGP and have maturity of six months from the date of placements with fixed interest rate ranging from 10.75 % to 13.5% (31 December 2015: from 10.75% to 12%).

	<u>31 March 2017</u>	<u>31 December 2016</u>
Cash on hand and at banks	434,370,245	439,583,047
Deposits with a maturity of more than 3 months from the date of placement	(387,074,384)	(395,208,630)
<b>Cash and cash equivalents</b>	<u>47,295,861</u>	<u>44,374,417</u>

**12. Provisions**

	<u>31 March 2017</u>	<u>31 December 2016</u>
Provision for claims	10,470,733	12,769,436
Provision for human resources claims	10,110,901	8,453,881
Legal provision	3,701,388	3,701,388
	<u>24,283,022</u>	<u>24,924,705</u>

Movement in the provision for impairment during the period/ year is as follows:

	<u>31 March 2017</u>				
	<u>Balance at the beginning of the period</u>	<u>Formed during the period</u>	<u>Utilised during the period</u>	<u>Provisions no longer required</u>	<u>Balance at the end of the period</u>
Provision for claims	12,769,436	-	(2,298,703)	-	10,470,733
Provision for human resources claims	8,453,881	3,214,565	(1,106,215)	(451,330)	10,110,901
Legal provision	3,701,388	-	-	-	3,701,388
<b>Total</b>	<u>24,924,705</u>	<u>3,214,565</u>	<u>(3,404,918)</u>	<u>(451,330)</u>	<u>24,283,022</u>

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**Provisions (continued)**

	<b>31 December 2016</b>					<b>Balance at the end of the year</b>
	<b>Balance at the beginning of the year</b>	<b>Effect of acquisition of subsidiaries</b>	<b>Formed during the year</b>	<b>Utilised during the year</b>	<b>Provisions no longer required</b>	
Provisions for claims	12,353,201	11,870,000	1,043,800	(7,654,324)	(4,343,241)	<b>13,269,436</b>
Provision for human resources claims	4,252,596	200,124	9,821,555	(3,439,462)	(2,380,932)	<b>8,453,881</b>
Legal provision	3,285,000	-	-	(83,612)	500,000	<b>3,701,388</b>
<b>Total</b>	<b>19,890,797</b>	<b>12,070,124</b>	<b>10,865,355</b>	<b>(11,177,398)</b>	<b>(6,224,173)</b>	<b>25,424,705</b>

	<b>31 March 2016</b>					<b>Balance at the end of the period</b>
	<b>Balance at the beginning of the period</b>	<b>Effect of acquisition of subsidiaries</b>	<b>Formed during the period</b>	<b>Utilised during the period</b>	<b>Provisions no longer required</b>	
Provision for claims	12,353,201	11,370,000	-	-	-	<b>23,723,201</b>
Provision for human resources claims	4,252,596	200,124	1,064,641	(97,912)	(96,021)	<b>5,323,428</b>
Legal provision	3,285,000	500,000	-	-	-	<b>3,785,000</b>
<b>Total</b>	<b>19,890,797</b>	<b>12,070,124</b>	<b>1,064,461</b>	<b>(97,912)</b>	<b>(96,021)</b>	<b>32,831,449</b>

Provision for claims

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

Provision for human resources claims

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.

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**13. Creditors payable and other credit balances**

	<u>31 March 2017</u>	<u>31 December 2016</u>
Accrued expenses	102,575,646	79,791,842
Suppliers and notes payable	75,477,464	85,846,933
Dividends payable	14,998,957	576,132
Unclaimed salaries	8,326,821	1,446,968
Social insurance	1,753,208	1,464,254
Other creditors	7,318,807	6,096,389
	<u>210,450,905</u>	<u>175,222,518</u>

**14. Employee long term incentive plan**

	<u>31 March 2017</u>	<u>31 December 2016</u>
Employee long term incentive plan based on parent company's market value of shares	1,511,856	-
Employee long term incentive plan based on earning performance before interest, tax, depreciation and amortization	634,595	-
	<u>2,146,451</u>	<u>-</u>

Movement during the period/ year is as follows:

	<b>31 March 2017</b>			
	<u>Balance at 1 January 2017</u>	<u>Formed during the period</u>	<u>Utilised during the period</u>	<u>Balance at 31 March 2017</u>
Employee long term incentive plan based on parent company's market value of shares	-	1,511,856	-	1,511,856
Employee long term incentive plan based on earning performance before interest, tax, depreciation and amortization	-	634,595	-	634,595
<b>Total</b>	<u>-</u>	<u>2,146,451</u>	<u>-</u>	<u>2,146,451</u>



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**Employee long term incentive plan (continued)**

	31 December 2016			Balance at 31 December 2016
	Balance at 1 January 2016	Formed during the year	Utilised during the year	
Employee long term incentive plan based on parent company's market value of shares	-	-	-	-
Employee long term incentive plan based on earning performance before interest, tax, depreciation and amortization	-	-	-	-
<b>Total</b>	-	-	-	-

The Remuneration Committee of the Parent Company supervises the implementation of the system under the control and supervision of the Parent Company's Board of Directors. Each beneficiary shall be given units of monetary rewards or a fixed percentage of the amounts allocated to the system in accordance with the resolution of the Remuneration Committee. 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 advantages of the system are as follows:

- a- Payments calculated based on 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 offering in the Egyptian Stock Exchange on 2 June 2016.
- b- Payments calculated based on the difference between the profit performance before interest, income taxes, depreciation and amortisation (EBITDA) at the maturity date of 30 June 2020 and 30 June 2016.

**15. Borrowings**

The balance of borrowings comprises:

	31 March 2017	31 December 2016
Gross amount of borrowings	379,173,218	378,147,113
<b>Less: Current portion of borrowings</b>	57,732,920	(52,169,564)
<b>Non-current portion of borrowings</b>	<b>321,440,298</b>	<b>325,977,549</b>
Loans (1) and (2)	<b>31 March 2017</b>	<b>31 December 2016</b>
Gross amount of borrowings	371.114.800	371.114.800
<b>Less: Current portion of borrowings</b>	(49.674.502)	(45.137.251)
<b>Non-current portion of borrowings</b>	<b>321.440.298</b>	<b>325.977.549</b>

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**Borrowings (continued)**

Below is the movement of borrowings during the period:

	<b>31 March 2017</b>			
	<b>Balance at the beginning of the period</b>	<b>Proceeds during the period</b>	<b>Paid during period</b>	<b>Balance at the end of the period</b>
Loan of the Commercial International Bank (1)	162,400,000	-	-	162,400,000
Loan of the Commercial International Bank (2)	208,714,800	-	-	208,714,800
<b>Total</b>	<b>371,114,800</b>	<b>-</b>	<b>-</b>	<b>371,114,800</b>

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

The table below shows the loans:

- (1) A loan facility of EGP 203,000,000 from the Commercial International Bank to finance 100% of the cost of the acquisition of the shares of Cairo Specialised Hospital. The loan will be due for repayment in ten equal semi-annual instalments commencing 31 March 2017 until 31 December 2020 with an interest rate of 2.4% in addition to the interest rate corridor declared by the Central Bank of Egypt.
- (2) A loan of EGP 203,000,000 from the Commercial International Bank (of which an amount of EGP 208,714,800 is withdrawn) to finance 100% of the cost of acquisition of the shares of Al-Shorouk Hospital Company. The loan will be repaid in ten equal semi-annual instalments according to the attached table starting as of 18 months from the date of the first withdrawal and ends at 22 January 2022 with an interest of 2.4% in addition of the corridor rate announced by the Central Bank of Egypt.

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**Borrowings (continued)**

Main guarantees for loans no (1) and (2) above :

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

(3) Other loans

	<b>31 March 2017</b>		
	<b>Borrowings</b>	<b>Overdraft</b>	<b>Total</b>
Current portion	611,371	7,447,047	<b>8,058,418</b>
	<b>31 December 2016</b>		
	<b>Borrowings</b>	<b>Overdraft</b>	<b>Total</b>
Current portion	873,387	6,158,926	<b>7,032,313</b>

On 25 November 2014, Al Shorouk Hospital sold the entire land and buildings on Plot No. 11, Area C as per a preliminary contract with the International Company for Leasing (Incolease). This sale contract cannot be executed unless a lease agreement over the sold land is executed. On the same date, the Company entered into a financial lease contract for 3 years whereby the Company has the right to buy the asset after the end of the lease period for EGP 1.

The amounts due to Faisal Bank, which represent the remaining amount of the total land price amounting to EGP 2.902.945, were paid by Incolease and leased back to Al Shorouk Hospital Company for 3 years against a predetermined net amount equalling the amount paid to Faisal Bank after calculating the interest for 3 years. Due to the substance of this transaction, it is considered as a loan secured against the asset rather than a sale. Such a transaction is outside of the scope of the Egyptian Accounting Standard 20 "Accounting Rules and Standards Related to Finance Lease".

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**Borrowings (continued)**

Accordingly, the transaction was not considered as a sale and lease-back agreement but it was considered as a loan from Incolase for 36 months repayable through monthly instalments of EGP 93,160 each with a variable interest return based on the corridor rates declared by the Central Bank of Egypt.

Main guarantees for bank overdrafts

Agreement on financial credit in current account receivable with Bank Audi

The bank has a general franchise over the funds of Al Shorouk Hospital Company S.A.E., including accounts, deposits and other funds that become, at any time, in the possession of the bank or under its authority, paid to or deposited at the bank, or registered in the name of the bank as a guarantee for any amounts or liabilities currently accrued or incurred, or may become accrued or incurred later on by Al Shorouk Hospital Company S.A.E.

Credit facility agreement in the form of a current account receivable with the International Arab Banking Co.

The bank is entitled to seize any amounts, securities, endorsable documents or any funds or securities attributable to Al Shorouk Hospital Company S.A.E. that become under the possession or disposal of the bank, its branches or clients. The bank is also entitled to dispose of the funds and recognise them as payments made by Al Shorouk Hospital Company S.A.E. to settle accounts due to or from the bank that fall due from time to time, under bank books and entries. Under this explicit acknowledgement and without the need to any further declaration from Al Shorouk Hospital Company S.A.E., such funds are considered an indivisible security that guarantees all amounts due or may become due to the bank.

Average of interest rate on overdraft balances in EGP amounted to 15% (31 December 2016: 15%).

**16. Share capital**

At 31 December 2015, the Company's issued and paid-up share capital is 8 million shares of EGP 10 each, totalling EGP 80,000,000. Share capital was subscribed as follows:

<u>Name</u>	<u>Number of Shares</u>	<u>Nominal value</u>
Care Healthcare Ltd.	7,999,998	79,999,980
Amr Abdel Karim Tawhid Helal	1	10
Waleed Fayez Saeed	1	10
<b>Total</b>	<b>8,000,000</b>	<b>80,000,000</b>

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**Share capital (continued)**

On 6 April 2016, the Company's general assembly approved to divide the shares to be 160 million shares. The nominal value of the share is EGP 0.05 for a total amount of EGP million. The share capital is now as follows:

<u>Name</u>	<u>Number of Shares</u>	<u>Nominal value</u>
Care Healthcare Ltd.	159,999,960	79,999,980
Amr Abdel Karim Tawhid Helal	20	10
Waleed Fayez Saeed	20	10
<b>Total</b>	<b>160,000,000</b>	<b>80,000,000</b>

On 2 June 2016, 40 million shares of the shares held by Care Healthcare Ltd. have been traded in the Egyptian Exchange through 2 tiers, public offering and private offering. Accordingly, the Company's shareholder structure has changed as follows:

<u>Name</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd.	119,999,960	59,999,980
Private offering	34,000,000	16,000,000
Public offering	6,000,000	4,000,000
Amr Abdel Karim Tawhid Helal	20	10
Waleed Fayez Saeed	20	10
<b>Total</b>	<b>160,000,000</b>	<b>80,000,000</b>

Below are the details of the public and private subscription:

a) Public offering

The public subscription was allowed on 22 May 2016 and closed at the end of the business day of 30 May 2016. The number of offered shares was 6 million shares for a subscription amount of EGP 9 per share, with a total amount of EGP 54,000,000. Subscription was received for a total shares of 171,600,000 for a total amount of EGP 1,544,400,000. The rate of coverage is 28.6 times the number of shares offered for subscription. Allocation was made to each purchase applicant pro rata to the total shares offered for sale and the total number of shares required for purchase, taking into account the approximation of fractions in favour of the minor investors.

b) Private offering

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

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

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**Share capital (continued)**

Name	Number of shares	Nominal value
Care Healthcare Ltd.	159,999,960	79,999,980
Ahmed El-Sayed El-Sayed Hassan	1,200,000	600,000
El-Sayed El-Sayed Hassan Mousa	7,850,000	3,925,000
Other shareholders	30,950,040	15,475,020
<b>Total</b>	<b>200,000,000</b>	<b>100,000,000</b>

**17. Reserves**

Below is the movement on reserves during the period/ year:

	31 March 2017		
	Balance at the beginning of the period	Provision made during the period	Balance at the end of the period
Legal reserve	50,000,000	-	50,000,000
Acquisition reserve	(76,131,168)	-	(76,131,168)
Special reserve	49,090,006	-	49,090,006
Other reserves	275,078,967	-	275,078,967
<b>Total</b>	<b>298,037,805</b>	-	<b>298,037,805</b>
	31 December 2016		
	Balance at the beginning of the year	Formed during the year	Balance at the end of the year
Legal reserve	13,827,660	36,172,340	50,000,000
Acquisition reserve	(76,131,168)	-	(76,131,168)
Special reserve	-	49,090,006	49,090,006
Other reserves	-	275,078,967	275,078,967
<b>Total</b>	<b>(62,303,508)</b>	<b>360,341,313</b>	<b>298,037,805</b>

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**Reserves (continued)**

a) 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. Based on a proposal by the Board of Directors, this transfer may be partially discontinued if the legal reserve reaches 50% of the issued capital. The legal reserve is not available for distribution to shareholders.

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

	<b>31 March 2017</b>		
	<b>Balance at the beginning of the period</b>	<b>Provision made during the period</b>	<b>Balance at the end of the period</b>
Legal reserve	50,000,000	-	50,000,000
	<b>50,000,000</b>	<b>-</b>	<b>50,000,000</b>

Based on Article 94 of the executive regulations of the Law of Companies No. 159 of 1981, an amount of EGP 32,938,637 from the proceeds of public and private subscriptions was used to increase the legal reserve to reach 50% of the issued share capital.

	<b>31 December 2016</b>		
	<b>Balance at the beginning of the year</b>	<b>Provisions made during the year</b>	<b>Balance at the end of the year</b>
Legal reserve	13,827,660	36,172,340	50,000,000
	<b>13,827,660</b>	<b>36,172,340</b>	<b>50,000,000</b>

b) Acquisition reserve

This reserve represents the difference between the value of the acquisition by Cleopatra Hospital Company S.A.E. and the carrying value of net assets and liabilities of Cairo Specialised Hospital Company S.A.E. at the acquisition date, as the two companies are under common control. The reason for the acquisition is the reorganisation of the group companies. Therefore, the assets and liabilities of the subsidiary were transferred at historical cost.

c) Special reserve

The special reserve represents the amount that was 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. In addition to the resulting reconciliation from treasury shares related to Cairo Specialised Hospital (Subsidiary Company).

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**Reserves (continued)**

d) 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 reserves during 2016:

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

\* The expenses of share issuance amounting to EGP 31.982.360 comprise the expenses amount of IPO of shares of increasing the Company's capital (public and private subscription), representing the expenses of registration, promotion and other legal and professional expenses.

\*\* Based on Article 94 of the executive regulations of the Law of Companies No. 159 of 1981, an amount of EGP 32.938.673 from the proceeds of public and private subscriptions was used to increase the legal reserve to reach 50% of the issued share capital.

**18. Minority interests/ Non-Controlling interests**

	<b>Share capital</b>	<b>Legal reserve</b>	<b>Retained earnings</b>	<b>Share of minority interest on settlement of acquisition</b>	<b>Total</b>
Balance at 1 January 2016	12,787,080	8,098,271	12,261,444	103,260	33,250,055
Share of minority interests in the acquisition of subsidiaries	5,000	2,043	1,465	8,416	<b>16,924</b>
Comprehensive income for the period	-	-	3,449,655	-	<b>3,449,655</b>
<b>Balance at 31 March 2016</b>	<b>12,792,080</b>	<b>8,100,314</b>	<b>15,712,564</b>	<b>111,676</b>	<b>36,716,634</b>
Balance at 1 January 2017	12,787,080	6,388,216	24,509,010	120,184	<b>43,804,490</b>
Employee Dividends	-	-	(1,067,790)	-	<b>(1,067,790)</b>
Legal Reserve	-	653,184	-	-	<b>653,184</b>
Comprehensive income for the period	-	-	3,896,021	-	<b>3,896,021</b>
<b>Balance at 31 March 2017</b>	<b>12,787,080</b>	<b>7,041,400</b>	<b>27,337,241</b>	<b>120,184</b>	<b>47,285,905</b>



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**19. Operating revenues**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Revenues of admission and medical supervision	71,211,007	52,531,934
Operations revenues	51,690,435	42,835,723
Outpatient clinics revenues	37,311,662	33,807,064
Laboratories revenues	22,565,291	17,224,768
Cardiac catheterisation revenue	20,246,093	18,169,407
Service fees revenues	16,518,775	10,704,935
Radiology revenues	12,181,558	8,911,055
Emergency revenues	10,962,791	9,585,883
Pharmacy revenues	6,131,125	4,493,038
Revenues of oncology Centre	3,527,748	3,972,743
Dentistry revenues	2,990,540	2,453,726
Physiotherapy revenues	1,917,244	2,046,202
Cardiac tests revenues	1,695,840	1,708,601
Endoscopy revenues	1,836,080	1,697,299
Other departments revenues	1,267,610	933,968
	<b><u>262,053,799</u></b>	<b><u>211,076,346</u></b>

**20. Operating cost**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Medical and pharmaceutical supplies	57,569,897	48,682,346
Doctors' fees	50,102,143	41,957,253
Employees' salaries, wages and benefits	45,968,179	32,340,764
Maintenance, spare parts and energy expenses	8,809,031	5,769,827
Fixed assets depreciation	7,639,136	6,710,712
Food, beverage and consumables expenses	5,428,197	4,590,087
Other expenses	5,245,433	3,057,157
	<b><u>180,762,016</u></b>	<b><u>143,108,146</u></b>

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**21. Administrative and general expenses**

	<u>31 March 2017</u>	<u>31 March 2016</u>
Employees' salaries, wages and benefits	18,690,313	14,406,444
Impairment of customers' balances	4,359,267	927,144
Professional and consultation charges	3,699,769	1,801,106
Fixed assets depreciation and write-off	3,183,468	285,391
Amortisation of Intangible assets	1,337,501	1,337,501
Maintenance, spare parts and energy expenses	1,064,164	1,004,267
Food, beverage and consumables expenses	570,600	959,844
Rents	380,793	453,862
Other expenses	5,414,948	3,774,521
	<u><b>38,700,823</b></u>	<u><b>24,950,080</b></u>

**22. Other income**

	<u>31 March 2017</u>	<u>31 March 2016</u>
Rents	464,876	540,144
Buffet and Cafeteria utilisation revenues	454,608	532,223
Miscellaneous	237,910	284,092
	<u><b>1,157,394</b></u>	<u><b>1,356,459</b></u>

**23. Expenses by nature**

	<u>31 March 2017</u>	<u>31 March 2016</u>
Employees' wages, salaries and benefits*	64,658,492	46,747,208
Medical and pharmaceutical supplies	57,569,897	48,682,346
Doctors' fees	50,102,143	41,957,253
Fixed assets depreciation and write-off	10,822,604	6,996,103
Maintenance, spare parts and energy expenses	9,873,195	6,774,094
Food, beverage and consumables expenses	5,998,797	5,549,931
Impairment of customers' balances	4,359,267	927,144
Amortisation of Intangible assets	1,337,501	1,337,501
Other expenses	14,740,943	9,086,645
	<u><b>219,462,839</b></u>	<u><b>168,058,225</b></u>

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**Expenses by nature (continued)**

\* Employees' costs

	<u>31 March 2017</u>	<u>31 March 2016</u>
Salaries and wages	47,024,319	36,507,823
Bonuses and incentives **	13,648,117	7,715,410
Social insurance	2,761,830	2,072,871
Employees' benefits	1,224,226	451,104
	<u>64,658,492</u>	<u>46,747,208</u>

\*\* The rewards and incentives item includes an amount of EGP 1,511,856 (EGP nil as at 31 March 2016) which represents the amount of the payments calculated on the basis of the difference between the market value of the Parent Company's shares at 30 June 2020 and the share price at the date of offering its shares in the Egyptian Stock Exchange on 2 June 2016. And an amount of EGP 634,595 (EGP nil at 31 March 2016) which represents the value of payments calculated on the basis of the difference between profit before interest and EBITDA at the maturity date of 30 June 2020 and 30 June 2016.

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

	<u>31 March 2017</u>	<u>31 March 2016</u>
<b>Finance income</b>		
Interest income	13,545,083	2,516,441
<b>Total finance income</b>	<u>13,545,083</u>	<u>2,516,441</u>
<b>Finance expenses</b>		
Interest expense	(15,867,615)	(12,105,098)
Currency valuation differences	(572,516)	14,150
Bank commissions	(395,322)	(2,030,277)
<b>Total finance expenses</b>	<u>(16,835,453)</u>	<u>(14,121,225)</u>
<b>Net finance (expenses)/ income</b>	<u>(3,290,370)</u>	<u>(11,604,784)</u>

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**25. Income taxes**

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

	<u>31 March 2017</u>	<u>31 March 2016</u>
Income tax for the period	9,398,200	9,223,247
Deferred tax (note 26)	(770,251)	63,097
	<u><b>8,627,949</b></u>	<u><b>9,286,344</b></u>

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

	<u>31 March 2017</u>	<u>31 March 2016</u>
Net profit before tax	37,756,969	31,801,356
Income tax accounted for on applicable local tax rate	8,495,318	7,155,304
<b>Add/ (less):</b>		
Expenses not deductible for tax purposes	2,943,089	2,131,040
Income not deductible for tax purposes	(2,810,458)	-
<b>Income taxes</b>	<u><b>8,627,949</b></u>	<u><b>9,286,344</b></u>
<b>Actual tax rate</b>	<u><b>22.85%</b></u>	<u><b>29.20%</b></u>

<u>Current income tax liabilities</u>	<u>31 March 2017</u>	<u>31 December 2016</u>
Balance at 1 January	31,578,146	32,136,609
Effect of acquisition of subsidiaries	-	4,108,178
Payments during the period / year	(2,000,000)	(35,734,890)
Tax payable during the period / year	9,398,200	31,068,249
	<u><b>38,976,346</b></u>	<u><b>31,578,146</b></u>

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**26. Deferred tax**

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

	<b>Balance at 1 Jan 2017 (Liability)</b>	<b>Effect of acquisition of subsidiaries Asset/ (liability)</b>	<b>(Expense)/ income charged to the statement of income during the period</b>	<b>Balance at 31 March 2017 (Liability)</b>
<b>Liabilities</b>				
Fixed assets	(2,823,503)	-	(218,134)	(3,041,637)
Fixed assets - Effect of fair value	(49,780,264)	-	628,200	(49,152,064)
Intangible assets - Effect of fair value	(9,979,650)	-	-	(9,979,650)
<b>Total Liabilities</b>	<b>(62,583,417)</b>	<b>-</b>	<b>410,066</b>	<b>(62,173,351)</b>
<b>Assets</b>				
Provisions (excluding claims provision)	2,590,052	-	360,185	2,950,237
<b>Net deferred tax - Liability</b>	<b>(59,993,365)</b>		<b>770,251</b>	<b>(59,223,114)</b>
	<b>Balance at 1 Jan 2016 (Liability)</b>	<b>Effect of acquisition of subsidiaries Asset/ (liability)</b>	<b>(Expense)/ income charged to the statement of income during the year</b>	<b>Balance at 31 December 2016 (Liability)</b>
<b>Liabilities</b>				
Fixed assets	(2,129,493)	2,163,446	(2,857,456)	(2,823,503)
Fixed assets - Effect of fair value	(38,579,741)	(13,719,925)	2,519,402	(49,780,264)
Intangible assets - Effect of fair value	(4,801,950)	(5,177,700)	-	(9,979,650)
<b>Total Liabilities</b>	<b>(45,511,184)</b>	<b>(16,734,179)</b>	<b>(338,054)</b>	<b>(62,583,417)</b>
<b>Assets</b>				
Provisions (excluding claims provision)	1,708,604	-	881,448	2,590,052
<b>Net deferred tax - Liability</b>	<b>(43,802,580)</b>	<b>(16,734,179)</b>	<b>543,394</b>	<b>(59,993,365)</b>

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**27. Related parties transactions**

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

Balances of balance sheet

<u>(Related parties)</u>	<u>Nature of transaction</u>	<u>31 March 2017</u>	<u>31 December 2016</u>
<b>Care HealthCare (Parent Company)</b>			
Debtors and other debit balances	Expenses paid on behalf of	28,513	28,513
<b>Directors</b>			
Debtors and other debit balances	Prepaid allowance	-	120,000

**28. Tax position**

**Cleopatra Hospital S.A.E.**

First: Tax of Fund Corporates

- 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.
- The Company was not inspected for the years 2015 and 2016.

Second: Sales tax

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

Third: Tax on earnings

- Inspection was made up to 31 December 2016, and all tax payables were settled, and a clearance certificate was obtained from the Tax Authority.
- Tax on earnings was inspected for 2014, and an internal committee is being formed.
- Years from 2005 to 2016 were not inspected.

Fourth: Stamp duty

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

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**Tax position (continued)**

**Cairo Specialised Hospital "S.A.E"**

1. Tax of Fund Corporates

- The Company was inspected from inception to 2008 and all tax dues were paid.
- Years from 2009 to 2011 were inspected and paid.
- Years from 2012 to 2014 were inspected and paid.
- The Company was not inspected for the years 2015 and 2016 and tax returns were annually submitted by the legal deadlines.

2. Tax on salaries and wages

- The Company was inspected from inception to 2009 and all tax dues were paid.
- An internal committee was formed for the years from 2010 to 2013, and the findings of the committee was referred to the tax appeal committee.
- Years 2014 and 2015 are under inspection.
- 2016 has not been inspected yet.

3. Stamp duty

- The Company was inspected from inception to 31 July 2006 and all tax dues were paid.
- The Company was assessed on presumptive basis from August 2006 to 2013, and appeal was filed on the legal deadline.
- The Company was not inspected for the years 2014, 2015 and 2016.

**Nile Badrawi Hospital**

1. Industrial and commercial profits tax

- Years up to 2012 have been settled and fully paid.
- Years from 2013 to 2014 are currently inspected.
- 2015 and 2016 have not been inspected yet.

2. Tax on the earning

- Years up to 2011 were inspected and settled. No tax is due for the years up to 2011.
- Tax settlement is in progress for the years from 2012 to 2015.
- 2016 has not been inspected yet.

3. Stamp duty

- Years up to 30 June 2016 were inspected and settled.
- Years from 1 August 2006 up to 2014 are currently inspected. There is a claim of EGP 220.960, for which is an objection was filed on 31 October 2016.
- 2015 and 2016 have not been inspected yet.

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**Tax position (continued)**

**Al Shorouk Hospital S.A.E.**

**First: Industrial and commercial profits tax**

- Years up to 2004 have been inspected, payment was made, tax differences were settled, and a certificate of clearance and full payment was issued.
- Tax returns for the years 2015 and 2016 have been submitted and no inspection was performed to date.

**Second: Tax on earning**

- The Company was inspected up to 31 December 2004
- Internal committees were formed for 2005 to 2014 which showed the due balance until 31 March 2017 of EGP 2.300.000.
- the years 2015 and 2016 are being inspected to date.
- 

**Third: Stamp duty tax**

- Inspection was made up to 31 December 2006 and tax was paid.
- The Company was inspected on a presumptive basis from 1 August 2006 to 2014.
- The Company was not inspected for the years 2015 and 2016.
- The Company regularly submits the tax returns on the legal deadlines.

**29. Commitments**

a) Capital commitments:

Capital commitments related to fixed assets at financial year end, which are not yet due, amounted to EGP 22,998,414 (31 December 2016: EGP 45,929,445).

b) Rental liabilities:

Rental liabilities at financial year end, which are not yet due, are as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
Less than one year	2,089,861	1,275,046
1 to 5 years	378,741	1,823,173



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**30. Other Matters**

With reference to the disclosures issued by the Company on 20 October 2016, 2 November 2016, 18 January 2017 and 31 January 2017 to the Egyptian Stock Exchange regarding the dispute concerning the plot of land of the Nile Badrawi Hospital (the "Company") to which a request has been submitted to the Committee for the Resolution of Investment Disputes, in accordance with what was referred to in the offering of the shares of Cleopatra Hospital in the Egyptian Stock Exchange, please be informed that - as indicated in the disclosures above - the Nile Badrawi Hospital has filed a lawsuit to discharge the company against the General Authority for River Transportation and the invalidity of any seizure order in this regard. In addition, the General Authority for River Transportation filed a sub-suit in the case of the clearance requesting the Nile Badrawi Hospital Company to pay the amount of EGP 36 million; the value of the disputed land, EGP 7 million; the value of the right to use this land and the legal benefits, in addition to the amount of EGP 20 million as a compensation and nullification of any contract between the Nile Badrawi and Abraaj Capital or any other entity to sell the disputed land, given that the Nile Badrawi Hospital Company provided its defense in this regard, taking into account the following:

- 1- That the Ministerial Committee for the Resolution of Investment Disputes issued a resolution on 18 February 2003, approving the non-objection of the General Authority for River Transportation to approve the disposal of land in return for an appropriate compensation. The Committee also approved the proposal that the compensation should be the value of what was paid to Cairo Governorate when the land was purchased.
- 2- As stated in the Disclosure dated 2 November 2016 - the Technical Secretariat of the Ministerial Committee for Dispute Resolution has notified the Nile Badrawi Hospital Company in its meeting held on 1 November 2016 that it had issued a letter to the General Authority for River Transportation on 27 October 2016 - upon a request from the Company - confirming that the Nile Badrawi Hospital is a company subject to the law of guarantees and incentives for investment and that article 9 stipulates that: "The administrative way may not impose security on companies and entities or seize, takeover, retain, freeze or confiscate their funds." I have asked the General Authority for River Transportation to take the necessary measures to stop any action against Nile Badrawi Hospital Company until the dispute is resolved and presented to the Ministerial Committee for Resolution of Investment Dispute to take its decision in this regard. This dispute is also being handled by the State Land Recovery Commission.
- 3- That there is no sale of the disputed land between the Nile Badrawi Hospital and any other party.
- 4- Cleopatra Hospital is entitled to refer to the former owners of the Nile Badrawi Hospital "S.A.E"- in accordance with the contract for the sale of the shares of the Nile Badrawi Hospital - and to claim any losses and / or damages and / or obligations that may be incurred by the Company and / or Nile Badrawi "S.A.E" resulting from any dispute concerning the ownership of land of the Nile Badrawi Hospital.

In light of the above, the financial liabilities of this dispute are subject to conflict between the parties concerned and shall be definitively determined in accordance with the provisions and resolutions to be issued in the above-mentioned cases or any settlement that may be agreed by the parties. At this stage, and until the final settlement of this dispute, it is difficult to determine the financial liabilities that may result from this dispute.