

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

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

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

Consolidated interim financial statements - For the nine-month period ended 30 September 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 reviewed the accompanying consolidated interim statement of financial position of Cleopatra Hospital (S.A.E.) and its subsidiaries (the "Group") as at 30 September 2017 and the related consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-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.

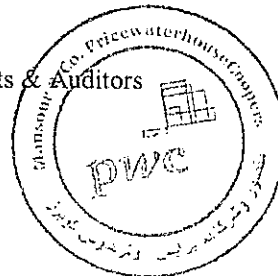
Scope of the limited review

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 30 September 2017, and its financial performance, and its cash flows for the nine-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



19 November 2017 .
Cairo

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

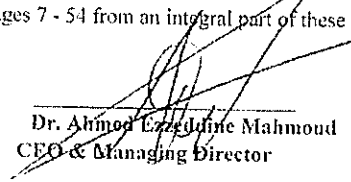
Consolidated interim statement of financial position - At 30 September 2017

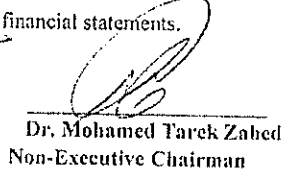
(All amounts in Egyptian Pounds)

	Note	30 September 2017	31 December 2016
Assets			
<u>Non-current assets</u>			
Fixed assets	6	468,736,341	396,722,304
Goodwill	7	196,676,034	196,676,034
Intangible assets	7	45,691,501	49,704,005
Total non-current assets		711,103,876	643,102,343
<u>Current assets</u>			
Inventories	8	47,757,934	46,116,907
Trade receivables	9	177,461,333	125,935,773
Due from related parties	27	28,513	148,513
Debtors and other debit balances	10	37,279,816	25,476,586
Cash on hand and at banks	11	396,819,037	439,583,047
Total current assets		659,346,633	637,260,826
Total assets		1,370,450,509	1,280,363,169
Liabilities			
<u>Equity</u>			
Share capital	16	100,000,000	100,000,000
Reserves	17	297,636,929	298,037,805
Retained earnings		230,662,934	168,655,027
Total equity of the parent company		628,299,863	566,692,832
Non-controlling interests	18	51,789,538	43,804,490
Total equity		680,089,401	610,497,322
<u>Non-current liabilities</u>			
Non-current portion of borrowings	15	296,603,047	325,977,549
Employee incentive plan	14	11,442,000	-
Deferred tax liabilities	26	62,649,064	59,993,365
Total non-current liabilities		370,694,111	385,970,914
<u>Current liabilities</u>			
Provisions	12	21,207,836	24,924,705
Creditors and other credit balances	13	206,168,120	175,222,518
Current portion of borrowings and overdraft	15	67,210,925	52,169,564
Current income tax liabilities	25	25,080,116	31,578,146
Total current liabilities		319,666,997	283,894,933
Total liabilities		690,361,108	669,865,847
Total equity and liabilities		1,370,450,509	1,280,363,169

The accompanying notes on pages 7 - 54 from an integral part of these financial statements.


Mr. Khaled Hissan Ahmed
Group CEO


Dr. Ahmed Ezzeldine Mahmoud
CEO & Managing Director


Dr. Mohamed Tarek Zahed
Non-Executive Chairman

19 November 2017
Limited review report is attached

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated interim statement of profit or loss - For the nine months period ended 30 September 2017

(All amounts in Egyptian Pounds)

	Note	Nine months ended 30 September		Three months ended 30 September	
		2017	2016	2017	2016
Operating revenue	19	817,127,057	626,580,514	293,248,729	213,146,666
Less:					
Operating costs	20	<u>(572,662,244)</u>	<u>(439,526,310)</u>	<u>(202,477,709)</u>	<u>(152,918,129)</u>
Gross profit		244,464,813	187,054,204	90,771,020	60,228,537
Add / (Less):					
General and administrative expenses	21	(116,773,029)	(81,846,547)	(41,647,948)	(25,908,992)
Costs of acquisition activities		(2,020,243)	(1,634,586)	(2,020,243)	(1,634,586)
Provisions	12	(4,946,807)	(9,500,041)	(367,000)	(339,067)
Other income	22	4,870,654	4,174,694	2,294,744	284,152
Finance income	24	40,579,794	13,680,842	13,691,412	8,368,502
Finance expenses	24	<u>(54,811,045)</u>	<u>(41,172,173)</u>	<u>(20,631,187)</u>	<u>(12,333,331)</u>
Profit for the period before income tax		111,364,137	70,756,393	42,090,798	28,665,215
Current tax	25	(24,096,817)	(21,540,620)	(6,437,683)	(7,128,916)
Deferred tax	26	<u>(2,655,699)</u>	<u>3,638,763</u>	<u>(3,667,446)</u>	<u>519,100</u>
Profit after income tax		84,611,621	52,854,536	31,985,669	22,055,399
Profit for:					
Owners of the parent company		75,999,483	45,275,638	28,250,127	19,592,172
Non-controlling interests	18	<u>8,612,138</u>	<u>7,578,898</u>	<u>3,735,542</u>	<u>2,463,227</u>
Profit for the period		<u>84,611,621</u>	<u>52,854,536</u>	<u>31,985,669</u>	<u>22,055,399</u>

The accompanying notes on pages 7 - 54 from an integral part of these financial statements.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

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

(All amounts in Egyptian Pounds)

	Note	Nine months ended 30 September		Three months ended 30 September	
		2017	2016	2017	2016
Profit for the period		84,611,621	52,854,536	31,985,669	22,055,399
Other comprehensive income		-	-	-	-
Comprehensive income for the period		84,611,621	52,854,536	31,985,669	22,055,399

The accompanying notes on pages 7 - 54 from an integral part of these financial statements.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated interim statement of changes in equity - For the nine months period ended 30 September 2017

(All amounts in Egyptian Pounds)

	Share capital	Reserves	Retained earnings	Total Shareholders equity of the parent Company	Non-controlling interest	Total equity
Balance at 1 January 2016	80,000,000	(62,303,508)	108,270,052	125,966,544	33,250,055	159,216,599
Capital increase	20,000,000	-	-	20,000,000	-	20,000,000
Employees dividends	-	-	(12,725,811)	(12,725,811)	(815,889)	(13,541,700)
Reserves	-	359,820,273	(3,233,896)	356,586,377	229	356,586,606
Share of non-controlling interest interests from the acquisition of subsidiaries	-	-	-	-	16,924	16,924
Comprehensive income for the period	-	-	45,275,638	45,275,638	7,578,898	52,854,536
Balance at 30 September 2016	100,000,000	297,516,765	137,585,983	535,102,748	40,030,217	575,132,965
Balance at 1 January 2017	100,000,000	298,037,805	168,655,027	566,692,832	43,804,490	610,497,322
Dividends for employees	-	-	(13,338,392)	(13,338,392)	(1,067,790)	(14,406,182)
Reserves	-	-	(653,184)	(653,184)	653,184	-
Transactions with non-controlling interest	-	(400,876)	-	(400,876)	(212,484)	(613,360)
Comprehensive income for the period	-	-	75,999,483	75,999,483	8,612,138	84,611,621
Balance at 30 September 2017	100,000,000	297,636,929	230,662,934	628,299,863	51,789,538	680,089,401

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

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of cash flows - For the nine months period ended 30 September 2017

(All amounts in Egyptian Pounds)	Note	30 September 2017	30 September 2016
<u>Cash flows from operating activities</u>			
Profit before tax		111,364,137	70,756,393
Adjustments to reconcile net income to cash flows from operating activities			
Fixed assets depreciation	6	24,025,523	21,032,578
Fixed assets write off	6	3,296,590	-
Profit from sale of fixed assets	22	(711,226)	2,512
Amortization of intangible assets	7	4,012,504	4,012,496
Impairment of inventories	8	354,244	-
Impairment of trade receivables	9	25,200,068	17,447,383
Impairment of no longer required of trade receivables	9	(12,210,579)	(6,210,115)
Impairment write off of trade receivables	9	(6,011,407)	(322,674)
Provisions formed	12	7,026,635	9,809,136
Provisions no longer required	12	(2,079,828)	(309,095)
Provisions utilized	12	(8,663,676)	(7,202,835)
Employee incentive plan	14	11,442,000	-
Interests and commissions		53,834,269	41,440,233
Interests payable	24	(40,579,794)	(13,945,355)
Income tax paid	25	(30,594,847)	(32,181,674)
Operating profits before changes in assets and liabilities		139,704,613	104,328,983
Changes in assets and liabilities			
Change in inventories	8	(1,995,271)	(4,919,463)
Change in trade receivables	9	(58,503,642)	(30,465,827)
Change in due from related parties	27	120,000	-
Change in debtors and other debit balances	10	(4,460,226)	(39,339,170)
Change in Creditors and other credit balances	13	40,421,964	14,403,362
Net cash flows generated from operating activities		115,287,438	44,007,885
<u>Cash flows from investing activities</u>			
Payments for purchase fixed assets	6	(65,315,083)	(5,756,361)
Payments for projects under construction	6	(34,406,209)	(11,276,171)
Prepayments for purchasing fixed assets		(8,441,726)	(241,438)
Proceeds from sale of fixed assets		970,368	-
Payments to acquisition of subsidiary, net cash acquired		(613,360)	(235,052,181)
Deposits with a maturity of more than 3 months from the date of placement	11	178,208,630	(12,636,822)
Interests received		41,678,516	13,945,355
Collected from housing bonds		-	38,080
Net cash flows generated from/(used in) investing activities		112,081,136	(250,979,538)
<u>Cash flows from financing activities</u>			
Paid under capital increase		-	20,000,000
Issuance premium		-	340,000,000
Receipts from borrowings and overdraft		83,581,185	208,714,800
Payment of borrowings and overdraft		(97,914,327)	(21,753,697)
Dividends paid		(13,982,430)	(6,785,831)
Interests and commissions paid		(63,608,382)	(19,298,810)
Net cash flows (used in) / generated from financing activities		(91,923,954)	520,876,462
Change in cash and cash equivalents during the period		135,444,620	313,904,809
Cash and cash equivalents at the beginning of the period		44,374,417	47,017,746
Cash and cash equivalents at the end of the period	11	179,819,037	360,922,555

The accompanying notes on pages 7 - 54 from an integral part of these financial statements.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

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

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

1. Introduction

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. And as of 31 December 2016 Cleopatra Hospital S.A.E share in Cairo Specialised Hospital has changed to reach 53.67% due to the write off of treasury shares.

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

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

These consolidated financial statements have been approved for issuance by the Board of Directors of the Parent Company on 19 November 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

Notes to the consolidated interim financial statements

For the nine-month period ended 30 September 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.

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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

Notes to the consolidated interim financial statements

For the nine-month period ended 30 September 2017

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

Basis of consolidation (continued)

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.

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

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	53.88%

2. Sale, acquisition and 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 profit and loss 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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated interim financial statements

For the nine-month period ended 30 September 2017

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

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.

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 financial position date are recognised in the consolidated statement of profit or loss.

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 profit and loss 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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

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

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

Fixed assets (continued)

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%

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 profit or loss.

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 statement of profit or loss, 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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

Notes to the consolidated interim financial statements

For the nine-month period ended 30 September 2017

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

G. Inventories

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.

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 financial position date. In this case, they are classified as non-current assets.

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

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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated interim financial statements

For the nine-month period ended 30 September 2017

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

Financial assets (continued)

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 profit or loss.

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

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 profit or loss, 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.

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For the nine-month period ended 30 September 2017

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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.

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.

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O. Employees' benefits

(1) 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.

(2) Employee incentive plan

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

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

System elements

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

The remuneration committee shall determine the date of grant.

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

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

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

Employees' benefits (continued)

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

P. 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.

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Q. 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.

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.

R. Current and deferred income tax

The income tax for the year is calculated on the basis of the tax laws enacted at the financial position date. 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 financial position 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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

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S. 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.

T. 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.

U. Fair value of financial instruments

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

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

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

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

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

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

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

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

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Fair value of financial instruments (continued)

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

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

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

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

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

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.

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Financial risk management (continued)

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

	<u>30 September 2017</u>	<u>31 December 2016</u>
US Dollars	14,502,045	13,776,733
Euro	45,982	41,944
GBP	53,776	53,019

At 30 June 2017, if the EGP had been more/ less by 10% against foreign currencies, with all other variables held constant, net profit after taxes would have increased / decreased as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
US Dollars	1,450,205	1,377,673
Euro	4,598	4,194
GBP	5,378	5,302

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.

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Financial risk management (continued)

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:

	30 September 2017	31 December 2016
Cash at banks	392,916,269	432,258,309
Trade receivables	226,953,881	168,450,239

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:

	Below 3 months	3 months to 1 year	1 year to 5 years	Above 5 years
Suppliers and notes payable	77,209,665	24,976,191	-	-
Accrued expenses except for finance interest	76,074,970	3,517,075	-	-
Loans and financing interests	88,636	118,634,491	424,306,010	-
Miscellaneous creditors	9,493,733	469,490	-	-

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. During May 2017 and July 2017, the borrowing rate had increased to be 2% and 2% respectively.

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Financial risk management (continued)

(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 financial position.

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

	<u>30 September 2017</u>	<u>31 December 2016</u>
Creditors and other credit balances	206,168,120	175,222,518
Employee incentive plan	11,442,000	-
Borrowings	363,813,972	378,147,113
Less: Cash on hand and at banks	<u>(396,819,037)</u>	<u>(439,583,047)</u>
Net debt	184,605,055	113,786,584
Total shareholders' equity	<u>680,089,401</u>	<u>610,497,322</u>
Total invested capital	<u>864,694,456</u>	<u>724,283,906</u>
Net debts to total invested capital	21.35%	15.71%

(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.

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

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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.

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 financial position, and adjusts it to reflect the best current estimate by using the appropriate advisory expertise.

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 profit or loss, 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.

Employee incentive plan

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

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

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

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5. Segment reporting

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

Below is a summary of each segment, which is presented for the nine-month period ended 30 September 2017 for each segment:

	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	Total
<u>Statement of financial position</u>					
Non-current assets	331,654,149	65,881,424	199,126,645	114,441,658	711,103,876
Current assets	447,252,628	97,813,290	64,493,235	49,787,480	659,346,633
Total assets	778,906,777	163,694,714	263,619,880	164,229,138	1,370,450,509
Current liabilities	171,659,932	49,568,296	52,386,121	46,052,648	319,666,997
Non-current liabilities	311,170,383	4,267,376	39,285,712	15,970,640	370,694,111
Total Liabilities	482,830,315	53,835,672	91,671,833	62,023,288	690,361,108
<u>Statement of profit or loss:</u>					
Operating revenue	355,797,978	177,309,674	144,885,777	139,133,628	817,127,057
Operating costs	(218,889,460)	(128,482,119)	(114,329,717)	(110,960,948)	(572,662,244)
Gross profit	136,908,518	48,827,555	30,556,060	28,172,680	244,464,813
Other expenses and revenues	(73,393,133)	(33,658,950)	(28,902,297)	(23,898,812)	(159,853,192)
Profit for period	63,515,385	15,168,605	1,653,763	4,273,868	84,611,621
<u>Other Items</u>					
Capital expenditure	34,094,093	22,895,890	37,712,371	13,460,664	108,163,018
Fixed assets depreciation	5,837,344	5,638,018	7,007,064	5,543,097	24,025,523

The financial information above represents segment data recorded in the Companies books after excluding inter-segment transactions and the affect of the change in the assets value and the liabilities arising from the acquisition.

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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:

	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	Total
<u>Statement of financial position</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
Total assets	735,453,871	144,023,193	249,513,946	151,372,159	1,280,363,169
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
Total Liabilities	477,890,869	51,181,785	83,530,263	57,262,930	669,865,847
<u>Statement of profit or loss</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)
Gross profit	139,383,514	46,532,178	33,468,050	31,038,183	250,421,925
Other expenses and revenues	(95,595,925)	(18,197,206)	(25,407,835)	(21,812,823)	(161,013,789)
Profit for the year	43,787,589	28,334,972	8,060,215	9,225,360	89,408,136
<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	-	1,457,493	57,689,997	3,446,871	-	3,962,722	34,406,209	100,963,292
Disposals	-	-	(4,699,396)	(269,470)	(125,000)	(7,105)	-	(5,100,971)
Transfers	-	465,078	94,468	-	-	6,723,170	(7,282,716)	-
Write off	-	-	-	-	-	-	(3,296,590)	(3,296,590)
Cost at 30 September 2017	105,329,262	245,780,856	308,965,027	34,439,866	7,199,873	19,150,137	34,963,272	755,828,293
Accumulated depreciation at 1 January 2017	-	63,227,187	170,003,459	23,375,941	3,723,923	6,209,748	-	266,540,258
Depreciation	-	7,851,208	12,842,658	1,801,855	386,538	1,143,264	-	24,025,523
Accumulated depreciation of disposals	-	-	(3,353,589)	(32,291)	(80,844)	(7,105)	-	(3,473,829)
Accumulated depreciation at 30 September 2017	-	71,078,395	179,492,528	25,145,505	4,029,617	7,345,907	-	287,091,952
Net book value at 30 September 2017	105,329,262	174,702,461	129,472,499	9,294,361	3,170,256	11,804,230	34,963,272	468,736,341

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

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

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

Fixed assets (continued)

	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)
Transfers	-	-	1,080,000	-	-	-	(1,080,000)	-
Cost at 31 December 2016	105,329,262	243,858,285	255,879,958	31,262,465	7,324,873	8,471,350	11,136,369	663,262,562
Accumulated depreciation at								
1 January 2016	-	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	-	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)
Accumulated depreciation at 31 December 2016	-	63,227,187	170,003,459	23,375,941	3,723,923	6,209,748	-	266,540,258
Net book value at 31 December 2016	105,329,262	180,631,098	85,876,499	7,886,524	3,600,950	2,261,602	11,136,369	396,722,304

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

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

7. Business combination and intangible assets

<u>Trade name</u>	<u>Cost</u>	<u>Non-competition agreement</u>	<u>30 September 2017 Total</u>	<u>Goodwill</u>
Cost of intangible assets resulting from business combination	44,354,000	1,337,501	45,691,501	196,676,034

<u>Trade name</u>	<u>Cost</u>	<u>Non-competition agreement</u>	<u>31 December 2016 Total</u>	<u>Goodwill</u>
Cost of intangible assets arising from business combinations	44,354,000	5,350,005	49,704,005	196,676,034

<u>Trade name</u>	<u>Cost</u>	<u>Non-competition agreement</u>	<u>30 September 2017 Total</u>	<u>Goodwill</u>
Balance at the beginning of the period	44,354,000	5,350,005	49,704,005	196,676,034
Amortisation for the period	-	(4,012,504)	(4,012,504)	-
Balance at the end of the period	44,354,000	1,337,501	45,691,501	196,676,034

<u>Trade name</u>	<u>Cost</u>	<u>Non-competition agreement</u>	<u>31 December 2016 Total</u>	<u>Goodwill</u>
Balance at the beginning of the year	21,342,000	-	21,342,000	75,853,020
Additions during the year	23,012,000	10,700,000	33,712,000	120,823,014
Amortisation for the year	-	(5,349,995)	(5,349,995)	-
Balance at the end of the year	44,354,000	5,350,005	49,704,005	196,676,034

<u>Cost</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>30 September 2016 Total</u>	<u>Goodwill</u>
Cost of intangible assets arising from business combination	44,354,000	6,687,504	51,041,504	196,676,034

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

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

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

Business combination and intangible assets (continued)

<u>Cost</u>	<u>Trade name</u>	<u>Non- competition agreement</u>	<u>30 September 2016 Total</u>	<u>Goodwill</u>
Balance at the beginning of the period	21,342,000	-	21,342,000	75,853,020
Additions during the period	23,012,000	10,700,000	33,712,000	120,823,014
Depreciation for the period	-	(4,012,496)	(4,012,496)	-
Balance at the end of the period	44,354,000	6,687,504	51,041,504	196,676,034

The goodwill is as follows:

	<u>Balance at 1 January 2017</u>	<u>Acquisition of a subsidiary</u>	<u>Balance at 30 September 2017</u>
Nile Badrawi Hospital	75,853,020	-	75,853,020
Al Shorouk Hospital S.A.E.	120,823,014	-	120,823,014
Total	196,676,034	-	196,676,034

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.

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

Business combination and intangible assets (continued)

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:

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

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:

	EGP
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
Total fair value of tangible assets	182,007,882
Net liabilities at fair value	(20,067,755)
Net fair value of acquired assets	161,940,127

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

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.

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
Non-controlling interests at the date of acquisition	16,924
Direct costs of acquisition	-
Total cost of acquisition	239,158,924
Fair value of acquired assets	(84,623,910)
Intangible assets	154,535,014

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
Total Fair value of tangible assets	111,760,279
Net liabilities at fair value	(27,136,369)
Net fair value of acquired assets	84,623,910

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

8. Inventories

	<u>30 September 2017</u>	<u>31 December 2016</u>
Medical supply inventory	25,605,224	19,870,897
Medicine inventory	18,738,651	22,285,738
Maintenance and spare parts inventory	1,776,878	1,494,892
Stationary inventory	1,439,520	1,748,016
Food and beverage inventory	194,197	410,555
Hospitality supplies inventory	357,708	306,809
	<u>48,112,178</u>	<u>46,116,907</u>
Less:		
impairment of inventory	(354,244)	-
	<u>47,757,934</u>	<u>46,116,907</u>

9. Trade receivables

	<u>30 September 2017</u>	<u>31 December 2016</u>
Due from customers	221,313,631	163,957,688
Income from inpatients	5,640,250	4,492,551
	<u>226,953,881</u>	<u>168,450,239</u>
Less:		
Impairment of customers' balances	(49,492,548)	(42,514,466)
Net trade receivables	<u>177,461,333</u>	<u>125,935,773</u>

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

Movement in the provision for impairment is as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Balance at the beginning of period / year	42,514,466	24,676,776
Provisions formed during the period / year	25,200,068	25,581,599
Provisions no longer required during the period/ year	(12,210,579)	(7,966,502)
Write-offs during the period/ year	(6,011,407)	(6,844,712)
Effect of acquisition	-	7,067,305
Balance at the end of the period/ year	<u>49,492,548</u>	<u>42,514,466</u>

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**Notes to the consolidated interim financial statements
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Trade receivables (continued)

Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 61,237,267 (31 December 2016: EGP 60,372,774).

At the financial position date, the balances that were past due but not impaired amounted to EGP 95,484,001 (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>30 September 2017</u>	<u>31 December 2016</u>
Less than 1 month	50,233,551	40,009,048
1 to 5 months	45,250,450	26,920,443

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

10. Debtors and other debit balances

	<u>30 September 2017</u>	<u>31 December 2016</u>
Advances to suppliers	10,805,322	7,710,643
Tax prepayments	13,720,920	-
Withholding taxes	1,800,314	9,376,365
Accrued interest income	2,241,699	3,340,421
Prepaid expenses	5,894,957	2,992,632
Deposits with others	1,269,334	649,833
Other debtors	2,660,636	2,520,058
	<u>38,393,182</u>	<u>26,589,952</u>
Less: Impairment in other debit balances	<u>(1,113,366)</u>	<u>(1,113,366)</u>
	<u>37,279,816</u>	<u>25,476,586</u>

The movement of the provision for impairment is as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Balance at 1 January	1,113,366	854,860
Provisions 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>

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

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

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

11. Cash on hand and at banks

	30 September 2017	31 December 2016
Time deposit	226,706,730	395,208,630
Current accounts	166,209,539	37,049,679
Cash on hand	3,902,768	7,324,738
	<u>396,819,037</u>	<u>439,583,047</u>

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 12% to 15 % (31 December 2015: from 10.75% to 12%).

	30 September 2017	31 December 2016	30 September 2016
Cash on hand and at banks	396,819,037	439,583,047	436,448,500
Deposits with a maturity of more than 3 months from the date of placement	(217,000,000)	(395,208,630)	(75,525,945)
Cash and cash equivalents	<u>179,819,037</u>	<u>44,374,417</u>	<u>360,922,555</u>

12. Provisions

	30 September 2017	31 December 2016
Provision for claims	14,106,472	16,470,824
Provision for human resources	7,101,364	8,453,881
	<u>21,207,836</u>	<u>24,924,705</u>

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

	30 September 2017				
	Balance at the beginning of the period	Formed during the period	Utilised during the period	Provisions no longer required	Balance at the end of the period
Provision for claims	16,470,824	-	(2,364,352)	-	14,106,472
Provision for human resources	8,453,881	7,026,635	(6,299,324)	(2,079,828)	7,101,364
Total	<u>24,924,705</u>	<u>7,026,635</u>	<u>(8,663,676)</u>	<u>(2,079,828)</u>	<u>21,207,836</u>

	31 December 2016					
	Balance at the beginning of the year	Effect of acquisition of subsidiaries	Formed during the year	Utilised during the year	Provisions no longer required	Balance at the end of the year
Provisions for claims	15,638,201	11,870,000	1,043,800	(7,737,936)	(4,343,241)	16,470,824
Provision for human resources	4,252,596	200,124	9,821,555	(3,439,462)	(2,380,932)	8,453,881
Total	<u>19,890,797</u>	<u>12,070,124</u>	<u>10,865,355</u>	<u>(11,177,398)</u>	<u>(6,724,173)</u>	<u>24,924,705</u>

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

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

Provisions (continued)

	30 September 2016					Balance at the end of the period
	Balance at the beginning of the period	Effect of acquisition of subsidiaries	Formed during the period	Utilised during the period	Provisions no longer required	
Provision for claims	15,638,201	11,870,000	1,000,000	(6,538,249)	-	21,969,952
Provision for human resources claims	4,252,596	200,124	8,809,136	(664,586)	(309,095)	12,288,175
Total	19,890,797	12,070,124	9,809,136	(7,202,835)	(309,095)	34,258,127

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

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.

13. Creditors payable and other credit balances

	30 September 2017	31 December 2016
Suppliers and notes payable	102,185,856	85,846,933
Accrued expenses	88,115,481	79,791,842
Accrued salaries	2,782,001	1,446,968
Social insurance	1,662,215	1,464,254
Dividends payable	999,884	576,132
Other creditors	10,422,683	6,096,389
	206,168,120	175,222,518

14. Employee incentive plan

	30 September 2017	31 December 2016
Employee incentive plan based on parent company's market value of shares	8,954,000	-
Employee incentive plan based on earning performance before interest, tax, depreciation and amortization	2,488,000	-
	11,442,000	-

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Employee incentive plan (continued)

Movement during the period / year is as follows:

	30 September 2017			Balance at 30 June 2017
	Balance at 1 January 2017	Formed during the period	Utilised during the period	
Employee incentive plan based on parent company's market value of shares	-	8,954,000	-	8,954,000
Employee incentive plan based on earning performance before interest, tax, depreciation and amortization	-	2,488,000	-	2,488,000
Total	-	11,442,000	-	11,442,000

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

The advantages of the system are as follows:

- a- Payments calculated 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.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

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15. Borrowings and overdraft

The balance of borrowings comprises:

	30 September 2017	31 December 2016
Gross amount of borrowings	363,813,972	378,147,113
Less: Current portion of borrowings	(67,210,925)	(52,169,564)
Non-current portion of borrowings	296,603,047	325,977,549

Loans (1) and (2) and credit facilities (Cleopatra Hospital Company)

	30 September 2017	31 December 2016
Gross amount of borrowings	359,969,183	371,114,800
Less: Current portion of borrowings	(63,366,136)	(45,137,251)
Non-current portion of borrowings	296,603,047	325,977,549

Below is the movement of borrowings during the period:

	30 September 2017			Balance at the end of the period
	Balance at the beginning of the period	Proceeds during the period	Paid during period	
Loan of the Commercial International Bank (1)	162,400,000	-	(20,300,000)	142,100,000
Loan of the Commercial International Bank (2)	208,714,800	-	(4,537,251)	204,177,549
Credit facilities	-	40,782,771	(27,091,137)	13,691,634
Total	371,114,800	40,782,771	(51,928,388)	359,969,183

	31 December 2016			Balance, at the end of the year
	Balance at the beginning of the year	Collected during the year	Paid during the year	
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
Total	203,000,000	208,714,800	(40,600,000)	371,114,800

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 December 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, and starting from September 2017, interest rate became 1.9% in addition to corridor rate announced by the Central Bank of Egypt.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

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

Borrowings and overdraft (continued)

- (2) A loan of EGP 230,000,000 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 ascending semi-annual instalments starting as of 18 months from the date of the first withdrawal and ends at 21 January 2022 with an interest of 2.4% in addition of the corridor rate announced by the Central Bank of Egypt, , and starting from September 2017, interest rate became 1.9% in addition to corridor rate announced by the Central Bank of Egypt.

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.

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. Starting from 2017 the credit facility contract has been closed after the full settlement of total debit.

Average of interest rate on overdraft balances in EGP amounted to 20.75% (31 December 2016: 15%).

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

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

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

Borrowings and overdraft (continued)

(3) Other loans (AlShorouk Hospital Company)

	30 September 2017		
	Borrowings	Overdraft	Total
Current portion	88,635	3,756,153	3,844,788

	31 December 2016		
	Borrowings	Overdraft	Total
Current portion	873,387	6,158,926	7,032,313

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".

Accordingly, the transaction was not considered as a sale and lease-back agreement but it was considered as a loan from Incolease 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.

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

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
Total	8,000,000	80,000,000

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
Total	160,000,000	80,000,000

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
Total	160,000,000	80,000,000

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.

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

Share capital (continued)

b) Private offering

A number of 34,000,000 shares totalling EGP 306,000,000 were subscribed at an offering price of EGP 9 per share. In accordance with the Extraordinary General Assembly's resolution issued on 6 April 2016 whose minutes of meeting has been approved by the General Authority for Investment and Free Zones on 14 April 2016, it was approved to freeze 100% of the majority shareholder's share in Care Healthcare Ltd,. At the meeting of the General Assembly until listing in the Egyptian Stock Exchange, Freezing the shares not sold through the public and/or private offering shall be effective for six months commencing on the date the Company's shares are traded in the Egyptian Stock Exchange, in addition to the freeze of 51% of the majority shareholder's share in Care Healthcare Ltd, at the date of the General Assembly, the owner of 99,9% of the Company's shares for two financial years commencing on the date the Company's shares are traded in the Egyptian Stock Exchange, in compliance with the provisions of Clause (7) of Article (7) of listing rules of the Egyptian Stock Exchange.

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

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

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

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Share capital (continued)

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

17. Reserves

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

	30 September 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
Special reserve	49,090,006	-	49,090,006
Acquisition reserve	(76,131,168)	(400,876)	(76,532,044)
Other reserves	275,078,967	-	275,078,967
Total	298,037,805	(400,876)	297,636,929

During the period, the Group acquired 5576 shares from Cairo Specialised Hospital from the non-controlling interest shares for an amount exceeding the minority interest with EGP 400,876. Accordingly, this amount was added to the acquisition reserve, excluding the book value of these shares amounted to EGP 212,484 from the non controlling interest.

	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
Special reserve	-	49,090,006	49,090,006
Acquisition reserve	(76,131,168)	-	(76,131,168)
Other reserves	-	275,078,967	275,078,967
Total	(62,303,508)	360,341,313	298,037,805

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

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

Reserves (continued)

	30 September 2016		
	Balance at the beginning of the period	Provision made during the period	Balance at the end of the period
Legal reserve	13,827,660	36,172,340	50,000,000
Acquisition reserve	(76,131,168)	-	(76,131,168)
Special reserve	-	47,379,722	47,379,722
Other reserves	-	276,268,211	276,268,211
	(62,303,508)	359,820,273	297,516,765

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.

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).

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:

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

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Reserves (continued)

* 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. Non-Controlling interests

	Share capital	Legal reserve	Retained earnings	Share of minority interest on settlement of acquisition	Total
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	-	-	-	16,925	16,925
Employees dividends	-	-	(815,889)	-	(815,889)
Legal reserves	-	229	-	-	229
Comprehensive income for the period	-	-	7,578,898	-	7,578,898
Balance at 30 September 2016	12,787,080	8,098,500	19,024,453	120,184	40,030,217
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	-	-	-	16,924	16,924
Employees dividends	-	-	(815,889)	-	(815,889)
Legal reserve	-	(1,710,055)	(228)	-	(1,710,283)
Profit for the year	-	-	13,063,683	-	13,063,683
Balance at 31 December 2016	12,787,080	6,388,216	24,509,010	120,184	43,804,490
Balance at 1 January 2017	12,787,080	6,388,216	24,509,010	120,184	43,804,490
Employee Dividends	-	-	(1,067,790)	-	(1,067,790)
Legal Reserve	-	653,184	-	-	653,184
Transaction with non-controlling interest	(55,760)	(32,349)	(124,375)	-	(212,484)
Comprehensive income for the period	-	-	8,612,138	-	8,612,138
Balance at 30 September 2017	12,731,320	7,009,051	31,928,983	120,184	51,789,538

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19. Operating revenues

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Accommodation and medical supervision revenue	211,378,551	159,398,483	66,280,990	55,157,636
Surgeries revenue	165,453,454	127,339,497	62,517,761	44,386,339
Outpatient clinics revenue	108,504,096	96,650,938	40,041,371	31,999,053
Laboratories revenue	72,116,631	51,773,419	24,741,596	18,316,886
Cardiac catheterization revenue	54,564,999	50,589,389	16,914,947	15,757,211
Service charge revenue	54,550,088	32,614,056	19,647,967	11,620,566
Radiology revenue	38,953,341	27,486,847	13,904,798	9,469,583
Emergency revenue	36,252,085	28,948,067	12,732,698	9,751,238
Pharmacy revenue	20,281,227	14,850,553	6,890,384	5,050,058
Revenues of oncology centre	23,229,179	11,373,638	16,412,966	3,413,127
Dentistry revenue	8,273,509	7,572,087	2,979,612	2,636,953
Physiotherapy revenue	6,077,526	5,650,818	2,150,987	1,603,058
Endoscopy revenue	5,422,591	4,962,670	1,876,834	1,677,327
Cardiac tests revenue	4,911,153	4,708,525	1,739,550	1,494,409
Other departments revenues	7,158,627	2,661,527	4,416,268	813,222
	817,127,057	626,580,514	293,248,729	213,146,666

20. Operating cost

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Medical and pharmaceutical supplies	185,489,657	148,065,797	66,866,681	51,460,528
Doctors' fees	148,310,655	123,796,781	49,338,362	40,828,364
Salaries, wages and benefits	148,015,095	103,901,794	54,010,960	36,697,774
Fixed assets depreciation	21,668,692	17,855,438	6,437,686	5,992,781
Maintenance, spare parts and energy expenses	32,400,726	20,819,262	12,624,674	9,022,819
Food, beverage and consumables costs	22,121,595	14,453,780	8,096,235	5,036,036
Other expenses	14,655,824	10,633,458	5,103,111	3,879,827
	572,662,244	439,526,310	202,477,709	152,918,129

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21. General and administrative expenses

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Salaries, wages and benefits	60,249,708	45,418,808	21,288,247	15,049,132
Professional and consulting fees	13,467,181	4,569,718	4,529,555	70,496
Impairment of trade receivables	12,989,489	11,237,267	5,870,283	4,298,248
Fixed assets depreciation	5,653,421	3,177,142	2,254,338	1,075,845
Amortization of intangible assets	4,012,501	4,012,501	1,337,501	1,337,501
Maintenance, spare parts and energy expenses	3,052,504	3,023,113	1,362,590	1,120,166
Food, beverage and consumables costs	1,575,072	2,305,213	539,659	406,038
Rent	1,283,174	1,372,849	434,905	454,955
Other expenses	14,489,979	6,729,936	4,030,870	2,096,611
	116,773,029	81,846,547	41,647,948	25,908,992

22. Other income

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Rent	1,454,310	1,435,486	473,146	422,310
Buffet income and cafeteria concession	1,303,531	1,304,582	386,167	291,160
Capital gains	711,226	-	711,226	-
Miscellaneous income	1,401,587	1,434,626	724,205	(429,318)
	4,870,654	4,174,694	2,294,744	284,152

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23. Expenses by nature

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Salaries, wages and benefits*	208,264,803	149,320,602	75,299,207	51,746,906
Medical and pharmaceutical supplies	185,489,657	148,065,797	66,866,681	51,460,528
Doctors' fees	148,310,655	123,796,781	49,338,362	40,828,364
Maintenance, spare parts and energy expenses	35,453,230	23,842,375	13,987,264	10,142,985
Fixed assets depreciation and write-off	27,322,113	21,032,580	8,692,024	7,068,626
Food, beverage and consumables costs	23,696,667	16,758,993	8,635,894	5,442,074
Impairment of trade receivables	12,989,489	11,237,267	5,870,283	4,298,248
Amortization of intangible assets	4,012,501	4,012,501	1,337,501	1,337,501
Other expenses	43,896,158	23,307,962	14,098,441	6,501,889
	<u>689,435,273</u>	<u>521,372,857</u>	<u>244,125,657</u>	<u>178,827,121</u>

* Employees' costs

	30 September 2017	30 September 2016
Salaries and wages	145,270,827	124,810,649
Bonuses and incentives	49,614,131	16,007,845
Social insurance	8,423,390	6,528,033
Employees' benefits	4,956,455	1,974,075
	<u>208,264,803</u>	<u>149,320,602</u>

The rewards and incentives item includes an amount of EGP 8,954,000 (EGP nil as at 30 September 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 2,488,000 (EGP nil at 30 September 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.

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24. Finance income/ (expenses)

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Finance income				
Interest payable	40,579,794	13,680,842	13,691,412	8,368,502
Total finance income	40,579,794	13,680,842	13,691,412	8,368,502
Finance costs				
Interest receivable	(50,175,898)	(39,419,378)	(17,571,375)	(12,079,727)
Quick-payment discount	(1,764,370)	-	(1,764,370)	-
Bank commissions	(1,894,001)	(2,258,419)	(936,766)	(252,350)
Currency valuation differences	(976,776)	505,624	(358,676)	(1,254)
Total finance expenses	(54,811,045)	(41,172,173)	(20,631,187)	(12,333,331)
Net finance (expenses)/ income	(14,231,251)	(27,491,331)	(6,939,775)	(3,964,829)

25. Income taxes

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

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Current income tax for the period	24,096,817	21,540,620	6,473,683	7,128,916
Deferred tax	2,655,699	(3,638,763)	3,667,446	(519,100)
	26,752,516	17,901,857	10,105,129	6,609,816

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

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Net profit before tax	111,364,137	70,756,393	42,090,798	28,665,215
Income tax calculated based on the applicable local tax rate	25,056,931	15,920,188	9,470,429	6,449,673
Add/ (less):				
Non-taxable expenses	5,392,132	2,898,318	2,426,066	167,320
Income not subject to tax	(4,099,947)	(933,524)	(1,791,366)	(7,177)
Prior years adjustments	403,400	16,875	-	-
Income taxes	26,752,516	17,901,857	10,105,129	6,609,816
Effective tax rate	%24,02	%25,30	24%	23,05%

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Income taxes (continued)

<u>Current income tax liabilities</u>	<u>30 September 2017</u>	<u>31 December 2016</u>
Balance at 1 January	31,578,146	36,244,787
Tax payable during the period / year	24,096,817	31,068,249
Payments during the period / year	<u>(30,594,847)</u>	<u>(35,734,890)</u>
	<u>25,080,116</u>	<u>31,578,146</u>

26. Deferred tax

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

<u>Liabilities</u>	<u>Balance at 1 Jan 2017 (Liability)</u>	<u>Effect of acquisition of subsidiaries Asset/ (liability)</u>	<u>(Expense)/ income charged to the statement of income during the period</u>	<u>Balance at 30 September 2017 (Liability)</u>
Fixed assets	(2,823,503)	-	(4,208,571)	(7,032,074)
Fixed assets - Effect of fair value	(49,780,264)	-	1,884,603	(47,895,661)
Intangible assets - Effect of fair value	(9,979,650)	-	-	(9,979,650)
Total Liabilities	<u>(62,583,417)</u>	-	<u>(2,323,968)</u>	<u>(64,907,385)</u>
<u>Assets</u>				
Provisions (excluding claims provision)	2,590,052	-	(331,731)	2,258,321
Net deferred tax - Liability	<u>(59,993,365)</u>	-	<u>(2,655,699)</u>	<u>(62,649,064)</u>
<u>Liabilities</u>	<u>Balance at 1 Jan 2016 (Liability)</u>	<u>Effect of acquisition of subsidiaries Asset/ (liability)</u>	<u>(Expense)/ income charged to the statement of income during the year</u>	<u>Balance at 31 December 2016 (Liability)</u>
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)
Total Liabilities	<u>(45,511,184)</u>	<u>(16,734,179)</u>	<u>(338,054)</u>	<u>(62,583,417)</u>
<u>Assets</u>				
Provisions (excluding claims provision)	1,708,604	-	881,448	2,590,052
Net deferred tax - Liability	<u>(43,802,580)</u>	<u>(16,734,179)</u>	<u>543,394</u>	<u>(59,993,365)</u>

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIAREIS

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Deferred tax (continued)

<u>Liabilities</u>	Balance at 1 January 2016 (liability)	Effect of acquisition of subsidiaries Asset/ (liability)	(Expense)/ income charged to the statement of income during the period	Balance at 30 September 2016 (liability)
Fixed assets	(2,129,493)	2,163,445	(402)	33,551
Fixed assets - effect of fair value	(38,579,741)	(13,719,925)	1,889,551	(50,410,115)
Intangible assets - effect of fair value	(4,801,950)	(5,177,700)	-	(9,979,650)
Total liabilities	(45,511,184)	(16,734,179)	1,889,149	(60,356,214)
<u>Assets</u>				
Provisions, excluding claims	1,708,604	-	1,749,615	3,458,219
Net deferred tax - liability	(43,802,580)	(16,734,179)	3,638,764	(56,897,995)

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 financial position

<u>(Related parties)</u>	Nature of transaction	Transaction value	Balance due from / (to) related parties
Care HealthCare (Parent Company)			
Debtors and other debit balances	Expenses paid on behalf of	-	28,513
Board of Directors	prepaid expense	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.

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Tax position (continued)

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.

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.

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Tax position (continued)

3. Stamp duty

- Years up to 30 September 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 an objection was filed on 31 October 2016.
- 2015 and 2016 have not been inspected yet.

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 30 September 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 607,895 (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>30 September 2017</u>	<u>31 December 2016</u>
Less than one year	2,213,080	1,275,046
1 to 3 years	2,694,000	1,823,173

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30. Other matters

A. 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.

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