

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**LIMITED REVIEW REPORT AND  
THE INTERIM SEPARATE FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED  
30 JUNE 2017**





## Limited review report for the interim financial statements

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

### Introduction


We have reviewed on the accompanying interim separate financial position of Cleopatra Hospital Company (S.A.E.) as at 30 June 2017 and the related interim separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of the significant accounting policies and other explanatory notes. The management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express an opinion on these interim financial statements based on our limited review.

### Scope of the limited review

We conducted our limited review in accordance with Egyptian Standard on Limited Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

### Conclusion

In light of our limited review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Company as at 30 June 2017, its financial performance and cash flows for the six-month period then ended in accordance with the Egyptian Accounting Standards.

  
Basma Samra  
R.A.A. 6588  
EFSA Registration 137  
Mansour & Co. PricewaterhouseCoopers

21 August 2017  
Cairo



CLEOPATRA HOSPITAL SAE

Separate interm statement of financial position - At 30 June 2017

(All amounts in Egyptian Pounds)

	Note	30 June 2017	31 December 2016
<b><u>Non-current assets</u></b>			
Fixed assets	5	68,208,850	61,887,476
Investments in subsidiaries	6	605,189,399	605,189,399
<b>Total non-current assets</b>		<b>673,398,249</b>	<b>667,076,875</b>
<b><u>Current assets</u></b>			
Inventories	7	17,706,151	20,225,249
Trade receivables	8	62,107,208	52,029,720
Debtors and other debit balances	9	46,521,882	13,220,121
Cash on hand and at banks	10	349,080,048	344,510,600
<b>Total current assets</b>		<b>475,415,289</b>	<b>429,985,690</b>
<b>Total assets</b>		<b>1,148,813,538</b>	<b>1,097,062,565</b>
<b><u>Equity</u></b>			
Share capital	15	100,000,000	100,000,000
Reserves	16	372,458,689	372,458,689
Retained earnings		169,528,629	138,391,561
<b>Total shareholders' equity</b>		<b>641,987,318</b>	<b>610,850,250</b>
<b><u>Non-current liabilities</u></b>			
Creditors and other credit balances - non-current portion	12	6,715,580	6,715,580
Non-current portion of borrowings	13	301,140,298	325,977,549
Employees benefits	14	6,361,322	-
Deferred income tax liabilities	24	719,122	1,230,017
<b>Total non-current liabilities</b>		<b>314,936,322</b>	<b>333,923,146</b>
<b><u>Current liabilities</u></b>			
Provisions	11	9,352,350	7,775,760
Creditors and other credit balances	12	110,252,201	83,956,791
Current portion of borrowings	13	59,862,201	45,137,251
Current income tax liabilities	23	12,423,146	15,419,367
<b>Total current liabilities</b>		<b>191,889,898</b>	<b>152,289,169</b>
<b>Total liabilities</b>		<b>506,826,220</b>	<b>486,212,315</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,148,813,538</b>	<b>1,097,062,565</b>

The accompanying notes on pages 7 - 40 from an integral part of these financial statements

Mr Khalid Hassan Ahmed  
Group CFO

21 August 2017

Limited review report is attached

Dr Ahmed Ezzeddine Mahmoud  
CEO & Managing Director

Dr Mohamed Tarek Zahed  
Non-Executive Chairman



CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate interim statement of profit or loss  
For the six months period ended 30 June 2017

(All amounts in Egyptian Pounds)

	Note	Six months ended 30 June		Three months ended 30 June	
		2017	2016	2017	2016
Operating revenue	17	228,744,088	179,239,095	115,096,963	87,581,763
<b>Less:</b>					
Operating costs	18	<u>(143,084,473)</u>	<u>(111,499,088)</u>	<u>(72,931,463)</u>	<u>(54,957,974)</u>
<b>Gross profit</b>		<b>85,659,615</b>	<b>67,740,007</b>	<b>42,165,500</b>	<b>32,623,789</b>
<b>Add / (Less)</b>					
General and administrative expenses	19	(23,244,389)	(24,260,527)	(4,073,762)	(16,132,730)
Provisions	11	(1,658,889)	(851,384)	(1,594,979)	(787,621)
Other income	20	944,083	2,021,318	468,097	1,544,891
Finance income	22	22,878,231	2,888,433	11,500,004	1,473,416
Finance expenses	22	<u>(33,463,153)</u>	<u>(29,290,213)</u>	<u>(17,250,234)</u>	<u>(15,202,496)</u>
<b>Profit for the period before income tax</b>		<b>51,115,498</b>	<b>18,247,634</b>	<b>31,214,626</b>	<b>3,519,249</b>
Current tax	23	(12,447,455)	(5,241,041)	(7,774,531)	(1,620,279)
Deferred tax	24	<u>510,895</u>	<u>705,318</u>	<u>432,702</u>	<u>480,792</u>
<b>Profit after income tax</b>		<b><u>39,178,938</u></b>	<b><u>13,711,911</u></b>	<b><u>23,872,797</u></b>	<b><u>2,379,762</u></b>

The accompanying notes on pages 7 - 40 from an integral part of these financial statements

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Separate interim statement of comprehensive income  
For the six months period ended 30 June 2017**

(All amounts in Egyptian Pounds)

	<b>Six months ended 30 June</b>		<b>Three months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Profit for the period	39,178,938	13,711,911	23,872,797	2,379,762
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>39,178,938</b>	<b>13,711,911</b>	<b>23,872,797</b>	<b>2,379,762</b>

The accompanying notes on pages 7 - 40 from an integral part of these financial statements

**CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

**Separate interim statement of changes in equity  
For the six months period ended 30 June 2017**

(All amounts in Egyptian Pounds)

	<u>Capital</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Balance at 1 January 2016</b>	<b>80,000,000</b>	<b>13,827,660</b>	<b>106,194,741</b>	<b>200,022,401</b>
Dividends	-	-	(11,397,561)	(11,397,561)
Legal reserve	-	3,233,667	(3,233,667)	-
Special Reserve	-	47,379,722	-	47,379,722
Comprehensive income for the period	-	-	13,711,911	13,711,911
<b>Balance at 30 June 2016</b>	<b>80,000,000</b>	<b>64,441,049</b>	<b>105,275,424</b>	<b>249,716,473</b>
<b>Balance at 1 January 2017</b>	<b>100,000,000</b>	<b>372,458,689</b>	<b>138,391,561</b>	<b>610,850,250</b>
Dividends for employees	-	-	(8,041,870)	(8,041,870)
Comprehensive income for the period	-	-	39,178,938	39,178,938
<b>Balance at 30 June 2017</b>	<b>100,000,000</b>	<b>372,458,689</b>	<b>169,528,629</b>	<b>641,987,318</b>

The accompanying notes on pages 7 - 40 from an integral part of these financial statements

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate interim statement of cash flows  
For the six months period ended 30 June 2017

(All amounts in Egyptian Pounds)	Note	30 June 2017	30 June 2016
<b>Cash flows from operating activities</b>			
Profit before tax		51,115,498	18,247,634
<b>Adjustments to reconcile net income to cash flows from operating activities</b>			
Fixed assets depreciation	5	3,656,830	4,280,466
Fixed assets write-off	5	732,368	-
Profit from sale of fixed assets		(86,846)	-
Impairment no longer required of trade receivables	8	(1,782,251)	(2,785,956)
Impairment write-off of trade receivables	8	(2,692,112)	-
Impairment of trade receivables	8	4,207,431	4,339,334
Provisions formed	11	2,148,291	1,160,892
Provisions utilized	11	(82,299)	(129,533)
Provisions no longer required	11	(489,402)	(309,508)
Interests and commissions		33,463,153	29,290,213
Interest income		(22,875,630)	(2,874,342)
Employee incentive plan		6,361,322	-
Income tax paid		(11,102,305)	(16,831,633)
<b>Operating profits before changes in assets and liabilities</b>		<b>62,574,048</b>	<b>34,387,567</b>
<b>Changes in assets and liabilities</b>			
Change in inventories		2,519,098	175,461
Change in trade receivables		(9,810,556)	(4,575,897)
Change in debtors and other debit balances		(36,625,488)	(12,616,776)
Change in creditors and other credit balances		5,181,229	23,603,860
<b>Net cash flows generated from operating activities</b>		<b>23,838,331</b>	<b>40,974,215</b>
<b>Cash flows from investing activities</b>			
Payments for purchase of fixed assets		(5,458,874)	(1,037,748)
Payments for projects under construction		(5,376,941)	(733,448)
Proceeds from sale of fixed assets		212,089	-
Proceeds from bonds		-	38,080
Interests received		21,857,986	2,874,342
Payments to investments in subsidiaries		-	(239,142,000)
Deposits with maturity of more than 3 months from the date of placement		13,000,000	15,000,000
<b>Net cash flows generated from / (used in) investing activities</b>		<b>24,234,260</b>	<b>(223,000,774)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		10,187,699	208,714,800
Interests and commissions paid		(12,348,972)	-
Payments of loans and credit facilities		(20,300,000)	-
Dividends paid		(8,041,870)	-
<b>Net cash flows (used in) / generated from financing activities</b>		<b>(30,503,143)</b>	<b>208,714,800</b>
<b>Change in cash and cash equivalents during the period</b>		<b>17,569,448</b>	<b>26,688,241</b>
Cash and cash equivalents at the beginning of the period		19,160,600	23,557,392
<b>Cash and cash equivalents at the end of the period</b>	10	<b>36,730,048</b>	<b>50,245,633</b>

The accompanying notes on pages 7 - 40 from an integral part of these financial statements

## **CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

### **Notes to the interim separate financial statements - For the six-month period ended 30 June 2017**

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

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#### **1. Introduction**

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

On 27 June 2005, a resolution no. 4092 of 2005 was issued by the Chairman of the General Authority For Investment (GAFI) authorising Cleopatra Hospital (Lasheen & Co.), "a limited partnership company", to transform its legal form to Cleopatra Hospital S.A.E. in accordance with the provisions of Law No. 8 for 1997 and Law No. 95 for 1992.

The purpose of the Company is to establish a private hospital with the aim to offer modern and high quality medical services and provide medical care and treatment for patients. The Company may have interest or participate in any manner in companies or other firms which carry on similar activities in Egypt or abroad. The Company may acquire, merge or affiliate such entities under the General Authority for Investment.

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

The Parent Company is Care HeathCare 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 separate financial statements have been approved for issuance by the management of the Company on 21 August 2017.

#### **2. Accounting policies**

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

##### **A. Basis of preparation of the separate financial statements**

The separate financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and relevant laws, which have all been applied consistently throughout the fiscal year except when otherwise indicated. The separate financial statements have been prepared under the historical cost convention.

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements - For the six-month period ended 30 June 2017

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

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#### **Basis of the preparation of the separate 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.

#### **Subsidiaries**

Subsidiaries are all companies (including SPEs) in which the Company has control directly or indirectly over their financial and operating policies. The Company usually owns more than half of the voting rights. The future voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls the subsidiary.

The Company's separate financial statements have been prepared in accordance with the local laws, while the consolidated financial statements of the Company and its subsidiaries have been prepared according to Egyptian Accounting Standards (EASs). The Company's separate financial statements should be read in conjunction with its consolidated financial statements as at and for the financial year ended 31 December 2016 to obtain full information on the Company's financial position, results of operations, cash flows and changes in equity.

The subsidiaries and associates are accounted for in the Parent Company's separate financial statements at cost method. Under this method, investments are recognised at the cost of acquisition, including goodwill, less any impairment loss. Dividends are recognised in the statement of income, when the dividends are approved to be distributed and the Company's right of collection is established.

#### **B. Foreign currency translation**

##### **(1) Functional and presentation currency**

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

##### **(2) Transactions and balances**

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements - For the six-month period ended 30 June 2017

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

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#### C. Fixed assets

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

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

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

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

The depreciation rates by type of asset are as follows:

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

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

#### D. Inventories

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements - For the six-month period ended 30 June 2017

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

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#### E. Financial assets

##### (1) **Classification:**

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

##### **Loans and receivables:**

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

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

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

##### (2) **Initial and subsequent measurement:**

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

##### (3) **Impairment of financial assets:**

##### **Assets recognised at amortised cost**

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

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

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

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

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

## **CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

### **Notes to the interim separate financial statements - For the six-month period ended 30 June 2017**

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

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#### **F. Share capital**

Ordinary shares are classified as equity.

#### **G. 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 general assembly. Such transfer may be discontinued when the reserve equals 50% of the company's issued and paid up capital. Whenever this reserve is lower than this percentage, the deduction should be continued. This reserve is not available for distribution.

#### **H. Provisions**

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

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

#### **I. 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.

#### **J. 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 liabilities for a period of not less than 12 months after the date of the financial statements.

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements - For the six-month period ended 30 June 2017

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

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#### K. Employees' benefits

##### (1) Employees' share of profit

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

##### (2) Pension and insurance scheme

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

##### (3) Employee incentive plan

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

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

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

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements - For the six-month period ended 30 June 2017

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

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#### Employee 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
- 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.

#### L. Revenue recognition

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

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

##### Medical services revenue

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

##### Sale of medicine revenue

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

##### Interest income

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

## **CLEOPATRA HOSPITAL COMPANY (S.A.E.)**

### **Notes to the interim separate financial statements - For the six-month period ended 30 June 2017**

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

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#### **M. 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.

#### **N. Current and deferred income tax**

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

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

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

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

#### **O. Dividends**

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

#### **P. Cash and cash equivalents**

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

#### **Q. Fair value of financial instruments**

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

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

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

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#### **Fair value of financial instruments (continued)**

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

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

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

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

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

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

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

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.

#### **R. Corresponding figures**

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

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements - For the six-month period ended 30 June 2017

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

#### 3. Financial risk management

##### 3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks; market risk (including the risk of change in foreign currency, and risk of change in interest rate), credit risk and liquidity risk. The Company is not exposed to any price risk as it does not have financial assets at fair value through profit and loss. The Company's management aims to minimise potential adverse effects of such risks on the financial performance of the Company by the monitoring process performed by the Finance Department, Company's General Manager, and Executive Committee at the level of the Parent Company.

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

##### (A) Market risk

###### Risk of change in foreign currency rates

Foreign currency risk represents the changes in foreign currency rates, which impact the payments and receipts denominated in foreign currencies, as well as the evaluation of foreign currency assets and liabilities. Given the nature of the Company's activities, the Company does not undertake transactions denominated in foreign currencies as it carries out all purchases in Egyptian Pound. The Company's very limited revenue in foreign currencies are generated from certain foreign embassies. Management is of the opinion that the foreign currency balances are considered immaterial.

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

	<u>30 June 2017</u>	<u>31 December 2016</u>
US Dollar	47,406	248,513

At 30 June 2017, if the value of EGP increased/ decreased by 10% against USD, with all other variables held constant, net profit after taxes would increase or decrease as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
US Dollar	4,741	24,851

###### Fair value and cash flows risks resulting from the change in interest rates

The Company availed a long-term loan at interest rate corridor declared by the Central Bank, and therefore, it is not exposed to cash flow risks..

##### (B) Credit risk

Credit risk arises from cash and bank balances, deposits with banks, as well as credit exposures to customers. The credit risks are managed for the Company's as a whole by its Executive Management, Central Finance Department, and Executive Committee at the level of the Parent Company.

For banks, the Company deals with banks with high credit ratings and creditworthiness that are regulated by the Central Bank of Egypt.

## CLEOPATRA HOSPITAL COMPANY (S.A.E.)

### Notes to the interim separate financial statements - For the six-month period ended 30 June 2017

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

#### Financial risk management (continued)

In case of customers, the Hospital's Financial Director and General Manager perform analysis on the credit risk for each potential credit customer in accordance with the Group's policies, including Cleopatra Hospital or subsidiaries. The Parent Company's Executive Committee follows-up the compliance with credit terms, and reviews default cases and debt ageing report to take the necessary decisions whether to cancel the credit or to refer the defaulted customer to the Legal Department for their necessary actions. Note (8) to these financial statements provides more detailed information in respect of this matter.

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

Balances exposed to credit risks are as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
Cash at banks	347,046,279	343,273,008
Trade receivables	68,488,865	58,678,309

#### (C) Liquidity risk

The management makes cash flow projections on a monthly basis, which are discussed during the Executive Committee's meeting, and takes the necessary actions to negotiate with suppliers, follow-up the collection process and manage the inventory balances in order to ensure sufficient cash is maintained to discharge the Company's liabilities.

The table below shows the Company's liabilities by maturity:

	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
Suppliers and notes payable	21,204,887	138,478	7,223,926	-
Due to related parties	-	-	6,715,580	-
Loans and finance interests	33,782,166	145,873,420	439,782,820	-
Accrued expenses	10,741,263	38,738,335	438,417	-
Other creditors	5,090,887	860,872	-	-

During November 2016, the borrowing rate (corridor) increased by 3% and 2%, and this will affect the Company's liabilities regarding the due to related parties, borrowings and finance interest.

