

**CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS  
SUBSIDIARIES**

**AUDITOR'S REPORT AND THE  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

# CLEOPATRA HOSPITAL “S.A.E.” AND ITS SUBSIDIARIES

## Consolidated financial statements - For the year ended 31 December 2019

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## **Auditor's report**

**To: The Shareholders of Cleopatra Hospital Company "S.A.E." and its subsidiaries**

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Cleopatra Hospital Company "S.A.E." ("Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the consolidated financial statements**

These consolidated financial statements are the responsibility of the Group's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Egyptian Accounting Standards and in light of the prevailing Egyptian laws. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.



**The Shareholders of Cleopatra Hospital Company “S.A.E.” and its subsidiaries**  
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**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cleopatra Hospital Company “S.A.E.” and its subsidiaries, as at 31 December 2019, its consolidated financial performance, and its consolidated cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

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

12 March 2020  
Cairo



CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

Consolidated statement of financial position - At 31 December 2019

(All amounts in Egyptian Pounds)

	Note	2019	2018
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	6	908,495,300	560,487,087
Right of use	35	10,247,595	-
Goodwill	7	369,263,334	196,676,034
Intangible assets	7	44,354,000	44,354,000
Advance payment for investments	8	-	143,550,000
Subsidiaries not consolidated	9	-	362,500
<b>Total non-current assets</b>		<b>1,332,360,229</b>	<b>945,429,621</b>
<b>Current assets</b>			
Inventories	10	49,260,610	40,752,369
Trade receivables	11	337,153,648	302,841,491
Due from related parties	32	2,019,705	7,057,927
Debtors and other debit balances	12	105,227,154	48,463,398
Treasury bills	13	50,099,258	-
Cash on hand and at banks	14	791,267,839	953,422,594
<b>Total current assets</b>		<b>1,335,028,214</b>	<b>1,352,537,779</b>
<b>Total assets</b>		<b>2,667,388,443</b>	<b>2,297,967,400</b>
<b>Equity</b>			
Share capital	19	800,000,000	800,000,000
Reserves	20	284,394,548	274,181,651
Retained earnings		746,183,287	529,815,360
<b>Total equity of the parent company</b>		<b>1,830,577,835</b>	<b>1,603,997,011</b>
Non-controlling interests	21	103,926,707	74,719,570
<b>Total equity</b>		<b>1,934,504,542</b>	<b>1,678,716,581</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current portion of borrowings	18	-	67,879,332
Lease liability	35	5,834,432	-
Deferred tax liabilities	30	74,794,486	66,869,150
<b>Total non-current liabilities</b>		<b>80,628,918</b>	<b>134,748,482</b>
<b>Current liabilities</b>			
Provisions	15	15,558,340	24,901,675
Creditors and other credit balances	16	442,334,530	317,745,368
Employee incentive plan	17	129,072,581	45,232,497
Current portion of borrowings and bank overdraft	18	-	27,224,536
Lease liability	35	2,651,440	-
Current income tax liabilities	29	62,638,092	69,398,261
<b>Total current liabilities</b>		<b>652,254,983</b>	<b>484,502,337</b>
<b>Total liabilities</b>		<b>732,883,901</b>	<b>619,250,819</b>
<b>Total equity and liabilities</b>		<b>2,667,388,443</b>	<b>2,297,967,400</b>

- The accompanying notes from (1) to (36) are integral part of these consolidated financial statements.  
- Auditor's report is attached

Mr. Ahmed Adel Badreldin  
Non Executive Chairman

Dr. Ahmed Ezz Eldin Mahmoud  
CEO & Managing Director

Mr. Ahmed Gamal  
Group CFO

11 March 2020



**CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES**

**Consolidated statement of profit or loss - For the year ended 31 December 2019**

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Operating revenue	22	1,798,143,113	1,456,138,977
<b>Less:</b>			
Operating costs	23	<u>(1,172,654,741)</u>	<u>(942,517,120)</u>
<b>Gross profit</b>		<b>625,488,372</b>	<b>513,621,857</b>
<b>Add / (Less):</b>			
General and administrative expenses	24	(337,971,990)	(180,408,058)
Costs of acquisition activities		(6,281,828)	(4,597,513)
Provisions	15	(7,447,777)	(17,200,122)
Other income	26	10,742,207	7,226,332
Finance income	27	93,345,412	129,322,091
Finance expenses	27	(6,891,047)	(37,950,540)
Pre-operating expenses	28	<u>(3,438,741)</u>	<u>(1,993,467)</u>
<b>Profit for the year before income tax</b>		<b>367,544,608</b>	<b>408,020,580</b>
Current tax	29	(94,261,191)	(90,383,148)
Deferred tax	30	<u>(7,925,336)</u>	<u>(2,438,933)</u>
<b>Profit after income tax</b>		<b>265,358,081</b>	<b>315,198,499</b>
<b>Profit for:</b>			
Owners of the parent company		257,408,062	294,887,626
Non-controlling interests	21	<u>7,950,019</u>	<u>20,310,873</u>
		<b>265,358,081</b>	<b>315,198,499</b>
<b>Earning per share</b>	31	<b>0.14</b>	<b>0.18</b>

- The accompanying notes from (1) to (36) are integral part of these consolidated financial statements.

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Consolidated statement of comprehensive income - For the year ended 31 December 2019

(All amounts in Egyptian Pounds)

	<u>2019</u>	<u>2018</u>
Profit for the year	265,358,081	315,198,499
Other comprehensive income	-	-
<b>Comprehensive income for the year</b>	<b><u>265,358,081</u></b>	<b><u>315,198,499</u></b>
Comprehensive income for:		
Owners of the parent company	257,408,062	294,887,626
Non-controlling interests	7,950,019	20,310,873
	<b><u>265,358,081</u></b>	<b><u>315,198,499</u></b>

- The accompanying notes from (1) to (36) are integral part of these consolidated financial statements.

**CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES**

**Consolidated statement of changes in shareholders' equity - For the year ended 31 December 2019**

(All amounts in Egyptian Pounds)

	Share capital	Reserves	Retained earnings	Total Shareholders equity of the parent Company	Non-controlling interest	Total equity
<b>Balance at 1 January 2018</b>	800,000,000	270,150,127	260,349,167	1,330,499,294	55,729,276	1,386,228,570
Dividends for employees	-	-	(21,290,983)	(21,290,983)	(1,323,731)	(22,614,714)
Reserves formed	-	4,031,524	(4,130,450)	(98,926)	3,152	(95,774)
Comprehensive income for the year	-	-	294,887,626	294,887,626	20,310,873	315,198,499
<b>Balance at 31 December 2018</b>	<b>800,000,000</b>	<b>274,181,651</b>	<b>529,815,360</b>	<b>1,603,997,011</b>	<b>74,719,570</b>	<b>1,678,716,581</b>
<b>Balance at 1 January 2019</b>	800,000,000	274,181,651	529,815,360	1,603,997,011	74,719,570	1,678,716,581
Minority interest share in subsidiaries capital increase	-	-	-	-	22,526,489	22,526,489
Dividends for employees and board members	-	-	(30,825,264)	(30,825,264)	(1,526,345)	(32,351,609)
Reserves formed	-	10,212,897	(10,214,871)	(1,974)	1,974	-
Minority interest share in acquisition of subsidiaries	-	-	-	-	255,000	255,000
Comprehensive income for the year	-	-	257,408,062	257,408,062	7,950,019	265,358,081
<b>Balance at 31 December 2019</b>	<b>800,000,000</b>	<b>284,394,548</b>	<b>746,183,287</b>	<b>1,830,577,835</b>	<b>103,926,707</b>	<b>1,934,504,542</b>

- The accompanying notes from (1) to (36) are integral part of these consolidated financial statements.



CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

Consolidated statement of cash flows - For the year ended 31 December 2019

(All amounts in Egyptian Pounds)

	Note	2019	2018
<b>Cash flows from operating activities</b>			
Profit before tax		367,544,608	408,020,580
<b>Adjustments to reconcile net income to cash flows from operating activities</b>			
Fixed assets depreciation	6	64,604,062	46,477,232
Right of use depreciation	35	398,578	
Fixed assets write off	6	-	343,389
Profit from sale of fixed assets	26	(1,003,717)	(965,563)
Amortization of intangible assets	7	-	-
Impairment of trade receivables	11	58,354,758	(4,242,180)
Impairment of inventories	10	(94,617)	(183,063)
Impairment of other debit balances	12	(767,506)	-
Provisions	14	7,447,777	3,321,293
Interests and commissions	27	3,732,773	37,950,540
Interests payable	27	(93,345,412)	(129,272,895)
Employee incentive plan	16	83,840,084	20,411,497
<b>Operating profits before changes in assets and liabilities</b>		<b>490,711,388</b>	<b>381,860,830</b>
<b>Changes in assets and liabilities</b>			
Change in inventories	10	(7,139,624)	(10,480,160)
Change in trade receivables	11	(92,666,915)	(113,162,914)
Changes in due from related parties	32	5,093,223	(1,640,865)
Change in debtors and other debit balances		6,050,475	(1,855,011)
Change in creditors and other credit balances		140,477,758	77,989,614
Utilized provisions during the year	15	(16,791,112)	-
Income tax paid	28	(101,021,359)	(32,946,833)
Payment under rent		(2,160,301)	-
<b>Net cash flows generated from operating activities</b>		<b>422,553,533</b>	<b>299,764,661</b>
<b>Cash flows from investing activities</b>			
Payments for purchase fixed assets	6	(90,463,258)	(86,572,773)
Payments for projects under construction	6	(194,091,983)	(48,412,349)
Proceeds from sale of fixed assets		1,627,380	1,159,859
Down payments for purchase of fixed assets		(64,831,211)	(24,554,693)
Treasury bills (Maturity 183 days)	13	(50,099,258)	-
Interests received		97,217,897	129,323,081
Payments for acquisition of investment		-	(362,500)
Payment for acquisition of subsidiaries		(160,080,000)	
Deposits with a maturities of more than 3 months from the date of placement	14	-	11,000,000
<b>Net cash flows (used in) generated from investing activities</b>		<b>(460,720,433)</b>	<b>(18,419,375)</b>
<b>Cash flows from financing activities</b>			
Payments for capital increase		22,526,489	-
Proceeds from borrowings and overdraft	17	85,171,461	106,611,327
Interests and commissions paid		(20,034,504)	(45,545,088)
Payments of borrowings and overdraft		(180,275,329)	(363,446,086)
Dividends paid	17	(31,938,472)	(21,673,476)
<b>Net cash flows (used in) generated from financing activities</b>		<b>(124,550,355)</b>	<b>(324,053,323)</b>
<b>Change in cash and cash equivalents during the year</b>		<b>(162,717,255)</b>	<b>(42,708,037)</b>
Cash and cash equivalents at the beginning of the year		953,422,594	996,130,631
Cash held by subsidiaries at acquisition date		562,500	-
<b>Cash and cash equivalents at the end of the year</b>	11	<b>791,267,839</b>	<b>953,422,594</b>

- The accompanying notes from (1) to (36) are integral part of these consolidated financial statements.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

(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. 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 Company "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, 41 Cleopatra Street, Heliopolis, Cairo.

The Parent Company is Care HealthCare Ltd., which owns 80% of the Company's share capital at 30 December 2017 Care Health Ltd. Shares has changed to be 69.4% at 11 July 2019 Care Health Ltd. Shares has changed to be 37.87%, According to the evaluation of the Board of Directors on 31 December 2019, there is no company that has control over the group and therefore there is no parent company at the date of the financial statements.

On 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the total shares of Cairo Specialised Hospital. Cleopatra Hospital S.A.E share in Cairo Specialised Hospital has changed to reach 53.67% due to the write off of treasury shares, As of 28 September 2017, the shareholding rate has become 53.88% as a result of the company purchasing shares of non-controlling interests in Cairo Specialist Hospital. As of 14 November 2019, the percentage of the contribution of Cleopatra Hospital Company S.A.E. has changed to 54.58% for the subscription in the capital increase of the Cairo Specialist Hospital Company.

On 22 September 2015, Cleopatra Hospital S.A.E. acquired 99.92% of the total shares of Nile Badrawi Hospital Company, According to the decision of the Board of Directors of the Nile Hospital Badrawi on 13 March 2019 and the approval of the Board of Directors of the Cleopatra Hospital Company on 14 March 2019, the authorized capital of the Nile Badrawy Company has been increased by EGP 180 million to become EGP 200 million and this has been subscribed in the amount of EGP 121 million to make the paid-up capital EGP 141 million. The amount of the capital increase has been paid in full by the Cleopatra Hospital Company, and consequently, the contribution of Cleopatra Company is 99.989%.

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

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

- Amending the authorized capital from EGP 250,000 to EGP 2,000,000, the issued and the paid up from EGP 250,000 to EGP 312,500 with a value of EGP 10 per share.
- The capital was underwritten by Cleopatra Hospital Company through preferred shares that entitles the owner to three times the ordinary share in the profits and voting on general assembly decisions.
- According to the above, the Cleopatra Hospital Company's contribution to the capital amounts to 20%, entitling it to 60% in voting rights and dividends as preferred shares.

# CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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### Introduction (continued)

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

On 18 March 2019, Cleopatra Hospital S.A.E acquired the fixed assets, operations and management of Queens Hospital.

On 1 November 2019, Cleopatra Hospital Company finalized the acquisition of Al Kateb Hospital Operations, land and building, and on 28 November, Cleopatra Hospital Company established CHG for Hospitals with ownership percentage of 99.99%.

These consolidated financial statements have been approved for issuance by the Board of Directors of the Parent Company on 11 March 2020.

## 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.

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.

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

#### B. New Egyptian Accounting Standards (“EAS”) and interpretations adopted

In 28 March 2019, the minister of Investment issued a decree no. 69 for 2019 which includes new standards and amendments to the existing standards. The amendments in the EASs have been published in the official gazette on 7 April 2019. The group has applied the following accounting standards, amendments and interpretations for the first time on its annual reporting periods starting from 1 January 2019.

##### Adopted standards

- Egyptian Accounting Standard No. (22) - “earning per share” - All establishments that apply the Egyptian accounting standards should calculate and display earning per share in the profits according to Egyptian Accounting Standard No. (22).
- Egyptian Accounting Standard No. (49) - “Lease Contracts” - First Stage (Lease Contracts subject to Law 95 of 1995 is recognized in the statement of the financial position as an asset (the right to use the leased asset) and a financial obligation to pay the lease payments. Except for the short-term and the small valued lease contracts.

##### New standards to be adopted

- Some new and revised accounting standards have been published that are not mandatory for the financial statements for the financial years beginning on or after 1 January 2020, however the group did not apply these standards in an earlier stage. The group evaluates the impact of these new standards and interpretations as shown below.

##### (1) EAS No. (47) – “Financial instruments”:

<b>Standard name</b>	EAS 47 “Financial instruments”
<b>Nature of change</b>	<p>EAS 47, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.</p> <p>The Group has reviewed its financial assets and liabilities and expects the following impact from the application of the new standard on 1 January 2020:</p> <p>The company's financial assets consist of the following:</p> <p>Trade receivables Time deposits Cash and cash equivalents Related parties</p>
<b>Impact</b>	<p>Trade receivables and amounts due from related parties and bank balances are debt instruments currently classified as loans and receivables and are measured at the cost consumed under Egyptian Accounting Standard No. 26. The Group has estimated that it meets the terms of the classification at the cost consumed according to Egyptian Accounting Standard No. 47, where it is are cash flows from principle payments and interest payments only, and the company's business model is to maintain and collect debt instruments.</p> <p>There will be no impact on the Group's registration of financial obligations, as the new requirements affect the recording of financial liabilities recorded at fair value through profit or loss and the Group does not have any of these obligations. The rules for de-recognition have been transferred from the Egyptian Accounting Standard 26 “Financial Instruments: Measurement and Recognition” and have not been changed.</p>

**CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES**

**Notes to the consolidated financial statements - For the year ended 31 December 2019**

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

**New Egyptian Accounting Standards (“EAS”) and interpretations not yet adopted (continued)**

	<p>The new impairment model requires recognition of provisions for impairment based on expected credit losses instead of credit losses incurred only, as is the case in accordance with the Egyptian Accounting Standard 26. It applies to financial assets classified at amortized cost and debt instruments measured at fair value through other comprehensive income and contract assets Under Egyptian Accounting Standard 48, “Revenue from Contracts concluded with Clients”, Debt Lease Balances, Loan Commitments, and Some Financial Guarantee Contracts. Based on the evaluations implemented to date, the impact of the new standard on the financial statements is being evaluated.</p> <p>The new standard also introduces extended terms of disclosure and changes in presentation. It is expected to change the nature and size of the Group's disclosures regarding its financial instruments, especially in the year in which the new standard is applied.</p>
<b>Mandatory application date/ Date of adoption by group</b>	Applies to financial periods beginning on or after 1 January 2020. The Group will apply the new rules retroactively from 1 January 2020 taking the practicable methods permitted under the standard. Comparative figures for 2019 will not be modified.

**(2) EAS No. (48) – “Revenue from contracts with customers”:**

<b>Standard name</b>	EAS 48 “Revenue from contracts with customers”
<b>Nature of change</b>	<p>It issued a new standard for revenue recognition, replacing Egyptian Accounting Standard No. 11 covering contracts for sales of goods and services and Egyptian Accounting Standard No. 8 covering construction contracts.</p> <p>The new standard is based on the principle of revenue recognition when transferring control of goods or services to a customer.</p>
<b>Impact</b>	The effects of applying the new standard on the company's financial statements are being evaluated, and revenue is measured for all existing contracts in force under Egyptian Accounting Standard Model 48 consisting of five steps.
<b>Mandatory application date/ Date of adoption by group</b>	Mandatory for financial years beginning on or after 1 January 2020. The company intends to apply the new standard using a modified approach to retroactively applying, which means that the cumulative effect of the application will be recognized in the retained earnings from 1 January 2020, and that comparative figures will not be modified.

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

#### New Egyptian Accounting Standards (“EAS”) and interpretations not yet adopted (continued)

##### (3) EAS No. (49) – “Leases”:

<b>Standard name</b>	EAS 49 “Lease contracts” stage two (lease contract) except for those which were subject to Law 95 for the year 1995.
<b>Nature of change</b>	<p>Egyptian Accounting Standard No. (49) for rental contracts was issued, which requires two-stage implementation. The first stage relates to leasing contracts that were subject to Law 95 of 1995 and is applicable in the financial periods beginning on or after 1 January 2019. The explanation above shows the impact of the application of the first stage on the financial statements. The second stage is related to leasing contracts other than those that were subject to Law 95 of 1995 and is applicable for financial periods beginning on or after 1 January 2020.</p> <p>In accordance with the new standard, at the statement of financial position an asset is recognised as (the right to use the leased asset) and a financial obligation to make the lease payments. Except for the short-term and small-valued leasing contracts.</p>
<b>Impact</b>	<p>The group has formed a team for the application of the standard, and it has been found that the group has contracts that meet the first stage. The application has been implemented and there is no effect on the retained earnings in the beginning of the period or the profits of the year because the contract to which the standard applies has been engaged to during the year 2019 and for the second stage of the Egyptian Accounting Standard No. 49, the team reviewed the rental arrangements other than those that were subject to Law 95 for the year 1995 in the group, in light of the new rent accounting rules.</p>
<b>Mandatory application date/ Date of adoption by group</b>	<p>The group will apply the second stage of Egyptian Accounting Standard No. 49 to operating lease contracts from the mandatory date of application from 1 January 2020. The group intends to use the practical means provided by the standard and the comparison numbers for the year will not be modified before the initial application of the standard. The right of use assets arising from operating lease contracts will be measured at the amount of the lease liability at the date of the initial application (adjusted for any advance or due rental expense).</p>

#### C. 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 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

#### Basis of consolidation (continued)

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 acquire at the date of exchange plus any costs that are directly attributable to the acquisition. Net assets, including the identifiable contingent liabilities acquired at their fair value at the date of acquisition, are measured at fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the mentioned net assets, the difference is recognised directly in the statement of profit and loss.

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

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

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 Company S.A.E.	Egypt	99.99%
Nile Badrawi Hospital Company S.A.E.	Egypt	99.989%
Cairo Specialised Hospital Company S.A.E.	Egypt	54.58%
CHG for medical Services Company S.A.E.	Egypt	20% (Preferred shares)
CHG Pharma for Pharmacies Management Company S.A.E.	Egypt	98%

#### 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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#### Basis of consolidation (continued)

##### 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.

#### D. 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.

#### E. 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.



## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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#### F. 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.

The depreciation rates by type of asset are as follows:

Machinery and equipment	10%
Furniture	15%
Buildings	2.5%
Vehicles	20%
Computers	25%
Leasehold improvement	Remaining of the lease contract
Acquired assets	Over the remaining productive years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount 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.

#### G. 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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#### Intangible assets (continued)

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.

#### H. 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.

#### I. 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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#### Financial assets (continued)

##### Third: Impairment of financial assets:

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

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

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

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

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

#### **J. 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 profit or loss 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.

#### **K. Share capital**

Ordinary shares are classified as equity.

## **CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements - For the year ended 31 December 2019**

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

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#### **L. Legal reserve**

As required by the parent Company, 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.

#### **M. 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.

#### **N. 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.

#### **O. Borrowings and advances**

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

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

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

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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#### P. 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 period 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 average market value of the Parent Company's shares on 2 June 2020 during the six months preceding the date of the financial position 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 2 June 2020 and 2 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." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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#### 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.

#### Q. Revenue recognition

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

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

##### Medical services revenue

The Group renders several medical services, including surgeries, admission, medical supervision, analyses, investigations, x-rays and outpatient services. The medical service income is recognised when the service is rendered to the patient.

##### Sale of medicine revenue

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

##### Rental income

The Groups rents spaces to others. Such rental is recognised in the statement of profit or loss 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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#### R. Leases

##### 1. Lease in accordance to law 95 for the year 1995

Before 1 January 2019, leases were accounted in accordance to 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 profit or loss 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.

After 1 January 2019, the company evaluated the effect of applying the revised Egyptian rental standard No. (49) to all lease contracts subject to Law 95 of 1995.

On the date of the initial recognition, the company recognized the right of use asset in the statement of financial position with an amount equal to the value of the lease contract commitment after deduction of the rent paid in advance. Subsequently, the right of use is measured at cost less accumulated depreciation and impairment losses.

The right of use is depreciated using the straight-line method over the estimated useful life of these assets or the lease term, whichever is less - unless there is a right to the asset at the end of the contract since the company has a right at the end of the lease term.

The first measurement of the lease obligations is made at the present value of future payments discounted using the additional interest rate that the company borrows, and later is measured using the effective interest rate method.

The right of use, as well as lease obligations, are remeasured in the following cases:

- 1- Change in the rental price.
- 2- Amending the lease contract.
- 3- Adjusting the rental period.

##### 2. Lease other the rent in accordance to Law 95 for the year 1995

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

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

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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

The income tax for the period 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.

#### **T. Dividends**

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

#### **U. Cash and cash equivalents**

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

#### **V. 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.



## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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

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 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.

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

#### 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, and Executive Committee at the level of the Parent Company.

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

##### A) Market risk

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

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

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

	<u>2019</u>	<u>2018</u>
US Dollars	12,790,017	32,969,736
Euro	372,677	46,276
GBP	51,784	366,910

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>2019</u>	<u>2018</u>
US Dollars	1,279,002	3,296,974
Euro	37,268	4,628
GBP	5,178	36,691

###### 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.

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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#### Financial risk management (continued)

##### B) Credit risk

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

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

For customers, each Hospital's management analyses the credit risks of each potential new customer before being approved as a credit customer by the Finance Director and the General Manager in accordance with the Group's established policies, including Cleopatra Hospital Company or the subsidiaries. The Parent Company's Executive Committee follows-up the compliance with credit terms, and reviews cases of default and debt ageing report to take the necessary decisions whether to cancel the credit or to refer the defaulted customer to the Legal Department for their necessary actions.

The management makes impairment of 100% for customers in default for more than 150 days as of the date of the invoice. After deducting the amounts that expected to be collected after calculating the loss given default rate. 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 customer's receivables for less than 150 days.

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

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

	<u>2019</u>	<u>2018</u>
Cash at banks	788,913,329	952,046,248
Trade receivables	411,428,571	318,761,656
Accrued income	2,383,756	421,157
Employees loans custodies	1,597,912	1,870,937
Due from related parties	2,019,705	7,057,927

##### 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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#### Financial risk management (continued)

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

	<u>Below 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>Above 5 years</u>
Suppliers and notes payable	155,265,956	83,502,779	-	-
Accrued expenses	157,677,465	27,453,496	-	-

#### (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 31 December 2019 and 31 December 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Creditors and other credit balances	442,334,530	317,745,368
Employee incentive plan	129,072,581	45,232,497
Borrowings and over draft banks	-	95,103,868
<b>Less: Cash on hand and at banks</b>	<b>(791,267,839)</b>	<b>(953,422,594)</b>
<b>Net debt</b>	<b>(219,860,728)</b>	<b>(495,340,861)</b>
Total shareholders' equity	1,934,504,542	1,678,716,581
<b>Total invested capital</b>	<b>1,714,643,814</b>	<b>1,183,375,720</b>
<b>Net debts to total invested capital</b>	<b>(12.82%)</b>	<b>(41.86%)</b>

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

The fair value of the current financial assets and liabilities approximate their carrying amount, after taking into account any impairment.

#### 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.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

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

##### 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 2 June 2020 and 2 June 2016. The discounts rates used in calculating the system values are also reviewed with the market discount rates and reviewing the calculated valued by system elements with the approved five years plans from the management yearly.

##### 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 2 June 2020 during the six months preceding the date of the financial position 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 2 June 2020 and 2 June 2016.
  - Liabilities are estimated at each financial position date based on the present value of the expected cash flows discounted at market rate of return.
  - These estimates are calculated by an independent expert and include the impact of market conditions using the total shareholders return (TSR) as well as other non-market conditions using earnings before interest, tax, depreciation and amortization (EBITDA).
  - The assumption used, including the discount rates and expected performance are reviewed in accordance with approved management plans annually and assumptions adjusted if necessary.

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements - For the year ended 31 December 2019

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

#### 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 year ended 31 December 2019 for each segment:

Statement of financial position	CHG										Total
	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	CHG for Medical Services	CHG for Pharma for pharmacies management	CHG for Hospitals	Queens Hospitals	Al Kateb Hospitals	Consolidated adjustment	
Non-current assets	1,359,643,045	147,428,234	140,238,484	148,468,614	-	-	-	8,869,573	193,429	(472,481,150)	1,332,360,229
Current assets	705,330,892	233,370,563	232,500,663	185,150,667	8,202,583	4,574,484	7,546,748	10,833,205	18,553,824	(71,035,415)	1,335,028,214
<b>Total assets</b>	<b>2,064,973,937</b>	<b>380,798,797</b>	<b>372,739,147</b>	<b>333,619,281</b>	<b>8,202,583</b>	<b>4,574,484</b>	<b>7,546,748</b>	<b>19,702,778</b>	<b>18,747,253</b>	<b>(543,516,565)</b>	<b>2,667,388,443</b>
Current liabilities	331,437,965	123,655,876	108,908,634	83,174,425	37,242,391	6,278,910	10,518	26,056,373	15,902,066	(80,412,175)	652,254,983
Non-current liabilities	8,631,269	8,957,602	8,114,485	2,703,279	-	-	-	-	-	52,222,283	80,628,918
<b>Total Liabilities</b>	<b>340,069,234</b>	<b>132,613,478</b>	<b>117,023,119</b>	<b>85,877,704</b>	<b>37,242,391</b>	<b>6,278,910</b>	<b>10,518</b>	<b>26,056,373</b>	<b>15,902,066</b>	<b>(28,189,892)</b>	<b>732,883,901</b>
Statement of profit or loss:											
Operating revenue	750,271,506	373,955,142	322,735,021	301,279,547	21,477,331	3,974,128	46,748	13,632,520	16,933,494	(6,162,324)	1,798,143,113
Operating costs	(425,681,171)	(245,185,932)	(216,204,117)	(214,177,237)	(29,088,570)	(5,263,040)	-	(20,365,644)	(11,633,772)	(5,055,258)	(1,172,654,741)
<b>Gross profit</b>	<b>324,590,335</b>	<b>128,769,210</b>	<b>106,530,904</b>	<b>87,102,310</b>	<b>(7,611,239)</b>	<b>(1,288,912)</b>	<b>46,748</b>	<b>(6,733,124)</b>	<b>5,299,722</b>	<b>(11,217,582)</b>	<b>625,488,372</b>
Other expenses and revenues	(123,212,785)	(86,052,780)	(73,891,594)	(57,391,467)	(21,741,069)	(665,514)	(10,519)	175,711	(2,416,988)	5,076,714	(360,130,291)
<b>Profit for year</b>	<b>201,377,550</b>	<b>42,716,430</b>	<b>32,639,310</b>	<b>29,710,843</b>	<b>(29,352,308)</b>	<b>(1,954,426)</b>	<b>36,229</b>	<b>(6,557,413)</b>	<b>2,882,734</b>	<b>(6,140,868)</b>	<b>265,358,081</b>
Other Items											
Capital expenditure	203,200,992	78,286,089	97,547,569	88,322,348	-	-	-	10,516,616	193,536	-	478,067,150
Fixed assets depreciation	21,822,250	15,868,122	7,071,582	8,676,920	-	-	-	1,647,043	106	11,165,189	64,604,063

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Segment reporting (continued)

Below is a summary of each segment, which is presented for the year ended 31 December 2018 for each segment:

	Cleopatra Hospital Company	Cairo Specialised Hospital	Nile Badrawi Hospital	Al Shorouk Hospital	Consolidated adjustment	Total
<u>Statement of financial position</u>						
Non-current assets	856,816,465	104,718,669	65,510,510	88,362,063	(170,034,952)	945,379,621
Current assets	1,038,193,892	142,876,181	116,418,259	55,982,278	(882,831)	1,352,587,779
<b>Total assets</b>	<b>1,895,010,356</b>	<b>247,601,716</b>	<b>181,928,769</b>	<b>144,344,341</b>	<b>(170,917,783)</b>	<b>2,297,967,400</b>
Current liabilities	230,576,494	82,247,024	76,666,496	57,527,264	(7,747,438)	439,269,840
Non-current liabilities	117,719,201	6,580,580	222,353	722,853	54,734,448	179,980,979
<b>Total Liabilities</b>	<b>348,295,695</b>	<b>88,829,148</b>	<b>76,888,849</b>	<b>58,250,117</b>	<b>46,987,010</b>	<b>619,250,819</b>
<u>Statement of profit or loss:</u>						
Operating revenue	677,269,997	287,495,594	257,216,457	254,844,857	(20,687,928)	1,456,138,977
Operating costs	(396,578,948)	(200,154,609)	(169,204,082)	(186,250,556)	9,676,570	(942,517,120)
<b>Gross profit</b>	<b>280,691,049</b>	<b>87,340,985</b>	<b>88,012,375</b>	<b>68,594,301</b>	<b>(11,011,358)</b>	<b>513,621,857</b>
Other expenses and revenues	(76,433,107)	(43,381,926)	(42,307,298)	(41,170,319)	4,869,292	(198,423,358)
<b>Profit for year</b>	<b>204,257,942</b>	<b>43,953,564</b>	<b>45,705,077</b>	<b>27,423,982</b>	<b>(6,142,066)</b>	<b>315,198,499</b>
<u>Other Items</u>						
Capital expenditure	49,402,239	54,053,091	25,296,793	30,787,692	-	159,539,815
Fixed assets depreciation	13,045,121	11,623,869	4,704,859	5,935,988	11,167,395	46,477,232

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**Notes to the consolidated financial statements - For the year ended 31 December 2019**

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

**6. Fixed assets**

	Lands	Machinery, equipment and devices	Furniture	Buildings	Vehicles	Computers	Projects under construction	Total
<b>At 1 January 2018</b>								
Cost	105,329,262	319,552,050	35,727,241	247,079,683	7,085,873	29,713,125	25,435,666	769,922,900
Accumulated depreciation	-	(184,863,505)	(25,639,881)	(73,700,280)	(4,693,689)	(8,508,666)	-	(297,406,021)
<b>Net book Amount</b>	<b>105,329,262</b>	<b>134,688,545</b>	<b>10,087,360</b>	<b>173,379,403</b>	<b>2,392,184</b>	<b>21,204,459</b>	<b>25,435,666</b>	<b>472,516,879</b>
<b>Year ended 31 December 2018</b>								
Opening net book amount	105,329,262	134,688,545	10,087,360	173,379,403	2,392,184	21,204,459	25,435,666	472,516,879
Additions	-	59,091,963	6,793,374	3,882,646	209,897	16,594,893	48,412,349	134,985,122
Disposals	-	(6,538,134)	(530,171)	-	(116,109)	(100,259)	-	(7,284,673)
Transfers from projects under construction	-	838,188	5,743,783	45,803,279	-	-	(52,385,250)	-
Depreciation for the year	-	(23,093,360)	(3,521,738)	(11,145,407)	(715,110)	(8,001,617)	-	(46,477,232)
Accumulated depreciation of disposal	-	6,070,435	462,773	-	116,109	97,674	-	6,746,991
<b>Closing net book amount</b>	<b>105,329,262</b>	<b>171,057,637</b>	<b>19,035,381</b>	<b>211,919,921</b>	<b>1,886,971</b>	<b>29,795,150</b>	<b>21,462,765</b>	<b>560,487,087</b>
<b>At 31 December 2018</b>								
Cost	105,329,262	372,944,067	47,734,227	296,765,608	7,179,661	46,207,759	21,462,765	897,623,349
Accumulated depreciation	-	(201,886,430)	(28,698,846)	(84,845,687)	(5,292,690)	(16,412,609)	-	(337,136,262)
<b>Net book Amount</b>	<b>105,329,262</b>	<b>171,057,637</b>	<b>19,035,381</b>	<b>211,919,921</b>	<b>1,886,971</b>	<b>29,795,150</b>	<b>21,462,765</b>	<b>560,487,087</b>
<b>At 31 December 2019</b>								
Opening net book amount	105,329,262	171,057,637	19,035,381	211,919,921	1,886,971	29,795,150	21,462,765	560,487,087
Additions	67,911,000	96,598,912	5,441,238	29,972,602	5,707,361	13,512,845	194,091,983	413,235,941
Disposals	-	(4,710,344)	(1,637,964)	-	(728,570)	(174,716)	-	(7,251,594)
Transfers from projects under construction	-	24,305,231	8,134,661	35,087,404	406,500	10,299,288	(78,233,084)	-
Depreciation for the year	-	(32,060,753)	(5,146,467)	(13,935,163)	(1,221,853)	(12,239,826)	-	(64,604,062)
Accumulated depreciation of disposal	-	4,117,770	1,606,872	-	728,570	174,716	-	6,627,928
<b>Balance at 31 December 2019</b>	<b>173,240,262</b>	<b>259,308,453</b>	<b>27,433,721</b>	<b>263,044,764</b>	<b>6,778,979</b>	<b>41,367,457</b>	<b>137,321,664</b>	<b>908,495,300</b>
Cost	173,240,262	489,137,866	59,672,162	361,825,614	12,564,952	69,845,176	137,321,664	1,303,607,696
Accumulated depreciation	-	(229,829,413)	(32,238,441)	(98,780,850)	(5,785,973)	(28,477,719)	-	(395,112,396)
<b>Net book Amount</b>	<b>173,240,262</b>	<b>259,308,453</b>	<b>27,433,721</b>	<b>263,044,764</b>	<b>6,778,979</b>	<b>41,367,457</b>	<b>137,321,664</b>	<b>908,495,300</b>



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### Notes to the consolidated financial statements- For the year ended 31 December 2019

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#### 7. Business combination and intangible assets

<u>Cost</u>	<u>Trade name</u>	<u>Goodwill</u>
Balance at 1 January 2018	44,354,000	196,676,034
<b>Balance at 31 December 2018</b>	<b>44,354,000</b>	<b>196,676,034</b>
Balance at 1 January 2019	44,354,000	196,676,034
Acquisition of Queens Hospital	-	14,071,000
Acquisition of Al-Kateb Hospital	-	158,516,300
<b>Balance at 31 December 2019</b>	<b>44,354,000</b>	<b>369,263,334</b>

The good will is as follows:

	<u>Balance at 1 January 2019</u>	<u>Business acquisition</u>	<u>Balance at 2019</u>
Nile Badrawi Hospital	75,853,020	-	75,853,020
Al Shorouk Hospital S.A.E.	120,823,014	-	120,823,014
Queens Hospital Works	-	14,071,000	14,071,000
Al-Kateb Hospital Works	-	158,516,300	158,516,300
<b>Total</b>	<b>196,676,034</b>	<b>172,587,300</b>	<b>369,263,334</b>

#### 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.

#### Queens Hospital acquisition

On 16 January 2019, Cleopatra Hospital S.A.E signed a contract to transfer the activity of Queen's Hospital. Cleopatra Hospital S.A.E acquired the assets, inventory and contracted with the employment of Queens Hospital from the date of acquisition 18 March 2019 with a total of EGP 25 million. The acquisition resulted in an increase in the cost of acquisition over the fair value of the net assets of the acquired company which was recognized as goodwill as shown in the table above. Cleopatra Hospital S.A.E has acquired fixed assets except for land and buildings. Cleopatra Hospital S.A.E has signed an 18-year lease contract for the Queens Hospital land and building.

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

The fair value of net assets was calculated at the acquisition date, which represents assets other than non-current tangible assets at the date of acquisition.

The income recognized in the statement of income, which has been contributed by Queens Hospital since the date of acquisition, amounted to approximately EGP 13,732,520. The net loss for this year amounted to approximately EGP 6,544,598.

Queens Hospital was consolidated in accordance with the Egyptian Accounting Standard No. 29 on Business Combinations as of 18 March 2019, the date on which the acquire effectively controlled the business and assets acquired by the Company and transferred the ability to control the financial and operating policies of the Company. Assets acquired and goodwill are as follows:

	<u>EGP</u>
<b>Acquisition cost</b>	
Cash paid	25,000,000
<b>Total acquisition cost</b>	<b>25,000,000</b>
Total fair value of acquired assets	(10,929,000)
<b>Intangible asset</b>	<b>14,071,000</b>
	<u>EGP</u>
Fixed assets	8,567,000
Medical inventory	1,274,000
Debtors and other debit balances	1,088,000
<b>Total fair value of acquired assets</b>	<b>10,929,000</b>
<b>Intangible asset</b>	<b>14,071,000</b>

#### ElKateb Hospital acquisition

On 31 August 2017, the Company entered into an initial (conditional) contract for the purchase of the land and the building of Elkatib Hospital in the Arab Republic of Egypt. On 12 October 2017, the Company deposited an amount of EGP 143,550,000 under an ESCROW account contract which was concluded on 4 October 2017, on 13 December 2018, the ownership of the land and the building was transferred to the company under a public power of attorney and ESCROW account was released as part of the total acquisition, which includes management and operation of the hospital. On 3 December 2018, the Extraordinary General Assembly approved the acquisition of fixed assets, the management and operation of the hospital, and on 7 August 2019, the Cleopatra Hospital Company signed a contract to transfer the ElKateb activity from the Egyptian Hospital Company, and therefore an amount of EGP 135,080,000 was deposited under an ESCROW account, which It was concluded on 7 August 2019. On 1 November 2019, the company has completed the acquisition of the entire works, land and building of ElKateb Hospital.

The acquisition resulted in an excess of the acquisition cost over the fair value of the net assets acquired by the company which were recognized as goodwill. Cleopatra Hospital Company S.A.E has acquired the fixed assets.

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

The fair value of the net assets was calculated at the date of acquisition which represents other assets other than the non-current tangible assets at the date of acquisition. The net assets acquired and goodwill are as follows:

	<u>EGP</u>
<b>Acquisition cost</b>	
Cash paid	278,630,000
<b>Total acquisition cost</b>	<b>278,630,000</b>
Fair value of acquired assets	(10,929,000)
<b>Goodwill</b>	<b>14,071,000</b>
	<u>EGP</u>
Fixed assets	67,911,000
Medical inventory	28,350,000
Debtors and other debit balances	23,852,700
<b>Fair value of acquired assets</b>	<b>120,113,700</b>
<b>Goodwill</b>	<b>158,516,300</b>

#### 8. Advance payment for investment

	<u>2019</u>	<u>2018</u>
Advance payment for investment	-	143,550,000
	<u>-</u>	<u>143,550,000</u>

On 31 August 2017, the Company entered into an initial (conditional) contract for the purchase of the land and the building of Elkatib Hospital in the Arab Republic of Egypt. On 12 October 2017, the Company deposited an amount of EGP 143,550,000 under an ESCROW account contract which was concluded on 4 October, on 13 December 2018, the ownership of the land and the building was transferred to the company under a public power of attorney and ESCROW account was released as part of the total acquisition, which includes management and operation of the hospital. On 3 December 2018, the Extraordinary General Assembly approved the acquisition of fixed assets, the management and operation of the hospital, and on 7 August 2019, the Cleopatra Hospital Company signed a contract to transfer the Elkateb activity from the Egyptian Hospital Company, and therefore an amount of EGP 135,080,000 was deposited under an ESCROW account, which It was concluded on 7 August 2019. On 1 November 2019, the company has completed the acquisition of the entire works, land and building of ElKateb Hospital. CHG Hospital Management Company was established to manage Elkateb Hospital with an issued capital of EGP 30 million, and an amount of EGP 7.5 million representing 25% of the company's capital has been paid. The contribution of the Cleopatra Hospital Company is 99.99% of the total capital

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#### 9. Subsidiaries not consolidated

	Investment Percentage	Country of Origin	2019	2018
Investment in CHG for medical services*	20%	Egypt	-	112,500
Investment in CHG Pharma for pharmacies management**	98%	Egypt	-	250,000
			<u>-</u>	<u>362,500</u>

\* Subsidiaries not consolidated as of December 2018 include investments paid as a capital to CHG Medical Services Company and in accordance with the extraordinary general assembly meeting and Article 16 of the Articles of Association of CHG Medical Services, the shares of the Cleopatra Hospital are preferred shares entitling the owner three times of the ordinary share of profits and vote power on Decisions of the General Assembly.

\*\* Subsidiaries not consolidated as of December 2018 include investments paid as a capital to CHG Pharma for the management of pharmacies.

- These companies were consolidated during the second quarter of 2019.

#### 10. Inventories

	2019	2018
Medical supply inventory	29,073,827	21,990,570
Medicine inventory	15,672,268	15,272,404
Maintenance and spare parts inventory	2,370,177	2,131,092
Stationary inventory	1,429,697	972,815
Hospitality inventory	750,298	552,251
Food and beverage inventory	121,999	85,510
	<u>49,418,266</u>	<u>41,004,642</u>
Less: Impairment of inventory	(157,656)	(252,273)
	<u>49,260,610</u>	<u>40,752,369</u>

Movement in the provision for inventory is as follows:

	2019	2018
Balance at the beginning of the year	252,273	435,336
Provisions formed during the year	178,439	11,993
Provisions no longer required during the year	(221,970)	(195,056)
Write-offs during the year	(51,086)	-
<b>Balance at the end of the year</b>	<u>157,656</u>	<u>252,273</u>

CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

Notes to the consolidated financial statements- For the year ended 31 December 2019

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

11. Trade receivables

	<u>2019</u>	<u>2018</u>
Due from customers	404,257,833	313,191,870
Income from inpatients	7,170,738	5,569,786
	<u>411,428,571</u>	<u>318,761,656</u>
<b>Less:</b>		
Impairment of customers' balances	(74,274,923)	(15,920,165)
	<u>337,153,648</u>	<u>302,841,491</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 year of their stay.

Movement in the provision for impairment is as follows:

	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year	15,920,165	20,162,345
Provision formed during the year	90,136,850	24,588,858
Provision no longer required during the year	(31,538,796)	(22,752,631)
Used during the year	(243,296)	(6,078,407)
<b>Balance at the end of the year</b>	<u>74,274,923</u>	<u>15,920,165</u>

Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 175,266,845 (2018: EGP 140,835,481).

At the financial position date, the balances that were past due but not impaired amounted to EGP 139,528,894 (2018: EGP 119,839,118) regarding customers and transactions with no history of default. The ageing analysis of these balances is as follows:

	<u>2019</u>	<u>2018</u>
Less than one month	54,114,665	44,982,196
From one to five months	85,414,229	74,856,922

The management creates a 100% impairment for customers who are overdue for more than 150 days from the claim date. After deducting the amounts that expected to be collected after calculating the loss given default rate. It also creates a group-based provision based on historical failure rates. The management calculates historical failure rates for each customer per month on the accounts of customers whose debts exceed 150 days to 360 days from the date of the financial position. Based on these rates, the management calculates a provision for debts of customers whose debts are not more than 150 days old. The trade receivables balance which their ages exceeded 150 days as of 31 December 2019 amounted to EGP 89,462,094 (2018: EGP 52,517,271).

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements- For the year ended 31 December 2019

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

#### 12. Debtors and other debit balances

	<u>2019</u>	<u>2018</u>
Advances to suppliers	85,296,087	29,443,639
Prepaid expenses	6,584,551	11,670,972
Withholding taxes	817,251	531,887
Employees custodies	1,597,912	1,870,937
Deposits with others	4,039,506	3,388,690
Accrued income	2,383,756	421,157
Other debtors	4,651,825	2,047,355
	<u>105,370,888</u>	<u>49,374,637</u>
<b>Less: Impairment in other debit balances</b>	(143,734)	(911,240)
	<u>105,227,154</u>	<u>48,463,397</u>

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

	<u>2019</u>	<u>2018</u>
Balance at 1 January	911,240	911,240
No longer required	(767,506)	-
	<u>143,734</u>	<u>911,240</u>

#### 13. Treasury bills

	<u>2019</u>	<u>2018</u>
Treasury bills (Maturity 183 days)	53,600,000	-
Less: Unearned revenue	(3,500,742)	-
	<u>50,099,258</u>	<u>-</u>

Annual pre-tax rate of return of 11.77% accrued on the treasury bills.

#### 14. Cash and cash equivalents

		<u>2018</u>
Time deposit	177,021,887	35,377,810
Current accounts	611,891,442	916,668,438
Cash on hand	2,354,510	1,376,346
	<u>791,267,839</u>	<u>953,422,594</u>

The time deposits item includes an amount of EGP 167,426,027 (2018: EGP 5,000,000) deposited in local banks in the Egyptian pound and payable within one month from the date of deposit and is subject to a fixed annual rate of 10% (2018: 12.25% ).

The time deposits item includes an amount EGP 9,595,860 at 31 December 2019 (2018: EGP 30,377,810) are denominated in local banks in US dollars and are payable within one from the date of deposit and are subject to a fixed annual return of 2.17% to 2.22%.

Current accounts are subject to a fixed annual rate of 9.5% to 10% (2018: 14%).

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements- For the year ended 31 December 2019

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

#### 15. Provisions

	<u>2019</u>	<u>2018</u>
Provision for claims	7,297,337	11,959,643
Provision for human resources	8,261,003	12,942,032
	<u>15,558,340</u>	<u>24,901,675</u>

Movement in the provision during the year is as follows:

	<u>2019</u>				
	<u>Balance at the beginning of the year</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at the end of the year</u>
Provision for human resources	12,942,032	27,238,314	(11,908,806)	(20,010,537)	8,261,003
Provision for claims	11,959,643	220,000	(4,882,306)	-	7,297,337
<b>Total</b>	<u>24,901,675</u>	<u>27,458,314</u>	<u>(16,791,112)</u>	<u>(20,010,537)</u>	<u>15,558,340</u>

  

	<u>2018</u>				
	<u>Balance at the beginning of the year</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at the end of the year</u>
Provision for human resources	7,273,911	23,898,648	(6,183,661)	(12,046,866)	12,942,032
Provisions for claims	14,306,471	5,348,340	(7,695,168)	-	11,959,643
<b>Total</b>	<u>21,580,382</u>	<u>29,246,988</u>	<u>(13,878,829)</u>	<u>(12,046,866)</u>	<u>24,901,675</u>

#### Provision for human resources

Other provisions for human resources include 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.

#### Provision for claims

Other provisions represent provisions for contingent liabilities on potential claims from certain authorities and parties regarding the Company's activity. The Company 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.

#### 16. Creditors and other credit balances

	<u>2019</u>	<u>2018</u>
Accrued expenses	185,130,961	143,670,843
Suppliers and notes payable	238,768,735	158,143,616
Social insurance	3,960,937	2,148,881
Dividends payable	2,430,224	2,017,087
Other creditors	12,043,743	11,764,941
	<u>442,334,530</u>	<u>317,745,368</u>

**CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES**

**Notes to the consolidated financial statements- For the year ended 31 December 2019**

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

**17. Employee incentive plan**

	<u>2019</u>	<u>2018</u>
Employee incentive plan based on parent company’s market value of shares	109,072,692	36,819,510
Employee incentive plan based on earning performance before interest, tax, depreciation and amortization	19,999,889	8,412,987
	<u><b>129,072,581</b></u>	<u><b>45,232,497</b></u>

The movement during the year is as follows:

	<u>Balance at 1 January 2019</u>	<u>Formed during the year</u>	<u>Balance at 2019</u>
Employee incentive plan	45,232,497	83,840,084	<b>129,072,581</b>
<b>Total</b>	<u><b>45,232,497</b></u>	<u><b>83,840,084</b></u>	<u><b>129,072,581</b></u>

The movement during the year is as follows:

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

**18. Borrowings and bank overdraft**

	<u>2019</u>		
	<u>Current portion</u>	<u>Non-current portion</u>	<u>Total</u>
Bank overdraft	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>

	<u>2018</u>		
	<u>Current portion</u>	<u>Non-current portion</u>	<u>Total</u>
Bank overdraft	821	-	<b>821</b>
Borrowings	27,223,715	67,879,332	<b>95,103,047</b>
<b>Total</b>	<u><b>27,224,536</b></u>	<u><b>67,879,332</b></u>	<u><b>95,103,868</b></u>



## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements- For the year ended 31 December 2019

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

#### Borrowings and bank overdraft (continued)

On 14 January 2018, the Company early paid a loan amounting to EGP 121,800,000 representing the loan amount in addition to EGP 743,091 representing interest for the period from 31 December 2017 to 14 January 2018.

On 17 October 2018, the Board of Directors approved early payment of the current loan balance and settlement of the amounts owed by the Company under the loans and credit facilities in the financial statement approved on 30 September 2018. These amounts are to be repaid through the Company's available cash flows. Accordingly, EGP 100,000,000 were paid on 29 November 2018 as partial settlement of the loan.

On 17 February 2019, the Group repaid all loans based on that date, thus mortgages were removed on the shares of Cleopatra Hospital Company owned by Care Health Care and the shares of Al Shorouk Hospital Company, owned by Cleopatra Hospital Company.

#### Financial ratios

Under the terms of the contract, the Company is committed to achieving the following financial ratios:

Debt-to-profit ratio before bank charges, taxes payable and depreciation of financial and intangible assets to be less than or equal to 3.5 for 2018 (31 December 2017: be less than or equal to 3.5).

- Debt service rate to be greater than or equal to 1.
- Trading ratio shall be greater than or equal to 1.

#### 19. Share capital

On 30 September 2017, the extraordinary general assembly of the company agreed to increase the company's authorized capital from 800,000,000 EGP to 2,000,000,000 EGP and increase the issued capital from 100,000,000 EGP to 800,000,000 EGP, an increase of EGP 700,000,000 by inviting the old shareholders to subscribe for the increase shares through the issuance of 1,400,000,000 shares that are subscribed for at a nominal value of EGP 0.5 per share, provided that the full value is paid at the time of subscription, knowing that the old shareholders have the right to subscribe to the increase each by his contribution in the capital or the sale of all or part of the subscription right separately from the share. To drink knowing that it was the right of redress fractional shares and subscription increase for the benefit of small shareholders.

According to above share capital of the Company became EGP 800,000,000 paid share capital distributed across 1,600,000,000 shares

And based on the above, shareholders structure will be as follows:

<u>Name</u>	<u>Percentage of ownership</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd.	69.4%	1,109,969,377	554,984,689
Other shareholders	30.6%	490,030,623	245,015,311
<b>Total</b>	<b>100%</b>	<b>1,600,000,000</b>	<b>800,000,000</b>

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements- For the year ended 31 December 2019

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

#### Share capital (continued)

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

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

#### 20. Reserves

Below is the movement on reserves during the year:

	<b>2019</b>		
	<b>Balance at the beginning of the year</b>	<b>formed during the year</b>	<b>Balance at the end of the year</b>
Legal reserve	54,127,298	10,212,897	<b>74,340,195</b>
Special reserve	49,090,006	-	<b>49,090,006</b>
Acquisition reserve	(76,532,044)	-	<b>(76,532,044)</b>
Other reserves	247,496,391	-	<b>247,496,391</b>
<b>Total</b>	<b>274,181,651</b>	<b>10,212,897</b>	<b>284,394,548</b>
	<b>2018</b>		
	<b>Balance at the beginning of the year</b>	<b>Formed during the year</b>	<b>Balance at the end of the year</b>
Legal reserve	50,000,000	4,127,298	<b>54,127,298</b>
Special reserve	49,090,006	-	<b>49,090,006</b>
Acquisition reserve	(76,532,044)	-	<b>(76,532,044)</b>
Other reserves	247,592,165	(95,774)	<b>247,496,391</b>
<b>Total</b>	<b>270,150,127</b>	<b>4,031,524</b>	<b>274,181,651</b>

##### 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.

# CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements- For the year ended 31 December 2019

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

### Reserves (continued)

#### c) Special reserve

The special reserve represents the amount that was due to Care Healthcare Ltd. (Parent Company). Valued at EGP 47,379,722 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). Valued at EGP 1,710,284

#### d) Other reserves

The amount represents the amount transferred from share premium according to the requirements of Law No.159 of 1981, and there is no movement in this reserve during the year.

Below is the movement of other reserves as follows:

	2019		
	Balance at the beginning of the year	formed during the year	Balance at the end of the year
Other reserves	247,496,391	-	247,496,391
<b>Total</b>	<b>247,496,391</b>	<b>-</b>	<b>247,496,391</b>

  

	2018		
	Balance at the beginning of the year	Formed during the year	Balance at the end of the year
Other reserves	247,592,165	(95,774)	247,496,391
<b>Total</b>	<b>247,592,165</b>	<b>(95,774)</b>	<b>247,496,391</b>

Below is the other reserves as follows:

	Payment	Number of shares	Nominal value	Share capital	Share premium
Public offering	54,000,000	6,000,000	EGP 0.5	3,000,000	51,000,000
Private offering and share capital increase	306,000,000	34,000,000	EGP 0.5	17,000,000	289,000,000
Expenses of 2016 shares issued*	-	-	-	-	(31,982,360)
Expenses of 2017 shares issued**	-	-	-	-	(27,582,576)
Transfer to legal reserve	-	-	-	-	(32,938,673)
<b>Total</b>	<b>360,000,000</b>	<b>40,000,000</b>		<b>20,000,000</b>	<b>247,496,391</b>

\* It represents expenses for the issuance of shares during the year 2016 and includes expenses for offering shares of the company's capital increase (public offering and private placement) which represent registration, promotion and other professional and legal expenses.

\*\* It represents the expenses for issuing the capital increase during 2017 and includes the expenses for offering shares of the company's capital increase, which represent the registration, promotion and other professional and legal expenses.

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements- For the year ended 31 December 2019

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

#### 21. Non-controlling interests

	Share capital	Legal reserve	Retained earnings	Share of minority interest on settlement of acquisition	Total
Balance at 1 January 2018	12,731,320	7,009,051	35,868,721	120,184	55,729,276
Employees dividends	-	-	(1,323,731)	-	(1,323,731)
Legal reserve	-	3,152	-	-	3,152
Comprehensive income for the year	-	-	20,310,873	-	20,310,873
<b>Balance at 31 December 2018</b>	<b>12,731,320</b>	<b>7,012,203</b>	<b>54,855,863</b>	<b>120,184</b>	<b>74,719,570</b>
Balance at 1 January 2019	12,731,320	7,012,203	54,855,863	120,184	74,719,570
Non-controlling interest in the acquisition of subsidiaries	22,526,489	-	-	-	22,526,489
Minority interests in the acquisition of subsidiaries	255,000	-	-	-	255,000
Dividends of employees	-	-	(1,526,345)	-	(1,526,345)
Legal reserve	-	1,974	-	-	1,974
Comprehensive income for the year	-	-	7,950,019	-	7,950,019
<b>Balance at 31 December 2019</b>	<b>35,512,809</b>	<b>7,014,177</b>	<b>61,279,537</b>	<b>120,184</b>	<b>103,926,707</b>

#### 22. Operating revenue

	2019	2018
Accommodation and medical supervision revenue	414,925,864	355,389,450
Surgeries revenue	376,551,349	286,043,795
Outpatient clinics revenue	228,133,415	199,884,580
Laboratories revenue	163,573,616	124,403,509
Cardiac catheterization revenue	149,192,691	119,581,959
Service charge revenue	130,900,812	105,381,471
Radiology revenue	98,938,095	74,375,150
Emergency revenue	73,090,379	65,878,086
Oncology centre revenue	38,441,409	34,338,583
Pharmacy revenue	47,804,913	33,015,666
Dentistry revenue	17,059,885	12,811,448
Physiotherapy revenue	19,357,904	15,498,727
Endoscopy revenue	16,202,014	12,473,051
Cardiac tests revenue	12,732,412	9,287,085
Other departments revenue	11,238,355	7,776,417
	<b>1,798,143,113</b>	<b>1,456,138,977</b>

## CLEOPATRA HOSPITAL COMPANY "S.A.E." AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements- For the year ended 31 December 2019

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#### 23. Operating costs

	<u>2019</u>	<u>2018</u>
Medical and pharmaceutical supplies	353,781,682	291,701,054
Doctors' fees	325,952,198	275,481,914
Salaries, wages and benefits	294,226,221	226,386,857
Maintenance, spare parts and energy expenses	45,018,891	38,930,271
Food, beverage and consumables costs	57,524,595	45,846,592
Fixed assets depreciation and write-off	53,943,057	38,208,272
Rents	17,184,039	4,783,189
Other expenses	25,024,058	21,178,971
	<u><b>1,172,654,741</b></u>	<u><b>942,517,120</b></u>

#### 24. General and administrative expenses

	<u>2019</u>	<u>2018</u>
Salaries, wages and benefits	200,206,279	108,675,559
Professional and consulting fees	12,605,179	18,301,855
Impairment of trade receivables	58,598,054	1,836,228
Fixed assets depreciation and write-off	11,059,581	8,612,347
Maintenance, spare parts and energy expenses	7,572,723	6,125,792
Food, beverage and consumables costs	5,381,011	5,378,706
Rent	3,594,756	2,054,093
Other expenses	38,954,407	31,416,945
	<u><b>337,971,990</b></u>	<u><b>182,401,525</b></u>

## CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements- For the year ended 31 December 2019

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

#### 25. Expenses by nature

	<u>2019</u>	<u>2018</u>
Salaries, wages and benefits*	495,454,344	335,062,416
Medical and pharmaceutical supplies	353,781,682	291,701,054
Doctors' fees	325,952,198	275,481,914
Maintenance, spare parts and energy expenses	52,636,071	45,056,063
Fixed assets depreciation and write-off	65,002,638	46,820,619
Food, beverage and consumables costs	62,905,606	51,225,298
Impairment of trade receivables	58,598,054	1,836,228
Other expenses	99,734,883	77,735,053
	<u><b>1,514,065,476</b></u>	<u><b>1,124,918,645</b></u>

#### \* Employees' costs

	<u>2019</u>	<u>2018</u>
Salaries and wages	452,128,845	303,369,606
Employees' benefits	22,405,802	17,539,744
Social insurance	20,919,697	14,153,066
	<u><b>495,454,344</b></u>	<u><b>335,062,416</b></u>

Miscellaneous expenses included an amount of EGP 4,351,667 Allowances of members of the Board of Directors (31 December 2018: 1,425,000).

The item includes wages, salaries, and bonuses amounting to EGP 72,253,182 (2018: EGP 16,417,510) representing the value of the payments that are calculated on the basis of the difference between the weighted average value of the market value of the parent company's shares on 2 June 2020 during the six months preceding the history of the financial position and the price The stock, at the date of its shares being offered on the stock exchange on 2 June 2016. The amount of EGP 11,586,902 (2018: EGP 3,993,987) represents the value of the payments that are calculated on the basis of the difference between the pre-interest profit performance and income, depreciation and amortization taxes (EBITDA) on the date Maturity 2 June 2020 and 2 June 2016.

#### 26. Other income

	<u>2019</u>	<u>2018</u>
Rent	3,790,011	2,458,565
Buffet income and cafeteria concession	258,673	1,054,770
Capital gains	1,003,717	965,563
Miscellaneous income	5,689,806	2,747,434
	<u><b>10,742,207</b></u>	<u><b>7,226,332</b></u>

**CLEOPATRA HOSPITAL COMPANY “S.A.E.” AND ITS SUBSIDIARIES**

**Notes to the consolidated financial statements- For the year ended 31 December 2019**

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

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

	<u>2019</u>	<u>2018</u>
<b>Finance income</b>		
Interest income	93,345,412	129,272,895
Foreign currency valuation	-	49,196
<b>Total finance income</b>	<u>93,345,412</u>	<u>129,322,091</u>
<b>Finance costs</b>		
Interest receivable	(3,732,773)	(37,950,540)
Foreign currency valuation	(3,158,274)	-
<b>Total finance expenses</b>	<u>(6,891,047)</u>	<u>(37,950,540)</u>
<b>Net finance (expenses) / income</b>	<u>86,454,365</u>	<u>91,371,551</u>

**28. Pre-operating expenses**

Expenses before operating of CHG Medical Services and CHG Pharma for the management of pharmacies from the date of establishment of the companies to the official operating date amounted to EGP 7,395,317 and EGP 490,000 respectively, EGP 3,956,576 pre-operating expenses of CHG Medical Services and EGP 490,000 of pre-operating expenses of CHG Pharma for the management of pharmacies were excluded from the consolidated financial statements as result of related party transactions. Expenses before operations included in the consolidated financial statements is EGP 3,438,741.

**29. Income taxes**

	<u>2019</u>	<u>2018</u>
Current income tax for the year	94,261,191	90,383,148
Deferred tax (Note 29)	7,925,336	2,438,933
	<u>102,186,527</u>	<u>92,822,081</u>

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

	<u>2019</u>	<u>2018</u>
Net profit before tax	366,675,658	408,020,580
Income tax calculated based on the applicable local tax rate	89,741,554	91,804,632
<b>Add/ (less):</b>		
Non-taxable expenses	19,602,640	6,173,964
Income not subject to tax	(7,157,667)	(5,156,515)
<b>Income taxes</b>	<u>102,186,527</u>	<u>92,822,081</u>
<b>Effective tax rate</b>	<u>27.87%</u>	<u>22.75%</u>

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**Income taxes (continued)**

<u>Current income tax liabilities</u>	<u>2019</u>	<u>2018</u>
Balance at 1 January	69,398,261	11,961,946
Payments during the year	(75,674,028)	(14,589,922)
Current year tax	(25,347,331)	90,383,148
Advance payments to tax authorities	94,261,190	(18,356,911)
	<u>62,638,092</u>	<u>69,398,261</u>

**30. Deferred tax**

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

	<u>Balance at 1 January 2019 (Liability)</u>	<u>(Expense)/ Income charged to the statement of profit or loss during the year</u>	<u>Balance at 2019 (Liability)</u>
<u>Liabilities</u>			
Fixed assets	(15,718,421)	(9,333,055)	(25,051,476)
Fixed assets - Effect of fair value	(44,754,796)	2,512,167	(42,242,629)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
<b>Total Liabilities</b>	<u>(70,452,867)</u>	<u>(6,820,888)</u>	<u>(77,273,755)</u>
<u>Assets</u>			
Provisions (excluding claims provision)	3,583,717	(1,104,448)	2,479,269
<b>Net deferred tax - liability</b>	<u>(66,869,150)</u>	<u>(7,925,336)</u>	<u>(74,794,486)</u>

	<u>Balance at 1 Jan 2018 (Liability)</u>	<u>(Expense)/ Income charged to the statement of profit or loss during the year</u>	<u>Balance at 31 December 2018 (Liability)</u>
<u>Liabilities</u>			
Fixed assets	(9,480,250)	(6,238,171)	(15,718,421)
Fixed assets - Effect of fair value	(47,267,460)	2,512,664	(44,754,796)
Intangible assets - Effect of fair value	(9,979,650)	-	(9,979,650)
<b>Total Liabilities</b>	<u>(66,727,360)</u>	<u>(3,725,507)</u>	<u>(70,452,867)</u>
<u>Assets</u>			
Provisions (excluding claims provision)	2,297,143	1,286,574	3,583,717
<b>Net deferred tax - Liability</b>	<u>(64,430,217)</u>	<u>(2,438,933)</u>	<u>(66,869,150)</u>



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#### 31. Earnings per share

The basic share of the profit for the year is calculated by dividing the net profit for the year for the company's shareholders by the weighted average number of shares outstanding during the year after excluding the distribution of employee dividends.

	<u>2019</u>	<u>2018</u>
Distributable profit	264,489,131	315,198,499
Legal reserve	(9,885,144)	(10,212,897)
(Less) Employees and Board of Directors dividends	(35,761,547)	(32,196,359)
Number of shares issued	<u>1,600,000,000</u>	<u>1,600,000,000</u>
<b>Earning per share</b>	<b><u>0.14</u></b>	<b><u>0.17</u></b>

#### 32. Related parties transactions

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

##### Balances of financial position

<u>(Related parties)</u>	<u>Nature of transaction</u>	<u>Transaction value</u>	<u>Balance due from / (to) related parties 2019</u>	<u>Balance due from / (to) related parties 2018</u>
Care HealthCare (Parent Company)	Expenses paid on behalf of the parent Company	-	1,764,705	3,876,981
CHG for medical services (subsidiary) – Not consolidated in 2018	Expenses paid on behalf of the Company	-	-	3,180,946
Other parties	Expenses paid on behalf of related parties	255,000	<u>255,000</u>	-
			<b><u>2,019,705</u></b>	<b><u>7,057,927</u></b>

The transactions with the related parties are the company's dealings with the subsidiary / associates companies, whether by buying, selling or exchanging services. Prices, policies and conditions related to these operations are approved by the company's management and are on the same basis as dealing with others.

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### Notes to the consolidated financial statements- For the year ended 31 December 2019

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#### 33. Tax position

##### Cleopatra Hospital S.A.E.

###### (1) Corporate tax

- Inspection was made up to 31 December 2014, and a clearance certificate was obtained from the Tax Authority.
- Tax returns were filed regularly in the legal deadlines.
- 2015 and 2016 were inspected and an internal committee has been formed and the amounts has been settled.
- 2017 and 2018 inspections is being processed.

###### (2) Salaries tax

- Inspection was made up to 31 December 2013, and all tax payables were settled, and a clearance certificate was obtained from the Tax Authority.
- Tax on salaries earnings was inspected for 2014, and the internal committee is finished. and model A/9 which clarified that the tax has been paid has been received.
- 2015 and 2016 were inspected and settled.
- 2017 and 2018 were inspected and an internal committee has been formed and the amounts has been settled.

###### (3) Stamp duty tax

- Inspection was made up to 31 July 2006 and tax was paid.
- Inspection was made up to 2013 and tax was paid.
- Years from 2014 to 2017 inspection is being processed.

###### (4) VAT

- Inspection was made up to 31 December 2004.
- Inspection was made for sales tax from 2005 to 2015 and differences was settled.
- 2016, 2017 and 2018 was not inspected
- Tax returns were filed regularly in the legal deadline.

###### (5) Advance payments

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter (From 1 January 2019 : 31 December 2019)

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

###### (1) Corporate tax

- The company was inspected from inception till 2008, and all entitlements were paid.
- Years from 2009 till 2014, the inspection has been finalized and settled
- For 2015: 2018, the company is being inspected currently.

###### (2) Tax on salaries and wages

- The Company was inspected since the inception of activity to 2009, and all tax dues were paid.
- An internal committee was formed for the years from 2010 to 2013, and the result of the committee was transferred to the tax appeal committee.
- For 2014: 2018, the company is being inspected currently.

###### (3) Stamp duty

- The Company was inspected since the inception to 31 July 2006, and all entitlements were paid.
- The Company was assessed on presumptive basis from August 2006 to 2013.
- Inspection was made from 2014 to 2016 and tax was paid.
- Years 2017 and 2018 were not inspected

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#### Tax position (continued)

##### (4) VAT

- The Company registered in April 2017.
- Tax returns were filed monthly in the legal deadline.

##### (5) Advance payments

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter (From 1 January 2019 : 31 December 2019).

#### Nile Badrawi Hospital

##### (1) Corporate tax

- Years up to 2012 were settled, and all dues were paid.
- 2013 and 2014 were inspected and an internal committee has been formed and the amounts has been settled.
- 2015 and 2016 are re-inspecting.
- For 2017 and 2018, the company is being inspected currently.

##### (2) Salaries tax

- Years up to 2011 were inspected, settled, and paid. No tax is due for the years up to 2011.
- Tax was inspected for the years from 2012 to 2016 and it was objected and re-inspected and internal committee has been formed
- 2017 and 2018 has not been inspected yet.

##### (3) Stamp duty

- Years up to 31 July 2006 were inspected and paid.
- Years from 1 August 2006 up to 2014 are currently being inspected. There is a claim of EGP 220,960, for which an objection was filed on 31 October 2016 and internal committee has been formed and all amounts due for these years have been settled and paid.
- Years from 2015 to 2017 were inspected and this inspection was objected.
- 2018 has not been inspected yet.

##### (4) VAT

- The Company registered in April 2017.
- Tax returns were monthly submitted in the legal deadline.

##### (5) Advance payments

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter (From 1 January 2019: 31 December 2019).

#### Al Shorouk Hospital S.A.E.

##### (1) Industrial and commercial profits tax

- Years up to 2014 have been inspected, payment was made, tax differences were settled, and a certificate of clearance and full payment was issued.
- Years from 2015 to 2018 have been inspected, payment was made, tax differences were settled, and a certificate of clearance and full payment was issued.

##### (2) Salaries tax

- The Company was inspected and settled up to 31 December 2004 and settled.
- Internal committees were formed for 2005 to 2014.
- For 2015: 2018, the company is being inspected currently.

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#### Tax position (continued)

##### (3) Stamp duty tax

- The Company was inspected up to 31 July 2013, and settlement was made.
- Years from 2014 to 2016 were inspected and internal committee has been formed and all amounts due for these years have been and paid.
- For 2017: 2018, the company is being inspected currently.

##### (4) VAT

- The Company was registered since May 2017.
- Tax returns annually submitted in its legal deadline.

##### (5) Advance payments

- Hospital is subjected to advance payments system after obtaining an approval from the tax authority regarding such matter [ From 1 January 2019: 31 December 2019 ]

#### 34. Commitments

##### Capital commitments:

Capital commitments related to fixed assets at financial year end, which are not yet due, amounted to EGP 78,994,121 (2018: EGP 7,232,846).

#### 35. Right of use

##### Lease liabilities

	<u>2019</u>	<u>2018</u>
During one year	3,068,741	-
More than a year	9,168,016	-
	<u>12,236,757</u>	<u>-</u>
Discount rate	16.65%	-
<b>The present value of the lease obligations is as follows:</b>		
During one year	2,651,440	-
More than a year	5,834,432	-
<b>Balance</b>	<u><b>8,485,872</b></u>	<u>-</u>

##### Right of use:

The right of use is a lease contract related to medical equipment that was measured at the beginning of the contract at a value equal to the value of the lease obligations in addition to the rental expenses and is subsequently depreciated over the life of the lease using the straight line.

	<u>2019</u>	<u>2018</u>
Beginning balance	-	-
Additional during the year	10,646,173	-
Depreciation	(398,578)	-
	<u><b>10,247,595</b></u>	<u>-</u>

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#### 36. Subsequent events

On 13 February 2020, Cleopatra Hospital Company, the General Authority for River Transport and the Nile Badrawi Hospital Company and the heirs of the deceased Engineer Hassan Badrawi all signed a comprehensive and final settlement agreement according to which agreement was reached to resolve, settle and end all disputes and claims related to the land on which the Nile Badrawi Hospital is located, as was agreed upon both the General Authority for River Transport and the Nile Badrawi Hospital Company have conceded all the disputes arising from each of them regarding the land under settlement. The total settlement amounted to 36 million EGP, noting that part of the settlement falls within the confiscated amounts from the price of the sale of shares of the Nile Badrawi Hospital Company for the benefit of Cleopatra Hospital, also, negotiations are currently happening with the sellers of Nile Badrawi Hospital Company shares on the final settlement of any related matters between the Company and the sellers.

With regard to the recent outbreak of the Coronavirus, the Group's management is closely monitoring the situation. At this time, the number of registered cases in Egypt is still limited and fully controlled by the concerned authorities, with companies continuing to operate normally. The management of the group is confident that the Egyptian government and the group are well equipped to deal with the evolving situation. Note that the group's management is constantly updating its employees on the developments of the virus and providing them with the necessary training and precautions to ensure the safety of the workforce and its patients. With regard to the group's needs for medicines and consumables, the administration assures that there is sufficient stock for the situation for a period that may reach a month and a half, and given the current situation the group does not see an imminent risk that may have a predictable impact in light of the current situation, and the group's management is studying the situation continuously.