

**CLEOPATRA HOSPITAL COMPANY "S.A.E."**

**LIMITED REVIEW REPORT AND  
THE INTERIM SEPARATE FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED  
31 MARCH 2018**

**CLEOPATRA HOSPITAL S.A.E.**

**Interim separate financial statements - For the three months period ended 31 March 2018**

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<b>Index</b>	<b>Page</b>
Limited review report	1
Interim separate statement of financial position	2
Interim separate statement of profit or loss	3
Interim separate statement of comprehensive income	4
Interim separate statement of changes in equity	5
Interim separate statement of cash flows	6
Notes to the interim separate financial statements	7 - 38



## Limited review report on the interim financial statements

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

### Introduction

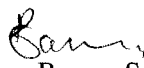
We conducted our limited review on the accompanying separate financial statements of Cleopatra Hospital S.A.E as at 31 March 2018 and the related interim separate financial position, interim separate statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and a summary of the significant accounting policies and other explanatory notes. The management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express an opinion on these interim separate financial statements based on our limited review.

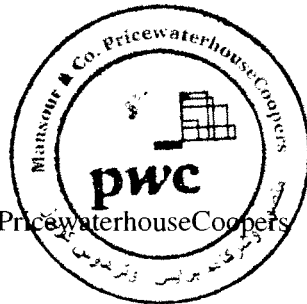
### Scope of the limited review

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

### Conclusion

In light of our limited review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Company as at 31 March 2018, its financial performance and cash flows for the three-month period then ended in accordance with the Egyptian Accounting Standards.

  
Basma Samra  
R.A.A. 6588  
F.R.A.R. 137  
Mansour & Co. PricewaterhouseCoopers



15 May 2018  
Cairo

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Interim separate statement of financial position - At 31 March 2018

(All amounts in Egyptian Pounds)

	Note	31 March 2018	31 December 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	5	88,160,320	87,711,987
Investments in subsidiaries	6	605,802,760	605,802,760
Advance payment for investment	7	251,550,000	143,550,000
<b>Total non-current assets</b>		<b>945,513,080</b>	<b>837,064,747</b>
<b>Current assets</b>			
Inventories	8	13,264,595	11,858,077
Trade receivables	9	98,211,989	79,264,631
Due from related parties	27	19,770,081	19,191,762
Debtors and other debit balances	10	14,641,731	5,872,816
Cash on hand and at banks	11	692,622,026	920,931,537
<b>Total current assets</b>		<b>838,510,422</b>	<b>1,037,118,823</b>
<b>Total assets</b>		<b>1,784,023,502</b>	<b>1,874,183,570</b>
<b>Equity</b>			
Share capital	16	800,000,000	800,000,000
Reserves	17	349,099,184	344,971,887
Retained earnings		234,563,911	212,895,656
<b>Total equity</b>		<b>1,383,663,095</b>	<b>1,357,867,543</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current portion of borrowings	14	190,565,796	276,303,047
Employees incentive plan	15	35,143,000	24,821,000
Deferred income tax liabilities	25	2,858,824	3,698,584
<b>Total non-current liabilities</b>		<b>228,567,620</b>	<b>304,822,631</b>
<b>Current liabilities</b>			
Provisions	12	10,148,745	6,422,588
Due to related parties	27	1,045,000	-
Creditors and other credit balances	13	107,311,968	118,701,673
Current portion of borrowings and banks overdrafts	14	29,495,743	75,633,320
Current income tax liabilities	24	23,791,331	10,735,815
<b>Total current liabilities</b>		<b>171,792,787</b>	<b>211,493,396</b>
<b>Total liabilities</b>		<b>400,360,407</b>	<b>516,316,027</b>
<b>Total equity and liabilities</b>		<b>1,784,023,502</b>	<b>1,874,183,570</b>

The accompanying notes on pages 7 - 37 form an integral part of these financial statements

Mr. Khaled Hassan Ahmed  
Group CFO

14 May 2018

Limited review report is attached

Dr. Ahmed Ezzeddine Mahmoud  
CEO & Managing Director

Dr. Mohamed Tarek Zahed  
Non-Executive Chairman



CLEOPATRA HOSPITAL COMPANY (S.A.E.)

**Interim separate statement of profit or loss - For the three months period ended 31 March 2018**

(All amounts in Egyptian Pounds)

	Note	31 March 2018	31 March 2017
Operating revenue	18	157,650,824	113,647,125
<b>Less:</b>			
Operating costs	19	(93,888,079)	(70,153,010)
<b>Gross profit</b>		<b>63,762,745</b>	<b>43,494,115</b>
<b>Add / (Less)</b>			
General and administrative expenses	20	(21,678,688)	(19,170,627)
Acquisition costs		(2,562,398)	-
Provisions	12	(4,168,408)	(63,910)
Other income	22	2,335,648	475,986
Finance income	23	27,540,219	11,378,227
Finance expenses	23	(11,902,760)	(16,212,919)
<b>Profit for the period before income tax</b>		<b>53,326,358</b>	<b>19,900,872</b>
Current tax	24	(13,055,516)	(4,672,924)
Deferred tax	25	839,760	78,193
<b>Profit after income tax</b>		<b>41,110,602</b>	<b>15,306,141</b>
<b>Earnings per share</b>	26	<b>0.03</b>	<b>0.11</b>

The accompanying notes on pages 7 - 38 from an integral part of these financial statements

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

**Interim separate statement of comprehensive income  
For the three months period ended 31 March 2018**

<b>(All amounts in Egyptian Pounds)</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
Profit for the period	41,110,602	15,306,141
Other comprehensive income	-	-
<b>Comprehensive income for the period</b>	<b><u>41,110,602</u></b>	<b><u>15,306,141</u></b>

The accompanying notes on pages 7 - 38 from an integral part of these financial statements

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

**Interim separate statement of changes in equity - For the three months period ended 31 March 2018**

(All amounts in Egyptian Pounds)

	<b>Capital</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 January 2017</b>	<b>100,000,000</b>	<b>372,458,689</b>	<b>138,391,561</b>	<b>610,850,250</b>
Dividends for employees	-	-	(8,041,870)	<b>(8,041,870)</b>
Comprehensive income for the period	-	-	15,306,141	<b>15,306,141</b>
<b>Balance at 31 March 2017</b>	<b>100,000,000</b>	<b>372,458,689</b>	<b>145,655,832</b>	<b>618,114,521</b>
<b>Balance at 1 January 2018</b>	<b>800,000,000</b>	<b>344,971,887</b>	<b>212,895,656</b>	<b>1,357,867,543</b>
Dividends for employees	-	-	(15,315,050)	<b>(15,315,050)</b>
Legal reserves	-	4,127,297	(4,127,297)	-
Comprehensive income for the period	-	-	41,110,602	<b>41,110,602</b>
<b>Balance at 31 March 2017</b>	<b>800,000,000</b>	<b>349,099,184</b>	<b>234,563,911</b>	<b>1,383,663,095</b>

The accompanying notes on pages 7 - 38 from an integral part of these financial statements

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

**Interim separate statement of cash flows - For the three months period ended 31 March 2018**

(All amounts in Egyptian Pounds)

	Note	31 March 2018	31 March 2017
<b><u>Cash flows from operating activities</u></b>			
Profit before tax		53,326,358	19,900,872
<b>Adjustments to reconcile net income to cash flows from operating activities</b>			
Fixed assets depreciation	5	2,826,623	1,830,238
Fixed assets write-off	5	-	732,368
Profit from sale of fixed assets	22	(77,000)	(86,846)
Impairment no longer required of trade receivables	9	(369,695)	(943,766)
Impairment write-off of trade receivables	9	(1,057,314)	(1,541,206)
Impairment of trade receivables	9	1,310,296	1,994,692
Provisions formed	12	5,016,528	515,240
Provisions utilized	12	(442,251)	(1,669)
Provisions no longer required	12	(848,120)	(451,330)
Interests and commissions	23	11,902,760	16,212,919
Interest income	23	(27,540,219)	(11,375,499)
Employee incentive plan	15	10,322,000	2,146,451
<b>Operating profits before changes in assets and liabilities</b>		<b>54,369,966</b>	<b>28,932,464</b>
<b>Changes in assets and liabilities</b>			
Change in inventories	8	(1,406,518)	(527,601)
Change in trade receivables	9	(18,830,645)	(7,232,238)
Change in due from related parties	27	(578,319)	-
Change in debtors and other debit balances	10	(3,471,370)	(15,460,339)
Change in creditors and other credit balances	13	1,292,684	1,660,361
<b>Net cash flows generated from operating activities</b>		<b>31,375,798</b>	<b>7,372,647</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets	5	(3,274,956)	(2,551,879)
Payments for projects under construction	5	-	(1,377,656)
Advance payment for purchase of fixed assets		(5,304,340)	-
Proceeds from sale of fixed assets		77,000	212,089
Interests received		27,547,014	6,244,042
Advance payment for investments		(108,000,000)	-
Deposits with maturity of more than 3 months from the date of placement	11	-	(10,000,000)
<b>Net cash flows generated from / (used in) investing activities</b>		<b>(88,955,282)</b>	<b>(7,473,404)</b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds from bank overdraft		16,930,352	-
Payments for bank overdraft		(22,467,929)	-
Interests and commissions paid		(25,342,516)	-
Payments of loans and credit facilities		(126,337,251)	-
Dividends paid		(13,512,683)	-
<b>Net cash flows (used in) / generated from financing activities</b>		<b>(170,730,027)</b>	<b>-</b>
<b>Change in cash and cash equivalents during the period</b>		<b>(228,309,511)</b>	<b>(100,757)</b>
Cash and cash equivalents at the beginning of the period		920,931,537	19,160,600
<b>Cash and cash equivalents at the end of the period</b>	11	<b>692,622,026</b>	<b>19,059,843</b>

The accompanying notes on pages 7 - 38 from an integral part of these financial statements



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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

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#### 1. Introduction

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

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

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

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

The Parent Company is Care HeathCare Ltd., which owns 80% of the Company's share capital. At 30 September 2017, Care Healthcare Ltd shares decreased to be 69.4%.

On 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the total shares of Cairo Specialised Hospital. And as of 31 December 2016 Cleopatra Hospital S.A.E share in Cairo Specialised Hospital has changed to reach 53.67% due to the write off of treasury shares.

On 28 September 2017, the share in Cairo specialised Hospital is 53.88% due to the Company purchased per shares from uncontrolled shares in of Cairo specialised Hospital.

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

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

These interim separate financial statements have been approved for issuance by the management of the Company on 14 May 2018.

#### 2. Accounting policies

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

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

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

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

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

### **Notes to the interim separate financial statements For the three months period ended 31 March 2018**

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

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#### **Basis of the preparation of the interim separate financial statements (continued)**

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

#### **Subsidiaries**

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

The Company's interim separate financial statements have been prepared in accordance with the local laws, while the consolidated financial statements of the Company and its subsidiaries have been prepared according to Egyptian Accounting Standards (EASs). The Company's interim separate financial statements should be read in conjunction with its consolidated financial statements as at and for the financial period ended 31 March 2017 to obtain full information on the Company's financial position, results of operations, cash flows and changes in equity.

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

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

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

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

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

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

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

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#### C. Fixed assets

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

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

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

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

The depreciation rates by type of asset are as follows:

Machinery and equipment	10%
Tools and instruments	25%
Furniture and fixtures	15%
Buildings	2.5%
Computers	25%
Vehicles	20%

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

#### D. Inventories

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

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

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#### E. Financial assets

(1) **Classification:**

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

**Loans and receivables:**

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

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

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

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

Financial assets are measured on acquisition at fair value plus transaction costs.

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.

Loans and receivables are subsequently measured at amortised cost using the effective interest method.

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

**Assets recognised at amortised cost**

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

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

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

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

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

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

### **Notes to the interim separate financial statements For the three months period ended 31 March 2018**

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

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

Ordinary shares are classified as equity.

#### **G. Legal reserve**

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

#### **H. Provisions**

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

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

#### **I. Trade payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Trade payables are initially recognised at fair value of products and services received from others, whether they have been billed or not. Long term liabilities are recognised at their present value, and trade payables are subsequently shown at amortised cost using the effective interest method.

#### **J. Borrowings and advances**

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

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

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

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

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#### K. Employees' benefits

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

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

**(2) Pension and insurance scheme**

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

**(3) Employee incentive plan**

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

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

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

A) Payments calculated on the basis of the difference between the market value of the Parent Company's shares on June 30, 2020 and the share price at the date of its public offering on the Stock Exchange on June 2, 2016.

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

- The beneficiaries' entitlements from the system shall be paid within one month of the end of the fourth year of the system ("maturity date" or within one month from the date of any entitlement to the system in accordance with its terms and conditions).
- This system is not a system of remuneration and motivation for the employees of the Company by granting or giving any rights in the shares of the Company as this system is a system of monetary incentives.
- The Remuneration Committee shall be entitled to amend the mechanism for calculating amounts due in light of any developments related to the Company's activities or achieving its objectives and after the presentation to the Board of Directors for approval and clarification of the justifications for this amendment. The Remuneration Committee is entitled to reallocate units that have not been used or are available in general to existing or new beneficiaries.

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

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#### Employee benefits (continued)

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

#### L. Revenue recognition

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

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

##### Medical services revenue

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

##### Sale of medicine revenue

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

##### Interest income

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

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

### **Notes to the interim separate financial statements For the three months period ended 31 March 2018**

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

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#### **M. Leases**

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

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

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

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

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

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

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

#### **O. Dividends**

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

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

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

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

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

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

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



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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

#### S. 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 segment's performance in the Company and the senior management is represented in Group's executive management committee. The Company is considered as a separate business segment for the Group.

#### 3. Financial risk management

##### 3.1 Financial risk factors

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

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

##### (A) Market risk

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

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

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

	<u>31 March 2018</u>	<u>31 December 2017</u>
US Dollar	3,378,176	3,377,459

At 31 March 2018, if the value of EGP increased/ decreased by 10% against USD, with all other variables held constant, net profit after taxes would increase or decrease as follows:

	<u>31 March 2018</u>	<u>31 December 2017</u>
US Dollar	337,818	337,746

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

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

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

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

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

The management establishes a provision for impairment of 100% for defaulted customers for more than 150 days from the invoice date after deducting the amounts that expected to be collected after that date (Loss Given Default), in addition to a category-based provision at historical default rates. Where the management calculates historic default rates for each individual customer per month on the balances of customers due over 150 days up to 360 days from the date of the financial position. Based on these rates, the management calculates a provision for debts of customers with a maturity of 5 months.

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

Balances exposed to credit risks are as follows:

	<u>31 March 2018</u>	<u>31 December 2017</u>
Cash at banks	691,187,569	920,118,276
Trade receivables	100,644,869	81,814,224

##### (C) Liquidity risk

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

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

#### Financial risk management (continued)

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

	<b>Less than 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
Accrued expenses	41,366,497	13,788,832	-	-
Suppliers and notes payable	32,130,241	13,124,903	-	-
Creditors	1,394,459	464,820	-	-
Loans and finance interest	-	42,413,934	250,276,062	-

During November 2016, May 2017 and July 2017, the borrowing rate (corridor) increased by 3% , 2% and 2% , and this will affect the Company's liabilities regarding the due to related parties, borrowings and finance interest , During February 2018 and March 2018 the borrowing rate (corridor) decreased by 1% and 1%.

#### 3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital consistent with other companies operating in the same field.

The Company's management monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and advances, notes payable and due to related parties less cash. Total share capital is represented by Total net debt plus shareholders' equity as shown in the financial position plus net debt.

Net debt to total capital ratio as at 31 March 2018 and 31 December 2017 is as follows:

	<b>31 March 2018</b>	<b>31 December 2017</b>
Borrowings	199,640,298	325,977,549
Creditors and other credit balances	107,311,968	118,701,673
Less: Cash at banks and on hand	(692,622,026)	(920,931,537)
<b>Net debt</b>	<b>(385,669,760)</b>	<b>(476,252,315)</b>
Total shareholders' equity	1,383,663,095	1,357,867,543
<b>Total Capital</b>	<b>997,993,335</b>	<b>881,615,228</b>
<b>Net debts to total capital ratio</b>	<b>(39%)</b>	<b>(54%)</b>

#### 3.3 Estimation of fair value of financial instruments

The fair value of current financial assets and liabilities approximates their carrying amounts after taking into account the impairment. The Company availed two long-term loans from an Egyptian bank, and the management believes that the fair value of the loan approximate its carrying amount as it was issued at a variable rate linked to the interest rate corridor declared by the Central Bank of Egypt.

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

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#### 4. Critical accounting estimates, assumptions and judgements

Estimates and assumptions are evaluated 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. Given the nature of the accounting estimates, the resulting accounting estimates will seldom equal the actual results.

##### Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The company reviews the provision at each financial position date, and adjusts it to reflect the current best estimate by using the appropriate advisory experience of experts.

##### Impairment of trade receivables and customers

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

##### Employee incentive plan

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

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

##### The plan consists of the following:

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

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

**Notes to the interim separate financial statements  
For the three months period ended 31 March 2018**

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

**5. Fixed assets**

	Land	Machinery, equipment and devices	Tools and instruments	Furniture	Buildings	Vehicles	Computers	Leasehold improvements	Projects under construction	Total 2017
<b>At 1 January 2017</b>										
Cost	14,967,000	65,241,083	3,150,705	5,443,233	43,570,388	2,757,793	1,642,584	386,953	2,957,670	140,117,409
Accumulated depreciation	-	(52,763,685)	(1,833,792)	(4,015,354)	(16,848,389)	(1,288,172)	(1,133,086)	(347,455)	-	(78,229,933)
<b>Net book amount</b>	<b>14,967,000</b>	<b>12,477,398</b>	<b>1,316,913</b>	<b>1,427,879</b>	<b>26,721,999</b>	<b>1,469,621</b>	<b>509,498</b>	<b>39,498</b>	<b>2,957,670</b>	<b>61,887,476</b>
<b>Year ended 31 December 2017</b>										
Beginning of the year	14,967,000	12,477,398	1,316,913	1,427,879	26,721,999	1,469,621	509,498	39,498	2,957,670	61,887,476
Additions	-	27,668,643	1,105,871	421,772	111,433	-	1,049,236	-	5,376,940	35,733,895
Disposals	-	(125,700)	-	-	-	(239,000)	-	-	-	(364,700)
Write off	-	-	-	-	-	-	-	-	(732,369)	(732,369)
Transfer from projects under constructions	-	-	-	-	-	-	7,602,241	-	(7,602,241)	-
Depreciation for the year	-	(3,445,215)	(703,206)	(412,243)	(3,104,021)	(650,743)	(663,433)	(39,498)	-	(9,018,359)
Accumulated depreciation of disposals	-	44,613	-	-	-	161,431	-	-	-	206,044
<b>Closing net book amount</b>	<b>14,967,000</b>	<b>36,619,739</b>	<b>1,719,578</b>	<b>1,437,408</b>	<b>23,729,411</b>	<b>741,309</b>	<b>8,497,542</b>	<b>-</b>	<b>-</b>	<b>87,711,987</b>
<b>At 31 December 2017</b>										
Cost	14,967,000	92,784,026	4,256,576	5,865,005	43,681,821	2,518,793	10,294,061	386,953	-	174,754,235
Accumulated depreciation	-	(56,164,287)	(2,536,998)	(4,427,597)	(19,952,410)	(1,777,484)	(1,796,519)	(386,953)	-	(87,042,248)
<b>Net book amount</b>	<b>14,967,000</b>	<b>36,619,739</b>	<b>1,719,578</b>	<b>1,437,408</b>	<b>23,729,411</b>	<b>741,309</b>	<b>8,497,542</b>	<b>-</b>	<b>-</b>	<b>87,711,987</b>
<b>Period ended 31 March 2018</b>										
Beginning of the period	14,967,000	36,619,739	1,719,578	1,437,408	23,729,411	741,309	8,497,542	-	-	87,711,987
Additions	-	1,136,046	237,578	160,611	-	-	779,948	960,773	-	3,274,956
Disposals	-	-	-	-	-	(116,109)	-	-	-	(116,109)
Depreciation for the period	-	(1,192,438)	(277,905)	(149,471)	(198,429)	(77,904)	(926,681)	(3,795)	-	(2,826,623)
Accumulated depreciation of disposals	-	-	-	-	-	116,109	-	-	-	116,109
<b>Closing net book amount</b>	<b>14,967,000</b>	<b>36,563,347</b>	<b>1,679,251</b>	<b>1,448,548</b>	<b>23,530,982</b>	<b>663,405</b>	<b>8,350,809</b>	<b>956,978</b>	<b>-</b>	<b>88,160,320</b>
<b>At 31 March 2018</b>										
Cost	14,967,000	93,920,072	4,494,154	6,025,616	43,681,821	2,402,684	11,074,009	1,347,726	-	177,913,082
Accumulated depreciation	-	(57,356,725)	(2,814,903)	(4,577,068)	(20,150,839)	(1,739,279)	(2,723,200)	(390,748)	-	(89,752,762)
<b>Net book amount</b>	<b>14,967,000</b>	<b>36,563,347</b>	<b>1,679,251</b>	<b>1,448,548</b>	<b>23,530,982</b>	<b>663,405</b>	<b>8,350,809</b>	<b>956,978</b>	<b>-</b>	<b>88,160,320</b>

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

#### 6. Investments in subsidiaries

	<u>Percentage of investment</u>	<u>Country of incorporation</u>	<u>31 March 2018</u>	<u>31 December 2017</u>
Investments in Nile Badrawi Hospital Co,	99,92%	Egypt	259,004,948	259,004,948
Investments in Al-Shorouk Hospital Co,	99,99%	Egypt	239,142,000	239,142,000
Investments in Cairo Specialised Hospital	53,88%	Egypt	107.655.812	107,655,812
			<u>605,802,760</u>	<u>605,802,760</u>

During 2015, the Company pledged its whole interest in Cairo Specialised Hospital amounting to 52.7% of the total shares in favour of the Commercial International Bank as a security for the borrowing granted to Cleopatra Hospital Company.

During the year ended 31 December 2016, the Company pledged its whole interest in Al Shorouk Hospital amounting to 99,99% of the total shares in favour of the Commercial International Bank as a security for the borrowing granted to Cleopatra Hospital.

#### 7. Advance payment for purchase of fixed assets

	<u>31 March 2018</u>	<u>31 December 2017</u>
Advance payment for purchase of fixed assets	<u>251.550.000</u>	<u>143,550,000</u>
	<u>251.550.000</u>	<u>143,550,000</u>

At 31 August 2017, Cleopatra Company signed a (conditional) limited contract for purchasing new hospital in ARE, at 12 October 2017. The Company paid 143,550,000 EGP, representing 140,000,000 EGP as a part of the purchase price plus 2.5% as real state tax and 50,000 EGP as fees to the broker after the conclusion of the contract, and the payment made an agreement made in 4 October 2017, at 29 September 2017, the company signed a contract for purchasing the managerial and operational part of the business for the new hospital In ARE, at 7 February 2018, the company deposited an amount of 108,000,000 EGP for purchasing the managerial and operational part of the business, and the payment made an agreement made in 30 January 2018.

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

**Notes to the interim separate financial statements  
For the three months period ended 31 March 2018**

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

**8. Inventories**

	<b>31 March 2018</b>	<b>31 December 2017</b>
Medical supply inventory	6,687,965	6,523,835
Medicine inventory	4,508,762	3,721,464
Stationary inventory	419,897	312,590
Maintenance and spare parts inventory	1,205,497	902,091
Food and beverage inventory	28,998	15,946
Hospitality supplies inventory	413,476	382,151
	<b><u>13,264,595</u></b>	<b><u>11,858,077</u></b>

**9. Trade receivables**

	<b>31 March 2018</b>	<b>31 December 2017</b>
Due from customers	98,424,016	79,107,657
Income from inpatients	2,220,853	2,706,567
	<b><u>100,644,869</u></b>	<b><u>81,814,224</u></b>
<b>Less:</b>		
Impairment of customers' balances	(2,432,880)	(2,549,593)
<b>Net trade receivables</b>	<b><u>98,211,989</u></b>	<b><u>79,264,631</u></b>

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 less amounts collected in advance during the period / year of their stay.

The movement of the provision for impairment is as follows:

	<b>31 March 2018</b>	<b>31 December 2017</b>
Balance at the beginning of the period / year	2,549,593	6,648,589
Provisions formed during the period / year	1,310,296	5,807,600
Write-offs during the period / year	(1,057,314)	(5,328,058)
Provisions no longer required during the period / year	(369,695)	(4,578,538)
<b>Balance at the end of the period / year</b>	<b><u>2,432,880</u></b>	<b><u>2,549,593</u></b>

- Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 35,243,463 (31 December 2017: EGP 27,399,354).
- At the financial position date, the balances that were past due but not impaired amounted to EGP 53,325,198 (31 December 2017: EGP 45,420,958) regarding customers or transactions with no history of default. The analysis of these balances' useful lives is as follows:



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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

#### Trade receivables (continued)

	<b>31 March 2018</b>	<b>31 December 2017</b>
Less than 1 month	24,232,436	23,976,080
From 1 to 5 months	29,092,762	21,444,878

The management creates a 100% impairment of 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 five months old.

#### 10. Debtors and other debit balances

	<b>31 March 2018</b>	<b>31 December 2017</b>
Advances to suppliers	8,242,192	2,003,269
Prepaid expenses	4,296,205	1,751,347
Withholding taxes	914,412	833,214
Deposits with others	504,293	654,293
Due from employees	538,670	475,410
Accrued interest income	145,959	152,754
Other debtors	-	2,529
	<b>14,641,731</b>	<b>5,872,816</b>

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

	<b>31 March 2018</b>	<b>31 December 2017</b>
Current accounts	691,187,569	920,118,276
Cash on hand	1,434,457	813,261
	<b>692,622,026</b>	<b>920,931,537</b>

Fixed interest rate is due from the current accounts annually 13.25% (31 December 2017 15%).

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

**Notes to the interim separate financial statements  
For the three months period ended 31 March 2018**

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

**Cash on hand and at banks (continued)**

For the purpose of preparation of statement of cash flows, cash and cash equivalents balance comprises of:

	<u>31 March 2018</u>	<u>31 December 2017</u>
Cash on hand and at banks	692,622,026	354,409,843
Deposits with a maturity of more than 3 months from the date of placement	-	(335,350,000)
<b>Cash and cash equivalents</b>	<b><u>692,622,026</u></b>	<b><u>19,059,843</u></b>

**12. Provisions**

	<u>31 March 2018</u>	<u>31 December 2017</u>
Provisions for human resources	7,040,077	3,313,920
Provision for claims	3,108,668	3,108,668
	<b><u>10,148,745</u></b>	<b><u>6,422,588</u></b>

The movement of provisions during the period / year is as follows:

	<u>31 March 2018</u>				
	<u>Balance at 1 January 2017</u>	<u>Formed during the period</u>	<u>Utilised during the period</u>	<u>Provisions no longer required</u>	<u>Balance at 31 March 2018</u>
Provisions for human resources	3,313,920	5,016,528	(442,251)	(848,120)	7,040,077
Provision for claims	3,108,668	-	-	-	3,108,668
<b>Total</b>	<b><u>6,422,588</u></b>	<b><u>5,016,528</u></b>	<b><u>(442,251)</u></b>	<b><u>(848,120)</u></b>	<b><u>10,148,745</u></b>

	<u>31 December 2017</u>				
	<u>Balance at 1 January 2017</u>	<u>Formed during the year</u>	<u>Utilised during the year</u>	<u>Provisions no longer required</u>	<u>Balance at 31 December 2017</u>
Provisions for human resources	4,717,092	6,481,690	(3,726,376)	(4,158,486)	3,313,920
Provision for claims	3,058,668	50,000	-	-	3,108,668
<b>Total</b>	<b><u>7,775,760</u></b>	<b><u>6,531,690</u></b>	<b><u>(3,726,376)</u></b>	<b><u>(4,158,486)</u></b>	<b><u>6,422,588</u></b>

	<u>31 March 2017</u>				
	<u>Balance at 1 January 2017</u>	<u>Formed during the period</u>	<u>Utilised during the period</u>	<u>Provisions no longer required</u>	<u>Balance at 31 March 2017</u>
Provisions for human resources	4,717,092	515,240	(1,669)	(451,330)	4,779,333
Provision for claims	3,058,668	-	-	-	3,058,668
<b>Total</b>	<b><u>7,775,760</u></b>	<b><u>515,240</u></b>	<b><u>(1,669)</u></b>	<b><u>(451,330)</u></b>	<b><u>7,838,001</u></b>

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

#### Provisions (continued)

##### Provision for human resources

Other provisions for human resources comprise provisions for the restructure of the Company's employees, the employees leave provision and the provision for the benefits of the employees over 60 years old in accordance with the law.

##### Provisions for claims

Other provisions represent provisions for contingent liabilities for potential claims from certain authorities and bodies regarding the Company's activities. The information that is usually published on provisions has not been disclosed in accordance with Egyptian Standards on Auditing, since the management believes that their disclosure may strongly affect the results of negotiations with such authorities and bodies. The management reviews such provisions annually. The specified amount shall be adjusted in line with the latest developments, discussions and agreement with such authorities and bodies.

#### 13. Creditors and other credit balances

	<u>31 March 2018</u>	<u>31 December 2017</u>
Accrued expenses	58,633,525	89,189,981
Suppliers and notes payable	45,255,144	27,221,346
Social insurance	806,648	673,549
Other creditors	2,616,651	1,616,797
	<u><b>107,311,968</b></u>	<u><b>118,701,673</b></u>

#### 14. Borrowings and banks overdrafts

	<u>31 March 2018</u>		
	<u>Current portion</u>	<u>Non-current portion</u>	<u>Total</u>
Bank overdraft	20,421,241	-	20,421,241
Loans	9,074,502	190,565,796	199,640,298
<b>Total</b>	<u><b>29,495,743</b></u>	<u><b>190,565,796</b></u>	<u><b>220,061,539</b></u>

	<u>31 December 2017</u>		
	<u>Current portion</u>	<u>Non-current portion</u>	<u>Total</u>
Bank overdraft	25,958,818	-	25,958,818
Loans	49,674,502	276,303,047	325,977,549
<b>Total</b>	<u><b>75,633,320</b></u>	<u><b>276,303,047</b></u>	<u><b>351,936,367</b></u>

At 14 January 2018, the company settled one of the outstanding loans with an amount of EGP 121,800,000 which represent the total principal of the loan plus an amount of EGP 743,091 which represent the interest as of 31 December 2017 : 14 January 2018.

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

#### Borrowings and banks overdrafts (continued)

Term loans and overdrafts above include an amount of EGP 199.640.298 with interest rate of 2.4% in addition to the corridor rate declared by the Central Bank of Egypt, starting from September 2017 the interest rate changed to be 1.9% in addition to the corridor rate declared by the Central Bank of Egypt and secured by:

- The loan will be repaid on 10 rising semi annual instalments after 18 months from the first withdrawal.
- Pledge of 1.4% of Care Healthcare limited shares in Cleopatra Hospital Company S.A.E.
- Pledge of 52.7% of Cleopatra Hospital Company S.A.E. shares in Cairo Specialised Hospital Company S.A.E.
- Pledge of 51% of Cleopatra Hospital Company S.A.E. Share in Nile Badrawi Hospital Company S.A.E.
- Pledge of Cleopatra Hospital Company S.A.E. shares in Al Shorouk Hospital Company S.A.E.

#### Loans covenants

Under the terms of the borrowing facilities, the Group is required to comply with the following:

- Debt/EBITDA: Less than or equal 3.5 for 2017 (2015: less than or equal 4.3).
- Debt service coverage ratio (DSCR): Greater than or equal 1.
- Current ratio: Greater than or equal 1.

#### 15. Employee incentive plan

	<u>31 March 2018</u>	<u>31 December 2017</u>
Employee incentive plan	35,143,000	24,821,000
<b>Total</b>	<b><u>35,143,000</u></b>	<b><u>24,821,000</u></b>

The movement of verify financial liabilities during the period / year is as follows:

	<b>31 March 2018</b>		
	<b>Balance at 1 January 2018</b>	<b>Formed during the period</b>	<b>Balance at 31 March 2018</b>
Employee incentive plan	24,821,000	10,322,000	35,143,000
<b>Total</b>	<b><u>24,821,000</u></b>	<b><u>10,322,000</u></b>	<b><u>35,143,000</u></b>

	<b>31 December 2017</b>		
	<b>Balance at 1 January 2017</b>	<b>Formed during the year</b>	<b>Balance at 31 December 2017</b>
Employee incentive plan	-	24,821,000	24,821,000
<b>Total</b>	<b><u>-</u></b>	<b><u>24,821,000</u></b>	<b><u>24,821,000</u></b>

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

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#### Employee incentive plan (continued)

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

The advantages of the system are as follows:

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

#### 16. Share capital

On 31 December 2016, the company issued share capital was paid through 200 million shares with nominal value EGP 5 with total amount EGP 100 million .

On 2 June 2016, 40 million share issued as a secondary issuance where Care Healthcare (Ltd) sold it's shares in privat offering and Public offering.

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

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

#### Share capital (continued)

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

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

On September 30, 2017, the Extraordinary General Meeting of the Company approved an increase in the authorized capital from LE 800,000,000 to LE 2,000,000,000 and an increase in issued capital from LE 100,000,000 to LE 800,000,000 with an increase of EGP 700,000,000 by inviting shareholders to subscribe in the shares of the increase through the issuance of 1,400,000,000 shares subscribed to the nominal value of the share of 0.5 Egyptian pounds per share, the full value of the value of the subscription, note that the shareholders of the company may subscribe to the increase each by its share in the capital or the sale of all or Part of the right to subscribe separately from the original share knowing that it will be completed The right of subscription rights and the shares of the increase in favor of small shareholders from the smallest to the largest until the amount of fractures. The subscription will be open from November 6, 2017 and end on 5 December 2017 and may be closed in case of covering the entire subscription value.

According to above share capital for 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.)

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

#### 17. Reserves

	<u>31 March 2018</u>	<u>31 December 2017</u>
Legal reserve	54,127,297	50,000,000
Special reserve	47,379,722	47,379,722
Other reserves	247,592,165	247,592,165
<b>Total</b>	<b><u>349,099,184</u></b>	<b><u>344,971,887</u></b>

#### 17.1 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 period / year shall be transferred to the legal reserve. As proposed by the Board of Directors, this transfer may be partially discontinued if the legal reserve reaches 50% of the issued capital. This reserve is not available for distribution to shareholders.

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

	<u>31 March 2018</u>		
	<u>Balance at the beginning of the period</u>	<u>Formed during the period</u>	<u>Balance, at the end of the period</u>
Legal reserve	50,000,000	4,127,297	54,127,297
<b>Total</b>	<b><u>50,000,000</u></b>	<b><u>4,127,297</u></b>	<b><u>54,127,297</u></b>
	<u>31 December 2017</u>		
	<u>Balance at the beginning of the year</u>	<u>Formed during the year</u>	<u>Balance, at the end of the year</u>
Legal reserve	50,000,000	-	50,000,000
<b>Total</b>	<b><u>50,000,000</u></b>	<b><u>-</u></b>	<b><u>50,000,000</u></b>

In accordance with article (94) of the executive regulation of Companies Law No, 159 of 1981, an amount of EGP 32,938,637 was used from the proceeds of the public offering and private offerings to increase the legal reserve to equal 50% of the issued capital.

#### 17.2 Special reserve

Special reserve represents the amount due to Care Healthcare Ltd, (Parent Company). Under the letter issued by the Company on 12 April 2016, both parties have agreed that this amount shall be claimed only in the case of dissolution or liquidation of the Company, either voluntary or for any other legal reason. In that case, the due amount shall be divided between recent shareholders of the Company upon liquidation or dissolution at the same proportion of their shares in the Company's share capital to the total number of shares issued. Accordingly, this amount has been recognised as special reserve in equity.

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Notes to the interim separate financial statements  
For the three months period ended 31 March 2018

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

Reserves (continued)

Below is the movement in the special reserve during the period / year:

	<b>31 March 2018</b>		
	<b>Balance at the beginning of period</b>	<b>Formed during the period</b>	<b>Balance at the end of period</b>
Special reserve	47,379,722	-	47,379,722
<b>Total</b>	<b>47,379,722</b>	<b>-</b>	<b>47,379,722</b>

	<b>31 December 2017</b>		
	<b>Balance at the beginning of year</b>	<b>Formed during the year</b>	<b>Balance at the end of year</b>
Special reserve	47,379,722	-	47,379,722
<b>Total</b>	<b>47,379,722</b>	<b>-</b>	<b>47,379,722</b>

17.3 Other reserves

The amount represents the amount transferred from share premium according to the requirements of Law No. 159 of 1981.

There is no movement on this reserve during the nine months ended 31 December 2017.

Below is the movement in the other reserves during the period / year:

	<b>31 March 2018</b>		
	<b>Balance at the beginning of period</b>	<b>Formed during the period</b>	<b>Balance, at the end of period</b>
Other reserves	247,592,165	-	247,592,165
<b>Total</b>	<b>247,592,165</b>	<b>-</b>	<b>247,592,165</b>

	<b>31 December 2017</b>		
	<b>Balance at the beginning of year</b>	<b>Formed during the year</b>	<b>Balance, at the end of year</b>
Other reserves	275,078,967	(27,486,802)	247,592,165
<b>Total</b>	<b>275,078,967</b>	<b>(27,486,802)</b>	<b>247,592,165</b>



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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

#### Reserves (continued)

	Payment	Number of Shares	Nominal value	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 shares issued* 2016	-	-	-	-	(31,982,359)
Expenses of shares issued* 2017	-	-	-	-	(27,486,803)
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>247,592,165</b>

\* Expenses of shares issued within 2016 represent the expenses of offering the shares of the increase of the Company's share capital (public offerings and private offerings) which include expenses of registration and promoting in addition to other professional and legal expenses.

\*\* Expenses of increasing the Company's capital within 2017, and expenses of offering the shares of the increase of the Company's share capital, which include expenses of registration and promoting in addition to other professional and legal expenses.

#### 18. Operating revenues

	31 March 2018	31 March 2017
Surgeries revenue	32,313,636	22,133,548
Accommodation and medical supervision revenue	30,532,860	22,226,902
Outpatient clinics revenue	29,171,006	20,939,958
Laboratories revenue	13,854,840	10,156,142
Emergency revenue	10,550,995	8,272,472
Cardiac catheterization revenue	11,270,784	8,610,478
Service charge revenue	9,811,463	6,526,820
Radiology revenue	8,147,761	5,917,991
Pharmacy revenue	4,683,122	3,070,198
Dentistry revenue	2,829,627	2,676,234
Physiotherapy revenue	2,240,702	1,363,844
Cardiac tests revenue	1,050,013	985,309
Endoscopy revenue	1,194,015	767,229
	<b>157,650,824</b>	<b>113,647,125</b>

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

**Notes to the interim separate financial statements  
For the three months period ended 31 March 2018**

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

**19. Operating costs**

	<b>31 March 2018</b>	<b>31 March 2017</b>
Doctors' fees	37,012,425	28,121,654
Medical and pharmaceutical supplies	25,864,842	17,895,785
Salaries, wages and benefits	21,794,679	17,561,440
Maintenance, spare parts and energy expenses	3,830,670	1,669,601
Food, beverage and consumables costs	1,949,678	1,849,964
Fixed assets depreciation	2,552,877	1,629,090
Other expenses	882,908	1,425,476
	<b>93,888,079</b>	<b>70,153,010</b>

**20. General and administrative expenses**

	<b>31 March 2018</b>	<b>31 March 2017</b>
Salaries, wages and benefits	23,243,821	10,374,114
Professional and consulting fees	2,090,073	1,998,861
Fixed assets depreciation	273,747	933,516
Maintenance, spare parts and energy expenses	331,110	264,915
Impairment of trade receivables	940,601	1,050,925
Rent	283,689	242,077
Food, beverage and consumables costs	508,145	317,348
Other expenses	5,582,348	3,988,871
Less: the Group's share of the Company's expenses	(11,574,846)	-
	<b>21,678,688</b>	<b>19,170,627</b>

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

#### 21. Expenses by nature

	<u>31 March 2018</u>	<u>31 March 2017</u>
Salaries, wages and benefits*	45,038,500	27,935,554
Doctors' fees	37,012,425	28,121,654
Medical and pharmaceutical supplies	25,864,842	17,895,785
Food, beverage and consumables costs	4,338,815	1,986,949
Maintenance, spare parts and energy expenses	2,280,788	2,114,879
Fixed assets depreciation	2,826,623	2,562,606
Impairment of trade receivables	940,601	1,050,925
Other expenses	8,839,019	7,655,285
Less: the Group's share of the Company's expenses (Note 27)	(11,574,846)	-
	<u><b>115,566,767</b></u>	<u><b>89,323,637</b></u>

#### \* Employees' costs

	<u>31 March 2018</u>	<u>31 March 2017</u>
Salaries and wages	27,394,437	20,638,025
Bonuses and incentives	11,354,667	5,178,568
Social insurance	1,605,706	1,338,426
Employees' benefits	4,683,690	780,535
	<u><b>45,038,500</b></u>	<u><b>27,935,554</b></u>

Other expenses item includes an amount of EGP 454,000 (31 March 2017: EGP 580,000) as sitting allowance of the board members.

The rewards and incentives item includes an amount of EGP 7,476,067 (EGP 20,402,000 as at 31 December 2017) which represents the amount of the payments calculated on the basis of the difference between the market value of the Parent Company's shares at 30 June 2020 and the share price at the date of offering its shares in the Egyptian Stock Exchange on 2 June 2016. And an amount of EGP 2,845,933 (EGP 4,419,000 at 31 December 2017) which represents the value of payments calculated on the basis of the difference between profit before interest and (EBITDA) at the maturity date of 30 June 2020 and 30 June 2016.

#### 22. Other income

	<u>31 March 2018</u>	<u>31 March 2017</u>
Capital gain	77,000	-
Buffet income and cafeteria concession	-	290,781
Rent	307,631	45,429
Miscellaneous income	1,951,017	139,776
	<u><b>2,335,648</b></u>	<u><b>475,986</b></u>

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Notes to the interim separate financial statements  
For the three months period ended 31 March 2018

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

23. Finance income/ (expenses)

	31 March 2018	31 March 2017
Credit interest	27,540,219	11,375,499
Currency valuation difference	-	2,728
<b>Total finance income</b>	<b>27,540,219</b>	<b>11,378,227</b>
Debit commission	(11,866,339)	(15,841,805)
Bank commissions	-	(371,114)
Currency valuation difference	(36,421)	-
<b>Total finance expenses</b>	<b>(11,902,760)</b>	<b>(16,212,919)</b>
<b>Net finance expenses</b>	<b>15,637,459</b>	<b>(4,834,692)</b>

24. Income tax

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

	31 March 2018	31 March 2017
Current income tax for the period / year	13,055,516	4,672,924
Deferred tax	(839,760)	(78,093)
	<b>12,215,756</b>	<b>4,594,831</b>

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:

	31 March 2018	31 March 2017
Net profit before tax	53,326,358	19,900,872
Income tax calculated based on the applicable local tax rate	11,998,431	4,477,696
<b>Add / (less):</b>		
Non-deductible expenses	300,507	1,028,845
Income not subject to tax	(83,181)	(911,810)
<b>Income taxes</b>	<b>12,215,756</b>	<b>24,594,731</b>
<b>Effective tax rate</b>	<b>22.91%</b>	<b>23.09%</b>

	31 March 2018	31 March 2017
<u>Current income tax liabilities</u>		
Balance at 1 January	10,735,815	15,419,367
Payments during the period / year	-	(15,443,676)
Advance payment during the period / year	-	(12,614,197)
Current period / year tax	13,055,516	23,374,321
	<b>23,791,331</b>	<b>10,735,815</b>

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

**Notes to the interim separate financial statements  
For the three months period ended 31 March 2018**

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

**25. Deferred tax**

<u>Deferred tax assets</u>	<u>31 March 2018</u>	<u>31 December 2017</u>
Provisions (excluding claims provision)	1,584,017	745,632
<u>Deferred tax liabilities</u>		
Fixed assets depreciation	(4,442,841)	4,444,216
<b>Deferred tax - liability</b>	<b><u>(2,858,824)</u></b>	<b><u>3,698,584</u></b>

The movement on the deferred tax account is as follows:

	<u>31 March 2018</u>	<u>31 December 2017</u>
<b>Deferred tax assets</b>		
Balance at 1 January	745,632	1,073,991
Charged to the statement profit and loss	838,385	(328,359)
<b>Balance at the end of the period / year</b>	<b><u>1,584,017</u></b>	<b><u>745,632</u></b>
<b>Deferred tax liabilities</b>		
Balance at 1 January	(4,444,216)	(2,304,008)
Charged to the statement of income	1,375	(2,140,208)
<b>Balance at the end of the period / year</b>	<b><u>(4,442,841)</u></b>	<b><u>4,444,216</u></b>
<b>Net deferred tax liabilities</b>	<b><u>(2,858,824)</u></b>	<b><u>3,698,584</u></b>

**26. Earnings per share**

The basic earnings per share for the period is calculated by dividing the net profit of the period by the number of shares outstanding during the financial period ended 31 March 2018, and as there is no proposed dividends, the net distributable profits were determined on the basis of the net profit for the period without deducting the employees' share and the remuneration of directors in dividends. The earnings per share is EGP 0.03 (31 March 2017: EGP 0.11).

	<u>31 March 2018</u>	<u>31 March 2017</u>
Net distributable profits	41,110,602	15,306,141
Number of issued and paid-up capital	1,600,000,000	145,333,333
<b>Earnings per share (each share)</b>	<b><u>0.03</u></b>	<b><u>0.11</u></b>

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

#### 27. Related parties transaction

The Company during the period deals with certain related parties. The Balances with related parties at the financial statements date as well as the transactions during the period are as follows:

<u>The Company's name</u>	<u>Nature of transaction</u>	<u>Transaction value</u>	<u>Balance due from / (to) related parties</u>
Care HealthCare (Parent Company)	Expenses paid on behalf of the Parent Company	2,952,900	2,952,900
Nile Badrawi Hospital (Subsidiaries)	The Group's share of the Company's expenses *	3,711,836	3,711,836
	Income from medical activity	119,256	119,256
	Expense from medical activity	75,259	-
Cairo Specialized Hospital (Subsidiaries)	The Group's share of the Company's expenses *	4,164,725	1,723,151
	Expenses from medical activity	400,416	-
	Income from medical activity	1,937,971	-
	Rental income	39,011	-
	Other expenses	157,331	-
Al Shorouk Hospital (Subsidiaries)	The Group's share of the Company's expenses *	3,698,287	3,860,881
	Expense from medical activity	15,989	-
Specialized clinics (Subsidiaries)	Expenses paid on behalf of the Company	7,110,629	7,110,629
Beni-Suef University hospital	Insurance on bids and consulting fees	291,428	291,428
Board of directors	Bonuses	(1,045,000)	(1,045,000)
			<u>18,725,081</u>

\* During the period, Cleopatra Hospital Company signed an agreement with its subsidiaries under this contract. The Company allocates the costs of the joint activities to the Group's Companies based on percentages related to the revenues earned for each Company. This agreement was approved by the Company's board of directors and their General Assemblies.

- The revenues and expenses of the medical activity are represented in the medical services and supplies between the Group companies, which are carried out according to the approved price list for each company.

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

### Notes to the interim separate financial statements For the three months period ended 31 March 2018

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

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#### 28. Commitments

##### Capital commitments:

Capital commitments related to fixed assets at financial period end, which are not yet due, amounted to EGP 600,000 (31 December 2017: EGP 22,385,108).

#### 29. Tax position

##### (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.
- Inspection was not made for 2015 and 2016.

##### (2) Sales tax

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

##### (3) 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 earnings was inspected for 2014, and an internal committee is being formed.
- Inspection was not made for 2015 and 2016.
- Inspection was not made for 2017.

##### (4) Stamp duty tax

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

##### (5) VAT

- Inspection was made up to 31 December 2004.
- Inspection was made for sales tax from 2005 to 2015 and differences was settled.
- Tax returns were filed regularly in the legal deadline.

##### (6) Advance payments

- Approval has been submitted to the tax Authority for the advance payment.
- The advance payment has been approved by the Tax Authority for the taxable period from 1 January 2018 till 31 December 2018.

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

**Notes to the interim separate financial statements  
For the three months period ended 31 March 2018**

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

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**30. Other matters**

The Company had provided a financial proposal to purchase 100% of the shares of El Nozha International Hospital on 17 January 2018 for a total amount of almost EGP 648 Million, and this is for EGP 90 per share with an increase of 44% over the closing price of the trading session dated 16 January 2018, and the Company is seeking to acquire at least 51% of the company's shares listed in the Egyptian Stock Market, and the Company is waiting for the approval from the Financial Regulatory Authority on the proposal.