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CLEOPATRA HOSPITAL COMPANY "S.A.E."

**AUDITOR'S REPORT AND
THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

CLEOPATRA HOSPITAL "S.A.E."

Separate financial statements - For the year ended 31 December 2018

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Auditor's report

To: The Shareholders of Cleopatra Hospital Company S.A.E.

Report on the separate financial statements

We have audited the accompanying separate financial statements of Cleopatra Hospital Company "S.A.E." (the Company) which comprise the separate statement of financial position as at 31 December 2018 and the separate statements of profit or loss, comprehensive income, changes in 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 separate financial statements

These separate financial statements are the responsibility of the Company's management. Management is responsible for the preparation and fair presentation of these separate 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's 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the separate 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 Company'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 separate 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 separate financial statements.



The Shareholders of Cleopatra Hospital "S.A.E."

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Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Cleopatra Hospital Company "S.A.E." as at 31 December 2018, its financial performance, and its separate 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.

Report on other legal and regulatory requirements

The Company maintains proper financial records, which includes all that is required by the law and the Company's statutes, and the accompanying financial statements are in agreement therewith. The inventory counts were taken by the management in accordance with proper principles.

The financial information included in the Board of Directors' report is prepared in accordance with law No. 159 of 1981 and its executive regulations, is in agreement with Company's accounting records, within the limits that such information recorded therein.

Basma Samra
Member of Egyptian Society of Accountants & Auditors
Member of the Egyptian Tax Society
R.A.A. 6588
F.R.A.137

14 March 2019
Cairo




CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of financial position - At 31 December 2018

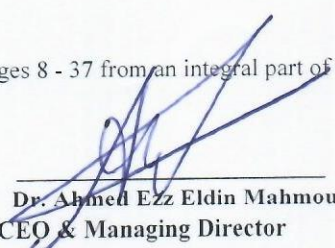
(All amounts in Egyptian Pounds)

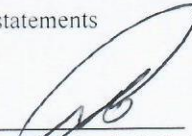
	Note	2018	2017
Assets			
Non-current assets			
Fixed assets	5	107,151,206	87,711,987
Investments in subsidiaries	6	606,165,259	605,802,759
Advance payment for investment	7	143,550,000	143,550,000
Total non-current assets		856,866,465	837,064,746
Current assets			
Inventories	8	16,493,555	11,858,077
Trade receivables	9	140,183,957	79,264,631
Due from related parties	28	7,919,353	19,191,762
Debtors and other debit balances	10	33,937,821	5,872,817
Cash on hand and at banks	11	839,609,206	920,931,537
Total current assets		1,038,143,892	1,037,118,824
Total assets		1,895,010,357	1,874,183,570
Equity and Liabilities			
Equity			
Share capital	16	800,000,000	800,000,000
Reserves	17	349,003,411	344,971,887
Retained earnings		397,711,251	212,895,656
Total equity		1,546,714,662	1,357,867,543
Liabilities			
Non-current liabilities			
Non-current portion of borrowings	14	67,879,332	276,303,047
Employees incentive plan	15	45,232,497	24,821,000
Deferred income tax liabilities	26	4,607,372	3,698,584
Total non-current liabilities		117,719,201	304,822,631
Current liabilities			
Provisions	12	6,434,492	6,422,588
Due to related parties	28	25,369	-
Creditors and other credit balances	13	143,181,232	118,701,673
Current portion of borrowings	14	27,223,715	75,633,320
Current income tax liabilities	25	53,711,686	10,735,815
Total current liabilities		230,576,494	211,493,396
Total liabilities		348,295,695	516,316,027
Total equity and liabilities		1,895,010,357	1,874,183,570

- The accompanying notes on pages 8 - 37 from an integral part of these financial statements
 - Auditor's report is attached


 Mr. Khalid Hassan Ahmed
 Group CFO

14 March 2019


 Dr. Ahmed Ezz Eldin Mahmoud
 CEO & Managing Director


 Dr. Mohamed Tarek Zahed
 Non-Executive Chairman

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of profit or loss - For the year ended 31 December 2018

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Operating revenue	18	677,269,997	492,799,983
Less:			
Operating costs	19	<u>(396,578,948)</u>	<u>(305,748,233)</u>
Gross profit		280,691,049	187,051,750
Add / (Less)			
General and administrative expenses	20	(86,502,495)	(52,393,588)
Aquisition costs		(4,597,512)	(5,332,453)
Provisions	12	(4,675,307)	(2,373,204)
Other income	22	3,468,498	3,015,729
Finance income	23	117,639,852	51,061,328
Finance expenses	23	(36,957,836)	(72,640,708)
Contribution in the comprehensive medical insurance plan	24	<u>(921,626)</u>	<u>-</u>
Profit for the year before income tax		268,144,623	108,388,854
Current tax	25	(62,977,892)	(23,374,321)
Deferred tax	26	<u>(908,788)</u>	<u>(2,468,567)</u>
Profit after income tax		<u>204,257,943</u>	<u>82,545,966</u>
Earning per share	27	<u>0.11</u>	<u>0.04</u>

- The accompanying notes on pages 8 - 37 from an integral part of these financial statements

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of comprehensive income - For the year ended 31 December 2018

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Profit for the year		204,257,943	82,545,966
Other comprehensive income		-	-
Comprehensive income for the year		<u><u>204,257,943</u></u>	<u><u>82,545,966</u></u>

- The accompanying notes on pages 8 - 37 from an integral part of these financial statements

CLEOPATRA HOSPITAL COMPANY (S.A.E.)**Separate statement of changes in equity - For the year ended 31 December 2018****(All amounts in Egyptian Pounds)**

	Share capital	Reserves	Retained earnings	Total
Balance at 1 January 2017	100,000,000	372,458,689	138,391,561	610,850,250
Dividends for employees	-	-	(8,041,871)	(8,041,871)
Increase in share in capital	700,000,000	-	-	700,000,000
Other reserves	-	(27,486,802)	-	(27,486,802)
Comprehensive income for the year	-	-	82,545,966	82,545,966
Balance at 31 December 2017	800,000,000	344,971,887	212,895,656	1,357,867,543
Balance at 1 January 2018	800,000,000	344,971,887	212,895,656	1,357,867,543
Dividends for employees	-	-	(15,315,050)	(15,315,050)
Legal reserve	-	4,127,298	(4,127,298)	-
Other reserves	-	(95,774)	-	(95,774)
Comprehensive income for the year	-	-	204,257,943	204,257,943
Balance at 31 December 2018	800,000,000	349,003,411	397,711,251	1,546,714,662

- The accompanying notes on pages 8 - 37 from an integral part of these financial statements

CLEOPATRA HOSPITAL COMPANY (S.A.E.)

Separate statement of cash flows - For the year ended 31 December 2018

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>			
Profit before tax		268,144,623	108,388,854
Adjustments to reconcile net income to cash flows from operating activities			
Fixed assets depreciation	5	13,045,120	9,018,359
Fixed assets write off	5	-	732,369
Gains from sales of fixed assets	22	(292,040)	(1,148,194)
Impairment of trade receivables	9	1,826,665	(4,098,996)
Provisions	12	11,905	(1,353,172)
Interest and commissions	23	36,957,836	72,601,487
Interest income	23	(117,617,754)	(51,061,328)
Employee incentive plan	15	20,411,497	24,821,000
Income tax paid	25	(20,002,021)	(28,057,873)
Operating profits before changes in assets and liabilities		<u>202,485,831</u>	<u>129,842,506</u>
Changes in assets and liabilities			
Change in inventories	8	(4,635,478)	8,367,172
Change in trade receivables	9	(62,745,991)	(23,135,915)
Change in due from related parties	28	11,272,409	(19,043,249)
Change in debtors and other debit balances	10	(10,918,004)	4,971,623
Change in due to related parties	28	25,369	(937,945)
Change in creditors and other credit balances	13	31,527,390	620,286
Net cash flows generated from operating activities		<u>167,011,526</u>	<u>100,684,478</u>
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets	5	(28,141,708)	(30,356,955)
Payments for projects under construction	5	(4,342,631)	(5,376,940)
Proceeds from sale of fixed assets		292,040	1,306,850
Advance payment for purchase of fixed assets		(16,917,897)	(1,771,000)
Interest received		117,388,650	54,031,742
Payment for investments in subsidiaries	6	(362,500)	(613,360)
Payment for acquisition of investment		-	(143,550,000)
Deposits with maturities of more than 3 months from the date of placement	11	-	325,350,000
Net cash flows generated from investing activities		<u>67,915,954</u>	<u>199,020,337</u>
<u>Cash flows from financing activities</u>			
Capital increase		-	700,000,000
Proceeds from borrowings and bank overdraft	14	46,199,736	67,202,026
Interests and commissions paid		(44,552,384)	(70,713,574)
Payments of loans and credit facilities	14	(303,033,056)	(86,380,459)
Dividends paid		(14,864,107)	(8,041,871)
Net cash flows (used in) generated from financing activities		<u>(316,249,811)</u>	<u>602,066,122</u>
Change in cash and cash equivalents during the year		<u>(81,322,331)</u>	<u>901,770,937</u>
Cash and cash equivalents at the beginning of the year		<u>920,931,537</u>	<u>19,160,600</u>
Cash and cash equivalents at the end of the year	11	<u>839,609,206</u>	<u>920,931,537</u>

- The accompanying notes on pages 8 - 37 from an integral part of these financial statements

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2018

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

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 and 41 Cleopatra Street, Heliopolis, Cairo.

The Parent Company is Care HeathCare Ltd., which owns 80% of the Company's share capital. At 30 December 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 ownership in Cairo specialised Hospital increased to 53.88% due acquisition of shares from the non-controlling shareholders 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 separate financial statements have been approved for issuance by the management of the Company on 14 March 2019.

2. Accounting policies

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

A. Basis of preparation of the separate financial statements

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

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2018

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

Basis of the preparation of the separate financial statements (continued)

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

Subsidiaries

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

The Company's separate financial statements have been prepared in accordance with the local laws, while the consolidated financial statements of the Company and its subsidiaries have been prepared according to Egyptian Accounting Standards (EASs). The Company's separate financial statements should be read in conjunction with its consolidated financial statements as at and for the financial year ended 31 December 2018 to obtain full information on the Company's financial position, results of operations, cash flows and changes in equity.

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

B. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2018

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

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

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

The depreciation rates by type of asset are as follows:

Machinery and equipment	10%
Tools and instruments	25%
Furniture and fixtures	15%
Buildings	2.5%
Vehicles	20%
Computers	25%
Leasehold improvement	Remaining of the lease contract

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 profit or loss.

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 separate financial statements - For the year ended 31 December 2018

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

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:

- i. Financial assets are measured on acquisition at fair value plus transaction costs.
- ii. 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.
- iii. 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 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.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2018

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

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

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

K. Employees' benefits

(1) Employees' share of profit

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

(2) Pension and insurance scheme

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

(3) Employee incentive plan

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

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

System elements

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

The remuneration committee shall determine the date of grant.

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

- A) Payments calculated on the basis of the difference between the market value of the Parent Company's shares on 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 September 2020 and 30 September 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.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2018

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

Employee benefits (continued)

- The Remuneration Committee shall be entitled to amend the mechanism for calculating amounts due in light of any developments related to the Company's activities or achieving its objectives and after the presentation to the Board of Directors for approval and clarification of the justifications for this amendment. The Remuneration Committee is entitled to reallocate units that have not been used or are available in general to existing or new beneficiaries.
- The Company 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 recognition of 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.

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 profit or loss on a straight-line basis over the period of the lease.

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2018

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

N. Current and deferred income tax

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

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

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

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

O. Dividends

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

P. Cash and cash equivalents

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

Q. Fair value of financial instruments

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

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

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

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.

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Notes to the separate financial statements - For the year ended 31 December 2018

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

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 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 financial instruments are measured according to Level No. 2, and there is no difference between book value and fair value of of financial instruments as the deposits are payable on relatively short terms and a variable interest is added to the loans associated with the declared Corridor of the Central Bank of Egypt.

R. Corresponding figures

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

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.

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

3. Financial risk management

3.1 Financial risk factors

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

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

(A) Market risk

Risk of change in foreign currency rates

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

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

	<u>2018</u>	<u>2017</u>
US Dollar	31,092,868	23,937,361
Pound	1,569	242
Euro	312,686	317,071

At 30 September 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>2018</u>	<u>2017</u>
US Dollar	3,109,287	2,393,736
Pound	157	24
Euro	31,269	31,707

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

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

(B) Credit risk

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

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

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

Financial risk management (continued)

In case of customers, the Hospital's Financial Director and General Manager perform analysis on the credit risk for each potential credit customer in accordance with the Group's policies, including Cleopatra Hospital or subsidiaries. The Parent Company's Executive Committee follows-up the compliance with credit terms, and reviews default cases and debt ageing report to take the necessary decisions whether to cancel the credit or to refer the defaulted customer to the Legal Department for their necessary actions. Note (9) 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 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 minimal.

Balances exposed to credit risks are as follows:

	<u>2018</u>	<u>2017</u>
Cash at banks	838,981,914	920,118,276
Trade receivables	144,560,215	81,814,224
Due from related parties	7,919,353	19,191,762

(C) Liquidity risk

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

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

	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
2018				
Accrued expenses	49,060,489	16,595,492	-	-
Suppliers and notes payable	38,493,277	23,445,030	-	-
Creditors	1,869,715	-	-	-
Due to related parties	25,369	-	-	-
Loans and finance interest	18,080,245	55,954,193	47,940,753	-

CLEOPATRA HOSPITAL COMPANY "S.A.E."

Notes to the separate financial statements - For the year ended 31 December 2018

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

Financial risk management (continued)

	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
2017				
Accrued expenses	64,233,447	123,990	-	-
Suppliers and notes payable	26,397,129	825,157	-	-
Creditors	1,616,795	-	-	-
Due to related parties	-	-	-	-
Loans and finance interest	-	118,634,491	424,306,010	-

During February 2018 and March 2018 the borrowing rate (corridor) decreased by 1% and 1% and this will affect the Company's liabilities regarding borrowings and finance interest.

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 30 September 2018 and 31 December 2017 is as follows:

	2018	2017
Borrowings	95,103,047	325,977,549
Creditors and other credit balances	143,181,232	118,701,673
Due to related parties	25,369	
Less: Cash at banks and on hand	(839,609,206)	(920,931,537)
Net debt	(601,299,558)	(476,252,315)
Total shareholders' equity	1,546,714,662	1,357,867,543
Total Capital	945,415,104	881,615,228
Net debts to total capital ratio	(64%)	(54%)

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 separate financial statements - For the year ended 31 December 2018

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

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 September 2020 and 30 September 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 separate financial statements
For the year ended 31 December 2018**

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5. Fixed assets

	Land	Machinery, equipment and devices	Tools and instruments	Furniture	Buildings	Vehicles	Computers	Leaschold improvements	Projects under construction	Total
At 1 January 2017										
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)
Net book amount	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
Year ended 31 December 2017										
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 offs	-	-	-	-	-	-	-	-	(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
Closing net book amount	14,967,000	36,619,739	1,719,578	1,437,408	23,729,411	741,309	8,497,542	-	-	87,711,987
At 31 December 2017										
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)
Net book amount	14,967,000	36,619,739	1,719,578	1,437,408	23,729,411	741,309	8,497,542	-	-	87,711,987
At 31 December 2018										
Beginning of the year	14,967,000	36,619,739	1,719,578	1,437,408	23,729,411	741,309	8,497,542	-	-	87,711,987
Additions	-	18,626,061	935,540	2,194,532	-	209,897	4,302,115	1,873,563	4,342,631	32,484,339
Disposals	-	(710,408)	-	-	-	(116,109)	-	-	-	(826,517)
Transfer from projects under constructions	-	-	-	-	307,398	-	-	-	(307,398)	-
Write off	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	(4,688,207)	(1,174,321)	(792,754)	(3,055,392)	(287,999)	(2,721,809)	(324,638)	-	(13,045,120)
Accumulated depreciation of disposals	-	710,408	-	-	-	116,109	-	-	-	826,517
Closing net book amount	14,967,000	50,557,593	1,480,797	2,839,186	20,981,417	663,207	10,077,848	1,548,925	4,035,233	107,151,206
At 31 December 2018										
Cost	14,967,000	110,699,679	5,192,116	8,059,537	43,989,219	2,612,581	14,596,176	2,260,516	4,035,233	206,412,057
Accumulated depreciation	-	(60,142,086)	(3,711,319)	(5,220,351)	(23,007,802)	(1,949,374)	(4,518,328)	(711,591)	-	(99,260,851)
Net book amount	14,967,000	50,557,593	1,480,797	2,839,186	20,981,417	663,207	10,077,848	1,548,925	4,035,233	107,151,206

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6. Investments in subsidiaries

	Percentage of investment	Country of incorporation	2018	2017
Investments in Nile Badrawi Hospital Co,	99,92%	Egypt	259,004,947	259,004,947
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
Investments in CHG for medical services	20%	Egypt	112,500	-
Investments in CHG Pharma for pharmacies management	98%	Egypt	250,000	-
			606,165,259	605,802,759

In accordance with the extraordinary general assembly decision and Article 16 of the statute of CHG Medical Services Company, the shares of Cleopatra Hospital Company are preferred shares which entitle the owner to three times of the ordinary share in profits and voting power on the decisions of the general meeting.

7. Advance payment for investments

	2018	2017
Advance payment for purchase of investments	143,550,000	143,550,000
	143,550,000	143,550,000

On 31 August 2017, the Company entered into an initial (conditional) contract for the purchase of the land and the private building in a hospital in the Arab Republic of Egypt. On 12 October 2017, the Company deposited an amount of LE 143,550,000 under an ESCROW account contract dated 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. The company is now in the process of signing a contract of purchase for the management and operation of the hospital.

Upon completion of the purchase contract for the management and operation of the hospital, the Group will account for the acquisition in accordance with the Egyptian Accounting Standard on Business Combinations. On December 3, 2018, the Extraordinary General Assembly approved the acquisition of fixed assets and the management and operation of the hospital.

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8. Inventories

	<u>2018</u>	<u>2017</u>
Medical supply inventory	9,283,064	6,523,835
Medicine inventory	5,232,879	3,721,464
Maintenance and spare parts inventory	1,235,788	902,091
Hospitality supplies inventory	324,856	382,151
Stationary inventory	396,890	312,590
Food and beverage inventory	20,078	15,946
	<u>16,493,555</u>	<u>11,858,077</u>

9. Trade receivables

	<u>2018</u>	<u>2017</u>
Due from customers	141,510,271	79,107,657
Income from inpatients	3,049,944	2,706,567
	<u>144,560,215</u>	<u>81,814,224</u>
Less:		
Impairment of customers' balances	(4,376,258)	(2,549,593)
	<u>140,183,957</u>	<u>79,264,631</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 amounts collected in advance during the period of their stay.

The movement of the provision for impairment is as follows:

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	2,549,593	6,648,589
Provisions formed during the year	6,754,123	5,807,600
Provision used during the year	(1,057,314)	(5,328,058)
Provisions no longer required during the year	(3,870,144)	(4,578,538)
Balance at the end of the year	<u>4,376,258</u>	<u>2,549,593</u>

- Trade receivable balances, which have not been due till the financial position date and have no impairment indicators, amounted to EGP 35,899,160 (2017: EGP 27,399,354).
- At the financial position date, the balances that were past due but not impaired amounted to EGP 52,493,315 (2017: EGP 45,420,958). The analysis of these balances' useful lives is as follows:

	<u>2018</u>	<u>2017</u>
Less than one month	27,555,576	23,976,080
From one to five months	24,937,738	21,444,878

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Trade receivables (continued)

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 150 days.

10. Debtors and other debit balances

	<u>2018</u>	<u>2017</u>
Advances to suppliers	19,535,217	2,003,269
Prepaid expenses	10,121,778	1,751,347
Withholding taxes	122,361	833,214
Deposits with others	2,823,093	654,293
Due from employees	455,888	475,410
Accrued interest income	381,858	152,754
Other debtors	497,626	2,530
	<u>33,937,821</u>	<u>5,872,817</u>

11. Cash on hand and at banks

	<u>2018</u>	<u>2017</u>
Current accounts	808,604,104	920,118,276
Cash on hand	627,292	813,261
Time deposits	30,377,810	-
	<u>839,609,206</u>	<u>920,931,537</u>

Current accounts are maintained in banks controlled by the Central Bank.

Time deposits at 31 December 2018 are denominated in local banks in US dollars and are payable within periods ranging from one week to one month from the date of deposit and are subject to a fixed annual interest rate of 2.17% to 2.22%.

Current accounts are subject to a fixed annual rate of 14% (2017: 15%).

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

	<u>2018</u>	<u>2017</u>
Cash on hand and at banks	839,609,206	920,931,537
Deposits with a maturity of more than 3 months from the date of placement	-	-
Cash and cash equivalents	<u>839,609,206</u>	<u>920,931,537</u>

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12. Provisions

	2018	2017
Provisions for human resources	4,821,751	3,313,920
Provision for claims	1,612,741	3,108,668
	6,434,492	6,422,588

The movement of provisions during the year is as follows:

	2018				
	Balance at 1 January 2017	Formed during the year	Utilised during the year	Provisions no longer required	Balance at 31 December 2017
Provisions for human resources	3,313,919	11,188,375	(3,117,475)	(6,563,068)	4,821,751
Provision for claims	3,108,668	50,000	(1,545,927)	-	1,612,741
Total	6,422,587	11,238,375	(4,663,402)	(6,563,068)	6,434,492

	2017				
	Balance at 1 January 2017	Formed during the year	Utilised during the year	Provisions no longer required	Balance at 31 December 2017
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
Total	7,775,760	6,531,690	(3,726,376)	(4,158,486)	6,422,588

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.

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13. Creditors and other credit balances

	<u>2018</u>	<u>2017</u>
Accrued expenses	78,067,713	89,189,981
Suppliers and notes payable	61,938,307	27,221,346
Social insurance	854,554	673,549
Other creditors	2,320,658	1,616,797
	<u>143,181,232</u>	<u>118,701,673</u>

14. Borrowings

	<u>2018</u>		
	<u>Current portion</u>	<u>Non- current portion</u>	<u>Total</u>
Bank overdraft	-	-	-
Loans	27,223,715	67,879,332	95,103,047
Total	<u>27,223,715</u>	<u>67,879,332</u>	<u>95,103,047</u>
	<u>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
Total	<u>75,633,320</u>	<u>276,303,047</u>	<u>351,936,367</u>

On 14 January 2018, the Company early paid a loan amounting to LE 121,800,000 representing the loan amount in addition to LE 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, 100.000.000 Egyptian Pound were paid on 29 November 2018 as partial settlement of the loan.

The loans and overdraft banks include an amount of 95,103,047 Egyptian pounds at an interest rate of 2.4% in addition to the price of the Corridor announced by the Central Bank of Egypt. As of September 2017, the interest rate was 1.9% in addition to the rate of the Corridor declared by the Central Bank of Egypt. Those are secured by the following:

- CARE Healthcare has secured a portion of its shares in Cleopatra Hospital SAE (note 31).
- The Company has secured all its shares in Al Shorouq Hospital Co. LLC. (note 31).

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 (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.

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Notes to the separate financial statements - For the year ended 31 December 2018

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15. Employee incentive plan

	<u>2018</u>	<u>2017</u>
Employee incentive plan	45,232,497	24,821,000
Total	<u>45,232,497</u>	<u>24,821,000</u>

The movement of verify financial liabilities 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	45,232,497
Total	<u>24,821,000</u>	<u>20,411,497</u>	<u>45,232,497</u>

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

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

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 during the six months preceding the date of the financial position 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.

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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 prior offering and Public of 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.

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

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

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.

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

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Share capital (continued)

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

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

17. Reserves

	2018	2017
Legal reserve	54,127,298	50,000,000
Special reserve	47,379,722	47,379,722
Other reserves	247,496,391	247,592,165
Total	349,003,411	344,971,887

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 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 year:

	2018		
	Balance at the beginning of the year	Formed during the year	Balance, at the end of the year
Legal reserve	50,000,000	4,127,298	54,127,298
Total	50,000,000	4,127,298	54,127,298

17.2 Legal reserve

	2017		
	Balance at the beginning of the year	Formed during the year	Balance, at the end of the year
Legal reserve	50,000,000	-	50,000,000
Total	50,000,000	-	50,000,000

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Reserves (continued)

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.

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

	2018		
	Balance at the beginning of year	Formed during the year	Balance, at the end of year
Special reserve	47,379,722	-	47,379,722
Total	47,379,722	-	47,379,722
	2017		
	Balance at the beginning of year	Formed during the year	Balance, at the end of year
Special reserve	47,379,722	-	47,379,722
Total	47,379,722	-	47,379,722

17.3 Other reserves

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

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

	2018		
	Balance at the beginning of year	Formed during the year	Balance, at the end of year
Other reserves	247,592,165	(95,774)	247,496,391
Total	247,592,165	(95,774)	247,496,391
	2017		
	Balance at the beginning of year	Formed during the year	Balance, at the end of Year
Other reserves	275,078,967	(27,486,802)	247,592,165
Total	275,078,967	(27,486,802)	247,592,165

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Reserves (continued)

Other reserves are as follows:

	2017				
	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*	-	-	-	-	(27,582,577)
Transfer to legal reserve**	-	-	-	-	(32,938,673)
Total	360,000,000	40,000,000		20,000,000	247,496,391

* These include expenses for the issuance of shares during 2016 and include the expenses of the capital increase of the Company (public offering and special offer) representing registration and promotion expenses and other professional and legal expenses.

** The expenses of the issue of capital increase during 2017 include expenses for the increase of the share capital of the company, which represents registration and promotion expenses and other professional and legal expenses.

18. Operating revenue

	2018	2017
Surgeries revenue	141,493,295	101,413,551
Accommodation and medical supervision revenue	134,738,863	94,744,508
Outpatient clinics revenue	116,755,530	90,773,652
Laboratories revenue	60,384,787	44,396,715
Emergency revenue	43,131,121	35,225,685
Cardiac catheterization revenue	51,139,939	30,840,992
Service charge revenue	43,719,390	30,254,719
Radiology revenue	35,089,131	25,724,440
Pharmacy revenue	18,919,881	15,787,953
Dentistry revenue	10,972,902	10,009,677
Physiotherapy revenue	10,089,165	6,386,757
Cardiac tests revenue	6,050,013	3,947,361
Endoscopy revenue	4,785,980	3,293,973
	677,269,997	492,799,983

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19. Operating costs

	<u>2018</u>	<u>2017</u>
Doctors' fees	149,124,499	118,761,078
Medical and pharmaceutical supplies	107,044,599	83,180,780
Salaries, wages and benefits	88,553,660	73,533,995
Food, beverage and consumables costs	16,166,298	12,114,277
Maintenance, spare parts and energy expenses	9,516,575	8,564,124
Fixed assets depreciation	8,330,388	5,179,967
Other expenses	17,842,929	4,414,012
	<u>396,578,948</u>	<u>305,748,233</u>

20. General and administrative expenses

	<u>2018</u>	<u>2017</u>
Salaries, wages and benefits	73,216,334	60,369,243
Professional and consulting fees	12,051,139	9,659,521
Fixed assets depreciation	4,714,732	4,570,760
Maintenance, spare parts and energy expenses	1,802,465	1,318,280
Impairment of trade receivables	2,883,979	1,229,063
Rent	1,838,152	990,761
Food, beverage and consumables costs	2,434,397	946,855
Donations	11,466,430	1,466,760
Bank charges	1,884,940	745,222
Other expenses	8,612,898	9,875,253
Less: the Group's share of the Company's expenses	(34,402,971)	(38,778,130)
	<u>86,502,495</u>	<u>52,393,588</u>

21. Expenses by nature

	<u>2018</u>	<u>2017</u>
Salaries, wages and benefits*	161,769,994	133,903,238
Doctors' fees	149,124,499	118,761,078
Medical and pharmaceutical supplies	107,044,599	83,180,780
Food, beverage and consumables costs	18,600,695	13,061,132
Maintenance, spare parts and energy expenses	11,319,040	9,882,404
Fixed assets depreciation	13,045,120	9,750,727
Impairment of trade receivables	2,883,979	1,229,063
Donations	11,466,430	1,466,760
Other expenses	42,230,058	25,684,769
Less: the Group's share of the Company's expenses	(34,402,971)	(38,778,130)
	<u>483,081,443</u>	<u>358,141,821</u>

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Expenses by nature (continued)

* Employees' costs

	<u>2018</u>	<u>2017</u>
Salaries, wages and incentives	146,586,589	123,931,923
Social insurance	6,457,599	5,376,916
Employees' benefits	8,725,806	4,594,399
	<u>161,769,994</u>	<u>133,903,238</u>

Other expenses item includes an amount of EGP 1,340,000 (2017: EGP 1,740,000) as sitting allowance of the board members.

Incentives include an amount of 16,417,510 (EGP 20,402,000: 31 December 2017) represents the amount of payments calculated on the basis of the difference between the weighted average market value of the Parent Company on 30 June 2020 during the six months preceding the date of the financial position and the share price On the 2nd of June 2016. And an amount of 3,993,987 (4,419,000 Egyptian pounds: 31 December 2017) represents the value of payments calculated on the basis of the difference between EBITDA Due on 30 June 2020 and 30 June 2016.

22. Other income

	<u>2018</u>	<u>2017</u>
Capital gain	292,040	1,148,194
Buffet income and cafeteria concession	-	130,216
Rent	1,128,013	1,001,436
Miscellaneous income	2,048,445	735,883
	<u>3,468,498</u>	<u>3,015,729</u>

23. Finance income/ (expenses)

	<u>2018</u>	<u>2017</u>
Interest income	117,617,754	51,061,328
Currency valuation difference	22,098	-
Total finance income	<u>117,639,852</u>	<u>51,061,328</u>
Debit commission	(36,957,836)	(67,026,719)
Discount on accelerated payment	-	(2,405,988)
Bank commissions	-	(3,168,780)
Foreign currency valuation	-	(39,221)
Total finance expenses	<u>(36,957,836)</u>	<u>(72,640,708)</u>
Net finance expenses	<u>80,682,016</u>	<u>(21,579,380)</u>

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24. Contribution in the comprehensive medical insurance plan

Represents the amount of Cleopatra Hospital contribution in the unified medical treatment plan with a percentage of 0.0025 from total profit which is regarding the period from 1 July 2018 to 31 December 2018, that is according to article No. 40 of law No. 2 of 2018 which is regarding the comprehensive health insurance plan.

25. Income tax

Income tax expense as stated in the statement of profit or loss includes:

	<u>2018</u>	<u>2017</u>
Current income tax for the year	62,977,892	23,374,321
Deferred tax (Note 26)	908,788	2,468,567
	<u>63,886,680</u>	<u>25,842,888</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>2018</u>	<u>2017</u>
Net profit before tax	268,144,623	108,388,854
Income tax calculated based on the applicable local tax rate	60,332,540	24,387,492
Add / (less):		
Non-deductible expenses	4,424,922	2,461,257
Income not subject to tax	(870,782)	(1,030,171)
Tax related to prior year	-	24,310
Income taxes	<u>63,886,680</u>	<u>25,842,888</u>
Effective tax rate	<u>%23.83</u>	<u>23.84%</u>

Current income tax liabilities

	<u>2018</u>	<u>2017</u>
Balance at 1 January	10,735,815	15,419,367
Payments during the year	(10,735,815)	(15,443,676)
Advance payment during the year	(9,266,206)	(12,614,197)
Current year tax	62,977,892	23,374,321
	<u>53,711,686</u>	<u>10,735,815</u>

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26. Deferred tax

<u>Deferred tax assets</u>	<u>2018</u>	<u>2017</u>
Provisions (excluding claims provision)	1,084,894	745,632
<u>Deferred tax liabilities</u>		
Fixed assets depreciation	(5,692,266)	(4,444,216)
Deferred tax - liability	<u>(4,607,372)</u>	<u>(3,698,584)</u>

The movement on the deferred income tax is as follows:

	<u>2018</u>	<u>2017</u>
Deferred tax assets		
Balance at 1 January	745,632	1,073,991
Charged to the statement profit or loss	339,262	(328,359)
Balance at the end of the year	<u>1,084,894</u>	<u>745,632</u>
Deferred tax liabilities		
Balance at 1 January	(4,444,216)	(2,304,008)
Charged to the statement of profit or loss	(1,248,050)	(2,140,208)
Balance at the end of the year	<u>(5,692,266)</u>	<u>(4,444,216)</u>
Net deferred tax liabilities	<u>(4,607,372)</u>	<u>(3,698,584)</u>

27. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the number of shares outstanding during the year ended 31 December 2018. The earnings per share was EGP 0.11 (31 December 2017: EGP 0.04).

	<u>2017</u>	<u>2016</u>
Net distributable profits	204,257,942	82,545,972
(Less): Employees Board of Directors dividends	(22,865,988)	(15,315,050)
Number of issued and paid-up capital	1,600,000,000	1,600,000,000
Earnings per share	<u>0.11</u>	<u>0.04</u>

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28. Related parties transaction

During the year the Company made transactions with certain related parties. The Balances with related parties at the date of the financial statements as well as the transactions during the year 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	3,876,981	3,876,981
Nile Badrawi Hospital (Subsidiary)	The Group's share of the Company's expenses	11,067,394	785,874
	Expenses paid by the parent Company on behalf of the Company (Consulting)	347,684	-
	Income from medical activity	538,130	-
	Expense from medical activity	11,039,403	-
Cairo Specialised Hospital (Subsidiary)	The Group's share of the Company's expenses	12,370,231	75,551
	Expenses from medical activity	3,987,085	-
	Expenses paid on behalf of the parent Company for the Company (Consulting)	151,554	-
	Income from medical activity	2,947,057	-
	Rental income	156,044	-
Al Shorouk Hospital (Subsidiary)	The Group's share of the Company's expenses *	10,965,349	(25,369)
	Expenses from medical activity	308,028	-
CHG for medical services (Subsidiaries)	Expenses on behalf of the company	3,180,947	3,180,947
Member of the board of directors	Incentives and bonuses	2,385,000	-
			<u>7,893,984</u>

* During the year 2017, 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.

29. Commitments

Capital commitments:

The capital commitments related to fixed assets at financial year end is 2,749,150 (2017: EGP Nil).

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30. 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.
- 2015 and 2016 were inspected and an internal committee is in progress.
- 2017 inspection 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 earnings was inspected for 2014, and an internal committee is being formed. Model 9 / A was obtained and it was explained that the tax was paid in full.
- 2015 and 2016 inspection is being processed.
- Inspection for 2017 was not made

(3) 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 was made by the company on 3 May 2015 and the amount 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 were settled.
- Inspection for 2016 and 2017 was not made.
- Tax returns were filed regularly in the legal deadline.

(5) Advances to tax authority

- Approval has been submitted to the tax Authority for the advance payment for the taxable period from 1 January 2019 till 31 December 2019.
- The advance payment has been approved by the Tax Authority for the taxable period from 1 January 2019 till 31 December 2019.

31. Subsequent events

On 17 February 2019, the Company has paid all the outstanding loans as of the date amounted to EGP 90,565,795, in addition to its accrued interest amounted to EGP 598,947. Accordingly, the mortgages on the shares of Cleopatra Hospital, owned by Care Healthcare and Al Shorouk Hospital, owned by Cleopatra Hospital were released.

On 3 December 2018, the Extraordinary General Assembly meeting of the Company approved the signing of a preliminary agreement for the acquisition the operations, assets and equipment of a hospital located in Cairo. The agreement was signed on 16 January 2019.