CLEOPATRA HOSPITALS GROUP

CHG

BUILDING
ON SOLID GROUND

2019
ANNUAL REPORT

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CHG at a Glance

Cleopatra Hospitals Group (CHG) was established in 2014 and today stands as Egypt's largest private hospital group in terms of number of hospital beds and operating facilities. The Group, which has been trading on the Egyptian Stock Exchange since 2016, has been revolutionising the Egyptian healthcare sector since day one introducing, for the first time in Egypt, a 360-degree integrated framework to oversee the day-to-day operations at its hospitals. This has allowed CHG to consistently grow its geographic reach, patient base, and service offering while keeping the quality of its care intact. Just in the last year, the Group has expanded the number of facilities operated from four at the start of the year to eight by year-end 2019. By acquiring two operational hospitals and launching its first two polyclinics the Group has been able to add several specialities to its already wide-ranging offering and penetrate new areas of the Greater Cairo region bringing its high-quality care to previously underserved neighbourhoods.

The Group operates six of the nation's leading hospitals alongside two newly inaugurated polyclinics. CHG's hospitals enjoy a more than three-decade-long track record of success with the Group's network featuring brand names such as Cleopatra Hospital, Cairo Specialised Hospital, Nile Badrawi Hospital, and Al Shorouk Hospital, along with the two latest additions of El Katib Hospital and Queens Hospital. CHG's hospitals offer a full suite of diagnostic, medical, and surgical services across both inpatient and outpatient settings and house various centres of excellence which offer our patients the most up-to-date and highest quality care across a wide-ranging spectrum of specialities including cardiology, radiology, orthopaedic, urology, and multiple others. The Group also operates two polyclinics located in East and West Cairo, which only allow the Group to expand its geographic reach across Greater Cairo but also help drive up volumes at CHG's main hospitals through the referral of patients.

Over the years, CHG's six-pillar operational strategy has been a key driver behind the Group's ability to continue growing sustainably while offering impeccable care and a best-in-class experience to patients and their families alike. The Group's strategy is focused on improving and standardising service quality, integrating its new and existing facilities to achieve higher efficiencies, enhancing utilisation and optimising existing capacity, continuing to expand the geographical footprint and referral channels, venturing into new, high-potential segments of the market, strengthening the CHG brand as a healthcare leader, and developing the centres of excellence model. In the coming years, CHG aims to become the provider of choice for patients across not just the Greater Cairo area but the entire country as the Group continues to transform the nation's healthcare industry.

> The Group has been revolutionising the Egyptian healthcare sector since day one introducing, for the first time in Egypt, a 360-degree integrated framework to oversee the day-to-day operations at its hospitals.

8
Operational facilities across the Greater Cairo area

1,015,691
Cases served[1] in 2019 (up 10% y-o-y)

782
Beds (including 150 ICU beds)

1,798.1 EGP MN
Consolidated revenues in 2019

23%
Consolidated revenue growth in 2019

501.1 EGP MN
Consolidated Adjusted EBITDA[2] in 2019 (up 24% y-o-y, 28% margin)

+3,000
Total medical staff including 950 resident doctors and 1,150 nursing staff

5,262
Employees (of which 37% are female)

+30 years
Subsidiary track record

[1] Cases served includes number of in-patients, outpatient visits, and ER visits.
[2] EBITDA, Earnings before Interest, Tax, Depreciation, and Amortisation adjusted for provisions, impairments, LTIP, acquisitions expenses, pre-operating expenses, and excluding contributions from other income.

Note from **our CEO**

As I write this message, countries around the world are coping with one of the biggest challenges of our lifetime, the outbreak of COVID-19. The Egyptian government has implemented several measures to control the spread of COVID-19 and prepare for a potential increase in the number of positive cases in the country. Key measures include a nation-wide night time curfew, a ban on mass gatherings, a suspension of all commercial flights in and out of Egypt, a mandatory 14-day quarantine period for all individuals returning to Egypt, and the closure of all non-essential businesses. As of today, the Egyptian government has instructed all private healthcare providers, including CHG, not to treat or perform COVID-19-testing. Our medical staff have received all the necessary additional training to ensure they are prepared should they come in contact with a suspected COVID-19-positive individual. As always, the Group is ready to do its part in helping the government cope with the emergency, and we are keen to do all that is in our power to help the Egyptian population through this crisis.

While our operations have not yet been impacted in any significant manner by COVID-19 and the related restrictive policies implemented by the Egyptian government, we are nonetheless prepared to mitigate the risks when they arise, with a particular focus on patient and staff safety and continuity of day-to-day operations. At this time, our number one priority is guaranteeing the safety and wellbeing of our staff, both medical and non-medical, and of our patients and their families. Across all our eight medical facilities and offices we have tightened our health and safety protocols, introducing additional measures to complement the stringent sanitation practices already in place across the Group's hospitals. These measures are enabling us to continue to provide best-in-class care and treatment to our patients. Additionally, we have formed a COVID-19 response team to monitor the evolution of the outbreak, assess its impact on our business, staff, and supply chains while taking the necessary measures to protect our people and safeguard our operations. In parallel, the Group has enhanced its Hospital Incident Command System to guarantee CHG's ability to adapt to the evolving COVID-19 situation from an operational point of view.

2019 in Review

The Group's strong position in the face of the COVID-19 outbreak is a direct result of the excellent operational and financial performance we have consistently been able to deliver over the years. 2019 was no different as the Group expanded both in terms of geographic reach and service offering while continuing to deliver exceptional quality of care and strong financial and operational results. At the start of the year, we

set out to accomplish an ambitious, dual-focused strategy involving the rapid expansion of our asset base and, in parallel, the prompt integration of all new and existing facilities into a single operational framework. I am delighted to report that as of year-end 2019, we have delivered on both fronts having acquired two leading operational hospitals in the Greater Cairo area and launched our first two polyclinics while taking important strides forward in integrating all facilities under a unified CHG umbrella.

On the expansion front, we acquired Queens Hospital in early 2019 for a total consideration of EGP 30 million. The deal saw us add an additional 50 beds to our total capacity and gain access to the facility's top-of-the-line maternal care unit. Once the integration process is complete, Queens Hospital will house the Group's first Obstetrics and Gynaecology (OBGYN) centre of excellence. Later in the year, we also acquired a second leading hospital in the centrally located Dokki neighbourhood of Greater Cairo, El Katib Hospital, for a total deal value of EGP 279 million. The hospital has recently seen a series of significant upgrades to its facilities and equipment and is particularly renowned for its kidney treatment centre. Since we officially took over operations in November of 2019, the hospital immediately started contributing strongly on both the operational and financial side and we are confident that going forward it will continue to generate incremental value for the Group. Both acquisitions fall perfectly in line with our expansion strategy that sees the Group prioritise strategic acquisition of operating hospitals characterised by strong brand names, located within attractive catchment areas, and with experience in specific specialities, which helps to further strengthen the Group's service offering. The integration of both facilities in the Group's operating framework is progressing well and we expect to see both facilities operating in line with the Group's standards during 2020.

In the past twelve months, we also launched our first two polyclinics as we look to further expand our geographic reach into more underserved areas of Greater Cairo and strengthen our feeder network. Our East Cairo facility outperformed our expectations, averaging close to 300 visits per day by year-end 2019, in line with volumes recorded by a typical hospital's outpatient clinic department. Our West Cairo Polyclinic also witnessed strong growth in demand with volumes rapidly expanding towards the end of the year. These are very encouraging figures as we work to establish our polyclinics as the go-to providers for outpatient and diagnostic services in their respective neighbourhoods.

In parallel to the inorganic expansion, we made solid progress on efforts to increase capacity at our existing hospitals through a Group-wide renovation plan, which in 2019 largely focused on electromechanical upgrades across all facilities and a series of expansions at Al Shorouk and Nile Badrawi Hospitals. At Al Shorouk Hospital, the Group successfully acquired four floors in a building adjacent to the facility. The newly acquired space is set to house more of the hospital's outpatient and pharmacy services, and in turn opening more space to expand the main facility's inpatient service capacity by around 20 beds. At Nile Badrawi Hospital, we are in the final phase of the renovation work in the last two floors of the building, which will see us replace the previously non-revenue-generating space with 20 additional beds during 2020.

On the operational front, our efforts were multi-focused as we continued to drive efficiency enhancements across all aspects

of the business. During the year, we restructured our internal management framework, the hiring or promoting of high-quality talent to fill existing vacancies, and introduced several new business entities to better oversee various aspects of our day-to-day operations, including CHG's Medical Council, a new Revenue Cycle Management function, and a Consultants Relationship team. The new Medical Council team will work to improve direct patient care across all facilities, develop centres of clinical speciality excellence, organise professional development training for all medical staff, and add new medical services to our current offering. On the professional advancement front, our human resource department continued organising career development training sessions aimed at helping staff plan a career path and establish a step-by-step strategy to achieve their goals. In 2019, we also made significant progress on the digital side, an area which we see as an important driver of future growth for the Group. In the last twelve months, we rolled out the new HIS/Enterprise Resource Planning (ERP) system at our East and West Cairo polyclinics, launched the CHG app, and optimised our data security and storage capabilities.

The results of our strategic efforts are evident in the impressive financial results recorded during the course of 2019. We closed the year reporting a 23% expansion in our top-line versus the previous year supported by continued favourable pricing, an improved case mix across the Group's hospitals, and growing patient volumes. During 2019, we served 10% more cases than in the previous year, surpassing the one million cases mark for the first time. Leveraging our operational strategy focused on fostering efficiencies across the Group's hospitals, streamlining internal processes, and investing in strategic, value-generating technologies, CHG was able to offset higher expenses related to integration or ramp-up costs at the new facilities to deliver solid growth with stable margins at the gross profit and EBITDA levels for the year. Gross profit was up 22% y-o-y with a margin of 35%, while adjusted EBITDA broke the EGP 500 million mark coming in 22% above last year's figure with a 28% margin. I am particularly proud of these results as they demonstrate our continued ability to drive efficiency enhancements at an organic level.

Our bottom-line came in at EGP 265.4 million versus the EGP 315.2 million figure recorded in 2018. Net profit was weighed down by higher non-cash Long-Term Incentive Program (LTIP) expenses following the strong appreciation of CHG's share price during the first half of the year, and increased impairments related to claims from 2016, 2017, and to a lesser extent 2018. The Group's LTIP is a non-cash charge linked to share price appreciation and EBITDA growth with a four-year maturity period ending in June 2020, after which amounts will be disbursed. We are currently studying options for a substitute share option plan which is less volatile but continues to offer the same strong incentives for the Group's executive management team and staff as the current LTIP. On the impairments front, we introduced a new integrated revenue cycle management framework to enhance the quality of our claim collection and revenue cycle management. This immediately began supporting the normalisation of the Group's receivables impairments, which continued to decrease as the year progressed. With the impact of higher LTIP expenses and impairments set to phase out as we enter the new year, we expect to return to see the full reflection of the Group's EBITDA and earnings growth on our bottom-line profitability in 2020.

Outlook

We enter the new year conscious of the challenges posed by the heightened uncertainty and risks related to the COVID-19 outbreak, but we are confident that the solidity of our business model, our risk management protocols, and the solid fundamentals that underpin the Egyptian healthcare sector will help us navigate these turbulent times and emerge stronger. In the coming months, we will maintain our strategy to assess potential opportunities for further inorganic expansion in and outside the Greater Cairo Area, and we will continue to push forward capacity expansion and infrastructure renovation works while ensuring efficient

cash utilisation. I am particularly excited for the roll out of the first phase of our Beni Suef Hospital, the Group's first facility outside Greater Cairo, which we expect to complete during the last quarter of 2020.

Finally, I wish to extend my upmost gratitude to all our people who serve as the key factor behind our success over the years. Both our medical and non-medical staff have been doing exceptional work delivering high quality care to our patients while working to enhance all aspects of the Group's day-to-day operations. I am confident that our team's dedication and experience will continue to support our growth and value generating ambitions for years to come.

Ahmed Ezzeldin
CHG Chief Executive Officer

> The Group's strong position in the face of the COVID-19 outbreak is a direct result of the excellent operational and financial performance we have consistently been able to deliver over the years.

A Message from our Chairman

Throughout my six years of involvement in helping build Egypt's largest private hospital group, the one thing that has remained constant is the commitment of all Cleopatra Hospital Group (CHG) employees to supporting the patients who put their trust in the CHG network to deliver best-in-class care. We deeply appreciate all the patients who chose CHG as their preferred healthcare service provider during the past year. Our commitment to high-quality healthcare is underpinned by our strong corporate values and guiding principles centred around enhancing the health and quality of life of all our patients. In parallel, we invest in leadership development and training programmes at all levels of the organisation to support our growth ambitions and ensure that CHG, as an employer of choice, remains able to attract high-quality talent. The constant development of our medical and non-medical staff, the robustness of our management team, and the solid governance measures in place, allow us to constantly enhance clinical outcomes and the overall patient experience, both of which are fundamental to the long-term success of the Group.

The affordability of healthcare remains an overarching focus of the Egyptian Government, of the Ministry of Health and Population, of our insurer stakeholders, and, of course, of our patients. Healthcare in Egypt is a unique sector where the demand for services is forecasted to continue growing for the foreseeable future, it is thus entirely appropriate that the cost of healthcare services should be monitored against the clinical quality and patient experience that providers deliver. That is why, at CHG, we believe in the need to deliver sustainable integrated healthcare services that offer value to all stakeholders. As the healthcare industry evolves, we are witnessing a shift away from the traditional inpatient care setting in favour of the more convenient outpatient setting. Across the CHG network, we have employed a variety of approaches to tackle this phenomenon and position the Group to capitalise on this trend. Already, approximately 35% of the Group's revenue is generated by surgeries and outpatient consultations and procedures, and as we add new, high-margin outpatient services we expect their contribution to continue rising.

I am proud of our consistent commitment to operating as responsible corporate citizens, and of our ability to continuously integrate sustainability in all aspects of our business strategy. This has seen us focus not only on delivering exceptional financial results, but also on ensuring that we manage and utilise environmental and social resources efficiently to guarantee the sustainability of our business in the long term.

COVID-19 has quickly become a global problem. Its immediate effects have disrupted growth, financial markets, and supply chains and CHG's business is not immune to its impact. We have introduced a number of additional internal protocols to mitigate the risks that the virus poses for our patients and employees and to safeguard our operations in the midst of these challenging times. Thus far, our team of physicians, nurses, and support staff have done an incredible job in helping to manage the COVID-19 situation, and I am confident that with their help and the guidance of our experienced management team we are well placed to come out of this stronger and more united than ever.

It is all the people who play an instrumental role in the day-to-day delivery of our business strategy who I once again wish to thank. It is your dedication, drive, and continued focus on our patients that ensures we remain a healthcare partner of choice across all our hospitals. To our patients and supporting medical professionals, we are grateful and proud that you have chosen CHG as your preferred healthcare service partner, and we will continue to work tirelessly to ensure that our clinical performance and customer experience continue to exceed your expectations. Finally, I would like to thank our valued shareholders for their continued trust and support. We enter the new financial year with confidence in our ability to retain our leading market position and deliver sustainable long-term shareholder value in the years to come.

Ahmed Badreldin
Chairman of the Board

> Our commitment to high-quality healthcare, is underpinned by our strong corporate values and guiding principles centred around enhancing the health and quality of life of all our patients.

COVID-19 **Response**

Healthy and Safety

On top of the strict infection control and prevention protocols in place to protect patients, healthcare workers, and visitors, the Group's Medical Council, acting in accordance with MoHP and WHO guidelines, has laid out and activated detailed protocols related to prevention, infection control, and sanitisation. Key highlights include:

- Daily deep cleaning and sterilisation of all medical and non-medical facilities.
- Provision of necessary Personal Protective Equipment (PPE) for all staff and patients.
- Strict internal hygiene and sanitisation protocols for all medical staff, patients, and visitors.
- Infrared temperature screening at all of the Group's hospital entrances.
- New patient engagement and visitor management protocols to minimise the risk of exposure.
- Switch away from fingerprint identification in favour of facial recognition across all CHG facilities to eliminate potential sources of contamination.
- New ER and outpatient clinic protocols to ensure prompt detection, isolation, and reporting to the MoHP of all potential COVID-19-positive patients for immediate transfer to authorised government-run facilities where they will receive the necessary medical care.
- All staff members suffering from autoimmune diseases or who could have come in contact with potential COVID-19-positive cases are being given fourteen days of paid leave, with extensions to the period granted on a case-by-case basis.
- All non-medical staff whose work can be done from home has been instructed to switch to a work-from-home arrangement. Non-medical staff members who require access to the Group's facilities have been granted access on a rotational basis to limit exposure and promote social distancing.

HR COVID-19 Strategy

The Group's HR department, in line with recommendations from the CHG Medical Council, has introduced a multi-focused approach to helping its people through the imminent crisis. The department's approach covers multiple aspects beyond just guaranteeing the health and safety of its staff both across its hospitals and in the Group's offices, by ensuring that all staff is kept updated with regards to the new protocols in place and their employment situation.

Communication and Employment Status Updates

Given the uncertainty surrounding the economic repercussions stemming from the COVID-19 outbreak, CHG management has committed to keeping all staff promptly informed on their employment situation. The Group's priority, subject to macroeconomic conditions both globally and in Egypt, is to secure the employment and pay of all its medical and non-medical staff without resorting to cutbacks. The Group's priorities and risk management strategy have been communicated to all staff utilising CHG's various internal communication channels and the HR department is available to address any questions or concerns that may arise during these difficult times. In a sign of appreciation for the excellent work done by all staff thus far, the Group handed out exceptional bonus payments at the end of March to all staff.

Mental Health

CHG is introducing online stress management courses to help its staff through the crisis. The first phase will see courses offered to the Group's medical front-line staff who will get access to both group seminars on stress management as well as one-on-one sessions with therapists to address specific issues on a confidential basis. The service will be later rolled out to all remaining staff. Going forward, the Group will continue to prioritise the mental wellbeing of its staff with online stress management courses offered for the entire duration of the crisis.

Business Continuity

In parallel, the Group has enhanced its Hospital Incident Command System to guarantee CHG's ability to adapt to the evolving COVID-19 situation from an operational point of view. As of today, measures include:

- The draw up of an emergency staffing plan to ensure the Group can meet round-the-clock staffing needs.
- Back-office contingency planning to ensure business continuity.
- Engagement programme with the Group's consultants to address any needs or concerns that may arise.
- Supply chain and inventory management protocols to ensure the availability of all necessary medical supplies and avoid disturbances to operations.

Overview of CHG

CHG is Egypt's largest private hospital group with a combined capacity of 782 beds. The Group has been listed on the EGX since April 2016. Since inception, CHG has been revolutionising Egypt's fast-growing healthcare sector, introducing a single operational framework to oversee all eight of its leading facilities located across strategic neighbourhoods of the Greater Cairo area.

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Operational facilities across the Greater Cairo area

Our Market

Healthcare in Emerging Markets

There are significant differences in the healthcare systems of developing countries compared to those in developed ones. According to research from The Geneva Association, between 2000 and 2015, the share of health spending funded from compulsory prepaid sources, such as taxation and social health insurance contributions, has increased from an average of 48% to 51% in middle-income countries, and from 66% to 70% in high-income countries. On the other hand, in low-income countries, domestic government sources have lost relevance, with their share decreasing from 30% to 22%. Private healthcare providers exist in parallel to facilities and networks funded by the public sector and provide quality services helping to bridge the widening gap between a rising demand and a lagging public supply. In turn, this sees patients in emerging markets benefitting from a greater ability to choose when it comes to selecting their go-to providers.

As opposed to the prevailing systems in many developed countries, which sees patients having to first visit a general practitioner prior to accessing specialist care, patients in emerging markets are able to directly access multiple specialist facilities. This ability to choose also extends to individual physicians, who themselves are able to select which hospitals and clinics to work for. Subsequently, patients in emerging markets are able to identify the exact physician or specialist and end up choosing which facility to visit based on their choice of doctor. This inevitably makes quality marketing for hospital facilities crucial to attracting the best medical professionals.

Today, emerging markets are home to fast-growing and aging populations characterised by rising rates of non-communicable diseases such as hypertension, diabetes, and cardiovascular disorders. According to the United Nations (UN), the percentage of people aged 65 years and over in emerging markets has doubled to 10% since 1980 and is set to reach 15% by 2030. In parallel, according to the World Health Organisation (WHO), non-communicable diseases are expected to account for nearly 55% of the disease burden of these countries. Across these markets, patients' purchasing power has also been growing and with it their willingness to spend on higher quality healthcare for themselves and their families. It is therefore inevitable that given the rising healthcare demands and the more expensive costs of treating non-communicable diseases, healthcare investment will need to rise in the coming years. Due to the public sector's inability to cover the entire rise in demand, private healthcare providers, like CHG, have been presented with rapid growth opportunities. Today, the private healthcare sector in emerging markets represents a key investment prospect, with economic growth further supported by favourable fundamentals and regulatory support.

Egypt: The Macro Picture

Since the 2016 devaluation of the Egyptian pound and the subsequent USD 12 billion IMF aid package, the Egyptian economy has been recording solid growth supported by an extensive economic reform programme promoting economic recovery and investment. The Egyptian economy expanded by 5.6% in FY2018-19, with growth expected to continue in the coming years. In light of the recent COVID-19 outbreak, the Egyptian economy is forecasted to grow 4.2% in FY2019-20 and 2.0% in the following fiscal year. In parallel to the solid economic growth, Egypt has witnessed a progressive loosening of interest rates, which were down a cumulative 450 basis points during 2019 and by a further 300 basis points in early 2020, along with a declining unemployment rate, and, for the first time in 15 years, a primary budget surplus. These improved market conditions, the comprehensive economic reforms, and the favourable regulations facilitating entry into the Egyptian market, have made Egypt an increasingly attractive destination for investors.

Egypt's Healthcare Industry

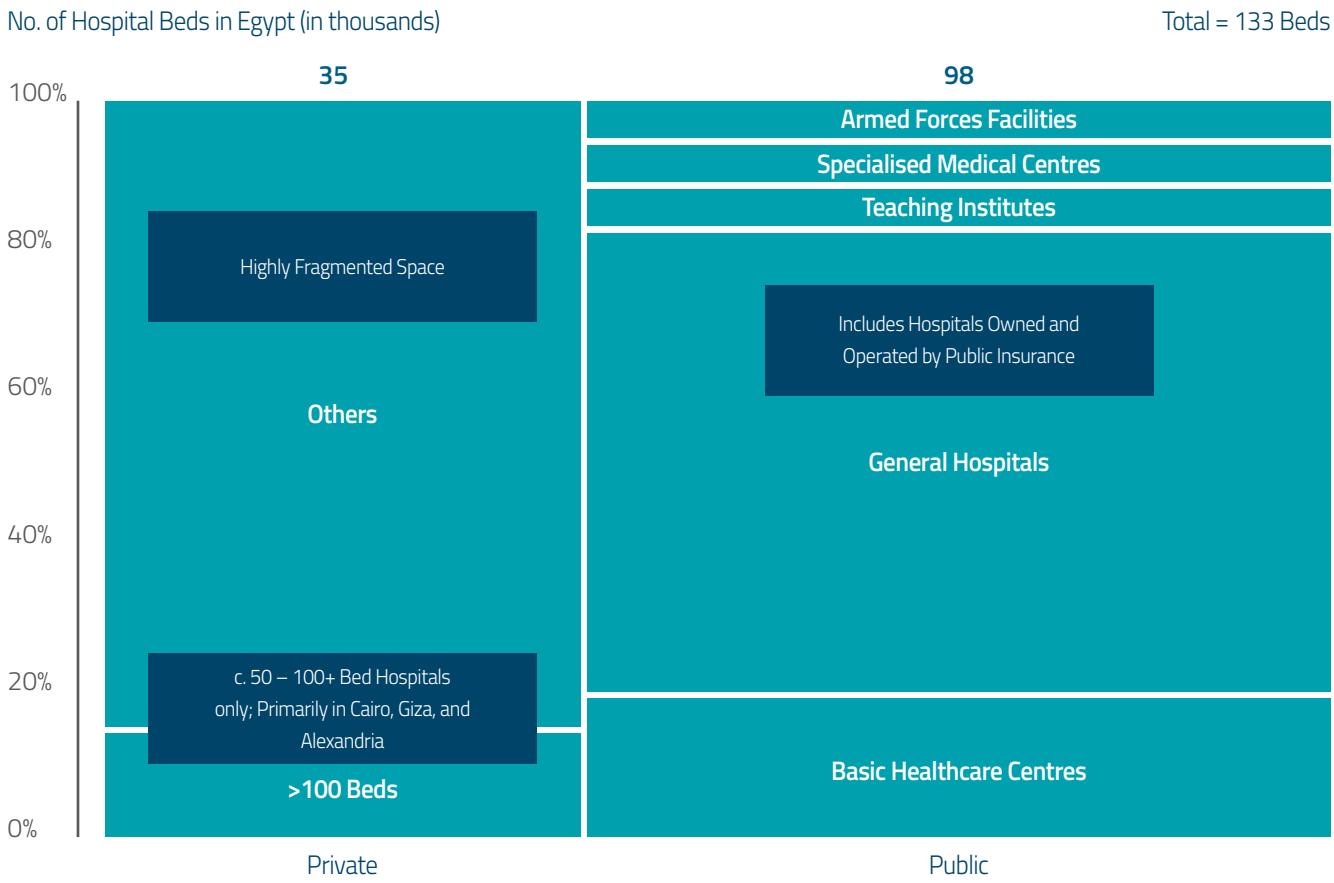
The Egyptian healthcare industry is characterised by attractive demographics, including a growing population with increased life expectancy, rising disposable income, low state investment in public services, and a heavy reliance on out-of-pocket spending. As in many other emerging markets, this has resulted in both an increase in lifestyle-related diseases and in the willingness and ability of citizens to pay for higher quality healthcare. At the same time, the Egyptian government has launched a series of initiatives to support the improvement of the nation's healthcare sector. The most important initiative was the launch of the government's EGP 600 billion Universal Healthcare Act, which is expected to boost the national healthcare sector for years to come. The new Universal Healthcare Act is set to overhaul the healthcare sector in Egypt by improving facilities, the quality of care, and insurance coverage for citizens. In FY2019-20, the Egyptian government is set to spend EGP 2.1 billion on deploying services under the Universal Healthcare Act, according to data from Arabic Reuters. Implementation is to take place over six phases to end by 2032, after which all Egyptians will be covered. The programme officially kicked off in 2019 with Port Said selected as the first governorate to adopt the new scheme.

Egypt's population currently stands at just over 100 million and growing at just under 2% each year. According to UN forecasts, Egypt's population could see a rise of 60 million people by 2050. At the same time, life expectancy is increasing, with Egyptians over age 65 expected to increase to 6.4% by 2030 from 5.3% in 2019. Despite this, Egypt's healthcare sector remains one of the least penetrated sectors globally, at per-capita spending of USD 106 in 2017, according to WHO data. This is 10 times lower than the average healthcare spending in the UAE and Kuwait (USD 1,350 and c. USD 1,500, respectively) and well below the OECD average of USD 4,000. The sector is largely governed by the Ministry of Health and Population (MoHP), which is also responsible for establishing public hospitals. In 2019, according to CAPMAS and MoHP data, there were around 133,000 beds and c. 2,138 hospitals across the country. Of the total beds, just 26% were supplied by the private sector.

These conditions are changing, however, under a series of reforms initiated by the government. The proposed FY2020/21 budget sees spending on healthcare reaching EGP 95.7 billion, up by around a third compared to the previous year. Moreover, the government has shifted towards creating partnerships with private sector entities in order to expand the scope of services available through the public healthcare sector in the country.

Egypt Hospital Beds Breakdown by Sector | 2019

Sources: CAPMAS, MoHP, CHG Internal Research



High Demand for Quality Healthcare

Egypt's demographics are the main driver behind the fast-growing demand for quality healthcare and are amongst some of the key factors that make investing in the sector an increasingly attractive opportunity. In parallel to the fast-growing and aging population, lifestyle diseases are on the rise. Today, Hepatitis B and C remain leading causes of death across the country, with WHO estimates showing that roughly 7% of Egyptians suffer from hepatitis C. According to a report by Oxford Business Group, the country's number one health challenge is combating non-communicable diseases (NCDs). WHO data shows that NCDs are estimated to account for 82% of all deaths and 67% of premature deaths in the country. In 2017, Egypt recorded the highest rate in the world for adult obesity, with 35% of the population being classified as obese. In 2019, the prevalence of diabetes in Egypt stood at 17.2% according to World Bank data. This compares to a regional average of 12.5% and a world average of 8.8%.

The country's high and growing disease burden, a general decline in the quality of public healthcare services, and an increase in disposable income have resulted in a higher-than-ever demand for high-quality healthcare solutions. In a country characterised by a heavy reliance on out-of-pocket spending when it comes to healthcare, private sector suppliers are quickly becoming the providers of choice to meet citizens' health needs. Despite this, the private healthcare sector in Egypt continues to be under-penetrated and fragmented. This provides an opportunity for large private sector groups such as CHG to capitalise on market conditions and fill in the demand for quality healthcare facilities.

Health Insurance in Egypt

According to a report by the Oxford Business Group, as of 2016, 62% of total healthcare payments in Egypt were out-of-pocket. Meanwhile, just 60% of the population is covered

by the country's insurance system. The new Universal Health Insurance Act has been introduced to address this very issue and in the coming years will aim to provide improved insurance coverage to all citizens in Egypt along with a new regulatory body to monitor the implementation of the system. In recent years, private insurance has also been growing in popularity as private hospitals and healthcare providers enter into corporate agreements with insurance companies. While penetration remains relatively low, multinational insurance companies continue to work to expand the scale of coverage offered. In the coming years, the size of this revenue stream is expected to increase significantly, creating added growth potential for the sector.

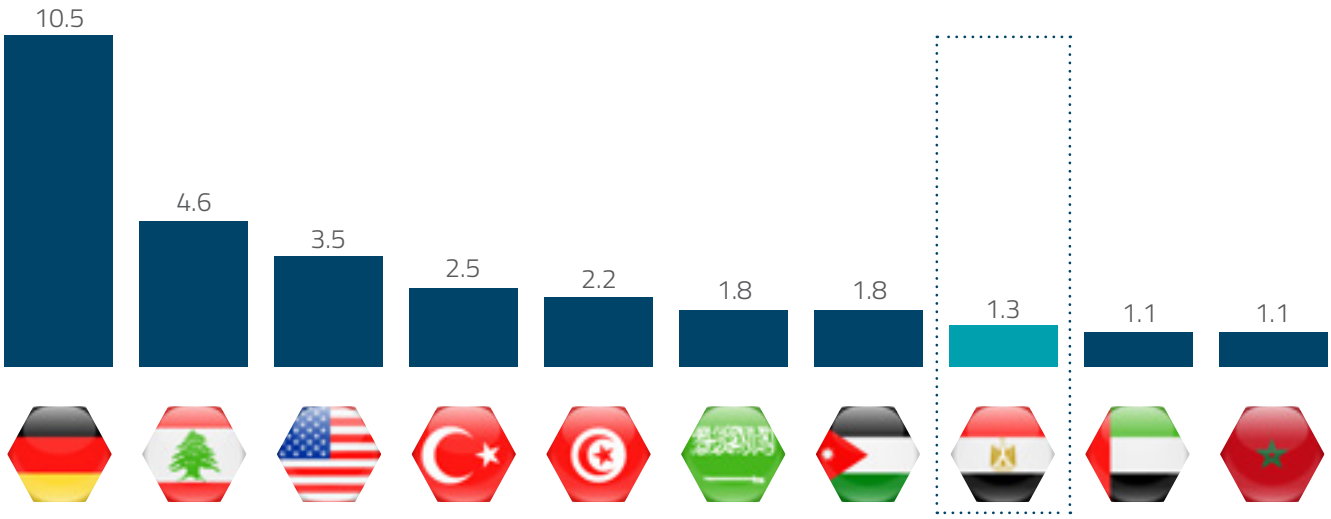
Medical Tourism

Medical tourism presents an important opportunity for the Egyptian economy and private healthcare providers alike. Recently, a number of initiatives have been undertaken in order to support inbound medical tourism to the country. In June 2019, the government announced the kickoff of a new mega project to establish the biggest medical tourism city in the MENA region with more than EGP 20 billion in investments. The medical city is set to provide the latest medical services and state-of-the-art medical equipment and will include 13 medical institutes with a capacity of 2,000 beds, a medical helipad, an education hospital, and a medicinal plantation. On a similar note, in February 2017, Egypt had launched the "Tour and Cure" medical tourism initiative, offering treatment to patients from all over the world at a competitive price. This was later followed in December 2018 by the approval of a draft law on medical tourism to ensure coordination between the Ministry of Tourism and Ministry of Health in the emerging field of medical tourism.

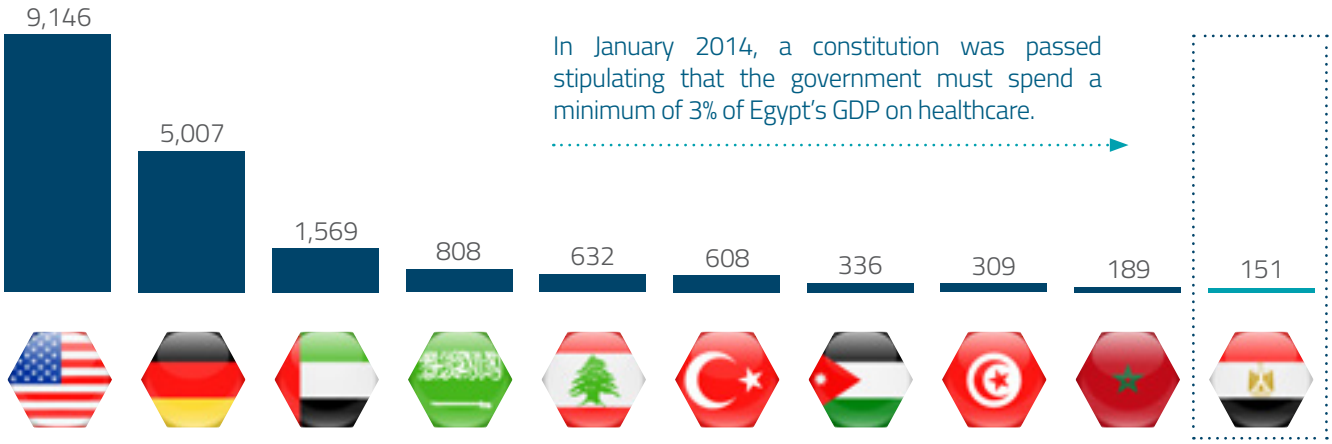
The Private Healthcare Market

While the private healthcare sector has been steadily growing in recent years, it remains highly fragmented. According the CAPMAS and MoHP data, in 2019 there were 1,484 private hospitals in Egypt, representing just under 70% of total hospitals in the country. Of these, less than 50 are classified as large hospitals (with a capacity of 100+ beds), while around 1,300 fell in the small hospital category (under 50 beds per hospital). This fragmentation has been a key driver of growth in the sector as large private providers, like CHG, look to consolidate the market and capture the important expansion opportunities currently available. Growth in the sector has been supported by the government, which has been urging the private sector to grow enough to keep pace with rising demand. Support has come in the form of new legislation to make entry into the local market for investors and private sector medical groups significantly easier. Today, a large part of private healthcare providers are located in Cairo and other urban areas and range from for-profit and non-profit service providers including large hospitals, clinics, and pharmacies to NGOs, mosques, and church clinics.

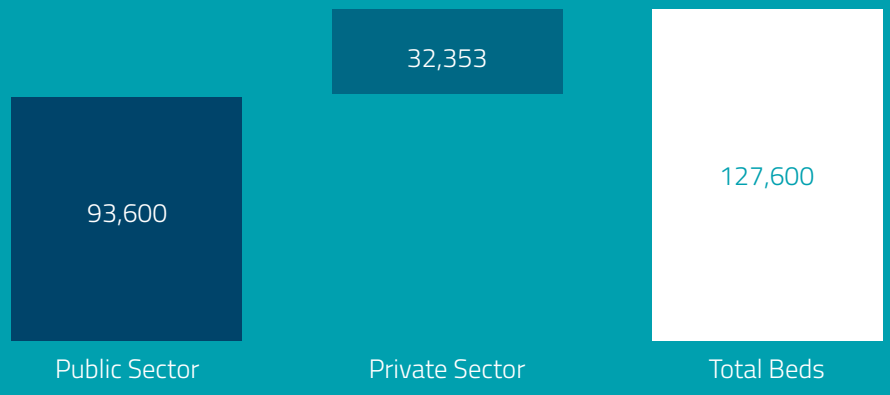
Hospital Beds (/1,000 people) | 2017



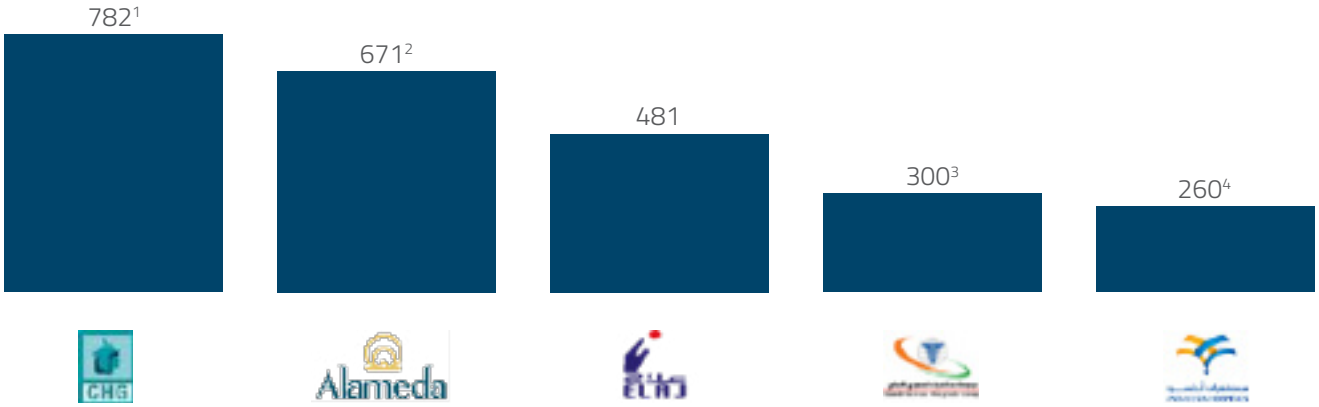
Healthcare Expenditure per Capita (USD) | 2017



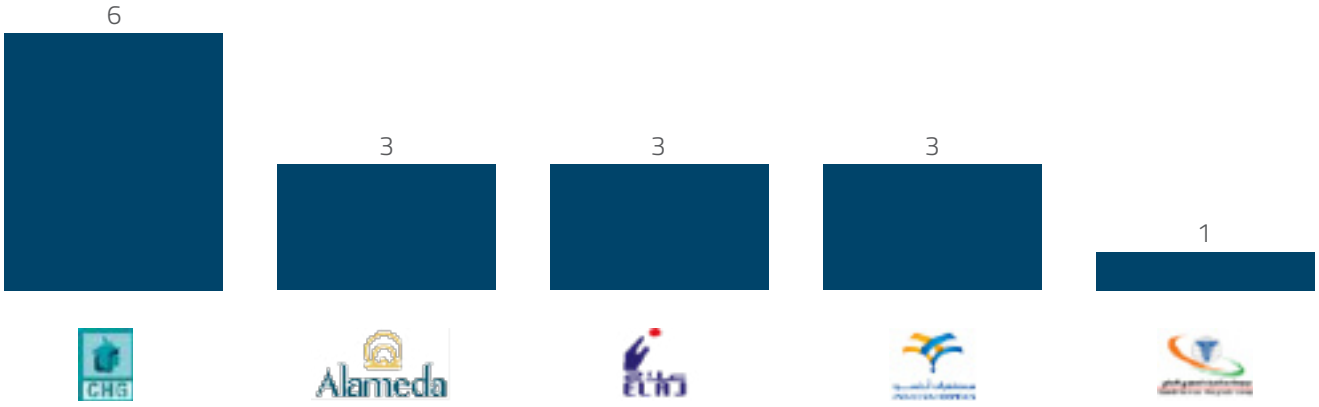
Healthcare Expenditure per Capita (USD) | 2017



Hospital Groups in Cairo (Operational) – Bed Count | 2019



Hospital Groups in Cairo - Number of Operational Hospitals | 2019



Sources: World Bank, Business Monitor International (BMI), CAPMAS, FROST & SULLIVAN, MoHP, CHG Internal Research

[1] Building new capacity to reach c. 1,000 beds
[2] Building new capacity to reach c. 900 beds
[3] Building new capacity to reach c. 600 beds
[4] Building new capacity to reach c. 500 beds

Our Facilities

Cleopatra Hospitals Group operates six hospitals and two polyclinics located across the Greater Cairo area in neighbourhoods characterised by high catchment areas and an undersupply of high-quality healthcare. Today, the Group's facilities encompass a total of 782 beds, over 950 resident doctors, more than 1,000 consulting physicians attracted from the country's top two medical universities, and a team of more than 1,150 highly trained nurses. Over the course of the past year, the number of facilities operated by the Group double, from four at the start of the year to eight by December 2019. This not only allowed CHG to expand its geographic reach, but allowed the Group to further grow its service offering adding multiple new centres of excellence to its current roster. In parallel, the Group continued to make solid progress with its Group-wide renovation strategy which saw efforts largely focus on capacity enhancements at two of the CHG's hospitals and electromechanical upgrade works across the entire network. In line with the Group's strategic goal of venturing into fast-growing and currently under-served governorates across Egypt, CHG will be launching phase one of its new Beni Suef Hospital in 2020, with the facility becoming the Group's first hospital outside the Greater Cairo region.

Across all its facilities, to ensure CHG delivers uniform, high-quality care, the Group has introduced an all-encompassing quality monitoring framework, which looks at both quality specific KPIs and patient satisfaction surveys. Throughout 2019, the Group continued assessing its progress across all KPIs and introduced the necessary corrective measures when necessary.

	Hospital Name	Location	Number of Beds
1	**Cleopatra Hospital**	Heliopolis, Cairo	**182**
2	**Cairo Specialised Hospital**	Heliopolis, Cairo	**188**
3	**Nile Badrawi Hospital**	Maadi, Cairo	**152**
4	**Al Shorouk Hospital**	Mohandesin, Giza	**121**
5	**El Katib Hospital**	Dokki, Giza	**89**
6	**Queens Hospital**	Heliopolis, Cairo	**50**
7	**East Cairo Polyclinic**	5th Settlement, Cairo	**14 clinics**
8	**West Cairo Polyclinic**	6th of October City, Giza	**15 clinics**

> Over the course of the past year, the number of facilities operated by the Group double, from four at the start of the year to eight by December 2019.

Cleopatra **Hospital**

Overview

Cleopatra Hospital was established in 1984 and today offers over 40 specialities supported by a strong network of leading consultants and doctors operating out of the facility. The hospital's exceptional track record sees it stand as an industry leader in the realms of ICU and outpatient services. The Group took over operations at Cleopatra Hospital in 2014, with the facility quickly becoming the Group's flagship hospital. Cleopatra Hospital is home to two of the Group's centres of excellence, covering micro-invasive surgeries and orthopaedic care. In 2006, CHG acquired a facility adjacent to Cleopatra Hospital and has since developed it into an extension to help relieve the pressure that the high occupancy rate of its outpatient clinic, intensive care unit (ICU), and other facilities was putting on the hospital's main building. Since having taken over operations at the hospital, CHG has made a number of improvements as part of its Group-wide renovation strategy. This has seen the Group make significant investments in the hospital's medical technology to improve patient outcomes, as well as centralising the hospital's services in line with an integrated organisational structure that allows for increased synergies and cross-referrals within the Group's wider platform.

Outlook

As the Group's network of hospitals continues to grow, Cleopatra Hospital, as the Group's flagship hospital, is expected to continue setting an example for all new and more established facilities to follow. To ensure the hospital continues to be an industry leader in terms of quality of care and patient outcomes, the hospital's new management team will continue to invest in upgrading and renovating the facility's equipment and infrastructure while working to secure the best professionals in the industry.

Bed Count

182
beds

Medical Staff

272
resident doctors

312
nursing staff

232
practising physicians and consultants

Facilities

7
operating rooms

14
outpatient clinics

1
catheterisation lab


CLEOPATRA HOSPITALS
CLEOPATRA HOSPITAL
مستشفيات كليوباترا
مستشفي كليوباترا
CHG

Cairo Specialised **Hospital**

Overview

Cairo Specialised Hospital (CSH) is one of Egypt's first private hospitals with a more than four-decade-long track record of success. Today, CSH is the Group's largest facility in terms of number of beds and is home to two of the Group's centres of excellence focused on cardiology and radiology. Since the acquisition of a majority share of 53.9% in the hospital, the Group has undertaken a major infrastructure renovation project while simultaneously increasing significant medical CAPEX outlays. As of year-end 2019, the Group has completed a full renovation of the hospital's emergency rooms, endoscopy unit, laboratory, ICUs, dental department, and operating rooms as well as an upgrade to its kitchen facilities and the hospital's façade. CSH was also the first hospital to adopt the Group's new HIS/ERP system, which was launched in the final quarter of 2018. Since then, the new operating framework has driven significant improvements in the facility's data management and backup framework and in the hospital's back-office management.

Outlook

The next phase of renovation works will focus on the hospital's electromechanical infrastructure, while terminating work on patient rooms and the hospital's entrance. As always, all work will be executed under the guidance of the leading German multidisciplinary engineering consultancy firm, Vital Konzept. In parallel to the infrastructure renovation works, the Group will explore new subspecialities to add to the facility's offering as well as a new centre of excellence to launch in CSH.

Bed Count

188
beds

Medical Staff

185
resident doctors

222
nursing staff

220
practising physicians and consultants

Facilities

9
operating rooms

17
outpatient clinics

1
catheterisation lab


CHG

Nile Badrawi **Hospital**

Overview

Nile Badrawi Hospital was inaugurated in 1985 and is located in Cairo's Maadi neighbourhood. CHG took over operations at Nile Badrawi Hospital in late 2015 and immediately implemented an extensive restructuring plan to upgrade the facility's internal and external infrastructure. The full renovation of the hospital's façade was concluded in 2018. In 2019, work focused on electromechanical upgrades, civil works, and outpatient clinic renovations. In parallel with the renovation in NBH, management has been working on adding 20 more beds in the last two floors of the hospital, which was previously not used as revenue generating space. As of year-end 2019, work on this front is progressing well with the roll out of the additional beds expected to be completed in the early part of 2020. Since taking over operations, the Group has also hired a new management team alongside new external and international consultants and experts to guide the staff and improve the use of the hospital's catheterisation labs.

Today, NBH houses three centres of excellence focused on oncology, spinal surgery, and renal transplants. The hospital also specialises in complex treatments such as vitro fertilisation, neonatal care, open-heart surgery, and cardiac catheterisations, in addition to providing all other major specialities. It was also one of the first hospitals in Egypt to offer radiotherapy, and its oncology department is equipped with two linear accelerators.

Outlook

In the coming twelve months, the Group's main focus will be on ensuring that all capacity expansion and renovation works are completed on time. At the same time, the Group will continue to work on improving the hospital's case mix by implementing a multi-pronged strategy involving investment in the hospital's ICU, outpatient, and ER services and strengthening the facility's referral gateway framework. Management's efforts will also turn to strengthening the facility's service offering by adding multiple new subspecialities to its current roster.

Bed Count

152
beds

Medical Staff

149
resident doctors

224
nursing staff

205
practising physicians and consultants

Facilities

7
operating rooms

17
outpatient clinics

2
catheterisation lab


CLEOPATRA HOSPITALS
CHG
CLEOPATRA HOSPITALS

Al Shorouk **Hospital**

Overview

Founded in 1996 by a group of renowned consultants as a multi-speciality general hospital in West Cairo, Al Shorouk Hospital boasts a more than two-decade-long track record of successful patient care and a strong reputation in the fields of general surgery, urology, and oncology. CHG took over operations at Al Shorouk Hospital in 2016 and, as with all newly acquired facilities, immediately kicked off an intensive restructuring strategy focused on upgrading the facility's infrastructure and its internal management frameworks. On the latter front, CHG efforts concentrated on restructuring the hospital's management team to facilitate better coordination between the hospital's various medical and non-medical functions and the Group's integrated corporate management structure. On the renovations front, work has been focusing on electromechanical upgrades as well as renovating the hospital's inpatient rooms. The hospital hosts four centres of excellence focused on providing general surgery, urology, and oncology services. Throughout the year, the Group also installed a new cardiac catheter lab in the Hospital to address a rising demand for the service.

On top of the Group-wide renovation efforts at Al Shorouk, CHG has implemented an aggressive expansion strategy focused on increasing the number of beds in the hospital. The Group's efforts were dual focused. In early 2019, the Group acquired four floors in a building adjacent to the hospital. The newly acquired space will house more of the hospital's outpatient and pharmacy services opening up more space in the main building to expand the facility's inpatient service capacity by around 20 beds. At the same time, the Group also pressed ahead with the Al Shorouk Hospital extension building in an adjacent piece of land which will see the facility add 40 new beds to its current capacity in the medium- to long-term. During the year, the Group successfully attained the required licenses and permits to break ground on the Al Shorouk Hospital extension building.

Outlook

In 2020, the Group will focus on delivering on both expansion fronts. Currently, the Group is working on finishing and fitting the newly acquired four floors in a building adjacent to Al Shorouk Hospital. Meanwhile, work at the Al Shorouk Hospital extension is in the final stages with the new facility expected to come online in the second quarter of the year. All renovation and expansion works will continue to be closely monitored by Vital Konzept.

Bed Count

121
beds

Medical Staff

139
resident doctors

236
nursing staff

222
practising physicians and consultants

Facilities

5
operating rooms

17
outpatient clinics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Queens **Hospital**

CLEOPATRA HOSPITALS
QUEENS HOSPITAL

Overview

Queens Hospital was inaugurated in 2011 and is located in Cairo's Heliopolis neighbourhood. The facility houses 50 beds and best-in-class maternal and neonatal facilities. The hospital offers a vast range of services ranging from neonatal and adult intensive care to gynaecology and obstetrics services, amongst many others. Queens Hospital employs the latest endoscopic equipment available on the market to minimise hospital stays and eliminate complications associated with traditional surgical procedures. CHG took over operations at Queens Hospital in the first quarter of 2019 and promptly devised and began to implement a facility upgrade strategy aimed at widening the hospital's service scope and ensuring the facility delivers the quality care that patients expect from a CHG hospital. More specifically, the facility upgrade strategy included enhancing the hospital's OBGYN services to include a comprehensive women's health services offering, adding ICU, diagnostics, ER, and general surgeries to the facility's service offering, constructing an additional OR for the hospital, and selecting a new management team to run the facility's day-to-day operations and guide the hospital during the integration and ramp up phases.

Outlook

In the coming year, the Group's focus will remain on delivering on its integration strategy for Queens Hospital. The remaining work will focus on further developing the facility's diagnostic services and ICU capacity to support the Group's other East Cairo facilities as well as day case surgeries. Thus far, upgrade works have been progressing on schedule and management expects to see the facility operate at full capacity by year-end 2020. Once fully operational, the hospital will act as the Group's new OBGYN centre of excellence, adding a new speciality to its already vast service offering.


مستشفى كوينز
QUEENS HOSPITAL
AMBULANCE

El Katib **Hospital**

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ALKATIB HOSPITAL

Overview

El Katib Hospital was first founded in 1946 by a group of highly skilled and well-respected doctors. The hospital currently houses 89 beds and offers a full range of surgical and consultative services, as well as radiology, dialysis, and emergency services. The Group took over operations at El Katib Hospital in November of 2019. The facility, which is located in the Dokki neighbourhood of Greater Cairo, recorded a very strong start to operations and immediately began contributing to the Group's consolidated results in the fourth quarter of the year. Having recently undergone a series of significant upgrades to its facilities and equipment, the hospital is expected to continue contributing strongly in the coming years. With the acquisition of El Katib Hospital, CHG is looking to open another centre of excellence focused on urology.

Outlook

Heading into 2020, the Group aims to build on the existing infrastructure, adding further state-of-the-art equipment, as it seeks to develop the hospital's capabilities and transform it into the Group's urology centre of excellence. Management is confident that the integration of El Katib into the wider Group's operating framework will conclude smoothly and in a short timeframe with the new management team working to execute the facility's 100-day integration plan.


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3

Beni Suef **Hospital**

Overview

The Beni Suef hospital is CHG's first medical facility outside Greater Cairo and is a move to expand the Group's reach to more secluded regions of the country. During 2019, the Group took important steps forward with its Beni Suef project. On August 25th, the Group announced the signing of a joint venture agreement with Nahda University for Education and Management S.A.E and Taaleem for Management Services S.A.E, the operators of Nahda University in Beni Suef, in formalisation of their partnered ownership of CHG's first hospital in the Beni Suef governorate. During the final quarter of the year, CHG kicked off civil works at its new 189-bed hospital. The hospital is also designed to host a dedicated section for the Nahda University medical staff and students, who are expected to be among the primary beneficiaries of the estimated EGP 360 million CAPEX investment allocated to the hospital.

Outlook

The Group is looking to complete the first phase of the hospital before the end of 2020. This first phase will see between 70 to 90 beds come online. Following the completion of phase one, the Group will be working to deliver on the second phase, which will focus on adding the remaining beds and rolling out the hospital's teaching facilities.

Polyclinics

Overview

In line with the Group's expansion strategy, venturing into the polyclinics segment of the healthcare industry represents a significant opportunity for CHG to extend its geographic reach while feeding into its hospital network through patient referrals. In 2019, the Group launched its first two polyclinics strategically located in high-potential, underserved neighbourhoods across the Greater Cairo area. The two new facilities not only allow CHG to penetrate new segments of the population, but allow the Group to extend its services to patients who would otherwise have limited access to care. The Group's polyclinics offer a wide list of services and facilities including outpatient clinics, pharmacies, and laboratory and radiology services. In parallel, they serve as a coordination centre for the Group's new home visit and long-term care services, both of which represent new verticals the Group is looking to penetrate in the coming years. The new home-visit service is expected to gain significant traction amongst existing and new patients in the coming months due to the ongoing COVID-19 outbreak.

East Cairo Polyclinic

The Group's East Cairo Polyclinic was inaugurated in the first quarter of 2019, becoming the Group's first operational polyclinic. Since its launch, CHG East Cairo Polyclinic continued to outperform the Group's expectations, and by year-end 2019 the facility was averaging close to 300 visits per day, in line with volumes recorded by a typical hospital's outpatient clinic department. The facility operates through the new Clinisys HIS/ERP system and has already been integrated within the Group's common operating procedures, which will allow for a seamless transfer of patient data ensuring that the polyclinics serve as feeders for the Group's main hospitals. Currently, the facility houses 14 clinics, a pharmacy, and offers a full suite of diagnostic services. The Group's East Cairo Polyclinic will also act as a base for the Group's new home-care service, which will be launched in the coming period.

14
Clinics

Radiology

Pharmacy

Laboratory

West Cairo Polyclinic

The Group's West Cairo Polyclinic was launched at the end of July 2019. The facility is strategically located in the affluent catchment area of Giza's Sheikh Zayed neighbourhood. Currently, the polyclinic houses 15 clinics as well as a pharmacy and its patients have access to a broad range of diagnostics services. The facility also operates through the new Clinisys HIS/ERP system. The launch of the facility was particularly important as it helped address a significant shortcoming in patient access to high quality healthcare in the largely underserved neighbourhood where the facility is located. Since its launch, the Group continued to witness strong and constant growth in demand with volumes continuing to expand in the second half of 2019.

15
Clinics

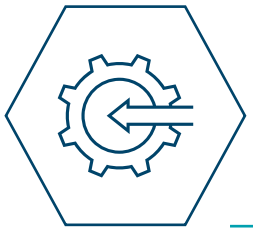
Radiology

Pharmacy

Laboratory

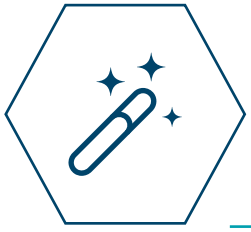
Our Strategy

Cleopatra Hospitals Group's seven-pillar strategy guides the Group's day-to-day decision-making and operations and has allowed it to expand its geographic reach and service offering while continuing to deliver exceptional operational and financial results. In the last twelve months, in line with the Group's expansion strategy, CHG has doubled the number of facilities operating, going from four at the start of the year to eight as of year-end 2019. The Group's proven operational framework was instrumental in ensuring a prompt integration of the new assets with all new facilities expected to begin operating at full capacity over the next year. CHG's all-encompassing strategy has also been a key driver behind the Group's ability to continue to deliver best-in-class care to a growing number of patients, while making significant progress toward earning international accreditation for all its facilities.



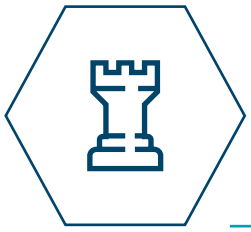
Integrating the Platform to Achieve Higher Efficiencies

Developing a fully integrated operational platform across the Group's hospitals and polyclinics allows CHG to maximise existing synergies and operational efficiencies across its facilities, reduce waste, extract economies of scale, drive up margins, and ultimately deliver top-class healthcare to its patients. Standardising operational protocols across all of CHG's facilities ensures consistency in the service offering and continues to drive improvements in the quality of the patients' experience. This was especially important given the rapid growth undergone by CHG in the last year. To ensure the prompt integration of all its new facilities, the Group worked to introduce standardised management structures and policies across all CHG facilities through the introduction of a single unified governance matrix. The new framework establishes a clear chain of command across all hospitals and allows for a more efficient and organised running of daily operations across CHG's facilities. These internal restructuring efforts were complemented by the hiring of several new, highly-experienced managing directors to oversee day-to-day operations across its newly acquired facilities, alongside the launch of the Group's new Medical Council. In parallel, CHG worked to strengthen the service offering of the newly acquired hospitals and upgrade their facilities and medical equipment. Over the coming year, the Group's main focus will remain on ensuring a prompt integration of all new facilities. Given the significant progress made over the last few months of 2019, CHG is looking to have all four new facilities complete their ramp up towards potential capacity during the course of 2020.



Enhancing Utilisation and Optimising Existing Capacity

A key factor behind our ability to consistently deliver high-quality care to a growing number of patients revolves around enhancing the efficiency and performance of our existing assets. CHG's optimisation strategy focuses on renovating all its existing facilities, updating their infrastructure and medical equipment, and attracting high calibre consultants and doctors capable of providing exceptional care while using innovative techniques. The Group's renovation strategy kicked off in 2018 under the guidance of world-class engineering consultancy firm, Vital Konzept, and in the first year focused on upgrading the internal infrastructure and façades of several of its hospitals. In 2019, the Group focused on two main aspects: electromechanical upgrades across its entire network and capacity expansions at Al Shorouk and Nile Badrawi Hospitals. CHG management is aiming to complete all upgrade works by year-end 2020.



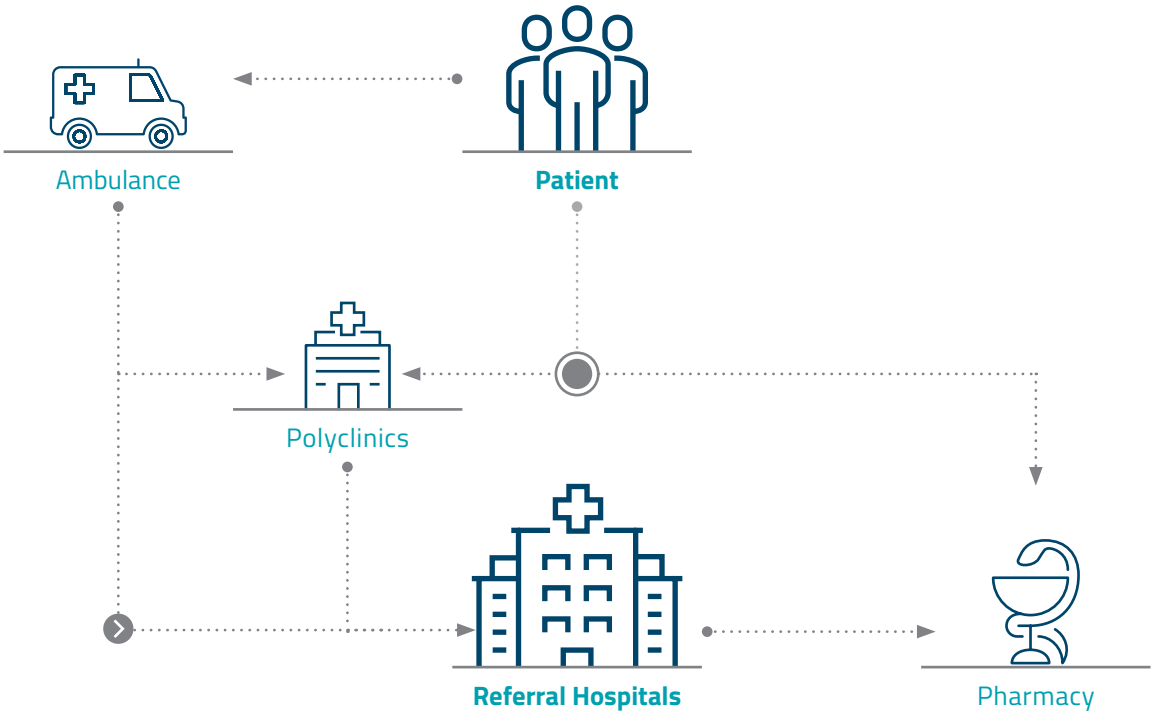
Strengthen our Unified Brand

One of the factors that allow CHG to stand out from its competitors has been its proven track record and a strong brand equity. Today, CHG is well on the way to ensuring that patients across Egypt view all CHG's facilities as a single entity, understanding that each one offers best-in-class care and a superb overall experience for patients and their families. CHG continues to work tirelessly to further unify and strengthen its standards and protocols through a two-phase strategy. Phase one, which has been ongoing for several years now, focuses on standardising the quality of equipment, services, and staff training across all hospitals, attracting the most qualified and experienced doctors in the industry, implementing a unified HIS/ERP system, standardising the Group's call centre and registration process to promote unified brand awareness, conducting ongoing patient satisfaction surveys, and executing speciality awareness campaigns. Phase two, which kicked off in 2019, focuses on defining the Group's brand identity and subsequently communicating this brand to the public through internal and external channels. A main part of this second phase is ensuring that each hospital, regardless of whether it is newly acquired or one of the Group's more established facilities, are integrated under the new umbrella brand. Ultimately, CHG is looking to ensure that patients across the country view all the Group's hospitals and polyclinics as a holistic entity delivering the same high standard of care.

Leverage a Stronger Position with Insurance and Contract Clients

All across Egypt, the number of patients with access to insurance plans is growing steadily. While this greatly benefits patients across the country, it also offers significant benefits for healthcare providers, like CHG, related to the sustained revenue flow associated with these channels. As such, the Group has been actively working to cultivate stronger relationships with insurance and contract clients as it looks to grow the proportion of revenues generated from these channels. A significant area of focus for the Group has been upgrading its facilities to ensure they operate in line with the latest industry guidelines and standards. CHG management sees this as a vital step to ensure the Group's hospitals are categorised as premium healthcare facilities by insurance and corporate clients. The Group's 'One-Stop-Shop' model, which allows CHG to cover all stages of the patient treatment process and offer a convenient, high-quality service offering, will also be a significant factor to ensure the Group continues to attract an increasing number of corporate and insurance clients in the coming years. Ultimately, the Group is aiming to migrate to the value-based reimbursement model and away from the current fee-for-service model.

Patient Pathway Chart



Group-wide Digital Transformation

The Group sees digitalisation as a key driver of future growth. In today's increasingly digital society, digitalisation is playing a consistently larger role in allowing companies to remain a step ahead of their competition, and the health-care industry is no exception. The sector has seen a rise in investment in digital solutions, which today help healthcare providers reach more people, offer higher quality services, and drive operational efficiencies across their businesses. This ultimately helps boost the patient's experience and the provider's top- and bottom-line growth. Over the last few years, CHG has embarked on a digital transformation strategy, which sees the Group looking to introduce the latest digital solutions available on the market to enhance all aspects of its day-to-day operations both on the medical and non-medical fronts.

HIS/Enterprise Resource Planning System

A big part of CHG's efforts to integrate all facilities into a single operational framework and drive further enhancements in the quality of care the Group delivers, lies in the introduction of a new HIS/Enterprise Resource Planning (ERP) system across all CHG facilities called Clinisys. The new system helps improve the hospital's data management and backup framework while improving its back-office management and inventory management and purchasing processes. This will support further margin expansion, aid in the optimisation of the Group's revenue cycle management framework, which already kicked off earlier in the year, and help enhance the Group's consumables stock management process. On the patient care side, the new system is expected to drive significant improvements in patient outcomes and their overall experience when visiting a CHG facility. Through the new system, patients will be given unified ID numbers across all hospitals, this will in turn allow the Group to build single medical files for each patient making the diagnosis process significantly quicker thanks to a prompt access to their medical history. The new system is also expected to significantly help in guaranteeing the protection of patients' personal data. The roll out kicked off in the final quarter of 2018 when CHG's Cairo Specialised Hospital became the first facility to operate under the new system. A full roll-out of Clinisys is expected by early 2021.

In parallel, CHG is also introducing a new business analytics tool called Power BI. The business intelligence solution enables each department to access a full-suite of cross-Group financial and operational statistics split by hospital and service. This will not only ensure that teams across all the Group's hospitals have access to the same information in a timely manner, but will also greatly enhance CHG management's decision-making process giving them an additional tool to take strategic and informed decisions.

Data Storage and Security

Ensuring business continuity is also a main priority for the Group. As such, CHG is running all its IT systems in a private cloud environment hosted by GPX, a world-leading data centre operator. Operating in a private cloud environment offers flexibility, guaranteed resource availability, strong security, regulatory compliance, and cost savings. This not only ensures that CHG has a full business continuity plan in place, but also greatly enhances the Group's data security framework. To this end, through GPX, the Group employs an endpoint security framework to guarantee the storage and safety of its sensitive data. Under the data loss prevention and protection umbrella offered by endpoint security, the Group enjoys top-of-the-line data protection both for its data 'at rest' and its data 'in motion', shielding the Group from cyberattacks at all stages of its day-to-day operations. This is done through sophisticated encryption mechanisms which protect sensitive data and are in full compliance with international data privacy and security regulations. Starting in 2017, the Group set out to further strengthen its cybersecurity protocols, and today, CHG runs regular security assessments and vulnerability checks to identify shortcomings and develop strategies to promptly address them.

CHG App

In line with the Group's digitalisation strategy and its efforts to find innovative ways to enhance the patient experience, CHG launched, in late 2019, its new app. The new mobile app allows patients and their families to book appointments online at all CHG hospitals and clinics, gives patients access to physician directories and their medical records, and allows them to book cars to and from appointments through Uber. The app, developed by CarePassport, is HIPAA compliant and can be downloaded free of charge from the iOS and Android stores. Going forward, CHG will look to add several other features to the app as it works to boost patient engagement and satisfaction. In early 2020, CHG partnered with Elbalto, Egypt's first telemedicine mobile app, to offer patients consultation and follow-ups through video calls. This gives patients direct access to CHG's top-class physicians while helping to promote social distancing and limiting the risk of exposure for the Group's patients and staff.

CHG Call Centre

CHG unified call centre was launched in 2019 as the Group looks to drive further cost savings and integrate all facilities under a single operational framework. Currently, all facilities with the exception of Cleopatra Hospital, which will be integrated by July 2020, have been operating under the new call centre

system, which is managed externally by a leading BPO and call centre solutions provider, Majorel. While launching a unified call centre helps drive further operational efficiencies across the Group, it also plays a key role in strengthening the Group's unified brand. Calling a single number (19668) for all CHG's hospitals rather than individual numbers for each hospital ensures that the public views all CHG facilities as a single entity rather than as standalone facilities, strengthening the Group's brand equity. Through the unified call centre, the Group will also be able to conduct outbound calls directly to patients to follow-up on cases and the patient's recovery, to set up home delivery for medication, and to organise home visits. These services will be extremely important in light of the COVID-19 outbreak as they will help promote social distancing and allow people to receive care while complying with the limitations to people's mobility imposed by the government.

Innovation Hub

In line with the Group's goal of driving innovation across the sector, in 2020, CHG is looking to launch its Innovation Hub. The hub's main role is to act as an incubator for Egyptian startups who are working to develop new digital solutions with applications in the healthcare sector. Through the support, guidance, and funding provided by the Group, the aim is to help turn innovative ideas into actual solutions to enhance CHG operations. Currently, the Group looking to focus on solutions in the areas of revenue cycle management, telemedicine, and medical data collection and analysis. In the coming years, the Group will start to work closely with local startups to help drive digital transformation both internally and across the wider healthcare sector.

Establishing Centres of Excellence and Achieving International Accreditation

The single most important factor behind CHG's success over the years has been its consistent ability to deliver high quality services and exceptional patient outcomes across its network of hospitals. This has not only been key in helping establish the Group's brand name within the Egyptian market, but is also a main factor helping CHG achieve international accreditation. In 2019, CHG launched its new Medical Council. While the main function of the new body is to drive care quality enhancements across the Group, the team will also work towards obtaining the JCI and HACCP certifications. To this end, the Group has already taken important steps forward with the renovation of its facilities, the upgrade of its equipment, and the standardisation of its staff training framework and operational protocols. The Group has also launched an internal evaluation process to assess the Group's policies and procedures and, where necessary, amend them to comply with the latest international best-practices and standards.

Over the years, CHG has established multiple centres of excellence across each of its hospitals. The centres of excellence model, looks to leverage the unique strengths of individual hospitals and allow them to specialise in specific services. This in turn not only sees the Group's hospitals minimise CAPEX outlays by eliminating the need to invest in the same equipment across different facilities, but also helps enhance the quality of the services each hospital is able to provide. Centres of excellence also foster affiliations with international institutions and make it possible to attract globally renowned experts. In 2019, the Group added two new hospitals to its network, and with them CHG was able to add two new centres of excellence to its roster. The newly acquired El Katib Hospital is set to become the Group's urology centre of excellence, while Queens Hospital will become CHG's OBGYN centre of excellence.

Quality and Safety Report

CHG conducts regular quality assessments at all its facilities and develops strategies to address any identified shortcomings to ensure that the quality of clinical services and patient care at all of the Group's facilities is consistently of the highest standard. This is especially important in light of the recent COVID-19 outbreak. In line with the Group's commitment to ensuring the safety and wellbeing of all its staff and patients, CHG has introduced additional health and safety protocols specifically aimed at addressing the COVID-19 outbreak.

Each year, CHG conducts an internal readiness assessment across all facilities as a part of the process to achieve Joint Commission International (JCI) accreditation. The process is overseen by the Group's Quality Function, which was established in 2017 and led by an industry veteran with 20 years of experience accrediting hospitals across Egypt. Following the assessment, the team develops and implements a corrective action plan in preparation for the Group's accreditation tests.

The sections below outline all corrective measures taken during the course of 2019.

Policies and Training

In 2018, CHG developed 165 Group-wide quality and safety policies. In 2019, CHG conducted regular training sessions to ensure that all medical and non-medical staff had a clear understanding of all policies. The Group also conducted regular assessments to ensure a consistent implementation of all new policies and procedures across all facilities.

Patient Safety

The Group is constantly looking to improve patient safety by updating and implementing new frameworks for infection and medication control. In 2019, CHG conducted several staff training seminars related to the topics of hygiene and medication management. Throughout the year, the Group continued to implement the use of preoperative antibiotics Prophylaxis according to the latest industry guidelines. In parallel, CHG continued to use the new coding system for medication management and distribution procedures developed in 2018 across all the Group's new and more established facilities. In 2019, in line with its commitment to patient safety, the Group continued to contract laundry and food service providers that adhere to the highest standards of quality and safety.

Aligning KPIs Across CHG Facilities

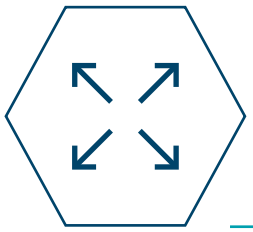
In 2018, CHG developed a comprehensive set of both financial and non-financial KPIs. This list includes more than 140 nonfinancial KPIs used throughout all CHG hospitals during staff assessments. In 2019, the Group focused on implementing all KPIs across the four new facilities added to the Group's network throughout the year. This is seen as particularly important by CHG management as the Group looks to standardise the quality of care delivered across all its facilities.

A Culture of Safety

In 2019, CHG actively engaged its staff in activities and training seminars aimed at cultivating a Group-wide culture of safety. The Group is increasingly focusing on risk management reporting through the identification of all possible sources of risk and the implementation of a dedicated strategy to tackle them and minimise their potential future impact.

Going Forward

Given the recent COVID-19 outbreak, the Group's efforts will focus strictly on guaranteeing the safety of its medical and non-medical staff and of the Group's patients and their families. In the coming twelve months, through continuous staff awareness and training seminars, CHG will continue to emphasise a patient-first approach across all its existing and newly added facilities. In parallel, the Group will continue working towards completing the necessary requirements to achieve national and international (JCI) accreditation.



Expanding Hospital and Feeder Network

Over the last two years, CHG has turned its attention towards expanding its network of hospitals to increase its geographic reach, expand its service offering and capacity, and drive further operational and financial growth. To ensure the Group's growth does not come at the expense of the quality of care the Group is able to offer to its patients or of the business' sustainability, CHG adheres to a six-pillar expansion strategy, which prioritises responsible and strategic growth across new regions and verticals.

Creating Feeder Network

The Group is expanding patient access by developing a network of polyclinics and outpatient centre offerings. Polyclinics are relatively underdeveloped in Egypt, but they represent a low-CAPEX expansion avenue. In 2019, the Group launched its first two polyclinics. The launch of the East and West Cairo Polyclinics not only allow CHG to expand its geographic reach across Greater Cairo, but also help drive up volumes at the Group's main hospitals through the referral of patients. The facilities are located strategically across high-catchment areas of Cairo, helping to fill a supply gap for segments of the population who currently have limited healthcare access. The polyclinics also ensure shorter waiting times for OPD services while delivering a comprehensive suite of complementary outpatient services such as laboratory, radiology, and pharmacy. Both polyclinics are fully operated through the Group's new ERP/HIS system. During the year, CHG East Cairo Polyclinic continued to outperform the Group's expectations, averaging close to 300 visits per day by year-end 2019, in line with volumes recorded by a typical hospital's outpatient clinic department. The Group's West Cairo Polyclinic management is also witnessing strong growth in demand with volumes continuing to expand in the second half of 2019.

Strategic Acquisitions of Operating Hospitals

Perhaps the most important aspect of the Group's expansion strategy revolves around the acquisition of strategic already operating hospitals characterised by strong brand names and convenient locations. This in turn allows the new facilities to be promptly integrated within the Group's operating model and begin driving further value creation from the very start. During 2019, the Group completed two landmark acquisitions. In the first quarter of the year, the Group took over operations at Queens Hospital in Cairo's Heliopolis neighbourhood. The 50-bed facility is set to become the Group's new OBGYN centre of excellence and will begin operating at full capacity during 2020. In the last quarter of the year, the Group completed a second strategic acquisition, taking over operations at El Katib Hospital in Dokki. The facility will see the Group add a new kidney centre of excellence to its roster. The hospital is currently completing the integration and ramp up phases with management aiming to operate at full capacity in the coming months.

Heading into 2020, CHG is assessing a solid pipeline of potential acquisitions across and outside the Greater Cairo area to further expand its network. At present, growth in the Egyptian healthcare sector is set to be supported by Egypt's favourable demographic profile and solid macroeconomic fundamentals. This offers healthcare providers like CHG important growth opportunities for the coming years, which the Group is eager to capture and take full advantage of.

Expanding Reach Beyond Greater Cairo

While CHG has historically largely focused on growing its presence across the Greater Cairo area, in the last few years, the Group has been actively working to branch out and penetrate other high-potential governorates across Egypt. Expanding outside the Greater Cairo area offers potential benefits for CHG and patients alike. While the Group stands to benefit from the increase in volumes that would come from the freshly gained access to new segments of the population, patients all across the country who currently suffer from an undersupply of healthcare would gain access to the Group's best-in-class medical services helping to improve the wellbeing of communities all across Egypt.

In the latter part of the year, CHG kicked off civil works at its new 198-bed hospital in Beni Suef. The Group is looking to complete the first phase of the hospital before the end

of 2020, which will see between 70 to 90 beds come online. The Beni Suef hospital is CHG's first medical facility outside Greater Cairo and is a move to expand the Group's reach to more secluded regions of the country. The facility will also house a teaching section dedicated to Nahda University's faculty of medicine. The total estimated cost for the refurbishment and development of the facility is estimated at EGP 360 million.

Building Additional Capacities in Existing Facilities

In parallel to the acquisition of new facilities, the Group is also working to enhance the capacity of its existing assets. This involves optimising the use of spaces currently not used for revenue generating activities to allow the hospitals to increase the number of patients treated and add to their already wide roster of services offered without compromising the quality of care. In 2019, the Group's efforts focused on capacity expansions at Al Shorouk and Nile Badrawi Hospitals. The Al Shorouk Hospital extension is expected to come online in the second quarter of 2020, with the extension to Nile Badrawi Hospital expected to launch in the coming period as well.

Brownfield/Greenfield Expansions

Over the coming year, CHG will continue to target brownfield and greenfield expansion opportunities alike. Within the Greater Cairo area and across Egypt, there are several interesting prospects which present important growth opportunities for the Group. While further establishing its presence in Greater Cairo is important for the Group, branching out into new governorates is also a priority. In 2019, CHG continued assessing and shortlisting potential brownfield acquisitions in areas not currently covered by CHG facilities or in areas that are generally underserved.

Establishing Strategic Entities to Serve Operations

As part of the Group's strategy to leverage synergies and expand its service offering, CHG is now in the process of creating new business operation entities to oversee specific areas of the Group's day-to-day operations. This process kicked off in 2018, when the Group established a new Pharmacy Management Entity with a scope to serve the pharmacy business across the entire Group. During 2019, the Group launched its new Medical Council with the goal of driving quality enhancements across the entire Group and continued working to establish a Consumable Import Entity. The new entity's scope will be to oversee and manage the Group-wide demand for consumables and medical devices and work to further improve the Group's equipment purchasing process.

Looking Forward

CHG's success over the years sees the Group currently stand in the ideal position of being able to focus on the future. CHG is currently looking at ways to drive future growth and value creation. An important aspect will be the Group's ability to branch out into new verticals to complement its current model. In the past year, CHG management has been looking at new areas to penetrate such as facility management, long-term patient care, and home care. At the same time, the Group is also looking to further expand its presence in the pharmacy sector.

Facility Management

Facility management represents an ideal new vertical for CHG to penetrate as it looks to further diversify its revenue streams heading into the new decade. The recent growth experienced by the Egyptian healthcare industry, with new hospitals and clinics constantly being launched, present a significant opportunity for companies, like CHG, to offer facility management services. Moreover, the Group's established business model, scale of operations, and vast experience place CHG in the perfect spot to successfully offer facility management services to hospitals and clinics in the Greater Cairo area. Potential services to offer include laundry, housekeeping, and catering.

CHG Pharma

CHG Pharma is a separate entity which manages the Group's pharmacies located in its hospitals and polyclinics. Currently, avenues for future growth at the Group's pharma business include opening up new branches across the newly acquired hospitals, while, in parallel, opening new pharmacies outside of the Group's facilities.

Long-term and Home Care

As the Egyptian population continues to grow and its life expectancy increases further, there will be a growing need for long-term and home care for older patients across the country. Home care allows a patient with special needs to stay in their home. It is typically useful for people who are getting older, who are chronically ill, or who are recovering from an injury or a medical procedure. Using the Group's polyclinics as a base, CHG is looking to offer home care and long-term care services across the Greater Cairo area. While this does represent an avenue of future growth for the Group, it also represents yet another service that the Group will offer to improve the life of its patients and their families.

2019 in Review

2019 was a remarkable year for CHG as the Group once again delivered excellent operation and financial results. Throughout the past twelve months, the Group expanded its geographic reach and service offering by acquiring and launching new facilities and renovating existing ones and continued to deliver best-in-class care to a growing number of patients.

23%

Consolidated Revenue Growth in 2019

Operational **Highlights**

2019 was a year of expansion, internal restructuring, and integration for Cleopatra Hospitals Group. While the number one focus for the Group remained expanding its facility network, CHG also focused heavily on integrating the new assets within its operational framework to extract existing synergies, and on restructuring its internal protocols to drive further efficiencies. Through the frameworks introduced during 2019, CHG enters 2020 ideally positioned to extract the full value out of all eight of its facilities as it looks to continue delivering the highest quality care to a growing pool of patients across the country while simultaneously delivering exceptional financial results as in the past years.

Integration

The Group's multi-pronged integration strategy covers all aspects of the new hospitals' day-to-day operations allowing CHG to efficiently transfer its internal protocols and standards to the new facilities. During the year, CHG took over operations at El Katib and Queens Hospitals. While the two facilities required individual integration plans to ensure specific issues were addressed, common areas of focus across both hospitals included:

1
Strengthening current service offerings to transform them into centres of excellence. El Katib will act as the Group's urology centre of excellence, while Queens Hospital is set to become CHG's OBGYN centre of excellence. Queens Hospital will also increase its day-surgery capabilities and help other CHG hospitals in the East Cairo area handle excess patient volumes.

2
Adding or enhancing ICU, ER, and diagnostic and general surgery facilities. This included the addition of new state-of-the-art medical equipment and restructuring to existing infrastructure.

3
Selecting new management teams and implementing the Group's proven organisational chart to guide each hospital through the integration and ramp up phases.

4
Transferring CHG standards and protocols to ensure that both facilities deliver the quality of care and patient outcomes that CHG's patients have come to expect from all the Group's hospitals.

5
Rolling out the Group's new HIS/Enterprise Resource Planning (ERP) system to help with data management and protection, back-office and inventory management, and drive up the quality of patients' overall experience when visiting any of the Group's more established or new hospitals.

As of year-end 2019, progress with both facilities' integration programs is proceeding on schedule. El Katib Hospital immediately recorded strong patient volumes throughout the first months of its ramp-up phase, with Queens Hospital set to begin operating at full capacity during the first half of 2020.

Digitalisation

CHG management sees digitalisation as a crucial driver of future growth for the Group, and during 2019 CHG took significant steps forward on all aspects of its digital transformation strategy. Over the last year, the new HIS/ Enterprise Resource Planning (ERP) system was rolled out at both the Group's East and West Cairo polyclinics. They join Cairo Specialised Hospital, which adopted the system in the final quarter of 2018. During the year, the Group's IT department also conducted detailed training sessions at Cleopatra Hospital to ensure a smooth transition once the new Clinisys system will be deployed at the facility. In 2019, the Group also launched its new app. Although the full launch has been postponed due to the current COVID-19 global outbreak, the app is already available for download on both the iOS and Android stores. Since its launch, the app has already been downloaded by hundreds of users with the Group receiving very positive feedback for all the app's features. In the past year, CHG also ran its first security assessments and vulnerability check. The results were very satisfactory with all minor shortcomings identified and immediately addressed. Going forward, the Group will continue to run regular checks to ensure it is well-prepared against cyber-attacks. On the Innovation Hub front, the Group worked closely with several startups during the year as it looks to venture into telemedicine. Although telemedicine is currently a very underprovided service in Egypt, largely due to cultural barriers preventing it from increasing in popularity, it offers significant potential for future growth and represents an area the Group is eager to penetrate in the coming years.

Expanding Existing Capacity

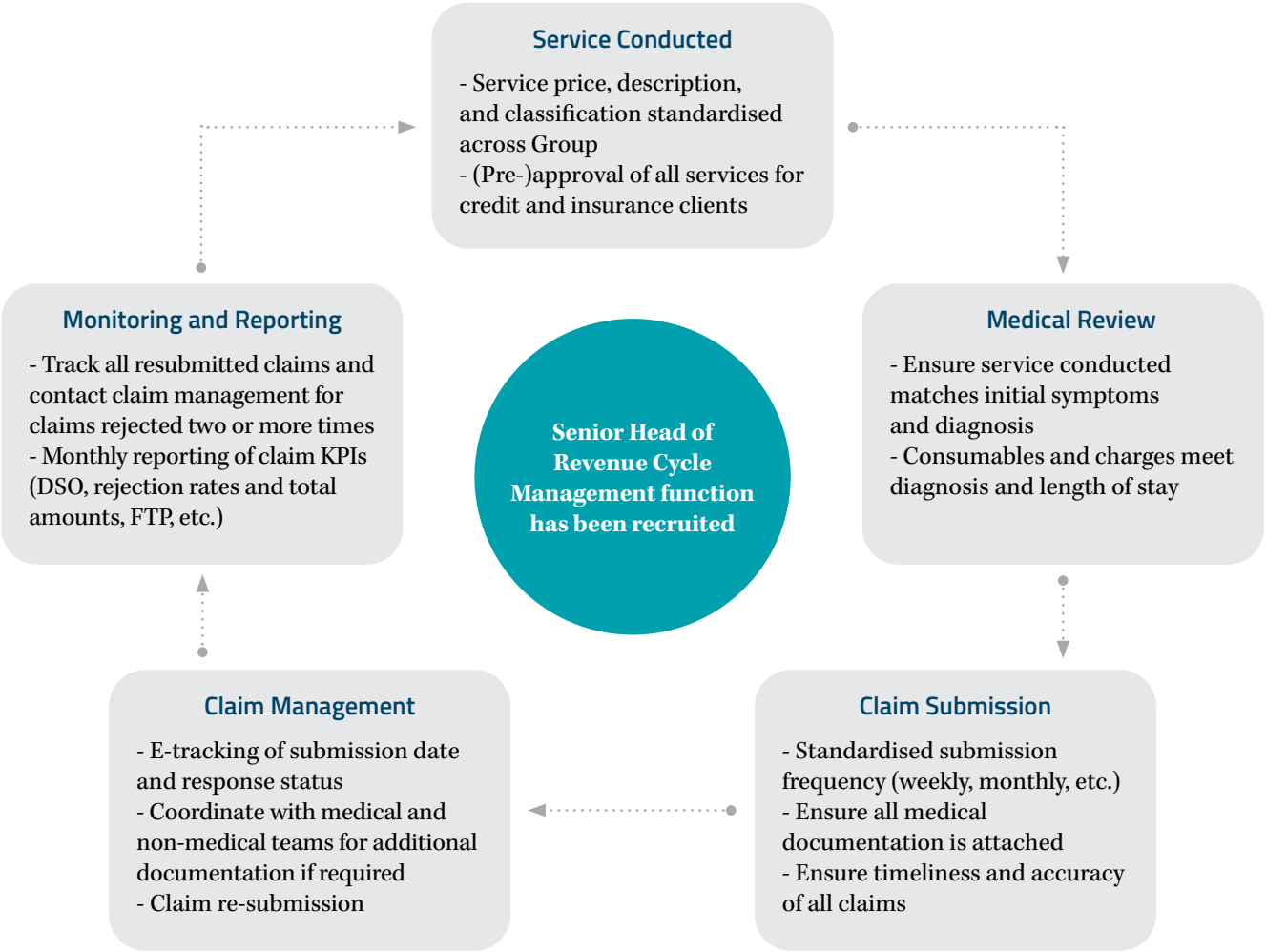
Part of the Group's expansion strategy focuses on enhancing its existing capacity allowing it to offer more services to more clients from the facilities already operated by CHG. During 2019, capacity expansion efforts focused on the Group's Al Shorouk and Nile Badrawi Hospitals. At Al Shorouk Hospital, the Group successfully acquired four floors in a building adjacent to the facility. The newly acquired space will house more of the hospital's outpatient and pharmacy services opening more space to expand the facility's inpatient service capacity with around 20 beds set to be added in the coming months. At Nile Badrawi Hospital, the Group is looking to roll out 20 additional beds during 2020 in the last two floors of the building, replacing space that was previously not revenue generating.

Enhancing our Facilities

Back in 2018, under the guidance of leading German multidisciplinary engineering consultancy firm, Vital Konzept, CHG embarked on a Group-wide renovation plan to enhance the quality of the Group's facilities both internally and externally. During 2018, renovation work focused on enhancing the façade of multiple CHG hospitals and upgrading equipment and infrastructure across all the Group's hospitals. At the start of 2019, CHG successfully awarded the tender for the accelerated renovation package, which focuses on electromechanical upgrades across the Group's facilities. The electromechanical upgrade work commenced in the second half of the year, and as of year-end 2019, progress continued on schedule. Management expects all upgrade works to be completed over the coming two years.

Revenue Cycle Management

During the course of the year, CHG has worked to revamp its claim collection process introducing a new fully organised revenue cycle management framework. Establishing a more structured revenue cycle management framework is part of CHG's wider integration strategy that will also include improvements to the hospitals' client base by moving away from clients with weak credit profiles. The new framework, which will standardise the revenue collection process across all CHG hospitals, operates as a five-stage process covering all aspects of the revenue cycle from classifying the Group's service offering and obtaining pre-approvals for credit and insurance patients to the claim submission, review, and management process. As part of the new revenue cycle management framework, CHG has established a new dedicated team to oversee the claim collection and post-submission credit control processes. The new team will be overseen by a newly hired Senior Head of Revenue Cycle Management whose experience in the field has already been instrumental in guiding the Group during the transition into the new system. The Group has also introduced several internal KPIs related to revenue cycle management to ensure that the new framework helps continue to achieve the desired improvements.



Internal Management Systems Restructuring

Throughout 2019, CHG focused heavily on restructuring its internal management framework to promptly integrate the newly acquired assets within its operating framework, leverage existing synergies, and expand its service offering. In 2019, CHG hired multiple new, highly-experienced managing directors to oversee day-to-day operations across its newly acquired facilities. The Group also launched its new Doctor Sales Function. The new team will be targeting consultant sales and work to attract the highest quality and experienced talent in the country. The new sales function has been focusing heavily on enhancing referrals at the Group's cardiovascular, orthopaedic, and general surgery specialities. The Group also introduced multiple enhanced employee training and development programmes to provide tailored, career-enhancing training to all staff. Finally, the Group also rolled out a new succession planning scheme to develop the Group's future class of managers.

CHG Medical Council

During the third quarter of the year, the Group officially launched its new Medical Council. The new body will be under the direct supervision and guidance of the Board's quality committee and will be composed of renowned specialised consultants from across the Group's hospitals. CHG Medical Board will work to further improve direct patient care across all Group Hospitals, develop centres of clinical speciality excellence and organise professional development training for all Group staff members, while also working towards adding new medical services to the Group's service offering.

Management Discussion and Analysis

1,798 EGP MN
FY2019 Revenues (up 23% y-o-y)

1,015,691
Cases Served[1] in FY2019 (up 10% y-o-y)

501 EGP MN
FY2019 Adj. EBITDA[2] (up 24% y-o-y, 28% margin)

2019 was a remarkable year for CHG as the Group once again delivered excellent operation and financial results. Throughout the past twelve months, the Group expanded its geographic reach and service offering by acquiring and launching new facilities and renovating existing ones and continued to deliver best-in-class care to a growing number of patients. On the back of the new facility additions, the Group incurred in higher expenses related to integration or ramp-up costs. Despite this, CHG delivered solid growth with stable margins at the gross profit and EBITDA levels for the year, demonstrating a continued ability to drive efficiency enhancements at an organic level.

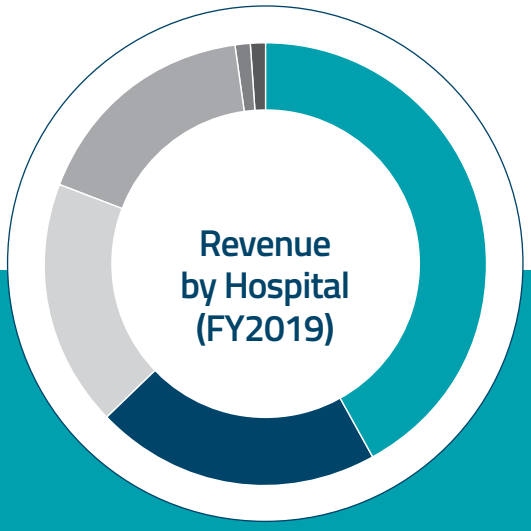
The Group closed the year off reporting a 23% y-o-y expansion in revenues on the back of continued favourable pricing, an improved case mix across the Group's hospitals and growing patient volumes. Gross profit margin (GPM) for the year stood at 35%, unchanged versus the previous year despite the significant expansion completed by CHG. Adjusted EBITDA expanded 24% y-o-y with net profit for the year coming in at EGP 265.4 million (NPM 15%).

Revenues

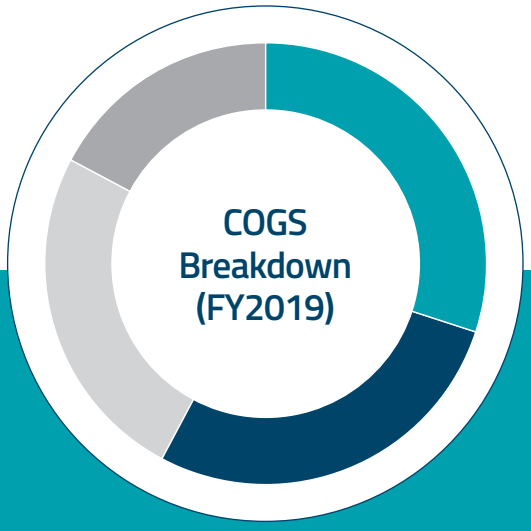
Consolidated revenues for the year came in 23% above last year's figure to reach EGP 1,798.1 million for the year supported by a solid revenue expansion across the Group's full array of services and procedures. On a by service basis, inpatient services contributed to 23% of the Group's consolidated revenue having expanded 17% y-o-y in FY2019. This was closely followed by surgeries which reported a 32% y-o-y rise in revenues and contributed to 21% of the Group's top-line over the past twelve months. Outpatient services recorded a 14% y-o-y rise in revenues and made up 13% of the consolidated figure for the period. Revenues generated from the Group's laboratory services were up a solid 31% y-o-y, with the segment making up 9% of total Group revenues in FY2019. Revenues from catheterisation services were up 25% y-o-y, with their share of total revenues coming in at 8% for the year. Finally, radiology services recorded a 33% y-o-y rise in revenues with their contribution to consolidated top-line standing at 6% for the year.

On a per hospital basis, Cleopatra Hospital, which includes revenues of around EGP 13.6 million generated by Queens Hospital, continued to make up the largest share of consolidated revenues at 42% for FY2019. This was followed by Cairo Specialised Hospital, which made a 21% contribution, Nile Badrawi Hospital with an 18% share of total revenues, and Al Shorouk Hospital with a 17% contribution. The Group's newly launched East and West Cairo Polyclinics contributed to around 1% of total revenues for the year, with the newly acquired El Katib Hospital also making up around 1% of consolidated revenues in FY2019.

[1] Cases served include number of in-patients, outpatient visits, and ER visits.
[2] EBITDA, Earnings before Interest, Tax, Depreciation, and Amortisation adjusted for provisions, impairments, LTIP, acquisitions expenses, pre-operating expenses, and excluding contributions from other income.



Cleopatra Hospital*	42%
Cairo Specialised Hospital	21%
Nile Badrawi Hospital	18%
Al Shorouk Hospital	17%
El Katib	1%
Polyclinics**	1%



Medical Supplies	30%
Consulting Physicians	28%
Salaries and Wages	25%
Other	17%

Cost of Goods Sold

Cost of goods sold in FY2019 increased to EGP 1,172.7 million, a 24% y-o-y rise. During the year, medical supplies made up 30% of total COGS, followed by consulting physicians' fees at 28%, and salaries and wages at 25%. Salaries and wages continued to be the fastest growing component, expanding 30% y-o-y in FY2019. The Group's COGS/sales ratio stood at 65% for the year.

Gross Profit

CHG reported a gross profit of EGP 625.5 million in FY2019, a 22% y-o-y increase. GPM for the year stood at 35% unchanged from last year's margin. Cleopatra Hospital, which continues to include Queens Hospital's results, reported a 13% y-o-y rise in gross profit and made up half of total gross profit for the period. Cairo Specialised Hospital reported the fastest gross profit growth rate for the year expanding 47% y-o-y and making up 20% of CHG's consolidated gross profit. Nile Badrawi Hospital reported a 21% y-o-y rise in gross profits, making up 17% of the Group's gross profits, followed by Al Shorouk Hospital which saw a 27% y-o-y rise in gross profit, making a 14% contribution to consolidated gross profit for the year.

G&A Expenses

General and administrative (G&A) expenses consist of the company's non-medical staff costs, including those of senior management and Group-level professional consulting fees. G&A expenses also include the Group's Long-Term Incentive Program (LTIP), a non-cash charge linked to share price appreciation and EBITDA growth. The LTIP has a four-year maturity period maturing by 30 June 2020, after which amounts will be disbursed. Outlays for G&A purposes increased 85% y-o-y in FY2019 to EGP 338.0 million.

The y-o-y increase came on the back of an increase in the accrued non-cash LTIP expense and a rise in impairments for the periods. In FY2019, LTIP expenses came in at EGP 83.8 million compared to EGP 20.4 million in FY2018. The Group booked EGP 58.6 million in impairments during FY2019 compared to EGP 1.7 million in FY2018. The rise in impairments for the year was related to claims from 2016, 2017, and to a lesser extent 2018. During the year, supported by the Group's efforts to establish a more structured revenue cycle management and enhance the quality of its claims collection procedure, impairments continued on their path towards normalisation, with total impairments booked in 2H2019 to EGP 17.4 million, significantly down from the EGP 41.2 million booked in the first half of the year.

EBITDA

CHG's EBITDA, factoring out acquisition expenses, impairments, the LTIP's non-cash charge, pre-operating expenses, and contributions from other income, increased 24% y-o-y in FY2019 surpassing the half-a-million mark to reach EGP 501.1 million. EBITDA margin for the year stood unchanged at 28%.

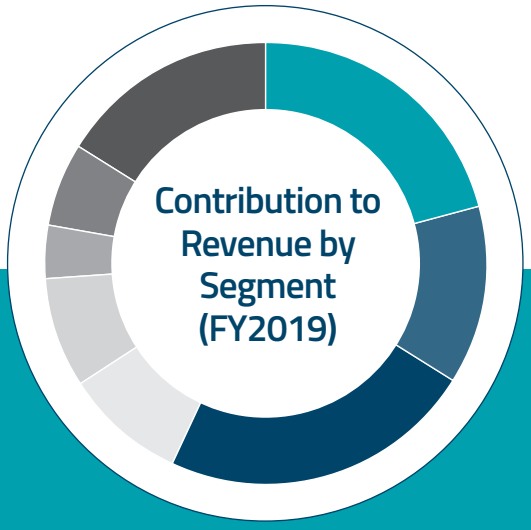
Excluding the negative impact on EBITDA of the Group's East and West Cairo polyclinics launched in 2019 and Queens Hospital, currently undergoing refurbishment works, EBITDA would have expanded 32% y-o-y in FY2019, with a margin of 30%.

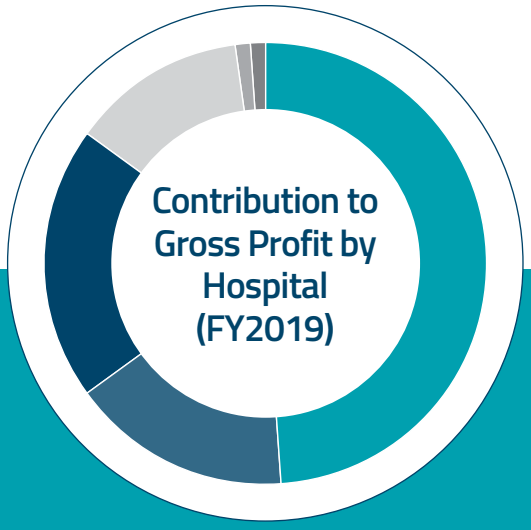
Net Profit

CHG's consolidated net profit came in at EGP 265.4 million for FY2019 compared to the consolidated EGP 315.2 million net profit booked in FY2018. The decrease came largely on the back of higher LTIP expenses, impairments, and heightened depreciation outlays related to the recent acquisitions by the Group. NPM for the year stood at 15%. In 4Q2019, net profit increased 6% y-o-y to EGP 95.4 million, with an associated NPM of 19% for the period.

CAPEX

Total CAPEX outlays stood at EGP 360 million as of 31 December 2019, including down payments for CAPEX purchases not yet delivered. Throughout the year, CHG's expenditures focused on renovation and upgrade works, and the procurement of new state-of-the-art equipment, as the Group continues to focus on improving its healthcare services and continue to provide superior clinical outcomes.



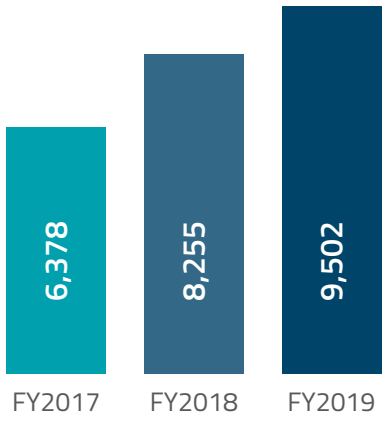


Surgeries	21%
Outpatient Clinics	13%
Inpatients	23%
Laboratories	9%
Cardiac Catheterisation	8%
Emergency Room	4%
Radiology	6%
All Others	16%

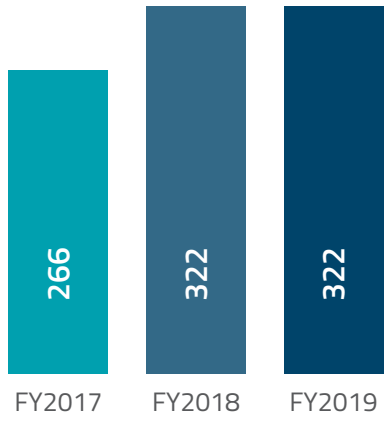
Cleopatra Hospital	50%
Nile Badrawi	17%
Cairo Specialised Hospital	20%
Al-Shorouk Hospital	14%
El-Katib Hospital	1%
Polyclinics	-1%

In-Depth Look at KPI Progression

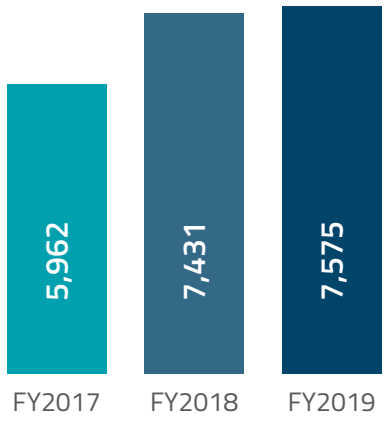
Average Revenue per Surgery



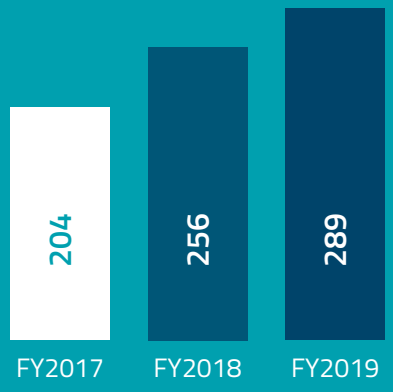
Average Revenue per Outpatient



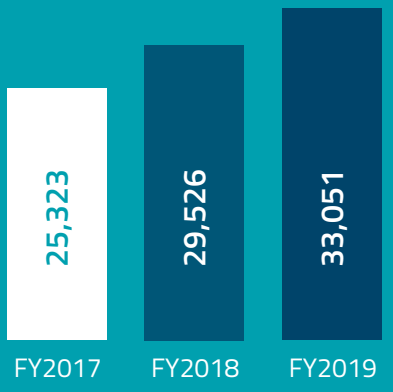
Average Revenue per Inpatient



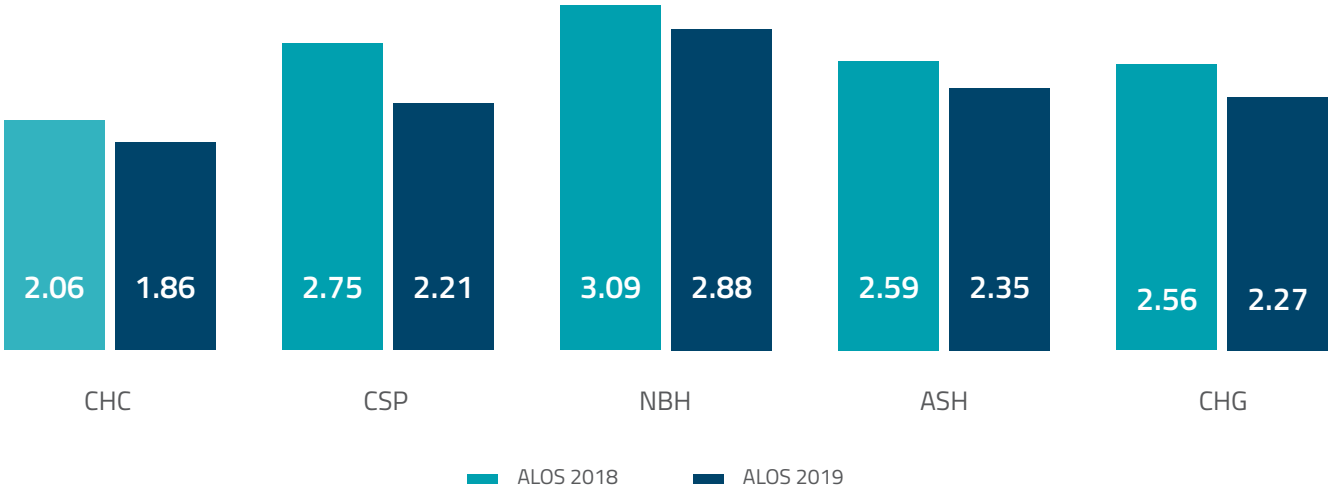
Average Revenue per ER Visit



Average Revenue per Catheterisation

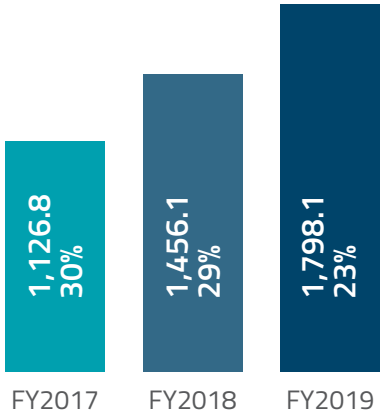


Average Length of Stay (days)



*This is calculated using the Adjusted EBITDA figures which excludes CAPEX outlays for the year.

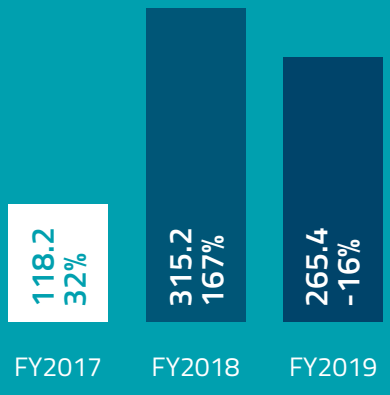
Revenue Progression (EGP mn | %)



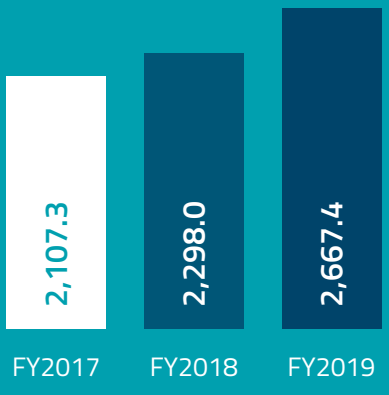
Consolidated Adjusted EBITDA Progression (EGP mn | %)

Consolidated Gross Profit Progression (EGP mn | %)

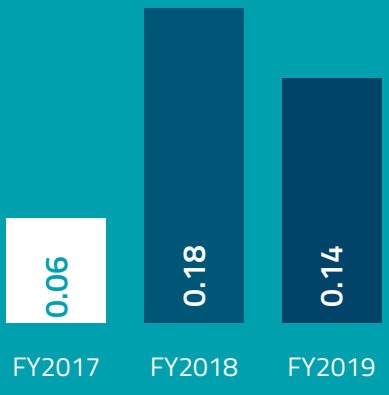
Consolidated Net Profit Progression (EGP mn | %)



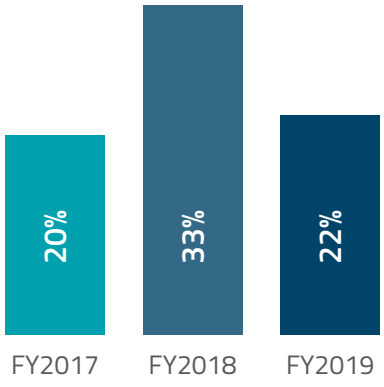
Total Assets Progression (EGP mn)



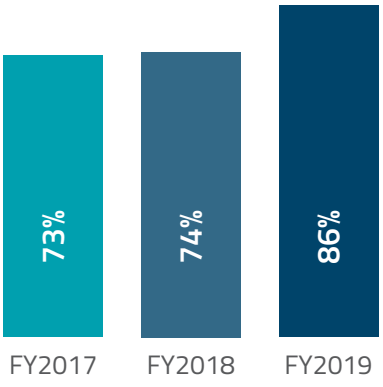
Earnings per Share (EGP)



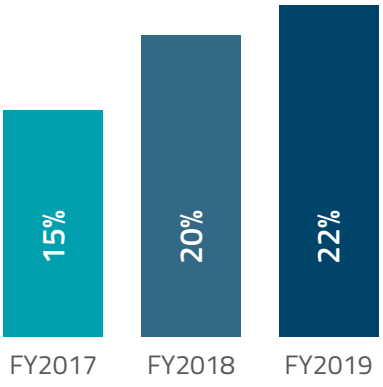
Rate of Return on Capital (%)



Cash Conversion Ratio (%)*



Rate of Return on Equity (%)



Our People

CHG's employees continue to be the organisation's back bone and as such, CHG remains committed to providing a safe and stimulating work environment to allow its people to continue growing professionally.

5,262

Group Employees in 2019

HR Strategy

The HR department's four-pillar strategy covers all aspects of the Group's operations from filling existing gaps within the organisational structure and offering solid career advancement opportunities for all employees to guaranteeing a safe, diverse, and productive work environment across all the Group's medical and non-medical facilities.

Strengthen Internal Organisation

A key role of the Group's HR department is to identify and address existing gaps within CHG organisational frameworks. This ranges from hiring or promoting key figures to fill positions within the current organisational chart to creating new business entities to oversee aspects of the Group's day-to-day operations, which were previously lacking in monitoring or oversight. The team also works to ensure the continuous professional development of both its medical and non-medical staff, giving everyone the tools and training necessary to take their individual careers to the next level. This attention to the professional development of all staff alongside the fair compensation offered by the Group to all employees has, over the years, seen CHG emerge as an employer of choice in the industry attracting the best medical talent in the country as well as professionals from within and outside the healthcare sector to run its back-office functions. During 2019, the department's progress was significant and saw the roll out of key initiatives including:

1

The launch of a new Revenue Cycle Management function to tackle the existing issues in the Group's claim collection and billing process, which weighed down on the Group's financial performance during the course of the year.

2

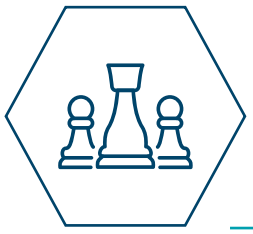
The launch of the CHG Medical Council. The new function is tasked with overseeing all medical aspects of the Group's operations. It will work to enhance the quality of care and patient outcomes, while strengthening the medical team by training and hiring new talent. The establishment of the Medical Council also goes to complement the existing HR framework bringing vital medical experience to the process of staff evaluation and professional development planning.

3

The launch of a new Consultants Relationship team. The function's main scope is to strengthen relationships with new and existing consultants. The team will work to take stock of ideas, suggestions, and concerns expressed by the consultants and address them to further improve the work environment and overall experience of all consultants working at a CHG facility. This key responsibility, which was previously taken on by Managing Directors at individual facilities, will also help attract new leading consultants to the Group's hospitals and drive growth in the referral rates to the Group's facilities.

4

In 2019, the Group also rolled out its first all-encompassing employee handbook. The document covers all aspects of the staff's professional lives at CHG from compensation and annual leave entitlement to their rights, roles, and responsibilities as CHG employees. The document also includes the Group's code of conduct, which was first introduced in 2016. The publishing of the new employee handbook aims to strengthen the sense of belonging that already exists among all CHG employees.



Succession Planning

Developing a clear and effective strategy to cultivate leaders from within the organisation is a key area of focus for the Group's HR department. Both across the medical and non-medical departments, the Group's objective is to grow talent from within giving them the tools and experience needed to take the next step in their careers. During 2019, the Group continued to prioritise the professional development of all its staff with initiatives and highlights including:

1

Filling several new management positions from within. The managing director at the Group's East and West Cairo polyclinics and CHG Pharma were selected internally, as well as several other medical and HR vacant positions.

2

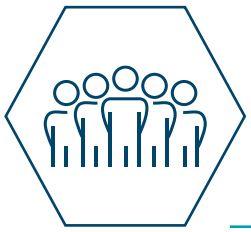
The team worked to enhance its human resource service offering by organising career development training sessions aimed at helping staff plan a career path and establish a step-by-step strategy to achieve their goals.

3

Part of a strong succession planning framework is attracting qualified staff in the first place. This is why, throughout the year, the department continued to strengthen its recruitment programme. This included attending both medical and non-medical employment and career fairs organised by universities and other institutions across the country.

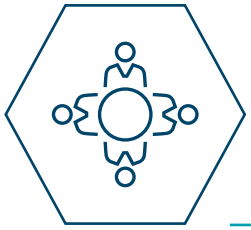
4

The department continued sponsoring a series of internship programmes dedicated to highly qualified nurses from all the renowned nursing universities in Egypt. The programme not only provides the attendees with valuable on-the-job experience, but helps the Group identify and develop new talent to strengthen its nursing team in the future.



Diversity

CHG prides itself on its diversity in the workplace. Since inception, the Group has worked to guarantee equal opportunities of employment and career for all, regardless of the gender or ethnic background. Today, through a well-thought-out strategy executed by the HR department, CHG has achieved a 40% female to 60% male ratio across all its medical and non-medical functions. This is well above the Egyptian average and further testament to the Group's success in becoming an employer of choice for both leading female and male talent in the country. Going forward, the HR department will continue to work towards improving the current ratio by strengthening its recruitment process to attract leading female professionals while guaranteeing important career advancement opportunities once part of the Group.



Healthy Work Culture

Instilling a healthy work culture is of extreme importance for CHG management. The Group views a healthy work environment to be one where all employees feel valued, safe, comfortable, and flush with opportunity for growth. As of year-end 2019, the Group's annual employee satisfaction survey showed that more than 71% of all staff members were satisfied with the work environment, compensation, benefits, and career opportunities inside their respective hospitals. This was a 10-point improvement from the year prior demonstrating that the HR department's efforts to improve the work culture, increase awareness of employee rights and benefits, and continued efforts to offer fair and competitive compensation packages are bearing fruit. During 2019, the HR team continued holding regular seminars for all staff members to go over the Group's code of conduct and to discuss ways that employees can contribute to creating a healthy work environment. The HR team also held specific training sessions with managers across all departments to outline their responsibilities in ensuring their teams feel safe and valued. In the coming year, the department will continue to hold regular online training sessions to outline how each department head and staff across all departments can help one another out in light of the challenging work environment stemming from the COVID-19 outbreak.

Going **Forward**

Despite COVID-19 temporarily changing the work environment for many employees across the Group, the HR department will continue to work towards achieving its 2020 targets on top of providing additional support and guidance to help all staff through this time of increased uncertainty and stress. In the coming twelve months, the HR department's focus will continue to be on delivering results across all four pillars of its strategy. As such, key targets and initiatives will include:

- Continued focus on creating internal professional growth opportunities. While in 2019 some vacant positions were filled from within and others by hiring from outside, in 2020, the HR department's policy will change and no vacant position will be advertised externally until all potential internal candidates have been considered. This will ensure that if a person qualified to fill the position exists within the organisation, they will have the opportunity to apply and be considered ahead of external candidates.

- In line with the Group's goal of improving the credentials of its medical staff, the HR department will work to ensure that 37% to 40% of its nursing staff hold a bachelor's degree, increasing the share from the 32% as of year-end 2019.

- The HR department has developed a strategy to address the shortcomings brought to light by the 2019 employee satisfaction survey and is targeting a 5-point improvement, aiming to reach a 76% satisfaction rate by year-end 2020.

- Finally, in line with the wider digital transformation strategy implemented across the Group, the department will be rolling out a new HR automation system to help in the day-to-day tasks of the team. This will not only make daily HR tasks more efficient to complete, but will allow other staff members to complete most HR requests online without having to go through the burden of filling paperwork or visiting the department in person.

Executive **Management**

Cleopatra Hospitals Group is led by a seasoned and experienced management team, whose multi-decade experience in the field has been a main drive behind the Group's success since day one. During the past twelve months, CHG focused heavily on restructuring its internal management framework to promptly integrate the newly acquired assets within its operating framework, leverage existing synergies, and expand its service offering.

Dr. Ahmed Ezz El-Din

Group Chief Executive Officer

Dr. Ahmed Ezz El-Din brings over 37 years of healthcare experience to the Group and a deep insight into healthcare businesses in Egypt. Prior to assuming his role as the Group's CEO, Dr. Ezz El-Din was the Director of Government Affairs and Policy – Middle East, North Africa, and Pakistan at Johnson & Johnson Medical, where he also held the position of Managing Director for Egypt and Libya. Prior to that, Dr. Ezz El-Din also held key positions at GSK, including Sales and Commercial Director at GSK Egypt and Sudan Country Manager. He holds over 18 years of global experience with MSD under his belt. Dr. Ezz El-Din has a Bachelor Degree in Pharmaceutical Science from Cairo University.

Ahmed Gamal Eldin

Group Chief Financial Officer

Mr. Ahmed Gamal Eldin is the Group's Chief Financial Officer, a position he took on in 2019. Mr. Gamal Eldin brings over 25 years of varied experience in financial management, corporate strategy, and investment banking. He started his career as an External Auditor at KPMG before moving to the corporate finance arm where he provided financial advisory services including business valuation, M&A, fund raising, and corporate restructuring to a large number of corporates engaged in various sectors. Mr. Gamal Eldin has also led the Control and Reporting Function at Cadbury and PepsiCo. During his time there, he led the functional transformation towards building world-class finance and control processes. He also has pharmaceutical industry exposure having worked as MENA Finance and Strategy Director at Lundbeck. Mr. Gamal Eldin also led the finance function as the CFO of Egypt Foods Group where he led business transformation initiatives and strategic change management plans across the Group. Mr. Gamal Eldin holds a Master of Business Administration from the American University in Cairo and he is a Certified Management Accountant (CMA) from the American Institute of Management Accountants. He is also a keynote speaker in various financial and strategic management forums.

Dr. Moharram El-Badawy
Group Chief Operating Officer

Prior to joining the Group in June 2016, Dr. Moharram El-Badawy was the Professor of Radio Diagnosis at the National Cancer Institute for over 30 years before heading the department for nine years. His previous roles also include board member of Radio Diagnosis Department in Daghastani Hospital Jeddah, K.S.A for six years, Referee for the Egyptian Journal of the National Cancer Institute, and Referee for the Journal of Egyptian Society.

Marwa El-Abassiry
Chief Human Resources Officer

Ms. Marwa El-Abassiry joined the Group in February 2015. Previously, she was the Human Resources Business Partner and Head of HR at Electrolux Egypt. Ms. El-Abassiry holds a Bachelor of Arts from the Al-Alsun Faculty at Ain Shams University, a Senior Professional Human Resources (SPHR) Certificate, a Business Coaching Certificate from Life Coaching Egypt, and a Business Administration Diploma from the American University in Cairo.

Dr. Mohamed Ibrahim
Chairman of the Medical Council

Dr. Mohamed Ibrahim is the Chairman of the Group's Medical Council, a role he took on in 2019. Dr. Ibrahim joined Cleopatra Hospital in 2001 as Medical Director and later assumed his role as Managing Director of the Group's flagship hospital in 2006. With over 36 years of medical experience, Dr. Ibrahim began his career as a physician at the Military Hospital and was Commander of the Navy Hospital in the United Arab Emirates. He holds a Master's Degree in Hospital Management from the American University in Cairo.

Dr. Hani Victor

Cleopatra Hospital Managing Director

Dr. Hani Victor is the Managing Director at Cleopatra Hospital. Dr. Victor joined the Group in 2018 and assumed the role of NBH's Managing Director. He brings over 18 years of experience having previously held the position of Chairman of the medical council in El Katib Hospital. He is an international course director and educator in all the European Resuscitation Council courses (ERC) and a member of the Course Management Committee (CMC). He is also Vice President of the Egyptian Resuscitation Council (EgRC) and one of the founders and the Secretary General of the Egyptian Trauma Society (EgTS).

Dr. Nanis Adel

Cairo Specialised Hospital Managing Director

Dr. Nanis Adel has over 23 years of experience in the healthcare industry having held several key positions across an array of medical establishments including Director of Emergency Hospital at Ain Shams University Hospital, Advisor to the Minister of Health and Population for Hospital Affairs, and Chairman of the Scientific Council for Health Facilities Fellowship. In 2004, Dr. Nanis was awarded a PhD in Internal Medicine from Ain Shams University.

Dr. Hamada Abd El Hameed

NBH Managing Director

Dr. Hamada Abd El Hameed is the Managing Director at Nile Badrawi Hospital, a position he took on in 2019. Dr. Abd El Hameed joined the Group in August 2017 assuming the role of Al Shorouk Hospital Managing Director. Prior to joining the Group, Dr. Abd El Hameed was the Regional Operations Manager at Andalusia Group (Cairo - Alexandria) and also served as Managing Director of Andalusia Hospital in Maadi from 2010 to 2016. Dr. Abd El Hameed holds a Master's Degree in General Surgery and an Egyptian Fellowship in Surgery, a Master's Degree in Business Administration, as well as several Diplomas including Quality Management from the American University in Cairo and a Diploma in Hospital Administration.

Dr. Sameh Wasfy

Al Shorouk Hospital Managing Director

Dr. Sameh Wasfy is the Managing Director at El Shorouk Hospital, a position he took on in 2020. Prior to joining the Group, Dr. Wasfy worked as a General Manager at Italian Hospital for five years. Prior to his time with Italian Hospital, Dr. Wasfy held various positions including Managing Director at the Catheter Centre in Hayat Hospital, Hospital General Manager at Borg-Mina Hospital, and Head of Imaging Department at the National Institute of Diabetes and Endocrinology. Dr. Wasfy holds a Bachelor Degree in Medicine and Surgery from Cairo University.

Dr. Saad Adel

El Katib Hospital Managing Director

Dr. Saad Adel is the Managing Director at El Katib Hospital, a position he took on in 2019. Prior to joining the Group, Dr. Adel worked at Al Andalusia Group for five years holding the roles of Operation Director, Hospital Director, and finally Regional Operations Director. Prior to his time with Al Andalusia Group, Dr. Adel also worked as Medical Director at Abdulatif Jameel Hospital in Jeddah for two years, as a Lecturer at the International Academy for Health Science, and as Assistant Manager at Al Safaa Medical Centre. Dr. Adel holds a Bachelor Degree in Medicine from Ain Shams University.

Dr. Waleed Anwar

Queens Hospital Managing Director

Dr. Waleed Anwar is the Managing Director at Queens Hospital, a position he took on following the acquisition of the hospital by CHG in 2019. Prior to joining the Group, Dr. Anwar was Assistant Professor of Nephrology and a Consultant at Ain Shams University Faculty of Internal Medicine and Hospitals. Dr. Anwar has over 15 years of experience in the field of Nephrology with his previous experience including Head of Nephrology Department of Haemodialysis Unit at Palestine Hospital as well as Head of the Nephrology Department and Haemodialysis Unit at Golf International Hospital. Dr. Anwar holds a Bachelor Degree in Medicine and a Master's Degree in Internal Medicine from Ain Shams University.

Dr. Marwa Al Ruby
Polyclinics Director

Dr. Marwa Al Ruby is currently the Director of Polyclinics at CHG, a position she took on in 2019. Dr. Al Ruby joined Cleopatra Hospital in March 2017 as Outpatient Department Manager and later assumed her role as OPD Director of the Group in July 2018. Prior to joining the Group, Dr. Al Ruby held several positions including Medical Auditor, Project Manager, and OPD Manager in Andalusia Group for Medical Services.

Dr. Sherif Abd El-Fattah
Chief Supply Chain Officer

Dr. Sherif Abd El-Fattah has over 21 years of experience in supply chain and operations management in the medical field, having previously held positions including Supply Chain Director, Deputy General Manager, and Emergency Medical Evacuation Director. He has vast experience in sourcing both direct and indirect materials, as well as inbound and outbound logistics services and developing the local supply base to meet world-class quality standards.

Amr El-Ashkar
Chief Information Technology Officer

Mr. Amr El-Ashkar joined the Group in November 2015. Previously, he was Chief Information Officer at Integrated Diagnostics Holdings and worked at OMS, United Nations, and ITWorx. He holds a Bachelor Degree in Computer Science from Ain Shams University, a Master of Science in Computer Science from the University of Louisville, and a Doctorate in Business Administration from Maastricht Business School, Holland.

Dr. Nagwa El Hosseiny

Quality Director

Dr. Nagwa El Hosseiny is a Professor of Internal Medicine at Cairo University. She joined the Group in November 2016 to head the Quality Control Department. She was previously Quality Consultant and Head of the Egyptian Executive Committee of Accreditation at the Ministry of Health and Population. Dr. El Hosseiny also held positions in the private healthcare sector, including Quality Manager at Dar Al Fouad Hospital and Senior Consultant and Technical Director at Logistics Company for Consultation where she led, guided, and prepared quality control teams for JCI accreditation. Dr. El Hosseiny is also a member of the Scientific Board of Arab Healthcare and Accreditation and a member of the JCI's Middle East Advisory Board.

Hassan Fikry

Corporate Strategy and Investor Relations Director

Mr. Hassan Fikry joined the Group in 2015 as Business Analysis Manager. Mr. Fikry then went on to manage the Corporate Strategy and Development team before taking on his current position as Corporate Strategy and Investor Relations Director. Mr. Fikry brings valuable business development experience to the Group, having previously been the Co-Founder and Executive Director of El-Seha Laboratories, the Executive Director of the Ahmed H. Fikry Medical Centre, and Coordinator, Strategic Planner at Orascom Telecom Holding. He holds a Bachelor of Commerce and Economics from the John Molson School of Business at Concordia University and completed a Mini MBA in Telecoms.

Soliman El Aasser

Transformation Director

Mr. Soliman Al Aasser joined the Group in 2019 as Transformation Director. Prior to assuming his role at CHG, Mr. Al Aasser was an Associate in the Investment team of a leading private equity firm responsible for executing and implementing strategies to increase the value integration of the firm's healthcare platform. Prior to this Mr. Al Aasser held the role of Co-founder and Managing Director of both El Sastre shirt brands and Mediterranean Golf Tour. Mr. Al Aasser holds a Bachelor Degree in Economics from the University of Cairo and is a Certified Chartered Financial Analyst having passed all three exams.

Osama Nossier
Group Revenue Cycle Director

Mr. Osama Nossier is the Group's Revenue Cycle Director, a position he took on in 2019. Prior to joining CHG, Mr. Nossier spent 10 years at MetLife and for five of those years he was the company's Medical Network Manager. Before his time with MetLife, he also worked as Insurance Director for Andalusia Hospitals Group and as Managing Director of Port Ghaleb Hospital. Mr. Nossier earned his Bachelor Degree in 1994 and his Master of Science Degree in General Medicine and Gastroenterology in 2002, both from Cairo University's Kasr Al Aini Medical School. In 2010, he earned a Postgraduate Diploma in Hospital and Healthcare Management from the American University in Cairo. Mr. Nossier also holds course certifications in Health Economics, Quality Control Tools, Six Sigma in Healthcare, Business Management Skills, and Kaizen.

Tamer Salah
Contracting and Sales Director

Mr. Tamer Salah is the Group's Contracting and Sales Director, and brings over 16 years of industry experience to the Group. He previously held roles at the National Bank of Egypt Insurance Company, Al-Salaam Hospital, Nova Pharmaceutical Company as well as Nagor and Striker. Mr. Salah holds a BSc from Cairo University and an MBA with a marketing focus from the Arab Academy for Science, Technology, and Maritime.

Ramez Adib
Marketing Director

Mr. Ramez Adib joined the Group in April 2019 as Marketing Director. He brings 18 years of experience ranging from market research to brand and portfolio building, and management within multinational companies. Prior to joining CHG, Mr. Adib held the Marketing Director position in Proper Move. He holds a Bachelor of Arts in Journalism and Mass Communication from the American University in Cairo.

Haitham Naiel
Legal Director

Mr. Haitham Naiel is an appeals attorney with a special focus on commercial and labour matters as well as commercial/legal risk assessment. He brings more than 16 years of experience across several industries. His work experience spans a number of highly respectable organisations, such as Hikma and EPCI Pharma, Lafarge Cement, Nile Valley Gas, Mr. Regaey Attia Law Firm and Dr. Yehia El-Gamal Law Firm. Mr. Naiel ensures that all statutory and regulatory requirements are properly met and that the company is complying with all required laws. Mr. Naiel graduated from the Faculty of Law at Ain Shams University.

Eng. Amr Sherif
Projects and Engineering Director

Eng. Amr Sherif joined the Group in 2017 as Projects and Engineering Director responsible for overseeing the Group's projects and expansion plans. He previously served as Projects Director at Dar Al Fouad Hospital during which he was responsible for overseeing the new Dar Al Fouad Hospital project in the Cairo district of Nasr City. Eng. Sherif also holds years of experience as Project Manager for major engineering projects during his time at the French Arab Engineering Consulting Company. Eng. Sherif holds a Bachelor of Architecture from Ain Shams University and is an architecture consultant at the Engineers Syndicate.

Ola Ahmed
Internal Audit Associate Director

Ms. Ola Ahmed joined the Group in January 2017 as Internal Audit Manager with over 13 years of experience in establishing an Internal Audit Function. Her expertise covers internal control and corporate governance review, risk assessment and risk-based auditing. She previously held positions at a number of reputable organisations, including Ernst & Young, PricewaterhouseCoopers, Orascom for Construction Industries, Magrabi, General Motors, and Al Sharkeya for Sugar Industries. The Internal Audit Department reports administratively to the Group's CEO and functionally to the Board's Audit Committee.

Corporate Governance

The Group remains committed to adhering to the best-in-class corporate governance standards. The Board's 11 members bring extensive experience across both the healthcare industry as well as a multitude of other sectors and continue to provide invaluable guidance as CHG grows both its geographic reach and its service offering.

11

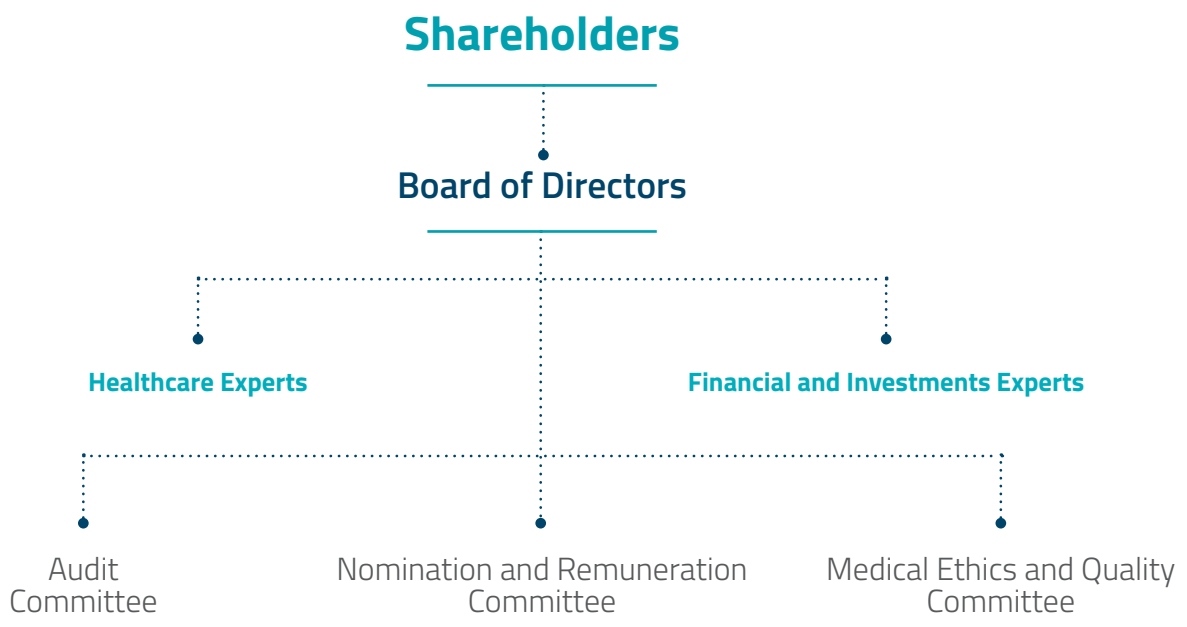
CHG Board Members

Governance

At Cleopatra Hospitals Group, the Board of Directors aims to safeguard the interest of its stakeholders and the communities in which it operates by adhering to best-practice corporate governance frameworks and strict ethical standards. Our daily operations affect the lives of millions of Egyptians across the nation, and accordingly Corporate Governance is of utmost importance in order to ensure that our patients are receiving the best care possible. In order to do so, CHG ensures the frameworks of its governance are transparent, promoting integrity and ethics, and consistently complying with international best practices.

Cleopatra Hospitals Group has 11 board members, the majority of whom are independent board members, who are fully committed to ensuring the highest standards of corporate governance. The Group is always aiming to retain and onboard the best calibres in its Board, resulting in a well-rounded, top notch selection of committed individuals who are essentially equipped to tackle the responsibility of providing patients with high quality healthcare services, whilst ensuring that the Group's operations are profitable, sustainable, ethical, and legally compliant.

In compliance with its public listing on the Egyptian Stock Exchange (EGX), the corporate affairs of Cleopatra Hospitals Group are regulated under Law No. 159 of 1981 and its Executive Regulations as well as the Companies Law, the Egyptian Capital Market Law, the EGX Listing Regulations as well as other applicable laws governing companies incorporated across Egypt. In accordance with the Egyptian disclosure requirements, the Group is required to publish annual and quarterly financial statements prepared as per the Egyptian Accounting Standards (EAS). The Group also provides the Financial Regulatory Authority (FRA) and the EGX with notices of any material developments in addition to providing EGX with minutes of the Company's ordinary and extraordinary general assembly meetings.



CHG's Governance Principles

Anti-Bribery and Anti-Corruption Policy

CHG has a zero-tolerance approach to bribery and corruption with a clear anti-bribery and anti-corruption policy for all stakeholders to abide by.

CHG follows all applicable local laws and more stringent international frameworks to ensure that there are no facilitation or bribery payments made.

No Referral Fees

CHG does not pay any referral fees or kickbacks to physicians and instead has recently developed a Doctor Sales team to revolutionise the sector in Egypt.

The sales team focuses on improving the hospital's service to the physician and maintains close communication to improve loyalty and engagement.

High-quality Healthcare – Medical Council

CHG recently launched a Group-wide medical council with multiple responsibilities – including (1) ensuring that medical personnel are providing the best medical care and outcomes for their patients and (2) keeping CHG at the forefront of medical research and technology across all relevant services.

Board of Directors

The Group's Board of Directors provides the necessary oversight and combination of expertise to thoroughly oversee the Group's corporate governance framework, a cornerstone of the Group's long-term success and value creation. The Board of Directors is comprised of a total of 11 seats, with three members who are experts in the healthcare field as well as four who possess relevant financial and investment expertise. In addition, there are 10 members who serve as non-executive directors, five of which are independent. A new Board of Directors was elected on 9 April 2020.

The Board of Director's Responsibilities

- Meeting regularly whilst retaining hands-on control over the Company and monitoring management.
- Showing full commitment to CHG, fully protecting the interests of the Company and all its stakeholders.
- Participating actively in Board meetings and in the Company's activities when needed.
- Evaluating the performance of the current Board, its directors, and its committees.
- Providing regular oversight and advice on the monitoring, evaluating, and compensating upper management.
- Ensuring the existence of a sturdy succession plan.
- Decision-making when it comes to any reports or disputes.
- Reviewing and approving CHG's strategic plans and their implementation.
- Reviewing and approving CHG's financial and operational plans.
- Monitoring operational, financial, and legal performance against strategic plans.
- Reviewing and approving CHG's financial control and reporting methods and financial statements.
- Preparing and approving annual reports and financial statements.
- Reviewing and approving annual investment budgets and any major operations of a financial nature.
- Ensuring that CHG meets ethical standards and is legally compliant.
- Monitoring the integrity of activities and relationships between shareholders, staff, and external parties.

The Chairman's Responsibilities

The Chairman's primary role is to ensure that the board is effective in its task of setting and implementing the company's direction and strategy. The roles of the Chairman at CHG include:

- Establishing and organising the composition of the Board.
- Outlining the responsibilities of the Board, its members, and senior management.
- Planning effective Board and Board Committee meetings.
- Evaluating the efficiency of the Board and ensuring its effectiveness.

The Independent Directors' Responsibilities

Our Independent Directors add to our Board through their ability to think strategically, balance the interests of stakeholders, and contribute to the financial aspects of the Group.

- The Independent Members are responsible of the governance oversight, ensuring that the activities of CHG are compliant legally, and protecting the rights of all shareholders/stakeholders.
- Our Independent Directors play a large role in the CHG Board Committees, specifically the Audit Committee.
- These members are a crucial element in the audit process of CHG; they inspect the Company's financial statements and work closely with our auditors.

Board Members

Ahmed Adel Badreldin
Chairman of the Board

Mr. Ahmed Abdel Badreldin was Head of MENA at Large Cap Private Equity where he managed their investment portfolio in the Middle East and North Africa. He previously worked for eight years at Barclays Capital where he climbed the corporate ladder until reaching Senior Director of Leveraged Finance at Barclays Capital PLC, in addition to serving as an Executive Officer at Baker Hughes Incorporated. Mr. Badreldin possesses over 15 years of experience in investment banking and consulting with a strong skillset in credit analysis, investment, and structuring in both debt and equity in addition to a comprehensive and broad experience in a variety of industries and sectors including industrial and basic materials, telecommunications, retail, services, and energy. Mr. Badreldin holds an MBA from the Cranfield School of Management and a BSc in Mechanical Engineering, Industrial Management, and Business Administration from the American University in Cairo.

Dr. Ahmed Ezz El-Din
Chief Executive Officer

Dr. Ahmed Ezz El-Din brings over 37 years of healthcare experience to the Group and a deep insight into healthcare businesses in Egypt. Prior to assuming his role as the Group's CEO, Dr. Ezz El-Din was the Director of Government Affairs and Policy – Middle East, North Africa, and Pakistan at Johnson & Johnson Medical, where he also held the position of Managing Director for Egypt and Libya. Prior to that, Dr. Ezz El-Din also held key positions at GSK, including Sales and Commercial Director at GSK Egypt and Sudan Country Manager. He holds over 18 years of global experience with MSD under his belt. Dr. Ezz El-Din has a Bachelor Degree in Pharmaceutical Science from Cairo University.

Dr. Tarek Zahed*

Vice-Chairman

Dr. Tarek Zahed was a founder of Cairo Specialised Hospital in 1981, where he has been chairman since 2001. He previously served as a consultant to the Medical Services Division of the Egyptian Presidency for 25 years. He is a fellow of the American Academy of Implant Dentistry and the International Congress of Oral Implantologists, as well as a member of the Dental Society of Western Pennsylvania. He holds a BSc in Dentistry from Cairo University and an MDS in implant dentistry from the University of Pittsburgh School of Dental Medicine, USA.

Dr. Mohamed Awad Tag El Din

Independent Non-Executive Director

Dr. Mohamed Awad Tag El Din was the Egyptian Minister of Health from March 2002 to December 2005. Prior to that, he was the president and vice president of Ain Shams University for one and four years, respectively. He holds a Bachelor's Degree in Medicine, two diplomas in internal medicine and pulmonology diseases and a PhD from Ain Shams University. Dr. Tag El Din is also a professor and consultant of Pulmonology.

Omar Atef Kinawy

Independent Non-Executive Director

Mr. Omar Atef Kinawy joined the Group in 2015. Prior to that, he was the former deputy head of the Egyptian General Intelligence and graduated from the Egyptian Military College in 1968.

*No longer part of the new Board of Directors elected on 9 April 2020

Samia El Baroudy
Non-Executive Director

Mrs. Samia El Baroudy brings global experience in the private equity sector through being a member of an investment team that oversees investments in a variety of sectors in Egypt including the healthcare sector. Mrs. El Baroudy has held direct responsibility for the different portfolio companies including Integrated Diagnostics Holdings, OMS, ECCO, and North Africa Hospital Holdings Group (NAHHG). Currently, Mrs. El Baroudy is part of a team that is responsible for setting up the largest hospital platform in North Africa. Prior to joining the private equity sector, Mrs. El Baroudy was a consultant at Booz & Co. She holds a Master's Degree in Management Science and Engineering and a Bachelor's Degree in Economics, both from Stanford University.

Nabil Walid Kamhawi
Independent Non-Executive Director

Mr. Nabil Walid Kamhawi has over 41 years of consulting, audit, and advisory experience in Europe and the Middle East in a wide range of industries. He was the managing partner of Ernst & Young in Egypt following its integration with Arthur Andersen, where he was managing partner. Mr. Kamhawi holds a Bachelor's Degree in Commerce (Accounting) from Ain Shams University and is a member of the Institute of Chartered Accountants in England and Wales.

Omar Ezz Al Arab
Non-Executive Director

Mr. Omar Ezz Al Arab has over 10 years of private equity and investment banking experience in Europe and the Middle East in sectors such as oil and gas, healthcare, education, and fast-moving consumer goods. Prior to joining Abraaj in 2009, Mr. Ezz Al Arab worked at JP Morgan in London as part of the Mergers and Acquisitions team in the Natural Resources Group where he advised on more than USD 15 billion worth of transactions. Mr. Ezz Al Arab holds a Bachelor of Arts degree in Law and Business from the University of Warwick, UK.

Tarek Kabil
Independent Non-Executive Director

Mr. Tarek Kabil is the former Minister of Trade and Industry for Egypt from 2015 to 2018. He brings over 40 years of global professional experience in a variety of sectors including Government, Private Equity, and FMCGs across US, Asia, Middle East, and Africa. He has led several international organisations including serving as President and CEO of PepsiCo Middle East and Africa. Currently, Mr. Kabil serves as the CEO and Chairman of Business Solutions Consulting Group, as well as a board member and advisor in different sectors such as FMCG, Banking, and Education.

Sameh Mahmoud Mohsen*
Non-Executive Director

Mr. Sameh Mahmoud Mohsen is one of the founders and former CEO of Cleopatra Hospital and has worked in the industry for more than 30 years. He holds a Bachelor's Degree in Engineering from Cairo University.

Lobna El Dessouky*
Independent Non-Executive Director

Ms. Lobna El Dessouky leverages over two decades of professional experience in a wide range of sectors to fulfil her numerous advisory and board roles. Currently, Ms. El Dessouky holds the post of Advisor for the European Bank for Construction and Development's (EBRD) Enterprise Growth Programme and is Advisor to the Audit Committee at Qalaa Holdings, having been a member of the committee since December 2012. She is also an Adjunct Professor of Managerial Accounting and Automated Financial Reporting at the American University in Cairo where she teaches MBA finance courses. Ms. El Dessouky holds a Bachelor's Degree in Commerce from Helwan University and an MBA in Management Consultancy from Sheffield University, UK. She is a CPA, CFM, and CMA charter-holder and is also a member of the Association of Corporate Governance Practitioners and a Certified Director from the Egyptian Institute of Directors.

*No longer part of the new Board of Directors elected on 9 April 2020

New Board Members (appointed on 9 April 2020):

Dr. Manal Hussein Abdel Razek

Independent Non-Executive Director

Dr. Manal Hussein Abdel Razek joined CHG's Board of Directors in April 2020. Dr. Abdel Razek is also the Executive Chairwoman of New City Housing and Development, formerly Orascom Housing Communities, a position she has held since June 2018. Dr. Abdel Razek also has a 23-year-long experience in the public sector having served in the Egyptian government as Deputy Minister of Foreign Trade and Deputy Minister of Finance for nine years, and as a member of the Shura Consultative Council appointed by the President for seven years. Dr. Abdel Razek obtained her Bachelor of Science with Honours in Mass Communication in 1986 from Cairo University. She subsequently obtained her Master of Arts in Public Administration from the American University in Cairo in 2000. In June 2001, she earned the Frank G. Wisner Award in recognition of her outstanding master's thesis. She then obtained her Ph.D. dissertation in Public Administration with highest honours from the Faculty of Economics and Political Science, Cairo University in 2008.

Mohamed Roushdy

Non-Executive Director

Mr. Mohamed Roushdy joined CHG's Board of Directors in April 2020. Mr. Roushdy is currently also the President of Amoun Group Middle East and brings over 39 years of experience in the Pharmaceutical sector, having held the positions of Chairman and CEO of Amoun Pharmaceuticals Egypt from December 2012 until December 2017. Prior to joining Amoun, he was CEO of Pfizer Middle East, a position which saw him oversee operations across 14 countries. Mr. Roushdy holds a Master's Degree in Pharmacology and a Bachelor Degree in Business Administration.

Dr. Sherif El Kholy

Non-Executive Director

Dr. Sherif El Kholy joined CHG's Board of Directors in April 2020. Dr. El Kholy is currently a Partner at Actis, and since joining the company in 2004 has played various deal leadership, execution, investment management, and exit roles across North Africa in Edita Food Industries, Emerging Markets Knowledge Holdings, El-Rashidi El-Mizan, Mo'men Group, Orascom Telecom Algeria, as well as leading Lekela Power's push into Egypt. Dr. El Kholy holds a Ph.D. in Economics and a Master's of Science in Finance and Economic Development both from the University of London.

Board Committees

In order to achieve the governance goals set for the Group, the Board of Directors has established three committees that include: The Audit Committee, the Medical Ethics and Quality Committee, and the Nominations and Remuneration Committee.

Audit Committee

The Audit Committee consists of three non-executive directors, two of which are independent. The committee assists the Board in its oversight of financial statements and disclosures and ensures that the financial statements adhere to the auditor's and EFSA's recommendations. The committee meets as often as necessary, but not less than four times a year. The committee maintains minutes of all meetings documenting its activities and recommendations to the Board. In 2019, a total of 16 Audit Committee meetings were held.

The Audit Committee has a variety of financial, operational, and legal responsibilities, some of which include:

- Review the effectiveness of the Internal Audit function.
- Review the reports of the Internal Auditor, including financial and non-financial issues, remedial procedures, and means of controlling the risks faced by the CHG.
- Review the significant investigations conducted by the Internal Auditor and management's responses to Internal Auditor reports relating to such investigations.
- Review annual and quarterly financial statements and other financial information provided to the Board and shareholders and include its recommendation.
- Review the financial system employed at CHG and make recommendations to improve it and ensure that it fairly represents the situation and that no false data is reported.
- Submit reports to the Board of Directors on all matters that fall within its scope of work thereby enabling it to carry out its function of monitoring the management of CHG and submitting to shareholders and investors factual and documented information.
- Review with the Company's Internal Auditor and report to the Board on the adequacy of structure, responsibilities, staffing, resources, and functioning of the Company's internal auditing department, such review will include an annual evaluation of the performance and qualifications of the head of the department.

Members:

- Mr. Nabil Walid Kamhawi: Chairman of the Committee
- Mr. Omar Ezz Al Arab
- Mrs. Samia El Baroudy
- Mr. Tarek Kabil

Medical Ethics and Quality Committee

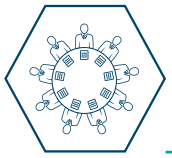
The Medical Ethics and Quality Committee's role is to supervise the development and execution of the Group's quality control programmes. The committee monitors the performance indicators and accordingly provides recommendations to the development strategy of the Group's services. The Medical Ethics and Quality Committee consists of three members, two of which are non-executive directors. The committee meets at least two times annually and more frequently as necessary or appropriate. The committee maintains minutes of all meetings documenting its activities and recommendations to the Board.

The Medical Ethics and Quality Committee serves a number of roles with a range of responsibilities, but most notably the following:

- Overseeing compliance with the rules of conduct, standards, and policies that guide the Company.
- Creating guidelines for various circumstances involving conflict resolution.
- Ensuring the Group operates in an environment of accountability.
- Taking disciplinary action regarding any ethical violations.
- Reviewing CHG company ethics and recommending improvements/changes.
- Overseeing the results of patient service efforts in order to guarantee adherance to process guidelines.
- Monitoring and evaluating care services in order to ensure they are of utmost quality.

Members:

- Dr. Mohamed Awad Tag El Din: Chairman of the Committee
- Dr. Ahmed Ezz
- Mr. Mohamed Roushdy (appointed on 9 April 2020)



Nominations and Remuneration Committee

The Nominations and Remuneration committee provides recommendations regarding the remuneration of the senior management, as well as reviews the Group's bonus schemes and developing the employment succession plan. The committee is comprised of three members, one of which is a non-executive director. The committee meets at least once a year and more frequently as necessary or appropriate. The committee maintains minutes of all meetings documenting its activities and recommendations to the Board. In 2019, a total of one Nomination and Remuneration Committee meeting was held.

The Nomination and Remuneration Committee plays an excessive role in attracting and retaining caliber management and employees. The role of the committee includes:

- Retain an appropriate structure, size, and balance of skills to support the strategic objectives and values of the CHG.
- Recommend to the Board a framework of remuneration for the Independent Directors and the key executives of the CHG.
- Cover all aspects of remuneration, including without limitation, fees, salaries, allowances, bonuses, options, and benefits-in-kind.
- Review the ongoing appropriateness and relevance of the remuneration policy for each executive.

Members:

- Mr. Ahmed Badreldin: Chairman of the Committee
- Mr. Omar Ezz Al Arab
- Mr. Nabil Walid Kamhawi
- Dr. Sherif El Kholy (appointed on 9 April 2020)

Internal Audit **and Compliance**

Cleopatra Hospitals Group (CHG) is committed to upholding the highest degree of transparency, honesty, and integrity across its operations. Ensuring that the Group's risk management, governance, and internal control processes are operating effectively and in compliance with the relevant national and international laws, regulations, and industry standards, is a shared responsibility of the Board's Audit Committee and the Group's Internal Audit Department. The department, under the oversight of the Board's Audit Committee, is tasked with conducting regular auditing exercises of the Group's financial reporting procedures, the Group's risk assessment and mitigation frameworks, and of the Group's governance processes. It is the responsible for making recommendations to the Board and Executive Management team on how to address any identified shortcomings. The Internal Audit department does not have direct operational responsibility or authority over any of the activities audited. Accordingly, they do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Audit Committee

The role of the committee is to assist the Board in fulfilling its oversight responsibility related to the Group's (including any owned subsidiaries) financial controls with emphasis on:

- The integrity of internal controls and financial reporting.
- Performance of the internal auditors.
- The qualification and independence of the external auditor.
- The performance of Internal Audit function and external auditor.
- Compliance with legal and regulatory requirements.

The members and specific responsibilities of the Audit Committee are outlined in the Governance section on page 88 of this report.

Internal Audit Department

The Internal Audit function of CHG is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve operations. Its central role is to provide assurance to the Audit Committee and the Board that the financial and operational controls designed to manage the organisation's risks and achieve its strategic objectives are operating in an efficient, effective, and ethical manner. More specifically, the department's responsibilities are to:

- Ensure risks are appropriately defined and managed.
- Ensure that interaction with various governance groups including the Board's committees and the Group's executive management team occurs as needed.
- Ensure that the Group's financial, managerial, and operating information is accurate, reliable, and timely.
- Oversee that employee actions comply with internal policies, rules, procedures, and relevant laws and regulations.
- Ensure that the Group's medical and non-medical resources are acquired economically, used efficiently, and protected adequately.
- Foster quality and continuous improvement across the Group's control process.
- Ensure that significant legislative or regulatory issues impacting CHG are recognised and appropriately addressed.
- Identify and take advantage of opportunities for improving management controls, profitability, and the organisation's brand equity.

The appointment, dismissal, or replacement of top executives in the department is the sole responsibility of the Audit Committee's responsibility in consultation with the Board's Remuneration Committee. Its reports, findings, recommendations, and more generally the function's effectiveness is reviewed periodically by the Audit Committee.

Sustainability

CHG's mission to bring quality healthcare to all corners of the nation largely relies on its ability to sustain top-class operations using sound, transparent, and resourceful frameworks. Through the lenses of environmental management, social responsibility, and responsible business practices, the Group is able to deliver on its promises and introduce network-wide efficiencies, improvements to its policies, and variety to its community-based initiatives.

10,000

Females and children served by floating hospital in 2019

Sustainability

CHG integrates sustainable practices into its operational frameworks to achieve long-term business viability, maximise returns for shareholders, and increasingly provide benefits and opportunities to patients and communities across the country

CHG's mission to bring quality healthcare to all corners of the nation largely relies on its ability to sustain top-class operations using sound, transparent, and resourceful frameworks. Through the lenses of environmental management, social responsibility, and responsible business practices, the Group is able to deliver on its promises and introduce network-wide efficiencies, improvements to its policies, and variety to its community-based initiatives. Furthermore, and as it continues to place people at the center of its operations — be they patients or personnel — CHG prides itself on being a stakeholder-centric platform, looking to optimise Egypt's healthcare ecosystem by bringing value to shareholders, beneficiaries, and community members alike. The Group made great strides in its ESG practices in 2019 under the supervision of its Board of Directors and Board committees, as it further optimised its operations and diversified its sustainability initiatives.

Environmental **Impact***

486.8

Water usage in 000s m3

12.3

Electricity usage in millions KWh

330,761

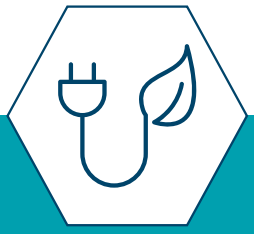
Medical and hazardous waste disposal in kgs

Growing capacities entail a stronger fixation on the impact of operations on the environment. As such, CHG remains adamant on being a steward of green consciousness as it regularly revisits and optimises its use of resources, updates its environmental policies, and monitors its waste and emissions. The Group complies with local environmental regulations and benchmarks its efforts against international best practices and global indicators such as the International Finance Corporation's (IFC) performance standards and the World Bank Group's Environmental Health and Safety (EHS) guidelines. In 2019, it was able to maintain its regulatory efforts across three primary areas of environmental consciousness.

*According to internal estimates

Water Preservation

As an essential element in maintaining health and sanitation levels across the Group's network, the quality and availability of clean water is a priority to its hospitals. To rationalise use and protect resources, CHG regulates water use through policies on consumption and preservation, and monitors utilisation levels across its network to ensure adherence to its policies. In addition, and since its consumption of water, electricity, and the generation of hydrocarbon fuel are interlinked, the Group tracks the utilisation of all three resources simultaneously.



Energy Efficiency

In its strive to reduce its electricity use and seek efficient alternatives, CHG measures monthly consumption across different functions to identify avenues for conservation. The Group introduced an LED replacement programme and HVAC air cooling units in 2019. It also continues to limit its use of electricity generators to emergency situations, to ensure the provision of continuous and uninterrupted care to its patients. Embracing renewable energy alternatives is also among its ventures in energy efficiency, as evident by its use of solar power to generate heat across its network.

Waste Management

Due to the serious health and safety issues that medical waste poses if not disposed of correctly, CHG put an effective healthcare waste management system in place across its entire network. The system includes protocols on the minimisation, segregation, and disposal of medical, biohazardous, general, and food waste, as well as procedures to follow with recyclable materials.

Social **Responsibility**

5,262

employees across all hospitals and polyclinics

110.4 USD MN

total turnover from CHG hospitals and polyclinics

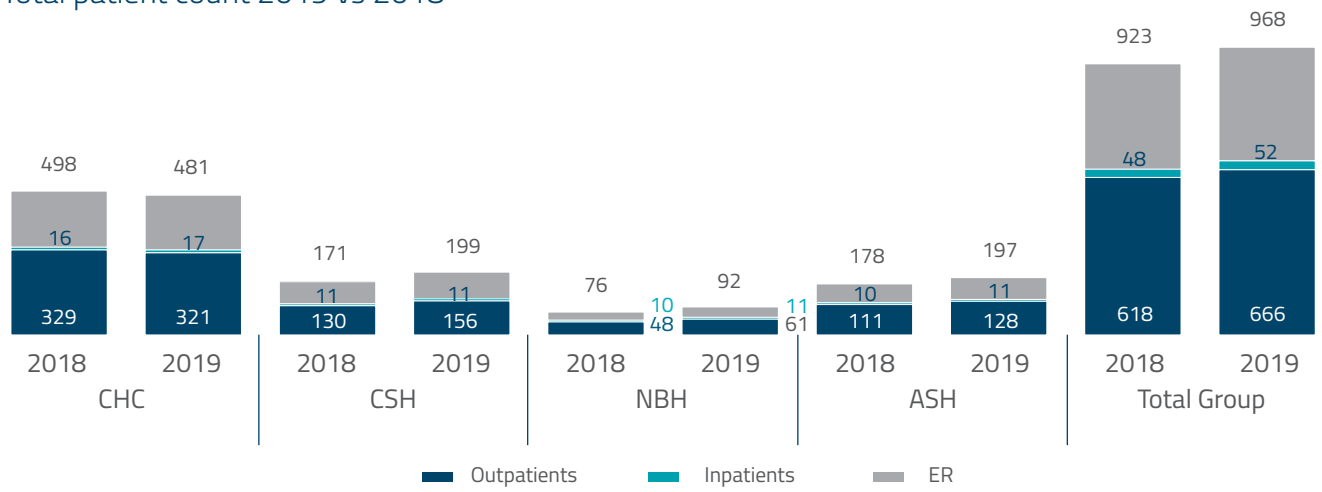
2

philanthropic projects backed

Crucial to its role as a leading healthcare provider is the social responsibility that the Group upholds in servicing its stakeholders, from patients to employees, business partners, and community members. As such, CHG executes initiatives and implements policies and regulations to ensure fair and supportive handling of stakeholder rights, benefits, and grievances. The Group also continued to provide training and development opportunities for its staff and for promising undergraduate medical students, as it seeks to empower the healthcare industry in Egypt. Next to this, and to further complement its global benchmarking efforts, CHG is in the process of seeking the Joint Commission International's (JCI) accreditation, which would further reinforce its standing as an excellent provider of safe and effective medical care of the highest quality and value.

Patient Management

Total patient count 2019 vs 2018



As one of CHG's key stakeholders, patients are central to the majority of decisions taken by the Group as it constantly looks to provide high quality medical attention. Further to its fundamental efforts, CHG places particular emphasis on effective patient communication and has policies in place that stipulate strict ethical handling of patient information, grievances, health and safety, and marketing.

Confidentiality

CHG holds itself accountable for safeguarding all patient information and employs the highest international standards of information safety and security in maintaining medical records. All employees are trained on all aspects related to patient confidentiality, and all staff involved in face-to-face interactions, such as doctors, nurses, pharmacists, technicians, and paramedics, work with the understanding that patient trust is key to successful operations. No reports of breached confidentiality were made by any patient in 2019.

Complaints and Grievances

Effective channels for submitting complaints are established across the Group's network to effectively address patient concerns. Each hospital maintains metrics on numbers of complaints received, assessed, solved, and average turnaround time, with optimisation strategies used as necessary. Additionally, a Group-wide service recovery policy is put in place to assist personnel in proactively accommodating aggrieved patients, and all complaints submitted through the CHG website are directly sent to the CEO's office for efficient and quick resolution.

Patient Health and Safety

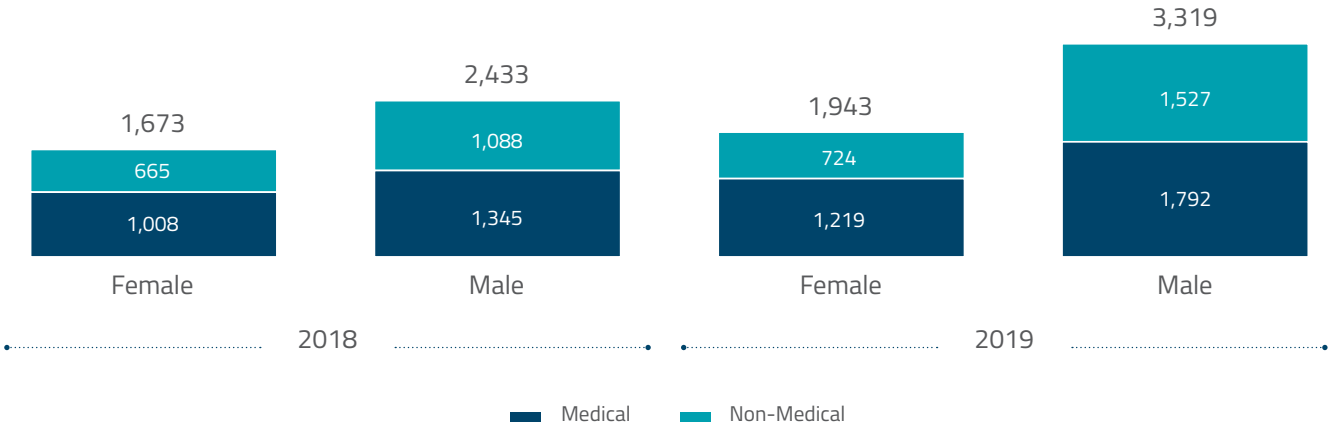
Each hospital within the Group's network is expected to maintain detailed KPIs on patient experiences within the scope of individual health and safety. They are then expected to report their results on monthly and quarterly bases to the relevant regulating authorities.

Ethical Marketing

In line with local regulations, the Group put policies in place to maintain ethical marketing of CHG facilities, solutions, and products to current and potential patients, to ensure that all information communicated is relevant and accurate. Each marketing department across the Group's facilities is asked to submit materials that require prior approval from regulating bodies to medical experts for screening, prior to submitting official documents for campaign release. Due to the Group's diligent adherence to this process, all of its campaigns and collateral were successfully approved by regulating authorities during 2019.

Employee Affairs

Number of medical and non-medical employees in 2019



Employees by age distribution in 2019

Group	Female				Male				Total Less than 30	Total 30 to 50	Total More than 50	Grand Total
Job Type	Less than 30	30 to 50	More than 50	Total Female	Less than 30	30 to 50	More than 50	Total Male				
Dec. 2018	506	973	194	1,673	750	1,453	230	2,433	1,256	2,426	424	4,106
Dec. 2019	639	1,094	210	1,943	1,114	1,935	270	3,319	1,753	3,029	480	5,262

72%
of employees receive annual performance reviews

33%
of employees have long-term contracts

24%
of management are women

18%
of employees receive annual training

CHG's healthcare professionals and employees are a foundational pillar of its operations. As such, the Group prioritises fair investment in their remuneration and development, and creates a safe, stimulating, and fair work environment to support their wellbeing and professional growth.

Compensation and Benefits

Next to CHG's full compliance with local labour laws and its inclusive compensation and benefits scheme, it cultivates a rewarding work environment that holds employee welfare in the highest regards. These elements continue to play a large role in attracting highly competent professionals to the Group's facilities to this day. In 2019, CHG conducted its annual salary scaling exercise and employee satisfaction survey to reexamine standards for employee salaries, with findings incorporated in the budget for 2020.

Diversity and Inclusion

CHG is an equal-opportunity employer that recognises the importance of a diverse and tolerant work environment. Anti-discrimination is put in place to educate employees on discrimination and harassment topics and how to report them, to create an empowered network that allows all employees across the Group's hospitals to thrive. Diversity metrics are monitored on an ongoing basis, and any internal grievances reported are swiftly and methodically dealt with.

Continuous Education

Professional development is at the forefront of CHG's employee support frameworks, as the Group invests in courses, workshops, and seminars that would further their career paths. In 2019, 932 employees received trainings to improve their skillsets.

Performance Management

The Group's performance management system allows it to identify and manage the training needs of each individual employee and discuss their career development. Personal development plans are prepared and used to optimise the methods by which the Group discusses expectations on performance and development. These discussions are also among the methods used by the Group to translate its strategic organisational goals into individual employee objectives, activities, and deliverables.

Community Development

CHG views itself as a partner in community development and believes in the significance and vitality of serving patients, their families, and the Group's surrounding communities. Through its community engagement programs, CHG looks to deliver long-term value that delivers tangible, measurable positive impact. It continuously expands its awareness, education, and development programs to promote healthy lifestyles and increase access to healthcare services.

Skill Enhancement Programme with MoHP

In 2019, CHG continued to collaborate with the Ministry of Health and Population (MoHP) under its Health Insurance Initiative to roll out the Skill Enhancement Program, which aims to transform the public healthcare sector and ensure nationwide access to high quality healthcare. The program complements the 2019 Universal Healthcare Initiative, which aims to equip public hospital employees with essential trainings to enhance their medical, technical, and managerial skills. The Group conducted medical, administrative, practical, and theoretical trainings that comply with national safety and JCI requirements, to enable participants to improve the quality of services at their facilities.

The Group also supports the MoHP by managing and standardising procedures across El Tadamon Hospital, El Nasr Specialised Hospital, and El Nesa Hospital in Port Said, bringing its best practices to them in an effort to enable and improve the skillset of their employees.

A variety of medical and technical trainings were offered by CHG through the program, which targeted doctors and nurses and involved a variety of practical experiences that included shadowing. Medical staff also received trainings on CHG's official medical form system, to further streamline and optimise medical operations. Moreover, the Group offered administrative trainings, which covered fields that ranged from supply chain to human resources and facility management.

Following the successful completion of trainings, CHG intends to implement its top-class administrative protocols across all hospitals participating in the National Healthcare Act, which entail upgrading their organisational structures and implementing the first-ever digital attendance systems in public hospitals. It is also worth mentioning that one of CHG's affiliated hospitals, El Nasr Specialised Hospital, was inaugurated by the President of Egypt, Abdel Fattah El Sisi, as part of the Health Insurance Project in November 2019.

The Floating Hospital

In partnership with Rotary Egypt, and in increasing effort to make healthcare accessible nationwide, CHG

+600
Medical and administrative employees trained

3
Hospitals participated in the program, with national rollout plans in the works

3
Implementing CHG medical forms system across 3 hospitals

1st
Implementing the first-ever fingerprint attendance system in private hospitals

10 years
Conducting the first-ever orthopaedic surgery in Tadamon Hospital in 10 years

34
Board meetings held in 2019 in all subsidiaries

55%
Independent Board members

18%
Female Board members

established a floating hospital in Aswan governorate by refurbishing and equipping a cruise ship with state-of-the-art clinics and facilities that include an x-ray unit, a laboratory, and a pharmacy. The hospital moved along the Nile's riverbank and visited eight different governorates. In 2019, it served over 10,000 female and children residing in underserved communities.

Responsible **Business Practices**

As it looks to operate its network with high levels of efficiency, transparency, and compliance, CHG maintains ethical and reliable frameworks that guide its responsible business practices. These frameworks are upheld by its Board of Directors and Board committee and considered a primary contributor to effective and strategic decision-making. Additionally, the experiences of the Group's 11 Board members, which span industries that range from pharmaceuticals to engineering, medicine, finance, and economics, assists them in performing relevant duties and providing counsel. In 2019, CHG refreshed key systems and initiatives that would assist the Group in improving patients' experiences and fortifying its business continuity framework.

CHG Medical Council

CHG launched its medical council in 2019 with the fundamental goal of elevating the experience of patients across its network, improving quality standards at existing and new hospitals, and hiring specialised medical consultants for expert advisory. The council performs its duties under the supervision of the Board's Medical Ethics and Quality committee and provides reports and recommendations on a quarterly basis.

Crisis Management and Business Continuity

CHG maintains a careful and meticulous crisis management plan that details risk assessment protocols, preventative actions and precautions, and emergency procedures. It also includes policies on business continuity during times of crisis, which entail highly protective measures hand-in-hand with the continuity of both medical and back office functions, such as finance, supply chain, HR, engineering, and call centre management. Strict infection control and prevention protocols allow the Group to protect its people while providing the community with necessary support during dire times.

Financial Statements


$20k
$0
'08
'09
'10
'11
Thu
Fri
Sat
Low
$11,787.51
$12,656.42
$13,655.34
$13,481.38
$12,754.56
200
190
180

Auditor's **Report**

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

Report on the consolidated financial statements

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

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

12 March 2020
Cairo

Consolidated statement of financial position

At 31 December 2019

(All amounts in Egyptian Pounds)

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

- The accompanying notes from 109 to 149 are integral part of these consolidated financial statements.
- Auditor's report is attached

Mr. Ahmed Adel Badr Eldin	Dr. Ahmed Ezz Eldin Mahmoud	Mr. Ahmed Gamal
Non Executive Chairman	CEO & Managing Director	Group CFO

11 March 2020

Consolidated statement **of profit or loss**

For the year ended 31 December 2019

(All amounts in Egyptian Pounds)

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

- The accompanying notes from 109 to 149 are integral part of these consolidated financial statements.

Consolidated statement **of comprehensive income**

At 31 December 2019

(All amounts in Egyptian Pounds)

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

- The accompanying notes from 109 to 149 are integral part of these consolidated financial statements.

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2019

(All amounts in Egyptian Pounds)

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

- The accompanying notes from 109 to 149 are integral part of these consolidated financial statements.

Consolidated statement of cash flows

At 31 December 2019

(All amounts in Egyptian Pounds)

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

- The accompanying notes from pages 109 to 149 are integral part of these consolidated financial statements.

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

Notes to the consolidated **financial statements**

For the year ended 31 December 2019

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

1. Introduction

Cleopatra Hospital Company (Lasheen and Partners) was established as a limited partnership on 19 July 1979.The decision of the Chairman of Investment Authority No. 4092 of 2005 was issued on 27 June 2005 authorising the transfer of the legal type of Cleopatra Hospital (Lasheen and Partners) from a "limited partnership" into Cleopatra Hospital Company "S.A.E." in accordance with the provisions of Law No. (8) Of 1997 and Law No. (95) Of 1992.

The Company's purpose is to establish a private hospital to provide advanced modern health and medical services, as well as the medical care of inpatients. The Company may have interest or participate in any manner in companies or other firms which carry on similar activities in Egypt or abroad. The Company may acquire, merge or affiliate such entities under the General Authority for Investment.

The Company is located at 39, 41 Cleopatra Street, Heliopolis, Cairo.

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

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

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

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

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

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

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

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

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

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

2. Accounting policies

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

A. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards (EASs) and the relevant laws. The consolidated financial statements have been prepared under the historical cost convention.

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

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

Matters that have not been addressed in the Egyptian Standards are subject to the International Financial Reporting Standards (IFRS) until the Egyptian Standards that address such matters are issued.

B. New Egyptian Accounting Standards ("EAS") and interpretations adopted

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

Adopted standards

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

New standards to be adopted

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

1. EAS No. (47) – "Financial instruments":

Standard name	EAS 47 "Financial instruments"
Nature of change	EAS 47, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its financial assets and liabilities and expects the following impact from the application of the new standard on 1 January 2020: The company's financial assets consist of the following: Trade receivables Time deposits Cash and cash equivalents Related parties

Standard name	EAS 47 "Financial instruments"
Impact	Trade receivables and amounts due from related parties and bank balances are debt instruments currently classified as loans and receivables and are measured at the cost consumed under Egyptian Accounting Standard No. 26. The Group has estimated that it meets the terms of the classification at the cost consumed according to Egyptian Accounting Standard No. 47, where it is are cash flows from principle payments and interest payments only, and the company's business model is to maintain and collect debt instruments. There will be no impact on the Group's registration of financial obligations, as the new requirements affect the recording of financial liabilities recorded at fair value through profit or loss and the Group does not have any of these obligations. The rules for de-recognition have been transferred from the Egyptian Accounting Standard 26 "Financial Instruments: Measurement and Recognition" and have not been changed. The new impairment model requires recognition of provisions for impairment based on expected credit losses instead of credit losses incurred only, as is the case in accordance with the Egyptian Accounting Standard 26. It applies to financial assets classified at amortized cost and debt instruments measured at fair value through other comprehensive income and contract assets Under Egyptian Accounting Standard 48, "Revenue from Contracts concluded with Clients", Debt Lease Balances, Loan Commitments, and Some Financial Guarantee Contracts. Based on the evaluations implemented to date, the impact of the new standard on the financial statements is being evaluated. The new standard also introduces extended terms of disclosure and changes in presentation. It is expected to change the nature and size of the Group's disclosures regarding its financial instruments, especially in the year in which the new standard is applied.
Mandatory application date/ Date of adoption by group	Applies to financial periods beginning on or after 1 January 2020. The Group will apply the new rules retroactively from 1 January 2020 taking the practicable methods permitted under the standard. Comparative figures for 2019 will not be modified.

2. EAS No. (48) – "Revenue from contracts with customers":

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

3. EAS No. (49) – "Leases":

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

C. Basis of consolidation

1. Subsidiaries

Subsidiaries are the companies (including special purpose entities) with which the Group does not deal and shall not have rights in variable returns through its participation in the subsidiary, and shall have the ability to impact such returns through its authority over its subsidiaries. The Group's authority over the subsidiary arises when the Group has outstanding rights giving the Group the current ability to instruct relevant activities, such as activities that impact the subsidiary's returns. Potential voting rights that may be practiced or transferred are taken into consideration when assessing the existence of authority over the subsidiary.

The acquisition method of accounting is used to account for the acquisition of a subsidiary from outside the group by the Group. The cost of an acquisition is measured at the fair value or consideration of assets given by the Company for acquisition and/ or equity instruments issued and/ or liabilities incurred by the Company, and/or the liabilities accepted on behalf of the acquire at the date of exchange plus any costs that are directly attributable to the acquisition. Net assets, including the identifiable contingent liabilities acquired at their fair value at the date of acquisition, are measured at fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the mentioned net assets, the difference is recognised directly in the statement of profit and loss.

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

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

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

The consolidated financial statements include the financial statements of the following subsidiaries:

	Country of incorporation	Percentage of ownership
Al-Shorouk Hospital Company S.A.E.	Egypt	99.99%
Nile Badrawi Hospital Company S.A.E.	Egypt	99.989%
Cairo Specialised Hospital Company S.A.E.	Egypt	54.58%
CHG for medical Services Company S.A.E.	Egypt	20% (Preferred shares)
CHG Pharma for Pharmacies Management Company S.A.E.	Egypt	98%

2. Sale, acquisition and non-controlling interests

The Group recognises sales and acquisitions made with the minority, as transactions with parties outside the Group. Gains or losses on disposal of equity to the minority, are recognised in the consolidated equity. Where purchase is made from minority, the difference between the consideration paid and the carrying value of the share purchased in the subsidiary's assets is recognised as a reserve in the consolidated equity.

3. Associates

- Associates are entities over which the Group has significant influence but not control. A shareholding in these entities ranges between 20% and 50% of the voting rights.
- Investments in associates are accounted for by the equity method of accounting, investments are initially recognised at cost.
- Goodwill arising from shareholding in associates is stated within investment cost net of accumulated impairment.
- The Group's share of its associates' post-acquisition profit and loss is recognised in the profit and loss statement, and its share of post-acquisition movements in associates' reserves is recognised in reserves, in exchange for the adjustment of carrying value of investment against the Group's share in post-acquisition changes in equity after the acquisition date.
- When the Group's share of losses in associates equals or exceeds its interest in the associate, including any other receivables or unsecured borrowings, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies applied in the associates are adjusted when necessary to ensure consistency with the policies adopted by the Group.

D. Segment reporting

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

E. Foreign currency translation

1. Functional and presentation currency

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

2. Transactions and balances

Foreign currency transactions during the year are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the revaluation of monetary assets and liabilities denominated in foreign currencies at the consolidated financial position date are recognised in the consolidated statement of profit or loss.

F. Fixed assets

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

All expenses attributed to the acquisition and establishment of fixed assets are recognised at the accounts of projects under construction. When the fixed asset is complete and brought to a ready-for-use condition, the asset's amount is transferred to the account of fixed assets.

All repair and maintenance costs are charged to the statement of profit and loss for the fiscal year in which they are incurred. Major renovation costs are capitalised over the asset's cost when they are expected to raise the expected pattern of the Company's future economic benefits over the estimated original benefits of the asset acquisition. These costs will be depreciated at the lower of the asset's remaining useful life or the expected useful life of these renovations, the net carrying amount of the disposed part is eliminated.

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

The depreciation rates by type of asset are as follows:

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

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

G. Intangible assets

1. Goodwill

Goodwill results from the acquisition of subsidiaries and represents the excess of the cost of acquisition of shareholding in subsidiaries over the fair value of the Group's share of the net assets of the acquired associate at the date of acquisition. Goodwill resulting from the acquisition of a subsidiary is included within intangible assets.

The Group's management conducts analysis annually or at shorter intervals, where there is an indication for impairment, to estimate whether the carrying value of goodwill is expected to be fully recovered, and reduce the carrying value of goodwill if it is higher than the expected recoverable amount. Any losses resulting from impairment of goodwill are charged to the statement of profit or loss, and cannot be reversed subsequently.

Profits and losses resulting from the disposal of investments in subsidiaries or associates comprise the carrying value of the goodwill related to the investment.

Goodwill is allocated to cash generating units for the purpose of measurement of impairment. Allocation is made on cash generating units or a group of cash generating units that are expected to directly benefit from goodwill.

2. Trade name

Trade name is included within intangible assets, and represents the trade name of both Nile Badrawi Hospital S.A.E. and Al-Shorouk Hospital S.A.E., resulting from the acquisition at fair value at the date of acquisition.

3. Non-competition agreement

The fair value of the recognised asset is depreciated in such agreements over the period during which it is expected to beneficial. The period is specified to be two years long.

H. Inventories

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

I. Financial assets

First – Classification:

The Company classifies its financial assets into the following categories at initial recognition depending on the purpose for which the financial assets were acquired. The management of the Company has classified its financial assets within the group of loans and receivables.

Loans and receivables:

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

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

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

Second: Initial and subsequent measurement:

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

Third: Impairment of financial assets:

Assets recognised at amortised cost

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

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

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

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

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

J. Impairment of non-financial assets

Intangible assets that have an indefinite useful life, and so are not depreciated, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal of the asset or the value expected to be recovered its use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are independent cash inflows.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that impairment losses recognised for the asset no longer exist or have decreased. Loss of impairment, which should not exceed the fair value that will be determined (net of depreciation), is reversed. Such reversal is recognised in the statement of profit or loss, excluding goodwill.

K. Share capital

Ordinary shares are classified as equity.

L. Legal reserve

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

M. Provisions

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

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

N. Trade payables

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

O. Borrowings and advances

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

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

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

P. Employees' benefits

1. Pension and insurance scheme

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

2. Employee incentive plan

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

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

System elements

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

The remuneration committee shall determine the date of grant.

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

A) Payments calculated on the basis of the difference between the average market value of the Parent Company's shares on 2 June 2020 during the six months preceding the date of the financial position and the share price at the date of its public offering on the Stock Exchange on 2 June 2016.

B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 2 June 2020 and 2 June 2016.

- The beneficiaries' entitlements from the system shall be paid within one month of the end of the fourth year of the system ("maturity date" or within one month from the date of any entitlement to the system in accordance with its terms and conditions).
- This system is not a system of remuneration and motivation for the employees of the Company by granting or giving any rights in the shares of the Company as this system is a system of monetary incentives.
- The Remuneration Committee shall be entitled to amend the mechanism for calculating amounts due in light of any developments related to the Company's activities or achieving its objectives and after the presentation to the Board of Directors for approval and clarification of the justifications for this amendment. The Remuneration Committee is entitled to reallocate units that have not been used or are available in general to existing or new beneficiaries.
- The Group recognizes the cost of incentives related to the services rendered by the employees under the system over the period in which the service is performed. The Group recognizes the liability for the system at the date of each financial position in accordance with the fair value of the consideration expected to be paid to the employees on the grant date. The fair value of these liabilities is estimated at the date of the financial position taking into account all the circumstances relating to the expected discounted cash flows at the effective rate of return applicable.
- The Group recognises the fair value of the employees' services received as expenses in the statement of profit or loss.

Q. Revenue recognition

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

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

Medical services revenue

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

Sale of medicine revenue

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

Rental income

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

Interest income

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

R. Leases

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

Before 1 January 2019, leases were accounted in accordance to Law 95 for the year 1995, if the tenant is not obliged to purchase the asset at the end of the lease term; the lease is registered in the register of the Companies' Department; the lease grants the tenant the right to purchase the assets at a definite date and a definite amount; and the contract period represents at least 75% of the expected useful life of the asset, at least, or the present value of the total lease payments represents at least 90% of the value of the asset.

The cost of lease, including the cost of maintenance of the leased assets are recognised as an expense in the consolidated statement of profit or loss for the period in which they occurred. If the Group decides to exercise the right to purchase the leased assets, the cost of the right to purchase is capitalised as a fixed asset, which is depreciated over the useful life of the expected remaining life of the asset in the same method followed with similar assets.

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

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

The right of use is depreciated using the straight-line method over the estimated useful life of these assets or the lease term, whichever is less - unless there is a right to the asset at the end of the contract since the company has a right at the end of the lease term.
The first measurement of the lease obligations is made at the present value of future payments discounted using the additional interest rate that the company borrows, and later is measured using the effective interest rate method.

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

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

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

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

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

S. Current and deferred income tax

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

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

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

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

T. Dividends

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

U. Cash and cash equivalents

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

V. Fair value of financial instruments

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

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

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

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

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

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 valuators are engaged in the valuation of significant assets. The criteria for selecting the valuator include their knowledge of the market, reputation, independence and compliance with the professional standards. The management determines the valuation techniques that should be applied on a case by case basis.

The management in cooperation with the Company's external valuators 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.

3. Financial risk management

1. Financial risk factors

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

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

A. Market risk

i) Risk of change in foreign currency rates

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

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

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

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

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

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

The Parent Company obtained long-term loans at interest rates linked to the corridor rate declared by the Central Bank of Egypt, and therefore, it is exposed to cash flow risks.

B. Credit risk

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

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

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

The management makes impairment of 100% for customers in default for more than 150 days as of the date of the invoice. After deducting the amounts that expected to be collected after calculating the loss given default rate. The management also establishes the Group-based provision for impairment at historical default rates. The management calculates historical default rates for each customer individually on a monthly basis for defaulted customer balances for more than 150 days until 360 days from the financial position date. Based on those rates, the management calculates a provision on defaulted customer's receivables for less than 150 days.

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

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

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

C. Liquidity risk

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

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

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

2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maximise returns for shareholders and provide benefits to the stakeholders, and to maintain an optimal capital structure to reduce the cost of capital, as is followed by other companies operating in the same industry.

The Group's management monitors capital structure using the gearing ratio, which is calculated as the ratio of net debt to total borrowings, advances, notes payable, and due to related parties, less cash. The total capital represents the total net debt in addition to shareholders' equity as shown in the consolidated financial position.

Net debt to total invested capital as at 31 December 2019 and 31 December 2018 is as follows:

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

3. Estimations of fair values of financial instruments

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

4. Critical accounting estimates, assumptions and judgements

Critical accounting estimates and assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the actual results.

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Group reviews the provision at the date of each financial position, and adjusts it to reflect the best current estimate by using the appropriate advisory expertise.

Impairment of goodwill and other intangible assets

The Group's management evaluates goodwill and other intangible assets annually to determine any impairment in goodwill. The carrying amount of goodwill is reduced if it is higher than the expected recoverable amount. Any losses resulting from the impairment of goodwill is charged to the statement of profit or loss, and cannot be reversed subsequently, (Note 7) illustrates more information regarding this.

Impairment of trade receivables and customers

Impairment of receivables and customer balances is estimated by monitoring ageing of receivables. The Group's management examines the credit position and ability of debtors and customers to make payments for their past due debts. Impairment is recognised for amounts due from debtors and customers whose credit position does not allow them to pay their dues as believed by the management. In addition, the Group calculates impairment on the Group basis for customers and balances that suffered impairment but not yet determined, by reference to historical default rates applicable to some of the Group companies.

Employee incentive plan

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

This plan is not considered as a plan of remuneration and motivation for employees in the group by granting any rights in the shares of the parent company, as it is a plan of cash incentives based in part on the value of shares. The values of the components of the plan are calculated at current discount rates, either for share-based payments or for payments calculated on the basis of the difference between (EBITDA) and maturity as of 2 June 2020 and 2 June 2016. The discounts rates used in calculating the system values are also reviewed with the market discount rates and reviewing the calculated valued by system elements with the approved five years plans from the management yearly.

The plan consists of the following:

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

B) Payments are calculated on the basis of the difference between earnings before interest, tax depreciation and amortization (EBITDA) on the maturity date 2 June 2020 and 2 June 2016.

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

5. Segment reporting

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

Below is a summary of each segment, which is presented for the year ended 31 December 2019 for each segment:

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

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

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

6. Fixed assets

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

7. Business combination and intangible assets

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

The good will is as follows:

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

Goodwill

To calculate goodwill, Nile Badrawi Hospital Company S.A.E. and Al-Shorouk Hospital S.A.E. were considered as a cash generating unit, and goodwill resulting from acquisition was allocated.

Recoverable amount of cash-generating unit is estimated by calculating the value in use, using pre-tax cash flows based on financial budgets approved by the management, which cover a period of five years maximum. The management determines the specific assumptions of cash flow forecasts based on past experience and expectations of the market.

Estimates have been made in terms of sales growth, operating costs and expected gross profit. Future capital expenditures for future replenishment plans have been taken into account for the same outstanding assets. A discount rate and a long-term growth rate have been used to reflect the specific risks associated with the activity and economy sector.

Trade name

The fair value of the trade name is estimated using relief from royalty method. This method determines the value by referring to the nominal royalty payments, which are provided when acquiring the asset compared with the license of the asset and trade name by a third party.

Queens Hospital acquisition

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

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

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

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

	EGP
Acquisition cost	
Cash paid	25,000,000
Total acquisition cost	**25,000,000**
Total fair value of acquired assets	(10,929,000)
Intangible asset	**14,071,000**

	EGP
Fixed assets	8,567,000
Medical inventory	1,274,000
Debtors and other debit balances	1,088,000
Total fair value of acquired assets	**10,929,000**
Intangible asset	**14,071,000**

ElKateb Hospital acquisition

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

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

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

	EGP
Acquisition cost	
Cash paid	278,630,000
Total acquisition cost	**278,630,000**
Fair value of acquired assets	(120,113,700)
Goodwill	**158,516,300**

	EGP
Fixed assets	67,911,000
Medical inventory	28,350,000
Debtors and other debit balances	23,852,700
Fair value of acquired assets	**120,113,700**
Goodwill	**158,516,300**

8. Advance payment for investment

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

9. Subsidiaries not consolidated

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

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

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

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

10. Inventories

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

Movement in the provision for inventory is as follows:

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

11. Trade receivables

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

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

Movement in the provision for impairment is as follows:

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

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

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

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

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

12. Debtors and other debit balances

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

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

	2019	2018
Balance at 1 January	911,240	911,240
No longer required	(767,506)	-
	143,734	**911,240**

13. Treasury bills

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

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

14. Cash and cash equivalents

	2019	2018
Time deposit	177,021,887	35,377,810
Current accounts	611,891,442	916,668,438
Cash on hand	2,354,510	1,376,346
	791,267,839	**953,422,594**

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

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

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

15. Provisions

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

Movement in the provision during the year is as follows:

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

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

Provision for human resources

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

Provision for claims

Other provisions represent provisions for contingent liabilities on potential claims from certain authorities and parties regarding the Company's activity. The Company did not disclose the usual information on the provisions in accordance to the accounting standards as management believes that doing so may severely affect the outcome of the negotiations with those bodies and authorities. The management reviews these provisions on a yearly basis, and the allocated amount is adjusted according to the latest developments, discussions and agreements with such parties.

16. Creditors and other credit balances

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

17. Employee incentive plan

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

The movement during the year is as follows:

	Balance at 1 January 2019	Formed during the year	Balance at 2019
Employee incentive plan	45,232,497	83,840,084	129,072,581
Total	**45,232,497**	**83,840,084**	**129,072,581**

The movement during the year is as follows:

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

18. Borrowings and bank overdraft

	2019		
	Current portion	Non-current portion	Total
Bank overdraft	-	-	-
Total	-	-	-

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

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

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

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

Financial ratios

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

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

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

19. Share capital

On 30 September 2017, the extraordinary general assembly of the company agreed to increase the company's authorized capital from 800,000,000 EGP to 2,000,000,000 EGP and increase the issued capital from 100,000,000 EGP to 800,000,000 EGP, an increase of EGP 700,000,000 by inviting the old shareholders to subscribe for the increase shares through the issuance of 1.400.000.000 shares that are subscribed for at a nominal value of EGP 0.5 per share, provided that the full value is paid at the time of subscription, knowing that the old shareholders have the right to subscribe to the increase each by his contribution In the capital or the sale of all or part of the subscription right separately from the share To drink knowing that it was the right of redress fractional shares and subscription increase for the benefit of small shareholders.

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

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

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**

On 11 July 2019, CARE Health Care Ltd sold 504 million shares of its shares in Cleopatra Hospital Company. Its share capital reached 37.87% and the shareholders' structure is as follows:

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

20. Reserves

Below is the movement on reserves during the year:

	2019		
	Balance at the beginning of the year	formed during the year	Balance at the end of the year
Legal reserve	54,127,298	10,212,897	74,340,195
Special reserve	49,090,006	-	49,090,006
Acquisition reserve	(76,532,044)	-	(76,532,044)
Other reserves	247,496,391	-	247,496,391
Total	**274,181,651**	**10,212,897**	**284,394,548**

	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
Special reserve	49,090,006	-	49,090,006
Acquisition reserve	(76,532,044)	-	(76,532,044)
Other reserves	247,592,165	(95,774)	247,496,391
Total	**270,150,127**	**4,031,524**	**274,181,651**

A) Legal reserve

In accordance with the Law No. 159 of 1981 and the Company's Articles of Association, 5% of the net profit for the year shall be transferred to the legal reserve. Based on a proposal by the Board of Directors, this transfer may be partially discontinued if the legal reserve reaches 50% of the issued capital. The legal reserve is not available for distribution to shareholders.

B) Acquisition reserve

This reserve represents the difference between the value of the acquisition by Cleopatra Hospital Company S.A.E. and the carrying value of net assets and liabilities of Cairo Specialised Hospital Company S.A.E. at the acquisition date, as the two companies are under common control. The reason for the acquisition is the reorganisation of the group companies. Therefore, the assets and liabilities of the subsidiary were transferred at historical cost.

C) Special reserve

The special reserve represents the amount that was due to Care Healthcare Ltd. (Parent Company). Valued at EGP 47,379,722 Under the letter issued by the Company on 12 April 2016, both parties have agreed that this amount shall be claimed only in the case of dissolution or liquidation of the Company, either voluntary or for any other legal reason. In that case, the due amount shall be divided between recent shareholders of the Company upon liquidation or dissolution at the same proportion of their shares in the Company's share capital to the total number of shares issued. Accordingly, this amount has been recognised as special reserve in equity. In addition to the resulting reconciliation from treasury shares related to Cairo Specialised Hospital (Subsidiary Company). Valued at EGP 1,710,284

D) Other reserves

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

Below is the movement of other reserves as follows:

	2019		
	Balance at the beginning of the year	formed during the year	Balance at the end of the year
Other reserves	247,496,391	-	247,496,391
Total	**247,496,391**	**-**	**247,496,391**

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

Below is the other reserves as follows:

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

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

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

21. Non-controlling interests

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

22. Operating revenue

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

23. Operating costs

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

24. General and administrative expenses

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

25. Expenses by nature

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

* *Employees' costs*

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

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

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

26. Other income

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

27. Finance income / (expenses)

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

28. Pre-operating expenses

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

29. Income taxes

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

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:

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

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

30. Deferred tax

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

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

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

31. Earnings per share

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

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

32. Related parties transactions

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

Balances of financial position

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

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

33. Tax position

Cleopatra Hospital S.A.E.

1. Corporate tax

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

2. Salaries tax

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

3. Stamp duty tax

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

4. VAT

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

5. Advance payments

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

Cairo Specialised Hospital "S.A.E."

1. Corporate tax

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

2. Tax on salaries and wages

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

3. Stamp duty

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

4. VAT

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

5. Advance payments

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

Nile Badrawi Hospital

1. Corporate tax

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

2. Salaries tax

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

3. Stamp duty

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

4. VAT

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

5. Advance payments

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

Al Shorouk Hospital S.A.E.

1. Industrial and commercial profits tax

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

2. Salaries tax

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

3 Stamp duty tax

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

4. VAT

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

5. Advance payments

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

34. Commitments

Capital commitments:

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

35. Right of use

Lease liabilities

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

Right of use:

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

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

36. Subsequent events

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

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