

**CAIRO FOR INVESTMENT & REAL ESTATE  
DEVELOPMENT "S.A.E" AND ITS SUBSIDIARIES**

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

**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT  
"S.A.E." AND ITS SUBSIDIARIES**

**Consolidated financial statements  
For the year ended 31 August 2019**

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## **Auditors' report**

**To the shareholders of Cairo for Investment and Real Estate Development (S.A.E.)**

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

We have audited the accompanying consolidated financial statements of Cairo for Investment and Real Estate Development (S.A.E.) (the "Parent Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 August 2019 and consolidated statements of profit or loss, other comprehensive income, changes in shareholder's equity and cash flows for the year ended 31 August 2019, and a summary of significant accounting policies and other 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. Management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management's responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

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



**The shareholders of Cairo for Investment and Real Estate Development (S.A.E.)**  
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**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cairo for Investment and Real Estate Development "S.A.E." and its subsidiaries as of 31 August 2019, and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with Egyptian Accounting Standards and in light of related Egyptian laws and regulations.

A handwritten signature in black ink, appearing to be "Ashraf Mamdouh".

Ashraf Mamdouh  
Member of American syndicate of chartered accountants  
R.A.A. 26231  
F.R.A. 383

4 November 2019  
Cairo





**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "SAE"  
AND ITS SUBSIDIARIES**

**Consolidated statement of financial position - As of 31 August 2019**

(All amounts are shown in Egyptian Pounds)

	Note	2019	2018
<b>Non-current assets</b>			
Fixed Assets	6	747,302,108	743,344,427
Projects under construction	7	214,568,829	7,044,657
Works in progress	8	85,856,401	24,097,785
Financial Investments in associates	9	57,421,325	32,041,070
Investments held to maturity	11	-	1,000,000
Goodwill	31	803,420	5,936,481
<b>Total non-current assets</b>		<b>1,105,952,083</b>	<b>813,464,420</b>
<b>Current assets</b>			
Investments held to maturity	11	1,000,000	-
Inventories	12	661,838	2,527,821
Debtors and other debit balances	13	201,301,052	65,820,411
Cash on hand and bank balances	14	163,026,674	91,503,367
<b>Total current assets</b>		<b>365,989,564</b>	<b>159,851,599</b>
<b>Total assets</b>		<b>1,471,941,647</b>	<b>973,316,019</b>
<b>Shareholders' Equity</b>			
<b>Shareholders' Equity attributable to the shareholders of the Parent Company</b>			
Paid-up share capital	15	233,116,130	219,116,130
Reserves	16	222,538,045	32,003,019
Retained earnings		378,014,151	192,088,678
<b>Total Shareholders' equity attributable to shareholders of the parent company</b>		<b>833,668,326</b>	<b>443,207,827</b>
Non-controlling interests	30	56,370,363	61,170,738
<b>Total Shareholders' equity</b>		<b>890,038,689</b>	<b>504,378,565</b>
<b>Non-current liabilities</b>			
Non-current portion of borrowings and credit facilities	17	66,879,677	24,991,787
Deferred tax liabilities	21	3,934,028	3,592,063
<b>Total non-current liabilities</b>		<b>70,813,705</b>	<b>28,583,850</b>
<b>Current liabilities</b>			
Provisions	22	33,205,054	27,505,492
Creditors and other credit balances	18	177,431,195	96,672,075
Advance revenues	19	211,730,601	185,203,224
Current income tax liabilities	20	66,104,436	41,075,377
Current portion of borrowings and credit facilities	17	22,617,967	89,897,436
<b>Total current liabilities</b>		<b>511,089,253</b>	<b>440,353,604</b>
<b>Total liabilities</b>		<b>581,902,958</b>	<b>468,937,454</b>
<b>Total liabilities and Shareholders' equity</b>		<b>1,471,941,647</b>	<b>973,316,019</b>

- The accompanying notes on pages 7 to 52 form an integral part of the consolidated financial statements
- Limited auditors report attached

Mr Mohamed El Khouly  
Chief financial officer

4 November 2019

Dr Hassan Hassan El Kalla  
Board Chairman

CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."  
AND ITS SUBSIDIARIES

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

(All amounts in Egyptian Pounds)

	Note	2019	2018
Operating revenue	23	704,679,311	517,492,002
Operating costs	24	(328,484,348)	(248,604,187)
General and administrative expenses		376,194,963	268,887,815
Goodwill Impairment	25	(125,655,955)	(92,273,085)
Provisions	31	(5,133,061)	-
Other income	22	(6,541,606)	(2,752,426)
	27	4,911,104	7,209,489
<b>Operating profits</b>		<b>243,775,445</b>	<b>181,071,793</b>
Finance costs - net	28	13,791,729	(15,507,558)
<b>Profit before tax</b>		<b>257,567,174</b>	<b>165,564,235</b>
Current tax	20	(64,650,433)	(37,982,716)
Deferred tax	21	(341,965)	(1,209,836)
<b>Profit for the year</b>		<b>192,574,776</b>	<b>126,371,683</b>
<b><u>Profits attributable to</u></b>			
Owner's of the Parent Company		188,261,990	119,732,287
Non-controlling interests	30	4,312,786	6,639,396
		<b>192,574,776</b>	<b>126,371,683</b>
<b><u>Earning per share</u></b>			
Basic and diluted earning per share	32	<b>0.28</b>	<b>0.46</b>

- The accompanying notes on pages 7 to 52 form an integral part of the consolidated financial statements





**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "SAE"  
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**Consolidated statement of other comprehensive income - For the year ended 31 August 2019**

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Profit for the year		192,574,776	126,371,683
Other comprehensive income		-	-
<b>Comprehensive income for the year</b>		<b><u>192,574,776</u></b>	<b><u>126,371,683</u></b>
<b>Comprehensive income attributable to</b>			
Owner's of the Parent Company		188,261,990	119,732,287
Non-controlling interests	30	<u>4,312,786</u>	<u>6,639,396</u>
		<b><u>192,574,776</u></b>	<b><u>126,371,683</u></b>

- The accompanying notes on pages 7 to 52 form an integral part of the consolidated financial statements



**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "SAE"  
AND ITS SUBSIDIARIES**

**Consolidated statement of changes in shareholder's equity - For the year ended 31 August 2019**

(All amounts in Egyptian Pounds)

	Note	Share capital	Reserves	Retained earnings	Total shareholder's equity attributable to the Parent Company	Non-controlling interests	Total equity
<b>Balance at 1 September 2017</b>		<b>219,116,130</b>	<b>17,009,363</b>	<b>143,527,345</b>	<b>379,652,838</b>	<b>40,590,078</b>	<b>420,242,916</b>
Transfers to reserves/additions	16	-	14,993,656	(8,908,034)	6,085,622	-	6,085,622
Share of non-controlling interests from acquisition of subsidiaries	30	-	-	-	-	17,680,644	17,680,644
Dividends		-	-	(62,262,920)	(62,262,920)	(3,739,380)	(66,002,300)
Profit for the year		-	-	119,732,287	119,732,287	6,639,396	126,371,683
<b>Balance at 31 August 2018</b>		<b>219,116,130</b>	<b>32,003,019</b>	<b>192,088,678</b>	<b>443,207,827</b>	<b>61,170,738</b>	<b>504,378,565</b>
<b>Balance at 1 September 2018</b>		<b>219,116,130</b>	<b>32,003,019</b>	<b>192,088,678</b>	<b>443,207,827</b>	<b>61,170,738</b>	<b>504,378,565</b>
Increase in share capital		14,000,000	-	-	14,000,000	-	14,000,000
Transfers to reserves/additions	16	-	197,140,346 \$	(1,140,346)	196,000,000	-	196,000,000
Share of non-controlling interests from acquisition of subsidiaries	30	-	(6,605,320)	-	(6,605,320)	(4,569,668)	(11,174,988)
Dividends		-	-	(1,196,171)	(1,196,171)	(4,543,493)	(5,739,664)
Profit for the year		-	-	188,261,990	188,261,990	4,312,786	192,574,776
<b>Balance at 31 August 2019</b>		<b>233,116,130</b>	<b>222,538,045</b>	<b>378,014,151</b>	<b>833,668,326</b>	<b>56,370,363</b>	<b>890,038,689</b>

- The accompanying notes on pages 7 to 52 form an integral part of the consolidated financial statements





**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "SAE"  
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**Consolidated statement of cash flows - For the year ended 31 August 2019**

(All amounts in Egyptian Pounds)

	Note	2019	2018
<b>Cash flows from operating activities</b>			
Profit before tax		257,567,173	165,564,235
<b>Adjustments to reconcile profits to cash flows from operating activities</b>			
Depreciation of property, plant and equipment	6	58,583,648	45,628,266
Finance costs	28	11,311,431	26,411,785
Finance income	28	(25,629,112)	(11,010,324)
Goodwill Impairment	31	5,133,061	-
Impairment losses on investments in associates	25	-	303,835
Impairment losses on debtors and other debit balance	25	3,661,205	1,348,293
Impairment losses on debtors and other debit balance no longer required	13	(449,774)	(243,145)
Share of profit of associates	27	-	(536,070)
Provisions made	22	6,541,606	2,752,426
Gain on sale of property, plant and equipment	27	(2,141)	(1,902,212)
Provisions used	22	(842,044)	(1,258,559)
Gain on reverse of the other debit balances		-	(1,448,387)
<b>Operating profits before changes in current assets and liabilities</b>		<b>315,875,053</b>	<b>225,610,143</b>
<b>Changes in current assets and liabilities</b>			
Change in inventories		1,865,983	(1,095,717)
Change in debtors and other debit balances		(138,692,072)	1,831,627
Change in creditors and other credit balances and accrued		108,262,393	28,987,258
Income tax paid	20	(39,621,374)	(22,095,619)
<b>Net cash flows generated from operating activities</b>		<b>247,689,983</b>	<b>233,237,692</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(53,991,706)	(60,754,575)
Payments for purchase non-controlling interest shares		(11,174,988)	(2,477,598)
Interest received		25,629,112	11,010,324
Proceeds from sale of property, plant and equipment		3,925	-
Payments for projects under constructions	7	(216,075,579)	(50,728,175)
Payments for work in progress		(61,758,616)	(7,850)
Acquisition of investments in associates		(25,380,255)	(10,254,959)
Change in restricted cash		2,440,008	(2,447,410)
<b>Net cash flows used in investing activities</b>		<b>(340,308,099)</b>	<b>(115,660,243)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and credit facilities		41,887,890	24,818,515
Payments to borrowings and credit facilities		(67,279,469)	(29,901,975)
Finance costs paid		(11,311,431)	(18,951,541)
Share Premiums		196,000,000	-
Increase in Capital		14,000,000	-
Dividends paid		(6,715,559)	(59,117,793)
<b>Net cash flows used in financing activities</b>		<b>166,581,431</b>	<b>(83,152,794)</b>
<b>Change in cash and cash equivalents during the year</b>		<b>73,963,315</b>	<b>34,424,655</b>
Cash and cash equivalents at the beginning of the year		89,055,957	54,631,302
<b>Cash and cash equivalents at the end of the year</b>	14	<b>163,019,272</b>	<b>89,055,957</b>

- The accompanying notes on pages 7 to 52 form an integral part of the consolidated financial statements



# CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E." AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements – For the year ended 31 August 2019

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

### 1. Introduction

Cairo for Investment and Real Estate Development (the "Parent Company") was established under a Preliminary contract dated 15 March 1992 which was ratified on 17 August 1992 under ratification minutes No. 1978 (d) of the year 1992 at Real Estate Publicity Office in Nasr City. The Company is registered under the commercial register number 273431-dated 22 August 1992.

The Parent Company's headquarters is located in 36 Sheikh Ahmed El Sawy Street, Nasr City, Cairo.

The Parent Company was founded for the purpose of: construction, foundation and management of educational institutions in accordance with the applicable laws and decrees, administrative housing, below average housing, medical institutions, trade of medical tools and hospitals equipment, providing petroleum services, buying and selling and the division of land, taking into account the provisions of law No. 143 of 1981, engaging in import and export activity, sale and purchase of residential apartments, administrative units and real estate, without violation to the decision of the Minister of Economy and Foreign Trade No. 204 for the year 1991. The Parent Company may have interests or participate in any mean with companies having similar activities or which may assist it in achieving its purpose in Egypt or abroad. The Parent Company may also have the right to be merged or acquire the above mentioned entities under the provisions of law and its executive regulations. The Parent Company has added to its purpose the activity of real estate development, general and specialised contracting activities and commercial agencies with Egyptian and foreign companies.

The main shareholder of the Parent Company is Social Impact Capital "Ltd." owning 51.22%.

The consolidated financial statements were approved by the Board of directors at 4 November 2019. Taking into consideration that the General Assembly Meeting have the right to amend the financial statements after issuance.

### 2. Accounting policies

Significant accounting policies used in the preparation of the consolidated financial statements are summarised below:

#### A. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and applicable laws and regulations which have been consistently applied over the financial year and all prior years unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention.

The Group presents its assets and liabilities in the consolidated statement of financial position based on current/ non-current classification. An asset is classified as current when it is:

- \* Expected to be realised or intended to be sold or used in the normal operating course;
- \* Held primarily for trading;
- \* Expected to be realised within twelve months after the financial reporting period; or
- \* Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting period.



**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."  
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**Notes to the consolidated financial statements – For the year ended 31 August 2019**

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

**Basis of preparation of the consolidated financial statements (continued)**

All other assets are classified as non-current assets.

A liability is classified as current when:

- \* It is expected to be settled in the normal operating course;
- \* Held primarily for trading;
- \* It is required to be settled within twelve months after the financial reporting date; or
- \* The entity does not have an unconditional right to defer the settlement of the liability for at least twelve months after the end of the consolidated financial reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards (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. Note (4) clarifies the most significant accounting estimates and personal judgements applied for the preparation of the consolidated financial statements.

International Financial Reporting Standards apply for the topics not covered by the EASs until the issuance of a related EAS discussing such topics.

**B. New issued and amendments made to EAS's, but not yet applied**

On 28 March 2019, the Minister of Investment issued a decision No. 69 of 2019 to amend certain provisions from Egyptian Accounting Standards which include certain new accounting policies and amendments to existing standards. Such amendments were published among the accounting standards in the official gazette on 7 April 2019. Below are the significant amendments summarised in the issuance of three new standards which are adopted in the financial periods starting on the first of January 2020 or afterwards:

**i. Accounting standard No. 47 "Financial Instruments"**

This standard is adopted to the financial periods starting on the first of January 2020 or afterwards. Early adoption is allowed, subject to the adoption of the Egyptian Accounting Standard Nos. (1), (25), (26) and (40) which are collectively amended at the same time.

The standard includes rating levels and a new measurement method of the financial assets which reflects the business model through which the assets can be managed as well as the characteristics of its cash flows.

EAS 47 replaces the "incurred loss" model in EAS 26 with the "expected future loss" model.

**ii. Accounting Standard No. 48 "Income from contracts with customers"**

This standard is adopted to the financial periods starting on the first of January 2020 or afterwards. Early adoption is allowed, subject to the adoption of the Egyptian Accounting Standard Nos. (1), (25), (26) and (40) which are collectively amended at the same time.

This Standard sets out a comprehensive concept framework by determining the amount and timing of recognition of income. This Standard replaces EAS 11 "Revenues" and EAS 8 "Construction Contracts".



# CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E." AND ITS SUBSIDIARIES

Notes to the consolidated financial statements – For the year ended 31 August 2019

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

## New issued and amendments made to EAS's, but not yet applied (continued)

### iii. Accounting Standard No. 49 "Leases"

This standard is adopted to the financial periods starting on the first of January 2020 or afterwards. Early adoption is allowed, and is applied along with EAS 48 "Income from contracts with customers" at the same time.

EAS 49 provides lessees with a single accounting model for leases. The lessee shall recognise the right of use asset which represent the lessee's right to use the relevant asset in addition to the lease liability that represents the obligation to pay the lease payments. There are optional exemptions for short-term leases and leases for low-value assets.

EAS 49 replaces EAS 20 "Accounting Standards and Regulations Related to Finance Lease"

## C. Basis of consolidation

### (1) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

Based upon the Presidential Decree No. 117 of 2013, the Parent Company established Badr University. Based on the same decree, the Group as the Founder is entitled to surplus revenues after deduction of expenses as determinable by the Board of Trustees of the University.

The consolidated financial statements include the following subsidiaries:

	Country of incorporation	Percentage of ownership
Cairo Educational Services	Egypt	69.4%
Upper Egypt Educational Services	Egypt	99%
Egyptian Educational Systems	Egypt	100%
Global Educational Technologies	Egypt	79.5%
Cairo Egypt for Educational Premises	Egypt	99.9%
Futures and Nations Company *	Egypt	50%
Emco for Systems and Computers	Egypt	82.5%
Egyptian Schools Company	Egypt	61%
Educational Systems International	Egypt	80%
Badr University	Egypt	100%

\* Management of the Parent Company has assessed the degree of the Group's influence over the Futures and Nations Company and concluded that the Company has the control over operating and financing policies of the Company. Consequently, the investment has been accounted for as an investment in subsidiaries and the Company is included within the consolidated financial statements.



**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."  
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**Notes to the consolidated financial statements – For the year ended 31 August 2019**

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

**Basis of consolidation (continued)**

**i. Acquisition method**

The Group applies the acquisition method to process each of the business combination operations.

The consideration transferred in a business combination is measured based on the fair value accounted for as the fair values of the assets transferred and the liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. In any business combination, the Group recognises any non-controlling interests in the subsidiary at the proportionate share of the recognised amounts of acquiree's identifiable net assets at the date of acquisition.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the Group re-measures the previously held equity interest in the acquiree at fair value in the acquisition date. Any gains or losses arising from re-measurement are recognised within other comprehensive income items.

Inter-company assets, liabilities, equity, income, expenses and cash flows related to transactions between the Group's entities are eliminated. When necessary, financial statements of the subsidiaries are properly adjusted to conform with the Group's accounting policies.

**ii. Changes in ownership interests held within controlling interests**

When the ratio of equity held within controlling interests changes, the Group adjusts the amounts recorded for controlling and non-controlling shares to reflect such changes in the relevant shares in the subsidiary. The Group recognises directly within the equity of the parent company any difference between the amount of changing the non-controlling shares and the fair value of the consideration paid or received.

**iii. Disposal of subsidiaries**

When the Group ceases to have control, the Group recognises any retained investment in the entity that was a subsidiary at its fair value at the date when control is lost, with the resultant change recognised as profit or loss attributable to the shareholders of the parent company.

**iv. Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the identifiable net assets acquired, liabilities and contingent liabilities at the date of acquisition. If the consideration transferred, non-controlling interests in the acquiree and the date of acquisition fair value of the Group's equity previously held at the acquiree is less than the net of the identifiable acquired assets, liabilities, and contingent liabilities assumed at the date of acquisition, the Group recognises the gain resulting from profit and loss at the date of acquisition and the gains are attributed to the Group.









**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."  
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**Notes to the consolidated financial statements – For the year ended 31 August 2019**

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

**Basis of consolidation (continued)**

**v. Goodwill arising from investment in associates**

The excess of the total consideration transferred over the Group's share in the net fair value for the acquired determinable assets and assumed liabilities at the date of acquisition is recognised as goodwill.

The goodwill resulting from contribution in associates is recognised within the cost of investment in associates net of the accumulated impairment losses in the investment value of associates and shall not be recognised separately. Impairment of the goodwill is not tested in associates separately. Impairment is rather tested in the carrying amount of the investment as a whole - as a separate asset- by comparing its carrying amount with the recoverable amount. Impairment losses recognised in this case are not allocated on any asset. Therefore, any reverse settlement of the impairment losses will be recognised to the extent in which the recoverable amount subsequently increases, provided it does not exceed the impairment losses previously recognised.

**D. 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, which is the Group's functional and presentation currency.

**(2) Transactions and balances**

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

Non-monetary items measured in historical cost and denominated in foreign currency are translated using the exchange rate prevailing at the date of the transaction.

**E. Property, plant and equipment**

The Group applies the cost model at the measurement of property, plant and equipment, and those are recognised on their costs net of the accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes any costs directly associated with bringing the asset to a working condition for its use intended by the management of the Group.

The Group capitalises subsequent costs of the acquisition of the property, plant and equipment as a separate asset, when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. The Group recognises, within the carrying value of a property, plant and equipment, the cost of replacing part of that asset at the date such costs are incurred. These costs are depreciated over the remaining useful life of the related asset or the estimated useful life, whichever is less. The carrying amount of replaced parts are derecognised. The Group recognises the costs of day-to-day servicing of the property, plant and equipment in the consolidated statement of profit or loss.





**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."  
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**Notes to the consolidated financial statements – For the year ended 31 August 2019**

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

**Impairment of non-financial assets (continued)**

The asset is tested for impairment by comparing its carrying amount with its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less costs of sale or its value in use. For the purposes of assessing impairment, assets are allocated at the lowest levels for which there are largely independent cash inflows from other inflows of assets or groups of assets (cash-generating units).

The Group recognises impairment losses in the consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

At the end of each financial period, where there is an indication that the carrying amount of any asset, other than goodwill which is recognised in prior years, is impaired, the Group then evaluates the recoverable amount of that asset.

Impairment losses recognised in prior years are reversed when there is an indication that such losses no longer exist or have decreased. Loss of impairment, which should not exceed the carrying amount that would have been determined (net of depreciation), are also reversed. Such reversal is recognised in consolidated statement of profit or loss.

**I. Financial assets**

**(i) Classification**

The Group classifies its financial assets as loans and receivables and held-to-maturity financial assets. The classification of a financial asset depends on the purpose for which it is acquired. Management determines such classification at initial recognition of financial assets.

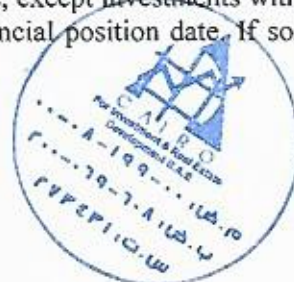
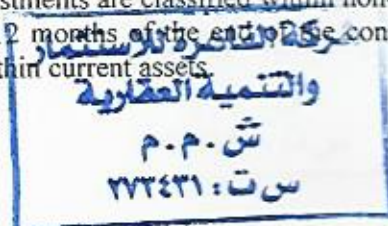
**Loans and receivables:**

Loans and receivables are non-derivative financial assets with fixed or determinable payment date that are not quoted in an active market. Financial assets listed in such Group are presented as current assets if expected to be recovered within a maximum period of 12 months from the date of the end of the financial period. The Group's loans and receivables include 'debtors and other debit balances' and 'cash and cash equivalents' and 'balances due from related parties' and 'accrued revenues' in the consolidated statement of financial position.

**Held to maturity financial assets:**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable amounts and fixed maturities that the Group has positive intention and ability to hold till maturity.

Held to maturity investments are classified within non-current assets, except investments with maturities less than 12 months of the end of the consolidated financial position date. If so, they are classified within current assets.





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**Financial assets (continued)**

**(ii) Initial recognition and measurement**

A financial asset is recognised when the Group becomes a party to the contractual provisions of the financial asset.

The acquisition of a financial asset is initially measured at fair value plus other costs directly associated with the execution of the transaction.

**(iii) Subsequent measurement**

Loans and receivables and held to maturity financial assets are subsequently measured at amortised cost using the effective interest rate. Interests calculated are recognised in the consolidated statement of profit or loss within net finance costs.

**(iv) De-recognition**

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

The financial asset is derecognised at its carrying amount at the date of de-recognition, and profits (losses) of de-recognition is recognised in the consolidated statement of profit or loss within the other revenues.

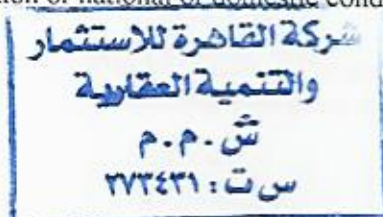
The profits/ (losses) of de-recognition of financial asset represents the difference between the carrying amount at the date of de-recognition and the proceeds resulting from the de-recognition of the financial asset.

**J. Impairment of financial assets**

Financial assets carried at amortised cost

The Group assesses impairment at end of each reporting period whenever there is objective evidence that a specific financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that event (events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment may include significant financial difficulties experienced by a debtor or a group of debtors, violation of contract terms such as default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other reorganisation, where observable data indicate that there is a measurable decrease in the estimated future cash flows since the initial recognition or national or domestic conditions that correlate with defaults of the Group's assets.





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**Impairment of financial assets (continued)**

For loans and receivables, the amount of loss is measured as the difference between the asset's carrying amount and the present value of future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is immediately reduced and the losses are recognised in the consolidated statement of profit or loss. Loans expected to be uncollectible are written off by deduction from the relevant provision, and any subsequent proceeds are recognised as revenues in the statement of profit or loss. If a loan or held-to-maturity investment has a variable exchange rate, the discount rate for measuring any impairment losses are the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an asset's fair value using an observable market price.

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

**K. 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 sale expenses. Allowance is made for slow moving inventories based on management's assessment of inventory movements.

**L. Cash and cash equivalents**

For the purposes of presenting the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances with original maturities less than three months from the deposit date.

**M. 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 such obligations; and the amount can be reliably estimated. Provisions are reviewed at the date of each consolidated financial position and adjusted to reflect the best current estimate. Where the impact of the time value of money is significant, the amount recognised as a provision is the present amount of expected expenses required to settle the liability.

**N. Trade payables**

Trade payables are recognised initially at fair value of the goods and services received from third parties and subsequently carried out at amortised cost using the effective interest rate method.

**O. Issued and paid up capital**

Ordinary shares are classified within equity.





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**P. Borrowings**

Borrowings are initially recorded at fair value less the cost of obtaining the loan. Borrowings are subsequently measured at amortised cost using the effective interest rate method, and the difference between the amounts received is recorded in the consolidated statement of profit or loss (less the cost of obtaining the loan) and the value that will be repaid over the borrowing period. Borrowings and advances are classified as current liabilities unless the Group has an unconditional right to defer the settlement of such liabilities for a period of not less than 12 months after the date of the consolidated financial statements.

**Q. Current and deferred income tax**

**Current income tax**

The Group's current taxes due are calculated in accordance with the applicable Egyptian laws and regulations.

The Group is subject to corporate income taxes. The Group uses tax advisors to estimate the income tax provision. In case of differences between the final tax outcomes with the initially recorded amounts, the resulting impact on income tax and deferred tax are recognised in the year in which they occur.

**Deferred income tax**

Deferred income tax is fully recognised, using the assets and liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The applicable tax rates are used to calculate the deferred income tax.

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

**R. Revenue recognition**

The fair value of the consideration received or receivable including cash, receivables and notes receivables arising from rendering the educational services is measured through the ordinary course of the Company, stated net of discounts.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities as described subsequently.

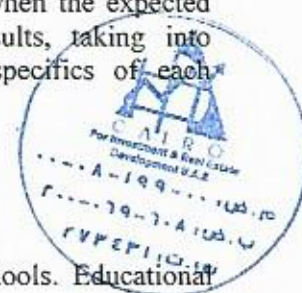
The value of the revenue is not considered to be reliably measured except when the expected obligations are settled. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Revenue is recognised using accrual basis.

**Tuition revenues**

The Group provides educational services to students through its owned schools. Educational revenues are recognised throughout the period of rendering the tuition services.

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**Notes to the consolidated financial statements – For the year ended 31 August 2019**

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**Revenue recognition (continued)**

**Buses revenues**

The Group provides transport services to students through its owned schools. Buses revenues are recognised throughout the period of rendering the services.

**Rental revenues**

Rental revenues are recognised net of any discount allowed by the lessor using the straight-line method over the period in which the lessee uses the leased property.

**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 Group reduces the carrying amount to its recoverable amount.

**S. Leases**

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

Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

**T. Employees' benefits**

The Group pays contributions to the Public Authority for Social Insurance Plans on a mandatory basis in accordance with the rules stated in Social Insurance Law. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions are recognised as periodic cost for the year in which they are due and as such are included in the staff costs.

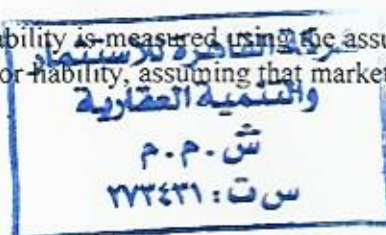
**U. Fair value of financial instruments**

Fair value is the price that would be obtained to sell an asset or paid to convert a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The Group should be able to have access to the principal market or the most advantageous market.

The fair value of the asset or liability is measured using the assumptions that market participants may use when pricing the asset or liability, assuming that market participants behave in their own economic interests.



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

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best condition or sell it to another market participant who will use the asset in its best use.

The Group uses valuation techniques that are appropriate in the circumstances and where sufficient data are available to measure the fair value, increase the use of relevant observable inputs and minimize the use of inputs that are not observable.

The fair values of all assets and liabilities are measured or disclosed in the consolidated financial statements and are included in the fair value hierarchy described below, based on the lowest input levels that are material to the fair value measurement as a whole:

- Level 1 - Market prices (unadjusted) prevailing in active markets for similar assets or liabilities.
- Level 2 - Other valuation methods in which the lowest levels of inputs that have a material effect on the measurement of fair values are observable, either directly or indirectly.
- Level 3 - Valuation methods in which the lowest levels of inputs that have a material effect on the measurement of fair values are not observable.

**V. Segment reporting**

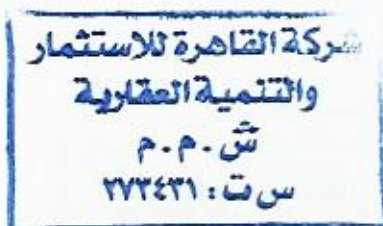
Business segments are reported in accordance with internally submitted reports to senior management which makes decisions on the resources allocation and performance assessment of the Group's segments, and represented in the central management committee. Group activities are divided into schools activities and higher education activities.

**W. Dividends**

Dividends are recognised in the Group's financial statements in the period in which the dividends are approved by the shareholders' of the Parent Company's General Assembly meeting.

**X. Comparative figures**

Comparative figures are reclassified, as they are consistent with the current presentation.





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3. Financial risks management

(1) Financial risks factors

The Group's activities expose it to a variety of financial risks, including market risk (including foreign currency exchange risks and interest rate risks), credit risks and liquidity risks. The Group's overall risk management programme focuses on minimising potential adverse effects on the Group's financial performance.

The Group's management aims to minimise the potential adverse effects of such risks on the Group's financial performance.

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

(A) Market risks

i. Foreign currency exchange risks

Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currencies rates.

The Group is exposed to the risk of changes in foreign currency exchange rates on foreign currency positions, mainly the US Dollar. Management concluded that the nature of its activities are not significantly exposing the Group to foreign currencies risks. At the end of the period, the net foreign currency assets (liabilities) denominated in EGP are as follows:

Currency	2019	2018
US Dollars	12,549,282	1,375,364
Euro	80,431	-

Note (28) is illustrating the amounts that have been recognised in the consolidated statement of profit or loss relating to changes in foreign currencies rates.

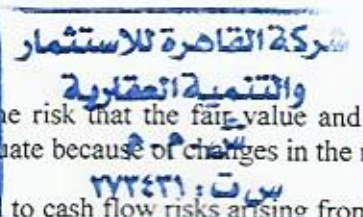
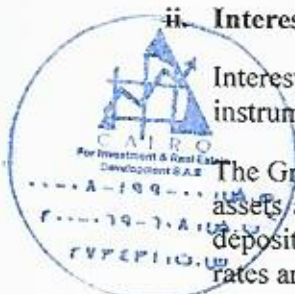
At end of the period, if the US dollar had increased or decreased by 10%, the effect on the consolidated financial statement after deducting related taxes would have been as follows:

Currency	2019	2018
US Dollars	1,254,928	137,536
Euro	8,043	-

ii. Interest rate risks

Interest rate risk is the risk that the fair value and future cash flows of financial instruments will fluctuate because of changes in the market's interest rates.

The Group is exposed to cash flow risks arising from changes in interest rates of its assets and liabilities due after more than one year bearing variable interest (bank deposits and credit facilities). The Group maintains an appropriate mix of fixed rates and floating rate borrowings to manage the interest rate risks.



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Financial risks management (continued)

Note (17) is illustrating the borrowings and credit facilities owed by the Group.

The below table shows the analysis of sensitivity to possible and reasonable changes in interest rates, while holding the other variables constant, on the consolidated statement of profit or loss.

The sensitivity on the consolidated statement of profit or loss is the effect of the assumed changes in the interest rates on the Group's results for one year based on financial assets and liabilities with variable interest rates at the end of the period:

	Increase/ decrease	Effect of consolidated profit or loss EGP
31 August 2019	300 basis points	2,006,390
31 August 2018	300 basis points	3,517,838

(B) Credit risks

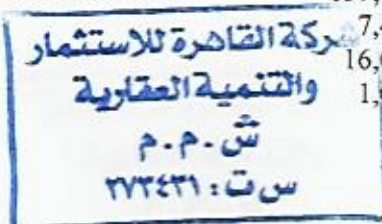
Credit risk arises from current accounts and deposits with banks, as well as credit risks associated with the Group's customers represented in accrued revenues and amounts due from related parties. Credit risk is managed by the Group as a whole.

For banks, the Group deals with banks with high credit ratings and high credit quality which are supervised by the Central Bank of Egypt. For customers, management takes all legal arrangements and documents when executing the transaction, which minimise credit risk specifically for trade receivables. The Group collects most of its revenues in advance before providing the educational and other related services. All necessary provisions are formed to deal with each of customer delinquency issues.

Accrued revenue balances that remain outstanding for more than one year are fully impaired.

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

	2019	2018
Current accounts and deposits with banks	159,923,126	89,702,745
Due from related parties	7,422,144	140,382
Accrued revenues	16,035,780	10,477,475
Investment Certificates	1,000,000	1,000,000





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**Financial risks management (continued)**

**(2) Capital risks management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders using the consolidated financial statements. The Group also aims to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to shareholders, reduce share capital, issue new shares or reduce the debts due on the Group.

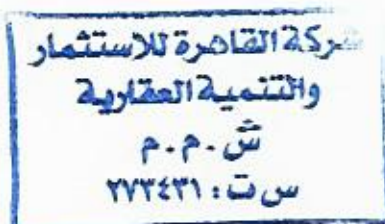
The Group's management monitors the capital structure using the ratio of net debt to total capital. The net debt consists of total borrowings and outstanding credit facilities less cash on hand and at bank. The total capital represents the Group's total equity as shown in the consolidated statement of financial position as well as the net debts.

The following shows the proportion of total capital on net debt ratio at 31 August 2019 and 31 August 2018:

	2019	2018
Borrowings and land purchase payables	91,923,214	119,740,281
<b>Gross debts</b>	<b>91,923,214</b>	<b>119,740,281</b>
Less: Cash on hand and bank balances	(163,026,674)	(91,503,367)
<b>(Surplus)Net debts</b>	<b>(71,103,460)</b>	<b>28,236,914</b>
Equity	890,038,689	504,378,565
<b>Total share capital</b>	<b>818,935,229</b>	<b>532,615,479</b>
Net debt to total capital ratio	%(8.68)	5.30%

**(3) Fair value estimation**

The fair value is assumed to approximate nominal value less any estimated credit settlements for financial assets and liabilities with maturities of less than one year. For variable interest long-term borrowings, the fair value also approximates the nominal value as they are at variable interest associated with the corridor rate declared by the Central Bank of Egypt.



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4. Critical accounting estimates and personal judgements

(1) Critical accounting estimates and assumptions

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, rarely equal the related actual results. The following are the significant estimates and assumptions adopted by the Group:

(A) 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 obligations; and the amount for such obligation can be 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 expertise.

(B) Impairment of goodwill

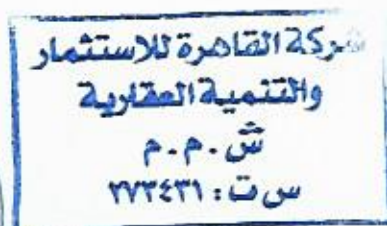
The group's management annually assesses goodwill to determine whether goodwill is impaired. The carrying amount of goodwill is reduced if it is higher than its recoverable amount. Goodwill impairment losses are charged to the consolidated statement of profit or loss and cannot be subsequently reversed.

(C) Impairment of accrued revenues

The valuation of impairment value in accrued revenues is made by monitoring the ageing of debts and the ratios adopted based on management's best estimate through their experience. Accrued revenue balances that remain outstanding for more than one year are fully impaired.

(2) Critical personal judgment in applying the Group's accounting policies

In general, applying the Group's accounting policies does not require the management to use personal judgement (except those involving accounting estimates and assumptions referred to in Note 4-1) that may have significant impact on the amounts recognised in the consolidated financial statements.





# CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E." AND ITS SUBSIDIARIES

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## 5. Segment reporting

The Parent company's management ( chief executive officer and the chief financial officer is monitoring the financial position of the company based on cash generating segments which includes school and higher education activities. Based on the financial performance for those sectors through the financial year ended on 31 August 2019 and 31 August 2018.

Below is the assets and liabilities of each segment:

	School segment		Higher Education segment		Consolidation entries		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Financial position:								
Non-current assets	1,157,492,729	889,231,407	468,487,927	424,593,760	(520,028,573)	(500,360,747)	1,105,952,083	813,464,420
Current assets	479,784,895	338,863,924	269,275,742	176,080,023	(383,071,073)	(355,092,348)	365,989,564	159,851,599
Total assets	1,637,277,624	1,228,095,331	737,763,669	600,673,783	(909,036,127)	(855,453,095)	1,471,941,647	973,316,019
Current liabilities	706,588,577	683,435,409	187,600,692	112,039,495	(383,100,016)	(355,121,300)	511,089,253	440,353,604
Non-current liabilities	68,157,471	25,848,948	2,656,234	2,734,902	-	-	70,813,705	28,583,850
Total liabilities	774,746,048	709,284,357	190,256,926	114,774,397	(383,100,016)	(355,121,300)	581,902,958	468,937,454



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Notes to the consolidated financial statements – For the year ended 31 August 2019

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## Segment reporting (continued)

	Schools operations		Higher Education operations		Total	
	For Year Ended 31 August		For Year Ended 31 August		For Year Ended 31 August	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Tuition revenue	287,864,305	231,159,197	347,032,646	237,861,822	634,896,951	469,021,019
Bus revenue	25,694,270	21,600,559	9,729,810	6,948,113	35,424,080	28,548,672
Admission fees	2,675,421	2,090,350	5,230,673	6,036,696	7,906,094	8,127,046
Sundry operating revenues	20,172,331	6,858,823	6,279,855	4,936,442	26,452,186	11,795,265
<b>Total revenues</b>	<b>336,406,327</b>	<b>261,708,929</b>	<b>368,272,984</b>	<b>255,783,073</b>	<b>704,679,311</b>	<b>517,492,002</b>
<b>Operating cost</b>						
<b>Tuition costs</b>						
Employee costs	(102,105,476)	(77,923,104)	(59,087,454)	(38,124,089)	(161,192,930)	(116,020,733)
Teaching tools, books and aids expenses	(18,687,578)	(20,602,550)	(3,071,891)	(3,492,230)	(21,759,469)	(24,154,780)
Maintenance electricity, utilities, communications expenses	(18,587,339)	(17,578,817)	(8,015,170)	(6,368,588)	(26,602,509)	(23,947,405)
Rentals	(9,132,220)	(6,300,792)	(1,499,941)	(1,318,645)	(10,632,161)	(7,619,437)
Professional and consulting fees and charges, and penalties	(2,360,721)	(2,498,868)	(7,250,076)	(2,416,325)	(9,610,797)	(4,915,193)
Other expenses	(15,005,501)	(4,841,011)	(759,067)	(623,238)	(15,764,586)	(5,464,249)
Bus costs	(18,918,462)	(15,791,126)	(7,739,614)	(5,857,907)	(26,658,079)	(21,649,033)
<b>Total operating costs</b>	<b>(184,797,297)</b>	<b>(145,596,268)</b>	<b>(87,423,213)</b>	<b>(58,201,022)</b>	<b>(272,220,510)</b>	<b>(203,770,830)</b>
<b>Administrative expenses and provisions</b>	<b>151,609,023</b>	<b>116,112,661</b>	<b>280,849,771</b>	<b>197,582,051</b>	<b>432,458,793</b>	<b>313,721,172</b>
IPO expenses	(56,455,661)	(30,848,305)	(61,278,632)	(56,284,934)	(117,734,313)	(87,113,445)
Depreciation	(12,164,840)	(7,070,903)	-	-	(12,164,840)	(7,070,903)
Goodwill Impairment	(22,677,033)	(18,459,284)	(35,885,213)	(27,168,982)	(58,562,246)	(45,628,266)
<b>Operating revenues</b>	<b>(5,133,061)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,133,061)</b>	<b>-</b>
<b>Other income</b>	<b>55,178,435</b>	<b>59,734,169</b>	<b>183,685,906</b>	<b>114,128,135</b>	<b>238,864,341</b>	<b>173,908,558</b>
<b>Finance income</b>	<b>3,056,972</b>	<b>5,713,582</b>	<b>1,854,132</b>	<b>1,495,907</b>	<b>4,911,104</b>	<b>7,209,489</b>
<b>Other (expenses) revenues</b>	<b>17,822,568</b>	<b>5,404,014</b>	<b>7,806,544</b>	<b>5,606,310</b>	<b>25,629,112</b>	<b>11,010,324</b>
<b>Finance costs</b>	<b>(39,111)</b>	<b>(24,896)</b>	<b>(486,841)</b>	<b>(81,201)</b>	<b>525,952</b>	<b>(106,097)</b>
<b>Net profit before tax</b>	<b>64,209,433</b>	<b>45,065,719</b>	<b>192,859,741</b>	<b>120,498,516</b>	<b>(11,311,431)</b>	<b>(26,411,785)</b>
<b>Current income tax</b>	<b>(20,859,843)</b>	<b>(26,916,815)</b>	<b>(43,792,588)</b>	<b>(26,916,815)</b>	<b>(64,650,433)</b>	<b>(37,982,716)</b>
<b>Deferred income tax</b>	<b>(420,834)</b>	<b>(568,634)</b>	<b>78,669</b>	<b>(641,202)</b>	<b>(341,965)</b>	<b>(1,209,836)</b>
<b>Net profit for the year</b>	<b>43,428,954</b>	<b>17,580,270</b>	<b>149,145,822</b>	<b>92,940,499</b>	<b>192,574,776</b>	<b>126,371,683</b>



For the purposes of preparing Group's segment reporting, management reclassified property plant and equipment's depreciation to appear separately preceding the total education costs. Also, management reclassified formed provisions to be part of the general and administrative expenses.



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6. Property, plant and equipment

	Lands	Buildings, premises and facilities	Devices, furniture, and fittings	Computers	Vehicles	Tools and equipment	Total
Cost at 1 September 2018	199,588,475	584,488,458	104,356,898	25,720,235	35,303,067	10,008,729	959,465,862
Additions for the year	1,000,000	8,900,004	23,503,445	8,125,240	3,405,000	9,038,017	53,991,706
Transfers from projects under construction (Note 7)	-	7,491,407	1,060,000	-	-	-	8,551,407
Disposals for the year	-	-	-	(3,500)	-	-	(3,500)
Balance at 31 August 2019	200,588,475	600,879,869	128,920,343	33,841,975	38,708,067	19,066,746	1,022,005,475
Accumulated depreciation at 1 September 2018	-	117,003,928	50,373,393	17,983,784	23,665,817	7,094,513	216,121,435
Depreciation for the year	-	29,916,179	19,119,419	4,007,241	3,409,975	2,130,834	58,583,648
Accumulated depreciation of disposals	-	-	-	(1,716)	-	-	(1,716)
Accumulated depreciation at 31 August 2019	-	146,920,107	69,492,812	21,989,309	27,075,792	9,225,347	274,703,367
Net carrying amount at 31 August 2019	200,588,475	453,959,762	59,427,531	11,852,666	11,632,275	9,841,399	747,302,108

Above land is under the registration process with the competent authorities.

	Lands	Buildings, premises and facilities	Devices, furniture, and fittings	Computers	Vehicles	Tools and equipment	Total
Cost at 1 September 2017	175,729,905	489,233,363	74,870,649	20,373,435	23,188,067	8,218,199	791,613,618
Additions for the year	10,569,686	10,055,746	29,140,529	5,271,521	12,115,000	1,746,301	68,898,783
Transfers from projects under construction (Note 7)	-	58,461,970	-	-	-	-	58,461,970
Acquisition of subsidiaries	13,600,884	31,436,806	345,720	75,279	-	44,229	45,502,918
Disposals for the year	(312,000)	(4,699,427)	-	-	-	-	(5,011,427)
Cost at 31 August 2018	199,588,475	584,488,458	104,356,898	25,720,235	35,303,067	10,008,729	959,465,862
Accumulated depreciation at 1 September 2017	-	93,979,613	36,678,452	14,774,733	20,555,067	6,407,516	172,395,381
Depreciation for the year	-	24,926,527	13,694,941	3,209,051	3,110,750	686,997	45,628,266
Accumulated depreciation of disposals	-	(1,902,212)	-	-	-	-	(1,902,212)
Accumulated depreciation at 31 August 2018	-	117,003,928	50,373,393	17,983,784	23,665,817	7,094,513	216,121,435
Net carrying amount at 31 August 2018	199,588,475	467,484,530	53,983,505	7,736,451	11,637,250	2,914,216	743,344,427

Above land is under the registration process with the competent authorities.



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**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E." AND ITS SUBSIDIARIES**

Notes to the consolidated financial statements – For the year ended 31 August 2019

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

**7. Projects under construction**

This item consists of the following:

	Balance at 1 September 2018	Additions	Transferred to PPE	Balance at 31 August 2019
Badr University	3,826,982	209,301,951	(6,084,587)	207,044,346
Others	3,217,675	6,773,628	(2,466,820)	7,524,483
	<u>7,044,657</u>	<u>216,075,579</u>	<u>(8,551,407)</u>	<u>214,568,829</u>

	Balance at 1 September 2017	Additions	Transferred to PPE	Balance at 31 August 2018
Badr University	14,778,452	46,781,042	(57,732,512)	3,826,982
Others	-	3,947,133	(729,458)	3,217,675
	<u>14,778,452</u>	<u>50,728,175</u>	<u>(58,461,970)</u>	<u>7,044,657</u>

Projects under construction related to Badr University represent the costs of completing the constructions and buildings of the university as approved by the Ministry of Higher Education and are added to the property, plant and equipment after completion of each stage.

**8. Works in progress**

	2019	2018
Cairo Heights project - Residential buildings	21,527,997	21,519,775
Commercial mall land*	2,578,010	2,578,010
Medical Park	2,130,582	-
Payment under purchase of Lands**	59,619,812	-
	<u>85,856,401</u>	<u>24,097,785</u>

\* Commercial mall land is under the registration with the competent authorities.

\*\* Payment under purchase of land represents an advance payment for the purchase of land in El Alamien, Assuit, New Suhag and New Mansura.





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**9. Investments in associates**

	Shareholding %		2019	2018
	2019	2018		
New Soft Company	23%	23%	303,835	303,835
Perdive for Programming Company	48.5%	48.5%	255,000	255,000
Egyptians Health Care Company	25%	25%	57,166,325	31,786,070
			<u>57,725,160</u>	<u>32,344,905</u>
Less:				
Impairment losses in associates			(303,835)	(303,835)
			<u>57,421,325</u>	<u>32,041,070</u>

**10. Unconsolidated subsidiaries**

The historical cost of investments in unconsolidated subsidiaries is as follows:

	31 August 2019	31 August 2018
International Health Care Company	1,126,285	1,126,285
Alex Company For Educational Services	325,000	325,000
	<u>1,451,285</u>	<u>1,451,285</u>
Less: Impairment in value	(1,451,285)	(1,451,285)
	<u>-</u>	<u>-</u>

These entities have not been consolidated as the value of these investments have been fully impaired during the past years. Those entities have ceased operations and there are no liabilities to be incurred by the Group.

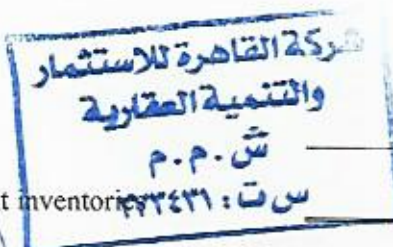
**11. Held-to-maturity investments**

	2019	2018
Investments certificates	<u>1,000,000</u>	<u>1,000,000</u>

Held-to-maturity investments represent cumulative-return-investment certificates of the Suez Canal Bank maturing in 16 September 2019 with a cumulative rate of return of 12% (2018: 12%).

**12. Inventories**

	2019	2018
Computer and electrical equipment inventories	<u>661,838</u>	<u>2,527,821</u>



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**13. Debtors and other debit balances**

	2019	2018
Advances of suppliers	32,151,137	17,190,920
Prepaid expenses	19,341,922	20,613,033
Accrued revenues	16,035,780	10,477,475
Withholding taxes	5,212,970	3,725,269
Payment under investments in subsidiaries*	108,222,781	8,476,091
Due from related parties (Note 28)	7,422,144	140,382
Other debit balances	20,050,046	9,121,538
	<b>208,436,780</b>	<b>69,744,708</b>
Less: Impairment in debtors and other debit balances	(7,135,728)	(3,924,297)
	<b>201,301,052</b>	<b>65,820,411</b>

\*Payment under investments in subsidiaries with an amount of 100,000,000 EGP that represents the deposit for controlling 60% of Star Light company ( The Owner of British Colombia International Canadian School) according to the paid signed contract with WD Capital on 26 June 2019

Movement of impairment of debtors and other debit balances during the year is represented below:

	2019	2018
Balance at the beginning of the year	3,924,297	2,819,149
Formed during the year	3,661,205	1,348,293
Provisions no longer required	(449,774)	(243,145)
<b>Balance at the end of the year</b>	<b>7,135,728</b>	<b>3,924,297</b>

- As at 31 August 2019, accrued revenue balances, due from related parties and other debit balances which bear no impairment indicators amounted to EGP 16,322,196 (31 August 2018: EGP 6,693,560).
- As at 31 August 2019, debtors and other debit balances subject to impairment amounted to EGP 7,135,728 (31 August 2018: EGP 3,924,297).

**14. Cash on hand and at banks**

	2019	2018
Current accounts with banks	78,725,288	58,587,659
Term deposits	81,197,838	31,115,086
Cash on hand	3,103,548	1,800,622
	<b>163,026,674</b>	<b>91,503,367</b>

Current accounts with banks and time deposits are deposited with local banks under the supervision of Central Bank of Egypt.

The deposits are due within periods of 90 days (31 August 2018: 90 days) from date of placement . These have interest rates ranging from 12% and 13.75% (31 August 2018: 7.5% and 14.5%) per annum. Interest rates on current account is 9.25% (31 August 2018: 11.25%) per annum.



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

For the purpose of preparation of consolidated statement of cash flows, cash and cash equivalents included as of the date of the financial position:

	2019	2018
Cash on hand and bank balances	163,026,674	91,503,367
Restricted cash at banks	(7,402)	(2,447,410)
	<u>163,019,272</u>	<u>89,055,957</u>

**15. Share capital**

The authorized capital is EGP 500,000,000 and the issued capital is EGP 233,116,130 distributed to 582,790,325 shares, minimal value per share is 0.40 EGP, all shares are fully paid in cash.

The shareholders structure was as follows:

	2019	
	Shareholding %	Nominal value
Social Impact Capital "L.L.C"	51.22%	119,395,130
Kings (Y) Fund	5.05%	11,774,442
Others	43.73%	101,946,558
		<u>233,116,130</u>

The shareholders structure was as follows:

	2018	
	Shareholding %	Nominal value
Social Impact Capital "L.L.C"	84.52%	185,195,130
Ibrahim Ibrahim Al-Saidi	7.02%	15,379,460
Others	8.46%	18,541,540
		<u>219,116,130</u>

Share capital movements was as follows:

- On 17 December 2018, share capital increased from EGP 219,116,130 to EGP 233,116,130 with an increase of EGP 14,000,000 distributed over 35 million shares with a nominal value of EGP 0.40 per share.
- On 1 October 2018, Cairo for Investment and Real Estate Development "Parent Company", offered shares of the Parent Company in the Egyptian Exchange through two tires, public offering and private offering in the secondary market in order to increase the ownership base of trading in Egyptian Exchange with a maximum of 207,259,025 shares held by the Parent Company out of 547,790,325 shares with a percentage of 37.84% of the Parent Company's issued capital with a price of EGP 6 per share. The offering process was as follows:



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**Share capital (continued)**

**a) Public offering**

During the public subscription to the public, the maximum number of offered shares was 14,508,132 shares with a percentage of 7% from the total shares offered for sale, which represents 2.65% of the Parent Company's shares.

**b) Private offering**

During the private subscription to the financial institutions, individuals with high financial solvency, and individuals and institutions with experience in securities sector, the number of offered shares was 192,750,893 shares with a percentage of 93% from the total shares offered for sale, which represents 35.19% of the Parent Company's total capital shares.

Social Impact Capital LTD (the main shareholder in the Parent Company) used a part of the shares sale proceeds to increase the share capital with an amount of EGP 210,000 distributed over 35,000,000 shares with a nominal value of EGP 0.40 per share in addition to a share premium of EGP 5.60 amounted to EGP 196,000,000. This increase occurred without taking into consideration the priority rights of old shareholders in the subscription of the increased shares. Participants in the public or private offering has no right to subscribe in this increase for this increase to be fully in favour of Social Impact Capital LTD, the main shareholder in the Parent Company, this will be according to the decision of the Ordinary General Assembly to the Cairo for Investment and Real Estate Development "Parent Company" on 3 July 2018.

The Extraordinary General Assembly approved the split of the Parent Company's shares with a ratio of 25 shares per each share accordingly, number of shares of the Parent Company's' became 587,790,325 share with nominal value of EGP 0.40. On 5 July 2018 the Parent Company registered this split within its commercial register.

**16. Reserves**

The following table shows movement on reserves during the period/ year:

	2019		
	Balance at 1 September	Formed during the year	Balance at 31 August
Legal reserve	13,174,702	103,383,363	116,558,065
Statutory reserve	12,742,695	570,173	13,312,868
Special reserve	6,085,622	86,581,490	92,667,112
	<b>32,003,019</b>	<b>190,535,026</b>	<b>222,538,045</b>
	2018		
	Balance at 1 September	Formed during the year	Balance at 31 August
Legal reserve	8,720,685	4,454,017	13,174,702
Statutory reserve	8,288,678	4,454,017	12,742,695
Special reserve	6,085,622	6,085,622	6,085,622
	<b>17,009,363</b>	<b>14,993,656</b>	<b>32,003,019</b>





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**Reserves (continued)**

**A. Legal and statutory reserve**

In accordance with the Companies Law No. 159 of 1981 and the Parent Company's Articles of Association, 5% of the net profit for the year is transferred to the legal reserve.  
The composition is discontinued once the legal reserve reaches 50% of the issued and paid up capital.

Also, an amount of 5% is deducted from the profits to form the statutory reserve until the reserve reaches is equivalent to 25% of the Parent Company's issued capital. Once the balance reaches below that limit, deduction should resume again.

General Assembly meeting during 31 August 2017 approved financial statements as of 31 December 2015 and financial position for eight months ended 31 August 2016. Accordingly for the financial period 1 January 2016 until 31 August 2016 as well as year ended on 31 December 2015 5% legal reserve and 5% statutory reserve approved from retained earnings as stated in the article of association of parent company.

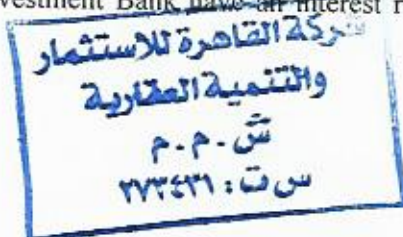
**B. Special reserve**

An amount of EGP 7,852,416 of extinguishment of liability due from an entity related to a major shareholder of the Parent Company of Cairo for Investment and Real Estate Development "Social Impact Capital LTD" waived for the favour of all the shareholders, and recognised directly as special reserve in the shareholder's equity statement after deducting related tax effect of EGP 1,766,794. This transaction is considered to be done with shareholders in their capacity as shareholders.

**17. Borrowings and credit facilities**

<u>Statement</u>	<u>Current portion</u>		<u>Non-current portion</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Arab Investment Bank- credit facility	1,618,011	4,865,688	-	-
Qatar National Bank loan (2)	-	65,000,000	-	-
Qatar National Bank loan (3)	-	483,400	-	1,208,500
Qatar National Bank loan (4)	11,979,496	12,000,000	-	7,979,497
Qatar National Bank loan (5)	-	-	60,296,205	-
International Company for Finance Lease	8,164,984	-	6,313,390	-
Upper Egypt Finance lease loan	855,476	6,804,127	-	14,678,515
	855,476	744,221	270,082	1,125,275
	<u>22,617,967</u>	<u>89,897,436</u>	<u>66,879,677</u>	<u>24,991,787</u>

Credit facilities from the Arab Investment Bank have an interest rate of 3.25% above the corridor price stated by the Central Bank.





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**Borrowings and credit facilities (continued)**

**Qatar National Bank loan (2)**

On 7 March 2015, the Parent Company signed a contract with Qatar National Bank for a long term loan of EGP 100 million, at an interest rate of 2% above the Central Bank of Egypt (CBE) lending rate, with a grace period of 12 months from the date of signing the contract ending in 27 February 2016, payable on 11 semi-annual instalments and the due date of the first instalment was 28 February 2016. The loan is jointly guaranteed by the Social Impact Capital (main shareholder), Cairo Educational Services Company (subsidiary), International Information Technology Company (subsidiary), the Egyptian Company for Education Systems (subsidiary) and International Company for Education Systems (subsidiary).

On 1 October 2018, the Group settled the total amount of the loan amounting to EGP 65 million as an accelerated payment, in addition to its related interests.

**Qatar National Bank loan (3)**

During the year of 2016, the Parent Company signed a contract with Qatar National Bank for a medium term loan of EGP 4 million for the purpose of using it in the partial financing of purchase of property, plant and equipment at an interest rate of 2% above the corridor rate announced by the Central Bank of Egypt and the interest rate is amended according to the change in the lending rates announced by the Central Bank of Egypt. A penalty of 1.5% is compounded up on late payment. It was agreed that the loan matures on August 2021.

On 14 February 2019, the Group settled the total amount of the loan of EGP 1,691,900 as an accelerated payment, in addition to its related interest.

**Qatar National Bank loan (4)**

During the financial year ended 31 August 2018, the Parent Company signed a contract for a medium term loan of EGP 20,000,000 for the purpose of completing Badr University's Projects, which are wholly owned by the Parent Company. The contract ends on 31 August 2020, and this loan will be paid semi-annually on 5 instalments amounted to EGP 4,000,000 excluding the related interests that will be calculated at an interest rate of 1% above the lending rate announced by the Central Bank of Egypt.

Total loan balance reached EGP 11,979,496 at 31 August 2019 (31 August 2018: EGP 19,979,497).

**Qatar National Bank Loan (5)**

During the financial year ended 31 August 2019, the parent company signed a contract for a medium term loan of 100 million EGP for the purpose of completing Badr University's Projects, which are wholly owned by the parent company. The contract

ends on 31 August 2024, and this loan will be paid on 9 semiannually installments excluding the related interests that will be calculated at an interest rate 1.5% above the lending rate announced by the Central Bank of Egypt.

Total loan balance reached 60,296,205 EGP at 31 August 2019 (31 August 2018: None)





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**Borrowings and credit facilities (continued)**

The principal guarantees of the above loans are:

- Transfer all income generated from operations of the schools and Badr University to a special account with the lending bank and is used as an additional repayment method for the principal and interest.
- Dividends are not to be distributed unless all loans related obligations for respective year are fulfilled.
- Assets are not to be sold, pledged or given to third parties without obtaining a written approval from the bank.
- Shareholders' equity in the consolidated financial statements should not be less than EGP 420 million. Maintain financial leverage ratio (total liabilities/ equity) below 1-2 : 1. and the debt service rate (profits before interest, tax and depreciation/ total financial liabilities) shouldn't be less than 1.2 : 1.
- The company shouldn't borrow any loans or credit facilities unless they obtain a written approval from the bank.

International Company for Finance Lease loan (Incolease)

On 23 February 2010, the Parent Company signed a preliminary contract with Incolease Company to obtain a finance lease of EGP 31,9 million for sale and leaseback of a plot of land owned by the Company at an interest rate equal to the lending rate announced by the Central Bank of Egypt payable over 84 monthly instalments starting 3 May 2010. Since this transaction does not qualify in its substance to be a sale and leaseback transaction as it represents a collateralised loan by the asset "the plot of land " and since this transaction is outside the scope of EAS 20 " Accounting rules and standards relating to finance lease" the transaction was not considered as a sale and leaseback, instead, it was regarded as a loan agreement subject to the above mentioned conditions.

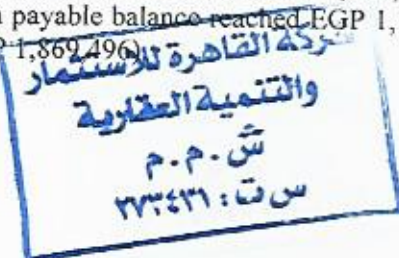
During the nine-months ended 31 August 2016, the Company obtained the second tranche of the loan under the same terms mentioned above. The total balance of the loan as at 31 August 2019 was EGP 14,478,374 including interests (31 August 2018: EGP 21,482,642).

Upper Egypt Finance lease loan

During the eight-months ended 31 August 2016, Upper Egypt Leasing Company financed the purchase of some of the property, plant and equipment of Cairo for Investment and Real Estate Development Company under the two financing contracts dated 12 August 2015 and 18 August 2015. Both contracts commenced on 1 January 2016.

Since the financing was made in cash, this transaction is not considered as a finance lease and outside the scope of EAS 20, "Accounting Standards and Standards for finance lease", this transaction is treated as a loan granted to the parent company and is recognised at present value of future cash flows.

Amounts financed for both contracts amounted to EGP 3,156,160 excluding interests and payable over 60 instalments. Total loan payable balance reached EGP 1,125,558 at 31 August 2019 including interests (31 August 2018: EGP 1,869,496).



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**18. Creditors and other credit balances**

	2019	2018
Accrued Expenses	37,939,978	29,525,176
Dividends Payables	14,725,392	15,701,287
Land purchase payable	2,425,570	4,851,058
Due to governmental agencies	15,584,000	15,085,183
Suppliers and contractors	89,436,479	15,777,096
Other credit balances	17,319,776	15,732,275
	<u>177,431,195</u>	<u>96,672,075</u>

**19. Advance revenues**

Advance revenues represent the part of revenues that the Group has collected and has not provided the educational services related to it until the date of the financial position.

	2019	2018
Advance revenues	211,730,601	185,203,224
	<u>211,730,601</u>	<u>185,203,224</u>

**20. Income taxes**

Income tax charged to the consolidated statement of profit or loss for the year is as follows:

	2019	2018
Current income tax	64,650,433	37,982,716
Deferred tax	341,965	1,209,836
	<u>64,992,398</u>	<u>39,192,552</u>

The tax on profit before taxation differs from the amount expected to be reached by applying the average tax rate applicable to the Group's profits as follows:

	2019	2018
Accounting profit before tax	257,567,174	165,564,235
Income tax on basis of applicable tax rate	57,952,614	37,251,953
Add (less):		
Non-deductible expenses	5,532,906	1,995,307
Income not subject to tax	(196,033)	(54,708)
Unrecognized Deferred Tax assets	1,831,161	-
Tax Differences from previous years	(128,250)	-
Tax per the statement of profit or loss	<u>64,992,398</u>	<u>39,192,552</u>





**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."  
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**Income taxes (continued)**

Current income tax liabilities in the consolidated statement of financial position:

	2019	2018
Balance at the beginning of the year	41,075,377	23,421,486
Payments made during the year	(39,621,374)	(22,095,619)
Charged to the consolidated statement of profit or loss during the year	64,650,433	37,982,716
Charged to the consolidated statement of changes in shareholders' equity	-	1,766,794
Balance at the end of the year	66,104,436	41,075,377

**21. Deferred tax liabilities**

Deferred tax liabilities comprise temporary differences attributable to property, plant and equipment:

	Balance at 31 August 2019 asset (liability)	Movement for the year Revenue/ (Expense)	Balance at 31 August 2019 asset (liability)
Property, plant and equipment	(3,592,063)	(341,965)	(3,934,028)
	(3,592,063)	(341,965)	(3,934,028)

	Balance as at 1 September 2017 Asset / (Liability)	Acquisition of subsidiary (Note 29) Asset / (Liability)	Movement for the year Revenue / (expense)	Balance as at 31 August 2018 Asset / (Liability)
Property, plant and equipment	(2,403,629)	21,402	(1,209,836)	(3,592,063)
	(2,403,629)	21,402	(1,209,836)	(3,592,063)



## Notes to the consolidated financial statements – For the year ended 31 August 2019

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

	2019	2018
Tax provision	32,188,257	26,488,695
Legal provision	1,016,797	1,016,797
	<u>33,205,054</u>	<u>27,505,492</u>

The movement of provisions during the year is as follows:

	2019			
	Balance at the beginning of the year	Formed during the year	Utilised during the year	Balance at the end of the year
Tax provision	26,488,695	6,541,606	(842,044)	32,188,257
Legal provision	1,016,797	-	-	1,016,797
	27,505,492	6,541,606	(842,044)	33,205,054

	2018			
	Balance at the beginning of the year	Provided during the year	Used during the year	Balance at the end of the year
Tax provision	24,994,828	2,752,426	(1,258,559)	26,488,695
Legal provision	1,016,797	-	-	1,016,797
	26,011,625	2,752,426	(1,258,559)	27,505,492

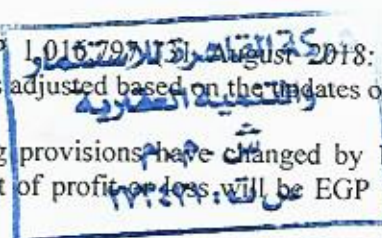
The tax provisions forms against received tax claims in addition to tax provisions expected against uninspected prior years.

Tax provision has reached EGP 32,188,257 against received tax claims and expected claims against uninspected prior years (31 August 2018: EGP 26,488,695) based on, Group management's and the Group's external independent tax expert's estimations.

If the estimations related to forming provisions have changed by 10% (increase or decrease), the impact on the consolidated statement of profit or loss will be EGP 3,218,825 increase or decrease (31 August 2018: EGP 2,648,869).

Provision for lawsuits reached EGP 1,016,797 (31 August 2018: EGP 1,016,797) based on the Group's legal expert. The provision is adjusted based on the updates of each lawsuit separately.

If the estimations related to forming provisions have changed by 10% (increase or decrease), the impact on the consolidated statement of profit or loss will be EGP 101,679 (31 August 2018: EGP 101,679).





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**23. Operating revenues**

	2019	2018
Tuition revenue	634,896,951	469,021,019
Bus revenue	35,424,080	28,548,672
Admission revenue	7,906,094	8,127,046
Other operating income	26,452,186	11,795,265
	<u>704,679,311</u>	<u>517,492,002</u>

**24. Activity cost**

	2019	2018
Employees' wages, salaries and benefits	161,192,930	116,047,193
Depreciation expenses	56,263,838	44,806,897
Teaching tools, books and aids expenses	21,759,469	24,154,780
Maintenance, electricity, utilities, communications expenses	26,602,509	23,947,405
Transportation expenses	23,942,733	21,649,033
Rentals	13,347,504	7,619,437
Professional and consulting fees and charges, and penalties	9,610,797	4,915,193
Other expenses	15,764,568	5,464,249
	<u>328,484,348</u>	<u>248,604,187</u>

**25. General and administrative expenses**

	2019	2018
Employees' wages, salaries and benefits	49,988,377	39,823,192
Professional and consulting fees	37,549,701	25,743,546
IPO expenses	12,164,840	7,070,903
Maintenance, electricity, utilities, communications expenses	5,433,101	6,179,344
Impairment losses of debtors and other debit balances	3,661,205	1,348,293
Operating and finance leases	2,584,883	1,986,337
Depreciation expenses	2,319,810	821,369
Salaries and allowances for board and committees members and board of trustees	571,953	386,507
Impairment losses of investments in associates	-	303,835
Other expenses	11,382,084	8,609,759
	<u>125,655,955</u>	<u>92,273,085</u>

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**Notes to the consolidated financial statements – For the year ended 31 August 2019**

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

**26. Expenses by nature**

	2019	2018
Employees' wages, salaries and benefits	211,181,307	156,256,892
Depreciation expenses	58,583,648	45,628,266
Professional and consulting fees	47,160,498	30,658,739
Maintenance, electricity, utilities, communications expenses	32,035,610	30,126,749
Transportation expenses	23,942,733	21,649,003
Teaching tools, books and aid expenses	21,759,469	24,154,780
Rentals	15,932,387	9,605,774
IPO expenses	12,164,840	7,070,903
Impairment losses of debtors and other debit balances	3,661,205	1,348,293
Allowances and salaries for board of directors	571,953	-
Impairment losses of investments in associates	-	303,835
Other expenses	27,146,653	14,074,008
	<u>454,140,303</u>	<u>340,877,272</u>

**27. Other income**

	2019	2018
Sundry rentals	1,710,398	1,176,015
Gas station rental	1,408,114	1,341,057
Gain on sale of property, plant and equipment	2,141	1,902,212
Group share of profit of associates	-	536,070
Impairment losses of debtors and debit balances no longer required	-	243,145
Sundry revenues	1,790,451	2,010,990
	<u>4,911,104</u>	<u>7,209,489</u>

**28. Net finance income (costs)**

	2019	2018
Interest income	25,629,112	11,010,324
Foreign exchange losses	(525,952)	(106,097)
Interest expenses	(11,311,431)	(26,411,785)
	<u>13,791,729</u>	<u>(15,507,558)</u>

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**29. Related party transactions**

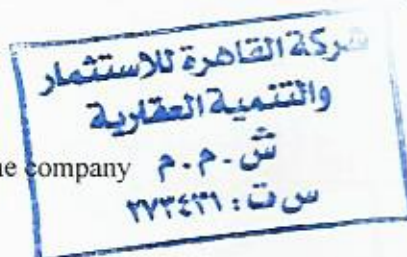
During the year, the Group has made some transactions with related parties represented in the main shareholder of the Group, its associates and some entities that are owned by major shareholders. Outstanding balances from and to related parties resulting from these transactions are as follows:

Balances due from related parties

<u>Company</u>	<u>Nature of relation</u>	<u>2019</u>	<u>2018</u>
Egyptian Company for Numbering	Other	140,382	140,382
Egyptain Health Care	Associate	540,322	-
Maverix Company	Associate	6,741,440	-
		<u>7,422,144</u>	<u>140,382</u>

Related party transactions during the year:

	<u>Movement</u>	
	<u>2019</u>	<u>2018</u>
<u>Social Impact Capital "L.L.C"</u>		
Bank transfer	15,550,000	8,112,844
Expenses paid on behalf of the Parent Company	(8,974,179)	-
Consulting contract maturity	(5,850,000)	-
bad debts written off	(725,821)	-
<u>Nations for Real Estate</u>		
Bank transfers	-	1,060,310
<u>Egyptians Health Care</u>		
Contributions in share capital	27,922,280	13,704,804
Transfer to Investments in subsidiaries and associates	(27,922,280)	-
Funding Transfers	1,571,103	-
Purchases	(1,030,781)	-
<u>Future for Educational Activities</u>		
Sale of fixed assets	-	5,011,428
Extinguishment of liability	-	7,852,415
<u>Alex Company for Educational Services</u>		
Reversals of payables	-	306,121
<u>Egyptian Schools Company</u>		
Acquisition of subsidiary	-	5,018,176
<u>Future Educational Activities</u>		
Educational Revenue collections	12,618,785	-
Expenses paid on the behalf of the company	(13,399,172)	-
Management Consideration	(217,877)	-







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**31. Goodwill**

Goodwill arises on the acquisition of subsidiaries and acquisitions during the period and arises out of the excess of the consideration paid in the subsidiaries, the non-controlling interest in the acquiree and the acquisition-date fair value of net assets of subsidiaries. It represent the acquiree payments for future economic benefits of assets that can not be identified individually or recognised separately. The goodwill is as follows:

	2019	2018
Egyptian Education Systems	5,133,061	5,133,061
Educational Systems International	355,800	355,800
Global Educational Technologies	238,666	238,666
Cairo Educational Services	157,018	157,018
Cairo Misr for Educational Facilities	51,936	51,936
	<b>5,936,481</b>	<b>5,936,481</b>
Less:		
Goodwill retailed to liquidating companies*	(5,133,061)	-
	<b>803,420</b>	<b>5,936,481</b>

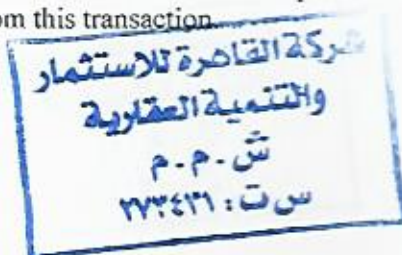
On 21 April 2019, the Extraordinary Generally Assembly Meeting for Egyptian Educational Services decided to approve putting the company under liquidation for one year starting from the date the company was put under liquidation in the commercial register. It was approved to appoint Mr. / Mohamed Naguib Salah El-Din as liquidator of the company. Since Cairo Investment and Real Estate Development Company owns 100% of Egyptian Educational Services Company, Cairo Investment and Real Estate Development Company will acquire all these assets. As a result, its goodwill was impaired by EGP 5,133,061 as of 31 August 2019.

Subsidiaries are considered as cash generating units for the goodwill impairment testing purposes. During the period, the management conducted an impairment testing for the value of the goodwill based on the "value in use". Below is a summary for the significant assumptions employed for the purpose of testing goodwill value by the management:

- Growth rate 5.5%
- Discount rate 18%

Management used the estimated budgets approved by the Parent Company's board of directors. The value in use exceeded the carrying amount of the entities and no impairment of goodwill value have resulted for any of the cash generating units.

On 2 May 2018, the Group acquired 55.6% of the shares of Egyptian Schools Company for Educational Services "S.A.E". The control was transferred to the Group at that date. The Group expects to increase its market share as a result of this acquisition and achieving economic benefits in the future. No goodwill arose from this transaction.



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**Goodwill (continued)**

The below schedule illustrates the consideration transferred to acquire the Egyptian Schools Company for Educational Services "S.A.E" and the fair value of the acquired assets, liabilities and non-controlling interests at the date of acquisition.

**Acquisition cost at 2 May 2018**

Cash paid	(25,243,206)
<b>Total acquisition cost</b>	<b>(25,243,206)</b>

On 7 August 2018, the Group acquired additional shares representing 5,4% of Egyptian Schools Company shares to reach 61% of the Company's shares in 31 August 2018.

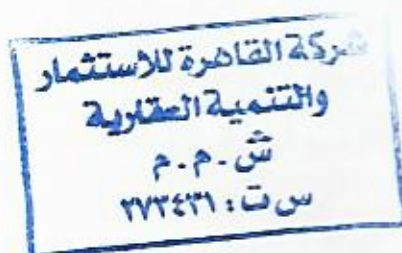
Assets and liabilities acquired from Egyptian Schools Company for Educational Services "S,A,E" on 2 May 2018 were as follows:

	EGP
PPE	45,502,918
Deferred tax assets	21,403
Cash at banks	3,181
Other liabilities	(126,052)
<b>Net fair value of acquired assets</b>	<b>45,401,450</b>
Non-controlling interests at the date of acquisition	(20,158,244)
Cash paid	(25,243,206)
<b>Goodwill</b>	<b>-</b>

**32. Earnings per share**

Following is the earnings per share taking into consideration the increase in share capital mentioned in the commercial register approved on 17 December 2018:

	2019	2018
Net Profit for the year	192,574,776	126,371,683
BOD remunerations	(16,166,149)	(10,207,871)
Employees profit share	(15,715,115)	(10,352,665)
	<b>160,693,512</b>	<b>105,811,147</b>
Weighted average of outstanding shares	<b>572,501,863</b>	<b>232,204,917</b>
<b>Earnings per share</b>	<b>0.28</b>	<b>0.46</b>





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**33. Tax position**

**(1) Cairo Education Services "S.A.E"**

**(A) Corporate tax**

The Company was inspected from 1998 until 1999 and due tax was paid.

The Company was inspected for the years from 2000 until 2004 on a deemed basis at a total tax of EGP 5,793,131. The Company was notified of Forms 18 and 19 "Tax of fund corporates tax" and they were appealed on the legal deadlines and dispute is still pending before the Internal Committee.

The Company was not inspected from 2005 to 2008. The Company submits the tax returns regularly on the legal deadlines and pays the due tax based on the tax returns submitted on the legal in the following years from 2005 to 4 May 2008.

The net profit of schools activity is exempted from the commercial profits tax in accordance with Law No. 91 of 2005.

The company has been inspected for the yars started from 2009 to 2010 and all tax dues has been paid.

Years started from 2011 to 2019 has not been inspected yet.

**(B) Withholding tax**

The Company applies the withholding tax under tax regulations as per Law No. 91 of 2005.

**(C) Tax on earnings**

The Company applies the withholding tax and pays it monthly in accordance with the Tax Law No. 91 of 2005.

- Quarterly tax returns are filed regularly and the company pays the tax on legal dates
- The company has paid the tax due up to 2004.
- The company was notified with a claim for work tax for the period from January 1, 2005 to 30 June 2005. The company has 36 salaries form for the period from 1 July 2005 to 31 December 2011.
- For the years from 1 January 2012 to 31 August 2019, the Company has not been examined until the date of the financial statements.
- It was challenged within the legal deadlines and the dispute still pending before the Internal Committee.

**(D) Stamp duty**

- The company paid its stamp tax until 30 November 2003.
- The company was notified of Form No. 3 stamp duty for the period from February 1, 2003 to February 28, 2006 with a total tax of EE 74,599. It was challenged within the legal deadline and was referred to the appeal committee and the dispute is still pending until the date of preparing the financial statements.



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**Tax position (continued)**

- The company was notified of Form No. 3 stamp tax for the period from March 1, 2006 to June 30, 2010. It was challenged in the legal time and was referred to the Appeal Committee. Final settlement by appeal committee amounted to 14,798 on 23 November 2014 was paid by the company on 29 January 2015.
- Years from 1 July 2010 to 31 August 2019, the Company has not been examined until the date of the financial statements.

**(E) Value Added tax**

The Company is not subject to the provisions of Law No. 67 of 2016.

**(2) Cairo For Investment & Real Estate Development "S.A.E"**

**(A) Corporate income tax**

Years from 1992 to 1993

The Company was inspected for the corporate income tax for the years 1992 until 1993 and final tax notice from the decision of the appeal committee by amount of EGP 149,952 and dispute between the Company and the specialized authority was referred to the court and the dispute is still ongoing and the Company has paid the tax according to the appeal committee decision.

Years from 1994 to 1995

The Company was inspected for the corporate income tax for the years 1994 and 1995 with amount of EGP 44,188 and form 18 was notified and objected and form 19 was notified and objected and has been appealed. The file was referred to the appeal committee and then referred to the competent court, and the Company has paid the tax according to the appeal committee decision tax notice.

Years from 1996 to 2001

The company was inspected for the corporate income tax for the years 1996 till 2000 and was notified and objected to form 18, and form 19 has been appealed by EGP 2,152,266 and the file was referred to the internal committee of the authority and then to the appeal committees, and defence memorandum was submitted and the appeal committee decision had been issued. The dispute between the Company and the authority was referred to the court and the dispute is still ongoing as the assessment was based on the appeal committee decision for the years 1998 to 2001 for not applying the provisions of Article 21 of Law No. 157 of 1981 and its amendments.

Years from 2002 to 2004

The authority has charged the company depending on estimation, and form 18 was notified and objected and form 19 was notified and has been appealed. The file was referred to the internal committee of the authority and the Company submitted a request to re-examine these years and the dispute was transferred to appeal committees and defence memorandum was submitted and the appeal committee decision had been issued to return the file to the authority to prepare for the completion of the books inspection of the authority.

Years from 2005 to 2008

The tax returns were submitted on time and the tax was paid based on the tax returns and the Company was not inspected since it was not included in the inspection sample.



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**Tax position (continued)**

Years from 2009 to 2010

The Company was charged with the corporate income tax for the years 2009/2010. The company was notified in form 19 with an amount of EGP 7,513,695 and has been appealed, and the file was referred to the internal committee of the authority.

Years from 2011 to 2012

The Company was charged with the corporate income tax for the years 2011/2012. The company was notified in form 19 with an amount of EGP 8,784,566 and has been appealed, and the file was referred to the internal committee of the authority to issue a decision of re-examination.

Years from 2013 to 2014

The company has been accounted for the estimate of the tax on profits of the funding companies, and the company has been notified by Form "19" and it has been appealed the file was referred to the internal committee of the authority to issue a decision of re-examination.

Years from 2015 to 2019

The company has not been inspected yet the tax returns submitted on the specified tax dates and the tax is paid based on the tax return.

**(B) Stamp duty tax**

Years from 1 Sep 1992 until 31 Oct 1997

The company was inspected until 31 October 1997. The Company was notified of 3 stamp forms and an internal committee was formed and the due tax on the Company was paid

Years from 1 November 1997 until 30 September 2002

The Company was inspected and the Company was notified with 4 stamp forms and has been appealed. The file was referred to the appeal committee. The final assessment was made by the appeal committee amounting to EGP 23,585. The Company was pledged and lifted after that and the tax amount was paid by scheduled checks.

Years from 1 October 2002 until 31 October 2005

The Company was inspected and notified with stamp forms No.3 & 4 and has been appealed. The file was referred to the appeal committee and the final assessment was made by the appeal committee amounting to EGP 22,946.

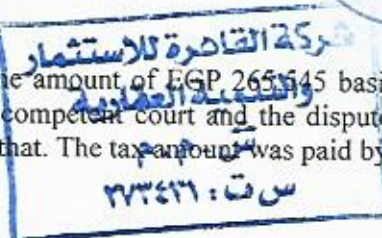
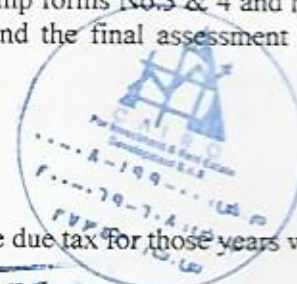
**(C) Salaries Tax**

Years from 1992 to 1994

The company was accounted for and linked to. The due tax for those years was paid.

Years from 1995 to 1999

Salaries tax was linked to the amount of EGP 265,545 basis of the non-appeal link and the dispute was referred to the competent court and the dispute is still ongoing. The Company was pledged and lifted after that. The tax amount was paid by scheduled checks.





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**Tax position (continued)**

Years from 2000 to 2001

Salaries tax was notified and the form was objected to the legal deadline. The dispute was referred to an internal committee and then to an appeal committee. The defence memorandum was submitted and the due tax on the Company was paid by the decision of the appeal committee.

Years from 1 January 2005 until 30 June 2005

The Company was inspected with a tax link on the Company amounting to EGP 496,329. The form has been appealed in its entirety. The file was referred to the internal committee, and then to the appeal committees. The defence memorandum was submitted and it was reserved for the decision on 20 January 2018.

Years from 1 July 2005 until 2010

Salaries tax was assessed by EGP 9,030,294 and the Company was informed in form No.38 that it was objected and the file was referred to the internal committee, and then to the appeal committees and the sessions to resolve the dispute are being attended.

Years from 1 July 2011 until 2019

The company has not been informed until the date of financial statements.

**(D) General sales tax**

The Company submits sales tax returns on a regular basis and at the legal times. The Company was inspected from the start of the activity until 2005 and the tax differences resulting from the inspection as well as the additional tax amounted to 687,341 EGP were paid and the Company was inspected for the years 2006 until 2013. The company has not been notified of other inspection.

**(3) Egyptian Company for Education Systems "S.A.E"**

**(A) Corporate income tax**

Years from 2005 to 2019

- Tax returns were submitted on the legal deadline and the Company is exempted from taxes until 4 May 2008 in accordance with law No. 91 of 2005.
- The period from 5 May 2008 until 30 June 2017, the Company was not notified of the inspection date taking into consideration law No. 91 of 2005 on a sample basis.
- No inspection for the period from 1 July 2019 until 31 August 2019.

**(B) Tax on earnings**

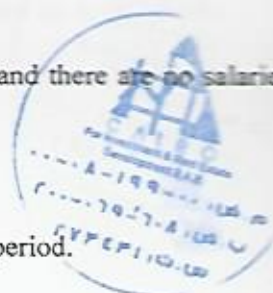
Years from 2005 to 2019

The Company pays the income tax monthly on the legal deadlines and there are no salaries tax notifications for such years.

**(C) Stamp duty**

Years from 2005 to 2019

The Company did not receive any tax notifications related to the tax period.





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**Tax position (continued)**

**(D) General sales tax**

Years from 2005 to 2019

The Company is not subject to the provisions of law No. 11 of 1991 and its amendments.

**(E) Value Added Tax**

The Company is not subject to the provisions of law No. 67 of 2016.

**(4) Global Educational Technology "S.A.E"**

**(A) Corporate income tax**

Years from 2003 to 2004

The Company submits the tax returns on the legal deadlines and it has not been notified of the inspection during such years.

Years from 2005 to 4 May 2008

-The Company submits tax returns on the legal deadlines.

-The Company is exempted from the corporate income tax in accordance with Law No. 91 of 2005.

Years from 2008 to 2019

The Company submits the tax returns on the legal deadline and it has not been notified of the inspection during such years.

**(B) Salaries tax**

Years from 2003 to 2019

The Company pays the salaries tax monthly on the legal deadlines and there are no salaries tax notifications for such years.

**(C) Stamp duty**

Years from 2003 to 2019

The Company did not receive any tax notifications related to the tax period.

**(D) General sales tax**

Years from 2003 to 2019

The Company is not subject to the provisions of law No. 11 of 1991 and its amendments.

**(E) Value Added Tax**

Years from 2003 to 2019

The Company is not subject to the provisions of law No. 67 of 2016.



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**Tax position (continued)**

**(5) Future and Nations Company "S.A.E"**

**(A) Corporate Income tax**

The Company has not been notified of the inspection since the inception to the date. The tax return is prepared and submitted on the legal deadlines according to the requirements of the Income Tax Law issued by law No. 91 of 2005.

**(B) Tax on earnings**

The Company has not been notified of the inspection since the inception to the date and payment is made at the beginning of each month on the legal deadlines.

**(C) Stamp duty**

The Company has not been notified of the inspection since the inception to the date.

**(6) Upper Egvpt for Educational Services S.A.E**

**(A) Corporate Income tax**

Years from 2009 to 2019

Tax returns are submitted regularly and the Company has not been inspected to date.

**(B) Salaries tax**

Years from 2009 to 2019

- The Company has not been inspected since the inception to the date.
- The Company pays the salaries tax monthly on the legal deadlines and there are no salaries tax notifications for such years.
- A provision of 25,000 EGP booked for dispute of salaries tax.

**(C) Stamp duty**

Years from 2009 to 2019

The Company has not been notified of tax claims.

**(D) General sales tax**

Years from 2009 to 2019

The Company is not subject to the provisions of law No. 11 of 1991 and its amendments.

**(E) Value Added Tax**

Years from 2009 to 2019

The Company is not subject to the provisions of law No. 67 of 2016.





**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."  
AND ITS SUBSIDIARIES**

Notes to the consolidated financial statements – For the year ended 31 August 2019

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

**Tax position (continued)**

**(7) Badr University S.A.E**

**(A) Corporate Income tax**

The income tax is calculated at the realised surplus in accordance with the applicable laws and regulations in this regard and using the tax rates enacted at the date of the financial statements. The income tax payable is recognised in the statement of revenues and expenses.

The University's records were not inspected from the date of inception until the financial position date 31 August 2019.

**(B) Salaries tax**

The University's records were inspected from the date of inception until 31 August 2018.

The University's records were not inspected from 1 September 2018 until the financial position date 31 August 2019.

**(C) Stamp duty**

The University's records were not inspected from the date of inception until the financial position date 31 August 2019.

**(D) Withholding tax**

The University's records were inspected from the date of inception until 31 August 2014.

The University's records were not inspected from 1 September 2014 until the financial position date 31 August 2019.

**34. Commitments**

**A. Capital Commitments**

Capital commitments contracted on the date of the consolidated financial statements are as follows:

	2019	2018
Fixed assets	324,767,848	3,462,146

**B. Operating lease**

The Group is leasing many buses and a building for one of the schools for operational purposes. The term of these contracts are 1 to 5 years.

Total future payments for the lease contracts are as follows:

	2019	2018
Less than one year	30,207,959	14,380,000
Over 1 year and less than 5 years	154,214,652	73,486,257

