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

AUDITORS' REPORT
AND THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 AUGUST 2017, 2016 AND 2015

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

**Special purpose consolidated financial statements
For the years ended 31 August 2017, 2016 and 2015**

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Auditors' report

To the board of directors of Cairo for Investment and Real Estate Development "S.A.E."

Report on the special purpose consolidated financial statements

We have audited the accompanying special purpose 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 special purpose consolidated statement of financial position as at 31 August 2017, 2016 and 2015 and special purpose consolidated statements of profit or loss, comprehensive income, changes in shareholder's equity and cash flows for the financial years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the special purpose consolidated financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose 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 special purpose 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 special purpose 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 special purpose consolidated financial statements.

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Opinion

In our opinion, the special purpose 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 2017, 2016 and 2015, and its consolidated financial performance and its cash flows for the fiscal years then ended in accordance with Egyptian Accounting Standards and in light of related Egyptian laws and regulations.

Emphasis of matter

Without qualifying our opinion, we draw attention to note (2) to the special purpose consolidated financial statements which describes the change in the Group's / Parent Company's financial year as a result of which management prepared these special purpose consolidated financial statements for the years ended 31 August 2017, 2016 and 2015 for filing as part of the Parent Company's Public Subscription Notice with the Financial Regulatory Authority of Egypt.

Our report is intended solely to the board of directors of Cairo for Investment and Real Estate Development "S.A.E." for the purpose set out above and should not be used for any other purpose.

Tamer Abdel Tawab	Basma Samra
Member of Egyptian Society of Accountants & Auditors.	Member of Egyptian Society of Accountants & Auditors
Member of the American Association of Public Accountants	Member of the Egyptian Tax Society
R.A.A. 17996	R.A.A. 6588
	F.R.A. 137
Mansour & Co. PricewaterhouseCoopers	Mansour & Co. PricewaterhouseCoopers

Cairo
29 July 2018

Mansour & Co. PricewaterhouseCoopers
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Special purpose consolidated statement of financial position
At 31 August 2017, 31 August 2016 and 31 August 2015

(All amounts in Egyptian Pounds)

	Note	31 August 2017	31 August 2016	31 August 2015
Assets				
Non-current assets				
Property, plant and equipment	6	619,218,237	593,484,437	429,076,309
Projects under construction	7	14,778,452	3,410,660	78,579,195
Work in progress	8	24,089,936	24,077,936	24,077,936
Investment in associates	9	21,553,835	303,835	303,835
Held to maturity investments	11	1,000,000	1,000,000	1,000,000
Goodwill	30	5,936,481	5,936,481	5,936,481
Total non-current assets		**686,576,941**	**628,213,349**	**538,973,756**
Current assets				
Inventories	12	890,855	266,336	578,492
Debtors and other debit balances	13	97,586,050	70,934,984	68,300,997
Cash and cash equivalents	14	54,631,302	50,152,306	44,792,848
Total current assets		**153,108,207**	**121,353,626**	**113,672,337**
Total assets		**839,685,148**	**749,566,975**	**652,646,093**
Liabilities and shareholder's equity				
Shareholder's equity				
Shareholder's equity attributable to owners of the Parent Company				
Issued and paid up capital	15	219,116,130	119,116,130	119,116,130
Treasury shares	15	-	-	(29,967,950)
Paid under capital increase	15	-	10,387,820	-
Reserves	16	17,009,363	14,814,025	14,814,025
Retained earnings		143,527,345	99,126,771	59,359,923
Total shareholders' equity attributable to owners of the Parent Company		**379,652,838**	**243,444,746**	**163,322,128**
Shareholder's equity of non-controlling				
Non-controlling interest	29	40,590,078	40,759,718	36,431,933
Total shareholder's equity		**420,242,916**	**284,204,464**	**199,754,061**
Liabilities				
Non-current liabilities				
Non-current portion of borrowings and credit facilities	17	80,369,521	103,897,659	101,436,794
Deferred tax liabilities	20	2,403,629	2,620,341	1,455,738
Total non-current liabilities		**82,773,150**	**106,518,000**	**102,892,532**
Current liabilities				
Creditors and other credit balances	18	247,632,809	280,646,783	292,108,838
Current income tax	19	23,421,486	13,560,954	6,332,302
Current portion of borrowings and credit facilities	17	39,603,162	40,641,774	35,520,726
Provisions	21	26,011,625	23,995,000	16,037,634
Total current liabilities		**336,669,082**	**358,844,511**	**349,999,500**
Total liabilities		**419,442,232**	**465,362,511**	**452,892,032**
Total liabilities and shareholders' equity		**839,685,148**	**749,566,975**	**652,646,093**

The accompanying notes form an integral part of these special purpose consolidated financial statements.
Auditors' report is attached

Mohamed El Khouly
Group Chief Financial Officer

Hassan El Kalla
Chairman

28 July 2018

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

Special purpose consolidated statement of profit or loss
For the years ended 31 August 2017, 31 August 2016 and 31 August 2015

(All amounts in Egyptian Pounds)

	Note	Financial year from 1 September 2016 till 31 August 2017	Financial year from 1 September 2015 till 31 August 2016	Financial year from 1 September 2014 till 31 August 2015
Operating revenue	22	346,720,488	277,719,211	221,465,835
Operating costs	23	(201,432,161)	(156,838,574)	(139,657,223)
		145,288,327	**120,880,637**	**81,808,612**
General and administrative expenses	24	(48,051,373)	(34,741,024)	(29,805,929)
Provisions	21	(2,080,000)	(9,450,154)	(87,608)
Other income	26	12,834,570	1,895,499	10,018,287
Operating profits		**107,991,524**	**78,584,958**	**61,933,362**
Finance costs - net	27	(21,203,842)	(17,243,321)	(19,409,878)
Profit before tax		**86,787,682**	**61,341,637**	**42,523,484**
Current tax	19	(22,188,645)	(16,082,401)	(10,640,179)
Deferred tax	20	216,712	(1,164,603)	(893,595)
Profit for the year		**64,815,749**	**44,094,633**	**30,989,710**
Profits attributable to				
Owner's of the Parent Company		60,248,357	39,766,848	28,041,904
Non-controlling interests	29	4,567,392	4,327,785	2,947,806
		64,815,749	**44,094,633**	**30,989,710**
Earning per share				
Basic and diluted earning per share	31	**0.13**	**0.13**	**0.10**

The accompanying notes form an integral part of these special purpose consolidated financial statements.

Special purpose consolidated statement of other comprehensive income
For the years ended 31 August 2017, 31 August 2016 and 31 August 2015

(All amounts in Egyptian Pounds)

	Note	Financial year from 1 September 2016 till 31 August 2017	Financial year from 1 September 2015 till 31 August 2016	Financial year from 1 September 2014 till 31 August 2015
Profit for the year		64,815,749	44,094,633	30,989,710
Other comprehensive income		-	-	-
Comprehensive income for the year		**64,815,749**	**44,094,633**	**30,989,710**
Comprehensive income attributable to				
Owner's of the Parent Company		60,248,357	39,766,848	28,041,904
Non-controlling interests	29	4,567,392	4,327,785	2,947,806
		64,815,749	**44,094,633**	**30,989,710**

The accompanying notes form an integral part of these special purpose consolidated financial statements.

Special purpose consolidated statement of changes in shareholder's equity
For the years ended 31 August 2017, 31 August 2016 and 31 August 2015

(All amounts in Egyptian Pounds)

	Note	Share capital	Treasury shares	Paid under capital increase	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 September 2014		**119,116,130**	**-**	**-**	**14,044,483**	**39,249,664**	**172,410,277**	**34,882,263**	**207,292,540**
Treasury shares	15	-	(29,967,950)	-	-	-	**(29,967,950)**	-	**(29,967,950)**
Transfer to reserves	16	-	-	-	769,542	(769,542)	**-**	-	**-**
Dividends		-	-	-	-	(7,162,103)	**(7,162,103)**	(1,398,136)	**(8,560,239)**
Profits for the year		-	-	-	-	28,041,904	**28,041,904**	2,947,806	**30,989,710**
Balance at 31 August 2015		**119,116,130**	**(29,967,950)**	**-**	**14,814,025**	**59,359,923**	**163,322,128**	**36,431,933**	**199,754,061**
Balance at 1 September 2015		**119,116,130**	**(29,967,950)**	**-**	**14,814,025**	**59,359,923**	**163,322,128**	**36,431,933**	**199,754,061**
Sale of treasury shares	15	-	29,967,950	-	-	-	**29,967,950**	-	**29,967,950**
Paid under capital increase	15	-	-	10,387,820	-	-	**10,387,820**	-	**10,387,820**
Profits for the year		-	-	-	-	39,766,848	**39,766,848**	4,327,785	**44,094,633**
Balance at 31 August 2016		**119,116,130**	**-**	**10,387,820**	**14,814,025**	**99,126,771**	**243,444,746**	**40,759,718**	**284,204,464**
Balance at 1 September 2016		**119,116,130**	**-**	**10,387,820**	**14,814,025**	**99,126,771**	**243,444,746**	**40,759,718**	**284,204,464**
Share capital increase	15	100,000,000	-	(10,387,820)	-	-	**89,612,180**	-	**89,612,180**
Transfer to reserves	16	-	-	-	2,195,338	(2,195,338)	**-**	-	**-**
Dividends		-	-	-	-	(13,652,445)	**(13,652,445)**	(4,737,032)	**(18,389,477)**
Profits for the year		-	-	-	-	60,248,357	**60,248,357**	4,567,392	**64,815,749**
Balance at 31 August 2017		**219,116,130**	**-**	**-**	**17,009,363**	**143,527,345**	**379,652,838**	**40,590,078**	**420,242,916**

The accompanying notes form an integral part of these special purpose consolidated financial statements.

Special purpose consolidated statement of cash flows
for the years ended 31 August 2017, 31 August 2016 and 31 August 2015

(All amounts in Egyptian Pounds)

	Note	Financial year from 1 September 2016 till 31 August 2017	Financial year from 1 September 2015 till 31 August 2016	Financial year from 1 September 2014 till 31 August 2015
Cash flows from operating activities				
Profit before tax		86,787,682	61,341,637	42,523,484
Adjustments to reconcile profits to cash flows from operating activities				
Depreciation	6	38,294,430	28,882,900	20,865,010
Finance costs	27	25,091,175	20,176,125	18,756,806
Finance income	27	(4,610,347)	(3,663,049)	(1,135,408)
Provisions made	21	2,080,000	9,450,154	87,608
Impairment losses on investments in associates	10	-	-	1,451,285
Debtors and other debit balances impairment	13	2,780,804	1,322,258	190,508
Gain on disposal of subsidiaries	26	-	-	(8,020,000)
Gain on sale of property, plant and equipment	26	(398,250)	-	-
Provisions used	21	(63,375)	(1,492,788)	-
Income tax paid	19	(12,328,113)	(8,853,749)	(10,717,506)
Operating profits before changes in current assets and liabilities		**137,634,006**	**107,163,488**	**64,001,787**
Changes in current assets and liabilities				
Change in inventories		(624,519)	312,156	20,362
Change in debtors and other debit balances		(29,431,869)	(5,435,541)	136,548,698
Change in creditors and other credit balances		54,720,255	25,487,063	(93,995,650)
Net cash flows generated from operating activities		**162,297,873**	**127,527,166**	**106,575,197**
Cash flows from investing activities				
Purchase property, plant and equipment	6	(29,260,649)	(57,693,022)	(45,370,700)
Interest received		4,610,347	3,663,049	1,135,408
Proceeds from sale of property, plant and equipment		398,250	-	-
Payments for projects under constructions	7	(46,135,373)	(60,429,471)	(83,936,821)
Payments for work in progress		(12,000)	-	-
Proceeds from disposal of subsidiaries		-	-	27,122,279
Payments to purchase held to maturity investments		-	-	(1,000,000)
Payments under investment in subsidiaries		(21,250,001)	-	-
Net cash flows used in investing activities		**(91,649,426)**	**(114,459,444)**	**(102,049,834)**
Cash flows from financing activities				
Paid under increase of share capital		-	10,387,820	-
Proceeds from borrowings and credit facilities		8,950,899	48,791,570	135,013,739
Payments to borrowings and credit facilities		(33,517,649)	(39,764,234)	(104,870,007)
Finance costs paid		(25,091,175)	(20,176,125)	(18,756,806)
Dividends paid		(16,511,526)	(6,947,295)	(4,411,764)
Net cash flows (used in) / generated from financing activities		**(66,169,451)**	**(7,708,264)**	**6,975,162**
Change in cash and cash equivalents during the year		**4,478,996**	**5,359,458**	**11,500,525**
Cash and cash equivalents at the beginning of the year		50,152,306	44,792,848	33,292,323
Cash and cash equivalents at the end of the year	14	**54,631,302**	**50,152,306**	**44,792,848**

- On 31 August 2015 and 31 August 2016, an amount of EGP 29,967,950 representing the purchase and resale of 1,411,585 of the Parent Company's shares at a price of EGP 21.23 have been eliminated as the purchase transaction has been financed by the Parent Company's main shareholder, the resale transaction has been financed through the credit current account of the Parent Company's shareholder whereby both transaction have been viewed as non-cash transaction (Note 15).

- During the fiscal year ended 31 August 2017, an amount of EGP 89,612,180 representing the increase of the Parent Company's share capital has been eliminated as non-cash transaction whereby it was financed through credit current account of the Parent Company's shareholder (Note 15).

The accompanying notes form an integral part of these special purpose consolidated financial statements.

1. Introduction

Cairo Investment for Real Estate Investment and Development (the "Parent Company") was established under a Preliminary contract dated 15 March 1992 which has been ratified on 17 August 1992 under ratification minutes No. 1978 (d) of the year 1992 at Real Estate Publicity Office in Nasr City. The Parent 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 Company was founded for the purpose of : construction, foundation and management of educational institutions in accordance to 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 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 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 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 shareholders of the Parent Company is Social Impact Capital "Ltd." owning 84.52%

The special purpose consolidated financial statements were approved for issuance by the board of directors on 28 July 2018.

2. Accounting policies

Significant accounting policies used in the preparation of these special purpose consolidated financial statements are summarised below:-

A. Basis of preparation of the special purpose consolidated financial statements

The 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 years unless otherwise stated. The special purpose consolidated financial statements have been prepared under the historical cost convention.

On 27 December 2015, the Extraordinary General Meeting of the Company has decided to change the financial years of the Company and the subsidiaries to start on 1 September and end on 31 August instead of starting on 1 January and ending on 31 December of each year, as the revised financial year better reflects the Group's annual operational cycle, it being involved in educational activities. Based on this decision, the Group had historically issued consolidated financial statements for the financial year ended 31 December 2015, the financial period from 1 January 2016 to 31 August 2016 and the financial year ended 31 August 2017. Group management has prepared these special purpose consolidated financial statements for the financial years ended 31 August 2015, 2016 and 2017, for filing as part of the Company's Public Subscription Notice with the Financial Regulatory Authority of Egypt.

Basis of preparation of the consolidated financial statements (continued)

The Group presents its assets and liabilities in 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 12 months after the end of the reporting period, or
* Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

* It is expected to be settled in the normal operating course;
* Held primarily for trading.
* Expected to be realised within 12 months after the end of the reporting period, 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 reporting period.

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

The preparation of the consolidated financial statements in conformity with the Egyptian Accounting Standards (EAS) requires the use of certain estimates and assumptions. It also requires management to use their judgment when applying the Group accounting policies.
Note (4) clarifies the most significant estimates and accounting assumptions applied for the preparation of these special purpose 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 adopted by the Group

During 2015, the Egyptian Accounting Standards were reissued to include some new standards and amendments to the existing standards to be enforced for all the financial years starting after 1 January 2016.

Below is a summary of the mentioned amendments carried within the special purpose consolidated financial statements.

(1) EAS (1)- Presentation of financial statements

Summary of the main amendments

Statement of financial position
The presentation of working capital was cancelled and the guiding model of the financial statements, attached to 2006 version, that presenting the working capital was modified to the current presentation as in the statement of financial position.

Statement of profit or loss and statement of comprehensive income
All income and expenses items that were recognised during the period should be disclosed by entity in two separate statements, one that presents the profit of loss components (statement of profit or loss), and the other starts with profit or loss and presents other comprehensive income (statement of comprehensive income).

Impact on the special purpose consolidated financial statements
A new statement (statement of comprehensive income) was presented for the period and the corresponding periods. In addition, the presented special purpose consolidated financial statements and the notes thereto to be in line with the standard's amendments.

(2) EAS 45 - Fair value measurement

Summary of the main amendments
The new EAS 45 "fair value measurement" was issued. It is applied when another standard requires or allows measurement or disclosure at fair value. The standard aims to:
- Defining the fair value
- Developing a framework to measure the fair value in one standard.
- Specifying the required disclosures for fair value measurements.

Impact on the special purpose consolidated financial statements
The Group had no financial assets at fair value as a result, there is no impact on the special purpose consolidated financial statements.

(3) EAS 29 - Business combination

Summary of the main amendments

Method of consolidation
The purchase method was cancelled and replaced with the method of acquisition, which resulted in changing the cost of acquisition to become the consideration transferred and is measured at fair value at the date of acquisition.

New issued and amendments made to EAS's adopted by the Group (continued)

Possible consideration
The fair value of the possible consideration is recognised at the date acquisition as part of the consideration transferred.

Cost of transaction (acquisition-related costs)
These are recognised in the statement of profit or loss when they are incurred, and should not be added within the consideration transferred, except for the costs of issuing equity instruments or debt instruments related to the acquisition transaction.

Impact on the special purpose consolidated financial statements
No business combinations took place during the financial year ended 31 August 2017 consequently, there is no impact on the special purpose consolidated financial statements.

(4) EAS 18 – Investment in associates

Summary of the main amendments
The accounting treatment of joint ventures is included in this standard, and therefore all investments in associates and joint ventures were treated in the consolidated or standalone financial statements using the equity method.

The entity ceases to use the equity method from the date the investment ceases to be an associate or a joint venture, provided the shares held at fair value are re-measured and the difference is recognised in the statement of profit or loss.

If investment in associate turns into an investment in a joint venture or vice versa, the entity should continue to apply the equity method and should not re-measure the held share.

If the entity's equity in an associate or a joint venture decreases and the entity continues, however, to use the equity method, the entity that previously recognised gain or loss within other comprehensive income, should reclassify that portion of gain or loss amount related to the reduction of equity into profit or loss based on the discount rate.

Impact on the special purpose consolidated financial statements
Group has no interest in any joint venture, as a result, there is no impact on the special purpose financial statements.

In respect of investments in associates, the Group applies the equity method in the special purpose consolidated financial statements.

(5) EAS 41 - Operating segments

Summary of the main amendments
EAS 33 "Segment reports" was cancelled and replaced with EAS 41 "Operating segments". Accordingly, the segment reports system that should be disclosed and the volume of required disclosures depend primarily on the segment information that is used by Chief Operating Decision Maker (CODM) to make decision on the resources to be assigned for the segment and evaluation of its performance.

Impact on the special purpose consolidated financial statements
The corresponding information for previous periods have been presented.

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

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 deconsolidated 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 special purpose consolidated financial statements includes the following subsidiaries:

	Country of origin	Percentage of ownership
Cairo Educational Services	Egypt	69.7%
Upper Egypt Educational Services	Egypt	72.7%
Egyptian Educational Systems	Egypt	91.5%
Global Educational Technologies	Egypt	78.336%
Cairo Egypt for Educational Premises	Egypt	99.9%
Futures and Nations*	Egypt	50%
Emco for Systems and Computers	Egypt	82.47%
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 Company and concluded that the Group has the control over operating and financing policies of the Company. Consequently, the investment has been accounted for as an investments in subsidiaries and consolidated within the Group's consolidated financial statements.

The special purpose consolidated financial statements including the results of operations of the subsidiaries for the years ended 31 August 2015, 31 August 2016 and 31 August 2017 except for Badr University as its results of operations have been included in the special purpose consolidated financial statements in 31 August 2015 as it's the first financial statements for the University.

i. Acquisition method

The Group applies the acquisition method to account for business combinations.

The consideration transferred in a business combination is measured based on the fair value of the assets transferred and the liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred 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.

Basis of consolidation (continued)

In business combination, the Group recognises any non-controlling interests in the subsidiary at the proportionate share of the fair value 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 acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised within other comprehensive income.

Inter-company assets, liabilities, income, expenses and cash flows related to transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries are 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 changes 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 company 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 owners of the Parent Company.

iv. Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the fair value of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, and contingent liabilities at the date of acquisition. If the consideration transferred, non-controlling interest 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 fair value of the identifiable acquired assets and liabilities assumed at the date of acquisition, the Group recognises the gain resulting at the date of acquisition and the gain attributed to the Group.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Parent Company at which the goodwill is monitored for internal management purposes.

v. Measurement period
The measurement period is the period required for the Group to obtain the information needed for initial measurement of the items resulting from the acquisition of the subsidiary, and does not exceed one year from the date of acquisition. In case the Group obtains new information during the measurement period relative to the acquisition, amendment is made retrospectively for the amounts recognised at the date of acquisition.

Basis of consolidation (continued)

(2) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights in the associate.

i. Equity method

Under the equity method, the investment in associates is initially recognised at acquisition cost, and the cost is modified after the date of acquisition to the changes during post-acquisition period on the Group's share in the net assets of the associate. The Group's profit or loss includes its share in the associate's profit or loss, and the statement of comprehensive income includes the Group's share in the associate's other comprehensive income.

The carrying amount of the investment is adjusted by the Group's total share in the changes in equity after the date of acquisition.

ii. Changes in equity

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the reduction rate of the amount of profit or loss previously recognised in other comprehensive income is reclassified to profit or loss when relevant assets or liabilities are disposed of.

iii. Losses of associates

When the Group's share of losses in an associate equals or exceeds its carrying amount in the associate, the Group ceases to recognise its share in further losses. Once the carrying amount is reduced to zero, further losses are recognised but only to the extent of incurred legal or constructive obligations or payments made on behalf of the associate. When those companies realise profits in subsequent periods, the Group resumes to recognise its share in those profits, but only after its share of profits equals its share in the unrecognised losses.

iv. Transactions with associates

In relation to profits or losses resulting from transactions between the Group and the associate, only the portion not owned by the Group is recognised.

v. Goodwill arising from investment in associates

The excess of the total transferred consideration 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.

Goodwill resulting from acquisition of associates is recognised within the cost of investment in associates. Impairment of goodwill is not tested in associates separately. Impairment is rather tested for the carrying amount of the investment as a whole by comparing it with its recoverable amount. Impairment losses recognised in this case are not allocated to a specific asset. Therefore, any reversal of the impairment losses will be recognised to the extent to 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 special purpose consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in Egyptian Pounds, which is the Group's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions 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 special purpose consolidated statement of profit or loss at the date of the financial position.

E. Property, plant and equipment

The Group applies the cost model for the measurement of property, plant and equipment. Property, plant and equipment are recognised at cost net of the accumulated depreciation and accumulated impairment losses. The cost of fixed asset 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 additions to property, plant and equipment only 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 in the carrying value of fixed asset the cost incurred to replace part of that asset at the date such costs are borne, and the carrying amount of the replaced parts are derecognised. The Group recognises the costs of daily servicing of the property, plant and equipment in the statement of profit or loss.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values over their estimated useful lives, except for land, which is characterised with unlimited estimated useful life. Below are the estimated useful lives of each type of the Group's property, plant and equipment:

Buildings, premises and facilities	5%
Tools and instruments	20%
Devices, Furniture, and fittings	20%
Computers	20%
Vehicles	20%

The Group reviews the residual value of property, plant and equipment and their estimated useful lives at the end of each financial year, and adjusted when expectations differ from previous estimates and accounted for prospectively.

The carrying amount of the fixed as property, plant and equipment is reduced to the recoverable amount, if the recoverable amount of an asset is less than its carrying amount. This reduction is considered as a loss resulting from impairment.

Gains or losses on the disposal of an item of property, plant and equipment are determined based on the difference between the net proceeds from the disposal of the item and the carrying amount of the item, the resulting gain or loss is included in the statement of profit or loss.

F. Projects under construction

Projects under construction are stated at cost, which includes all direct costs related and required to bring the asset to the condition needed for operation and to be used for its intended purpose. Projects under construction are transferred to property, plant and equipment when they are finalised and ready for the intended use.

G. Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are tested annually for impairment at the date of financial statements.

Non-financial assets that have definite useful lives, and that are subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstances indicate that the asset is impaired.

The asset is tested for impairment by comparing its carrying amount with its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped 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 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, is impaired, the Group 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). Such reversal is recognised in the statement of profit or loss.

H. Financial assets

(i) Classification

The Group classifies its financial assets in the loans and receivables and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified in current assets, except for maturities greater than12 months after the balance sheet date. These are classified as non-current assets and include cash equivalent and balances due from related parties and accrued revenues.

Financial assets (continued)

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

Held to maturity investments are classified within non-current assets, unless the investment matures in less than 12 months of the end of the reporting period. If so, they are classified within current assets.

(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, in addition to other costs directly associated with the execution of the transaction, except for financial assets that are designated at fair value through profit or loss, which are measured initially at fair value only and all other costs associated with the execution of the transaction are charged to the statement of profit or loss.

(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 statement of profit or loss within net finance income/ (costs).

(iv) De-recognition
Financial assets are derecognised 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 profit / (loss) of de-recognition is recognised in the statement of profit or loss within general and administrative expenses.

The profit/ (loss) on the 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 assets.

I. Impairment of financial assets

Financial assets recognised at amortised cost
The Group assesses at the end of each reporting period whether there is evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets are impaired 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 loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment of financial assets (continued)

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated 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 reduced and the amount of the loss is recognised in the 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 revenue in the statement of profit and loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument'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 reversal of the previously recognised impairment loss is recognised in the special purpose consolidated statement of profit or loss.

J. Inventories

Inventories are carried at the lower of cost and net realisable value. Cost includes all purchase and other costs that the Group bear to bring the inventory to its intended location and its current status. Net realisable value is represented in the estimated selling price in the ordinary operating circumstances excluding estimated costs to complete and selling expenses. Impairment is recognised to reach the net selling value in the statement of income in the year in which it occurred. Reversal of impairment due to increase in the net selling value is recognised in the statement of profit or loss in the year in which it is occurred.

K. Cash and cash equivalents

Cash and cash equivalents includes cash in hand and due from banks with original maturities not exceeding three months.

L. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are reviewed at the date of each balance sheet 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 current amount of expected expenses required to settle the liability.

M. Trade payables

Trade payables are recognised initially at fair value for the received goods or services and subsequently measured at amortized cost using the effective interest method.

N. Issued and paid up capital

Ordinary shares are classified as equity.

O. Treasury shares

The consideration paid for the purchase of treasury shares is reduced of the equity attributable to the shareholders of the Parent Company.

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 are recorded in the consolidated statement of profit or loss as the difference between the amounts received (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 obligations for a period of not less than 12 months after the date of the special purpose consolidated financial statements.

Q. Current and deferred income tax

Current income tax
The Group's current taxes 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 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 financial statements. The applicable tax rate is used to calculate the deferred tax.

Deferred income tax assets is 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

Revenue is measured at the fair value of the consideration received or receivable including cash, receivables and notes receivables, 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. 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 customer, the type of transaction and the specifics of each arrangement.

Revenues are recognised on accrual basis.

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

Bus revenue
The Group provides educational services to students through its owned schools. Buses revenue is recognised throughout the period of rendering the services.

Sale of goods and rendering of services
Revenue is recognised from the sale of goods to traders or contractors who have the right to sell them and determine their prices when the goods are delivered to them, the Group does not retain significant risks of ownership of the goods and there is no obligation that prevent those traders or contractors to accept the goods sold. Delivery is recognised, both in the Group's stores and in specific locations, according to the agreements. When the Group transfers the significant risk and rewards of the ownership of goods to the traders, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Fuel station revenues is recognised when the fuel is delivered to the customer. In addition, revenue from car services are recognised as soon as the services are rendered.

Rental revenues
Rental income from leasing is recognized net of any discount allowed by the lessor over the period in which the lessee uses the leased asset.

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable 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 profit or loss 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 the Social Insurance Law. The Group has no further payment obligations once the contributions have been paid. The regular contributions are recognised as periodic cost for the year in which they are due and as such are included in staff costs.

U. Fair value estimation

Fair value is the price that would be received to sell an asset or paid to settle 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 pay 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 for the asset or the liability.

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.

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 bestselling condition or to sell 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 special purpose 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 where the lowest levels of inputs that have a material impact on the measurement of fair values are not observable.

V. Segments 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. Business segments 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'' at the Parent Company's General Assembly meeting.

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

3. Financial risk management

(1) Financial risks factors

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

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

(A) Market risk

i. Foreign exchange risk

Foreign exchange risk is the risk of fluctuations in the fair value of future cash flows of a financial instrument due to changes in foreign currency exchange rates.

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

	31 August 2017	31 August 2016	31 August 2015
US Dollars asset / (liability)	(11,622,395)	(11,312,862)	(44,055,104)

Note 27 is illustrating the foreign currency gains or losses that have been recognised in the consolidated statement of profit or loss during the years.

At the end of the year, if the US dollar had increased or decreased by 10%, the effect on the special purpose consolidated profit or loss after deducting related taxes would have been as follows:

	31 August 2017	31 August 2016	31 August 2015
US Dollars asset / (liability)	(1,162,239)	(1,131,286)	(4,405,510)

The Central Bank of Egypt announced on 3 November 2016 the floatation of foreign exchange rates against the Egyptian Pound, and increased the rates of interest on deposits and lending by 3%. Based on this, the official rates of foreign currencies are determined against the Egyptian Pound in local banks in accordance with market supply and demand.

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

Financial risk management (continued)

ii. Interest rate risk

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

The Group is exposed to interest rate risk on variable interest bearing assets and liabilities (bank deposits, loans and bank credit facilities). The Group maintains an appropriate mix of fixed rate and floating rate borrowings to manage the interest rate risk.

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 special purpose consolidated statement of profit or loss.

The sensitivity on the special purpose 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 year:

	Increase/ decrease	Effect of consolidated profit or loss EGP
31 August 2017	300 basis points	2,850,608
31 August 2016	300 basis points	3,206,464
31 August 2015	300 basis points	3,626,707

(B) Credit risk

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

For banks, the Group dealt with banks with high credit ratings and high credit quality which are supervised by the Central Bank of Egypt.

For customers, the management follows full legal procedures and retain all documents when executing the transaction. To minimize the credit risk the Group collects most of its revenue in advance before providing the educational and other related services. Provisions are made to meet the risk of default by customers on a case-by-case basis.

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

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

Financial risk management (continued)

Balances exposed to credit risk are as follows:

	31 August 2017	31 August 2016	31 August 2015
Balances and deposits with banks	53,995,016	49,570,964	44,370,592
Due from related parties	5,174,378	2,634,938	1,674,349
Accrued revenues	7,574,297	3,837,712	3,701,935

(C) Liquidity risk

Prudent liquidity risk management is achieved through maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities and funding from related parties.

Management prepares monthly forecasts for cash flows which are discussed at central management meetings of the Parent Company. Management actively negotiates with suppliers, follows up customer collections and monitors inventory balance in order to ensure the availability of necessary cash to meet the obligations of the Group.

The following table shows the aging of the Group's obligations and based on future undiscounted cash flows:

	31 August 2017		
	Less than three months	3 months to 1 year	1 year to 5 years
Due to related parties	36,047,922	-	-
Borrowings and credit facilities	9,367,009	36,597,716	78,521,239
Accrued expenses	49,486,550	-	-
Dividends payable	8,816,780	-	-
Due to suppliers and contractors	8,336,725	-	-
Due to governmental agencies	8,444,992	-	-

	31 August 2016		
	Less than three months	From 3 months to 1 year	From 1 year to 5 years
Due to related parties	114,948,301	-	-
Borrowings and credit facilities	8,972,877	43,326,101	113,068,698
Accrued expenses	16,457,912	-	-
Dividends payable	6,938,829	-	-
Due to suppliers and contractors	33,907,724	-	-
Due to governmental agencies	1,479,793	-	-

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

Financial risk management (continued)

	31 August 2015		
	Less than three months	**From 3 months to 1 year**	**From 1 year to 5 years**
Due to related parties	149,343,916	-	-
Borrowings and credit facilities	9,775,395	75,110,058	123,007,833
Accrued expenses	27,009,219	-	-
Dividends payable	13,886,124	-	-
Due to suppliers and contractors	5,249,882	-	-
Due to governmental agencies	865,278	-	-

(2) Capital risk management

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

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

The Group monitors capital using the ratio of net debt to total capital. The net debt consists of total borrowings and outstanding credit facilities less cash on hands and balances with banks. The total capital represents the Group's total equity as shown in the special purpose consolidated statement of financial position as well as the net debts.

The following shows the proportion of net debt to total capital in 2017, 2016 and 2015:

	31 August 2017	**31 August 2016**	**31 August 2015**
Borrowings and bank facilities	119,972,683	144,539,433	136,957,520
Gross debts	**119,972,683**	**144,539,433**	**136,957,520**
Less: Cash on hand and balances with banks	(54,631,302)	(50,152,306)	(44,792,848)
Net debt	**65,341,381**	**94,387,127**	**92,164,672**
Equity	420,242,916	284,204,464	199,754,061
Total capital	**485,584,297**	**378,591,591**	**291,918,733**
Net debt to total capital	13.46%	24.93%	31.57%

Financial risk management (continued)

(3) Fair value estimation

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

4. Critical accounting estimates and judgement

(1) Critical accounting estimates and assumptions

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

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

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

Impairment of goodwill
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 special purpose consolidated statement of profit or loss and cannot be reversed.

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

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

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

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

5. Segment Reporting

Management of the Parent Company, which is composed of the Chief Executive Officer and the Chief Financial Officer, monitors the financial performance of the Group on the basis of cash generating units. These include the activities of schools and higher education. The financial performance of these sectors in the financial years ended 31 August 2015, 31 August 2016 and 31 August 2017 are as follows:

	Schools operations			Higher Education operations			Total		
	Financial year ended 31 August			Financial year ended 31 August			Financial year ended 31 August		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Revenue									
Tuition revenues	138,756,544	163,361,147	172,731,038	41,028,613	80,383,974	143,587,336	179,785,157	243,745,121	316,318,374
Revenues from sale of goods and delivery of services	21,491,950	8,840,682	1,577,899	-	-	-	21,491,950	8,840,682	1,577,899
Bus revenues	12,693,057	12,414,794	12,969,913	1,198,650	1,901,435	3,883,978	13,891,707	14,316,229	16,853,891
Admission fees	2,252,140	1,938,647	2,280,462	350,445	1,100,280	1,078,760	2,602,585	3,038,927	3,359,222
Sundry operating revenues	3,646,261	6,044,211	7,426,672	48,175	1,734,041	1,184,430	3,694,436	7,778,252	8,611,102
Total revenues	**178,839,952**	**192,599,481**	**196,985,984**	**42,625,883**	**85,119,730**	**149,734,504**	**221,465,835**	**277,719,211**	**346,720,488**
Operating cost									
Tuition costs									
Employee costs	(45,029,645)	(49,896,937)	(63,934,133)	(13,669,442)	(22,982,156)	(43,529,779)	(58,699,087)	(72,879,093)	(107,463,912)
Teaching tools, books and aids expenses	(5,507,093)	(10,397,584)	(10,776,499)	(4,062,164)	(6,491,637)	(7,348,916)	(9,569,257)	(16,889,221)	(18,125,415)
maintenance ,electricity, utilities, communications expenses	(4,936,918)	(4,065,260)	(8,242,508)	(2,912,383)	(2,716,982)	(1,515,292)	(7,849,301)	(6,782,242)	(9,757,800)
Rentals	(6,473,830)	(6,346,996)	(5,842,726)	(395,345)	(759,890)	(1,361,221)	(6,869,175)	(7,106,886)	(7,203,947)
Professional and consulting fees and charges, and penalties	(643,170)	(1,108,732)	(1,292,097)	-	-	-	(643,170)	(1,108,732)	(1,292,097)
Other expenses	(1,376,025)	(1,455,738)	-	(1,266,027)	(1,406,066)	(1,172,973)	(2,642,052)	(2,861,804)	(1,172,973)
Bus costs	(9,049,041)	(9,621,065)	(9,754,779)	(4,239,446)	(4,618,834)	(6,972,019)	(13,288,487)	(14,239,899)	(16,726,798)
Other costs	(19,689,186)	(6,534,281)	(1,976,596)	-	-	-	(19,689,186)	(6,534,281)	(1,976,596)
Total operating cost	**(92,704,908)**	**(89,426,593)**	**(101,819,338)**	**(26,544,807)**	**(38,975,565)**	**(61,900,200)**	**(119,249,715)**	**(128,402,158)**	**(163,719,538)**
Gross profit	**86,135,044**	**103,172,888**	**95,166,646**	**16,081,076**	**46,144,165**	**87,834,304**	**102,216,120**	**149,317,053**	**183,000,950**
Administrative expenses	(23,556,081)	(28,659,362)	(33,946,259)	(5,792,346)	(5,635,178)	(13,523,307)	(29,348,427)	(34,294,540)	(47,469,566)
Depreciation	(15,925,220)	(14,667,286)	(16,769,423)	(4,939,790)	(14,215,614)	(21,525,007)	(20,865,010)	(28,882,900)	(38,294,430)
Operating revenues	**46,653,743**	**59,846,240**	**44,450,964**	**5,348,940**	**26,293,373**	**52,785,990**	**52,002,683**	**86,139,613**	**97,236,954**
Other income	9,194,042	1,895,499	10,550,634	824,245	-	2,283,936	10,018,287	1,895,499	12,834,570
Finance income	620,917	2,870,665	2,623,492	514,491	792,384	1,986,855	1,135,408	3,663,049	4,610,347
Other (expenses) revenues	(1,876,088)	(10,180,399)	(3,316,629)	-	-	513,615	(1,876,088)	(10,180,399)	(2,803,014)
Finance costs	(18,671,986)	(20,176,125)	(24,861,085)	(84,820)	-	(230,090)	(18,756,806)	(20,176,125)	(25,091,175)
Net profit before tax	**35,920,628**	**34,255,880**	**29,447,376**	**6,602,856**	**27,085,757**	**57,340,306**	**42,523,484**	**61,341,637**	**86,787,682**
Current income tax	(10,037,885)	(10,939,219)	(9,667,475)	(602,294)	(5,143,182)	(12,521,170)	(10,640,179)	(16,082,401)	(22,188,645)
Deferred income tax	(9,788)	(170,290)	432,292	(883,807)	(994,313)	(215,580)	(893,595)	(1,164,603)	216,712
Net profit for the year	**25,872,955**	**23,146,371**	**20,212,193**	**5,116,755**	**20,948,262**	**44,603,556**	**30,989,710**	**44,094,633**	**64,815,749**

* For the purposes of preparing Group's segment reporting, management reclassified property plant and equipment's depreciation to be in a separate line proceeding the operating costs. Also, management reclassified formed provisions to be part of the general and administrative expenses.

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

6. Property, plant and equipment ("PPE")

	Land	Buildings, premises and facilities	Devices, furniture and fittings	Computers	Vehicles	Tools and instruments	Total
Cost at 1 September 2014	**104,714,258**	**229,209,868**	**24,855,820**	**12,885,807**	**21,049,555**	**4,803,926**	**397,519,234**
Additions for the year	311,980	31,555,245	10,774,214	2,353,723	91,000	284,538	45,370,700
Transfers from Projects under construction	70,703,667	21,450,347	-	-	-	-	92,154,014
Cost of asset at 31 August 2015	**175,729,905**	**282,215,460**	**35,630,034**	**15,239,530**	**21,140,555**	**5,088,464**	**535,043,948**
Accumulated depreciation at 1 September 2014	-	**36,761,217**	**18,618,208**	**8,074,903**	**18,838,518**	**2,809,783**	**85,102,629**
Depreciation for the year	-	13,531,667	3,199,324	1,866,271	800,316	1,467,432	20,865,010
Accumulated depreciation at 31 August 2015	-	**50,292,884**	**21,817,532**	**9,941,174**	**19,638,834**	**4,277,215**	**105,967,639**
Net book value at 31 August 2015	175,729,905	231,922,576	13,812,502	5,298,356	1,501,721	811,249	429,076,309

	Land	Buildings, premises and facilities	Devices, furniture and fittings	Computers	Vehicles	Tools and instruments	Total
Cost at 1 September 2015	**175,729,905**	**282,215,460**	**35,630,034**	**15,239,530**	**21,140,555**	**5,088,464**	**535,043,948**
Additions for the year	-	38,429,401	14,970,387	2,579,304	-	1,713,930	57,693,022
Transfers from Projects under construction	-	135,598,006	-	-	-	-	135,598,006
Cost of asset at 31 August 2016	**175,729,905**	**456,242,867**	**50,600,421**	**17,818,834**	**21,140,555**	**6,802,394**	**728,334,976**
Accumulated depreciation at 1 September 2015	-	**50,292,884**	**21,817,532**	**9,941,174**	**19,638,834**	**4,277,215**	**105,967,639**
Depreciation for the year	-	19,767,554	5,255,418	2,197,916	611,298	1,050,714	28,882,900
Accumulated depreciation at 31 August 2016	-	**70,060,438**	**27,072,950**	**12,139,090**	**20,250,132**	**5,327,929**	**134,850,539**
Net book value at 31 August 2016	**175,729,905**	**386,182,429**	**23,527,471**	**5,679,744**	**890,423**	**1,474,465**	**593,484,437**

Above land are under the registration process with competent authorities.

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

Property, plant and equipment (continued)

	Land	Buildings, premises and facilities	Devices, furniture and fittings	Computers	Vehicles	Tools and instruments	Total
Cost at 1 September 2016	**175,729,905**	**456,242,867**	**50,600,421**	**17,818,834**	**21,140,555**	**6,802,394**	**728,334,976**
Additions for the year	-	3,563,674	19,230,483	2,554,601	2,797,100	1,114,791	29,260,649
Transfers from Projects under construction	-	29,426,822	5,039,745	-	-	301,014	34,767,581
Disposals	-	-	-	-	(749,588)	-	(749,588)
Cost of asset at 31 August 2017	**175,729,905**	**489,233,363**	**74,870,649**	**20,373,435**	**23,188,067**	**8,218,199**	**791,613,618**
Accumulated depreciation at 1 September 2016	-	**70,060,438**	**27,072,950**	**12,139,090**	**20,250,132**	**5,327,929**	**134,850,539**
Depreciation for the year	-	23,919,175	9,605,502	2,635,643	1,054,523	1,079,587	38,294,430
Accumulated depreciation of disposals	-	-	-	-	(749,588)	-	(749,588)
Accumulated depreciation at 31 August 2017	-	**93,979,613**	**36,678,452**	**14,774,733**	**20,555,067**	**6,407,516**	**172,395,381**
Net book value at 31 August 2017	**175,729,905**	**395,253,750**	**38,192,197**	**5,598,702**	**2,633,000**	**1,810,683**	**619,218,237**

Above land are under the registration process with competent authorities.

(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 2014	Additions	Transferred to PPE	Balance at 31 August 2015
Badr University	40,870,445	65,520,522	(38,208,751)	**68,182,216**
Others	45,925,943	18,416,299	(53,945,263)	**10,396,979**
	86,796,388	**83,936,821**	**(92,154,014)**	78,579,195

	Balance at 1 September 2015	Additions	Transferred to PPE	Balance at 31 August 2016
Badr University	68,182,216	57,094,205	(123,769,984)	**1,506,437**
Others	10,396,979	3,335,266	(11,828,022)	**1,904,223**
	78,579,195	**60,429,471**	**(135,598,006)**	**3,410,660**

	Balance at 1 September 2016	Additions	Transferred to PPE	Balance at 31 August 2017
Badr University	1,506,437	36,686,184	(23,414,169)	**14,778,452**
Others	1,904,223	9,449,189	(11,353,412)	-
	3,410,660	**46,135,373**	**(34,767,581)**	**14,778,452**

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

8. Work in progress

	31 August 2017	31 August 2016	31 August 2015
Cairo Heights projects - residential buildings	21,511,926	21,499,926	21,499,926
Commercial mall land	2,578,010	2,578,010	2,578,010
	24,089,936	**24,077,936**	**24,077,936**

The land on which the projects in progress above are constructed is under the registration process with the competent authorities.

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

9. Investments in associates

	% of ownership	31 August 2017	31 August 2016	31 August 2015
New Soft	23%	303,835	303,835	303,835
Egyptian Health Care	22.5%	21,250,000	-	-
		21,553,835	**303,835**	**303,835**

10. Unconsolidated subsidiaries

Historical cost of investments in unconsolidated subsidiaries is as follows:

	31 August 2017	31 August 2016	31 August 2015
International Health Care Company	1,126,285	1,126,285	1,126,285
Alex for Educational Services	325,000	325,000	325,000
	1,451,285	**1,451,285**	**1,451,285**
Impairment in value	(1,451,285)	(1,451,285)	(1,451,285)
	-	-	-

These entities have not been consolidated as the value of these investments have been fully impaired during the year ended 31 August 2015 (Note 24). Those entities have ceased operations and there are no liabilities to be incurred by the Group.

11. Held to maturity investment

	31 August 2017	31 August 2016	31 August 2015
Investments certificates	1,000,000	1,000,000	1,000,000

Held to maturity investments represent compounded-return-investment certificates of the Suez Canal Bank maturing in 2019 with a compounded rate of return of 12% (31 August 2016: 12%, 31 August 2015: 12%).

12. Inventories

	31 August 2017	31 August 2016	31 August 2015
Computer and electrical equipment	890,855	266,336	465,122
Oil and gas products	-	-	113,370
	890,855	266,336	**578,492**

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

13. Debtors and other debit balances

	31 August 2017	31 August 2016	31 August 2015
Advances to suppliers	45,645,372	29,005,145	38,738,289
Payments under investment in subsidiaries*	27,354,329	28,417,586	8,353,462
Prepaid expenses	7,777,235	2,439,123	5,544,539
Accrued revenues	7,574,297	3,837,712	3,701,935
Due from related parties (Note 28)	5,174,378	2,634,938	1,674,349
Withholding tax	2,615,227	628,816	345,158
Other debit balances	4,264,361	5,361,606	10,348,495
	100,405,199	**72,324,926**	**68,706,227**
Less: Impairment in debtors and other debit balances	(2,819,149)	(1,389,942)	(405,230)
	97,586,050	**70,934,984**	**68,300,997**

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

	31 August 2017	31 August 2016	31 August 2015
Balance at the beginning of the year	1,389,942	405,230	214,722
Formed during the year (Note 22)	2,780,804	1,322,258	190,508
Write-offs during the year	(1,351,597)	(337,546)	-
Balance at the end of the year	**2,819,149**	**1,389,942**	**405,230**

- As at 31 August 2017, accrued revenue, due from related parties and other debit balances of EGP 14,193,887 (31 August 2016: EGP 10,444,314, 31 August 2015: EGP 15,319,549) were fully performing.
- As at 31 August 2017, debtors and other debit balances of EGP 2,819,149 (31 August 2016 EGP 1,389,942 and 31 August 2015 EGP 405,230) were impaired.

* Payments under investment in subsidiaries includes an amount of EGP 21,120,000 (2016: EGP 17,272,839, 2015: Nil) representing an amount paid to purchase the Egyptian Schools Company SAE. The Group's share in that investment was recorded in the Commercial Register on 20 August 2017, however, the Egyptian Schools Company has not yet started its operations. The rest of the legal procedures and hence the control of the Egyptian Schools Company is still under implementation and there are no liabilities on the company in the period 31 August 2017 hence, the amount is not classified as investments in subsidiaries.

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

14. Cash and cash equivalents

	31 August 2017	31 August 2016	31 August 2015
Current accounts with banks	44,495,016	30,736,060	23,283,578
Term deposits	9,500,000	18,834,904	21,087,014
Cash in hand	636,286	581,342	422,256
	54,631,302	**50,152,306**	**44,792,848**

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

Term deposits are placed at local banks and are matured within periods of 90 days as of the date of placement. These have interest rates ranging from 7.5% and 15% (31 August 2016: 7.5% to 10%, 31 August 2015: 10% to 15%) per annum.

15. Share capital

The Parent Company's authorised capital amounts to EGP 119,116,130. The issued share capital amounts to EGP 119,116,130 distributed over 11,911,613 shares with a nominal value of EGP 10 per share. All the shares are fully paid in cash.

As of 31 August 2016 and 2015 Parent Company's capital structure was as follows:

	Percentage of shareholding	Nominal value
Social Impact Capital LTD	81.934%	97.596.120
Ibrahim Ibrahim Al-Saidi	6.366%	7.582.400
Saeed Khalil Ibrahim Mansour	1.553%	1.850.000
Nahed Ali Ismail Mustafa Badri	1.206%	1.436.070
Abdul Hamid Hilali Hassan Abdul Awwad	1.053%	1.253.760
others	7.890%	9.397.780
		119.116.130

On 25 September 2014, the Extraordinary General Assembly of the Parent Company issued its decision to delist the Parent Company from the Egyptian Stock Exchange. Pursuant to this decision, the Parent Company purchased 1,411,585 of the Parent Company's shares as treasury shares at a price of EGP 21.23. Amounts deducted from the shareholder's equity of the Parent Company were EGP 29,968,950 as at 31 August 2015.

On 20 September 2015, the parent company's ordinary general assembly approved to re-issue the treasury shares at the same purchase price. During the financial year ended 31 August 2016, the parent company re-floated and sold these shares at a value of EGP 29,967,950 and was added back to shareholder's equity of the parent company.

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

Share capital (continued)

On 20 September 2015, the Extraordinary General Assembly of the Parent Company decided to increase the parent company's share capital by an amount of EGP 100 million distributed over 10,000,000 shares. The nominal value of the share is EGP 10. A portion of EGP 10,387,820 is fully paid in cash and EGP 89,612,180 were financed from the current account of the main shareholder of the Parent Company. The parent company obtained the final approval of Financial Regulatory Authority on the method of increasing the capital and the method of financing it on 13 February 2017. The shareholders structure as of 31 August 2017 was as follows:

	Percentage of shareholding	Nominal value
Social Impact Capital LTD	84.52%	185,195,130
Ibrahim Ibrahim El Saeedi	7.02%	15,379,460
Others	8.46%	18,541,540
		219,116,130

Subsequent to the balance sheet date, on 6 May 2018, the Extra Ordinary General Assembly meeting 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 share became 547,790,325 share with par value of EGP 0.40. On 5 July 2018 the Parent Company registered this split within its commercial register.

16. Reserves

A. Legal and statutory reserve

In accordance with the companies' law number 159 for year 1981, 5 % of the net profit for the year is transferred to the legal reserve account each year until the legal reserve is equivalent to 50% of the issued and paid-up share capital.

Also, an amount of 5% is deducted from the profit to form the statutory reserve each year 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.

During the year ended 31 August 2017, the Ordinary General Meeting of the Parent Company approved the financial statements for the financial year ended 31 December 2015 and for the eight months period ended 31 August 2016. During the year ended 31 August 2017 an amount equal to 5% of the profits of the periods from 1 January 2016 till 31 August 2016 and the financial year ended 31 December 2015 was deducted from retained earnings to form the legal reserve and 5% to support the statutory reserve as stipulated in the Parent Company's Articles of Association.

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

Reserves (continued)

The following table shows movement on reserves during the year:

	Balance at 1 September 2014	Formed during the year	Balance at 31 August 2015
Legal reserve	7,238,245	384,771	**7,623,016**
Statutory reserve	6,806,238	384,771	**7,191,009**
	14,044,483	**769,542**	**14,814,025**

	Balance at 1 September 2015	Formed during the year	Balance at 31 August 2016
Legal reserve	7,623,016	-	**7,623,016**
Statutory reserve	7,191,009	-	**7,191,009**
	14,814,025	-	**14,814,025**

	Balance at 1 September 2016	Formed during the year	Balance at 31 August 2017
Legal reserve	7,623,016	1,097,669	**8,720,685**
Statutory reserve	7,191,009	1,097,669	**8,288,678**
	14,814,025	**2,195,338**	**17,009,363**

17. Borrowings and credit facilities

	Current portion			Non-Current portion		
Statement	**31 August 2017**	**31 August 2016**	**31 August 2015**	**31 August 2017**	**31 August 2016**	**31 August 2015**
QNB - credit facility	7,067,395	1,239,774	2,855,549	-	-	-
Arab Investment Bank-credit facility	26,387	4,996,818	4,173,561	-	-	-
QNB loan (1)	-	16,655,150	11,574,914	-	952,357	11,250,000
QNB loan (2)	25,500,000	15,000,000	12,987,792	55,500,000	73,000,000	88,000,000
QNB loan (3)	483,400	-	-	1,450,200	-	-
International Company for Finance Lease	5,878,264	2,186,797	3,928,910	21,549,824	27,428,088	2,186,794
Upper Egypt Finance lease	647,716	563,235	-	1,869,497	2,517,214	-
	39,603,162	**40,641,774**	**35,520,726**	**80,369,521**	**103,897,659**	**101,436,794**

Credit facilities from Qatar National Bank guaranteed by a group of the Company's assets and have an interest rate of 2% above the corridor rate announced by the Central Bank of Egypt.

Borrowings and credit facilities (continued)

Credit facilities from the Arab Investment Bank are guaranteed by a group of the Group's assets and have an interest rate of 3.25% above the corridor rate announced by the Central Bank of Egypt.

Qatar National Bank Loan (1)
On 10 January 2013, the Parent Company signed a contract with Qatar National Bank for a medium term loan of EGP 20 million at an interest rate of 2% above the Central Bank of Egypt (CBE) lending rate and with a grace period of 18 months from the date of signing the contract, On 31 July 2014, the loan was jointly guaranteed by the Upper Egypt Educational Services Company (a subsidiary) and Upper Egypt Investment Company. The outstanding balance of this loan is 31 August 2017: Nil, 31 August 2016: EGP 17.6 million and 31 August 2015: EGP 22.8 million.

Qatar National Bank Loan (2)
During year 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 maturing in 27 February 2016, payable on 11 semi-annual instalments and the due date of the first instalment is 28 February 2016.

The loan is jointly guaranteed by the Social Impact Capital (Main shareholder) and Cairo Educational Services Company (Subsidiary), International Information Technology Company (subsidiary) and the Egyptian Company for IT Systems (subsidiary) International Company for Education Systems (subsidiary). The outstanding balance of this loan in addition to the interest as of 31 August 2017 was EGP 81 million, 31 August 2016: EGP 88 million and 31 August 2015: 100.9 million.

Qatar National Bank Loan (3)
During the year 2016, the Parent Company signed a contract with Qatar National Bank to obtain 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 subsequently amended according to the change in the lending rates announced by the Central Bank. A penalty of 1.5% is compounded up on late payment. It was agreed the loan matures August 2021.

The balance of this loan as of 31 August 2017 amounted to EGP 1,933,600, 31 August 2016: Nil and 31 August 2015: Nil.

The principal guarantees of the above loans are:
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 or 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 LE 190 million. Maintain leverage ratio (total liabilities / equity) below 1.2 : 1 and the debt service rate (earnings before interest, tax, depreciation / total financial liabilities) above 1.2 : 1.

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

Borrowings and credit facilities (continued)

International Company for Finance Lease (Incolease)
On 23 February 2010, the Parent Company signed a preliminary contract with Incolease to obtain a finance lease of EGP 31.9 million for sale and leaseback of a plot of land owned by the Group 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 sale and leaseback transaction as it represent a collateralised loan by the asset "the plot of land " and since this transaction is outside the scope of IAS 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 fiscal period 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 including interest as of 31 August 2017 was EGP 27,428,088, 31 August 2016: EGP 29,614,885 and 31 August 2015: EGP 6,115,704.

Upper Egypt Finance Lease
During the financial year ended 31 August 2016, Upper Egypt Leasing Company financed the purchase of some of the property, plant and equipment of Cairo Investment and Real Estate Development Company under the two financing contracts dated 12 August 2015 and 18 August 2015. Both contracts are enforceable 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 IAS 20, "Accounting Standards and Standards for finance lease", this transaction is treated as a loan granted to the parent company and is recognized at present value of future cash flows.

Amounts financed for both contracts amounted to EGP 3,156,160 as of 31 August 2017 (31 August 2016: EGP 4,798,200) excluding interest and payable over 60 instalments.

Balance of the loan including interest is EGP 2,517,213 as of 31 August 2017 (31 August 2016: EGP 3,080,449 and 31 August 2015: Nil).

18. Creditors and other credit balances

	31 August 2017	31 August 2016	31 August 2015
Deferred revenues	126,895,036	100,647,690	76,772,430
Accrued expenses	49,486,550	16,457,912	26,009,219
Due to related parties (Note 28)	36,047,922	114,948,301	149,343,916
Dividends payables	8,816,780	6,938,829	13,886,124
Due to government agencies	8,444,992	1,479,793	865,278
Suppliers and contractors	8,336,725	33,907,724	5,249,882
Other credit balances	9,604,804	6,266,534	19,981,989
	247,632,809	**280,646,783**	**292,108,838**

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

19. Income taxes

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

	Financial year from 1 September 2016 till 31 August 2017	Financial year from 1 September 2015 till 31 August 2016	Financial year from 1 September 2014 till 31 August 2015
Current income tax	22,188,645	16,082,401	10,640,179
Deferred tax (note 20)	(216,712)	1,164,603	893,595
	21,971,933	**17,247,004**	**11,533,774**

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

	Financial year from 1 September 2016 till 31 August 2017	Financial year from 1 September 2015 till 31 August 2016	Financial year from 1 September 2014 till 31 August 2015
Accounting profit before tax	86,787,682	61,341,637	42,523,484
Income tax on basis of applicable tax rate	19,527,228	13,801,868	9,567,784
Add/ (less):			
Non-deductible expenses	2,483,288	3,756,255	3,176,061
Impact of change in applicable tax rate	-	-	(508,340)
Income not subject to tax	(38,583)	(311,119)	(701,731)
Tax per the statement of profit or loss	**21,971,933**	**17,247,004**	**11,533,774**

Current income tax liabilities in the special purpose consolidated statement of financial position

	31 August 2017	31 August 2016	31 August 2015
Balance, at the beginning of the year	13,560,954	6,332,302	6,409,629
Payments made during the year	(12,328,113)	(8,853,749)	(10,717,506)
Charged to the special purpose consolidated statement of profit or loss during the year	22,188,645	16,082,401	10,640,179
Balance at the end of the year	**23,421,486**	**13,560,954**	**6,332,302**

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

20. Deferred tax liabilities

Deferred tax liabilities comprises temporary differences attributable to Property, plant and equipment.

	Balance as at 1 September 2014 Asset / (Liability)	Movement for the year Revenue / (expense)	Balance as at 31 August 2015 Asset / (Liability)
Property, plant and equipment	(562,143)	(893,595)	(1,455,738)
	(562,143)	**(893,595)**	**(1,455,738)**

	Balance as at 1 September 2015 Asset / (Liability)	Movement for the year Revenue / (expense)	Balance as at 31 August 2016 Asset / (Liability)
Property, plant and equipment	(1,455,738)	(1,164,603)	(2,620,341)
	(1,455,738)	**(1,164,603)**	**(2,620,341)**

	Balance as at 1 September 2016 Asset / (Liability)	Movement for the year Revenue / (expense)	Balance as at 31 August 2017 Asset / (Liability)
Property, plant and equipment	(2,620,341)	216,712	(2,403,629)
	(2,620,341)	**216,712**	**(2,403,629)**

21. Provisions

	1 August 2017	31 August 2016	31 August 2015
Tax provision	24,994,828	22,914,828	15,007,461
Legal provision	1,016,797	1,080,172	1,030,173
	26,011,625	**23,995,000**	**16,037,634**

The movement of provisions during the year is as follows:

	31 August 2015			
	Balance, at the beginning of the year	Provided during the year	Used during the year	Balance, at the end of the year
Tax provision	15,007,461	-	-	15,007,461
Legal provision	942,565	87,608	-	1,030,173
	15,950,026	**87,608**	**-**	**16,037,634**

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

Provisions (continued)

	31 August 2016			
	Balance, at the beginning of the year	**Provided during the year**	**Used during the year**	**Balance, at the end of the year**
Tax provision	15,007,461	9,400,155	(1,492,788)	**22,914,828**
Legal provision	1,030,173	49,999	-	**1,080,172**
	16,037,634	**9,450,154**	**(1,492,788)**	**23,995,000**

	31 August 2017			
	Balance, at the beginning of the year	**Provided during the year**	**Used during the year**	**Balance, at the end of the year**
Tax provision	22,914,828	2,080,000	-	**24,994,828**
Legal provision	1,080,172	-	(63,375)	**1,016,797**
	23,995,000	**2,080,000**	**(63,375)**	**26,011,625**

Tax provision
Tax provisions have been formed in the current period and prior years against actual tax claims in addition to tax provisions against uninspected prior years.

Provisions of EGP 19,680,000 on 31 August 2017 (31 August 2016: EGP 21,100,000, 31 August 2015: 15,007,461) were formed against actual tax claims of EGP 28,140,759 based on management's and the Group's external independent tax expert's estimations.

If the estimations related to formed provisions have changed by 10% (increase or decrease), the impact on the special purpose consolidated statement of profit or loss will be EGP 2,499,482 (increase or decrease) (31 August 2016: EGP 2,291,482, 31 August 2015: EGP 1,500,746).

Additionally, provisions of EGP 5,314,828 were formed against uninspected prior years (2016: EGP 1,814,828, 2015: NIL) based on management's and the Group's external independent tax expert's estimations and in light of actual tax claims.

Legal provision
Provisions of EGP 1,016,797 on 31 August 2017 (31 August 2016: EGP 1,080,172, 31 August 2015: EGP 1,030,173) were formed against probable legal claims based on the Group's legal advisor. The provisions is adjusted for each amendment per each case separately.

If the estimations related to formed provisions have changed by 10% (increase or decrease), the impact on the special purpose consolidated statement of profit or loss will be EGP 101,679 on 31 August 2017 (31 August 2016: 108,017, 31 August 2015: EGP 103,017) (increase or decrease).

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

22. Operating revenues

	Financial year from 1 September 2016 till 31 August 2017	Financial year from 1 September 2015 till 31 August 2016	Financial year from 1 September 2014 till 31 August 2015
Tuition revenues	316,318,374	243,745,121	179,785,157
Bus revenues	16,853,891	14,316,229	13,891,707
Admission revenues	3,359,222	3,038,927	2,602,585
Revenue from sale of goods and delivery of services*	1,577,899	10,574,723	21,491,950
Other operating income	8,611,102	6,044,211	3,694,436
	346,720,488	**277,719,211**	**221,465,835**

* During 2016, the Group's management leased the gas station owned by the Parent Company to a company specialized in the management and operation of gas stations. The Group recognised the income of this lease under in the special purpose consolidated statement of profit or loss within other income. The rental value of the gas station amounted to EGP 1,277,200 (2016: EGP 772,500 and 2015: Nil).

23. Operating costs

	Financial year from 1 September 2016 till 31 August 2017	Financial year from 1 September 2015 till 31 August 2016	Financial year from 1 September 2014 till 31 August 2015
Employees' wages, salaries and benefits	107,463,912	72,879,093	58,699,087
Depreciation expenses	37,712,623	28,436,416	20,407,508
Teaching tools, books and aids expenses	18,125,415	16,889,221	9,569,257
Maintenance, electricity, utilities, communications expenses	9,757,800	6,782,242	7,849,301
Transportation expenses	16,726,798	14,239,899	13,288,487
Rentals	7,203,947	7,106,886	6,869,175
Professional and consulting fees and charges, and penalties	1,292,097	1,108,732	643,170
Cost of goods sold and services provided	-	6,534,281	19,689,186
Other expenses	3,149,569	2,861,804	2,642,052
	201,432,161	**156,838,574**	**139,657,223**

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

24. General and administrative expenses

	Financial year from 1 September 2016 till 31 August 2017	Financial year from 1 September 2015 till 31 August 2016	Financial year from 1 September 2014 till 31 August 2015
Professional and consulting fees and charges, and penalties	24,499,801	19,499,643	15,058,397
Employees' wages, salaries and benefits	11,051,434	7,182,028	6,249,716
Impairment of debtors and other debit balances	2,780,804	1,322,258	190,508
Operating and finance leases	2,113,213	1,666,943	1,656,925
Maintenance, electricity, utilities, communications expenses	3,015,790	1,096,585	889,719
Salaries and allowances for board and committees members and board of trustees	719,000	334,780	841,035
Depreciation expenses	581,807	446,484	457,502
Impairment losses of investments in subsidiaries	-	-	1,451,285
Other expenses	3,289,524	3,192,303	3,010,842
	48,051,373	**34,741,024**	**29,805,929**

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

25. Expenses by nature

	Financial year from 1 September 2016 till 31 August 2017	Financial year from 1 September 2015 till 31 August 2016	Financial year from 1 September 2014 till 31 August 2015
Employees' wages, salaries and benefits	119,234,346	80,061,121	64,948,803
Depreciation expenses	38,294,430	28,882,900	20,865,010
Professional and consulting fees and charges, and penalties	25,791,898	20,608,375	15,701,567
Teaching tools, books and aids expenses	18,125,415	16,889,221	9,569,257
Maintenance, electricity, utilities, communications expenses	12,773,590	7,878,827	8,739,020
Rentals	9,317,160	8,773,829	7,488,344
Transportation expenses	16,726,798	14,239,899	14,326,243
Cost of goods sold and services provided	-	6,534,281	19,689,186
Impairment of debtors and other debit balances	2,780,804	1,322,258	190,508
Impairment losses of investments in subsidiaries	-	-	1,451,285
Other expenses	6,439,093	6,388,887	6,493,929
	249,483,534	**191,579,598**	**169,463,152**

26. Other income

	Financial year from 1 September 2016 till 31 August 2017	Financial year from 1 September 2015 till 31 August 2016	Financial year from 1 September 2014 till 31 August 2015
Reversal of other credit balances	7,657,043	-	-
Sundry rentals	1,758,416	546,449	-
Gas station rental	1,277,200	772,500	-
Gain on sale of property, plant and equipment	398,250	-	-
Gain on disposal of subsidiaries	-	-	8,020,000
Sundry revenues	1,743,661	576,550	1,998,287
	12,834,570	**1,895,499**	**10,018,287**

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

27. Net finance costs

	Financial year from 1 September 2016 till 31 August 2017	Financial year from 1 September 2015 till 31 August 2016	Financial year from 1 September 2014 till 31 August 2015
Interests expenses	(25,091,175)	(20,176,125)	(18,756,806)
Foreign exchange differences losses	(723,014)	(730,245)	(1,788,480)
Interest income	4,610,347	3,663,049	1,135,408
	(21,203,842)	**(17,243,321)**	**(19,409,878)**

28. Related party transactions

During the year, the Group has made transactions with the main shareholder of the Parent Company, its subsidiaries, associates and entities that are owned related to the major shareholders. Outstanding balances of the related parties' transactions are as follows:

Due from related parties

Company	Nature of relation	Balance as at 31 August 2017	31 August 2016	31 August 2015
International Healthcare Company	Others	-	855,976	828,356
Egyptian Company for Numbering	Others	140,379	113,576	156,301
Egyptian Company for Schools	Others	5,018,176	1,649,563	-
Alex Company for Educational Services	Unconsolidated subsidiary	-	-	161,219
Upper Egypt Investments	Others	-	-	511,462
Dahab Futures Language schools	Others	-	-	1,188
Egyptian Company for Supplying and Operating offices	Others	15,823	15,823	15,823
		5,174,378	**2,634,938**	**1,674,349**

Due to related parties

Company	Nature of relation	Balance as at 31 August 2017	31 August 2016	31 August 2015
Social Impact Capital	Major shareholder	8,112,844	100,579,138	130,585,113
Future for Educational Activities	Others	12,863,843	12,863,843	17,601,284
Hassan El Kalla	Chairman and in Affiliates	-	55,914	-
Nations Real Estate	Others	1,060,310	1,085,310	1,085,811
New soft	Unconsolidated subsidiary	-	55,345	55,345
Alex Company for Educational Services	Unconsolidated subsidiary	306,121	308,751	-
International Software	Others	-	-	16,363
Egyptian Healthcare	Associate	13,704,804	-	-
		36,047,922	**114,948,301**	**149,343,916**

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

Related party transactions (continued)

Related party transactions during the year

Company	Balance 2017	2016	2015
International Health Care Company			
Cash Collections	-	27,620	-
Write off for due from account	(855,976)	-	-
Egypt Company for Numbering			
Bank transfers	26,803	(43,246)	156,901
Egyptian Schools Company			
Bank transfers	3,368,613	1,649,563	-
Alex Educational Services			
Bank transfers	-	(147,532)	-
Expenses paid on behalf	-	-	2,630
Upper Egypt Investment Company			
Cash and bank transfers	-	-	(161,219)
Dahab Futures			
Closing accounts as a result of acquisition	-	(1,188)	-
Social Impact Capital			
Bank transfers	2,854,114	-	(130,585,113)
Purchase of treasury stocks	-	(29,967,950)	-
Foreign currency translation losses	-	(38,025)	-
Capital increase from credit balances	89,612,180	-	-
Dr. Hassan El Kalla			
Payments on behalf of the Group	-	55,914	-
Nations for Real Estate			
Bank transfers	25,000	(501)	-
New Soft	-	-	55,354
Bank transfers			
Egyptians Health Care			
Contributions in share capital	(13,704,804)	-	-

In addition to the above, transactions Social Impact Capital Ltd. "main shareholder of the Parent Company" provide consulting services to Cairo for Investment and Real Estate Development S.A.E. "Parent Company" and Educational Systems International "subsidiary of the Parent Company" for a monthly fee of EGP 303,000 (2016: EGP 303,000 , 2015: EGP 303,000) collectively.

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

29. Non-controlling interest

The movement of non-controlling interests in subsidiaries included in the special purpose consolidated financial statements for the financial periods ended 31 August 2017, 2016, 2015 is as follows

	Share capital	Reserves	Retained earnings	Total
Balance at 1 September 2014	27,288,440	967,929	6,625,894	**34,882,263**
Reserves	-	169,956	(169,956)	-
Dividends	-	-	(1,398,136)	**(1,398,136)**
Profit for the year	-	-	2,947,806	**2,947,806**
Balance at 31 August 2015	**27,288,440**	**1,137,885**	**8,005,608**	**36,431,933**

	Share capital	Reserves	Retained earnings	Total
Balance at 1 September 2015	27,288,440	1,137,885	8,005,608	**36,431,933**
Reserves	-	69,665	(69,665)	-
Profit for the year	-	-	4,327,785	**4,327,785**
Balance at 31 August 2016	27,288,440	1,207,550	12,263,728	**40,759,718**

	Share capital	Reserves	Retained earnings	Total
Balance at 1 September	27,288,440	1,207,550	12,263,728	**40,759,718**
Reserves	-	301,241	(301,241)	-
Dividends	-	-	(4,737,032)	**(4,737,032)**
Profit for the year	-	-	4,567,392	**4,567,392**
Balance at 31 August 2017	**27,288,440**	**1,508,791**	**11,792,847**	**40,590,078**

30. 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 fair value of the identifiable net assets acquired, and contingent liabilities at the date of acquisition.

	31 August 2017	31 August 2016	31 August 2015
Egyptian Educational Systems	5,133,061	5,133,061	5,133,061
Educational systems international	355,800	355,800	355,800
Global Educational Technologies	238,666	238,666	238,666
Cairo Educational Systems	157,018	157,018	157,018
Cairo Misr for Educational Facilities	51,936	51,936	51,936
	5,936,481	**5,936,481**	**5,936,481**

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

Goodwill (continued)

Subsidiaries are considered as cash generating units for the goodwill impairment testing purposes.

Management conducted an impairment testing for the value of the goodwill based on the "value in use". Below are the significant assumptions employed for the purpose of testing goodwill for impairment.

- Growth rate 5.5%
- Discount rate 18%

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

31. Earnings per share attributable the shareholders of Parent Entity.

(a) **Basic:**

In order to calculate the "basic earnings per share", the number of ordinary shares is the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year represents the number of ordinary shares outstanding at the beginning of the year adjusted by the number of ordinary shares re-issued (treasury shares) or issued by the Parent Company during the year multiplied by the weighted time factor. The weighted time factor represents the number of days in which the number of shares remains outstanding as a fraction to the total number of days in the year.

	Financial year from 1 September 2016 till 31 August 2017	**Financial year from 1 September 2015 till 31 August 2016**	**Financial year from 1 September 2014 till 31 August 2015**
Net profit attributable to the owners of the Parent Company	60,248,357	39,766,848	28,041,904
Weighted average number of ordinary shares outstanding during the period before stock split (Note 15)	19,075,614	11,918,314	11,676,349
Weighted average number of ordinary shares outstanding during the period after stock split (Note 15)	476,890,350	297,957,862	291,908,721
Basic Earnings per share before stock split (Note 15)	**3.16**	**3.34**	**2.40**
Basic Earnings per share after stock split (Note 15)	**0.13**	**0.13**	**0.10**

(b) **Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares causing the (dilution) decrease.

During the financial year ended 31 August 2017, 31 August 2016, 31 August 2015, the Group did not issue any of the potential ordinary shares that resulted in a dilution.

32. Tax position

(1) Cairo Educational Services "S.A.E

(A) Corporate income 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 and they were appealed on the legal deadlines and dispute has not been settled yet in the Internal Committee.

The Company was not inspected from 2005 to date. 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 deadlines and pays the due tax based on the submitted tax returns.

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

(B) Withholding tax

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

(C) Salary tax

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

The quarterly salary tax returns are submitted regularly and the Company was not inspected until the reporting date.

(D) Stamp duty tax

The Company has been notified of Form No. 3 Stamp Duty on 29 April 2001 for the period from 5 May 1997 to 31 March 2001 at a total tax of EGP 82,932. It was appealed on the legal deadline and referred to the Appeal Committee. Assessment was made to the decision of the Appeal Committee on 15 March 2003 at a total tax of EGP 32,073 and payment was made on 21 July 2003.

The Company has been notified of Form No. 3 Stamp Duty on 1 April 2001 to 30 November 2003 and the it was appealed on the legal deadlines and referred to the Appeal Committee and the final assessment was made to the decision of the Appeal Committee on 17 February 2009 at a total tax of EGP 1,469 and payment was made on 17 August 2009.

The Company was notified of Form No. 3 Stamp Duty for the period from 1 February 2003 to 28 February 2006 and is appealed on the legal deadline. It was also referred to the Appeal Committee and the dispute was not settled until the reporting date.

The Company was notified of Form No. 3 Stamp Duty for the period from 1 March 2006 until 30 June 2010. It is appealed on the legal deadline and referred to the Appeal Committee. Final assessment to the decision of the Appeal Committee is made on 23 November 2014 at a total tax of EGP 14,798. Payment was made on 29 January 2015.

Years from 1 July 2010 to 31 August 2016 were not inspected until the reporting date.

Tax position (continued)

(2) Cairo For Investment & Real Estate Development and its subsidiaries "S.A.E"

(A) Corporate income tax

Years from 1992 till 1993:
The company was inspected for the corporate income tax for the years 1992 till 1993 and final tax notice from the decision of the appeal committee by amount of 149,952 EGP, 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 till 1995:
The company was inspected for the corporate income tax for the years 1994 and 1993 with amount of 44,188 EGP 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 specialized court, and the company has paid the tax according to the appeal committee decision.

Years from 1996 till 2001:
The company was inspected for the corporate income tax for the years 1996 till 2000 and form 18 was notified and objected and form 19 was notified by 2,152,266 EGP and has been appealed and the file was referred to the internal committee of the authority and then to the appeal committees, and memo was submitted and the appeal committee decision had been issued.

And dispute between the company and the authority was referred to the court and the dispute is still ongoing for not applying the provisions of Article 21 of Law No. 157 of 1981 and its amendments.

Years from 2002 till 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. And 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 committee and memo was submitted and the appeal committee decision had been issued to return the file to the authority to prepare for the completion of the inspection of the authority.

Years from 2005 till 2008:
The tax returns were submitted on time and the tax was paid from the tax returns and the company was not inspected since it was not included in the inspection sample.

Years from 2009 till 2010:
The company was charged with the corporate income tax for the years 2009/2010. The company was notified in the form 19 in the amount of 7,513,695 EGP and the appeal was referred to the internal committee in the authority.

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

Tax position (continued)

Years from 2013 till 2016:
The company has not yet been inspected and submits the tax returns at the specified tax dates and the tax is paid from the Tax return.

(B) Stamp duty tax

Years from Sep 1, 1992 till Oct 31, 1997:
The company was inspected until 31/10/1997. The company was notified of 3 stamp forms and an internal committee was set up and the tax payable by the company was paid.

Years from Nov 1, 1997 till Sep 30, 2002:
The company was inspected and the company was notified with a 4-stamp form. The file was referred to the appeal committee. The final decision was approved by the appeal committee in the amount of 23,585 EGP. The company was pledged and lifted after that and the tax amount was paid by scheduled check.

Years from Oct 1, 2002 till Oct 31, 2005:
The company was inspected and notified to the company in the form of 3, 4 stamps and was objected. The file was referred to the appeal committee and the final decision was approved by the appeal committee in the amount of 22,946 EGP.

(C) Salary tax

Years from 1992 till 1994:
The company was accounted for and linked to and the tax due for those years was paid.

Years from 1995 till 1999:
Salaries tax was linked to the amount of 265,545 EGP basis of the non-appeal link and the dispute was referred to the court and the dispute is still ongoing. The company was pledged and lifted after that and the tax amount was paid by scheduled check.

Years from 2000 till 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 appeals committee. The defense memorandum was submitted and the tax owed by the company was paid from the decision of the appeal committee.

Years from Jan 1 , 2005 till June 30, 2005:
The company was inspected with a tax link on the company in the amount of 496,329 EGP. The complaint was filed against the model. The file was referred to the internal committee, including to the appeals committees. The defense memorandum was submitted and it was reserved for the decision on 20/1/2018.

Years from July 1 , 2005 till 2010:
Salaries tax was linked by 9,030,294 EGP and the company was informed in model 38 that it was objected and the file was referred to the internal committee, including to the appeals committees and attending the sessions to resolve the dispute.

Tax position (continued)

(D) Sales Tax

The company submits sales tax return 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 were paid and the company was inspected for the years 2006 until 2013. Form 15 was issued at 4,464,855 EGP. The form is in legal times and legal proceedings are being completed until the dispute with the authority is resolved.

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

(A) Corporate income tax

Years from 2005 to 2017
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 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.

(B) Salary tax

Years from 2005 to 2017
The Company pays the income tax monthly on the legal deadlines and there are no income tax notifications for such years.

(C) Stamp duty tax

Years from 2005 to 2017
The Company did not receive any tax notifications related to the tax period.

(D) Sales tax

Years from 2005 to 2017
The Company is not subject to the provisions of law No. 11 of 1991 and its amendments.

(4) Global Educational Technology "LLC".

(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 commercial profits tax in accordance with Law No. 91 of 2005.

Years from 2008 to 2017
The Company submits the tax returns on the legal deadlines and it has not been notified of the inspection during such years.

Tax position (continued)

(B) Salary tax

Years from 2003 to 2017
The Company pays the income tax monthly on the legal deadlines and there are no income tax notifications for such years.

(C) Stamp duty tax

Years from 2003 to 2017
The Company did not receive any tax notifications related to the tax period.

(D) Sales tax

Years from 2003 to 2017
The Company is not subject to the provisions of law No. 11 of 1991 and its amendments.

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

(A) Corporate income tax
The Company has not been notified of the inspection since the start of activity until now. 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) Salary tax
The Company has not been notified of the inspection since the start of activity until now and payment is made at the beginning of each month on the legal deadlines.

(C) Stamp duty tax
The Company has not been notified of the inspection since the start of activity until now.

(6) Upper Egypt for Educational Services S.A.E

(A) Corporate income tax
Tax returns are submitted regularly and the Company has not been inspected to date.

(B) Salary tax
The Company has not been inspected since the start of activity to date.

(C) Stamp duty tax
The Company has not been inspected since the start of activity to date.

Tax position (continued)

(7) Badr University

(A) Corporate income tax
The income tax is calculated at the realised excess 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 31 August 2016.

(B) Salary tax
The University's records were inspected from the date of inception until 31 August 2016.

The University's records were not inspected from1 September 2016 until 31 August 2017.

(C) Stamp duty
The University's records were not inspected from inception until 31 August 2017.

(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 31 August 2017.

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

33. Commitments

A. Capital commitments

Capital commitments contracted on the date of the special purpose consolidated financial statements have not been recognized as liabilities to the Company:

	31 August 2017	31 August 2016	31 August 2015
Badr City Land	12,039,370	-	-

Represented in a plot of land located in Badr City as continues of university's facilities that has been contracted by Cairo for Investment and Real Estate Development S.A.E. and an amount EGP 3,293,150 was paid as a down payment.

On October 2017, Badr City's Municipality provided the final memorandum of transferring land's ownership to the Parent Company.

The present value of instalment amounted to EGP 7,276,536 and amount of EGP 869,500 was incurred as final cost related to the first instalment.

B. Leasing commitments

The Group is leasing many bases and a building for one of the schools for operational purpose. The length of these contracts are 1 to 5 years.

Total future payments for the lease contracts are as follows:

	31 August 2017	31 August 2016	31 August 2015
Less than 1 year	11,504,000	9,203,200	7,362,560
More than 1 year and less than 5 years	58,789,006	47,031,205	37,624,963

34. Subsequent event

Subsequent the date of the financial statements the Parent Company acquired 24% of the shares of Upper Egypt Educational Services (subsidiary), in addition to acquisition of 5.43% of the shares of Egyptian Schools Company (subsidiary) and acquired the remaining shares of Egyptian Educational Systems (subsidiary).