

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

**AUDITORS' REPORT AND THE CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 AUGUST 2018**

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

**Consolidated financial statements - For the year ended 31 August 2018**

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## **Auditors' report**

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

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

We have audited the accompanying consolidated financial statements of Cairo for Investment and Real Estate Development (S.A.E.) (the "Parent Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 August 2018 and consolidated statements of profit or loss, other comprehensive income, changes in shareholder's equity and cash flows for the year ended 31 August 2018, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the consolidated financial statements**

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

### **Auditors' responsibility**

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

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

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



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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cairo for Investment and Real Estate Development "S.A.E." and its subsidiaries as of 31 August 2018, and its consolidated financial performance and its cash flows for the year ended in accordance with Egyptian Accounting Standards and in light of related Egyptian laws and regulations.

*Basma*

Basma Samra

R.A.A. 6588

F.R.A. 137

Mansour & Co. PricewaterhouseCoopers



30 November 2018

Cairo



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

**Consolidated statement of financial position - At 31 August 2018**

(All amounts in Egyptian Pounds)

	Note	31 August 2018	31 August 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	743,344,427	619,218,237
Projects under construction	7	7,044,657	14,778,452
Work in progress	8	24,097,785	24,089,936
Investment in associates	9	32,041,070	21,553,835
Held to maturity investments	11	1,000,000	1,000,000
Goodwill	31	5,936,481	5,936,481
<b>Total non-current assets</b>		<b>813,464,420</b>	<b>686,576,941</b>
<b>Current assets</b>			
Inventories	12	2,527,821	890,855
Debtors and other debit balances	13	65,820,411	97,586,050
Cash on hand and at banks	14	91,503,367	54,631,302
<b>Total current assets</b>		<b>159,851,599</b>	<b>153,108,207</b>
<b>Total assets</b>		<b>973,316,019</b>	<b>839,685,148</b>
<b>Liabilities and shareholder's equity</b>			
<b>Shareholder's equity</b>			
<b>Shareholder's equity attributable to owners of the Parent Company</b>			
Issued and paid up capital	15	219,116,130	219,116,130
Reserves	16	32,003,019	17,009,363
Retained earnings		192,088,678	143,527,345
<b>Total shareholders' equity attributable to owners of the Parent Company</b>		<b>443,207,827</b>	<b>379,652,838</b>
Non-controlling interest	30	61,170,738	40,590,078
<b>Total shareholder's equity</b>		<b>504,378,565</b>	<b>420,242,916</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current portion of borrowings and credit facilities	17	24,991,787	80,369,521
Deferred tax liabilities	21	3,592,063	2,403,629
<b>Total non-current liabilities</b>		<b>28,583,850</b>	<b>82,773,150</b>
<b>Current liabilities</b>			
Provisions	22	27,505,492	26,011,625
Creditors and other credit balances	18	96,672,075	120,737,773
Accrued income	19	185,203,224	126,895,036
Current income tax liabilities	20	41,075,377	23,421,486
Current portion of borrowings and credit facilities	17	89,897,436	39,603,162
<b>Total current liabilities</b>		<b>440,353,604</b>	<b>336,669,082</b>
<b>Total liabilities</b>		<b>468,937,454</b>	<b>419,442,232</b>
<b>Total liabilities and shareholders' equity</b>		<b>973,316,019</b>	<b>839,685,148</b>

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

Mohamed El Khoully  
Group Chief Financial Officer

29 November 2018

Hassan El Kalla  
Chairman



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

**Consolidated statement of profit or loss - For the year ended 31 August 2018**

(All amounts in Egyptian Pounds)

	Note	2018	2017
Operating revenue	23	517,492,002	349,335,847
Operating costs	24	(248,604,187)	(179,450,887)
		<b>268,887,815</b>	<b>169,884,960</b>
General and administrative expenses	25	(92,273,085)	(71,276,256)
Provisions	22	(2,752,426)	(2,080,000)
Other income	27	7,209,489	11,462,828
<b>Operating profits</b>		<b>181,071,793</b>	<b>107,991,532</b>
Finance costs - net	28	(15,507,558)	(21,203,850)
<b>Profit before tax</b>		<b>165,564,235</b>	<b>86,787,682</b>
Current tax	20	(37,982,716)	(22,188,645)
Deferred tax	20	(1,209,836)	216,712
<b>Profit for the year</b>		<b>126,371,683</b>	<b>64,815,749</b>
<b><u>Profits attributable to</u></b>			
Owner's of the Parent Company		119,732,287	60,248,357
Non-controlling interests	30	6,639,396	4,567,392
		<b>126,371,683</b>	<b>64,815,749</b>
<b><u>Earning per share</u></b>			
Basic and diluted earning per share	32	<b>0.61</b>	<b>0.31</b>

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



**Consolidated statement of other comprehensive income - For the year ended 31 August 2018**

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Profit for the year		126,371,683	64,815,749
Other comprehensive income		-	-
<b>Comprehensive income for the year</b>		<b><u>126,371,683</u></b>	<b><u>64,815,749</u></b>
<b>Comprehensive income attributable to</b>			
Owner's of the Parent Company		119,732,287	60,248,357
Non-controlling interests	30	<u>6,639,396</u>	<u>4,567,392</u>
		<b><u>126,371,683</u></b>	<b><u>64,815,749</u></b>



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

**Consolidated statement of changes in shareholder's equity - For the year ended 31 August 2018**

(All amounts in Egyptian Pounds)

	Note	Share capital	Paid under capital increase	Reserves	Retained earnings	shareholder's equity attributable to the Parent Company	Non- controlling interests	Total equity
<b>Balance at 1 September 2016</b>		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	10,387,820	(10,387,820)	-	-	-	-	-
Completing the increase of share capital	15	89,612,180	-	-	-	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)
Profit for the year		-	-	-	60,248,357	60,248,357	4,567,392	64,815,749
<b>Balance at 31 August 2017</b>		<b>219,116,130</b>	<b>-</b>	<b>17,009,363</b>	<b>143,527,345</b>	<b>379,652,838</b>	<b>40,590,078</b>	<b>420,242,916</b>
<b>Balance at 1 September 2017</b>		<b>219,116,130</b>	<b>-</b>	<b>17,009,363</b>	<b>143,527,345</b>	<b>379,652,838</b>	<b>40,590,078</b>	<b>420,242,916</b>
Transfers to reserves/additions	16	-	-	14,993,656	(8,908,034)	6,085,622	-	6,085,622
Share of non-controlling interests from acquisition of subsidiaries	30	-	-	-	-	-	17,680,644	17,680,644
Dividends		-	-	-	(62,262,920)	(62,262,920)	(3,739,380)	(66,002,300)
Profit for the year		-	-	-	119,732,287	119,732,287	6,639,396	126,371,683
<b>Balance at 31 August 2018</b>		<b>219,116,130</b>	<b>-</b>	<b>32,003,019</b>	<b>192,088,678</b>	<b>443,207,827</b>	<b>61,170,738</b>	<b>504,378,565</b>

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





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

**Consolidated statement of cash flows - For the year ended 31 August 2018**

(All amounts in Egyptian Pounds)

	Note	2018	2017
<b>Cash flows from operating activities</b>			
Profit before tax		165,564,235	86,787,682
<b>Adjustments to reconcile profits to cash flows from operating activities</b>			
Depreciation of property, plant and equipment	6	45,628,266	38,294,430
Finance costs	28	26,411,785	25,091,175
Finance income	28	(11,010,324)	(4,610,347)
Impairment losses on investments in associates	25	303,835	-
Impairment losses on debtors and other debit balance	25	1,348,293	2,780,804
Impairment losses on debtors and other debit balance no longer required	13	(243,145)	(1,351,597)
Share of profit of associates	27	(536,070)	-
Provisions made	22	2,752,426	2,080,000
Gain on sale of property, plant and equipment	27	(1,902,212)	(398,250)
Provisions used	22	(1,258,559)	(63,375)
Gain on reverse of the other debit balances		(1,448,387)	(7,657,043)
Income tax paid	20	(22,095,619)	(12,328,113)
<b>Operating profits before changes in current assets and liabilities</b>		<b>203,514,524</b>	<b>128,625,366</b>
<b>Changes in current assets and liabilities</b>			
Change in inventories		(1,095,717)	(624,519)
Change in debtors and other debit balances		1,831,627	(28,080,272)
Change in creditors and other credit balances and accrued income		28,987,258	62,377,298
<b>Net cash flows generated from operating activities</b>		<b>233,237,692</b>	<b>162,297,873</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(60,754,575)	(29,260,649)
Payments for purchase non-controlling interest shares		(2,477,598)	-
Interest received		11,010,324	4,610,347
Proceeds from sale of property, plant and equipment		-	398,250
Payments for projects under constructions	7	(50,728,175)	(46,135,373)
Payments for work in progress		(7,850)	(12,000)
Acquisition of investments in associates		(10,254,959)	(21,250,001)
Change in restricted cash		(2,447,410)	-
<b>Net cash flows used in investing activities</b>		<b>(115,660,243)</b>	<b>(91,649,426)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and credit facilities		24,818,515	8,950,899
Payments to borrowings and credit facilities		(29,901,975)	(33,517,649)
Finance costs paid		(18,951,541)	(25,091,175)
Dividends paid		(59,117,793)	(16,511,526)
<b>Net cash flows used in financing activities</b>		<b>(83,152,794)</b>	<b>(66,169,451)</b>
<b>Change in cash and cash equivalents during the year</b>		<b>34,424,655</b>	<b>4,478,996</b>
Cash and cash equivalents at the beginning of the year		54,631,302	50,152,306
<b>Cash and cash equivalents at the end of the year</b>	14	<b>89,055,957</b>	<b>54,631,302</b>

- During the year ended 31 August 2018, an amount of EGP 25,240,025 representing consideration paid to acquire Egyptian Schools Company (net of cash acquired) has been eliminated as it has been paid in prior periods and has been classified as payments under investment in subsidiaries within debtors and other debit balances (Note 31).

- During the year ended 31 August 2018, an amount of EGP 3,293,150 representing advance payments for a land's purchase was eliminated as it has been paid during the year ended 31 August 2017 and has been classified within debtors and other debit balances.

- During the year ended 31 August 2018, an amount of EGP 4,851,058 representing the deferred amount of a land's purchase was eliminated as land purchase payable excluding related interest (Note 18).

- During the year ended 31 August 2018, an amount of EGP 7,852,415 representing a settlement of the Group's debt to one of the related parties was eliminated in addition to an amount of EGP 5,011,427 representing sale of fixed assets to the same party (Note 26).

- During the 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 consolidated financial statements.

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

## Notes to the consolidated financial statements - For the year ended 31 August 2018

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

### 1. Introduction

Cairo Investment for Real Estate Investment and Development (the "Parent Company") was established under a Preliminary contract dated 15 March 1992 which was ratified on 17 August 1992 under ratification minutes No. 1978 (d) of the year 1992 at Real Estate Publicity Office in Nasr City. The 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 Parent 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 Parent Company may have interests or participate in any mean with companies having similar activities or which may assist it in achieving its purpose in Egypt or abroad. The Parent Company may also have the right to be merged or acquire the above mentioned entities under the provisions of law and its executive regulations. The Parent Company has added to its purpose the activity of real estate development, general and specialised contracting activities and commercial agencies with Egyptian and foreign companies.

The main shareholders of the Parent Company is Social Impact Capital "Ltd." owning 84.52%.

The consolidated financial statements were approved for issuance by the board of directors on 29 November 2018.

### 2. Accounting policies

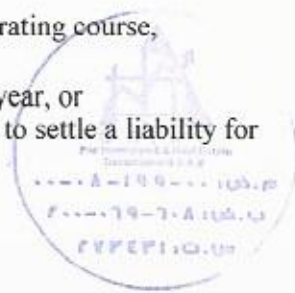
Significant accounting policies used in the preparation of these consolidated financial statements are summarised below:-

#### A. Basis of preparation of the 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 year and all prior years unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention.

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

- \* Expected to be realised or intended to be sold or used in the normal operating course,
- \* Held primarily for trading,
- \* Expected to be realised within 12 months after the end of the reporting year, or
- \* Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.





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

## Notes to the consolidated financial statements - For the year ended 31 August 2018

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

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

All other assets are classified as non-current.

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 year, 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 year.

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 accordance 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 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.

### Financial years and corresponding figures

According to the Parent Company's articles of association, the financial year begins on 1 September of each year and ends on August 31 of the following calendar year. Management has prepared these consolidated financial statements for the year ended 31 August 2018 for filing as part of the Company's Public Subscription Notice with the Financial Regulatory Authority of Egypt. Although, in accordance with Egyptian Accounting Standard 1 "Financial Statements Presentation" management has presented comparative information in respect of the preceding year for all amounts reported in the current year's financial statements, these financial statements are not entirely comparable.

## B. 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.



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

## Notes to the consolidated financial statements - For the year ended 31 August 2018

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

## Basis of consolidation (continued)

The consolidated financial statements includes the following subsidiaries:

	Country of origin	Percentage of ownership
Cairo Educational Services	Egypt	69.4%
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%
Egyptian Schools Company	Egypt	61%
Educational Systems International	Egypt	80%
Badr University	Egypt	100%

\* Management of the Parent Company has assessed the degree of the Group's influence over the 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 consolidated financial statements included the results of operations of the subsidiaries for the year ended 31 August 2018 except for Egyptian Schools Company the results of which operations have only been included from 2 May 2018, the date on which control over operating and financing decisions was transferred to the Parent Company.

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. 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 to the Group's accounting policies.



**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."  
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**Notes to the consolidated financial statements - For the year ended 31 August 2018**

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

**Basis of consolidation (continued)**

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 year

The measurement year is the year 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 year relative to the acquisition, amendment is made retrospectively for the amounts recognised at the date of acquisition.

**(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 associates.

i. Equity method

Under the equity method, the investment in associates is initially recognised at cost, and the cost is modified after the date of acquisition to the changes during post-acquisition year 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 consolidated 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.

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

**Notes to the consolidated financial statements - For the year ended 31 August 2018**

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

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**Basis of consolidation (continued)**

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 Group's 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 years, 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 an 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.

**C. Foreign currency translation**

**(1) Functional and presentation currency**

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The 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 consolidated statement of profit or loss at the date of the consolidated financial position.





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**D. 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%
Devices, furniture and fittings	20%
Computers	20%
Vehicles	20%
Tools and instruments	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 adjust when expectations differ from previous estimates and accounted for prospectively.

The carrying amount of the 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, and the resulting gain or loss is included in the consolidated statement of profit or loss.

**E. 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.

**F. Work in progress**

The work under construction is carried at cost, which includes all direct cost related to involved in preparing the asset to the condition that it is permitted to be sold.



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**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 consolidated 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 consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

At the end of each financial year, 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.

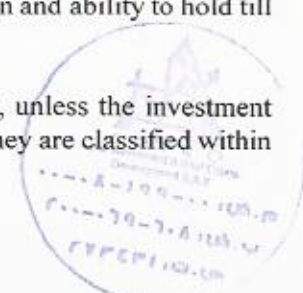
**Loans and receivables:**

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 than 12 months after the balance sheet date. These are classified as non-current assets and include cash equivalent, balances due from related parties and accrued revenues.

**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 year. If so, they are classified within current assets.





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**Financial assets (continued)**

**(ii) Initial recognition and measurement**

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

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

**(iii) Subsequent measurement**

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

The Group assesses at the end of each reporting year 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.

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.

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**Impairment of financial assets (continued)**

If, in a subsequent year, 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 consolidated statement of profit or loss.

**J. Inventories**

Inventories are carried at the lower of cost and net realisable value. The cost is calculated based on moving average and 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. Slow moving items are recognized based on management's assessment of inventories movement.

**K. Cash and cash equivalents**

Cash and cash equivalents includes for the purpose of preparation of consolidated statement of cash flows, 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**

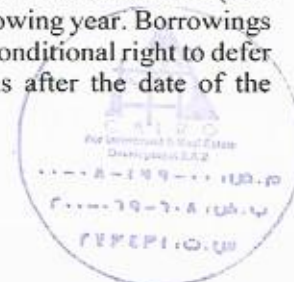
Trade payables are recognised initially at fair value for the received goods or services and subsequently measured at amortized cost using the effective interest method.

**N. Issued and paid up capital**

Ordinary shares are classified as equity.

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







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**R. 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 year of the lease.

**S. 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 yearic cost for the year in which they are due and as such are included in staff costs.

**T. 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 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.

**U. Segment reporting**

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





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**V. Dividends**

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

**W. Comparative figures**

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

**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 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 currencies risks. At end of the year, the net foreign currency assets denominated in EGP are as follows:

Currency	31 August 2018 EGP	31 August 2017 EGP
US Dollars asset/(liability)	1,375,364	22,395

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

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

Currency	31 August 2018 EGP	31 August 2017 EGP
US Dollars asset/(liability)	137,536	2,395



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**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 non-current 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 consolidated statement of profit or loss.

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

	<b>Increase/ decrease</b>	<b>Effect of consolidated profit or loss EGP</b>
31 August 2018	+300 basis points	3,517,838
31 August 2017	+300 basis points	2,850,608

**(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, management follows full legal procedures and retain all documents when executing the transaction. To minimise 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.







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**Financial risk management (continued)**

**(2) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to 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 consolidated statement of financial position as well as the net debts.

The following shows the proportion of net debt to total capital in 31 August 2018 and 31 August 2017:

	<b>31 August 2018</b>	<b>31 August 2017</b>
Borrowings, bank credit facilities and land purchase payable	119,740,281	119,972,683
<b>Gross debts</b>	<b>119,740,281</b>	<b>119,972,683</b>
<b>Less: Cash on hand and balances with banks</b>	<b>(91,503,367)</b>	<b>(54,631,302)</b>
<b>Net debt</b>	<b>28,236,914</b>	<b>65,341,381</b>
Equity	504,378,565	420,242,916
<b>Total capital</b>	<b>532,615,479</b>	<b>485,584,297</b>
 Net debts to total capital	 5.30%	 13.46%

**(3) Fair value estimation**

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





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**4. Critical accounting estimates and 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:

**Other 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 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 consolidated financial statements.



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

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### 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 activity of schools and higher education, the financial performance of these sectors in the 31 August 2018 and 2017 are as follows:

	Schools operations		Higher Education operations		Elimination entries		Total	
	31 August		31 August		31 August		31 August	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Financial position</b>								
Non-current assets	889,231,407	763,508,519	424,593,760	323,749,675	(500,360,747)	(400,528,436)	813,464,420	686,729,758
Current assets	338,863,924	311,071,945	176,080,023	137,675,333	(355,092,348)	(295,791,888)	159,851,599	152,955,390
<b>Total assets</b>	<b>1,228,095,331</b>	<b>1,074,580,464</b>	<b>600,673,783</b>	<b>461,425,008</b>	<b>(855,453,095)</b>	<b>(696,320,324)</b>	<b>973,316,019</b>	<b>839,685,148</b>
<b>Current liabilities</b>	<b>25,848,948</b>	<b>80,679,450</b>	<b>2,734,902</b>	<b>2,093,700</b>	<b>-</b>	<b>-</b>	<b>28,583,850</b>	<b>82,773,150</b>
Non-current liabilities	683,435,409	536,247,361	112,039,495	96,277,877	(355,121,300)	(295,856,156)	440,353,604	336,669,082
<b>Total liabilities</b>	<b>709,284,357</b>	<b>616,926,811</b>	<b>114,774,397</b>	<b>98,371,577</b>	<b>(355,121,300)</b>	<b>(295,856,156)</b>	<b>468,937,454</b>	<b>419,442,232</b>





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

## Notes to the consolidated financial statements - For the year ended 31 August 2018

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### Segment reporting (continued)

	Schools operations		Higher Education operations		Total	
	31 August		31 August		31 August	
	2018	2017	2018	2017	2018	2017
<b>Revenue</b>						
Tuition revenue	231,159,197	176,177,964	237,861,822	144,470,057	469,021,019	320,648,021
Bus revenue	21,600,559	14,905,664	6,948,113	3,883,978	28,548,672	18,785,642
Admission fees	2,090,350	1,016,099	6,036,696	1,131,415	8,127,046	2,147,514
Sundry operating revenues	6,858,823	6115,340	4,936,442	1,635,330	11,795,265	7,750,670
<b>Total revenues</b>	<b>261,708,929</b>	<b>198,215,067</b>	<b>255,783,073</b>	<b>151,120,780</b>	<b>517,492,002</b>	<b>349,335,847</b>
<b>Operating cost</b>						
Tuition costs						
Employee costs	(77,923,104)	(61,969,626)	(38,124,089)	(23,327,544)	(116,020,733)	(85,297,170)
Teaching tools, books and ads expenses	(20,662,550)	(11,385,940)	(3,492,230)	(3,584,453)	(24,154,780)	(14,970,393)
Maintenance electricity, utilities, communications expenses	(17,578,817)	(8,587,524)	(6,368,588)	(5,406,554)	(23,947,405)	(13,994,078)
Rentals	(6,300,792)	(6,175,310)	(1,318,645)	(642,028)	(7,619,437)	(6,817,338)
Professional and consulting fees and charges, and penalties	(2,498,868)	(1,395,935)	(2,416,325)	(534,737)	(4,915,193)	(1,930,572)
Other expenses	(4,841,011)	(2,218,395)	(623,238)	(215,250)	(5,464,249)	(2,433,645)
Bus costs	(15,791,126)	(11,330,217)	(5,857,907)	(4,964,748)	(21,649,033)	(16,294,965)
<b>Total operating costs</b>	<b>(145,596,268)</b>	<b>(103,062,947)</b>	<b>(58,201,022)</b>	<b>(38,675,314)</b>	<b>(203,770,830)</b>	<b>(141,738,261)</b>
<b>Administrative expenses and provisions</b>	<b>116,112,661</b>	<b>95,152,120</b>	<b>197,582,051</b>	<b>112,445,466</b>	<b>313,721,172</b>	<b>207,597,586</b>
IPO expenses	(30,848,305)	(34,126,290)	(56,284,934)	(38,648,190)	(87,113,445)	(72,774,480)
Depreciation	(7,070,903)	-	-	-	(7,070,903)	-
<b>Operating revenues</b>	<b>(18,459,284)</b>	<b>(16,769,392)</b>	<b>(27,168,982)</b>	<b>(21,525,010)</b>	<b>(45,628,266)</b>	<b>(38,294,402)</b>
<b>Other income</b>	<b>59,734,169</b>	<b>44,256,438</b>	<b>114,118,135</b>	<b>52,272,266</b>	<b>173,908,558</b>	<b>96,528,704</b>
Other income	5,713,582	10,565,160	1,495,907	897,660	7,209,489	11,462,820
Finance income	5,404,014	2,623,492	5,606,310	1,986,855	11,010,324	4,610,347
Other (expenses) revenues	(24,896)	(1,236,629)	(81,201)	513,615	(106,097)	(723,014)
Finance costs	(25,761,150)	(24,861,085)	(650,635)	(230,090)	(26,411,785)	(25,091,175)
<b>Net profit before tax</b>	<b>45,065,719</b>	<b>31,347,376</b>	<b>120,498,516</b>	<b>55,440,306</b>	<b>165,610,489</b>	<b>86,787,682</b>
Current income tax	(11,065,901)	(9,667,475)	(26,916,815)	(12,521,170)	(37,993,123)	(22,188,645)
Deferred income tax	(568,634)	432,292	(641,202)	(215,580)	(1,209,836)	216,712
<b>Net profit for the year</b>	<b>33,431,184</b>	<b>22,112,193</b>	<b>92,940,499</b>	<b>42,703,556</b>	<b>126,407,530</b>	<b>64,815,749</b>

\* 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.

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

### 6. Property, plant and equipment

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

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





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

## Notes to the consolidated financial statements - For the year ended 31 August 2018

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### 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 is under the registration process with the competent authorities.



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**7. Projects under construction**

This item consists of the following:

	<b>Balance at 1 September 2017</b>	<b>Additions</b>	<b>Transferred to PPE</b>	<b>Balance at 31 August 2018</b>
Badr University	14,778,452	46,781,042	(57,732,512)	<b>3,826,982</b>
Others	-	3,947,133	(729,458)	<b>3,217,675</b>
	<b>14,778,452</b>	<b>50,728,175</b>	<b>(58,461,970)</b>	<b>7,044,657</b>
	<b>Balance at 1 September 2016</b>	<b>Additions</b>	<b>Transferred to PPE</b>	<b>Balance at 31 August 2017</b>
Badr University	1,506,437	36,686,184	(23,414,169)	<b>14,778,452</b>
Others	1,904,223	9,449,189	(11,353,412)	-
	<b>3,410,660</b>	<b>46,135,373</b>	<b>(34,767,581)</b>	<b>14,778,452</b>

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 property, plant and equipment after the completion of each stage.

**8. Work in progress**

	<b>31 August 2018</b>	<b>31 August 2017</b>
Cairo Heights projects - residential buildings	21,519,775	21,511,926
Commercial mall land	2,578,010	2,578,010
	<b>24,097,785</b>	<b>24,089,936</b>

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





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**9. Investments in associates**

	<b>% of ownership 2018</b>	<b>% of ownership 2017</b>	<b>31 August 2018</b>	<b>31 August 2017</b>
New Soft	23%	23%	303,835	303,835
Perdive for Programming	48.5%	0%	255,000	-
Egyptian Health Care	25%	22.5%	31,786,070	21,250,000
			<b>32,344,905</b>	<b>21,553,835</b>
Less: Impairment of investments in associates			(303,835)	-
			<b>32,041,070</b>	<b>21,553,835</b>

**10. Unconsolidated subsidiaries**

Historical cost of investments in unconsolidated subsidiaries is as follows:

	<b>31 August 2018</b>	<b>31 August 2017</b>
International Health Care Company	1,126,285	1,126,285
Alex for Educational Services	325,000	325,000
	<b>1,451,285</b>	<b>1,451,285</b>
Impairment in value	(1,451,285)	(1,451,285)
	<b>-</b>	<b>-</b>

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

**11. Held to maturity investment**

	<b>31 August 2018</b>	<b>31 August 2017</b>
Investments certificates	1,000,000	1,000,000

Held to maturity investments represent cumulative-return-investment certificates of the Suez Canal Bank maturing in 2019 with a compounded rate of return of 12% (31 August 2017: 12%).



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**12. Inventories**

	<b>31 August 2018</b>	<b>31 August 2017</b>
Computer and electrical equipment	2,527,821	890,855

**13. Debtors and other debit balances**

	<b>31 August 2018</b>	<b>31 August 2017</b>
Advances to suppliers	17,190,920	45,645,372
Prepaid expenses	20,613,033	7,777,235
Accrued revenues	10,477,475	7,574,297
Withholding tax	3,725,269	2,615,227
Payments under investment in subsidiaries	8,476,091	27,354,329
Due from related parties (Note 29)	140,382	5,174,378
Other debit balances	9,121,538	4,264,361
	<b>69,744,708</b>	<b>100,405,199</b>
Less: Impairment in debtors and other debit balances	(3,924,297)	(2,819,149)
	<b>65,820,411</b>	<b>97,586,050</b>

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

	<b>31 August 2018</b>	<b>31 August 2017</b>
Balance at the beginning of the year	2,819,149	1,389,942
Formed during the year	1,348,293	2,780,804
Write back of impairment	(243,145)	-
Write-offs during the year	-	(1,351,597)
<b>Balance at the end of the year</b>	<b>3,924,297</b>	<b>2,819,149</b>

- As at 31 August 2018, accrued revenue, due from related parties and other debit balances of EGP 15,815,098 (31 August 2017: EGP 14,193,887) were fully performing.
- As at 31 August 2018, debtors and other debit balances of EGP 3,924,297 (31 August 2017: EGP 2,819,149) were impaired.





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

	<u>31 August 2018</u>	<u>31 August 2017</u>
Current accounts with banks	58,587,659	44,495,016
Term deposits	31,115,086	9,500,000
Cash in hand	1,800,622	636,286
	<u>91,503,367</u>	<u>54,631,302</u>

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

Term deposits are due within years of 90 days from date of placement (31 August 2017: 90 days). These have interest rates ranging from 7.5% and 14.5% (31 August 2017: 7.5% and 15%) per annum.

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

	<u>31 August 2018</u>	<u>31 August 2017</u>
Cash on hand and at banks	91,503,367	54,631,302
Restricted cash at banks	(2,447,410)	-
	<u>89,055,957</u>	<u>54,631,302</u>

**15. Share capital**

The Parent Company's authorised capital amounted to EGP 219,116,130 distributed over 547,790,325 shares with a nominal value of EGP 0.40 per share, all the shares are fully paid in cash (31 August 2017: EGP 219,116,130 distributed over 21,911,613 shares with a nominal value of EGP 10 per share). 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' became 547,790,325 share with nominal value of EGP 0.40. On 5 July 2018 the Parent Company registered this split within its commercial register.

On 13 February 2017 and during the year ended 31 August 2017, the Parent Company obtained the final approval of Financial Regulatory Authority to increase the Parent Company's share capital from EGP 119,116,130 to EGP 219,116,130 by an amount of EGP 100 million distributed over 10,000,000 shares. The nominal value of the share is EGP 10 per share. A portion of EGP 10,387,820 is fully paid in cash and the balance of EGP 89,612,180 were financed from the current account of the shareholder of the Parent Company. The shareholders structure as of 31 August 2018 and 31 August 2017 was as follows:

	<u>Percentage of shareholding</u>	<u>Nominal value</u>
Social Impact Capital LTD	84.52%	185,195,130
Ibrahim Ibrahim Al-Saidi	7.02%	15,379,460
others	8.46%	18,541,540
		<u>219,116,130</u>



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**Share capital (continued)**

On 1 October 2018, 207,259,025 shares held by the Parent Company (out of 547,790,325 shares with a percentage of 37.84%) have been traded in the Egyptian Exchange through two tires, public offering and private offering with a price of EGP 6 per share. The public offering was as follows:

a) Public offering

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

b) Private offering

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

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

**16. Reserves**

A. Legal and statutory reserves

In accordance with the companies' law number 159 for year 1981 and the Parent Company's article of association, 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 year ended 31 August 2016. During the year ended 31 August 2017 an amount equal to 5% of the profits of the years 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.

B. Special reserve

Special reserve represents an amount of EGP 7,852,416 of extinguishment of liability due to an entity related to a major shareholder of the ultimate parent "Social Impact Capital LTD", recognised directly in the consolidated statement of changes in shareholder's equity after deducting related tax effect of EGP 1,766,794 (Note 29). This transaction is considered to be done with shareholders in their capacity as shareholders.



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**Reserves (continued)**

The following table shows movement on reserves during the year:

	<b>Balance at 1 September 2017</b>	<b>Formed during the year</b>	<b>Balance at 31 August 2018</b>
Legal reserve	8,720,685	4,454,017	13,174,702
Statutory reserve	8,288,678	4,454,017	12,742,695
Special reserve	-	6,085,622	6,085,622
	<b>17,009,363</b>	<b>14,993,656</b>	<b>32,003,019</b>
	<b>Balance at 1 September 2016</b>	<b>Formed during the year</b>	<b>Balance at 31 August 2017</b>
Legal reserve	7,623,016	1,097,669	8,720,685
Statutory reserve	7,191,009	1,097,669	8,288,678
	<b>14,814,025</b>	<b>2,195,338</b>	<b>17,009,363</b>

**17. Borrowings and credit facilities**

<b>Statement</b>	<b>Current portion</b>		<b>Non-Current portion</b>	
	<b>31 August 2018</b>	<b>31 August 2017</b>	<b>31 August 2018</b>	<b>31 August 2017</b>
QNB - credit facilities	-	7,067,395	-	-
Arab Investment Bank- credit facilities	4,865,688	26,387	-	-
QNB loan (2)	65,000,000	25,500,000	-	55,500,000
QNB loan (3)	483,400	483,400	1,208,500	1,450,200
QNB loan (4)	12,000,000	-	7,979,497	-
International Company for Finance Lease	6,804,127	5,878,264	14,678,515	21,549,824
Upper Egypt Finance lease	744,221	647,716	1,125,275	1,869,497
	<b>89,897,436</b>	<b>39,603,162</b>	<b>24,991,787</b>	<b>80,369,521</b>

The credit facilities from Qatar National Bank have an interest rate of 2% above the corridor rate announced by the Central Bank of Egypt.

The Credit facilities from the Arab Investment Bank have an interest rate of 3.25% above the corridor rate announced by the Central Bank of Egypt.

**Qatar National Bank Loan (2)**

During the year of 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 year of 12 months from the date of signing the contract ending in 27 February 2016, payable on 11 semi-annual instalments and the due date of the first instalment was 28 February 2016.

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#### **Borrowings and credit facilities (continued)**

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 as of 31 August 2018 is EGP 65 million (31 August 2017: EGP 81 million).

On 1 October 2018, the Group settled the outstanding balance of the loan of EGP 65 million as an accelerated payment in addition to its related interest. The remaining balance was presented in the current portion.

#### 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 2018 amounted to EGP 1,691,600 (31 August 2017: EGP 1,933,600).

#### Qatar National Bank Loan (4)

During the year 31 August 2018, the Parent Company signed a contract with Qatar National Bank to obtain medium term loan of EGP 20 million for the purpose of completing Badr University's Projects (100% owned by the Parent Company).

The contract ends on 31 August 2020, and payment will be paid semi-annually on 5 installment amounted to EGP 4,000,000 excluding interests that will be calculated at an interest rate of 1% above the corridor rate announced by the Central Bank of Egypt.

#### 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.

#### 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 EAS 20 " Accounting rules and standards relating to finance lease " the transaction was not considered as a sale and leaseback, instead, it was regarded as a loan agreement subject to the above mentioned conditions.



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**Borrowings and credit facilities (continued)**

During the year ended 31 August 2016, the Company obtained the second tranche of the loan under the same terms mentioned above. The total balance of the loan as of 31 August 2018 was EGP 21,482,642 including interest (31 August 2017: EGP 27,428,088).

Upper Egypt Finance Lease

During 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 commenced on 1 January 2016.

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

Amounts financed for both contracts amounted to EGP 3,156,160 excluding interest and payable over 60 instalments.

Balance of the loan including interest as of 31 August 2018 is EGP 1,869,496 (31 August 2017: EGP 2,517,213).

**18. Creditors and other credit balances**

	<u>31 August 2018</u>	<u>31 August 2017</u>
Accrued expenses	29,525,176	49,486,550
Due to related parties (Note 29)	-	36,047,922
Dividends payables	15,701,287	8,816,780
Land purchase payables	4,851,058	-
Due to government agencies	15,085,183	8,444,992
Suppliers and contractors	15,777,096	8,336,725
Other credit balances	15,732,275	9,604,804
	<u>96,672,075</u>	<u>120,737,773</u>

**19. Deferred revenues**

Deferred revenues represents the part of revenues that the Group has collected and not yet provided the educational services related to it.



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**20. Income tax**

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

	<b>31 August 2018</b>	<b>31 August 2017</b>
Current income tax	37,982,716	22,188,645
Deferred tax (Note 21)	1,209,836	(216,712)
	<b>39,192,552</b>	<b>21,971,933</b>

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

	<b>31 August 2018</b>	<b>31 August 2017</b>
Accounting profit before tax	165,564,235	86,787,682
Income tax on basis of applicable tax rate	37,251,953	19,527,228
<b>Add/ (less):</b>		
Non-deductible expenses	1,995,307	2,483,288
Income not subject to tax	(54,708)	(38,583)
<b>Tax per the statement of profit or loss</b>	<b>39,192,552</b>	<b>21,971,933</b>

Current income tax liabilities in the consolidated statement of financial position

	<b>31 August 2018</b>	<b>31 August 2017</b>
Balance at the beginning of the year	23,421,486	13,560,954
Payments made during the year	(22,095,619)	(12,328,113)
Charged to the consolidated statement of profit or loss during the year	37,982,716	22,188,645
Charged to the consolidated statement of changes in shareholders' equity	1,766,794	-
<b>Balance at the end of the year / year</b>	<b>41,075,377</b>	<b>23,421,486</b>





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**21. Deferred tax liabilities**

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

	Balance as at 1 September 2017 Asset / (Liability)	Acquisition of subsidiary (Note 30) Asset / (Liability)	Movement for the year Revenue / (expense)	Balance as at 31 August 2018 Asset / (Liability)
Property, plant and equipment	(2,403,629)	21,402	(1,209,836)	(3,592,063)
	<u>(2,403,629)</u>	<u>21,402</u>	<u>(1,209,836)</u>	<u>(3,592,063)</u>
	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)	
	<u>(2,620,341)</u>	<u>216,712</u>	<u>(2,403,629)</u>	

**22. Provisions**

	31 August 2018	31 August 2017
Tax provision	26,488,695	24,994,828
Legal provision	1,016,797	1,016,797
	<u>27,505,492</u>	<u>26,011,625</u>

The movement of provisions during the year is as follows:

	31 August 2018			
	Balance at the beginning of the year	Provided during the year	Used during the year	Balance at the end of the year
Tax provision	24,994,828	2,752,426	(1,258,559)	26,488,695
Legal provision	1,016,797	-	-	1,016,797
	<u>26,011,625</u>	<u>2,752,426</u>	<u>(1,258,559)</u>	<u>27,505,492</u>
	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
	<u>23,995,000</u>	<u>2,080,000</u>	<u>(63,375)</u>	<u>26,011,625</u>



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**Provision (continued)**

Tax provisions

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

Provisions of EGP 19,680,000 (31 August 2017: EGP 19,680,000) 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 consolidated statement of profit or loss will be EGP 1,968,000 (increase or decrease) (31 August 2017: EGP 1,968,000).

Additionally, provisions of EGP 7,825,492 were formed against uninspected prior years taxes (31 August 2017: EGP 5,314,828) 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 (31 August 2017: EGP 1,016,797) 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 consolidated statement of profit or loss will be EGP 101,679 (31 August 2017: 101,697) (increase or decrease).

**23. Operating revenues**

	<b>31 August 2018</b>	<b>31 August 2017</b>
Tuition revenue	469,021,019	320,648,021
Bus revenue	28,548,672	18,789,642
Admission revenue	8,127,046	2,147,514
Other operating income	11,795,265	7,750,670
	<b>517,492,002</b>	<b>349,335,847</b>





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**24. Operating costs**

	<b>31 August 2018</b>	<b>31 August 2017</b>
Employees' wages, salaries and benefits	116,047,193	85,297,170
Depreciation expenses	44,806,897	37,712,626
Teaching tools, books and aids expenses	24,154,780	14,970,393
Maintenance, electricity, utilities, communications expenses	23,947,405	13,994,078
Transportation expenses	21,649,033	16,294,965
Rentals	7,619,437	6,817,338
Professional and consulting fees and charges, and penalties	4,915,193	1,930,672
Other expenses	5,464,249	2,433,645
	<b>248,604,187</b>	<b>179,450,887</b>

**25. General and administrative expenses**

	<b>31 August 2018</b>	<b>31 August 2017</b>
Employees' wages, salaries and benefits	39,823,192	30,226,219
Professional and consulting fees and charges, and penalties	25,743,546	23,806,370
IPO expenses	7,070,903	-
Maintenance, electricity, utilities, communications expenses	6,179,344	4,649,274
Operating and finance leases	1,986,337	2,950,672
Impairment losses of investments in associates	303,835	-
Impairment losses of debtors and other debit balances	1,348,293	2,780,804
Depreciation expenses	821,369	581,776
Salaries and allowances for board and committees members and board of trustees	386,507	719,000
Other expenses	8,609,759	5,562,141
	<b>92,273,085</b>	<b>71,276,256</b>



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**26. Expenses by nature**

	<b>31 August 2018</b>	<b>31 August 2017</b>
Employees' wages, salaries and benefits	156,256,892	116,242,389
Depreciation expenses	45,628,266	38,294,402
Professional and consulting fees and charges, and penalties	30,658,739	25,737,042
Teaching tools, books and aids expenses	24,154,780	14,970,393
Maintenance, electricity, utilities, communications expenses	30,126,749	18,643,352
IPO expenses	7,070,903	-
Impairment losses of investments in associates	303,835	-
Rentals	9,605,774	9,768,010
Transportation expenses	21,649,033	16,294,965
Impairment losses of debtors and other debit balances	1,348,293	2,780,804
Other expenses	14,074,008	7,995,786
	<b>340,877,272</b>	<b>250,727,143</b>

**27. Other income**

	<b>31 August 2018</b>	<b>31 August 2017</b>
Reversal of payables	1,448,387	7,657,043
Sundry rentals	1,176,015	1,704,099
Gas station rental	1,341,057	1,277,200
Gain on sale of property, plant and equipment (Note 29)	1,902,212	398,250
Group share of profit of associates	536,070	-
Impairment losses of debtors and debit balances no longer required	243,145	-
Sundry revenues	562,603	426,236
	<b>7,209,489</b>	<b>11,462,828</b>





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**28. Net finance costs**

	<b>31 August 2018</b>	<b>31 August 2017</b>
Interest income	11,010,324	4,610,347
Foreign exchange losses	(106,097)	(723,022)
Interest expenses	(26,411,785)	(25,091,175)
	<b>(15,507,558)</b>	<b>(21,203,850)</b>

**29. Related party transactions**

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

Due from related parties

<b>Company</b>	<b>Nature of relation</b>	<b>31 August 2018</b>	<b>31 August 2017</b>
Egyptian Company for Numbering	Others	140,379	140,379
Egyptian Company for Schools	Subsidiary	-	5,018,176
Egyptian Company for Supplying and Operating offices	Others	-	15,823
		<b>140,379</b>	<b>5,174,378</b>

Due to related parties

<b>Company</b>	<b>Nature of relation</b>	<b>31 August 2018</b>	<b>31 August 2017</b>
Social Impact Capital	Major Shareholder	-	8,112,844
Future for Educational Activities	Others	-	12,863,843
Nations Real Estate	Others	-	1,060,310
Alex Company for Educational Services	Unconsolidated subsidiary	-	306,121
Egyptian Healthcare	Associate	-	13,704,804
		<b>-</b>	<b>36,047,922</b>



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**Related party transactions (continued)**

**Related party transactions during the year:**

<u>Company</u>	<u>Movement/transactions</u>	
	<u>31 August 2018</u>	<u>31 August 2017</u>
<b><u>Social Impact Capital</u></b>		
Bank transfers	8,112,844	-
Capital increase (Note 15)	-	89,612,180
<b><u>Nations for Real Estate</u></b>		
Bank transfers	1,060,310	-
<b><u>Egyptians Health Care</u></b>		
Contributions in share capital	13,704,804	-
<b><u>Future for Educational Activities</u></b>		
Sale of fixed assets	5,011,428	-
Extinguishment of liability	7,852,415	-
<b><u>Alex Company for Educational Services</u></b>		
Reversals of payables	306,121	-
<b><u>Egyptian Company for Schools</u></b>		
Acquisition of subsidiary	5,018,176	-

- On 7 May 2018, the management of the Parent Company signed a contract with Future Educational Activities (entity owned by a shareholder in the ultimate parent Company) whereby the Parent Company sells both a building and a land of one of the schools owned by Parent Company. Parent Company valued the building and land using the future economic benefits approach whereby it used information about the expected values of the profits of the school and deducted the related selling costs. This sale was made for the amount of LE 5,011,427 and recognized a gain on disposal of property, plant and equipment of EGP 1,902,212 (Note 27).

Based on the same contract, the remaining portion of the Group's liability amounting to EGP 7,852,416 was extinguished and included as a special reserve net of related tax amounted to EGP 1,766,794.

The Extraordinary General Assembly approved this transaction on 6 May 2018.

- 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 403,000 (2017: EGP 303,000) collectively.





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**30. Non-controlling interest**

The movement of non-controlling interests in subsidiaries included in the consolidated financial statements for the year is as follows:

	<b>Capital</b>	<b>Retained earnings</b>	<b>31 August 2018</b>
Balance at 1 September 2017	27,288,440	13,301,638	40,590,078
Capital attributable to non-controlling interests of acquired entities	17,680,644	-	17,680,644
Dividends	-	(3,739,380)	(3,739,380)
Profit for the year	-	6,639,396	6,639,396
<b>Balance at 31 August 2018</b>	<b>44,969,084</b>	<b>16,201,654</b>	<b>61,170,738</b>

	<b>Capital</b>	<b>Retained earnings</b>	<b>31 August 2017</b>
Balance at 1 September 2016	27,288,440	13,471,278	40,759,718
Dividends	-	(4,737,032)	(4,737,032)
Profit for the year	-	4,567,392	4,567,392
<b>Balance at 31 August 2017</b>	<b>27,288,440</b>	<b>13,301,638</b>	<b>40,590,078</b>

**31. Goodwill and acquisitions**

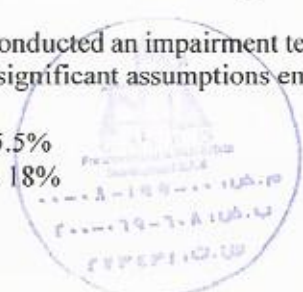
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, and contingent liabilities at the date of acquisition. It represent the Group payments for acquisition of unidentifiable economic benefit in the acquiree.

	<b>31 August 2018</b>	<b>31 August 2017</b>
Egyptian Educational Systems	5,133,061	5,133,061
Educational Systems International	355,800	355,800
Global Educational Technologies	238,666	238,666
Cairo Educational Systems	157,018	157,018
Cairo Misr for Educational Facilities	51,936	51,936
	<b>5,936,481</b>	<b>5,936,481</b>

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%



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**Goodwill and acquisitions (continued)**

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.

On 2 May 2018, the Parent Company acquired 55.6% of the shares of Egyptian Schools Company for Educational Services. The Group expects to increase its market share as a result of this acquisition and achieving economic benefits in the future, no goodwill arose from this transaction.

The below schedule illustrates the consideration paid to acquire the shares of Egyptian Schools Company for Education Services and the fair value for the acquired net assets and non-controlling interest:-

	<u>31 August 2018</u>
<b>Acquisition cost as of 2 May 2018</b>	
Cash paid*	(25,243,206)
<b>Total acquisition cost</b>	<u>(25,243,206)</u>

- \* During the year ended 31 August 2017, an amount of EGP 25,243,206 representing consideration paid to acquire 55.6% of the shares of Egyptian Schools Company has been paid and classified as payments under investments within debtors and other debit balances.

On 7 August 2018, the Group acquired additional shares representing 5.4% of Egyptian Schools Company shares to now obtain 61% of the Company's shares in 31 August 2018.

Assets and liabilities acquired from Egyptian Schools Company for Educational Services were as follows:

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





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**32. Earnings per share**

**(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.

Earnings per share without taking into consideration on the capital increase that occurred in a subsequent date of the consolidated financial statements is as follows:

	<b>31 August 2018</b>	<b>31 August 2017</b>
Net profit attributable to the owners of the Parent Company	119,732,287	60,248,357
Weight average number of ordinary shares outstanding during the year	197,204,517	197,204,517
<b>Earnings per share</b>	<b>0.61</b>	<b>0.31</b>

Earnings per share without taking into consideration on the capital increase that occurred in a subsequent date of the consolidated financial statements is as follows:

	<b>31 August 2018</b>	<b>31 August 2017</b>
Net profit attributable to the owners of the Parent Company	119,732,287	60,248,357
Weight average number of ordinary shares outstanding during the year	232,204,517	232,204,517
<b>Earnings per share</b>	<b>0.52</b>	<b>0.26</b>

**(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 year.



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**33. 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) Tax on earnings**

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

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

**(D) Stamp duty**

The Company was inspected from 5 May 1997 to 31 January 2003, and taxes due was paid.

The Company was notified of Form No. 3 Stamp Duty for the year 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 year 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 2017 were not inspected until the reporting date.





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**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 1995 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.



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**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 EGP 22,946.

**(C) Salaries 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:

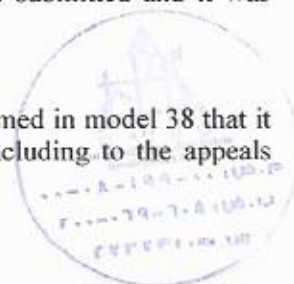
Salaries tax was notified and the form was objected to the legal deadline. The dispute was referred to an internal committee and then to an appeals committee. The defense memorandum was submitted and the tax owed by the company was paid from the decision of the appeal committee.

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.





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**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 year from 5 May 2008 until 30 June 2017, the Company was not notified of the inspection date taking into consideration law No. 91 of 2005 on a sample basis.

**(B) Tax on earnings**

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**

Years from 2005 to 2017

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

**(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.

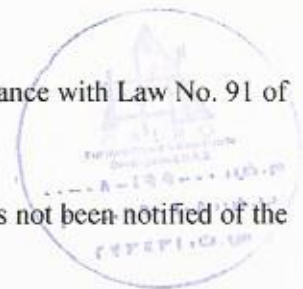
Years from 2005 to 4 May 2008

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.



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**Tax position (continued)**

**(B) Tax on earnings**

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**

Years from 2003 to 2017

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

**(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) Tax on earnings**

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**

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) Tax on earnings**

The Company has not been inspected since the start of activity to date.

**(C) Stamp duty**

The Company has not been inspected since the start of activity to date.

**(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.



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**Tax position (continued)**

**(B) Payroll tax**

The University's records were inspected from the date of inception until 31 August 2016.

The University's records were not inspected from 1 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.

**34. Commitments**

**A. Capital commitments**

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

	<u>31 August 2018</u>	<u>31 August 2017</u>
Fixed assets	3,462,146	12,039,370

**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:

	<u>31 August 2018</u>	<u>31 August 2017</u>
Less than 1 year	14,380,000	11,504,000
More than 1 year and less than 5 years	73,486,257	58,789,006

**35. Subsequent event**

Subsequent the date of the financial statements the Parent Company acquired 24% of the shares of Upper Egypt Educational Services (subsidiary), acquired the remaining shares of Egyptian Educational Systems (subsidiary).

