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

## Independent auditor's report
## The consolidated interim financial statements for the six-month period ended 29 February 2020

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## Limited review report of the interim financial statements

**To: The Board of Directors of Cairo for Investment and Real Estate Development "S.A.E."**

### Introduction

We have performed a limited review for the accompanying consolidated interim financial statements of Cairo for Investment and Real Estate Development "S.A.E." and its subsidiaries (the "Group") which comprise the consolidated interim statement of financial position at 29 February 2020 and the consolidated interim statements of income, other comprehensive income, changes in equity, and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

### Limited review scope

We conducted our limited review in accordance with Egyptian Standard on Limited Review Engagements (2410), "Limited Review of Interim Financial Statements performed by the Auditor of the Entity". A limited review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

### Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position at 29 February 2020, and its financial performance and cash flows for the six-month period then ended in accordance with Egyptian Accounting Standards.

Tamer Abdel Tawab
Member of Egyptian Society of Accountants & Auditors
Member of American Society of Certified Public Accountants
R.A.A. 17996
F.R.A.R. 388

16 April 2020
Cairo

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

**Consolidated interim statement of financial position - At 29 February 2020**

| (All amounts are shown in Egyptian Pounds) | Note | 29 February 2020 | 31 August 2019 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | 6 | 1,591,682,265 | 1,004,837,369 |
| Work in progress | 7 | 24,573,825 | 26,236,589 |
| Investments in associates | 8 | 69,843,625 | 57,421,325 |
| Goodwill | 30 | 28,975,049 | 803,420 |
| **Total non-current assets** | | **1,715,074,764** | **1,089,298,703** |
| **Current assets** | | | |
| Investments held to maturity | 10 | 19,999,575 | 1,000,000 |
| Inventory | 11 | 5,840,486 | 661,838 |
| Debtors and other debit balances | 12 | 414,952,282 | 217,954,432 |
| Cash on hand and at banks | 13 | 292,408,133 | 163,026,674 |
| **Total current assets** | | **733,200,476** | **382,642,944** |
| **Total assets** | | **2,448,275,240** | **1,471,941,647** |
| | | | |
| **Equity** | | | |
| **Shareholders' equity attributable to the shareholders of the parent company** | | | |
| Paid-up share capital | 14 | 233,116,130 | 233,116,130 |
| Reserves | 15 | 230,272,705 | 222,538,045 |
| Retained earnings | | 493,657,917 | 378,014,151 |
| **Total shareholders' equity attributable to the shareholders of the parent company** | | **957,046,752** | **833,668,326** |
| Non-controlling interests | 29 | 102,548,841 | 56,370,363 |
| **Total shareholders' equity** | | **1,059,595,593** | **890,038,689** |
| **Non-current liabilities** | | | |
| Non-current portion of borrowings and credit facilities | 16 | 422,958,530 | 66,879,677 |
| Deferred tax liabilities | 20 | 33,030,271 | 3,934,028 |
| **Total non-current liabilities** | | **455,988,801** | **70,813,705** |
| **Current liabilities** | | | |
| Provisions | 21 | 63,679,491 | 33,205,054 |
| Creditors and other credit balances | 17 | 331,721,963 | 177,431,195 |
| Advance revenues | 18 | 366,246,400 | 211,730,601 |
| Current income tax liabilities | 19 | **65,677,441** | **66,104,436** |
| Current portion of borrowings and credit facilities | 16 | 105,365,551 | 22,617,967 |
| **Total current liabilities** | | **932,690,846** | **511,089,253** |
| **Total liabilities** | | **1,388,679,647** | **581,902,958** |
| **Total liabilities and shareholders' equity** | | **2,448,275,240** | **1,471,941,647** |

- **The accompanying notes on pages 7 to 54 form an integral part of these consolidated financial statements**
- **Independent auditor's report – attached**

**Mr. Mohamed El Khouly**
Chief Financial Officer

**Dr. Hassan Hassan El Kalla**
Board Chairman

Cairo at 15 April 2020

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

**Consolidated interim statement of profit or loss - For the six-month period ended 29 February 2020**

| (All amounts are shown in Egyptian Pounds) | Note | Six months ended 29 February 2020 | Six months ended 28 February 2019 | Three months ended 29 February 2020 | Three months ended 28 February 2019 |
|---|---|---|---|---|---|
| Activity revenues | 22 | 666,473,230 | 424,093,446 | 353,348,249 | 223,177,865 |
| Activity costs | 23 | (286,567,770) | (174,985,193) | (146,939,436) | (89,260,841) |
| **Gross profit** | | **379,905,460** | **249,108,253** | **206,408,813** | **133,917,024** |
| General and administrative expenses | 24 | (80,670,589) | (63,958,136) | (42,155,377) | (29,216,180) |
| Other revenues | 26 | 2,158,875 | 1,272,541 | 840,297 | 1,005,009 |
| **Profits generated from operations** | | **301,393,746** | **186,422,658** | **165,093,733** | **105,705,853** |
| Net financing (costs) revenues | 27 | (13,782,024) | 7,112,653 | (13,900,198) | 4,335,949 |
| **Profit before taxes** | | **287,611,722** | **193,535,311** | **151,193,535** | **110,041,802** |
| Current income tax | 19 | (64,351,691) | (45,589,948) | (33,304,798) | (24,524,125) |
| Deferred tax | 20 | 474,881 | 490,476 | (18,578) | 44,330 |
| **Profit for the period** | | **223,734,912** | **148,435,839** | **117,870,159** | **85,562,007** |
| **Profit of:** | | | | | |
| Shareholders of the parent company | | 209,834,571 | 144,158,297 | 109,576,902 | 82,701,719 |
| Non-controlling interests | | 13,900,341 | 4,277,542 | 8,293,257 | 2,860,288 |
| | | **223,734,912** | **148,435,839** | **117,870,159** | **85,562,007** |
| **Earnings per share in the profit for the period** | 31 | **0,30** | **0,25** | **0,16** | **0,14** |

**The accompanying notes on pages 7 to 54 form an integral part of these consolidated financial statements**

**Consolidated interim statement of other comprehensive income - For the six-month period ended 29 February 2020**

| (All amounts are shown in Egyptian Pounds) | Note | Six months ended 29 February 2020 | Six months ended 28 February 2019 | Three months ended 29 February 2020 | Three months ended 28 February 2019 |
|---|---|---|---|---|---|
| Profit for the period | | 223,734,912 | 148,435,839 | 117,870,159 | 85,562,007 |
| **Comprehensive income items** | | | | | |
| Currency differences resulting from foreign currency translation | | 558,845 | - | 558,845 | - |
| **Profit for the period** | | **224,293,757** | **148,435,839** | **118,429,004** | **85,562,007** |
| **Profit of:** | | | | | |
| Shareholders of the parent company | | 210,169,879 | 144,158,297 | 109,912,210 | 82,701,719 |
| Non-controlling interests | | 14,123,878 | 4,277,542 | 8,516,794 | 2,860,288 |
| | | **224,293,757** | **148,435,839** | **118,429,004** | **85,562,007** |

**The accompanying notes on pages 7 to 54 form an integral part of these consolidated financial statements**

**Consolidated interim statement of changes in equity - For the six-month period ended 29 February 2020**

| (All amounts are shown in Egyptian Pounds) | Note | Paid-up capital | Reserves | Retained earnings | Total shareholders' equity attributable to the shareholders of the parent company | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 September 2018** | | **219,116,130** | **32,003,019** | **192,088,678** | **443,207,827** | **61,170,738** | **504,378,565** |
| Capital increase | | 14,000,000 | - | - | **14,000,000** | - | **14,000,000** |
| Transferred to reserves | 29 | - | 190,535,026 | (1,140,346) | **189,394,680** | - | **189,394,680** |
| Non-controlling interests in acquired entities | | - | - | - | - | (4,569,668) | **(4,569,668)** |
| Dividends | | - | - | (1,196,171) | **(1,196,171)** | (5,074,602) | **(6,270,773)** |
| Total comprehensive income for the period | | - | - | 144,158,297 | **144,158,297** | 4,277,542 | **148,435,839** |
| **Balance at 28 February 2019** | | **233,116,130** | **222,538,045** | **333,910,458** | **789,564,633** | **55,804,010** | **845,368,643** |
| | | | | | | | |
| **Balance at 1 September 2019** | | **233,116,130** | **222,538,045** | **378,014,151** | **833,668,326** | **56,370,363** | **890,038,689** |
| Transferred to reserves | | - | 7,399,352 | (7,399,352) | - | - | - |
| Non-controlling interests in acquired entities | 29 | - | - | (1,571,827) | **(1,571,827)** | 37,962,739 | **36,390,912** |
| Dividends | 29 | - | - | (85,219,626) | **(85,219,626)** | (5,908,139) | **(91,127,765)** |
| Currency differences resulting from foreign currency translation | | - | 335,308 | - | **335,308** | 223,537 | **558,845** |
| Profit for the period | | - | - | 209,834,571 | **209,834,571** | 13,900,341 | **223,734,912** |
| **Balance at 29 February 2020** | | **233,116,130** | **230,272,705** | **493,657,917** | **957,046,752** | **102,548,841** | **1,059,595,593** |

**The accompanying notes on pages 7 to 54 form an integral part of these consolidated financial statements**

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

**Consolidated interim statement of cash flows - For the six-month period ended 29 February 2020**

| (All amounts are shown in Egyptian Pounds) | Note | 29 February 2020 | 28 February 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 287,611,722 | 193,535,311 |
| **Adjustments:** | | | |
| Fixed assets depreciation | 6 | 37,608,326 | 27,814,846 |
| Finance costs | 27 | 23,779,186 | 6,086,972 |
| Interest income | 27 | (10,508,238) | (13,659,962) |
| Impairment of projects in progress | | 90,463 | - |
| Work expenses in progress | | 1,662,764 | - |
| Losses on sale of fixed assets | | 537 | - |
| Provision for doubtful debt | 12 | 300,000 | - |
| Provisions no longer required | 12 | - | (8,997) |
| Utilised provisions | 21 | (4,525,563) | (343,691) |
| **Operating profit before change in current assets and liabilities** | | **336,019,197** | **213,424,479** |
| **Change in current assets and liabilities** | | | |
| Changes in inventories | | (5,178,648) | 2,174,857 |
| Change in debtors and other debt balances | | (246,945,144) | (37,796,151) |
| Change in creditors and other credit balances | | 113,450,249 | 77,104,100 |
| Change in advance revenues | | 124,239,432 | - |
| Investments held to maturity | | (18,999,575) | - |
| Income tax paid | 19 | (65,133,611) | (50,404,300) |
| **Net cash flows generated from operating activities** | | **237,451,900** | **204,502,985** |
| **Cash flows from investing activities** | | | |
| Payments to purchase of fixed assets | | (24,604,556) | (26,011,611) |
| Payments for purchase non-controlling interests shares | | (1,571,827) | (11,174,988) |
| Interest payable received | | 10,508,238 | 13,659,962 |
| Proceeds on sale of fixed assets | | 4,825 | - |
| Payments for projects under construction | 7 | (409,597,936) | (61,293,752) |
| Payments under investment in subsidiaries | | (12,422,300) | (19,603,190) |
| Change in restricted cash | | - | 2,440,008 |
| **Net cash flows used in investing activities** | | **(437,683,556)** | **(101,983,571)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings and bank facilities | | 444,856,979 | 434,750 |
| Payments from borrowings and bank facilities | | (6,030,542) | (83,615,775) |
| Finance costs paid | | (23,779,186) | (6,821,148) |
| Payments for capital increase and share premium | | - | 210,000,000 |
| Dividends paid | | (85,433,151) | (7,219,698) |
| **Net cash flows generated from financing activities** | | **329,614,100** | **112,778,129** |
| **Net change in cash and cash equivalents during the period** | | **129,381,459** | **215,297,543** |
| Currency differences resulting from foreign currency translation | | (985) | - |
| Cash and cash equivalents at the beginning of the period | | 163,019,272 | 89,055,957 |
| **Cash and cash equivalents at the end of the period** | 13 | **292,400,731** | **304,353,500** |

**The accompanying notes on pages 7 to 54 form an integral part of these consolidated financial statements**

## 1. Introduction

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

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

The Parent Company was founded for the purpose of: construction, foundation and management of educational institutions in accordance with the applicable laws and decrees, administrative housing, below average housing, medical institutions - trade of medical tools and hospitals equipment, providing petroleum services, buying and selling and the division of land , taking into account the provisions of law No. 143 of 1981, - import and export-, 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 main shareholders of the Parent Company is Social Impact Capital "Ltd." owning 51.22%.

The consolidated financial statements have been approved by the Board of Directors on 15 April 2020. The General Assembly of the Company has the power to amend the consolidated financial statements after being issued.

## 2. Accounting policies

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

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

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and applicable laws and regulations which have been consistently applied over the 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 normal operating course.
* Held primarily for trading.
* Expected to be realised within 12 months after the end of the financial reporting period, or
* Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting period.

All other assets are classified as non-current.

The liability is classified as current when:

* It is expected to be settled in the normal operating course.
* Held primarily for trading.
* Required to be settled within 12 months after the end of the reporting period, or
* The entity does not have an unconditional right to defer the settlement of the liability for at least twelve months after the end of the consolidated reporting period.

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

**2. Accounting policies (Continued)**

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

The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards (EASs) requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. Note (4) clarifies the most significant accounting estimates and judgements applied for the preparation of the consolidated financial statements.

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

**B) New issued and amendments made to EAS's publications, but not yet effected**

On 28 March 2019, the Minister of Investment issued Resolution No. 69 of 2019, amending some provisions of the Egyptian Accounting Standards, which include some new accounting standards and amendments to some existing standards. These amendments were published in the Accounting Standards in the Official Gazette on 7 April 2019. The significant amendments are summarised in the issuance of three new standards to be applied for the financial periods beginning on or after the 1st of January 2020. These are:

**1. Accounting standard (47) "Financial instruments"**

This standard is effective for the financial periods beginning on or after the 1st of January 2020, and early application is permitted, provided that the revised EASs Nos. (1), (25), (26) and (40) are applied at the same time.

The standard includes new classification and measurement method categories of financial assets that reflect the business model in order to manage the assets and the characteristics of its cash flows.

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

As the Company's financial period beginning on 1 September 2019 until 28 February 2020, the Company will applying the standard from 1 September 2020.

**2. EAS (48) "Revenue from contracts with customers"**

This standard is effective for the financial periods beginning on or after the 1st of January 2020, and early application is permitted, provided that the revised EASs Nos. (1), (25), (26) and (40) are applied at the same time.

This standard establishes a comprehensive concept framework by determining the amount and timing of revenue recognition. This standard replaces EAS (11) "Revenue" and EAS (8) "Construction contracts".

As the Company's financial period beginning on 1 September 2019 until 28 February 2020, the Company will applying the standard from 1 September 2020.

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

**2. Accounting policies (Continued)**

**B) New issued and amendments made to EAS's publications, but not yet effected**

**3. EAS (49) "Leases"**

This standard is effective for financial periods beginning on or after 1 January 2020. Early adoption is permitted and is applied in accordance with Egyptian Accounting Standard (48) "Revenue from Contracts with Customers" at the same time.

EAS (49) provides tenants with a single model of accounting for leases. The tenant recognizes the asset related to the right of use, which represents its right to use the relevant asset, as well as the lease liability, which represents his liability to pay the lease payments. There are optional exemptions for short-term leases and leases of low-value assets.

EAS (49) replaces EAS (20) "Accounting standards and regulations related to the finance lease".

As the Company's financial period beginning on 1 September 2019 until 28 February 2020, the Company will applying the standard from 1 September 2020.

In reference to note (16) related to the loan agreement of the International Company for Finance Lease (Incolease), Cairo For Investment & Real Estate Development "S.A.E" has assessed whether the provisions of the agreement are subject to EAS (49) "Leases" " but it concluded that it did not fall within the scope of the standard.

**C) Basis of consolidation**

**1. Subsidiaries**

- Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- Based upon the Presidential Decree No. 117 of 2013, the Parent Company established Badr University. Based on the same decree, the Group as the Founder is entitled to surplus revenues after deduction of expenses as determinable by the Board of Trustees of the University.

The consolidated financial statements includes the following subsidiaries:

| | Country of origin | Percentage of ownership |
|---|---|---|
| Cairo Educational Services | Egypt | 69.4% |
| Upper Egypt Educational Services | Egypt | 99% |
| Egyptian Educational Systems | Egypt | 100% |
| Global Educational Technologies | Egypt | 79.5% |
| Cairo Egypt for Educational Premises | Egypt | 99.9% |
| Futures and Nations Company * | Egypt | 50% |
| Emco for Systems and Computers | Egypt | 82.5% |
| Egyptian Schools Company | Egypt | 61% |
| Educational Systems International | Egypt | 80% |
| Badr University | Egypt | 100% |
| Star Light Company | UAE | 60% |

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

## 2. Accounting policies (Continued)

### C) Basis of consolidation (continued)

#### 1.1 Acquisition method

The Group applies the acquisition method when processing each business combinations.

The consideration transferred in a business combination is measured based on the fair value accounted for as the fair value of the assets transferred and the liabilities incurred by the Group to the former shareholders 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 at their fair values at the acquisition date. In any business combination, the Group measures any non-controlling interests in the subsidiary at the proportionate share of the recognised amounts of acquiree's identifiable net assets at the date of acquisition.

Acquisition-related costs are expensed as incurred.

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

assets, liabilities, equity, income, expenses and cash flows related to transactions between the Group's entities are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### 1.2 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.

#### 1.3 Disposal of subsidiaries

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

## 2. Accounting policies (Continued)

### C) Basis of consolidation (continued)

1.4 Goodwill

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

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

1.5 Measurement period

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

**2. Associates**

Associates are all entities over which the Group has significant influence but not control. Generally, this is the case when the Group owns directly or indirectly between 20% and 50% of the voting rights in the associate.

2.1 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 period on the Group's share in the net assets of the associates. The Group's profit or loss includes its share in the associate's profit or loss, and the consolidated statement of other 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.

## 2. Accounting policies (Continued)

### C) Basis of consolidation (continued)

#### 2. Associates (continued)

2.2 Changes in equity

If the Group's equity 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 profits or losses when relevant assets or liabilities are disposed of.

2.3 Losses of associates

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

2.4 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.

2.5 Goodwill arising from investment in associates

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

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

## 2. Accounting policies (Continued)

### D) Foreign currency translation

**(1) Functional and presentation currency**

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

**(2) Transactions and balances**

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

### E) Fixed assets

The Group applies the cost model at measurement of fixed assets, and the fixed assets are recognised on their costs 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 costs of the acquisition of property, plant and equipment as a separate asset, 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 a fixed asset the cost incurred to replace part of that asset at the date such costs are borne, which is depreciated over the remaining useful life of the related asset or the estimated useful life, whichever is less, and the carrying amount of replaced parts are de-recognised. The Group recognises the costs of daily servicing of the property, plant and equipment in the consolidated statement of profit or loss.

The straight line method is used to allocate the depreciation of fixed assets consistently to their residual values over their estimated useful lives, except for lands, which are characterised with unlimited estimated useful life. Below are the estimated useful lives of each type of the assets' groups:

| | |
|---|---|
| Buildings, premises and facilities | 5% |
| Devices, furniture, and fittings | 20% |
| Computers | 20% |
| Vehicles | 20% |
| Tools and equipment | 20% |

The Group reviews the residual value of fixed assets 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 fixed asset 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 from the books 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 gain or loss resulting from the disposal of property, plant and equipment is included in the consolidated statement of profit or loss within "other revenues".

## 2. Accounting policies (Continued)

### F) Projects in progress

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 in the intended purpose. Projects under construction are transferred to fixed assets when they are finalised and are ready for their intended use.

### G) Works in progress

Works in progress are stated at cost, which includes all direct costs related and required to bring the asset to the condition needed for sale.

### H) 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 the consolidated financial statements.

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

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 sale 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 loss in the consolidated statement of profits or losses whenever the carrying amount of an asset exceeds its recoverable amount.

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

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

### I) Financial assets

#### 1. Classification

The Group classifies its financial assets as loans and receivables and held-to-maturity financial assets. 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. Financial assets listed in such Group are presented as current asset if expected to be recovered within 12 months from the date of the end of the financial period. The Group's loans and receivables include 'debtors and other debit balances' and 'cash and cash equivalents' and 'balances due from related parties' and 'accrued revenues' in the consolidated statement of financial position.

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

## 12. Debtors and other receivables (continued)

Movement of impairment of debtors and other receivables during the period/ year is represented below:

| | 29 February 2020 | 31 August 2019 |
|---|---|---|
| Balance at the beginning of the period/ year | 7,135,728 | 3,924,297 |
| Formed during the period/ year | 300,000 | 3,661,205 |
| Provisions no longer required | - | (449,774) |
| **Balance at the end of the period/ year** | **7,435,728** | **7,135,728** |

- As at 29 February 2020, accrued revenue balances, due from related parties that are not impaired amounted of EGP 39,244,745 (31 August 2019: EGP 16,322,196).
- As at 29 February 2020, debtors and other receivables of EGP 7,435,728 (31 August 2018: EGP 7,135,728) were impaired.
- The amount of the compensational assets is represented by the potential tax reconciliation resulting from the acquisition of Star Light Company, including its subsidiary. This amount was recorded under debtors and other receivables, and a similar amount was recorded under provisions (Note 21) to prove potential tax obligations that were estimated by the independent financial advisor upon acquisition.
- The payment item under the land purchase account is in advance payments for the purchase of land in Al Alamein city, New Sohaj city, New Mansoura city, Qina and Badr city.

## 13. Cash on hand and at banks

| | 29 February 2020 | 31 August 2019 |
|---|---|---|
| Current accounts with banks | 263,193,002 | 78,725,288 |
| Term deposits | 26,766,330 | 81,197,838 |
| Cash in hand | 2,448,801 | 3,103,548 |
| | **292,408,133** | **163,026,674** |

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

The deposits are due within periods of 90 days (31 August 2019: 90 days) from date of placement. These have interest rates ranging from 11% and 12.5% (31 August 2019: 12% and 13.75%) per annum. Also, interest rates of current accounts reached 7% per annum. For the purposes of preparation the consolidated statement of cash flows, cash and cash equivalents included as of the date of the financial position:

| | 29 February 2020 | 31 August 2019 | 30 November 2018 |
|---|---|---|---|
| Cash on hand and at banks | 292,408,133 | 163,026,674 | 305,703,434 |
| Restricted cash at banks | (7,402) | (7,402) | (210,007,402) |
| | **292,400,731** | **163,019,272** | **95,696,032** |

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

## 14. Share Capital

The authorized capital is set at EGP 500,000,000. The issued capital was set at EGP 233,116,130 distributed on 582,790,325 shares, the value of share is EGP 0,40 , all of which are fully paid cash shares.

The shareholder structure as at 29 February 2020 and 31 August 2018 is as follows:

| | Shareholding % | Par value |
|---|---|---|
| Social Impact Capital "L.L.C" | 51.22% | 119,395,130 |
| Kings Way Fund | 5.64% | 11,774,442 |
| Others | 43.14% | 101,946,558 |
| | | **233,116,130** |

The capital development was as follows:

1. On 17 December 2018, the capital was increased from EGP 219,116,130 to EGP 233,116,130, an increase of EGP 14,000,000 distributed over 35 million shares, with a par value of EGP 0,40.
2. On 1 October 2018, Cairo for Investment and Real Estate Development "Parent Company", offered shares of the Parent Company in the Egyptian Exchange through two tires, public offering and private offering in the secondary market in order to increase the ownership base of trading in Egyptian Exchange with a maximum of 207,259,025 shares held by the Parent Company out of 547,790,325 shares with a percentage of 37.84% of the Parent Company's issued capital with a price of EGP 6 per share. The offering process was as follows:

   First - 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.

   Second - 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 capital shares.

   Social Impact Capital LTD (the main shareholder in the Parent Company) used a part of the shares sale proceeds to increase the share capital with an amount of EGP 210,000,000 distributed over 35,000,000 shares with a nominal value of EGP 0,40 per share in addition to a share premium of EGP 5,60 with an increase amounted to EGP 196,000,000. The increase occurred without taking into consideration the priority rights of old shareholders in the subscription of the increased shares. Participants in the public or private offering has no right to subscribe in this increase for this increase to be fully in favour of Social Impact Capital LTD, the main shareholder in the Parent Company, this will be according to the decision of the Ordinary General Assembly to the Cairo for Investment and Real Estate Development "Parent Company" on 3 July 2018.

3. The Extraordinary General Assembly approved the split of the (Parent) Company's shares with a ratio of 25 shares per each share. Accordingly, number of shares of the (Parent) Company's' became 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.

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

## 15. Reserves

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

| | 29 February 2020 | | |
|---|---|---|---|
| | **Balance at 1 September** | **Formed during the period** | **Balance at 30 November** |
| Legal reserve | 116,558,065 | 877,776 | **117,435,841** |
| Statutory reserve | 13,312,868 | 6,521,576 | **19,834,444** |
| Special reserve | 92,667,112 | - | **92,667,112** |
| Reserve resulting from foreign currency translation | - | 335,308 | **335,308** |
| **Total** | **222,538,045** | **7,734,660** | **230,272,705** |

| | 31 August 2019 | | |
|---|---|---|---|
| | **Balance at 1 September** | **formed during the year** | **Balance at 31 August** |
| Legal reserve | 13,174,702 | 103,383,363 | **116,558,065** |
| Statutory reserve | 12,742,695 | 570,173 | **13,312,868** |
| Special reserve | 6,085,622 | 86,581,490 | **92,667,112** |
| **Total** | **32,003,019** | **190,535,026** | **222,538,045** |

A. Legal and statutory reserve

In accordance with the Companies Law No. 159 of 1981 and the Parent Company's Articles of Association, 5% of the net profit for the year is transferred to the legal reserve. The deduction is discontinued once the legal reserve reaches 50% of the issued and paid up 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 financial year ended 31 August 2017, the Ordinary General Assembly of the Parent Company approved the financial statements for the financial year ended 31 December 2015 as well as for the eight months ended 31 August 2016. Based on the resolution of the Ordinary General Assembly of the Parent Company to approve the financial statements of the Parent Company for those periods, and during the financial year ended 31 August 2017 an amount equal to 5% of the profits for the financial period has been deducted from 1 January 2016 until 31 August 2016 and the financial year ended 31 December 2015 to support the legal reserve and 5% to support the statutory reserve, and the retained earnings were reduced as included in the Articles of Association of the Parent Company.

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

## 16. Borrowings and credit facilities

| | Current portion | | Non-current portion | |
|---|---|---|---|---|
| Statement | 29 February 2020 | 31 August 2019 | 29 February 2020 | 31 August 2019 |
| Arab Investment Bank- credit facility | 315 | 1,618,011 | - | - |
| Qatar National Bank- credit facility | 3,664,646 | - | - | - |
| Qatar National Bank loan (1) | 7,979,496 | 11,979,496 | - | - |
| Qatar National Bank loan (2) | 40,040,586 | - | 60,858,555 | 60,296,205 |
| Qatar National Bank loan (3) | 40,829,805 | - | 40,829,805 | - |
| Ahli United Bank loan | - | - | 56,885,405 | - |
| International Company for Finance Lease loan | 12,137,991 | 8,164,984 | 40,980,390 | 6,313,390 |
| European Bank loan | - | - | 223,404,375 | - |
| Upper Egypt Finance lease loan | 712,712 | 855,476 | - | 270,082 |
| | **105,365,551** | **22,617,967** | **422,958,530** | **66,879,677** |

Credit facilities from Qatar National Bank have an interest rate of 1% above the corridor price stated by the Central Bank.

### Qatar National Bank loan (1)

On 30 October 2017, the Company signed a contract for a medium term loan of EGP 20,000,000 for the purpose of completing Badr University's Projects, 100% owned by the Company. The contract ends on 31 August 2020, and this loan will be paid semi-annually on 5 instalments amounted to EGP 4,000,000 excluding the related interests that will be calculated at an interest rate of 1% above the lending rate announced by the Central Bank of Egypt.

The balance of this loan as of 29 February 2020 amounted to EGP 7,979,496 (31 August 2019: EGP 11,979,496).

### Qatar National Bank loan (2)

On 30 May 2019, the Company signed a contract for a medium term loan of EGP 100 for the purpose of new faculties in Badr University that is 100% owned by the Company. The contract ends on 31 August 2024, and this loan will be paid equal semi-annually on 9 instalments excluding the related interests that will be calculated at an interest rate of 1.5% above the lending rate announced by the Central Bank of Egypt.

The balance of this loan as of 29 February 2020 amounted to EGP 100,899,141 (31 August 2019: EGP 60,296,205).

## 16. Borrowings and credit facilities (continued)

### Qatar National Bank loan (3)

On 8 November 2019, the Company signed a contract for a medium term loan of EGP 130 million for the purpose of using it in partially finance for the remaining projects of the Company's expansion plan, which is to establish new seven faculties in Badr University and a school in the new city of Al Mansoura. The contract ends on 31 August 2026, and this loan will be paid equal semi-annually on 12 instalments in February and August, in addition to the applicable interest. The first instalment must due on the last day of February 2021, followed by the second instalment on the last day of August 2021, and so on, respectively and periodically, every six-months until the maturity date of the twelfth and final instalments that must due on 31 August 2026.

The balance of this loan as of 29 February 2020 amounted to EGP 81,659,610 (31 August 2019: EGP 1,691,900).

The principal guarantees of the above loans are:

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

### Ahli United Bank loan

On 14 January 2020, the Company signed a contract for a medium term loan of EGP 100 for the purpose of future expansions in establishing schools and new faculties in Badr University that is 100% owned by the Company. The contract ends on 31 August 2024, and this loan will be paid equal semi-annually on 9 instalments excluding the related interests that will be calculated at an interest rate of 1.25% above the lending rate announced by the Central Bank of Egypt with a grace period of one year without any administrative expenses.

The balance of this loan as of 29 February 2020 amounted to EGP 56,885,405.

Main guarantees

- Submitting to the bank the collateral guarantees from the following companies: Upper Egypt Educational Services, Emco for Systems and Computers, Global Educational Technologies, and Educational Systems International, provided that each guarantee covers the full amount of the finance granted by the bank under this contract.
- Submitting to the bank every six-months the commercial register extract of the Company, explaining that there are no mortgages on its assets.
- Opening an operating account with the bank, the first party, to collect all revenues that related to the funded schools and the revenues resulting from the expansion of Badr University, that have been funded by the bank.
- Submitting to the bank a written undertaking signed by the legal representative of Badr University to transfer the net surplus generated from its activity to the Company to cover any financial liabilities payable on the Company throughout the duration of the finance granted by the bank, according to the budget of the University.

## 16. Borrowings and credit facilities (continued)

### Ahli United Bank loan (continued)

- Submitting to the bank a quarterly financial report within 90 days of the end of each quarter of the financial year of the borrowing Company and the guarantors. The Company is also committed to achieving the financial terms in all consolidated financial positions provided to the bank throughout the duration of the finance as follows:

(1) The debt service rate (total cash flows from operating activities in addition to depreciation and amortisation less tax divided by annual financial payments in addition to the annual dividends) should not fall bellow X1.15.

(2) The financial leverage (total bank borrowings divided by net shareholders' equity) should not exceed X 1.5.

### International Company for Finance Lease loan (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 Company at an interest rate equal to the lending rate announced by the Central Bank of Egypt. Payable over 84 monthly instalments starting 3 May 2010. Since this transaction does not qualify in its substance to be 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.

On 13 October 2019, an adjustment contract was signed with Incolease Company for Finance Lease and in accordance with the previous contract on May 2016 to obtain a loan of EGP 84,797,280. The loan amount includes interest amounted to EGP 5,917, and that the loan instalments are repaid over 60 months and expire on 20 September 2024, and interest payment of 14% from the date of signing the contract. It changes with an increase or decrease according to the borrowing price announced by the Central Bank of Egypt, within an equivalent to 2.5% above the official lending rate from the Central Bank. The Company obtained the second tranche of the loan under the same terms mentioned above. The total balance of the loan as of 29 February 2020 was EGP 53,118,381 including interest (31 August 2019: EGP 14,478,374).

### European Bank loan

On 30 September 2019, the Company signed a contract for a medium term loan of EGP 446,8 million. The first instalments was injected on 19 September 2019, and the second instalment will be injected within three months from 29 February 2020 for the purpose of purchasing a new land in Assiut to establish faculties related to Badr University - Assiut and the establishment of the stage 1 of the University 100% owned by the Company. The contract ends on 30 September 2027, and this loan will be paid on 16 equal semi-annual instalments excluding the related interests that will be calculated at an interest rate of 2% above the lending rate announced by the Central Bank of Egypt with a grace period of two years.

The balance of this loan as of 29 February 2020 amounted to EGP 223,404,375.

Main guarantees

- The ratio of debt service coverage that the cash available of debt service for a period of 12 months before the repayment date to the total principal payments of the repayment on all outstanding financial debts to be ratio of 1.2:1.
- The net financial debts should not exceed 3 times the profits before interest, tax and depreciation.
- The ratio of debt should not exceed 1.3 of the total shareholders' equity.
- The borrower undertakes that the contribution of the grantor in the revenues and profits before interest, tax and depreciation should not be less than 50%.

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

## 16. Borrowings and credit facilities (continued)

### Upper Egypt Finance lease loan

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

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

The amounts financed for both contracts amounted to EGP 3,156,160 including interest and payable over 60 instalments. The total due balance of this loan as at 29 February 2020 amounted to EGP 712,712 (31 August 2019: EGP 1,125,558).

## 17. Creditors and other credit balances

| | 29 February 2020 | 31 August 2019 |
|---|---|---|
| Due to suppliers and contractors | 187,390,570 | 89,436,479 |
| Dividends payables | 20,420,006 | 14,725,392 |
| Accrued expenses | 43,906,336 | 37,939,978 |
| Due to government agencies | 40,996,172 | 15,584,000 |
| Land purchase payables | 2,425,570 | 2,425,570 |
| Due to related parties (Note 28) | 374,154 | 250,566 |
| Other credit balances | 36,209,155 | 17,069,210 |
| | **331,721,963** | **177,431,195** |

## 18. Advance revenues

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

| | 29 February 2020 | 31 August 2019 |
|---|---|---|
| Advance revenues | 366,246,400 | 211,730,601 |

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

## 19. Income taxes

Income tax charged to the consolidated statement of profits or losses for the year is as follows:

| | 29 February 2020 | 31 August 2019 | 28 February 2019 |
|---|---|---|---|
| Current income tax | 64,351,691 | 64,650,433 | 45,589,948 |
| Deferred tax (Note 20) | (474,881) | 341,965 | (490,476) |
| **Total** | **63,876,810** | **64,992,398** | **45,099,472** |

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

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | 29 February 2020 | 28 February 2019 | 29 February 2020 | 28 February 2019 |
| Accounting profit before tax | 287,611,722 | 193,535,311 | 151,193,535 | 67,700,026 |
| Income taxes based on enacted tax rate | 64,712,637 | 43,545,445 | 34,018,545 | 15,232,505 |
| **Add (less):** | | | | |
| Non deductible expenses | 2,920,569 | 1,676,231 | 1,643,730 | (191,932) |
| Deferred tax assets on tax losses not previously recognised | (480,341) | - | (277,114) | (277,114) |
| Non-taxable revenues | (3,276,055) | (122,204) | (2,061,785) | - |
| **Tax** | **63,876,810** | **45,099,472** | **33,323,376** | **12,703,699** |

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

| | 29 February 2020 | 31 August 2019 |
|---|---|---|
| Balance at the beginning of the period/ year | 66,104,436 | 41,075,377 |
| Payments made during the period/ year | (65,133,611) | (39,621,374) |
| Cost of assets generated from acquiring subsidiaries | 354,925 | - |
| Charged to the consolidated statement of profit or loss during the period/ year | 64,351,691 | 64,650,433 |
| **Balance at the end of the period/ year** | **65,677,441** | **66,104,436** |

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

## 20. Deferred tax liabilities

Deferred tax liabilities comprises temporary differences attributable to fixed assets:

| | Balance at 1 September 2019 Asset (Liability) | Movement for the period Revenue (expense) | Acquisition of associates | Balance at 29 February 2020 Asset (Liability) |
|---|---|---|---|---|
| Fixed assets | (3,934,028) | 474,881 | (29,571,124) | (33,030,271) |
| | **(3,934,028)** | **474,881** | **(29,571,124)** | **(33,030,271)** |

| | Balance at 1 September 2018 Asset (Liability) | Movement for the year Revenue (expense) | Balance at 31 August 2019 Asset (Liability) |
|---|---|---|---|
| Fixed assets | (3,592,063) | (341,965) | (3,934,028) |
| | **(3,592,063)** | **(341,965)** | **(3,934,028)** |

## 21. Provisions

| | 29 February 2020 | 31 August 2019 |
|---|---|---|
| Provision for tax | 63,477,007 | 32,188,257 |
| Provision for lawsuits | 202,484 | 1,016,797 |
| | **63,679,491** | **33,205,054** |

The movement of provisions during the period/ year is as follows:

| | 29 February 2020 | | | | |
|---|---|---|---|---|---|
| | Balance at the beginning of the period | Formed during the period | Acquired provisions * | Utilised during the period | Balance at the end of the period |
| Provision for tax | 33,002,570 | - | 35,000,000 | (4,525,563) | **63,477,007** |
| Provision for lawsuits | 202,484 | - | - | - | **202,484** |
| | **33,205,054** | **-** | **35,000,000** | **(4,525,563)** | **63,679,491** |

| | 31 August 2019 | | | |
|---|---|---|---|---|
| | Balance at the beginning of the year | formed during the year | Utilised during the year | Balance at the end of the year |
| Provision for tax | 26,488,695 | 6,541,606 | (842,044) | **32,188,257** |
| Provision for lawsuits | 1,016,797 | - | - | **1,016,797** |
| | **27,505,492** | **6,541,606** | **(842,044)** | **33,205,054** |

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

## 21. Provisions (continued)

* The amount of the acquired provision is represented by the potential tax reconciliation resulting from the acquisition of Starlight, including its subsidiary. This amount was recorded under debtors and other receivables, and a similar amount was recorded under provisions (note 12) to prove potential tax obligations that were estimated by the independent financial advisor upon acquisition.

Provision for tax

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

The tax provision on tax claims actually received and expected taxes for previous years that have not yet been inspected amounted to EGP 63,477,007 (31 August 2019: EGP 32,188,257) based on management estimates and the independent external tax advisor of the Group.

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 6,347,701 increase or decrease (31 August 2019: EGP 3,218,825).

Provision for lawsuits

Provision for lawsuits amounted EGP 202,484 at 29 February 2020 (31 August 2019: EGP 1,016,797) based on the Group's legal advisor's estimations. The provision 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 20,248 increase or decrease (31 August 2019: EGP 101,679).

## 22. Operating revenues

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | 29 February 2020 | 28 February 2019 | 29 February 2020 | 28 February 2019 |
| Tuition revenues | 571,579,482 | 383,481,386 | 309,293,471 | 204,526,689 |
| Bus revenues | 27,997,539 | 21,477,251 | 15,340,033 | 11,707,277 |
| Admission revenue | 16,584,728 | 6,968,927 | 4,402,454 | 303,121 |
| Contracting revenues | 23,881,774 | - | 10,528,734 | - |
| Other activities revenues | 26,429,707 | 12,165,882 | 13,783,557 | 6,640,778 |
| | **666,473,230** | **424,093,446** | **353,348,249** | **223,177,865** |

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

## 23. Activity cost

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | 29 February 2020 | 28 February 2019 | 29 February 2020 | 28 February 2019 |
| Employees' wages, salaries and benefits | 130,482,017 | 83,580,978 | 66,348,978 | 41,912,350 |
| Teaching tools, aids and books expenses | 16,439,735 | 13,908,919 | 8,592,683 | 7,079,787 |
| Depreciation expenses | 36,410,513 | 26,916,620 | 19,082,695 | 13,611,662 |
| Leases | 7,269,817 | 5,317,445 | 2,419,159 | 2,487,230 |
| Maintenance, electricity, utilities, communications expenses, and writing tools | 20,679,163 | 15,351,892 | 10,511,302 | 8,174,421 |
| Transportation expenses | 22,449,367 | 15,777,879 | 12,239,330 | 7,655,932 |
| Professional and consulting fees, charges, and penalties | 14,500,177 | 5,996,139 | 11,543,515 | 4,020,888 |
| Contracting expenses | 17,659,071 | - | 6,620,406 | - |
| Other expenses | 20,677,910 | 8,135,321 | 9,581,368 | 4,318,571 |
| | **286,567,770** | **174,985,193** | **146,939,436** | **89,260,841** |

## 24. General and administrative expenses

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | 29 February 2020 | 28 February 2019 | 29 February 2020 | 28 February 2019 |
| Employees' wages, salaries and benefits | 43,315,624 | 22,637,421 | 22,664,278 | 12,879,300 |
| Professional and consulting fees, charges, and penalties | 18,787,687 | 19,052,690 | 7,811,934 | 9,702,617 |
| Maintenance, electricity, utilities, communications expenses, and writing tools | 6,978,399 | 2,108,410 | 4,593,995 | 843,980 |
| Provision for doubtful debts | 300,000 | - | 150,000 | - |
| IPO expenses and capital increase | - | 12,164,840 | - | 782,322 |
| Board and committees members allowances | 702,996 | 494,300 | 248,889 | 288,300 |
| Rents | 726,029 | 1,366,294 | 413,607 | 663,899 |
| Takaful contribution | 831,747 | - | 540,515 | - |
| Depreciation expenses | 1,197,813 | 898,226 | 601,967 | 352,984 |
| Other expenses | 7,830,294 | 5,235,955 | 5,130,192 | 3,702,778 |
| | **80,670,589** | **63,958,136** | **42,155,377** | **29,216,180** |

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

## 25. Expenses by nature

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | 29 February 2020 | 28 February 2019 | 29 February 2020 | 28 February 2019 |
| Employees' wages, salaries and benefits | 173,797,641 | 106,712,699 | 89,013,256 | 55,079,950 |
| Depreciation expenses | 37,608,326 | 27,814,846 | 19,684,662 | 13,964,646 |
| Teaching tools, aids and books expenses | 16,439,735 | 13,908,919 | 8,592,683 | 7,079,787 |
| Maintenance, electricity, utilities, communications expenses, and writing tools | 27,657,562 | 17,460,302 | 15,105,297 | 9,018,401 |
| Transportation expenses | 22,449,367 | 15,777,879 | 12,239,330 | 7,655,932 |
| Professional and consulting fees, charges, and penalties | 33,287,864 | 25,048,829 | 19,355,449 | 13,723,505 |
| Rents | 7,995,846 | 6,683,739 | 2,832,766 | 3,151,129 |
| Takaful contribution | 831,747 | - | 540,515 | - |
| Board members attendance and audit committee | 702,996 | - | 248,889 | - |
| Contracting expenses | 17,659,071 | - | 6,620,406 | - |
| IPO expenses and capital increase | - | 12,164,840 | - | 782,322 |
| Provision for doubtful debts | 300,000 | - | 150,000 | - |
| Other expenses | 28,508,204 | 13,371,276 | 14,711,560 | 8,021,349 |
| | **367,238,359** | **238,943,329** | **189,094,813** | **118,477,021** |

## 26. Other Revenues

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | 29 February 2020 | 28 February 2019 | 29 February 2020 | 28 February 2019 |
| Leasing revenues | 1,793,386 | 692,704 | 908,831 | 352,033 |
| Proceeds from debts previously written off | 330,777 | - | - | - |
| Variable (expenses) income | 34,712 | 579,837 | (68,534) | 652,976 |
| | **2,158,875** | **1,272,541** | **840,297** | **1,005,009** |

## 27. Net financing (costs) revenues

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | 29 February 2020 | 28 February 2019 | 29 February 2020 | 28 February 2019 |
| Interest expenses | (23,779,186) | (6,086,972) | (17,524,835) | (2,454,609) |
| Losses from currency differences | (511,076) | (460,337) | (278,051) | (198,843) |
| | **(24,290,262)** | **(6,547,309)** | **(17,802,886)** | **(2,653,452)** |
| Interest income | 10,508,238 | 13,659,962 | 3,902,688 | 6,689,401 |
| **Net financing (costs) revenues** | **(13,782,024)** | **7,112,653** | **(13,900,198)** | **4,335,949** |

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

## 28. Related parties transactions

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

Due from related parties:

| The Company | Nature of relation | 29 February 2020 | 31 August 2019 |
|---|---|---|---|
| Egyptians Health Care | Associate | 28,406 | - |
| Hassan El Kalla | University President | 57,728 | 34,999 |
| Mafrix Company | Associate | 3,139,393 | 10,336,152 |
| Egyptian Company for Numbering | Others | 140,379 | 140,382 |
| Egyptian for Office Operation and Supply | Associate | 15,823 | 15,823 |
| HK&S | Associate | 704,860 | 540,322 |
| Mohamed Sulieman | General Secretary of Badr University | - | 325,951 |
| | | **4,086,589** | **11,393,629** |

Balances due to related parties:

| The Company | Nature of relation | 29 February 2020 | 31 August 2019 |
|---|---|---|---|
| Future for Educational Activities | Others | 332,875 | 250,566 |
| Ibrahim El Kalla | Vice Chairman of Badr University | 40,719 | - |
| Mohamed Sulieman | General Secretary of Badr University | 560 | - |
| | | **374,154** | **250,566** |

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

## 28. Related parties transactions (continued)

Related party transactions during the year:

| | Movement | |
|---|---|---|
| | 29 February 2020 | 31 August 2019 |
| **Egyptians Health Care** | | |
| Contributions of share capital | 12,422,300 | 27,922,280 |
| Transferred to investments in subsidiaries and associates | (12,422,300) | (27,922,280) |
| Bank transfers | 28,406 | 1,571,103 |
| Purchases | - | (1,030,781) |
| **Dr. Hassan El Kalla (University Vice President)** | | |
| Expenses paid on behalf of the Company | 1,082,020 | - |
| Allowances and incentives | (1,059,291) | - |
| **Mafrix Company** | | |
| Bank transfers | (7,196,762) | - |
| **HK&S Company** | | |
| Payments | (598,320) | 540,322 |
| Purchases | 762,858 | - |
| **Future for Educational Activities** | | |
| Proceeds of tuition revenues | 5,137,746 | 12,618,785 |
| Tuition expenses | (5,055,439) | (13,399,172) |
| Against the management | - | (217,877) |
| **Dr. Ibrahim El Kalla (University Vice President)** | | |
| Expenses paid on behalf of the Company | 39,125 | - |
| Allowances and incentives | 389,141 | - |
| Advances | (400,847) | - |
| **Dr. Mohamed Sulieman (University Vice President)** | | |
| Advances | 844,351 | - |
| Allowances and incentives | (518,020) | - |

Key management compensation:

The charges of the key management of the Company during the year and charged to the revenues and expenses statement on 29 February 2020 amounted to EGP 2,224,686 (28 February 2019: EGP 2,029,609).

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

## 29. Non-controlling interests

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

| | Capital | Retained earnings | 29 February 2020 |
|---|---|---|---|
| Balance at 1 September 2019 | 44,969,084 | 11,401,279 | **56,370,363** |
| Non-controlling interests of acquired companies | - | 37,962,739 | **37,962,739** |
| Dividends | - | (5,908,139) | **(5,908,139)** |
| Currency differences resulting from foreign currency translation | - | 223,537 | **223,537** |
| Profit for the period | - | 13,900,341 | **13,900,341** |
| **Balance at 29 February 2020** | **44,969,084** | **57,579,757** | **102,548,841** |

| | Capital | Retained earnings | 31 August 2019 |
|---|---|---|---|
| Balance at 1 September 2018 | 44,969,084 | 16,201,654 | **61,170,738** |
| Non-controlling interests of acquired companies | - | (4,569,668) | **(4,569,668)** |
| Dividends | - | (4,543,493) | **(4,543,493)** |
| Profit for the year | - | 4,312,786 | **4,312,786** |
| **Balance at 31 August 2019** | **44,969,084** | **11,401,279** | **56,370,363** |

## 30. Goodwill

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

| | 29 February 2020 | 31 August 2019 |
|---|---|---|
| Egyptian Education Systems | - | 5,133,061 |
| Educational Systems International | 355,800 | 355,800 |
| Global Educational Technologies | 238,666 | 238,666 |
| Cairo Educational Services | 157,018 | 157,018 |
| Cairo Misr for Educational Facilities | 51,936 | 51,936 |
| Star Light Company | 28,171,629 | - |
| | **28,975,049** | **5,936,481** |
| **(Less):** | | |
| Goodwill related to companies under liquidation | - | (5,133,061) |
| | **28,975,049** | **803,420** |

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

## 30. Goodwill (continued)

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

Growth rate 5.5%

Discount rate 18%

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

- On 21 April 2019, the Extraordinary General Assembly meeting of the Egyptian Education Systems Company resolved to agree to put the company under liquidation, provided that the liquidation period is one year, starting from the date of the notification of the resolution to put the company under liquidation in the commercial register, and it was approved to appoint Mr./ Mohamed Naguib Salah El-Din, the liquidator of the Company. As Cairo Investment and Real Estate Development Company owns 100% of the Egyptian Education Systems Company , Cairo Investment and Real Estate Development Company will acquire all of these assets. This resulted in impairment of its goodwill of EGP - on 29 February 2020.
- On 26 June 2019, the Group purchased 60% of the shares of Star Light (owner of Canadian Columbia International School) under the agreement signed with W.D. Capital Company. The control of the Group was transferred on 1 September 2019. The Group expects that this acquisition will result in an increase in its market share and future economic benefits. This transaction resulted in goodwill of EGP 28,171,629.

The following table shows the consideration transferred to acquire Star Light Company, and the fair value of the acquired assets, liabilities and non-controlling interest at the date of acquisition.

| | |
|---|---|
| **Acquisition cost at 1 September 2019** | |
| Cash paid | (100,000,000) |
| **Total acquisition cost** | **(100,000,000)** |

Assets and liabilities acquired from Light Star Company for Educational Services and its subsidiaries on 1 September 2019 were as follows:

| | **EGP** |
|---|---|
| Fixed assets | 190,346,554 |
| Other debit balances | 5,606,125 |
| Cash at banks | 9,754,516 |
| Deferred tax liabilities | (29,571,124) |
| Other liabilities | (66,344,961) |
| **Net fair value of assets acquired** | **109,791,110** |
| Non-controlling interests at the date of acquisition | (37,962,739) |
| Cash paid | (100,000,000) |
| **Goodwill** | **28,171,629** |

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

## 31. Earnings per share

The following is the earning of the share in the profits taking into account an increase in the capital that was indicated in the commercial register issued on 17 December 2018:

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | 29 February 2020 | 28 February 2019 | 29 February 2020 | 28 February 2019 |
| Net profit for the period | 209,834,571 | 144,158,297 | 109,576,902 | 82,701,719 |
| **Less:** | | | | |
| Board of directors' remuneration | (17,719,531) | (2,037,701) | (9,861,921) | (1,090,709) |
| Employees' profit share | (17,113,159) | (2,999,512) | (8,875,729) | (2,147,219) |
| **Profits net** | **175,001,881** | **139,121,084** | **90,839,252** | **79,463,791** |
| Weighted average number of shares | 582,790,325 | 561,984,769 | 582,790,325 | 561,984,769 |
| **Earnings per share in the profit for the period** | **0.30** | **0.25** | **0.16** | **0.14** |

## 32. Tax position

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

Fund corporates 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 2008. The Company submits the tax returns regularly on the legal deadlines and pays the due tax based on the tax returns submitted on the legal deadlines and years from 2005 to 4 May 2008.
- The net profit of schools activity is exempted from the corporate income tax in accordance with Law No. 91 of 2005.
- The Company was inspected from 2009 to 2010 and due tax was paid.
- Years from 2011 to 2019, the Company was not inspected until the financial statements date.

Withholding tax

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

Salaries tax

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

Quarterly tax returns are filed regularly and the Company pays the tax on legal dates.

The Company paid the tax due until 2004.

- The Company was notified of a salaries tax claim for the period from 1 January 2005 to 30 June 2005, and the Company was notified of a form of 36 salaries for the period from 1 July 2005 to 31 December 2011 and they were challenged in legal deadlines and the dispute still pending before the internal committee.
- Years from 1 January 2012 to 29 February 2020, the Company was not inspected until the financial statements date.

**32. Tax position (continued)**

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

Stamp tax

The Company paid the tax due until 30 November 2003.

- The Company was notified of Form No. 3 Stamp Duty for the period from 1 February 2003 to 28 February 2006, with a total tax of EGP 74,599. The form was objected upon within the legal date and was referred to the appeals committee, and the dispute still pending until the date of preparing the financial statements.
- The Company was notified of Form No. 3 Stamp Duty for the period from 1 March 2006 until 30 June 2010. It is appealed on the legal deadline and referred to the Appeal Committee. Final assessment to the decision of the Appeal Committee is made on 23 November 2014 at a total tax of EGP 14,798. Payment was made on 29 January 2015.
- Years from 1 July 2010 to 29 February 2020, the Company was not inspected until the financial statements date.

Added Value Tax

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

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

**First: Fund Corporates tax**

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

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

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

   Pay an amount of EGP 3,466,645 of commercial profits tax for the years 1996 until 2001.

4. Years from 2002 to 2004
The authority has charged the company depending on estimation, and form 18 was notified and objected and form 19 was notified and has been appealed. The file was referred to the internal committee of the authority and the company submitted a request to re-examine these years and the dispute was transferred to appeal committees and defence memorandum was submitted and the appeal committee decision had been issued to return the file to the authority to prepare for the completion of the inspection of the authority.

**32. Tax position (continued)**

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

5. Years from 2005 to 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.

6. Years from 2009 to 2010

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

7. Years from 2011 to 2012

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

8. Years from 2013 to 2014

   The Company was charged with the corporate income tax. The Company was notified in the form 19 and has been appealed, and the file was referred to the internal committee of the authority to issue a decision to re-examination.

9. Years from 2015 to 2019

   The company has not yet been inspected for these years and submits the tax returns at the specified tax dates and the tax is paid based on the tax return.

**Second: Stamp tax**

1. Years from 1 September 1992 till 31 October 1997

   The company was inspected until 31 October 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.

2. Years from 1 November 1997 till 30 September 2002

   The company was inspected and the company was notified with a 4-stamp form and has been appealed. The file was referred to the appeal committee. The final decision was approved by the appeal committee in the amount of EGP 23,585. The tax amount was paid by scheduled check.

3. Years from 1 October 2002 till 31 October 2005

   The company was inspected and notified to the company in the form of 3 and 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.

   Pay an amount of EGP 69,719 of differences and stamp tax examination for the years 2002 until 2005.

## 32. Tax position (continued)

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

**Third: Salaries tax**

1. Years from 1992 to 1994

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

2. Years from 1995 to 1999

   Salaries tax was linked to the amount of EGP 265,245 basis of the non-appeal link and the dispute was referred to the specialized court and the dispute is still ongoing. The tax amount was paid by scheduled check.

3. Years from 2000 to 2001

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

4. Years from 1 January 2005 till 30 June 2005

   The company was inspected with a tax link on the company in the amount of EGP 496,329. The complaint was filed against the model. The file was referred to the internal committee, and then to the appeal committees. The defence memorandum was submitted and it was reserved for the decision on 20 January 2019.

5. Years from 1 July 2005 till 2010

   Salaries tax was linked by EGP 9,030,294 and the company was informed in model 38 that it was objected and the file was referred to the internal committee, and then to the appeal committees and the sessions to resolve the dispute will be attended.

6. Years from 2011 to 2019

   The Company was not notified on financial statements date.

   Pay an amount of EGP 981,000 of differences and salaries tax examination for the years 2002 until 2011.

**Fourth: Sales tax**

The Company submits tax returns on sales regularly and at 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 to 2013. The tax and fines were paid for that period in the amount of EGP 687,341 in full. The Company was not notified on any other examinations.

## 32. Tax position (continued)

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

**First: Corporate income tax**

Years from 2005 to 2019

- Tax returns were submitted on the legal deadline and the Company is exempted from taxes until 4 May 2008 in accordance with law No. 91 of 2005.
- The period from 5 May 2008 until 30 June 2016, the Company was not notified of the inspection date taking into consideration law No. 91 of 2005 on a sample basis.

For the period from 1 October 2016 till 29 February 2020.

**Second: Salaries tax**

Years from 2005 to 2019

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

**Third: Stamp duty**

Years from 2005 to 2019

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

**Fourth: Sales tax**

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

**Fifth: Added Value Tax**

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

**32. Tax position (continued)**

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

**First: Corporate income tax**

1. 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.

2. Years from 2005 to 4 May 2008

   - The Company submits tax returns on the legal deadlines
   - The Company is exempted from the corporate income tax in accordance with Law No. 91 of 2005.

3. Years from 2008 to 2019

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

**Second: Salaries tax**

Years from 2003 to 2019

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

**Third: Stamp duty**

Years from 2003 to 2019

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

**Fourth: Sales tax**

Years from 2003 to 2019

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

**Fifth: Added Value Tax**

Years from 2003 to 2019

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

**32. Tax position (continued)**

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

**First: 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.

**Second: Salaries tax**

The Company has not been notified of the inspection since the start of activity until now and payment is made at the beginning of each month on the legal deadlines.

**Third: 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**

**First: Corporate income tax**

Years from 2009 to 2019

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

**Second: Salaries tax**

Years from 2009 to 2019

The Company pays the income tax monthly on the legal deadlines and there are no income tax notifications for such years. Provision was made amounting EGP 25,000 against dispute of salaries tax.

**Third: Stamp duty**

Years from 2009 to 2019

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

**Fourth: Sales tax**

Years from 2009 to 2019

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

**Fifth: Added Value Tax**

Years from 2009 to 2019

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

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

## 32. Tax position (continued)

### (7) Badr University L.C.C

**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 29 February 2020.

**Payroll tax**

The University's records were inspected from the date of inception until 31 August 2018.
The University's records were not inspected from 1 September 2018 until 29 February 2020.

**Stamp tax**

The University's records were not inspected from the date of inception until 29 February 2020.

**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 29 February 2020.

## 33. Commitments

### A) Capital commitments

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

| | 29 February 2020 | 31 August 2019 |
|---|---|---|
| Fixed assets | 192,482,351 | 324,767,848 |

### B) Operating lease

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

Total future payments for the lease contracts are as follows:

| | 29 February 2020 | 31 August 2019 |
|---|---|---|
| Less than one year | 15,832,210 | 30,207,959 |
| over 1 year and less than 5 years | 80,825,014 | 154,214,652 |

## 34. Subsequent events

The global Coronavirus disease "COVID-19" put more than a third of the world's population in a form of lockdown, disrupting daily life and patterns for testing long-term pressures. We pay tribute to the front-line workers who risk their lives and the lives of their families for the public interest, and the workers who have stayed in their homes in an encouraging demonstration of global solidarity. Families have shown their resilience, ability to adapt and actwith the changes that have been caused by the "COVID-19" Coronavirus. The Group is proud to have played a role in their willingness to face these challenges. As the world continues to address the consequences of the Coronavirus "COVID-19", we are committed to keep our shareholders aware of our response to the disease in main fields including the continuity of educational, health and safety services, transport services, construction, human resources and financial reporting.

On 15 March 2020, schools and universities were required to close the classrooms and start to present the classes online . Within 72 hours of the activation of the distance learning protocol, 100% of the Group's schools and Badr University faculties started online learning. All non-essential employees now work fully from home, connected to school and students online. The Group has decided to immediately cease all transport services and to cease all buses to reduce the potential spread of the "COVID19" Coronavirus, and transport workers will continue to receive the full amount of their salaries.

The Group explained that it will pay the full-time and part-time employees the full amount of their full salaries, and for all employees who benefit from the internal instalments programs for their children's education fees (20% of employees), they were temporarily exempt from contractual discounts in March.

Regarding Badr University, the Group is about to open six new colleges in the coming academic year 2020/2021. Construction work on the six new faculties buildings has been completed as of the second quarter of "19/20".

The remaining of the constructions is the minor finishes and the latest fixtures of the six new faculties. Construction workers are committed to the strict guidelines for hygiene, maintain physical distances between workers, and the appropriate use of personal protective equipment at all times of work. Although the work schedule has been reduced to maintain the health and safety of workers, construction is expected to be completed on a timely basis.

Regarding the Regent British School in Al-Mansoura, in accordance with the instructions of the Prime Minister that allows the resumption of construction works, the Group now operates a Regent construction site with a capacity of 60% by following all government and internal guidelines for appropriate personal protective equipment, maintain safe physical distances and hygiene.

Financial effects

In response to the Coronavirus "COVID-19", and taking into account the importance of expecting a potential financial impact on figures for the financial year ended 31 August 2020, in addition to business continuity, if the Authorities maintain a strict lockdown system to reduce public exposure, the management expects the following financial effects:

1. Returning 15% of the bus fees for the current academic year as a credit for the next academic year, which is estimated at 3 million Egyptian pounds of the service period. It is important to note that the Group will not bear bus rental fees for service providers during the mentioned period as well.
2. The potential cancellation of the summer course program at Badr University will be applied if the spring exams are delayed beyond July 2020. And the summer program for the last year constituted about 2.5% of the University's revenues. If the summer program continues at the same level, the effect will be around EGP 7,924,183.
3. If online education continues for the next period, the Group may consider offering a discount on fees for the value of savings resulting from less activity on the campus of schools and universities.

As stated above, the Group expects that educational activities will always continue either online or physically, therefore management does not expect a negative effect on the Group's ability to continue operating, generate sufficient revenues and profits to meet shareholders' expectations.