

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

**AUDITORS' REPORT
AND THE SPECIAL PURPOSE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE MONTHS
ENDED 31 MAY 2018**

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

**Special purpose consolidated financial statements
For the nine months ended 31 May 2018**

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Auditors' report

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

Report on the special purpose consolidated financial statements

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

Management's responsibility for the special purpose consolidated financial statements

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

Auditors' responsibility

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

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

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

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

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

Emphasis of matter

Without qualifying our opinion, we draw attention to note (2) to the special purpose consolidated financial statements which describes the financial periods and corresponding figures of these special purpose consolidated financial statements. These special purpose consolidated financial statements have been prepared for filing as part of the Parent Company’s Public subscription Notice with the Financial Regulatory Authority of Egypt.

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



Tamer Abdel Tawab
Member of Egyptian Society of
Accountants & Auditors.
Member of the American Association of
Public Accountants
R.A.A. 17996
Mansour & Co. PricewaterhouseCoopers



Basma Samra
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Cairo
29 July 2018



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

**Special purpose consolidated statement of financial position
At 31 May 2018**

(All amounts in Egyptian Pounds)			31 May 2018	31 August 2017
	Note			
<u>Assets</u>				
<u>Non-current assets</u>				
Property, plant and equipment	6	682,682,940	619,218,237	
Projects under construction	7	51,635,756	14,778,452	
Work in progress	8	24,089,936	24,089,936	
Investment in associates	9	32,041,070	21,553,835	
Held to maturity investments	11	1,000,000	1,000,000	
Goodwill	30	5,936,481	5,936,481	
Total non-current assets		797,386,183	686,576,941	
<u>Current assets</u>				
Inventories	12	635,738	890,855	
Debtors and other debit balances	13	78,756,093	97,586,050	
Cash on hand and at banks	14	48,207,273	54,631,302	
Total current assets		127,599,104	153,108,207	
Total assets		924,985,287	839,685,148	
<u>Liabilities and shareholder's equity</u>				
<u>Shareholder's equity</u>				
<u>Shareholder's equity attributable to owners of the</u>				
<u>Parent Company</u>				
Issued and paid up capital	15	219,116,130	219,116,130	
Reserves	16	27,003,019	17,009,363	
Retained earnings		271,292,824	143,527,345	
Total shareholders' equity attributable to owners of the Parent Company		517,411,973	379,652,838	
Non-controlling interest	29	65,406,475	40,590,078	
Total shareholder's equity		582,818,448	420,242,916	
<u>Liabilities</u>				
<u>Non-current liabilities</u>				
Non-current portion of borrowings and credit facilities	17	64,320,353	80,369,521	
Deferred tax liabilities	20	3,195,848	2,403,629	
Total non-current liabilities		67,516,201	82,773,150	
<u>Current liabilities</u>				
Creditors and other credit balances	18	144,027,617	247,632,809	
Current income tax liabilities	19	52,008,938	23,421,486	
Current portion of borrowings and credit facilities	17	51,186,017	39,603,162	
Provisions	21	27,428,066	26,011,625	
Total current liabilities		274,650,638	336,669,082	
Total liabilities		342,166,839	419,442,232	
Total liabilities and shareholders' equity		924,985,287	839,685,148	

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

Mohamed El Khouly
Group Chief Financial Officer

Hassan El Kalla
Chairman

28 July 2018

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

**Special purpose consolidated statement of profit or loss
For the nine months ended 31 May 2018**

(All amounts in Egyptian Pounds)		Nine months ended 31 May	
	Note	2018	2017
Operating revenue	22	487,904,099	325,984,960
Operating costs	23	(209,659,804)	(142,683,757)
		278,244,295	183,301,203
General and administrative expenses	24	(57,188,219)	(46,663,762)
Provisions	21	(2,625,000)	(1,425,000)
Other income	26	7,281,237	2,208,413
Operating profits		225,712,313	137,420,854
Finance costs - net	27	(10,585,045)	(14,457,708)
Profit before tax		215,127,268	122,963,146
Current tax	19	(48,916,277)	(28,495,721)
Deferred tax	19	(813,621)	(110,960)
Profit for the period		165,397,370	94,356,465
<u>Profits attributable to</u>			
Owner's of the Parent Company		157,198,680	88,611,857
Non-controlling interests	29	8,198,690	5,744,608
		165,397,370	94,356,465
<u>Earning per share</u>			
Basic and diluted earning per share	31	0.29	0.30

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

**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."
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**Special purpose consolidated statement of other comprehensive income
For the nine months ended 31 May 2018**

(All amounts in Egyptian Pounds)			
	<u>Note</u>	Nine months ended 31 May 2018	2017
Profit for the period		165,397,370	94,356,465
Other comprehensive income		<u>165,397,370</u>	<u>94,356,465</u>
Comprehensive income for the period		<u>165,397,370</u>	<u>94,356,465</u>
Comprehensive income attributable to			
Owner's of the Parent Company		157,198,680	88,611,857
Non-controlling interests	29	<u>8,198,690</u>	<u>5,744,608</u>
		<u>165,397,370</u>	<u>94,356,465</u>

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

**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."
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**Special Purpose consolidated statement of changes in shareholder's equity
For the nine months ended 31 May 2018**

(All amounts in Egyptian Pounds)

	Note	Share capital	Paid under capital increase	Reserves	Retained earnings	Total	Non- controlling interests	Total equity
Balance at 1 September 2016		119,116,130	10,387,820	14,814,025	99,126,771	243,444,746	40,759,718	284,204,464
Share capital increase	15	100,000,000	(10,387,820)	-	-	89,612,180	-	89,612,180
Transfer to reserves	16	-	-	2,195,338	(2,195,338)	-	-	-
Dividends		-	-	-	(13,652,445)	(13,652,445)	(4,737,032)	(18,389,477)
Profit for the period		-	-	-	88,611,857	88,611,857	5,744,608	94,356,465
Balance at 31 May 2017		219,116,130	-	17,009,363	171,890,845	408,016,338	41,767,294	449,783,632
Balance at 1 September 2017		219,116,130	-	17,009,363	143,527,345	379,652,838	40,590,078	420,242,916
Transfer to reserves	16	-	-	9,993,656	(3,908,034)	6,085,622	-	6,085,622
Share of non-controlling interests from acquisition of subsidiaries		-	-	-	-	-	20,158,244	20,158,244
Dividends		-	-	-	(25,525,167)	(25,525,167)	(3,540,537)	(29,065,704)
Profit for the period		-	-	-	157,198,680	157,198,680	8,198,690	165,397,370
Balance at 31 May 2018		219,116,130	-	27,003,019	271,292,824	517,411,973	65,406,475	582,818,448

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

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

**Special purpose consolidated statement of cash flows
For the nine months ended 31 May 2018**

	Nine months ended 31 May	
	2018	2017
(All amounts in Egyptian Pounds)		
<u>Cash flows from operating activities</u>		
Profit before tax	215,127,268	122,963,146
Adjustments to reconcile profits to cash flows from operating activities		
Depreciation	6 33,410,846	27,410,649
Finance costs	27 19,493,530	16,763,742
Finance income	27 (8,959,386)	(3,260,280)
Impairment losses on investments in associates	24 303,835	-
Share of profit of associates	26 (536,070)	-
Provisions made	21 2,625,000	1,425,000
Gain on sale of property, plant and equipment	26 (1,902,212)	(398,251)
Provisions used	21 (1,208,559)	(293,375)
Income tax paid	19 (22,095,619)	(12,330,783)
Operating profits before changes in current assets and liabilities	236,258,633	152,279,848
Changes in current assets and liabilities		
Change in inventories	255,117	(280,861)
Change in debtors and other debit balances	(6,410,068)	(78,013,908)
Change in creditors and other credit balances	(98,667,147)	27,798,661
Net cash flows generated from operating activities	131,436,535	101,783,740
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	6 (49,630,788)	(10,095,937)
Payments for time deposits with maturities more than 90 days from deposit date	(13,000,000)	-
Interest received	8,959,386	3,260,280
Proceeds from sale of property, plant and equipment	-	398,251
Payments for projects under constructions	7 (36,857,304)	(40,782,792)
Payments for work in progress	-	(11,999)
Acquisition of investments	(10,255,000)	(41,314,522)
Change in restricted cash	(2,448,000)	-
Net cash flows used in investing activities	(103,231,706)	(88,546,719)
<u>Cash flows from financing activities</u>		
Proceeds from borrowings and credit facilities	23,118,740	17,777,752
Payments to borrowings and credit facilities	(27,585,053)	(19,210,808)
Finance costs paid	(19,493,530)	(16,763,742)
Dividends paid	(26,117,015)	(18,389,477)
Net cash flows used in financing activities	(50,076,858)	(36,586,275)
Change in cash and cash equivalents during the period	(21,872,029)	(23,349,254)
Cash and cash equivalents at the beginning of the period	54,631,302	50,152,306
Cash and cash equivalents at the end of the period	14 32,759,273	26,803,052

- During the nine months ended 31 May 2018, an amount of EGP 25,240,025 representing consideration paid to acquire Egyptian Schools Company (net of cash acquired) has been eliminated as it has been paid in prior periods and has been classified as payments under investment in subsidiaries within debtors and other debit balances (Note 30).

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

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

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

Notes to the special purpose consolidated financial statements For the nine months ended 31 May 2018

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

1. Introduction

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

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

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

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

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

2. Accounting policies

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

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

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

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

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

**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."
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**Notes to the special purpose consolidated financial statements
For the nine months ended 31 May 2018**

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

Basis of preparation of the special purpose consolidated financial statements (continued)

All other assets are classified as non-current.

A liability is classified as current when:

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

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

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

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

Financial periods and corresponding figures

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

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

Notes to the special purpose consolidated financial statements For the nine months ended 31 May 2018

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

B. Basis of consolidation

(1) Subsidiaries

Subsidiaries are all entities over which the Group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

The special purpose consolidated financial statements includes the following subsidiaries:

	Country of origin	Percentage of ownership
Cairo Educational Services	Egypt	.694%
Upper Egypt Educational Services	Egypt	72.7%
Egyptian Educational Systems	Egypt	91.5%
Global Educational Technologies	Egypt	78.336%
Cairo Egypt for Educational Premises	Egypt	99.9%
Futures and Nations*	Egypt	50%
Emco for Systems and Computers	Egypt	82.47%
Egyptian Schools Company	Egypt	56.6%
Educational Systems International	Egypt	80%
Badr University	Egypt	100%

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

The special purpose consolidated financial statements included the results of operations of the subsidiaries for the nine months ended 31 May 2018 except for Egyptian Schools Company the results of which operations have only been included from 2 May 2018, the date on which control over operating and financing decisions was transferred to the Parent Company.

i. Acquisition method

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

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

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

Notes to the special purpose consolidated financial statements For the nine months ended 31 May 2018

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

Basis of consolidation (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised within other comprehensive income.

Inter-company assets, liabilities, income, expenses and cash flows related to transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries are adjusted to conform to the Group's accounting policies.

ii. Changes in ownership interests held within controlling interests

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

iii. Disposal of subsidiaries

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

iv. Goodwill

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

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

v. Measurement period

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

**CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT "S.A.E."
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**Notes to the special purpose consolidated financial statements
For the nine months ended 31 May 2018**

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

Basis of consolidation (continued)

(2) Associates

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

i. Equity method

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

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

ii. Changes in equity

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

iii. Losses of associates

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

iv. Transactions with associates

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

v. Goodwill arising from investment in associates

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

Goodwill resulting from acquisition of an associates is recognised within the cost of investment in associates. Impairment of goodwill is not tested in associates separately. Impairment is rather tested for the carrying amount of the investment as a whole by comparing it with its recoverable amount. Impairment losses recognised in this case are not allocated to a specific asset. Therefore, any reversal of the impairment losses will be recognised to the extent to which the recoverable amount subsequently increases, provided it does not exceed the impairment losses previously recognised.

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

Notes to the special purpose consolidated financial statements For the nine months ended 31 May 2018

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

C. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

D. Property, plant and equipment

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

The Group capitalises subsequent additions to property, plant and equipment only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. The Group recognises in the carrying value of fixed asset the cost incurred to replace part of that asset at the date such costs are borne, and the carrying amount of the replaced parts are derecognised. The Group recognises the costs of daily servicing of the property, plant and equipment in the statement of profit or loss.

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

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

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

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

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

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**Notes to the special purpose consolidated financial statements
For the nine months ended 31 May 2018**

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

E. Projects under construction

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

F. 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 special purpose consolidated financial statements.

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

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

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

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

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

G. Financial assets

(i) Classification

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

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets and include cash equivalent, balances due from related parties and accrued revenues.

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Financial assets (continued)

Held to maturity financial assets

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

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

(ii) Initial recognition and measurement

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

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

(iii) Subsequent measurement

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

(iv) De-recognition

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

The financial asset is derecognised at its carrying amount at the date of de-recognition, and profit / (loss) of de-recognition is recognised in the statement of profit or loss within general and administrative expenses.

The profit / (loss) on the de-recognition of financial asset represents the difference between the carrying amount at the date of de-recognition and the proceeds resulting from the de-recognition of the financial assets.

H. Impairment of financial assets

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

A financial asset or a group of financial assets are impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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Impairment of financial assets (continued)

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

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

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

I. Inventories

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

J. Cash and cash equivalents

Cash and cash equivalents includes for the purpose of preparation of special purpose consolidated statement of cash flows, cash in hand and due from banks with original maturities not exceeding three months.

K. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are reviewed at the date of each balance sheet and adjusted to reflect the best current estimate. Where the impact of the time value of money is significant, the amount recognised as a provision is the current amount of expected expenses required to settle the liability.

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L. Trade payables

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

M. Issued and paid up capital

Ordinary shares are classified as equity.

N. Borrowings

Borrowings are initially recorded at fair value less the cost of obtaining the loan. Borrowings are subsequently measured at amortised cost using the effective interest rate method, and are recorded in the special purpose consolidated statement of profit or loss as the difference between the amounts received (less the cost of obtaining the loan) and the value that will be repaid over the borrowing period.

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

O. Current and deferred income tax

Current income tax

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

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

Deferred income tax

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

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

P. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable including cash, receivables and notes receivables, stated net of discounts.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities. The value of the revenue is not considered to be reliably measured except when the expected obligations are settled. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues are recognised on accrual basis.

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Revenue recognition (continued)

Tuition revenue

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

Bus revenue

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

Rental revenue

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

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount.

Q. Leases

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

Payments made under operating leases are charged to the special purpose consolidated statement of profit or loss on a straight-line basis over the period of the lease.

R. Employees' benefits

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

S. Fair value estimation

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

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

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

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

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

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Fair value estimation (continued)

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

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

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

T. Segment reporting

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

U. Dividends

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

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3. Financial risk management

(1) Financial risks factors

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

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

(A) Market risk

i. Foreign exchange risk

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

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

Currency	31 May 2018	31 August 2017
	EGP	EGP
US Dollars asset/(liability)	91,702	(11,622,395)

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

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

Currency	31 May 2018	31 August 2017
	EGP	EGP
US Dollars asset/(liability)	9,170	(1,162,239)

ii. Interest rate risk

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

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

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

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Financial risk management (continued)

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

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

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

(B) Credit risk

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

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

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

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

Balances exposed to credit risk are as follows:

	31 May 2018	31 August 2017
Balances and deposits with banks	47,929,038	53,995,016
Due from related parties	156,202	5,174,378
Accrued education revenues	9,820,478	7,574,297
Accrued interest income	45,058	-

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Financial risk management (continued)

(C) Liquidity risk

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

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

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

	31 May 2018		
	Less than three months	3 months to 1 year	1 year to 5 years
Borrowings and credit facilities	26,375,094	30,097,716	68,779,539
Payables related to land purchases	4,851,058	-	-
Accrued expenses	34,995,317	-	-
Dividends payable	11,765,469	-	-
Due to suppliers and contractors	30,258,541	-	-
Due to governmental agencies	14,635,427	-	-
	31 August 2017		
	Less than three months	From 3 months to 1 year	From 1 year to 5 years
Due to related parties	36,047,922	-	-
Borrowings and credit facilities	9,367,009	36,597,716	78,521,239
Accrued expenses	49,486,550	-	-
Dividends payable	8,816,780	-	-
Due to suppliers and contractors	8,336,725	-	-
Due to governmental agencies	8,444,992	-	-

(2) Capital risk management

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

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Financial risk management (continued)

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

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

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

	31 May 2018	31 August 2017
Borrowings, bank credit facilities land purchase payables	120,357,427	119,972,683
Gross debts	120,357,427	119,972,683
Less: Cash on hand and balances with banks	(48,207,273)	(54,631,302)
Net debt	72,150,154	65,341,381
Equity	580,493,448	420,242,916
Total capital	652,643,602	485,584,297
Net debts to total capital	11.06%	13.46%

(3) Fair value estimation

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

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4. Critical accounting estimates and judgement

(1) Critical accounting estimates and assumptions

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

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

Other provisions

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

Impairment of goodwill

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

Impairment of accrued revenues

The valuation of impairment value in debtors is made by monitoring the ageing of debts and the ratios adopted based on management's best estimate through their previous experience.

Accrued revenue that remains outstanding for more than one year are fully provided for.

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

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

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5. Segment Reporting

Management of the Parent Company, which is composed of the Chief Executive Officer and the Chief Financial Officer, monitors the financial performance of the Group on the basis of cash generating units. These include the activity of schools and higher education. The financial performance of these sectors in the nine months ended 31 May 2018 and 2017 are as follows:

	Schools operations		Higher Education operations		Total	
	Nine months ended 31 May		Nine months ended 31 May		Nine months ended 31 May	
	2018	2017	2018	2017	2018	2017
Revenue						
Tuition revenue	219,788,841	167,987,172	221,878,901	126,474,321	441,667,742	294,461,493
Bus revenue	20,111,391	13,852,195	6,847,858	3,749,542	26,959,249	17,601,737
Admission fees	2,090,350	262,600	9,412,430	6,420,001	11,502,780	6,682,601
Sundry operating revenues	4,182,836	3,425,509	3,591,490	3,813,620	7,774,326	7,239,129
Total revenues	246,173,418	185,527,476	241,730,679	140,457,484	487,904,097	325,984,960
Operating cost						
<u>Tuition costs</u>						
Employee costs	(60,097,589)	(47,062,333)	(36,110,656)	(17,543,364)	(96,208,245)	(64,605,697)
Teaching tools, books and aids expenses	(19,190,429)	(10,728,427)	(5,279,786)	(8,198,017)	(24,470,215)	(18,926,444)
Maintenance electricity, utilities, communications expenses	(15,267,555)	(5,829,723)	-	-	(15,267,555)	(5,829,723)
Rentals	(8,754,973)	(6,763,342)	-	(1,047,908)	(8,754,973)	(7,811,250)
Professional and consulting fees and charges, and penalties	(2,632,787)	(1,072,436)	(5,759,878)	(2,864,631)	(8,392,665)	(3,937,067)
Other expenses	(3,395,667)	(1,395,461)	(3,893,820)	(2,374,913)	(7,289,487)	(3,770,374)
<u>Bus costs</u>	<u>(11,049,341)</u>	<u>(7,905,008)</u>	<u>(5,108,854)</u>	<u>(2,714,195)</u>	<u>(16,158,195)</u>	<u>(10,619,203)</u>
Total operating costs	(120,388,341)	(80,756,730)	(56,152,994)	(34,743,028)	(176,541,335)	(115,499,758)
	125,785,077	104,770,746	185,577,685	105,714,456	311,362,762	210,485,202
Administrative expenses and provisions	(24,241,726)	(22,685,455)	(35,279,114)	(25,176,617)	(59,520,840)	(47,862,072)
Depreciation	(13,454,096)	(11,602,978)	(19,956,750)	(15,807,671)	(33,410,846)	(27,410,649)
Operating revenues	88,089,255	70,482,313	130,341,821	64,730,168	218,431,076	135,212,481
Other income	6,177,400	1,357,521	1,103,837	850,852	7,281,237	2,208,373
Finance income	4,695,437	2,056,078	4,263,949	1,204,202	8,959,386	3,260,280
Other (expenses) revenues	(17,273)	(954,246)	(33,628)	-	(50,901)	(954,246)
Finance costs	(19,218,530)	(16,763,742)	(275,000)	-	(19,493,530)	(16,763,742)
Net profit before tax	79,726,289	56,177,924	135,400,979	66,785,222	215,127,268	122,963,146
Current income tax	(18,327,557)	(13,399,941)	(30,588,720)	(15,095,780)	(48,916,277)	(28,495,721)
Deferred income tax	(545,694)	39,556	(267,927)	(150,516)	(813,621)	(110,960)
Net profit for the period	60,853,038	42,817,539	104,544,332	51,538,926	165,397,370	94,356,465

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

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6. Property, plant and equipment

	Land	Buildings, premises and facilities	Devices, furniture and fittings	Computers	Vehicles	Tools and instruments	Total
Cost at 1 September 2017	175,729,905	489,233,363	74,870,649	20,373,435	23,188,067	8,218,199	791,613,618
Additions for the period	10,569,686	125,333	23,146,823	2,922,602	12,115,000	5,602,402	54,481,846
Acquisition of subsidiary (Note 30)	13,600,884	31,436,806	345,720	75,279	-	44,229	45,502,918
Disposals for the period	(312,000)	(4,699,427)	-	-	-	-	(5,011,427)
Cost of asset at 31 May 2017	199,588,475	516,096,075	98,363,192	23,371,316	35,303,067	13,864,830	886,586,955
Accumulated depreciation at 1 September 2017	-	93,979,613	36,678,452	14,774,733	20,555,067	6,407,516	172,395,381
Depreciation for the period	-	18,326,911	9,832,711	2,318,522	2,307,842	624,860	33,410,846
Accumulated depreciation of disposals	-	(1,902,212)	-	-	-	-	(1,902,212)
Accumulated depreciation at 31 May 2018	-	110,404,312	46,511,163	17,093,255	22,862,909	7,032,376	203,904,015
Net book value at 31 May 2018	199,588,475	405,691,763	51,852,029	6,278,061	12,440,158	6,832,454	682,682,940

Above land is under the registration process with the competent authorities

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Property, plant and equipment (continued)

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

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

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7. Projects under construction

This item consists of the following:

	Balance at 1 September 2017	Additions	Transferred to PPE	Balance at 31 May 2018
Badr University	14,778,452	36,285,036	-	51,063,488
Others	-	572,268	-	572,268
	14,778,452	36,857,304	-	51,635,756
	Balance at 1 September 2016	Additions	Transferred to PPE	Balance at 31 August 2017
Badr University	1,506,437	36,686,184	(23,414,169)	14,778,452
Others	1,904,223	9,449,189	(11,353,412)	-
	3,410,660	46,135,373	(34,767,581)	14,778,452

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

8. Work in progress

	31 May 2018	31 August 2017
Cairo Heights projects - residential buildings	21,511,926	21,511,926
Commercial mall land	2,578,010	2,578,010
	24,089,936	24,089,936

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

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9. Investments in associates

	% of ownership 2018	% of ownership 2017	31 May 2018	31 August 2017
New Soft	23%	23%	303,835	303,835
Perdive for Programming	48.5%	0%	255,000	-
Egyptian Health Care	27.4%	22.5%	31,786,070	21,250,000
			32,344,905	21,553,835
Less: Impairment of investments in associates			(303,835)	-
			32,041,070	21,553,835

10. Unconsolidated subsidiaries

Historical cost of investments in unconsolidated subsidiaries is as follows:

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

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

11. Held to maturity investment

	31 May 2018	31 August 2017
Investments certificates	1,000,000	1,000,000

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

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12. Inventories

	31 May 2018	31 August 2017
Computer and electrical equipment	635,738	890,855

13. Debtors and other debit balances

	31 May 2018	31 August 2017
Advances to suppliers	44,058,322	45,645,372
Prepaid expenses	13,484,042	7,777,235
Accrued revenues	9,865,536	7,574,297
Withholding tax	3,715,476	2,615,227
Payments under investment in subsidiaries	3,226,091	27,354,329
Due from related parties (Note 28)	156,202	5,174,378
Other debit balances	6,091,357	4,264,361
	80,597,026	100,405,199
	(1,840,933)	(2,819,149)
Less: Impairment in debtors and other debit balances	78,756,093	97,586,050

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

	31 May 2018	31 August 2017
Balance at the beginning of the period/year	2,819,149	1,389,942
Formed during the period/year	-	2,780,804
Write back of impairment	(978,216)	-
Write-offs during the year	-	(1,351,597)
Balance at the end of the period/year	1,840,933	2,819,149

- As at 31 May 2018, accrued revenue, due from related parties and other debit balances of EGP 14,272,162 (31 August 2017: EGP 14,193,887) were fully performing.
- As at 31 May 2018, debtors and other debit balances of EGP 1,840,933 (31 August 2017: EGP 2,819,149) were impaired.

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14. Cash on hand and at banks

	31 May 2018	31 August 2017
Current accounts with banks	10,847,653	44,495,016
Term deposits	37,081,385	9,500,000
Cash in hand	278,235	636,286
	48,207,273	54,631,302

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

Term deposits are due within periods of 180 days from date of placement (31 August 2017: 90 days). These have interest rates ranging from 7.5% and 14.5% (31 August 2017: 7.5% and 15%) per annum.

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

	31 May 2018	31 August 2017
Cash on hand and at banks	48,207,273	54,631,302
Term deposits due after 3 months from date of deposit	(13,000,000)	-
Restricted cash at banks	(2,448,000)	-
	32,759,273	54,631,302

15. Share capital

The Parent Company's authorised capital amounted to EGP 219,116,130. The issued share capital amounted to EGP 219,116,130 distributed over 21,911,613 shares with a nominal value of EGP 10 per share. All the shares are fully paid in cash.

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

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

Subsequent to the balance sheet date, on 6 May 2018, the Extra Ordinary General Assembly meeting approved the split of the Parent Company's shares with a ratio of 25 shares per each share accordingly, number of shares of the Parent Company's' 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.

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16. Reserves

A. Legal and statutory reserves

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

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

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

B. Special reserve

Special reserve represents an amount of EGP 7,852,416 of extinguishment of liability due to an entity related to a major shareholder of the ultimate parent "Social Impact Capital LTD", recognised directly in the special purpose consolidated statement of changes in shareholder's equity after deducting related tax effect of EGP 1,766,794 (Note 28). This transactions is considered to be done with shareholders in their capacity as shareholders.

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

	Balance at 1 September 2017	Formed during the period	Balance at 31 May 2018
Legal reserve	8,720,685	1,954,017	10,674,702
Statutory reserve	8,288,678	1,954,017	10,242,695
Special reserve	-	6,085,622	6,085,622
	17,009,363	9,993,656	27,003,019
	Balance at 1 September 2016	Formed during the year	Balance at 31 August 2017
Legal reserve	7,623,016	1,097,669	8,720,685
Statutory reserve	7,191,009	1,097,669	8,288,678
	14,814,025	2,195,338	17,009,363

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17. Borrowings and credit facilities

Statement	Current portion		Non-Current portion	
	31 May 2018	31 August 2017	31 May 2018	31 August 2017
QNB - credit facilities	19,979,779	7,067,395	-	-
Arab Investment Bank- credit facilities	3,165,630	26,387	-	-
QNB loan (2)	19,000,000	25,500,000	46,000,000	55,500,000
QNB loan (3)	483,400	483,400	1,208,500	1,450,200
International Company for Finance Lease	7,846,758	5,878,264	15,726,898	21,549,824
Upper Egypt Finance lease	710,450	647,716	1,384,955	1,869,497
	51,186,017	39,603,162	64,320,353	80,369,521

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

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

Qatar National Bank Loan (2)

During the year of 2015, the Parent Company signed a contract with Qatar National Bank for a long term loan of EGP 100 million, at an interest rate of 2% above the Central Bank of Egypt (CBE) lending rate, with a grace period of 12 months from the date of signing the contract ending in 27 February, 2016, payable on 11 semi-annual instalments and the due date of the first instalment was 28 February 2016.

The loan is jointly guaranteed by the Social Impact Capital (main shareholder) and Cairo Educational Services Company (subsidiary), International Information Technology Company (subsidiary) and the Egyptian Company for IT Systems (subsidiary) International Company for Education Systems (subsidiary). The outstanding balance of this loan as of 31 May 2018 is EGP 65 million (31 August 2017: EGP 81 million).

Qatar National Bank Loan (3)

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

The balance of this loan as of 31 May 2018 amounted to EGP 1,691,900 (31 August 2017: EGP 1,933,600).

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Borrowings and credit facilities (continued)

The principal guarantees of the above loans are:

- Transfer all income generated from operations of the schools and Badr University to a special account with the lending bank and is used as an additional repayment method for the principal and interest.
 - Dividends are not to be distributed unless all loans related obligations for respective year are fulfilled.
 - Assets are not to be sold or pledged or given to third parties without obtaining a written approval from the bank.
 - Shareholders' equity in the consolidated financial statements should not be less than LE 190 million.
- Maintain leverage ratio (total liabilities / equity) below 1.2 : 1 and the debt service rate (earnings before interest, tax, depreciation / total financial liabilities) above 1.2 : 1,

International Company for Finance Lease (Incolease)

On 23 February 2010, the Parent Company signed a preliminary contract with Incolease to obtain a finance lease of EGP 31.9 million for sale and leaseback of a plot of land owned by the Group at an interest rate equal to the lending rate announced by the Central Bank of Egypt. Payable over 84 monthly instalments starting 3 May 2010. Since this transaction does not qualify in its substance to be sale and leaseback transaction as it represent a collateralised loan by the asset "the plot of land " and since this transaction is outside the scope of EAS 20 " Accounting rules and standards relating to finance lease " the transaction was not considered as a sale and leaseback, instead, it was regarded as a loan agreement subject to the above mentioned conditions.

During the period ended 31 August 2016, the Company obtained the second tranche of the loan under the same terms mentioned above. The total balance of the loan as of 31 May 2018 was EGP 23,573,656 including interest (31 August 2017: EGP 27,428,088).

Upper Egypt Finance Lease

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

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

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

Balance of the loan including interest as of 31 May 2018 is EGP 2,095,405 (31 August 2017: EGP 2,517,213).

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18. Creditors and other credit balances

	31 May 2018	31 August 2017
Deferred revenues	35,614,568	126,895,036
Accrued expenses	34,995,317	49,486,550
Due to related parties (Note 28)	-	36,047,922
Dividends payables	11,765,469	8,816,780
Land purchase payables	4,851,058	-
Due to government agencies	14,635,427	8,444,992
Suppliers and contractors	25,407,483	8,336,725
Other credit balances	16,758,295	9,604,804
	144,027,617	247,632,809

19. Income taxes

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

	Nine months ended 31 May 2018	Nine months ended 31 May 2017
Current income tax	48,916,277	28,495,721
Deferred tax (note 20)	813,621	110,960
	49,729,898	28,606,681

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

	Nine months ended 31 May 2018	Nine months ended 31 May 2017
Accounting profit before tax	215,127,268	122,963,146
Income tax on basis of applicable tax rate	48,403,635	27,666,708
Add/ (less):		
Non-deductible expenses	1,326,263	939,973
Tax per the statement of profit or loss	49,729,898	28,606,681

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

	31 May 2018	31 August 2017
Balance, at the beginning of the period / year	23,421,486	13,560,954
Payments made during the period / year	(22,095,619)	(12,328,113)
Charged to the special purpose consolidated statement of profit or loss during the period / year	48,916,277	22,188,645
Charged to the special purpose consolidated statement of changes in shareholders' equity	1,766,794	-
Balance at the end of the period / year	52,008,938	23,421,486

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20. Deferred tax liabilities

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

	Acquisition of		
	Balance as at 1 September 2017 Asset / (Liability)	subsidary (Note 30) Asset / (Liability)	Movement for the year Revenue / (expense)
Property, plant and equipment	(2,403,629)	21,402	(813,621)
	(2,403,629)	21,402	(813,621)
	Balance as at 1 September 2016 Asset / (Liability)	Movement for the year Revenue / (expense)	Balance as at 31 August 2017 Asset / (Liability)
Property, plant and equipment	(2,620,341)	216,712	(2,403,629)
	(2,620,341)	216,712	(2,403,629)

21. Provisions

Tax provision Legal provision		31 May 2018	31 August 2017
		26,439,019	24,994,828
		989,047	1,016,797
		27,428,066	26,011,625

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

	31 May 2018		
	Balance at the beginning of the period	Provided during the period	Used during the period
Tax provision	24,994,828	2,625,000	(1,180,809)
Legal provision	1,016,797	-	(27,750)
	26,011,625	2,625,000	(1,208,559)
	31 August 2017		
	Balance at the beginning of the year	Provided during the year	Used during the year
Tax provision	22,914,828	2,080,000	-
Legal provision	1,080,172	-	(63,375)
	23,995,000	2,080,000	(63,375)
			24,994,828
			1,016,797
			26,011,625

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Provision (continued)

Tax provisions

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

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

If the estimations related to formed provisions have changed by 10% (increase or decrease), the impact on the special purpose consolidated statement of profit or loss will be EGP 1,968,000 (increase or decrease) (31 August 2017: EGP 1,968,000).

Additionally, provisions of EGP 6,759,019 were formed against uninspected prior years (31 August 2017: EGP 5,314,828) based on management's and the Group's external independent tax expert's estimations and in light of actual tax claims.

Legal provision

Provisions of EGP 989,047 (31 August 2017: EGP 1,016,797) were formed against probable legal claims based on the Group's legal advisor. The provisions is adjusted for each amendment per each case separately.

If the estimations related to formed provisions have changed by 10% (increase or decrease), the impact on the special purpose consolidated statement of profit or loss will be EGP 98,904 (31 August 2017: 101,697) (increase or decrease).

22. Operating revenues

	Nine months ended 31 May 2018	Nine months ended 31 May 2017
Tuition revenue	441,667,742	294,461,493
Bus revenue	26,959,249	17,601,737
Admission revenue	11,502,780	6,682,601
Other operating income	7,774,328	7,239,129
	487,904,099	325,984,960

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23. Operating costs

	Nine months ended 31 May 2018	Nine months ended 31 May 2017
Employees' wages, salaries and benefits	96,208,245	64,605,697
Depreciation expenses	33,118,469	27,183,999
Teaching tools, books and aids expenses	24,470,215	18,926,444
Maintenance, electricity, utilities, communications expenses	15,267,555	5,829,723
Transportation expenses	16,158,195	10,619,203
Rentals	8,754,973	7,811,250
Professional and consulting fees and charges, and penalties	8,392,665	3,937,067
Other expenses	7,289,487	3,770,374
	209,659,804	142,683,757

24. General and administrative expenses

	Nine months ended 31 May 2018	Nine months ended 31 May 2017
Employees' wages, salaries and benefits	25,476,450	17,166,356
Professional and consulting fees and charges, and penalties	14,470,270	16,063,413
Maintenance, electricity, utilities, communications expenses	8,659,553	6,365,130
Other expenses	6,207,954	4,771,705
Operating and finance leases	1,519,273	1,379,508
Impairment losses of investments in associates	303,835	-
Depreciation expenses	292,377	226,650
Salaries and allowances for board and committees members and board of trustees	258,507	691,000
	57,188,219	46,663,762

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25. Expenses by nature

	Nine months ended 31 May 2018	Nine months ended 31 May 2017
Employees' wages, salaries and benefits	121,943,202	82,463,053
Depreciation expenses	33,410,846	27,410,649
Professional and consulting fees and charges, and penalties	22,862,935	20,000,480
Teaching tools, books and aids expenses	24,470,215	18,926,444
Maintenance, electricity, utilities, communications expenses	23,927,108	12,194,853
Impairment losses of investments in associates	303,835	-
Rentals	10,274,246	9,190,758
Transportation expenses	16,158,195	10,619,203
Other expenses	13,497,441	8,542,079
	266,848,023	189,347,519

26. Other income

	Nine months ended 31 May 2018	Nine months ended 31 May 2017
Reversal of payables	1,176,990	-
Sundry rentals	1,783,049	822,784
Gas station rental	1,000,386	957,900
Gain on sale of property, plant and equipment (Note 28)	1,902,212	398,251
Group share of profit of associates	536,070	-
Sundry revenues	882,530	29,478
	7,281,237	2,208,413

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27. Net finance costs

	Nine months ended 31 May 2018	Nine months ended 31 May 2017
Interest expenses	8,959,386	3,260,280
Foreign exchange losses	(50,901)	(954,246)
Interest income	(19,493,530)	(16,763,742)
	(10,585,045)	(14,457,708)

28. Related party transactions

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

<u>Due from related parties</u>			
<u>Company</u>	<u>Nature of relation</u>	31 May 2018	31 August 2017
Egyptian Company for Numbering	Others	140,379	140,379
Egyptian Company for Schools	Subsidiary	-	5,018,176
Egyptian Company for Supplying		15,823	15,823
and Operating offices	Others	156,202	5,174,378
<u>Due to related parties</u>			
<u>Company</u>	<u>Nature of relation</u>	31 May 2018	31 August 2017
Social Impact Capital	Major Shareholder	-	8,112,844
Future for Educational Activities	Others	-	12,863,843
Nations Real Estate	Others	-	1,060,310
Alex Company for Educational	Unconsolidated	-	306,121
Services	subsidiary		
Egyptian Healthcare	Associate	-	13,704,804
		-	36,047,922

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Related party transactions (continued)

Related party transactions during the period:

Company	Movement/transactions	
	31 May 2018	31 May 2017
<u>Social Impact Capital</u>		
Bank transfers	8,112,844	-
Capital increase (Note 15)	-	89,612,180
<u>Nations for Real Estate</u>		
Bank transfers	1,060,310	-
<u>Egyptians Health Care</u>		
Contributions in share capital	13,704,804	-
<u>Future for Educational Activities</u>		
Sale of fixed assets	5,011,427	-
Extinguishment of liability	7,852,416	-
Alex Company for Educational Services		
Reversals of payables	306,121	-
<u>Egyptian Company for Schools</u>		
Acquisition of subsidiary	(5,018,176)	-

- On 7 May 2018, the management of the Parent Company signed a contract with Future Educational Activities (entity owned by a shareholder in the ultimate parent Company) whereby the Parent Company sells both a building and a land of one of the schools owned by Parent Company. Parent Company valued the building and land using the future economic benefits approach whereby it used information about the expected values of the profits of the school and deducted the related selling costs. This sale was made for the amount of LE 5,011,427 and recognized a gain on disposal of property, plant and equipment of EGP 1,902,212 (Note 26).

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

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

- In addition to the above, transactions Social Impact Capital Ltd. "main shareholder of the Parent Company" provide consulting services to Cairo for Investment and Real Estate Development S.A.E. "Parent Company" and Educational Systems International "subsidiary of the Parent Company" for a monthly fee of EGP 403,000 (2017: EGP 303,000) collectively.

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29. Non-controlling interest

The movement of non-controlling interests in subsidiaries included in the special purpose consolidated financial statements for the period is as follows

	Share capital	Reserves	Retained earnings	Total
Balance at 1 September 2017	27,288,440	1,508,791	11,792,847	40,590,078
Capital attributable to non-controlling interests of acquired entities	20,158,244	-	-	20,158,244
Dividends	-	-	(3,540,537)	(3,540,537)
Profit for the period	-	-	8,198,690	8,198,690
Balance at 31 May 2018	47,446,684	1,508,791	16,451,000	65,406,475

	Capital	Reserves	Retained earnings	Total
Balance at 1 September 2016	27,288,440	1,207,550	12,263,728	40,759,718
Reserves	-	301,241	(301,241)	-
Dividends	-	-	(4,737,032)	(4,737,032)
Profit for the year	-	-	4,567,392	4,567,392
Balance at 31 August 2017	27,288,440	1,508,791	11,792,847	40,590,078

30. Goodwill and acquisitions

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

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

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

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Goodwill and acquisitions (continued)

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

- Growth rate 5.5%
- Discount rate 18%

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

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

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

	31 May 2017
Acquisition cost as of 31 May 2018	
Cash paid*	25,243,206
Total acquisition cost	25,243,206

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

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

	31 May 2017
Property, plant and equipment	45,502,918
Deferred tax assets	21,403
Cash at banks	3,181
Other liabilities	(126,052)
Net fair values of assets acquired	45,401,450
Non-controlling interests at the date of acquisition	(20,158,244)
Cash paid	(25,243,206)
Goodwill	-

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31. Earnings per share.

(a) Basic:

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

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

	31 May 2018	31 May 2017
Net profit attributable to the owners of the Parent Company	157,198,680	88,611,857
Weighted average number of ordinary shares outstanding during the period before stock split (Note 15)	21,911,613	18,130,281
Weighted average number of ordinary shares outstanding during the period after stock split (Note 15)	547,790,325	291,908,721
Basic Earnings per share before stock split (Note 15)	7.17	4.89
Basic Earnings per share after stock split (Note 15)	0.29	0.30

(b) Diluted

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

32. Tax position

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

(A) Corporate income tax

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

The Company was inspected for the years from 2000 until 2004 on a deemed basis at a total tax of EGP 5,793,131. The Company was notified of Forms 18 and 19 Tax of Fund Corporates and they were appealed on the legal deadlines and dispute has not been settled yet in the Internal Committee.

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

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

(B) Withholding tax

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

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Tax position (continued)

(C) Tax on earnings

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

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

(D) Stamp duty

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

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

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

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

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

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

(A) Corporate income tax

Years from 1992 till 1993:

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

Years from 1994 till 1995:

The company was inspected for the corporate income tax for the years 1994 and 1993 with amount of 44,188 EGP and form 18 was notified and objected and form 19 was notified and objected and has been appealed. The file was referred to the appeal committee and then referred to the specialized court, and the company has paid the tax according to the appeal committee decision.

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Tax position (continued)

Years from 1996 till 2001:

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

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

Years from 2002 till 2004:

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

Years from 2005 till 2008:

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

Years from 2009 till 2010:

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

Years from 2011 till 2012:

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

Years from 2013 till 2016:

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

(B) Stamp duty tax

Years from Sep 1, 1992 till Oct 31, 1997:

The company was inspected until 31/10/1997. The company was notified of 3 stamp forms and an internal committee was set up and the tax payable by the company was paid.

Years from Nov 1, 1997 till Sep 30, 2002:

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

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Tax position (continued)

Years from Oct 1, 2002 till Oct 31, 2005:

The company was inspected and notified to the company in the form of 3, 4 stamps and was objected. The file was referred to the appeal committee and the final decision was approved by the appeal committee in the amount of 22,946 EGP.

(C) Salaries Tax

Years from 1992 till 1994:

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

Years from 1995 till 1999:

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

Years from 2000 till 2001:

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

Years from Jan 1, 2005 till June 30, 2005:

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

Years from July 1, 2005 till 2010:

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

(D) Sales Tax

The company submits sales tax return on a regular basis and at the legal times. The company was inspected from the start of the activity until 2005 and the tax differences resulting from the inspection as well as the additional tax were paid and the company was inspected for the years 2006 until 2013. Form 15 was issued at 4,464,855 EGP. The form is in legal times and legal proceedings are being completed until the dispute with the authority is resolved.

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

(A) Corporate income tax

Years from 2005 to 2017

Tax returns were submitted on the legal deadline and the Company is exempted from taxes until 4 May 2008 in accordance with law No. 91 of 2005.

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

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Tax position (continued)

(B) Tax on earnings

Years from 2005 to 2017

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

(C) Stamp duty

Years from 2005 to 2017

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

(D) Sales tax

Years from 2005 to 2017

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

(4) Global Educational Technology “LLC”.

(A) Corporate income tax

Years from 2003 to 2004

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

Years from 2005 to 4 May 2008

The Company submits tax returns on the legal deadlines.

The Company is exempted from the commercial profits tax in accordance with Law No. 91 of 2005.

Years from 2008 to 2017

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

(B) Tax on earnings

Years from 2003 to 2017

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

(C) Stamp duty

Years from 2003 to 2017

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

(D) Sales tax

Years from 2003 to 2017

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

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Tax position (continued)

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

(A) Corporate income tax

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

(B) Tax on earnings

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

(C) Stamp duty

The Company has not been notified of the inspection since the start of activity until now.

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

(A) Corporate income tax

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

(B) Tax on earnings

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

(C) Stamp duty

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

(7) Badr University

(A) Corporate income tax

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

The University's records were not inspected from the date of inception until 31 August 2016.

(B) Payroll tax

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

The University's records were not inspected from 1 September 2016 until 31 August 2017.

(C) Stamp duty

The University's records were not inspected from inception until 31 August 2017.

(D) Withholding tax

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

The University's records were not inspected from 1 September 2014 until 31 August 2017.

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33. Commitments

A. Capital commitments

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

	31 May 2018	31 August 2017
Fixed assets	3,624,145	12,039,370

B. Leasing commitments

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

Total future payments for the lease contracts are as follows:

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

34. Subsequent event

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