

GB Auto (S.A.E.)
(An Egyptian Joint Stock Company)

Consolidated Interim Financial Statements
For The Financial period Ended March 31, 2022
And Limited Review Report

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Hazem Hassan
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Translation of limited review report
Originally issued in Arabic

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Limited review report on consolidated interim financial statements

To: The Board of Directors of GB Auto (S.A.E)

Introduction

We have performed a limited review for the accompanying consolidated balance sheet of GB Auto (S.A.E) as at March 31, 2022 and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for the three -month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements (no. 2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

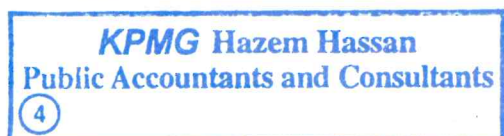
Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2022 and of its financial performance and its cash flows for the three -month then ended in accordance with Egyptian Accounting Standards.

KPMG Hazem Hassan

Public Accountants & Consultants

Cairo May 19, 2022



GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Financial Position
as at March 31, 2022

(All amounts in thousand Egyptian Pound)	Note No.	31 March 2022	31 December 2021
Assets			
Non-current assets			
Property, plant, equipment and projects under construction (Net)	(16)	4 471 374	4 208 324
Assets right of use	(17)	494 000	440 333
Intangible assets and goodwill	(18)	448 436	449 990
Payments under investment	(31)	54 528	54 528
Investment in associate	(35)	588 435	622 910
Other investments	(36)	104 000	104 000
Long term notes receivables (Net)	(12)	5 817 434	5 758 369
Deferred tax assets	(10-B)	248 300	331 341
Investment property	(19)	90 905	90 905
Debtors and other debit balances	(14-A)	305 444	688 262
Total non-current assets		12 622 856	12 748 962
Current assets			
Inventories (Net)	(11)	5 743 890	4 203 342
Accounts and notes receivables (Net)	(13)	11 767 546	10 239 476
Debtors and other debit balances (Net)	(14-B)	3 132 080	2 787 409
Due from related parties	(34)	234 526	193 228
Cash on hand and at banks	(15-A)	2 125 685	1 935 644
Total current assets		23 003 727	19 359 099
Total assets		35 626 583	32 108 061
Equity			
Issued and paid in capital	(20)	1 094 010	1 094 010
Treasury bills	(21)	(8 510)	(8 510)
General risk reserve	(40)	49 472	49 472
Legal reserve	(22)	524 727	523 961
Other reserves	(23)	2 466 506	2 140 621
Private risk reserve - Non banking financial service	(39)	90 399	90 399
Retained Earning		2 017 858	547 392
Net Profit for the period / year		229 394	1 477 953
Equity attributable to shareholders of the parent		6 463 856	5 915 298
Non-controlling interests	(24)	1 846 843	1 649 730
Total equity		8 310 699	7 565 028
Liabilities			
Non-current liabilities			
Loans	(26)	3 810 787	3 514 992
Long term notes payables and creditors		263 920	588 088
Right of use Liability		316 721	327 299
Warranty provisions	(28)	7 723	13 909
Deferred tax liabilities	(10-B)	337 693	348 657
Total non-current liabilities		4 736 844	4 792 945
Current liabilities			
Provisions	(28)	276 346	225 970
Current tax liabilities	(10-A)	461 258	351 279
Loans, borrowings and overdrafts	(26)	14 412 173	13 628 224
Due to related parties	(34)	171 763	125 998
Trade payables and other credit balances	(27)	7 257 500	5 418 617
Total current liabilities		22 579 040	19 750 088
Total liabilities		27 315 884	24 543 033
Total equity and liabilities		35 626 583	32 108 061

* The accompanying notes form an integral part of these consolidated financial statements, and to be read therewith.

Group Chief Financial Officer
Executive Board Member
Abbas Elsayed

Executive Board Member
Nader Chabbour

**Limited Review report "attached"

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Income
for the financial period ended

(All amounts in thousand Egyptian Pound)	Note No.	31 March 2022	31 March 2021
Operating revenue		7 842 085	6 827 594
Operating cost		(6 008 545)	(5 474 624)
Gross profit		1 833 540	1 352 970
Other income	(6)	87 480	39 819
Selling and marketing expenses		(585 490)	(283 906)
General and administrative expenses		(375 160)	(427 895)
Provisions and Impairment of Current and Non-Current assets (Net)	(8)	(36 217)	(69 202)
Operating results		924 153	611 786
Finance costs (Net)	(7)	(337 861)	(146 627)
Investment in associates and liquidation losses	(35)	(27 286)	(1 328)
Net profit for the period before income tax		559 006	463 831
Income tax (expense)	(10-C)	(193 359)	(114 305)
Net profit for the period		365 647	349 526
Attributable to:			
Shareholder's of the parent company		229 394	298 850
Non-controlling interests		136 253	50 676
		365 647	349 526
Basic earnings(EGP/Share)	(9)	0.210	0.273

* The accompanying notes form an integral part of these consolidated financial statements, and to be read therewith.

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim Statement of Comprehensive Income
for the financial period ended

(All amounts in thousand Egyptian Pound)	<u>Note No.</u>	<u>31 March 2022</u>	<u>31 March 2021</u>
Net profit for the period after income tax		365 647	349 526
Other comprehensive income items			
Foreign currency translation difference		395 258	(15 630)
Modification surplus of fixed assets result		(3 966)	(6 872)
Total other comprehensive income for the period before income tax		391 292	(22 502)
Income tax related to other comprehensive income item		875	2 046
Other comprehensive income for the period after income tax		392 167	(20 456)
Total other comprehensive income for the Period		757 814	329 070
Other comprehensive income is attributable to:			
Shareholder's of the parent company		555 286	282 241
Non-controlling interests		202 528	46 829
		757 814	329 070

* The accompanying notes form an integral part of these consolidated financial statements, and to be read therewith.

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Changes in Equity
for the financial period ended

31 March 2022

(All amounts in thousand Egyptian Pound)

Changes in equity of the parent company														
Note No.	Share capital	Legal reserve	Treasury Bills	Foreign currency translation reserve	ESOP (Fair value) reserve	Revaluation surplus of fixed assets reserve	Share premium (Special reserve)	General risk reserve	Private risk reserve - Non banking financial service	Retained Earning	Net profit for the period	Total	Non-Controlling interests	Total equity
Balance at December 31, 2021	1 094 010	523 961	(8 510)	1 067 263	88 882	80 435	904 041	49 472	90 399	547 392	1 477 953	5 915 298	1 649 730	7 565 028
Transferred to retained earnings	-	-	-	-	-	-	-	-	-	1 477 953	(1 477 953)	-	-	-
Total comprehensive income														
Net profit for the period	-	-	-	-	-	-	-	-	-	-	229 394	229 394	136 253	365 647
Modification surplus of fixed assets after income tax (Net)	-	-	-	-	-	(3 091)	-	-	-	3 966	-	875	-	875
Other Comprehensive income items	-	-	-	328 976	-	-	-	-	-	-	-	328 976	66 282	395 258
Total comprehensive income	-	-	-	328 976	-	(3 091)	-	-	-	3 966	229 394	559 245	202 535	761 780
Transactions with owners of the Company														
Decrease capital of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(5 353)	(5 353)
Dividends Distribution	-	-	-	-	-	-	-	-	-	(10 687)	-	(10 687)	(69)	(10 756)
Transferred to legal reserve	-	766	-	-	-	-	-	-	-	(766)	-	-	-	-
Total Transactions with owners of the company	-	766	-	-	-	-	-	-	-	(11 453)	-	(10 687)	(5 422)	(16 109)
Balance at March 31, 2022	1 094 010	524 727	(8 510)	1 396 239	88 882	77 344	904 041	49 472	90 399	2 017 858	229 394	6 463 856	1 846 843	8 310 699

* The accompanying notes form an integral part of these consolidated financial statements, and to be read therewith.

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Changes in Equity
for the financial Period ended 31 March 2021

31 March 2022

(All amounts in thousand Egyptian Pound)

Changes in equity of the parent company														
Note No.	Share capital	Legal reserve	Treasury Bills	Foreign currency translation reserve	ESOP (Fair value) reserve	Revaluation surplus of fixed assets reserve	Share premium (Special reserve)	General risk reserve	Private risk reserve - Non banking financial service	Retained Earning	Net profit for the year	Total	Non-Controlling interests	Total equity
Balance at December 31, 2020	1 094 010	451 064	(8 000)	1 057 721	88 882	97 833	911 981	-	-	20 333	916 955	4 630 779	1 485 969	6 116 748
Adjustments on opening balance														
Invstement in associate losses	(35) -	-	-	-	-	-	-	-	-	(2 680)	-	(2 680)	-	(2 680)
Balance at December 31, 2020 Restated	1 094 010	451 064	(8 000)	1 057 721	88 882	97 833	911 981	-	-	17 653	916 955	4 628 099	1 485 969	6 114 068
Transferred to retained earnings	-	-	-	-	-	-	-	-	-	916 955	(916 955)	-	-	-
Total comprehensive income														
Net profit for the year	-	-	-	-	-	-	-	-	-	-	298 850	298 850	50 676	349 526
Modification surplus of fixed assets after income tax (Net)	-	-	-	-	-	(4 826)	-	-	-	6 874	-	2 048	-	2 048
Other Comprehensive income items	-	-	-	(11 783)	-	-	-	-	-	-	-	(11 783)	(3 847)	(15 630)
Total comprehensive income	-	-	-	(11 783)	-	(4 826)	-	-	-	6 874	298 850	289 115	46 829	335 944
Transactions with owners of the Company														
The impact of applying the new Egyptian standards.	-	-	-	-	-	-	-	-	-	80 338	-	80 338	24 378	104 716
General risk reserve for the year	-	-	-	-	-	-	-	100 272	-	(100 272)	-	-	-	-
Private risk reserve - Non banking financial service	-	-	-	-	-	-	-	-	94 003	(94 003)	-	-	-	-
Dividends Distribution	-	-	-	-	-	-	-	-	-	(328 203)	-	(328 203)	(53 480)	(381 683)
Selling Treasury Bills	-	-	8 000	-	-	-	22 232	-	-	-	-	30 232	-	30 232
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	588	588
Transferred to legal reserve	-	4 394	-	-	-	-	-	-	-	(4 394)	-	-	-	-
Total Transactions with owners of the company	-	4 394	8 000	-	-	-	22 232	100 272	94 003	(446 534)	-	(217 633)	(28 514)	(246 147)
Balance at March 31, 2021	1 094 010	455 458	-	1 045 938	88 882	93 007	934 213	100 272	94 003	494 948	298 850	4 699 581	1 504 284	6 203 865

* The accompanying notes form an integral part of these interim consolidated financial statements, and to be read therewith.

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Cash Flows
for the financial period ended

(All amounts in thousand Egyptian Pound)

	Note No.	31 March 2022	31 March 2021
Net profit for the period before tax		559 006	463 831
<u>Adjustments for:</u>			
Interest expense	(7)	199 636	144 897
Depreciation and amortization for the period	(16,17,18)	154 649	93 881
Provisions movements (net)	(28)	49 821	18 932
Impairment losses on current assets (net)		12 177	51 584
Interest income	(7)	(72 933)	(25 649)
Gain from sale of property, plant, equipment and assets held for sale	(6)	(3 415)	(1 309)
Investment in associates and liquidation losses		27 286	1 328
Foreign currency translation losses		254 663	-
Foreign Currency revaluation difference losses (unrealized)		211 158	-
		1 392 048	747 495
<u>Changes in:</u>			
Inventories		(1 529 887)	(399 449)
Accounts and notes receivables		(1 605 686)	(1 680 417)
Debtors and other debit balances		63 337	(372 295)
Due from related parties		(45 115)	(69 144)
Due to related parties		45 765	327
Payment rent for asset right of use		(16 301)	-
Proceeds from loans and borrowings		1 297 498	885 957
Trade payables and other credit balances		1 625 054	1 043 375
Cash provided from operating activities		1 226 713	155 850
Provisions used		(8 662)	(9 711)
Income tax paid		(10 428)	(3 097)
Dividends paid - employees and board of directors		-	(29 328)
Net cash provided from operating activities		1 207 623	113 714
<u>Cash flows from investing activities</u>			
Payments for property, plant, equipment and projects under constructions		(480 935)	(88 917)
Payments for intangible assets		-	(23)
Interest income received		10 542	25 649
Payment under investment		-	(64 456)
Payment in Investment in associates		34 475	-
Proceeds from sale of property, plant, equipment and assets held for sale		12 985	30 939
Net cash (used in) investing activities		(422 932)	(96 808)
<u>Cash flows from financing activities</u>			
Proceeds from non controlling interest to increase capital of subsidiaries		-	588
Dividends paid -Non Controlling interest		(69)	(53 480)
Gain From selling Treasury bills		-	30 232
Proceeds from loans and borrowings		(217 754)	412 319
Decrease capital of subsidiary		(5 361)	-
Long-Term notes payable		(324 168)	45 900
Interest expense paid		(161 331)	(184 041)
Net cash(used in) / provided from financing activities		(708 683)	251 518
Net Increase in cash and cash equivalents		76 007	268 424
Cash and cash equivalents at the beginning of the period		1 935 644	1 797 830
Effect of movements in exchange rates on cash and cash equivalents		114 068	(6 153)
Cash and cash equivalents at end of the period	(15-B)	2 125 720	2 060 101

* The accompanying notes form an integral part of these consolidated financial statements, and to be read therewith.

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

1- Background of the Group

GB Auto Co. is an Egyptian joint stock Company incorporated on July 15, 1999 under the name of GB Capital for Trading and Capital Lease and under Law No. 159 of 1981, and was registered in the commercial register under No. 3422, Cairo.

Based on the decision of the Extraordinary General Assembly Meeting held on April 26, 2007, it has been agreed to change the Company's name to be GB Auto. This amendment was registered in the commercial register on May 23, 2007.

The Company is domiciled in the Industrial Zone – Abou Rawash Kilo meter 28 Cairo – Alexandria Desert Road, Arab Republic of Egypt.

The Company and its subsidiaries (will be referred to as "the Group") main activities include trading, distributing and marketing of all transportation means including heavy trucks, semi-trucks, passenger cars, buses, mini buses, micro buses, agriculture tractors, pick-ups, mechanical tools equipment for sail movement and motors with their different structures and types whether locally manufactured and imported new and used ones and trading in spare parts, accessories whether locally manufactured or imported and tires for vehicles and equipment whether locally manufactured or imported. The Group also undertakes import and export activities, selling locally manufactured and imported products for cash, on credit or through finance leasing and microfinance. Also trade in all goods including light truck and sale by instalments and provide services of factoring and nonbanking financial services. The factoring services intended to buy existing and future rights of sellers of goods and services and provide related services.

The major shareholder's of the Company are Dr. Raouf Ghabbour and his family who collectively owns approximately 62.89% of the Company's shares as at March 31, 2022.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on May 19, 2022.

2- Basis of preparation of consolidated financial statements

The consolidated interim financial statements have been prepared in accordance with an updated Egyptian Accounting Standards (EAS) and the related Egyptian laws and regulations.

The Company's management adopted the special accounting treatment stated in annex (A) of the modified Egyptian Accounting Standard no. (13) as amended in 2015, "The Effects of Changes in Foreign Exchange Rates, whereby both the cost and accumulated depreciation of some fixed assets categories are modified using modification factors which are stated in the above- mentioned annex.

On August 14, 2018, Law No. 176 of 2018 was issued, regulating the activities of financial leasing and factoring. And article 1 of this law stipulates the abolition of Law No. 95 of 1995 on financial leasing.

The Ministry of Investment and International Cooperation issued Resolution No. 69 of 2019 on April 7, 2019, amending some provisions of the Egyptian accounting standards, including the abolition of the Egyptian Accounting Standard No. (20) rules and accounting standards related to financial leasing and replaced it with the Egyptian Accounting Standard No. (49) leasing contracts.

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

The Egyptian standard is applied to financial periods beginning on or after January 2020. Early application is permitted if Egyptian Accounting Standard (48) " Revenue from Contracts with Customers 2019 " is applied at the same time. As an exception, the first date of application shall be the beginning of the annual report period in which the Financial Leasing Law No. 95 of 1995 -and its amendments - was abolished, The issuance of the Financial Leasing and Factoring Activities Law No. 176 of 2018 (January 1, 2018) for financial leasing contracts that were subject to Law 95 of 1995 as well as contracts that are subject to Law 176 of 2018 and were to be processed in accordance with the Egyptian Accounting Standard No. (20) "Accounting Rules and Standards" Related to finance lease "

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015, which include some new accounting standards as well as introducing amendments to certain existing standards. Given the current circumstances that the country is going through due to the outbreak of the new Corona virus and its Economic and financial effects related to it, in addition implementing prevention measures and countering its spread from imposing restrictions on the presence of human resources in companies at their full capacity on a regular basis. The Higher Committee for the Review of Egyptian Accounting Standards , Limited review, and Other Verification Tasks Formulated by Prime Minister Decision No. 909 of 2011 which states that the application of the New Egyptian Accounting standards can be postponed and the amendments related to this issued by decision No. 69 on the annual financial statements of these companies at the end of 2020 and include the combined effect for the whole year By the end of 2020 the laws have been postponed again on January 1, 2021, based on the Prime Minister's decision No. 1871 of 2020 The most prominent amendments are as follows:

- Egyptian Accounting Standard No (47) Financial Instrument
- Egyptian Accounting Standard No (48) Revenue from contracts with customers
- Egyptian Accounting Standard No (49) Operating lease

The company has assessed the impact of the new accounting standards and applied them from January 1, 2021

3- Functional and presentation currency

The consolidated financial statements are presented in Egyptian Pounds which is the Group's functional currency.

4- Use of judgement and estimates

- Requires preparing the consolidated financial statements in accordance with Egyptian Accounting Standards (EAS), management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on past experience and various factors. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis.
- The recognition of the change in accounting estimates in the period in which the change in estimate, if the change affects only that period, or in the period of change and future periods if the change affects both.

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

A- Measurement of fair value

- The fair value of financial instruments determines based on the market value of a financial instrument or similar financial instruments at the date of the financial statements without deducting any estimate future costs of sale. The financial asset values determine at current prices for the purchase of those assets, while determining the value of financial liabilities at current prices, which could be settled by those commitments.
- In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into consideration the transactions price that has recently or be guided by the current fair value of other instruments which is substantially similar. Or the use of discounted cash flow or any other evaluating method that leads to results can rely on it.
- When using the discounted cash flow method as a way for the evaluation, the future cash flows are estimated based on the best estimates of management. And determined the discount rate used in the prevailing market price at the date of the financial statements of financial instruments which are similar in nature and terms.

5- Operating Segments

- The Group has the following four operational segments, which are its reportable segments to top management. These segments offer different products and services and are managed separately because they require different technology and marketing strategies.
- The following summary describes the operations for each reportable segment:

<u>Reportable segment</u>	<u>Operations</u>
Passenger car	Trading, distributing and marketing for all kinds of passenger cars, whether locally manufactured or imported.
Buses and trucks	Trading, distributing and marketing for all kinds of heavy trucks, semi-trucks, buses, mini buses, micro buses, agriculture tractors, whether locally manufactured or imported.
2 & 3 Wheels	Trading, distributing and marketing for all kinds of 2 & 3 Wheels, whether locally manufactured or imported.
Financial Services non-Banking	Providing services of factoring and financial services non-banking. The factoring services intended to buy existing and future rights of sellers of goods and services and provide related services and selling the locally and imported goods and products by cash or post-paid financial leasing, small financing entities in all kinds of goods and trading such as light transportation and selling it by installments.
Other Operations	Trading spare parts, and its accessories whether locally manufactured or imported, tires for vehicles and equipment whether locally manufactured or imported and exported.

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

5-Operating Segments(Continued)

A-Total Revenue

	March 31, 2022	March 31, 2021
Passenger car	46.04%	46.58%
Buses and trucks	4.92%	4.06%
2 & 3 Wheels	16.93%	20.42%
Financial Services non-Banking	21.93%	20.16%
Other Operations	10.18%	8.78%

B-Revenue from foreign operations

	March 31, 2022	March 31, 2021
Passenger car	11.09%	7.11%
2 & 3 Wheels	47.50%	29.30%
Other Operations	0.00%	0.00%

C- Segments results

	March 31, 2022	March 31, 2021
Passenger car	27.40%	29.45%
Buses and trucks	0.09%	0.25%
2 & 3 Wheels	13.23%	18.57%
Financial Services non-Banking	50.57%	45.74%
Other Operations	8.71%	5.99%

D-Assets

	March 31, 2022	March 31, 2021
Passenger car	13.7%	14.6%
Buses and trucks	11.7%	8.3%
2 & 3 Wheels	7.6%	9.7%
Financial Services non-Banking	49.3%	49.4%
Other Operations	17.7%	18.0%

E- Liabilities

	March 31, 2022	March 31, 2021
Passenger car	22.2%	31.0%
Buses and trucks	18.7%	15.0%
2 & 3 Wheels	1.3%	1.0%
Financial Services non-Banking	51.9%	49.0%
Other Operations	5.9%	4.0%

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

5-Operating Segments (Continued)

F-Reconciliations of information on reportable segments to financial statements according to EASs

	March 31, 2022	March 31, 2021
Revenues		
Total revenues for operating segments	8 575 603	7 610 017
Elimination of inter-segment revenue	(733 518)	(782 423)
Consolidated Revenue	7 842 085	6 827 594
Segments result		
Gross profit for operating segment	1 852 747	1 348 423
Elimination of inter-segment gross profit	(19 207)	4 547
Consolidated Gross Profit	1 833 540	1 352 970
Assets		
Total assets for operating segments	58 177 625	45 785 076
Elimination inter-segment assets	(22 551 042)	(17 995 700)
Total Consolidated Assets	35 626 583	27 789 376
Liabilities		
Total Liabilities for operating segments	37 971 738	30 182 121
Elimination inter-segment Liabilities	(10 655 854)	(8 596 610)
Total Consolidated Liabilities	27 315 884	21 585 511

G-Other martial amounts

	Total reportable segment	Adjustments	Total consolidated March 31, 2022
Finance income	72 933	-	72 933
Interest expense and Bank Charges	(203 005)	3 369	(199 636)
Capital expenditure	(480 935)	-	(480 935)
Depreciation and amortization	154 649	-	154 649
	Total reportable segment	Adjustments	Total consolidated March 31, 2021
Finance income	25 649	-	25 649
Interest expense and Bank Charges	(185 107)	4 966	(180 141)
Capital expenditure	(88 917)	-	(88 917)
Depreciation and amortization	93 881	-	93 881

5- Operating segments (continued)

H- Operations results

	Passenger cars		Commercial vehicles		Two and three Wheelers		Financial Services Non Banking		Other operations		Total	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
Operating revenue	3 610 391	3 180 473	386 034	277 219	1 327 815	1 394 010	1 719 984	1 376 489	797 861	599 403	7 842 085	6 827 594
Gross profit	502 391	399 230	51 160	(3 437)	242 633	251 745	927 232	617 414	110 124	88 018	1 833 540	1 352 970
Marketing and Selling expenses											(585 490)	(283 906)
General and administrative expenses											(375 160)	(427 895)
Provisions and Impairment of Current and Non-Current assets (Net)											(36 217)	(69 202)
Other income											87 480	39 819
Operating results											924 153	611 786
Investment in associates losses											(27 286)	-
Investment liquidation losses											-	(1 328)
Finance cost(Net)											(337 861)	(146 627)
Net profit for the period before income tax											559 006	463 831
Income tax expense											(193 359)	(114 305)
Net profit for the period											365 647	349 526
Attributable to:												
Equity holders of the Company											229 394	298 850
Non-controlling interests											136 253	50 676
											365 647	349 526

6- Other Income

	March 31, 2022	March 31, 2021
Gain on sale of fixed asset	3 415	1 315
Scrap Sales	15 492	15 722
Commission for reissuance loans	7 682	11 846
Other revenues	49 628	7 310
Cash incentive revenue	1 179	692
Rent	10 084	2 934
	<u>87 480</u>	<u>39 819</u>

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

7-Finance Costs (Net)

	March 31, 2022	March 31, 2021
Interest income	67 545	19 940
Interest income on installment sales	5 388	5 709
Foreign exchange gain	-	7 866
Total Finance Income	72 933	33 515
Interest expense and bank charges	(199 636)	(180 142)
Foreign exchange loss	(211 158)	-
Total Finance Cost	(410 794)	(180 142)
Net Finance Cost	(337 861)	(146 627)

8-Provisions and Impairment of Current and Non-Current assets

Provisions no longer required

	March 31, 2022	March 31, 2021
Warranty provision	5 389	2 795
Impairment of accounts and notes receivables	-	8 620
Impairment of debtors and other debit balances	1 277	1 018
Other Provisions	6 798	26 327
Impairment of Cash and cash equivalents According to EAS 47	313	-
Total provisions no longer required	13 777	38 760

Provisions formed

Warranty provision	(16 363)	(9 897)
Impairment of accounts and notes receivable	(20 035)	(60 511)
Impairment of debtors and other debit balances	-	(711)
Other provisions	(13 596)	(36 843)
Total provisions formed	(49 994)	(107 962)
Net provisions in the income statement	(36 217)	(69 202)

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2022

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

	Balance at 1/1/2022	Impairment during the period	Used during the period	Reversal of Impairment during the period	Effect of movements of exchange rates	the impact of the change in egyptian accounting standard charged on equity	Balance at 31/03/2022
Impairment of Accounts & Notes receivable	560 409	20 035	-	-	(1 484)	-	578 960
Impairment of due from related parties	36 730	4 393	-	-	(576)	-	40 547
Impairment of Debtors & Other debit balances	47 522	-	-	(1 277)	(657)	-	45 588
Impairment of Cash and cash equivalent	347	-	-	(313)	-	-	34
	645 008	24 428	-	(1 590)	(2 717)		665 129
Impairment of Inventory *	53 919		-	(10 661)	-	-	43 258
	698 927	24 428	-	(12 251)	(2 717)	-	708 387

*The formation and reversal of inventory impairment are charged in cost of revenue at income statement.

9-Earnings per share

Basic earnings per share is calculated by dividing net profit for the period by the weighted average number of ordinary shares issued during the period.

The General Assembly unanimously agreed on 24/3/2022 to distribute dividends for the financial year ending on 31/12/2021 amount to distribute 379 295 000 EGP (at the rate 0.35 Piasters per share in the total capital 1 085 500 000 after excluding treasury shares of 8 509 733 shares)

it was also agreed on the payment would be in two installments :
the first on 21/4/2022 will be 10 piasters per share while the second payment on 29/9/2022 it will be 25 piasters per share and the general authority for investment approved the decision on 4/3/2022

	March 31, 2022	March 31, 2021
Net profit for the period attributable to the shareholders	229 394	298 850
Weighted average number of ordinary shares issued	1 091 426	1 094 010
Basic profit earnings per share/ EGP	0.210	0.273

10-Income tax

A-Income tax liabilities

	March 31, 2022	December 31, 2021
Balance at 1 January	351 279	296 730
Taxes paid during the period	(10 428)	(305 001)
Current income tax during the period (Note 10-C)	120 407	359 550
Balance at the end of the period	461 258	351 279

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

10-Income tax (Continued)								Total	
B-Defered tax Asset and Liability	Fixed Assets	Carried forward losses	Impairment of Inventory	Warranty Provision	Revaluation surplus of fixed assets*	Notes payable	Capital Gains	31-Mar-22	31-Dec-21
Deferred tax assets									
Balance at 1 January	11	179 856	4 305	44 450	–	102 719	–	331 341	540 626
Charged to the income statement	–	(82 811)	(230)	–	–	–	–	(83 041)	(209 285)
Balance at the end of the period	11	97 045	4 075	44 450	-	102 719	-	248 300	331 341
Deferred tax liabilities									
Balance at 1 January	(306 451)	–	–	–	(9 360)	–	(32 846)	(348 657)	(359 105)
Charged to the income statement	10 089	–	–	–	–	–	–	10 089	5 561
Charged to Statement of comprehensive income	–	–	–	–	875	–	–	875	4 887
Balance at the end of the period	(296 362)	–	–	–	(8 485)	–	(32 846)	(337 693)	(348 657)
Net Balance at the end of the period	(296 351)	97 045	4 075	44 450	(8 485)	102 719	(32 846)	(89 393)	(17 316)
Net									
Balance at 1 January	(306 440)	179 856	4 305	44 450	(9 360)	102 719	(32 846)	(17 316)	181 521
Charged to the income statement (10-B)	10 089	(82 811)	(230)	–	–	–	–	(72 952)	(203 724)
Charged to Statement of comprehensive income	–	–	–	–	875	–	–	875	4 887
Balance at the end of the period	(296 351)	97 045	4 075	44 450	(8 485)	102 719	(32 846)	(89 393)	(17 316)

* The deferred tax charge for revaluation surplus of fixed assets has been deducted in the consolidated statement of comprehensive income

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

10-Income tax (Continued)

B-Deferred tax assets and liabilities (Continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the group can use the benefits therefrom.

	March 31, 2022	December 31, 2021
Impairment of accounts and notes receivables	130 266	126 092
Impairment of other debit balances	10 257	10 692

Liability for temporary differences related to investments in subsidiaries, associates and joint venture was not recognized because the group controls the timing of reversal of the related temporary differences and satisfied that they will not reverse in the foreseeable future.

C-Income tax (expenses)

	March 31, 2022	March 31, 2021
Current income tax (Note 10-A)	(120 407)	(70 889)
Deferred tax expenses – (Note 10-B)	(72 952)	(43 416)
Income tax for the period	(193 359)	(114 305)

D-Amounts recognized in OCI

	March 31, 2022			March 31, 2021		
	Before Tax	Taxes	After Tax	Before Tax	Taxes	After Tax
Foreign Currency translation difference	395 258	-	395 258	(15 630)	-	(15 630)
Modification surplus of fixed assets cost	(3 966)	875	(3 091)	(6 872)	2 046	(4 826)
	391 292	875	392 167	(22 502)	2 046	(20 456)

11-Inventories

	March 31, 2022	December 31, 2021
Goods in transit	953 201	1 055 434
Cars, buses and trucks	2 686 625	1 536 578
Raw material and car components	1 242 991	736 660
Spare parts for sale	582 323	459 787
Work in progress	178 921	165 096
Tires	141 390	299 247
Oils	1 697	4 459
Total	5 787 148	4 257 261
Impairment of inventory *	(43 258)	(53 919)
Net	5 743 890	4 203 342

* The formation and reversal of inventory impairment are charged in operating cost at income statement.

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

12-Long term notes receivables

	March 31, 2022	December 31, 2021
Long-term notes receivable	6 704 903	6 650 569
Interest income on installment sales	(821 680)	(782 428)
Net present value for long-term notes receivable	5 883 223	5 868 141
Expected credit losses of long-term notes receivable	(65 789)	(109 772)
Net	5 817 434	5 758 369

13-Accounts and notes receivables

	March 31, 2022	December 31, 2021
Total notes receivable	11 979 578	10 541 069
Long-term notes receivable (Note 12)		
Unamortized interest	(821 680)	(782 428)
Net present value for short-term notes receivable	11 157 898	9 758 641
Trade receivable	1 122 819	931 472
Total	12 280 717	10 690 113
Expected credit losses of accounts and notes receivable balances	(513 171)	(450 637)
Net	11 767 546	10 239 476

The following table represents the expected credit losses of account and notes receivables according to the expected losses model on March 31, 2022:

1-Non Banking -Financial Services

	Stage 1: Expected credit losses over 12 months	Stage 2: Lifetime ECL is not credit impaired	Stage 3: Life Expected Credit Losses with impaired credit	Total
Account & notes receivables	13 454 414	1 338 284	758 309	15 551 007
Adjust:				
Expected credit losses of accounts and notes receivable balances	(68 597)	(25 805)	(251 585)	(345 987)
	13 385 817	1 312 479	506 724	15 205 020

2- Passenger cars, transport, buses and motorcycles sector - 3 wheels and other operations

	The Balance	The percentage of expected losses	Decrease in the balance of account & notes receivable	Net
Notes Recivable	1 537 073	12%	(185 254)	1 351 819
Trade recivables	634 125	0%	(2 346)	631 779
From 1 to 30	264 768	2%	(4 197)	260 571
From 31 to 60	31 234	4%	(1 244)	29 990
From 61 to 90	32 023	10%	(3 266)	28 757
From 91 to 120	44 919	17%	(7 679)	37 240
More than 120	68 791	42%	(28 987)	39 804
Total	2 612 933		(232 973)	2 379 960

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

14-Debtors and other debit balances

A-Long term debtors and other debit balance

	March 31, 2022	December 31, 2021
Debt securitization Companies	305 444	689 733
Provision of Expected credit loss	-	(1 471)
	305 444	688 262

B-Debtors and other debit balances

	March 31, 2022	December 31, 2021
Advance payments to suppliers	903 345	789 448
Withholding tax	496 215	450 966
Value added tax	89 680	41 378
Accrued interest	62 391	40 606
Accrued revenue	7 230	2 739
Letters of credit	1 090 940	791 566
Prepaid expenses	207 865	172 946
Security deposits with others	32 465	31 938
Letters of guarantee margin	79 909	285 919
Staff loans and custodies	44 418	37 004
Other debit balances	160 944	187 613
Customs duties	2 266	2 808
Total	3 177 668	2 834 931
Expected credit losses of debtor and other debit balances	(45 588)	(47 522)
Net	3 132 080	2 787 409

15-Cash and cash equivalents

A-Cash and cash equivalents

	December 31, 2021	December 31, 2020
Time deposits	384 778	359 595
Current accounts	1 604 489	1 308 674
Checks under collections	53 401	230 343
Treasury bills	83 051	37 379
Total	2 125 719	1 935 991
Expected credit losses of Cash and cash equivalent According to EAS 47	(34)	(347)
Net	2 125 685	1 935 644

B-Cash and cash equivalents

	March 31, 2022	December 31, 2021
Cash and cash equivalents	2 125 719	1 935 991
	2 125 719	1 935 991

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022

Originally issued in Arabic

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

16 - Property, plant, equipments and projects under construction

	Land and Buildings	Machinery & equipment	Vehicles	Computers	Fixtures & furniture	Leasehold improvements	* Projects under construction	Total
Cost								
Cost at 1 January 2021	2 435 154	1 056 333	658 995	248 966	991 829	72 909	479 655	5 943 840
Additions during the year	93 620	19 727	136 599	33 194	68 595	38 312	77 933	467 981
Transferred from projects under construction to PP&E and intangible assets	170 687	11 014	766 -	3 825	57 577		(238 177)	5 692
Disposals during the year	(44 373)	(9 431)	(89 029)	(859)	(12 790)	(368)	(15 318)	(172 170)
Effect of cost modification using modification factor	-		(1 112)		(308)		-	(1 420)
Effect of movements of exchange rates	(10 496)	202	(109)	(16)	3 558	(670)	-	(7 531)
Balance at 31 December 2021	2 644 591	1 077 846	706 108	285 110	1 108 461	110 183	304 093	6 236 392
Cost at 1 January 2022	2 644 591	1 077 846	706 108	285 110	1 108 461	110 183	304 093	6 236 392
Additions during the period	173 233	1 876	52 531	12 367	8 859	14 356	26 873	290 095
Transferred from projects under construction to PP&E and intangible assets					1 641	-	(1 641)	-
Disposals during the period		(17 583)	(8 006)	(27)	(884)	(568)	(2 299)	(29 367)
Effect of cost modification using modification factor	-	-	-	-	10	-	-	10
Effect of movements of exchange rates	62 255	6 956	5 250	2 150	20 189	1 818	-	98 618
Balance at 31 March 2022	2 880 079	1 069 095	755 883	299 600	1 138 276	125 789	327 026	6 595 748
Accumulated depreciation and impairment losses								
Accumulated depreciation at 1 January 2021	315 000	583 278	221 609	188 793	419 872	34 437	13278 -	1 776 267
Depreciation during the year	25 955	71 976	96 129	23 223	87 149	13 523		317 954
Disposals during the year	6 368	(8 073)	(53 094)	(831)	(6 713)	(368)		(62 711)
Effect of accumulated depreciation modification using modification factor	-	(674)	(2 608)	8	(631)	-		(3 905)
Effect of movements of exchange rates	(129)	59	95	125	537	(224)		463
Accumulated depreciation at 31 December 2021	347 194	646 565	262 131	211 318	500 214	47 368	13 278	2 028 068
Accumulated depreciation at 1 January 2022	347 194	646 565	262 131	211 318	500 214	47 368	13 278	2 028 068
Depreciation during the period	21 160	17 550	27 108	6 351	21 496	6 365	-	100 030
Disposals during the period		(12 229)	(4 280)	(3)	(675)	(124)	-	(17 311)
Effect of accumulated depreciation modification using modification factor	-	(4 018)		8	(298)	-	-	(4 308)
Effect of movements of exchange rates		4 168	646	1 580	10 325	1 176	-	17 895
Accumulated depreciation at 31 March 2022	368 354	652 037	285 605	219 254	531 062	54 785	13 278	2 124 375
Net carrying Amount								
At 1 January 2021	2 120 154	473 055	437 386	60 173	571 957	38 472	466 377	4 167 573
At 31 December 2021	2 297 397	431 281	443 978	73 792	608 247	62 815	290 815	4 208 324
At 31 March 2022	2 511 725	417 057	470 278	80 346	607 214	71 004	313 748	4 471 373

* Projects under construction represented in the cost of buildings, factories expansions and showrooms, which are being prepared and fixed for the group use

GB Auto (S.A.E)**Notes to the consolidated interim financial statements for the financial period ended March 31, 2022
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)****17- Asset Right Of Use**

The company applied an Egyptian Accounting Standard No. (49) (lease contracts) as of January 1, 2021, and this resulted in the recognition of right of use assets and liabilities as follows:

	<u>Land & building</u>	<u>Total</u>
Cost		
Balance at January 1, 2021	-	-
Asset right of use during the year	537 049	537 049
Balance at December 31, 2021	537 049	537 049
Balance at January 1, 2022	537 049	537 049
Asset right of use during the period	82 989	82 989
Disposals during the period	(3 783)	(3 783)
Effect of movements of exchange rates	9 234	9 234
Balance at March 31, 2022	625 489	625 489
Accumulated depreciation at January 1, 2021	-	-
Depreciation during the year	96 716	96 716
Balance at December 31, 2021	96 716	96 716
Accumulated depreciation at January 1, 2022	96 716	96 716
Depreciation during the period	52 506	52 506
Disposals during the period	(1 297)	(1 297)
Effect of movements of exchange rates	(16 436)	(16 436)
Accumulated depreciation at 31 March 2022	131 489	131 489
Net carrying amount at March 31, 2022	494 000	494 000
Net carrying amount at December 31, 2021	440 333	440 333

The right of use is represented in renting warehouses and showrooms, which are used in the activities of the group companies.

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

18- Intangible assets and goodwill

	<u>Goodwill</u>	<u>Computer software</u>	<u>Knowhow</u>	<u>Total</u>
Cost				
Balance at 1 January	430 155	64 630	5 703	500 488
Additions during the period	-	-	-	-
Balance at March 31, 2022	430 155	64 630	5 703	500 488
Accumulated amortization				
Balance at 1 January	-	44 795	5 703	50 498
Amortization during the period	-	1 554	-	1 554
Balance at March 31, 2022	-	46 349	5 703	52 052
Net carrying amount at March 31, 2022	430 155	18 281	-	448 436
Net carrying amount at December 31, 2021	430 155	19 835	-	449 990

Goodwill

On June 28, 2007, GB Auto Company fully acquired the shares of Cairo Individual Transport Industries "CITI" by acquiring 49.03% which were owned by the minority at a value of EGP 210 million pound, in return of acquiring shares of GB Auto share capital increase. The acquisition resulted in a goodwill amounting to EGP177 million which represents the increase in the acquisition value over the net fair value of the acquired Company's assets at the acquisition date. This goodwill has been allocated for the asset of the operating segment of two and three wheels' segment.

On September 8, 2008, GB Auto Company fully acquired the shares of GB for financial lease (S.A.E) which its business is financial leasing with all its fields, and the acquisition resulted in goodwill amounted to EGP 1 million.

During November 2010, the Group entered into 50% investment as a joint venture agreement in Almajmoa Alalamia Litijaret Alsaiaarat (GK), in Jordan, to acquire the existing business of Hyundai Vehicles Agency in Iraq, the joint venture agreement gives the group the power to govern the financial and operating policies of (GK) and as a result of this investment the group recognized a goodwill with an Amount 249 EGP million . During the period the group increased its stake in The International Group For Cars Trading Company (GK) from 50% to 83.33 (Note no.42).

On October 26, 2017 GB Auto Company fully acquired the shares of Egyptian International Maintenance and cars Manufacturing Company EIAC (SAE), and the acquisition resulted in goodwill amounted EGP 2.8 million

Impairment test of cash generating units including goodwill

Goodwill is allocated to the Group's cash generating units according to operating segments as presented below:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Two and three wheels' activities	177 375	177 375
Hyundai Iraq sales	248 910	248 910
Financial leasing activity	1 000	1 000
After Sale service- PC	2 870	2 870
	430 155	430 155

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

18-Intangible assets and goodwill (Continued)

The Company assesses annually the impairment test of goodwill at December 31, to ensure whether the carrying amount of the goodwill is fully recoverable, unless there are indicators required to test the impairment through the year.

Impairment test of goodwill is assessed based on value in use, which is determined using the expected discounted cash flows based on estimated budgets approved by the Board of Directors which covers a period of five years. The management is preparing these estimated budgets based on the financial, operating and market performance in the previous years and its expectations for the market development.

19-Investments property

	March 31, 2022	December 31, 2021
Balance at 1 January	90 905	90 905
Balance at the end of the period	90 905	90 905

20-Issued and paid in capital

	March 31, 2022	December 31, 2021
Authorized capital (5 000 000 000 shares with par value EGP 1 each)	5 000 000	5 000 000
Issued and paid capital (1 094 009 733 shares with par value of EGP 1 each)	1 094 010	1 094 010

On August 31, 2014, the Board of Directors according to the delegation of the extra ordinary assembly meeting held on June 27, 2013, has decided unanimously to increase the Company's issued capital with the par value in the limit of the authorized capital with an amount of EGP 6 444 645 divided on 6 444 645 shares with a par value of 1 EGP /share, wholly allocated to ESOP system which is applied by the Company, resulted in an issued capital of EGP 135 337 545 after the increase divided on 135 337 545 shares with a par value of 1 EGP/share, and this increase financially fully paid from the special reserve balance and annotated in the commercial register at December 31, 2014.

Private placement (Capital Increase)

At the date of February 4, 2015, the extra ordinary general assembly meeting, has agreed to increase the Company's authorized capital from 400 million EGP to 5 billion EGP and to increase the Company's issued capital from EGP 135 337 545 to be EGP 1 095 337 545 with an increase of EGP 960 000 000 to be divided on 1 095 337 545 shares with a par value of 1 EGP each. (In addition to issuance cost of 1 pts./share), and that increase to be fully allocated for the favor of old shareholders each according to their share in the Company's issued capital, and it is agreed to use the subscription right separately from the original share, with the Company's issued capital increase to be paid either cash and/or using due cash debts for the subscriber by the Company according to their contribution share.

The subscription was covered by an amount of EGP 958 672 188 (EGP 473 225 502 in Cash and EGP 485 446 686 covered through the outstanding balances due to shareholders) divided on 958 672 188 shares with a par value of 1 EGP each to be the total capital issued and fully paid after the increase equals to EGP 1 094 009 733, it has been annotated in the commercial register at May 31, 2015.

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2022
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

21-Treasury Bills

On March 1, 2020, the Board of Directors of the company decided to purchase treasury shares with an amount of 10 000 000 shares of the company, which represents 0.914% of the total shares of the company, through the open market, and that implementation be carried out from the session of March 2, 2020 and Until April 2, 2020, or until the full amount is executed, with the same price of the security during trading sessions in the execution period in light of the amendment issued in Article (51) bis of the registration rules issued by the Board of Directors of the Financial Supervisory Authority No. 27 of 2020 on February 29, 2020 and that works in it as of the date of its issuance, as well as the statement posted on the announcement screens on the Egyptian Stock Exchange on March 1, 2020 regarding the exceptional procedures for companies whose securities are listed on the stock exchange wishing to purchase treasury shares.

During the period from March 3, 2020 to March 18, 2020, the company has purchased 10 million shares with a total value of 19.570 million Egyptian pounds. The amount of 10 million pounds has been recorded as treasury shares representing the nominal value of the share. The difference between the purchase cost and the nominal value of the amount of 9.570 million Egyptian pounds has been recorded in the other reserves (Note 23).

During the year of 2020, the company sold 2 million shares with a total value of 6 750 million Egyptian pounds, resulting in a reduction of 2 million Egyptian pounds. This represents the nominal value of the share, and the difference between the sale value and the nominal value of 4 750 million Egyptian pounds was recorded within the other reserves .

During the period from January 1, 2021 to March 31, 2021, the company sold 8 million shares with a total value of 30 232 million Egyptian pounds, resulting in a reduction of 8 million Egyptian pounds. This represents the nominal value of the share and the difference between the sale value and the face value of 22,232 million Egyptian pounds among other reserves (Note 23)

During the period from November 28, 2021 to December 21, 2021 The company has purchased 8 509 733 shares with a total value of 38 681 million Egyptian pounds. The amount of 8 510 million Egyptian pounds has been recorded as treasury shares representing the nominal value of the share. The difference between the purchase cost and the nominal value of the amount of 30 172 million Egyptian pounds has been recorded in the other reserves (Note 23).

22-Legal reserve

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Balance at 1 January	523 961	451 064
Transferred to legal reserve	766	72 897
Balance at the end of the period	<u>524 727</u>	<u>523 961</u>

In accordance with the Companies Law No 159 of 1981 and the Company's articles of association, 5% of annual net profit is transferred to the legal reserve. Upon the recommendation of the board, the Company may stop such transfer when the legal reserve reaches 50% of the issued capital. The legal reserve is not eligible for distribution to shareholders.

The legal reserve includes an amount of EGP 66 762 related to the Company, the rest of the balance represents the legal reserve of the Group's Companies

GB Auto (S.A.E)
Notes to the consolidated interim financial statements for the financial period ended March 31, 2022
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23-Other reserves

	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserve	Share premium (special reserves)	Total
Balance as at January 1, 2022	1 067 263	88 882	80 435	904 041	2 140 621
Foreign currency translation	328 976	-	-	-	328 976
Modification surplus of fixed assets cost	-	-	(3 091)	-	(3 091)
Balance at March 31, 2022	1 396 239	88 882	77 344	904 041	2 466 506

Share premium

The share premium represented in the difference between the amount paid and par value for issued shares and issuance cost is deducted from it. The share premium was transferred to both legal reserve and special reserve according to Law No. 159 of 1981.

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Share premium	904 041	904 041

The special reserve represented in the transferred amount from the net share premium in 2007 less the amount transferred to the legal reserve (Note 22).

During 2011, the special reserve was reduced by an amount of EGP 2 990 thousand which represents the difference between treasury shares purchasing cost amounted to EGP 3 097 thousand and the par value of these shares amounted to EGP 107 thousand which was written off during 2012.

During 2012, the special reserve was reduced by an amount of EGP 2 114 thousand which represents the differences between treasury shares purchasing cost amounted to EGP 6 365 thousand and its reselling price amounted to EGP 4 251 thousand.

The share premium was reduced by an amount of 9 570 thousand EGP ,which represent the difference between cost of purchasing treasury shares during the year 2020 with an amount of 19 570 thousand EGP and the par value of shares of 10 million EGP.

The share premium has also been increased by an amount of 4,750,000 Egyptian pounds, representing the difference between the sale price of treasury shares during the year 2020 by an amount of 6,750,000 Egyptian pounds and the nominal value of the shares of 2 million Egyptian pounds.

24-Non-controlling Interest

	Capital	Payment Under capital increase	Reserves	Legal reserve	Private risk reserve - Non banking	General risk reserve	Retained earnings	<u>Total</u>	
								March 31, 2022	December 31, 2021
Balance at 1 January	738 006	2 188	283 805	56 755	36 829	19 918	512 229	1 649 730	1 485 969
Adjustments	-	-	-	-	-	-	-	-	(11 534)
Net profit for the period	-	-	-	-	-	-	136 253	136 253	368 911
Foreign currency translation results	-	-	66 282	-	-	-	-	66 282	(24 367)
Capital increase	-	-	-	-	-	-	-	-	293 568
Capital Decrease	(5 353)	-	-	-	-	-	-	(5 353)	(80 471)
Change in Non-controlling interests	-	-	-	-	-	-	-	-	(250 664)
The Impact of new egyptian accounting standards	-	-	-	-	-	-	-	-	22 732
Dividends Distribution	-	-	-	-	-	-	(69)	(69)	(154 414)
Balance at the end of the period	732 653	2 188	350 087	56 755	36 829	19 918	648 413	1 846 843	1 649 730

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25-Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue on a going concern basis in order to provide returns to shareholders and benefits for other stakeholders who use these financial statements and to maintain an optimal capital structure to reducing the cost of capital.

In order to maintain an optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings and notes payables, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratio at March 31, 2022 and December 31, 2021 restated were as follows:

	March 31, 2022	December 31, 2021
Loans, borrowings and overdrafts	18 222 960	17 143 216
Short-term notes payable - suppliers	826 889	800 964
Total loans and notes payables	19 049 849	17 944 180
Less: Cash and cash equivalent	(2 125 685)	(1 935 644)
Letters of credit	(1 090 940)	(791 566)
Letters of guarantee	(79 909)	(285 919)
Net debt	15 753 315	14 931 051
Shareholders' equity	6 463 856	5 915 298
Net debt to equity ratio	2.44	2.52

26-Loans, borrowings and overdrafts

	March 31, 2022			December 31, 2021		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks overdraft	12 788 805	-	12 788 805	12 104 392	86 128	12 190 520
Loans	1 623 368	3 810 787	5 434 155	1 523 832	3 428 864	4 952 696
Total	14 412 173	3 810 787	18 222 960	13 628 224	3 514 992	17 143 216

A.Banks overdraft

	March 31, 2022	December 31, 2021
Less than one year	12 788 805	12 190 520
	12 788 805	12 190 520

B.Loans

The group (the non-banking financial services sector) obtained medium and long-term bank loans for the purpose of financing car sales contracts and operational and financial lease contracts. The repayment period for these loans reached 5 years for each operation financed by guaranteeing the financial rights of the contracts concluded and arising from those contracts towards the clients of the group companies

	March 31, 2022	December 31, 2021
Less than one year	1 623 368	1 523 832
More than one year and less than five years	3 810 787	3 428 864
	5 434 155	4 952 696

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27-Trade payables and other credit balances

	March 31, 2022	December 31, 2021
Trade payables	3 228 719	2 144 143
Other credit balances	230 738	215 268
Advances from customers	1 881 062	1 128 358
Tax Authority	24 709	30 102
Value added tax	80 358	28 899
Accrued expenses	681 205	860 932
Accrued interest exoense	38 305	52 612
Deposits from others	45 378	45 370
Notes payables	826 889	800 964
Right of use liability	197 144	94 532
Dividends payable	5 863	2 237
Deferred revenues	17 130	15 200
	7 257 500	5 418 617

28-Provisions

	Legal Claims	Warranty Provision	Other Provisions	Total
Balance at January 1, 2022	18 195	104 995	116 689	239 879
Provisions formed during the period	1 269	16 363	50 494	68 126
Provisions utilized during the period	-	(8 659)	(3)	(8 662)
Provisions no longer required	-	(5 389)	(12 916)	(18 305)
Effect of movement of exchange rates	174	1 196	1 661	3 031
Balance at March 31, 2022	19 638	108 506	155 925	284 069
Balance at January 1, 2021	7 140	79 296	102 272	188 708
Provisions formed during the year	11 055	40 707	130 839	182 601
Provisions utilized during the year	-	(3 558)	(70 519)	(74 077)
Provisions no longer required	-	(11 450)	(45 904)	(57 354)
Effect of movement of exchange rates	-	-	1	1
Balance at December 31, 2021	18 195	104 995	116 689	239 879

Legal claims

The amounts shown comprises of gross provisions in respect of legal claims brought against the Group, and management opinion, after taking appropriate legal advice, that the outcome of these legal claims will not exceed significantly the provision formed as at March 31, 2022.

Warranty Provision

The Group provides warranty on its products and guarantees to either fix or replace the products that are not working properly, and the Group has estimated its warranty provisions to be EGP 108 506 at the end of the year for expected warranty claims in the light of management experience for repair and returns level in previous years. The warranty provision includes a long-term provision amounted as at March 31, 2022 EGP 7 723 (December 31, 2021 EGP 13 909).

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28-Provisions (Continued)

Other provisions

Other provisions are related to claims expected to be made by a third party in connection with the Group operations. The information usually required by accounting standards is not disclosed because the management believes that to do so would seriously affects the outcome of the negotiation with that third party. These provisions are reviewed by management yearly and adjusted based on latest developments, discussions and agreements with the third party.

A portion of the value of the formed and (no longer required) of the other provisions is included in the sales revenue. The value of the formed provisions on March 31, 2022 amounted to 36 898 thousand Egyptian pounds and the value of the no longer required provisions is 6 118 thousand Egyptian pounds .

29-Financial risk management

1- Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange rates risk, price risk, cash flows and fair value interest rate risk), credit risk and liquidity risk.

The Group's efforts are addressed to minimize potential adverse effects of such risks on the Group's financial performance

A-Market risk

1.Foreign currency exchange rate risk

The Group is exposed to foreign exchange rate risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange rate risk arises from future commercial transaction, assets and liabilities in foreign currency outstanding at the consolidated balance sheet date, and , net investments in foreign entity.

The below table shows the exposures of foreign currencies at the consolidated balance sheet date, presented in EGP, as follows:

	March 31, 2022			December 31, 2021
	Assets	Liabilities	Net	Net
US Dollars	19 083	(121 944)	(102 861)	(1 191 480)
Euros	6 767	(297)	6 470	90 612
Other currencies	12 583	(559 774)	(547 191)	(79 546)

2.Price risk

The Group has no investments in a quoted equity security, so it's not exposed to the fair value risk due to changes in prices

3.Cash flows and fair value interest rate risk

The Group's interest rate risk arises from long-term loans. Long-term loans issued at variable rates expose the Group to cash flow interest rate risk. Long-term borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Loans, borrowings and overdrafts at the balance sheet date with variable interest rates are amounted to EGP 18 222 960 as at March 31,2022 (EGP 17 143 216 as at December 31, 2021).

Financial assets that carry fixed interest rates are amounted to EGP 384 778 as at March 31, 2022 (EGP 359 595 as at December 31, 2021).

		March 31, 2022	December 31, 2021
Time deposits	USD	66 756	57 489
Time deposits	EGP	318 022	302 106
		384 778	359 595

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B-Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as credit exposures to wholesalers and retail customers, including outstanding accounts and notes receivables.

For banks, the Group is dealing with the banks which have a high independent rating and banks with a good solvency in the absence of an independent credit rating.

For suppliers and wholesalers, the Credit Controllers assess the credit quality of the wholesale customer, taking into account their financial position, past experience and other factors.

For individuals the legal arrangements and documents accepted by the customer are minimizing the credit risk to its lowest level. Provisions are accounted for doubtful debts on an individual basis.

The ratio of allowance for impairment of accounts and notes receivables to the total debts is as following:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Notes and accounts receivables	19 807 300	18 123 110
Impairment of accounts and notes receivable balances	578 960	560 409
The ratio of the allowance to total accounts and notes receivable	2.92%	3.09%

C-Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group's management aims at maintaining flexibility in funding by keeping committed credit lines available.

D- Fair value estimation

The fair value of financial assets or liabilities with maturity dates less than one year is assumed to approximate their carrying value less any estimated credit adjustments. The fair value of financial liabilities – for disclosure purposes – is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For the fair value of financial instruments that are not traded in an active market, The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the financial instruments or similar instruments are used for long-term debt.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. At the balance sheet date, the fair value of non-current liabilities does not significantly differ from their carrying amount, as the interest rates do not significantly differ.

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30-Investment in subsidiary companies

The consolidated financial statements for GB Auto "S.A.E.", include the financial statements of the following subsidiaries:

Companies	Percentage of ownership	
	March 31, 2022	December 31, 2021
RG Investment "S.A.E."	99.99%	99.99%
International Trade Agencies and Marketing Co. (ITAMCO) "S.A.E."	99.45%	99.45%
Egyptian Vehicles Manufacturing Co. (Ghabbour Egypt) "S.A.E."	99.53%	99.53%
Ghabbour Continental Trading Co. (GCT) –Alex "S.A.E."	100.00%	100.00%
GB Polo Buses Manufacturing "S.A.E."	80.00%	80.00%
Haram Transportation Co. "S.A.E."	99.00%	99.00%
GB Company for financial lease "S.A.E."	100.00%	100.00%
Haram for Transportation Tourism "S.A.E."	100.00%	100.00%
GB Allab Company	66.20%	66.20%
Masters Automotive Company "S.A.E."	75.00%	75.00%
Microfinance consultancy Services (Mashro'ey) "S.A.E."	57.26%	57.26%
Almajmoa Alalamia; Litijaret Alsaiaarat (GK)	83.33%	83.33%
GB Logistics "S.A.E."	99.98%	99.98%
GB Capital holding for financial investments "S.A.E."	99.00%	99.00%
Gulf Company	100.00%	100.00%
Drive Automotive "S.A.E."	100.00%	100.00%
Drive Finance "S.A.E."	100.00%	100.00%
Ghabbour Al Qalam	68.00%	68.00%
GB Global Company	100.00%	100.00%
GBR Company	54.00%	54.00%
GBR Services Company	48.80%	48.80%
Egypt Auto Mall Company for used car "S.A.E."	99.00%	99.00%
GB El Bostan	60.00%	60.00%
Ghabbour general trade	25.00%	25.00%
Pan African Egypt Company for Oil "S.A.E."	100.00%	100.00%
Tires & more Company for car services "S.A.E."	90.00%	90.00%
Suez Canal logistic services Co. "S.A.E."	100.00%	100.00%
GB Automotive Manufacturing Co. "S.A.E."	100.00%	100.00%
Ready Parts for automotive spare parts "S.A.E."	100.00%	100.00%
GB Light transport manufacturing Company (GB LTMC) "S.A.E."	100.00%	100.00%
GB for Import & export	100.00%	100.00%
Tasaheel Microfinance Company ((Tasaheel)) "S.A.E."	57.26%	57.26%
GB for heavy truck and construction equipment trading "S.A.E"	100.00%	100.00%
GB for water and environment technology. "S.A.E."	100.00%	100.00%
Engineering Company for transportation maintenance El Mikaneeky	65.00%	65.00%
Egyptian International Maintenance and cars Manufacturing Company EIAC "S.A.E."	100.00%	100.00%
GB Finance S.A.R.L.	100.00%	100.00%

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MNT for SME Development "S.A.E."	57.26%	57.26%
BBAL Blue Bay Auto Loan Investments Cyprus LTD	100.00%	100.00%
Salexia L.T.D. Trading (Cyprus)	100.00%	100.00%
MNT Investment B.V. (Netherland)	57.26%	57.26%
GB Capital Securitization S.A.E.	100.00%	100.00%
Rassedy S.A.E.	55.10%	55.10%
GB Real Estate Mortgage Finance B.V.	100.00%	100.00%
GB Capital BV	100.00%	100.00%
Transport Vehicle Distribution TVD S.A.E.	51.00%	51.00%
Automobilk S.A.E	65.00%	65.00%
GB Finance Lease BV	100.00%	100.00%
GB Microcredit BV	57.26%	57.26%
GB Operational Lease BV	100.00%	100.00%
GB Consumer Finance BV	100.00%	100.00%
Rassedy For Collection S.A.E	55.10%	41.25%
GB Factoring BV	100.00%	100.00%
GB Global BV	100.00%	100.00%
Halan Consumer Finance	57.26%	57.26%
GB Automotive For Trade and Manufacture	100.00%	100.00%

31- Payment under Investment

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Auto Market Company	54 456	54 456
GBM Global	72	72
Total	<u>54 528</u>	<u>54 528</u>

32-Capital Commitments

The capital contractual expenditure of the Group at the consolidated financial statements date reached EGP 99 979 at March 31, 2022 (EGP 98 353 as at December 31, 2021) represented in the amount to be paid upon the completion of the new production lines under construction and other branches across the country.

33-Contingent liabilities

There are contingent liabilities on the Group represented in letters of guarantee .The balance of the letters of guarantee granted by the Group in Egyptian Pounds and foreign currencies through its regular business, presented in EGP are as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
USD	1 606 976	2 566 108
EGP	166 949	167 736
Japanese Yen	59 510	9 752
Euro	970 758	7 026
Cny	1 069	124

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34-Related party transactions

The subsidiaries have current accounts with related parties which include all payments made on behalf of or through the subsidiaries. The subsidiaries collect and pay these amounts regularly.

Balances due from and to related parties are as follows:

<u>Due from related parties</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>
El Bostan Holding	77 811	66 865
SARL SIPAC – Algeria	12 730	11 251
Algematco – Algeria	29 231	27 291
Halan for Information technology	145 179	92 505
Kassed Shareholders' Current Account	–	10 805
El Qalam Shareholders' Current Account	2 932	2 520
Bedaia for Real estate Financing	7 190	–
Auto Market misr	–	18 721
Total	275 073	229 958
Impairment of due from related parties	(40 547)	(36 730)
	234 526	193 228
	<u>March 31, 2022</u>	<u>December 31, 2021</u>
<u>Due to related parties</u>		
Marco Polo Company	69 293	59 545
EQI	761	761
Al Watania for car accessories and spare parts	8 084	8 084
Gaya	11 697	10 345
Wahdan Company	68	68
EL Ghalban Company	47 195	47 195
Egypt auto market	25 393	–
Kassed Shareholders' Current Account	8 796	–
Halan for Information technology	476	–
	171 763	125 998

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The following is the nature and the values for the most significant transactions with the related- parties during the

Related party name	Relation type	Transaction nature	Transaction amount	
			March 31, 2022	December 31, 2021
Executive BOD	Board of Directors	Management Salaries	11 414	32 093
Al Watania for Vehicles Accessories and spare parts	Related Party	Purchases	11	11
SARL SIPAC – Algeria	Related Party	Cash transfer	(1 479)	–
Kassed Shareholders' current account	Shareholder in one of the subsidiaries	Sales	–	–
		Cash transfer	(8 796)	7 746
El- Qalam Shareholder current account	Shareholder in one of the subsidiaries	Sales		(108 271)
		Services	2 932	34 427
Marco Polo Company	Shareholder in one of the subsidiaries	Services	(9 748)	113
Algematco – Algeria	Shareholder in one of the subsidiaries	Cash transfers	1 940	2 021
Bostan Holding	Related Party	Foreign Currency translation difference	(10 946)	127
Halan for Information technology	Related Party	Cash transfers	52 674	(85 645)
Gaya	Shareholder in one of the subsidiaries	Cash transfers	(1 352)	6 029
El Ghalban	Shareholder in one of the subsidiaries	Cash transfers	–	39 617

35- Investment in associates

	Contribution percentage	December 31, 2021	Net Profit /Losses for the year	Dividends Distribution	March 31, 2022
Halan for Information technology	40.13%	535 869	(21 821)	–	514 048
Bedaia for Real estate Financing	33.33%	62 621	(2 800)	(7 189)	52 632
Tokyo Marine	37.50%	24 420	(2 665)	–	21 755
		622 910	(27 286)	(7 189)	588 435

36-Other investments

	Contribution percentage	March 31, 2022	December 31, 2021
Sky reality holding	7.49%	103 500	103 500
Tawfiqia .com	10.00%	500	500
		104 000	104 000

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37- Income statement according to expense nature

	March 31, 2022	December 31, 2021
Operating Revenue	7 842 085	6 827 594
Operating Cost	(6 008 545)	(5 474 624)
Gross Profit	1 833 540	1 352 970
Other income	87 480	39 819
Provisions no longer required	33 826	8 803
Investment in associates and liquidation losses	(27 286)	(1 329)
Interest income	67 545	19 940
Installment sales interest	5 388	5 709
Bank charge	(26 580)	(26 778)
Interest expense	(173 056)	(153 364)
Salaries & Benefits	(620 405)	(424 135)
Selling & Marketing	(42 414)	(71 222)
Rents	(30 070)	(20 950)
Net Gain foreign exchange transaction	(211 158)	7 866
Provisions formed	(70 043)	(78 005)
Depreciation and Amortization	(66 206)	(48 276)
Consulting	(35 645)	(5 973)
Transportation vehicles expense	(10 986)	(8 579)
Governmental Fees & stamps	(16 477)	(13 950)
IT Expense	(14 739)	(7 290)
Other Expenses	(18 678)	(24 700)
Insurance	(34 677)	(30 895)
Security Expense	(5 683)	(4 172)
Administration Supplies	(6 314)	(6 310)
Utilities	(16 348)	(10 608)
Donations & Puplic relation	(5 066)	(3 673)
Medical Fund	(16 439)	(13 037)
Freight	(18 700)	(15 332)
Freight	(1 803)	(2 698)
Net profit for the year before income tax	559 006	463 831

38- Securitized Operations

During the period the group (the non-banking financial services sector) signing into money transfer contracts and the data on securitization operations are as follows:

The securitization portfolio consists of financial rights and deferred dues secured by various guarantees in favor of the assignor, which have been transferred to the assignee. The assignor has transferred financial rights and deferred payment dues for the purpose of issuing securitized bonds.

March 31, 2022		December 31, 2021	
Total Value	Current Value	Total Value	Current Value
11 764 213	7 855 975	11 764 213	10 565 882

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39 –Private Risk Reserve

The risk reserve is represented in non-banking financial services, the effects of applying the Egyptian Accounting Standard No. 47 “Financial Instruments” equivalent to 1% of the assets listed in the risk weights in accordance with the provisions of the decisions issued by the Board of Directors of the General Authority for Financial Supervision No. 200 of 2020 on some companies that engage in financial activities

Non-banking, and the balance on December 31, 2021 reached 90 million Egyptian pounds, and the balance of this reserve will not be used after applying Standard No. 47 except after obtaining the prior approval of the Authority.

40 – General Risk Reserve

A general risk reserve is the difference between applying the expected credit loss model according to the non-bank financial companies' application of the Egyptian Accounting Standard No. 47 on January 1, 2021 for the provision for doubtful debts, and the management of the subsidiaries decided to create this reserve until it was presented to the general assemblies of the subsidiaries for approval.

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41- Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are summarized below:

A- Business combination

- The Group accounts for business combination using the acquisition method when control is transferred to the Group.
- The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.
- Any goodwill that arises is tested annually for Impairment. Any gain on a bargain purchase recognized in profit or loss immediately.
- Transaction cost is expensed as incurred, except if related to the issue of debt or equity securities.
- The consideration transferred does not include amounts related to the settlement of pre-existing relationship. Such amounts are generally recognised in profit or loss.
- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that met the definition of financial instrument is classified as equity, then it is not re-measured, and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

1) Subsidiaries

- Subsidiaries are entities controlled by the Group.
- The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

2) Non-controlling interests

NCI are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

4) Transaction elimination on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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41-Significant accounting policies (Continued)

B- Foreign currency

1) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in Other comprehensive income:

- Available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.

2) Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss. Then the partial share must be reclassified.

C- Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative period.

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(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

41 -Significant accounting policies (Continued)

D) Revenue from customer contracts.

Egyptian Accounting Standard No. 48 - Revenue from contracts with customers.

Egyptian Accounting Standard No. 48 specifies a comprehensive framework for determining the value and timing of revenue recognition. This standard replaces the following Egyptian accounting standards (Egyptian Accounting Standard No. (11) "Revenue" and Egyptian Accounting Standard No. (8) "Construction Contracts". Revenue is recognized

When a customer is able to control units or services, determining the timing of the transfer of control - over a period of time or at a point in time - requires a measure of personal judgment.

Revenue Recognition

According to the nature of the group's activities, in addition to the group's current accounting policies, the effect of Egyptian Accounting Standard No. 48 on the recognition of revenue by the group will be immaterial, as the net effect of retained earnings amounted to 12.5 million Egyptian pounds.

The costs of assign a contract with customers

Under Egyptian Accounting Standard 48, some of the additional costs incurred in acquiring a contract with a customer ("contract costs"), which previously did not qualify for recognition as an asset under any of the other accounting standards, have been deferred in the consolidated statement of financial position. The effect of capitalization of contracts costs resulting from the application of Egyptian Accounting Standards (no.48)

Transitional period

The Group applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in retained earnings with effect from January 1, 2021, and the comparative figures have not been adjusted.

The effect of applying Egyptian Accounting Standard 48 on the opening balances of the group's financial position, as of January 1, 2021, and this resulted in an impact on the retained earnings on January 1, 2021, an amount of 12.5 million Egyptian pounds

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41 -Significant accounting policies (Continued)

E- Employee benefit

1) Short – term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2) Share – based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group pays contributions to the Public Authority for Social Insurance for their employees based on the rules of the social insurance law no 79 for the year 1975. The employees and employers contribute under this law with a fixed percentage of wages. The Group's commitment is limited to the value of their contribution. And the Group's contribution amount expensed in profits and losses according to accrual basis.

4) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted - before tax – to reflect the time value of money.

F- Finance income and finance costs

The Group's finance income and finance costs include:

- interest income.
- interest expense.
- Foreign currency gains or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

G- Income Tax

The recognition of the current tax and deferred tax as income or expense in the profit or loss for the period, except in cases in which the tax comes from process or event recognized - at the same year or in a different period - outside profit or loss, whether in other comprehensive income or in equity directly or business combination.

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41 -Significant accounting policies (Continued)

1) Current income tax

The recognition of the current tax for the current period and prior periods and that have not been paid as a liability, but if the taxes have already been paid in the current period and prior periods in excess of the value payable for these periods, this increase is recognized as an asset. The taxable current liabilities (assets) for the current period and prior periods measured at expected value paid to (recovered from) the tax authority, using the current tax rates (and tax laws) or in the process to issue in the end of the financial period. Dividends are subject to tax as part of the current tax. But do not be offset for tax assets and liabilities only when certain conditions are met.

2) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- a. Taxable temporary differences arising on the initial recognition of goodwill.,
- b. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not:
 - 1) business combination
 - 2) And not affects neither accounting nor taxable profit or loss.
- c. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. deferred tax assets are reassessed at each reporting date, and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

H- Inventories

Inventories are valued at cost or net realisable value whichever is lower. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate share of production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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41 -Significant accounting policies (Continued)

I- Property, plant and equipment

1) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

The modified cost model was adopted which the cost and accumulated depreciation for some categories of fixed assets (Machinery and equipment, Vehicles, Furniture and office equipment, Tools and supplies) are modified using modification factors stated in annex (A) of EAS no. (13). The increase of net fixed assets which are qualified to modification, were recognized in other comprehensive income items and was presented as a separate item in equity under the name of "modification surplus of fixed assets". The realized portion of modification surplus of fixed assets is transferred to retained earnings or losses in case of disposal or abandonment of the asset which qualified for modification or usage (depreciation difference resulting from the adoption of the special accounting treatment).

2) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

3) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the (straight-line method) over their estimated useful lives for each item, and is generally recognised in profit or loss.

Land is not depreciated. Estimated depreciation rates for each type of assets for current and comparative periods are as follow:

Asset	Depreciation rate
Buildings	%4 – %2
Machinery & equipment	%20 – %10
Vehicles	%25 – %20
Fixtures & Office furniture	%33 – %6
IT infrastructures & Computers	%25
Leasehold improvements	20% - or lease period whichever is less

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4) Reclassification to investment property

The reclassification of assets to investment property when the use of a property changes from owner-occupied to investment property.

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41 -Significant accounting policies (Continued)

5) Project under construction

The projects under construction recognized at cost. All expenses related to cost includes direct and necessary to prepare the asset to the state that is ready to use and in the purpose for which it was acquired for. The asset transferred from projects under construction to fixed assets when it is completed and ready to use.

J- Intangible assets and goodwill

1) Recognition and measurement

I. Goodwill:

Arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

II. Other intangible assets:

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

III. Computer software

Costs associated with developing or maintenance of computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate future economic benefits beyond one year, are recognised as intangible assets.

Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Expenditure to acquire computer software is capitalized and included as an intangible asset. Computer software costs recognised as assets are amortised using the straight-line method over their useful lives and not exceeding a year of 3 years.

IV. Knowhow

The amounts paid against knowhow are recognized as intangible assets in case of knowhow have a finite useful life and amortized over their estimated useful lives.

2) Subsequent expenditure

Subsequent expenditure is capitalised only when the intangible asset will increase the future economic benefits embodied in project, research, and development under construction which is recognized as intangible assets. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3) Amortization

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the (straight-line method) over their estimated useful lives, and is generally recognised in profit or loss.

Goodwill is not amortised.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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41 -Significant accounting policies (Continued)

K- Investment property

Investment property is property held by the Group for rental or rise in value, or both and initially measured at cost and subsequently at cost less accumulated depreciation and impairment, and recognize in profit and loss the depreciation expenses and impairment losses.

The depreciation of investment property calculated using (straight-line method) over their estimated useful lives for each type of investment property, land is not depreciated.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

L - Financial instruments

EAS 47 – Defined the recognition and measurement of financial assets and financial liabilities and some of non-financial items agreements for sale or purchase. This standard replaces EAS 25 financial instruments: presentation and disclosure and EAS 26 financial instruments.

The recognition and measurement and EAS 40 financial instruments disclosures applied on 2021 disclosures.

Financial assets and financial liabilities Classification and measurement

- The new standard requires the company to value the classification of financial assets at the company's financial statements according to the financial assets cash flow conditions and the company related business module for financial assets certain category.
- EAS 47 has no longer available for sale classification for financial assets. The new standard contains different requirements for financial asset in debit instruments or equity instruments.

The financial instruments must be classified and measured by one of the following:

- Amortized cost, which actual interest rate will be applied or
- Fair value through comprehensive profit and loss with subsequent reclassification to profits and losses when the financial assets sale .
- fair value through profit and losses
- a. Investments in equity instruments must be classified and measured by one of the following methods except for those considered and applied owners' equity accounting
 - Fair value through other comprehensive income through subsequent reclassification to profits and losses statement when financial assets have been sold
 - Fair value through profits and losses
- b. The company initially continues in measurement of financial assets by using fair value plus cost of transaction at the initial recognition except the financial assets measured at fair value through profits and loss in accordance with the current practices, most of financial assets classification have not been effected by the adoption of EAS 47 at 1 January 2021

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EAS 47 largely retains the current requirements including those in EAS 26 for financial liabilities classification and measurements

The application of EAS 47 didn't have a significant impact on the company's accounting policies related to financial liabilities and derivatives.

Impairment: -

- c. EAS 47 uses the expected credit loss model, which replaces the exposure loss model EAS 26, where there was no need for a provision for doubtful debts except in cases in which there is actual loss incurred in contrast, the ECL model requires the company to recognize for doubtful debts provisions on all financial assets included in amortized cost as well as debt instruments classified as fair value through other comprehensive income since initial recognition regardless of whether loss was incurred as a result, the company's doubtful debts provisions has been increased when applying EAS 47 at 1 January 2021.

Below are the main changes in the group's accounting policy for impairment of financial assets.

When determining a default for the purpose of determining the risk of a default, the entity shall apply a default definition consistent with Identification used for internal credit risk management purposes of the relevant financial instrument and theoretical qualitative indicators when appropriate. However, it is a rebuttable assumption that the default does not occur later when the financial asset is due.

for a period of 90 days unless an entity has reasonable and supportive information to demonstrate that the non-satisfactory default criterion is the most appropriate.

The default definition used for these purposes is applied consistently to all financial instruments unless information is available.

Which prove that non-consensual recognition of the other is not appropriate for a particular financial instrument.

A three-stage approach is applied to measure expected credit losses for financial assets listed at cost

depreciated and debt instruments designated as Fair value through other comprehensive income.

Assets are transferred through

The following three stages are based on the change in the quality of credit ratings since initial recognition for these assets :

Principle of these assets

- Stage one: 12-month expected credit losses

For exposures that have not resulted in a quantitative increase in credit risk since initial recognition, a portion of the credit risk is recognized. Lifetime ECL based on the probability of default occurring over the next 12 months

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- Stage two: Lifetime ECL - not credit-impaired

For credit exposures that have resulted in a significant increase in credit risk since initial recognition, but not Credit impaired, lifetime expected credit losses are recognized.

- Stage Three: Lifetime Expected Credit Loss Financial assets are credit-impaired when the One or more events that have a detrimental effect on the estimated future cash flows of those assets Finance.

- **Measurment**

The company apply the simplified approach to calculate expected credit losses for the Auto &Auto related sector companies due to the absence of an important credit component associated with their contracts with customers while apply for the non-banking financial sector companies, the general approach was applied to calculate expected credit losses due to the presence of an important credit component in contracts with customers of that sector.

- **Hedge accounting**

Egyptian Accounting Standard No. 47 increases the company's ability to apply hedge accounting. In addition, it has been Align the requirements of the standard more closely with the company's risk management policies, so high coverage will be measured in the future.

- **Transitional period**

The company applied the standard using the modified cumulative effect tick, which means that the impact of applying the standard has been recognized In retained earnings as of January 1, 2021, the comparative figures have not been adjusted

M- Share capital

1) Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with EAS No. (24) "Income Tax".

2) Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

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N- Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

1) Warranties

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

2) Legal Claims

The recognition of the provision for legal claims when there are legal claims against the Group and after receiving appropriate legal advice.

3) Other Provisions

Provisions are recognized when there are other expected claims from third parties with respect to the activities of the Group and, according to the latest developments and discussions and agreements with those parties.

O- Leases

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

An entity shall determine the lease term as the non-cancellable period of a lease, together with both:

- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option.
- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

As a lessor:

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

Examples of situations that individually or in combination would normally lead to lease being classified as a finance lease are:

- A- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- B- The lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised.

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- C- The lease term is for the major part of the economic life of the underlying asset even if title is not transferred.
- D- At the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset.
- E- The underlying asset is of such a specialised nature that only the lessee can use it without major modifications..

41 -Significant accounting policies (Continued)

Recognition and measurement

Initial measurement

At the commencement date, a lessor shall recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- A- Fixed payments (including in-substance fixed payments as described in paragraph B42), less any lease incentives payable.
- B- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- C- Any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee. The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- D- Assessed considering the factors described in paragraph B37 (payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option).
- E- Terminate the lease.

Operating leases

Recognition and measurement

Recognition of the lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Sale and leaseback transactions

If an entity (the seller-lessee) transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor, both the seller-lessee and the buyer-lessor shall account for the transfer contract and the lease applying:

1) Assessing whether the transfer of the asset is a sale

The Company shall apply the requirements for determining when a performance obligation is satisfied in EAS (48) to determine whether the transfer of an asset is accounted for as a sale of that asset.

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2) Transfer of the asset is a sale

- a) If the transfer of an asset by the seller-lessee satisfies the requirements of EAS (48) to be accounted for as a sale of the asset:
 - The seller-lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.
 - The buyer-lessor shall account for the purchase of the asset applying applicable Standards, and for the lease applying the lessor accounting requirements in this Standard.
- b) If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, an entity shall make the following adjustments to measure the sale proceeds at fair value:
 - Any below-market terms shall be accounted for as a prepayment of lease payments.
 - Any above-market terms shall be accounted for as additional financing provided by the buyer lessor to the seller-lessee.
- c) The entity shall measure any potential adjustment required on the basis of the more readily determinable of:
 - The difference between the fair value of the consideration for the sale and the fair value of the asset.
 - The difference between the present value of the contractual payments for the lease and the present value of payments for the lease at market rates.

3) Transfer of the asset is not a sale

If the transfer of an asset by the seller-lessee does not satisfy the requirements of EAS (48) "Revenue from Contracts with Customers" to be accounted for as a sale of the asset:

- The seller-lessee shall continue to recognise the transferred asset and shall recognise a financial liability equal to the transfer proceeds. It shall account for the financial liability applying EAS (47) "Financial Instruments".
- The buyer-lessor shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. It shall account for the financial asset applying EAS (47) "Financial Instruments".

As a lessee:

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability. The Company may elect not to apply that for the short-term leases and leases for which the underlying asset is of low value, the lessee shall recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The lessee shall apply another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

Initial measurement of the right-of-use asset

The cost of the right-of-use asset shall comprise:

- A- The amount of the initial measurement of the lease liability shall measure at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that

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rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

- B- Any lease payments made at or before the commencement date, less any lease incentives received.
- C- Any initial direct costs incurred by the lessee.
- D- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequent measurement of the right-of-use asset

After the commencement date, a lessee shall measure the right-of-use asset applying a cost model:

- a) Less any accumulated depreciation and any accumulated impairment losses.
- b) Adjusted for any re-measurement of the lease liability.

Initial measurement of the lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Subsequent measurement of the lease liability

After the commencement date, a lessee shall measure the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability.
 - b) Reducing the carrying amount to reflect the lease payments.
 - c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.
- Right-of-use asset and lease liabilities shall present in the statement of financial position separately from other assets and other liabilities.
 - Lease contracts includes lessee performing maintenance and insurance for the leased asset, the lease contract does not include any arrangements to transfer of ownership by the end of the lease period.
 - For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

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Egyptian Accounting Standard No. (49 - Lease contracts

- The Egyptian Accounting Standard (49) replaces the Egyptian Accounting Standard No. (20) - the accounting rules and standards related to financial leasing operations.
- Egyptian Accounting Standard No. (49) "Lease Contracts" provides a single accounting model for the lessor and the lessee where the lessee recognizes the right to use the leased asset within the company's assets and recognizes a commitment which represents the current value of unpaid lease payments within the company's obligations, bearing in mind that Leases are not classified to the lessee as an operating lease or a finance lease. There are optional exemptions for short-term and low-value leases.
- With regard to the lessor, the lessor must classify each of his lease contracts either as an operating lease contract or as a finance lease contract.
- With regard to the financial lease, the lessor must recognize the assets held under a finance lease contract in the balance sheet and display them as receivable sums in an amount equal to the net investment in the lease contract.
- For an operating lease, the lessor must recognize lease payments from operating lease contracts as income, either on a straight line basis or on any other regular basis.

Recognition and measurement

- Upon the commencement of the contract, the company evaluates whether the contract contains lease arrangements, and for such arrangements for leasing contracts, the company recognizes Right of use assets and liabilities for lease contracts, with the exception of short-term leasing contracts and low-value asset contracts as follows:
 - On initial recognition, the Right of use asset is measured as the amount equal to the rental obligation measured initially and adjusted for pre-contract lease payments, initial direct cost, rental incentives, and the discounted value of the estimated costs of dismantling and removing the asset.
In the subsequent measurement, the right of use base is measured at cost deducted from the depreciation aggregate and the sum of the impairment losses.
Depreciation is calculated on a straight-line basis over the estimated useful lives of the Right of use assets or the lease term, whichever is less.
- Lease commitment is measured at the beginning of the lease contract at the present value of the lease payments unpaid on that date over the lease period. Lease payments must be deducted using the country's incremental borrowing rate in general. The company uses the additional borrowing rate as the discount rate.
Then the lease contract liability is measured at amortized cost using the effective interest rate method.
- The Right of use assets and lease obligation of the lease contracts will be re-measured later in the event that any of the following events occur:

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- The change in the rental price due to the link to the price or the rate that became effective in the period.
- Amendments to the lease contract
- Reassessment of the lease term

Leases of non-core assets that are not related to the main operating activities of the company, which are short-term in nature (less than 12 months including renewal options) and low-value commodity leases are included in the income statement as incurred.

Transitional period

The company has applied the Egyptian Accounting Standard No. (49) with effect from January 1, 2021, and the comparative figures have not been modified. Upon switching to LAS 49, the company chose to apply the practical method to exclude the valuation whereby transactions represent lease contracts. It applied Egyptian Accounting Standard 49 only to contracts that were previously defined as lease contracts. Contracts that were not defined as lease contracts under Egyptian Accounting Standard 20 were not re-evaluated. Consequently, the definition of a lease contract under Egyptian Accounting Standard 49 was applied only to contracts concluded or changed on or after January 1, 2021, as the company adopted practical incentives. When applying the Egyptian Accounting Standard No. (49) to the following:

Lease contracts previously classified as operating leases under the Egyptian Accounting Standard No. (20):

Application of a single discount rate to a group of leases with reasonably similar characteristics the average additional interest rate applied to the lease obligations recognized on January 1, 2021, was 9.12%.

The application of the exemption by not recognizing the assets and liabilities of the Right of use asset that expire during the year 2021.

Excluding the initial direct cost from measuring the Right of use asset on the first application date.

The company has also chosen to use recognition exemptions for leasing contracts whose lease period does not exceed 12 months or less from the date of the first application and does not contain the option to purchase "short-term lease contracts" as well as low-value leasing contracts for "low-value assets."

Important rulings in determining the lease term for contracts that include renewal options

The term of the leasing contract determines, along with a period of time, the lease option contract, or this right may be exercised, and to a reasonable extent, or periods covered by the option to terminate the lease, may exercise this right.

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The company has the option under some lease contracts to lease assets for additional periods, the company applies judgment in assessing whether it is certain and to a reasonable degree to exercise the renewal option, and this means that all relevant factors that create an economic incentive to practice renewal are taken into consideration, after the start date

The company shall return the lease term if there is a major event or change in the circumstances under its control that affects its ability to exercise (or not exercise) the renewal option (for example) a change in the business strategy.

P- Segmental reports

A segment is a group of related assets and operations that are subject to risks and returns that are different from those of other sectors or within a single economic environment subjects to risks and returns that relate to it, other than those relate of segments operating in a different economic environment.

Q-Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

R-Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

42 - Important events

The Central Bank of Egypt decided in its session held on March 21, 2022, to drop the exchange rate of foreign currencies to give flexibility to banks operating in Egypt to price the purchase and sale of foreign exchange within legitimate channels.

That day is as follows:

<u>Important Currencies</u>	<u>Sale</u>	<u>Buy</u>
USD	18.2683	18.1708
Euro	20.168	20.0570

Accordingly, the balances of assets and liabilities of monetary nature in foreign currencies were evaluated in the financial statements for the financial period ending on

March 31, 2022 and also the company's business results may be materially affected in subsequent periods as a result.

In conjunction with the liberalization of the exchange rate, the Central Bank of Egypt also raised the overnight deposit and lending rates by 100 basis points to reach 9.25% and 10.25%, respectively.

Which may affect the company's revenue and financing costs.

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43- Subsequent events

On April 27, 2022, Prime Minister Decision No. 1568 of 2022 was issued to amend some provisions of the Egyptian Accounting Standards represented in the issuance of Appendix B of the Egyptian Accounting Standard No. (13) amended in 2015 "Effects of Changes in Foreign Exchange Rates", which deals with the accounting treatment to deal with the effects of the liberalization of foreign exchange rates (note 42), This special optional accounting treatment issued in this annex is not considered an amendment to the amended Egyptian Accounting Standards currently in force, beyond the time period for the validity of this annex, and these treatments are as follows:

- An entity that, during the period from the beginning of January 2020 until the date of moving the exchange rate, has acquired fixed assets and/or real estate investments and/or exploration and evaluation assets and/or intangible assets (other than goodwill) financed by foreign currency liabilities, to recognize within the cost of Those assets with currency differences resulting from retranslation of the outstanding liability balance relating to them on the date of moving the exchange rate using the exchange rate at the date of moving the exchange rate. The facility can apply this option to each asset separately.

- As an exception to the requirements of paragraph No. 28 of the amended Egyptian Accounting Standard No. (13) "Effects of Changes in Foreign Exchange Rates" for the recognition of currency differences, an entity whose business results have been affected by a net currency difference gain or loss as a result of moving the foreign exchange rate can To recognize within the items of other comprehensive income the debit and credit currency differences resulting from the retranslation of the balances of monetary items existing on March 31, 2022 using the closing price on the same date, minus any currency translation differences that were recognized within the cost of assets in accordance with the previous paragraph. This is because these differences resulted mainly from the decision to move the exchange rate.

The company's management has decided not to apply this optional accounting treatment to the financial statements during the financial period ending on March 31, 2022.

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