Contact Financial Holding (S.A.E)
(formerly known as Sarwa Capital Holding for Financial Investments)
Consolidated financial statements
For the financial year ended December 31, 2021
And Auditor’s Report Theron

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KPMG

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Translation of financial statements
originally issued in Arabic

Independent Auditor's Report

To the Board of Directors of Contact Financial Holding (formerly known as Sarwa Capital Holding for Financial Investments) (S.A.E)

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Contact Financial Holding (formerly known as Sarwa Capital Holding for Financial Investments) which comprise the consolidated financial position as at December 31, 2021 and the consolidated statement of Income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year then ended as at December 31, 2021 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the company as at December 31, 2021, and of its consolidated financial performance and its consolidated financial statements cash flows for the year ended December 31, 2021, in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Report on Other Legal and Regulatory Requirement

The company maintains proper books of accounts, which include all that is required by law by the statutes of the company, and the consolidated financial statements are in agreement thereto.

The financial statements continued in the Board of Directors' report prepared in accordance with the requirements of Low No. 159 of 1981 and its executive regulations shall be in conformity with the books of the company within the limits in which such data are recorded in the books.

KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants and Consultants

Cairo, February 24, 2022

KPMG Hazem Hassan
Public Accountants and Consultants
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Contact Financial Holding (S.A.E) (Sarwa Capital Holding for Financial Investments previously)
Consolidated Statement of Financial Position as at 31 December 2021
All amounts are in EGP unless otherwise stated

	Note No.	31-Dec-21	31-Dec-20
Assets			
Cash on hand and at banks	(25)	127,932,212	133,775,238
Loans and receivables	(26)	3,220,236,835	2,402,166,654
Investments in associates	(27)	66,054,339	44,904,478
Financial investments	(28)	1,658,556,563	1,184,308,078
Securitization surplus	(29)	13,326,086	27,146,804
Due from related parties	(30)	2,930,213	23,319,698
Debtors and other debit balances	(31)	476,379,301	261,933,306
Work in progress		20,271,444	15,622,874
Property plant and equipment (net)	(32)	192,084,492	135,726,350
Right of use assets (net)	(33)	485,364,799	-
Goodwill	(34)	25,302,524	25,302,524
Intangible assets	(35)	19,576,096	-
Deferred tax assets	(23)	264,623	301,313
Assets Held for Sale	(36)	14,893,984	-
Total assets		**6,323,173,511**	**4,254,507,317**
Liabilities			
Loans and overdrafts	(37)	2,404,704,308	1,344,965,348
Suppliers and other credit balances	(38)	510,890,904	315,934,581
Current income tax liabilities		147,126,130	131,983,385
Other provisions	(39)	-	23,500,000
Lease liabilities	(40)	472,227,887	-
Insurance policyholders' rights		187,677,471	115,855,238
Deferred tax liabilities	(23)	25,926,818	37,657,182
Total liabilities		**3,748,553,518**	**1,969,895,734**
Shareholders' equity			
Paid-in capital	(41)	191,515,840	191,515,840
Reserves	(42)	982,310,905	957,765,033
Retained earnings	(43)	1,317,070,375	1,065,876,062
Equity attributable to the shareholders of the parent company		**2,490,897,120**	**2,215,156,935**
Non-Controlling Interest		83,722,873	69,454,648
Total shareholders' equity		**2,574,619,993**	**2,284,611,583**
Total shareholders' equity and liabilities		**6,323,173,511**	**4,256,507,317**

The accompanying notes and accounting policies from page (6) to page (74) are an integral part of these financial statements and are to be read therewith.

Mohamed Saied
Financial Manager
m. Said

Ayman El Sawy
Chief Financial Officer

Said Zater
Chief Executive Officer
Zater

Cairo, 24 February 2022

Auditor Report "Attached"

Contact Financial Holding (S.A.E) (Sarwa Capital Holding for Financial Investments previously)
Consolidated Statement of profit and loss for the year ended 31 December 2021
All amounts are in EGP unless otherwise stated

	Note No.	31-Dec-21	31-Dec-20	Totals Serial
Revenue from portfolio transfer	(8) - (48)	486,812,534	320,398,207	
Off balance sheet portfolio management fee	(9)	156,799,431	103,794,948	
Securitization deficit	(10)	(12,369,870)	(9,278,718)	
Early payment expense - Sukuk/ Discounting		(32,621,421)	(51,753)	
Net Revenue from portfolio transfer		**598,620,674**	**414,862,684**	(1/1)
Income from financing activities	(11)	465,594,918	475,836,305	
Interest expense		(161,072,958)	(201,022,240)	
Interest income (cash surplus)		93,288,836	96,463,861	
Other interest expenses		(5,853,421)	(5,676,932)	
Net interest income		**391,957,375**	**365,600,994**	(1/2)
Fee and commission income	(12)	132,525,218	108,182,994	
Fee and commission expenses	(13)	(56,649,271)	(46,137,949)	
Net financing fee & commission income		**75,875,947**	**62,045,045**	(1/3)
Profit share from associates		**22,221,534**	**29,041,025**	(1/4)
Sales revenue - goods and services		117,435,580	2,102,289,980	
Cost of sales - good and services		(117,435,580)	(2,102,289,980)	
Net Sales of goods and services		-	-	(1/5)
Net financing and operating income		**1,088,675,530**	**871,549,748**	(1)
Insurance and insurance brokerage				
Direct premiums		516,835,189	283,856,094	
Provisions of unearned premiums		(44,152,115)	(49,818,883)	
Outward reinsurance premiums		(154,647,942)	(73,108,785)	
Net earned premiums		**318,035,132**	**160,928,426**	
Net claims	(14)	(158,913,927)	(90,519,443)	
Net commissions & production costs	(15)	(111,594,998)	(61,773,299)	
Policies issuance revenue		7,015,717	4,617,952	
Retrograde fluctuation’s provision		(2,279,942)	(1,639,695)	
Underwriting insurance income		**52,261,982**	**11,613,941**	(2/1)
Net investment income		**45,217,985**	**36,267,119**	(2/2)
Fee income insurance	(16)	42,070,196	29,893,545	
Fee expenses insurance	(17)	(3,983,525)	(2,792,294)	
Net Insurance fee income		**38,086,671**	**27,101,251**	(2/3)
Insurance operating income		**135,566,638**	**74,982,311**	(2)
Other operating income	(18)	18,588,160	1,403,575	
Other operating expense	(19)	(14,619,575)	(8,195,480)	
Net operating income/ (expense)		**3,968,585**	**(6,791,905)**	(3)
Depreciation / Amortization	(20)	(63,792,875)	(22,524,489)	
personnel expenses		(363,634,292)	(260,471,326)	
Other expenses	(21)	(80,318,037)	(96,801,565)	
Marketing expenses		(33,052,736)	(20,650,571)	
Provisions		10,086,471	(1,315,602)	
Other Finance cost (lease liability)	(40)	(23,174,509)	(40,047)	
Foreign currency differences		82,178	(82,332)	
Board of directors’ allowances		(964,000)	(578,000)	
Impairment of Financial Assets	(22)	(11,353,704)	(10,238,222)	
Total expenses		**(566,121,504)**	**(412,702,154)**	(4)
Earnings before tax		662,089,249	527,038,000	(1)+(2)+(3)+(4)
Income tax	(23)	(184,028,678)	(159,626,303)	
Net profit for the year after tax		**478,060,571**	**367,411,697**	
Distributed as follows:				
Owners of the company		464,819,029	352,675,305	
Non-controlling interest		13,241,542	14,736,392	
		478,060,571	**367,411,697**	
Earnings per share for the year	(24)	**0.40**	**0.30**	

The accompanying notes and accounting policies from page (6) to page (74) are an integral part of these financial statements and are to be read therewith.

Contact Financial Holding (S.A.E) (Sarwa Capital Holding for Financial Investments previously)
Consolidated Statement of Comprehensive Income for the year ended 31 December 2021
All amounts are in EGP unless otherwise stated

	31-Dec-21	**31-Dec-20**
		***Modified**
Net profit for the year after tax	478,060,571	367,411,697
Other comprehensive income items that are classified to the profit or loss		
Fair value reserve - Financial instruments measured at fair value through other comprehensive income (debt instruments):		
Financial instruments at fair value - Net change in fair value through other comprehensive income	(7,027,898)	145,977,610
Tax impact related to other comprehensive income that will be reclassified to the profit or loss	422,439	(16,229,091)
Total other comprehensive income for the year (after tax)	**(6,605,459)**	**129,748,519**
Total comprehensive income for the year	**471,455,112**	**497,160,216**
Total comprehensive income distributed as follows:		
Owners of the company	458,910,972	482,423,824
Non-controlling interest	12,544,140	14,736,392
	471,455,112	**497,160,216**

The accompanying notes and accounting policies from page (6) to page (74) are an integral part of these financial statements and are to be read therewith.

Contact Financial Holding (S.A.E) (Sarwa Capital Holding for Financial Investments previously)
Consolidated Statement of Changes in Equity for the year ended 31 December 2021
All amounts are in EGP unless otherwise stated

		Reserves						
	Paid in capital	**Legal reserve**	**Share premium reserve**	**Fair Value reserve (Net)**	**Retained earnings**	**Total owners of the company**	**Non-controlling interest**	**Total**
Balance at 1 January 2020	191,515,840	53,034,169	750,409,142	-	968,294,254	1,963,253,405	66,401,653	2,029,655,058
Adjustments	-	-	-	-	(15,000,000)	(15,000,000)	-	(15,000,000)
Effect of implementing EAS 47 on 1 January 2020	-	-	-	242,343,027	(49,203,683)	193,139,344	2,634,727	195,774,071
Balance at 1 January 2020 after implementing EAS 47	191,515,840	53,034,169	750,409,142	242,343,027	904,090,571	2,141,392,749	69,036,380	2,210,429,129
Net income for the year	-	-	-	-	352,675,305	352,675,305	14,736,392	367,411,697
Other comprehensive income for the year	-	-	-	(114,340,665)	-	(114,340,665)	(1,559,787)	(115,900,452)
Total comprehensive income for the year	-	-	-	(114,340,665)	352,675,305	238,334,640	13,176,605	251,511,245
Transactions with the owners of the company:								
ESOP	-	-	16,181,380	-	-	16,181,380	-	16,181,380
Legal reserve	-	10,137,980	-	-	(10,137,980)	-	-	-
The share of non-controlling interest in subsidiaries' capital	-	-	-	-	-	-	10,010,000	10,010,000
Dividends	-	-	-	-	(180,751,834)	(180,751,834)	(22,768,337)	(203,520,171)
Total transactions with the owners of the company	-	10,137,980	16,181,380	-	(190,889,814)	(164,570,454)	(12,758,337)	(177,328,791)
Balance at 31 December 2020	191,515,840	63,172,149	766,590,522	128,002,362	1,065,876,062	2,215,156,935	69,454,648	2,284,611,583
Balance at 1 January 2021	191,515,840	63,172,149	766,590,522	128,002,362	1,065,876,062	2,215,156,935	69,454,648	2,284,611,583
Effect of implementing EAS 48 on 1 January 2021	-	-	-	-	(15,707,848)	(15,707,848)	(3,926,962)	(19,634,810)
Balance at 1 January 2021 after implementing EAS 48	191,515,840	63,172,149	766,590,522	128,002,362	1,050,168,214	2,199,449,087	65,527,686	2,264,976,773
Net profit for the year	-	-	-	-	464,819,029	464,819,029	13,241,542	478,060,571
Other comprehensive income for the year	-	-	-	(5,908,056)	-	(5,908,056)	(697,403)	(6,605,459)
Total comprehensive income for the year	-	-	-	(5,908,056)	464,819,029	458,910,973	12,544,139	471,455,112
Transactions with the owners of the company:								
Share premium reserve ESOP	-	-	23,889,093	-	-	23,889,093	-	23,889,093
legal reserve	-	6,564,835	-	-	(6,564,835)	-	-	-
The share of non-controlling interest in subsidiaries' capital	-	-	-	-	-	-	9,900,000	9,900,000
Dividends	-	-	-	-	(191,352,033)	(191,352,033)	(4,248,952)	(195,600,985)
Total transactions with the owners of the company	-	6,564,835	23,889,093	-	(197,916,868)	(167,462,940)	5,651,048	(161,811,892)
Balance at 31 December 2021	191,515,840	69,736,984	790,479,615	122,094,306	1,317,070,375	2,490,897,120	83,722,873	2,574,619,993

The accompanying notes and accounting policies from page (6) to page (74) are an integral part of these financial statements and are to be read therewith.

Contact Financial Holding (S.A.E) (Sarwa Capital Holding for Financial Investments previously)
Consolidated Statement of Cash Flows for the year ended 31 December 2021
All amounts are in EGP unless otherwise stated

	Note No.	31-Dec-21	31-Dec-20
Cash flows from operating activities			
Net profit for the year before taxes		662,089,249	527,038,000
Adjustments for			
Property, plant and equipment depreciation	(32)	33,470,281	22,524,489
Right of use assets depreciation	(33)	30,322,594	-
Impairments of financial assets		11,353,704	10,238,222
Impairment of goodwill		-	1,171,546
Interest income		-	(114,600,460)
Financing expense		167,312,755	199,609,162
Income from financial portfolio		(486,812,534)	(330,348,863)
Profit share from associates		(22,221,534)	(29,041,025)
ESOP expenses		23,889,131	16,181,340
Gain from disposal of right of use assets		(8,472,336)	-
Health insurance contribution		-	6,542,301
		410,931,310	**309,314,712**
Changes in:			
Proceeds from sale of receivable portfolios		(344,466,518)	428,569,256
Suppliers and other credit balances		175,333,807	72,362,473
Debtors and other debit balances		(281,969,794)	(60,066,286)
Due from related parties		20,389,485	10,809,358
Due to related parties		-	(3,828,285)
Deferred tax liabilities		(15,000,000)	-
Insurance policyholders' rights		71,822,233	78,753,408
Surplus of securitization process		13,820,718	20,730,711
Other provisions		(23,500,000)	-
Cash flows provided by operating activities		**27,361,241**	**856,645,347**
Financing interest paid		(144,138,246)	(188,454,076)
Income tax payment		(165,157,168)	(80,907,890)
Net cash flows (used in) provided by operating activities		**(281,934,173)**	**587,283,381**
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(32)	(90,583,497)	(40,243,010)
Proceeds from sale of property, plant and equipment		555,074	194,048
Works in progress		(4,648,570)	(8,490,445)
Payments to acquire financial investments measured at fair value through other comprehensive income (Debt instruments)		(474,162,974)	(134,664,019)
Disposal of investments to non-controlling interest		9,900,000	-
Proceeds from credit interest		-	94,759,224
Dividends from associates		26,287,673	43,380,444
The share of non-controlling interest in subsidiaries' capital		-	10,010,000
Net cash flows (used in) investing activities		**(532,652,294)**	**(35,053,758)**
Cash flows from financing activities			
Paid dividends		(195,600,985)	(203,520,171)
Payments for lease liabilities		(55,386,792)	-
Proceeds from loans and overdrafts		2,071,126,218	-
Payments to loans and overdrafts		(1,011,387,258)	(194,651,062)
Net cash provided by (used in) financing activities		**808,751,183**	**(398,171,233)**
Net change in cash and cash equivalent during the year		(5,835,284)	154,058,390
Cash and cash equivalent at 1 January 2021		133,930,693	126,623,828
Cash and cash equivalent at 31 December 2021		**128,095,409**	**280,682,218**
Cash and cash equivalents represented as follows:			
Banks - Current accounts		118,191,194	124,608,977
Cash on hand		9,904,215	4,903,749
Treasury bills		-	146,751,525
Time deposits		-	4,417,967
		128,095,409	**280,682,218**

The accompanying notes and accounting policies from page (6) to page (74) are an integral part of these financial statements and are to be read therewith.

Contact financial holding (S.A.E) (Sarwa Capital Holding for Financial Investments previously)
Notes to the consolidated financial statements
For the year ended December 31,2021

1. Reporting entity

1-1 Legal Entity and Activity

- Sarwa Capital Holding for Financial Investments (S.A.E) an Egyptian joint stock company was established pursuant to Law No: 159 for year 1981 and its executive regulations as amended by law No. 3 for year 1998 and was registered in the commercial register under No. 37933 on March 30th, 2009.

- The Company's name was changed according to the decision of the Extraordinary General Assembly Meeting held on June 12, 2017 to become "Sarwa Capital Holding for Financial Investments" and annotation was made to this effect in the commercial register of the company under number 78317 on March 18, 2018 in addition the legal entity of the company changed from being subjected to law No. 159 for year 1981 to be subject to the provisions of Capital Market Law No.95 for year 1992.

- The Company's name changed pursuant to the resolution of the Extraordinary General Assembly Meeting held on February 15, 2021 to be "Contact Financial Holding" and changed in the Company's commercial register on March 28, 2021.

1-2 Purpose of the Company

- The group's purpose is represented in participating in the establishment or the capital increase of companies that issuance securities in accordance with the applicable laws and regulation provided that the license necessary for practicing such activities must be obtained. The group may have an interest or participate in any manner with companies and other entities practicing similar activities or that may assist the group in achieving its purpose in Egypt or abroad. The group may also merge into the said entities purchase them or affiliate them thereto according to the provisions of law and its executive regulations.

- The following schedule determines the subsidiaries of Contact financial Holding along with the ownership (control) percentage over these companies which are consolidated as part of the consolidated financial statements as at December 31, 2021:

Company Name	**Control percentage**	
	Direct	**Indirect**
Contact Credit	99.999%	-
Sarwa Asset Management	99.96%	-
Sawa Payment Systems	50.997%	-
Contact Leasing	99.9998%	-
Contact Factoring	74.99%	25%
Sarwa Insurance	84.980%	-
Sarwa Life Insurance	75.090%	-
Sarwa Promotion and Underwriting	99.996%	-
Sarwa sukuk	99.98%	-
*Contact Mortgage Finance	-	99.9998%
*Wadi Degla Financial	-	50%
*Modern Finance	-	50%
*Get Go Credit Service	-	99.9996%
*Contact Insurance Brokerage	-	80%
*Sarwa Securitization	-	99%
*Capital Real Estate	-	99.7%
*Contact Egyptian International Motor Credit	-	50%
*Contact Specialized Consulting	1%	99%
*SMG Auto credit	-	50%
*Auto Market Holding	100%	-
*Contact Cars	-	100%
*Contact Payment Service	99.96%	-
*Abo Ghaly Finance	50%	-

* Represent the ownership percentage of Contact credit in its subsidiaries which are indirectly controlled by Contact Financial Holding.

2- Basis of Accounting

- The consolidated financial statements were prepared according to the Egyptian Accounting Standards and relevant Egyptian laws and regulations.

- This is the first set of the group's financial statements in which standard No. (48) Revenue from Contracts with Customers and standard No. (49) Lease Contracts were applied.

- The Board of Directors approved the issuance of the translated consolidated financial statements on 24 February 2022.

3- Functional and Presentation Currency

These consolidated financial statements are presented in Egyptian Pound which represents the group's functional currency.

4- Use of Judgments and Estimates

- The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards requires Management to make professional judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenues and expenses. The estimates and assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

- The Judgments and Estimates are reviewed Annually. Review of estimates are recognized prospectively.

- Changes to accounting estimates are recognized in the year in which the estimate changes if the change affects only that year or in the year of the change and future years if the change affects both current and future years.

- Classification of Financial Assets**:** assessment of the business model through which the assets are held, and assessment is made regarding whether the contractual terms of the financial asset are solely payments of principal and interest on the principal outstanding amount (SPPI).

- Establishing criteria for determining whether the credit risk associated with the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into the measurement of ECL, selecting and approving of models used to measure expected credit losses ECL.

Expected credit losses

- The accounting estimates and judgments related to the impairment of Financial Assets is a critical accounting estimate because the underlying assumptions used can change from year to year and may significantly affect the group's results of operations.
- In assessing assets for impairments, the Management's judgment is required particularly in projecting future economic information and scenarios where circumstances of economic and financial uncertainty exist as developments and changes to expected cash flows can occur both faster and with less predictability. The actual amount of the future cash flows and their timing may differ from the estimates used by Management and consequently may cause actual losses that differ from reported allowances.

5- Changes in Accounting Policies

- On March 28, 2019 the Minister of Investment and International Cooperation introduced amendments to some of the existing accounting standards including issuance of new standards and amendments to some of the existing standards.
- The group has adopted the New Egyptian Accounting standard No. (48) Revenue from Contracts with Customers and standard No. (49) Lease Contracts according to the transition method applied by the group and the comparative information were not restated.

5-1 Standard No. (48) Revenue from Contracts with Customers

- Standard No. (48) Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced EAS 11 Revenue, EAS 8 Construction Contracts and related interpretations. Under Standard No. (48) Revenue from Contracts with Customers, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time- requires judgement.

- The group has adopted Standard No. (48) Revenue from Contracts with Customers using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (January 1, 2021). Accordingly, the information presented for 2020 has not been restated. it is presented, as previously reported, under EAS 8, EAS 11 and related interpretations. Additionally, the disclosure requirements in Standard No. (48) Revenue from Contracts with Customers have not generally been applied to comparative information.

- The group applied Egyptian Accounting Standard 48, which resulted in amendments to some of the financial statement balances. The group applied exemptions from the requirements for re-presentation of contracts expiring before January 1, 2021 and applied Egyptian Accounting Standard 48 only for contracts that were not completed on the date of initial application January 1, 2021.

The following table summarizes the impact of the transition to Egyptian Accounting Standard 48:

	December 31, 2020	Adjustments	As of January 1, 2021 after adjustments
Deferred revenue	892,857	19,634,810	20,527,667
Retained earnings	1,065,876,062	(15,707,848)	1,050,168,214
Non-Controlling Interest	69,454,648	(3,926,962)	65,527,686

5-2 Egyptian Accounting standard No (49) Lease Contracts

Except for the changes below, the group has consistently applied the accounting policies to all years presented in these consolidated financial statements.
The group applied Egyptian Accounting Standard No. 49 on the date of its initial application on January 1, 2021, with retrospective effect at the beginning of the initial application.
Details of the changes in accounting policies are disclosed below: -

A. Definition of a lease contract

Previously, the group determined at contract inception whether an arrangement is or contains a lease under Egyptian Accounting standard No (20). Under Egyptian Accounting standard No (49), the group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 11. (Accounting Policies).

On transition to Egyptian Accounting standard No (49), the group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied Egyptian Accounting standard No (49) only to contracts that were previously identified as leases. Contracts that were not identified as leases under Egyptian Accounting standard No (20) were not reassessed for whether there is a lease. Therefore, the definition of a lease under Egyptian Accounting standard No (49) was applied only to contracts entered or changed on or after 1 January 2021.

B. Group as a lessee

As a lessee, the group previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the group. Under Egyptian Accounting standard No (49), the group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate as at 1 January 2021. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments Related to the lease recognized in the statement of financial position immediately prior to the date of initial application.

The group used the following practical expedients when applying Egyptian Accounting standard, no (49) to leases previously classified as operating leases under Egyptian Accounting standard No (20) in particular:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with the value of the underlying asset is small.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

C. The impact on the financial statements

When measuring lease liabilities, the group discounted lease payments using its incremental borrowing rate at 1 January 2021. The following is a summary of the impact of the initial application:

The impact on the balance sheet

	As at December 31,2020	Adjustments	As at January 1,2021
Assets			
Right of use assets	-	234,761,482	234,761,482
Prepaid expenses	46,390,067	(2,574,887)	43,815,180
Liabilities			
Lease liability contracts	-	-	232,186,595

Lease liability contracts

Lease liability as at December 31,2020	407,051,680
Discounting with the group incremental borrowing rate	(174,865,085)
Lease liability contracts as at January 1,2021	**232,186,595**

6- Fair value measurement

A. Valuation Models

The group measures fair values using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements.

– Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

– Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

– Level 3: Inputs that are unobservable (which the group minimize its use as much as possible). This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates credit spreads and other premiums used in estimating discount rates security prices and foreign currency exchange rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset at the measurement date.

The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments the group uses in-house valuation models. Some or all of the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain instruments for which there is no active market. Valuation models that employ significant unobservable inputs require a degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used the determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors such as liquidity risk or model uncertainties; to the extent that the group believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the group entity and the counterparty when appropriate.

Model inputs and values are calibrated against historical data and published forecasts and where possible against current or recent observed transactions in different instruments and against market quotes. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value. Management uses judgement to select the most appropriate point in the range.

B. Financial Instruments Measured at Fair Value – Fair Value Hierarchy

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

Financial Assets	**31 December 2021**	**31 December 2020**	**Level of Fair Value**	**Valuation Techniques and Main Entries**
Debt instruments measured at FVOCI	1,648,411,304	1,174,162,819	First/Second	Quoted prices/other valuation techniques
Loans and receivables measured at FVOCI	1,748,691,671	1,680,318,807	Third	Discounted cash flow

Due to the absence of active markets for certain securities observable market inputs were used along with the available information to measure their fair values.

C. Unobservable Inputs Used in Measuring Fair Value

The following table sets out information about significant unobservable inputs used as at December 31, 2021 in measuring financial instruments categorized as level 3 in the fair value hierarchy.

Type of Financial Instrument	Fair values as at December 31, 2021	Valuation Technique	Significant Unobservable Input
Loans and receivables measured at FVOCI	1,748,691,671	Discounted cash flow	• Risk-adjusted discount rate. • Probability of default. • Expected early payment rate. • Transaction cost.

Significant Unobservable Inputs Are Developed as Follows:

- Expected early payment rates are derived from historical client early payment trends after being adjusted to reflect current conditions.
- The probabilities of defaults and loss severities of commercial assets derived from historical data and collection performance are adjusted according to the current conditions.
- Risk adjusted spreads are derived from historical defaults and prepayment trends are adjusted to reflect the current conditions.
- Transaction costs are derived from historical trends after being adjusted to reflect the current conditions.

Although the group believes that its estimates of fair value are appropriate the use of different methodologies or assumptions could lead to different measurements of fair value.

7- Operating segments

Segment information is presented in respect of the Group's business segments. The primary format business segment is based on the Group's management and internal reporting structure. Segment results assets and liabilities include items directly attributable to a segment, The group has four operating segments that are being financially reported to the management and these reports are exposing different products and services that are being managed separately because it required different technological and market strategies , The revenue & expense and assets & liabilities analysis in the table below is based on the type of business activities and services that are distinguishable component.

December 31, 2021	Financing Activities	Insurance Activities	Brokerage Activities	Other	Total
Financing activities					
Revenue from portfolio transfer	486,812,534	-	-	-	**486,812,534**
Off balance Sheet portfolio management fee	156,799,431	-	-	-	**156,799,431**
Securitization deficit	(12,369,870)	-	-	-	**(12,369,870)**
Early payment expense - Sukuk/Discounting	(32,621,421)	-	-	-	**(32,621,421)**
Net revenue from portfolio transfer	**598,620,674**	-	-	-	**598,620,674**
Income from financing activities	465,594,918	-	-	-	**465,594,918**
Interest income (cash surplus)	92,718,444	-	-	570,392	**93,288,836**
Interest expense	(161,070,609)	-	-	(2,349)	**(161,072,958)**
Other interest expenses	(5,853,421)	-	-	-	**(5,853,421)**
Net interest income	**391,389,332**	-	-	**568,043**	**391,957,375**
Fee and commission income	132,518,025	-	-	7,193	**132,525,218**
Fee and commission expenses	(56,649,271)	-	-	-	**(56,649,271)**
Net financing fee and commission income	**75,868,754**	-	-	**7,193**	**75,875,947**
Profit share from associates	**22,221,534**	-	-	-	**22,221,534**
Sales revenue - goods and services	117,435,580	-	-	-	**117,435,580**
Cost of sales - good and services	(117,435,580)	-	-	-	**(117,435,580)**
Net sales of goods and services	-	-	-	-	-
Net financing and operating income	**1,088,100,294**	-	-	**575,236**	**1,088,675,530**
Insurance and insurance brokerage					
Direct premiums	-	516,835,189	-	-	**516,835,189**
Provisions of unearned premiums	-	(44,152,115)	-	-	**(44,152,115)**
Outward reinsurance premiums	-	(154,647,942)	-	-	**(154,647,942)**
Net earned premium	-	**318,035,132**	-	-	**318,035,132**
Net claims	-	(158,913,927)	-	-	**(158,913,927)**
Net commissions & production costs	-	(111,594,998)	-	-	**(111,594,998)**
Policies issuance revenue	-	7,015,717	-	-	**7,015,717**
Retrograde fluctuations provision	-	(2,279,942)	-	-	**(2,279,942)**
Underwriting issuance income	-	**52,261,982**	-	-	**52,261,982**
Net investment income	-	**42,998,367**	**2,219,618**	-	**45,217,985**
Fee income insurance	-	1,223,231	40,846,965	-	**42,070,196**
Fee expenses insurance	-	-	(3,983,525)	-	**(3,983,525)**
Net insurance fee income	-	**1,223,231**	**36,863,440**	-	**38,086,671**
Insurance operating income	-	**96,483,580**	**39,083,058**	-	**135,566,638**
Other operating income	13,644,226	2,808,643	-	2,135,291	**18,588,160**
Other operating expense	(13,307,511)	-	-	(1,312,064)	**(14,619,575)**
Net operating income	**336,715**	**2,808,643**	-	**823,227**	**3,968,585**
Depreciation / amortization	(54,846,391)	(7,967,229)	(867,967)	(111,288)	**(63,792,875)**
Personnel expenses	(299,693,358)	(47,167,234)	(9,397,217)	(7,376,483)	**(363,634,292)**
Other expenses	(66,770,693)	(8,514,585)	(1,927,517)	(3,105,242)	**(80,318,037)**
Marketing expenses	(28,579,357)	(1,098,227)	(185,120)	(3,190,032)	**(33,052,736)**
Provisions	10,086,471	-	-	-	**10,086,471**
Other Finance cost (lease liability)	(21,899,371)	(1,127,129)	(148,009)	-	**(23,174,509)**
Foreign currency differences	-	82,178	-	-	**82,178**
Board of directors' allowances	(964,000)	-	-	-	**(964,000)**
Impairment of financial assets	(6,009,794)	(2,547,097)	(2,796,164)	(649)	**(11,353,704)**
Total expenses	**(468,676,493)**	**(68,339,323)**	**(15,321,994)**	**(13,783,694)**	**(566,121,504)**
Earnings before tax	**619,760,516**	**30,952,900**	**23,761,064**	**(12,385,231)**	**662,089,249**
Income tax	(172,605,135)	(8,199,500)	(2,977,713)	(246,330)	**(184,028,678)**
Net profit for the year after tax	**447,155,381**	**22,753,400**	**20,783,351**	**(12,631,561)**	**478,060,571**
Distributed as follows:					
Owners of the company	441,893,286	18,928,310	16,629,081	(12,631,648)	**464,819,029**
Non-controlling interest	5,262,095	3,825,090	4,154,270	87	**13,241,542**
	447,155,381	**22,753,400**	**20,783,351**	**(12,631,561)**	**478,060,571**
Assets	**5,709,652,781**	**529,276,366**	**45,810,954**	**38,433,410**	**6,323,173,511**
Liabilities	**3,376,243,661**	**(302,698,097)**	**(32,103,980)**	**(37,507,780)**	**(3,748,553,518)**

Contact Financial Holding (S.A.E) (Sarwa Capital Holding for Financial Investments previously)
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December 31, 2020	Total Financing	Insurance Activities	Brokerage Activities	Other	Total
Financing activities					
Revenue from portfolio transfer	320,398,207	-	-	-	**320,398,207**
Off balance Sheet portfolio management fee	103,794,948	-	-	-	**103,794,948**
Securitization deficit	(9,278,718)	-	-	-	**(9,278,718)**
Early payment expense - Sukuk/Discounting	(51,753)	-	-	-	**(51,753)**
Net revenue from portfolio transfer	**414,862,684**	-	-	-	**414,862,684**
Income from financing activities	475,836,305	-	-	-	**475,836,305**
Interest income (cash surplus)	96,463,861	-	-	-	**96,463,861**
Interest expense	(201,022,240)	-	-	-	**(201,022,240)**
Other interest expenses	(5,676,932)	-	-	-	**(5,676,932)**
Net interest income	**365,600,994**	-	-	-	**365,600,994**
Fee and commission income	108,182,994	-	-	-	**108,182,994**
Fee and commission expenses	(46,137,949)	-	-	-	**(46,137,949)**
Net financing fee and commission income	**62,045,045**	-	-	-	**62,045,045**
Profit share from associates	**29,041,025**	-	-	-	**29,041,025**
Sales revenue - goods and services	2,102,289,980	-	-	-	**2,102,289,980**
Cost of sales - good and services	(2,102,289,980)	-	-	-	**(2,102,289,980)**
Net sales of goods and services	-	-	-	-	-
Net financing and operating income	**871,549,748**	-	-	-	**871,549,748**
Insurance and insurance brokerage					
Direct premiums	-	283,856,094	-	-	**283,856,094**
Provisions of unearned premiums	-	(49,818,883)	-	-	**(49,818,883)**
Outward reinsurance premiums	-	(73,108,785)	-	-	**(73,108,785)**
Net earned premium	-	**160,928,426**	-	-	**160,928,426**
Net claims	-	**(90,519,443)**	-	-	**(90,519,443)**
Net commissions & production costs	-	(61,773,299)	-	-	**(61,773,299)**
Policies issuance revenue	-	4,617,952	-	-	**4,617,952**
Retrograde fluctuations provision	-	(1,639,695)	-	-	**(1,639,695)**
Underwriting issuance income	-	**11,613,941**	-	-	**11,613,941**
Net investment income	-	34,172,341	2,094,778	-	**36,267,119**
Fee income insurance	-	486,739	29,406,806	-	**29,893,545**
Fee expenses insurance	-	-	(2,792,294)	-	**(2,792,294)**
Net insurance fee income	-	**486,739**	**26,614,512**	-	**27,101,251**
Insurance operating income	-	**46,273,021**	**28,709,290**	-	**74,982,311**
Other operating income	1,403,575	-	-	-	**1,403,575**
Other operating expense	(8,195,480)	-	-	-	**(8,195,480)**
Net operating expense	**(6,791,905)**	-	-	-	**(6,791,905)**
Depreciation / amortization	(20,370,246)	(1,619,967)	(534,276)	-	**(22,524,489)**
Personnel expenses	(220,801,995)	(32,849,290)	(6,820,041)	-	**(260,471,326)**
Other expenses	(85,820,512)	(9,645,399)	(1,335,654)	-	**(96,801,565)**
Marketing expenses	(19,915,546)	(407,745)	(327,280)	-	**(20,650,571)**
Provisions	(1,315,602)	-	-	-	**(1,315,602)**
Other Finance cost (lease liability)	(40,047)	-	-	-	**(40,047)**
Foreign currency differences	(28,771)	(53,561)	-	-	**(82,332)**
Board of directors' allowances	(578,000)	-	-	-	**(578,000)**
Impairment of financial assets	(12,534,517)	(258,105)	2,554,400	-	**(10,238,222)**
Total expenses	**(361,405,236)**	**(44,834,067)**	**(6,462,851)**	-	**(412,702,154)**
Earnings before tax	**503,352,607**	**1,438,954**	**22,246,439**	-	**527,038,000**
Income tax	(151,055,084)	(4,048,159)	(4,523,060)	-	**(159,626,303)**
Net profit for the year after tax	**352,297,523**	**(2,609,205)**	**17,723,379**	-	**367,411,697**
Distributed as follows:					
Owners of the company	340,197,231	(1,703,028)	14,181,102	-	**352,675,305**
Non-controlling interest	12,100,292	(906,177)	3,542,277	-	**14,736,392**
	352,297,523	**(2,609,205)**	**17,723,379**	-	**367,411,697**
Assets	**3,851,904,608**	**379,872,431**	**22,730,278**	-	**4,254,507,317**
Liabilities	**(1,797,923,899)**	**(166,811,992)**	**(5,159,843)**	-	**(1,969,895,734)**

Contact Financial Holding (S.A.E) (Sarwa Capital Holding for Financial Investments previously)

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All amounts are in EGP unless otherwise stated

Segments Reports Continued

The table below represents the following:

1- Securitization gains and losses for the receivables portfolios that have been securitized and derecognized from the books given the fact that the risks and rewards of such portfolios were substantially transferred to bondholders.

2- Investment in associates that are accounted for using Equity method as they do not meet the criteria of being a subsidiary.

	31/12/2021 Securitization Profit / loss	31/12/2021 Profit share from associates	31/12/2021 Total	31/12/2020 Securitization Profit / loss	31/12/2020 Profit share from associates	31/12/2020 Total
Financing activities						
Revenue from portfolio transfer	-	42,648,651	42,648,651	-	45,790,360	**45,790,360**
Off balance sheet portfolio management fee	-	56,015	56,015	-	-	-
Early payment expense - Sukuk/Discounting	-	-	-	-	(6,442)	**(6,442)**
Income from Financing Activities	-	**42,704,666**	**42,704,666**	-	**45,783,919**	**45,783,919**
Income from financing activities	515,434,970	22,977,792	538,412,762	670,175,758	49,479,880	**719,655,638**
Interest income (cash surplus)	39,299,107	4,884,339	44,183,446	47,654,477	7,453,598	**55,108,075**
Interest expense	(462,395,788)	(2,807,920)	(465,203,708)	(580,684,132)	(22,419,626)	**(603,103,758)**
Other interest expenses	(29,460,594)	(856,147)	(30,316,741)	(61,110,983)	(1,299,179)	**(62,410,162)**
Net interest income	**62,877,695**	**24,198,064**	**87,075,759**	**76,035,120**	**33,214,674**	**109,249,794**
Fee and commission income	-	8,078,799	8,078,799	-	10,540,665	**10,540,665**
Fee and commission expenses	-	(6,440,615)	(6,440,615)	-	(10,113,765)	**(10,113,765)**
Net financing fee and commission income	-	**1,638,184**	**1,638,184**	-	**426,900**	**426,900**
Sales revenue - goods and services	-	342,579,811	342,579,811	-	1,032,258,911	**1,032,258,911**
Cost of sales - good and services	-	(333,430,065)	(333,430,065)	-	(1,026,883,590)	**(1,026,883,590)**
Net sales of goods and services	-	**9,149,746**	**9,149,746**	-	**5,375,321**	**5,375,321**
Other operating income	-	1,584,726	1,584,726	-	1,440,020	**1,440,020**
Other operating expense	(75,247,565)	(10,225,183)	(85,472,748)	(85,313,838)	(11,883,089)	**(97,196,927)**
Net operating expense	**(75,247,565)**	**(8,640,457)**	**(83,888,022)**	**(85,313,838)**	**(10,443,069)**	**(95,756,907)**
Personnel expenses	-	(4,788,679)	(4,788,679)	-	(4,873,498)	**(4,873,498)**
Other expenses	-	(7,653,550)	(7,653,550)	-	(1,901,642)	**(1,901,642)**
Marketing expenses	-	(24,750)	(24,750)	-	(5,040)	**(5,040)**
Provisions	-	(9,774,936)	(9,774,936)	-	(1,800,870)	**(1,800,870)**
Impairment of financial assets	-	2,065,642	2,065,642	-	(98,823)	**(98,823)**
Total expenses	-	**(20,176,273)**	**(20,176,273)**	-	**(8,679,873)**	**(8,679,873)**
Earnings before tax	**(12,369,870)**	**48,873,930**	**36,504,060**	**(9,278,718)**	**65,677,872**	**56,399,154**
Income tax	-	(13,014,739)	(13,014,739)	-	(14,830,844)	**(14,830,844)**
Net profit for the year after tax	**(12,369,870)**	**35,859,191**	**23,489,321**	**(9,278,718)**	**50,847,028**	**41,568,310**
Distributed as follows:						
Owners of the company	(12,369,870)	35,859,191	23,489,321	(9,278,718)	50,847,028	**41,568,310**
Non-controlling interest	-	(13,637,657)	(13,637,657)	-	(21,806,003)	**(21,806,003)**
	(12,369,870)	**22,221,534**	**9,851,664**	**(9,278,718)**	**29,041,025**	**19,762,307**

8- Revenue from portfolio Transfer

	31-Dec-21	31-Dec-20
Sukuk gain	281,616,064	-
Discounting gain	205,196,470	87,398,724
Securitization gain	-	232,999,483
Total	**486,812,534**	**320,398,207**

9- Off Balance Sheet Portfolio Management Fee

	31-Dec-21	31-Dec-20
Securitization fees	77,227,122	87,598,101
No longer required provision – discounting	42,706,580	9,950,656
Sukuk management fees	31,160,015	-
Management and incentive fees	5,222,255	6,046,191
Insurance refund revenue returns	243,459	-
Collector fees	240,000	200,000
Total	**156,799,431**	**103,794,948**

*The parent company's share is represented in the management fees of associate companies in accordance with the management contracts which states that the parent company is entitled to administrative fees at a rate of 2.5% per annum from the balance of the receivables portfolio amounted to 55,397,009 EGP on 31 December 2021, where at 31 December 2020 it amounted to 144,810,231 EGP.

10- Securitization Deficit

	31-Dec-21	31-Dec-20
Interest income from financial portfolio	515,434,970	670,175,758
Proceeds from surplus of investments at custody	39,299,107	47,654,477
Interest of bond loan and the amortization of securitization cost	(462,395,788)	(580,684,132)
Insurance policy cost	(25,408,805)	(25,555,784)
Collector fees	(240,000)	(200,000)
Custody fees	(4,051,789)	(5,590,828)
Securitization portfolio acquisition cost	-	(29,964,371)
Issuance fees	(75,007,565)	(85,113,838)
	(12,369,870)	**(9,278,718)**

11- Income from Financing Activities

	31-Dec-21	31-Dec-20
Auto credit	131,955,334	209,978,079
Mortgages	87,883,033	65,410,654
Factoring	20,987,831	56,793,756
Leased assets contracts	146,655,955	100,269,749
Consumer goods	64,116,017	27,666,899
Education financing	750,755	-
Club's membership financing	7,335,383	8,912,283
Services financing	1,642,734	4,684,940
Penalties for past due amount	4,267,876	2,119,945
	465,594,918	**475,836,305**

12- Fee and commission income

	31-Dec-21	31-Dec-20
Administrative income	97,864,902	65,420,445
Promotions and underwriting income	24,950,000	37,945,000
Consumer financing suppliers commission	4,583,918	731,139
Contractual income	2,645,475	2,067,571
Lease contracts insurance income	1,898,486	1,361,747
Collection fees	318,594	359,066
Asset management services	23,683	22,739
Miscellaneous income	240,160	275,287
	132,525,218	**108,182,994**

13- Fee and commission expense

	31-Dec-21	31-Dec-20
Sales commission	42,190,987	28,127,703
Promotion and underwriting costs	12,294,547	16,815,000
Lease contracts insurance cost	888,832	819,299
Collection fees	695,788	-
Other fees and commissions expense	579,117	375,947
	56,649,271	**46,137,949**

14- Net claims

	31-Dec-21	31-Dec-20
Direct claims	148,397,170	63,252,707
Claims under settlement provision	10,516,757	27,266,736
	158,913,927	**90,519,443**

15- Direct commissions and production cost

	31-Dec-21	31-Dec-20
Direct commission	54,408,556	37,421,723
Production costs	76,503,577	34,543,690
Bank charges	591,644	295,195
Outward reinsurance commission	(19,908,779)	(10,487,309)
	111,594,998	**61,773,299**

16- Fee Income Insurance

	31-Dec-21	31-Dec-20
Insurance brokerage income	40,846,965	29,406,806
Miscellaneous income	1,223,231	486,739
	42,070,196	**29,893,545**

17- Fee Expense Insurance

	31-Dec-21	31-Dec-20
Insurance brokerage sales cost	3,966,685	2,777,069
Banks charges insurance brokerage	16,840	15,225
	3,983,525	**2,792,294**

18- Other Operating Income

	31-Dec-21	31-Dec-20
Sukuk management fees	3,112,364	-
Advertising services income	6,068,938	921,095
Mortgage valuation income	619,290	227,530
Rent income from others	1,648,561	-
Other operating income	1,279,762	74,405
Other	5,859,245	180,545
	18,588,160	**1,403,575**

19- Other Operating Expense

	31-Dec-21	31-Dec-20
I-Score fees	7,096,321	3,491,851
Insurance returns cost	122,663	168,976
Rent expense	644,687	3,921,440
Sukuk issuance cost	4,414,854	235,992
Cost of selling services	1,137,684	-
Other operating expense	1,203,366	377,221
	14,619,575	**8,195,480**

20- Depreciation / Amortization

	31-Dec-21	31-Dec-20
Fixed assets depreciation	33,470,281	22,524,489
Right of use assets depreciation	30,322,594	-
	63,792,875	**22,524,489**

21- Other Expenses

	31-Dec-21	31-Dec-20
Consulting fees	21,975,949	20,201,057
Insurance expenses	546,037	523,731
Health insurance contribution	6,476,076	6,642,301
Rent	2,097,659	24,237,496
Advertising, administrative and stock renewal expenses	1,307,331	2,470,005
Accommodation expenses	3,392,209	2,264,668
Vehicles expenses	1,784,407	1,217,556
Money transportation expenses	1,686,901	1,133,752
Stationery and printing materials	3,748,561	2,210,025
Employee’s trainings	515,014	234,210
Travel and transportation expenses	830,261	537,463
Clients free services cost	3,980,700	4,070,028
Operating systems and websites rents expenses	3,001,152	3,130,875
Headquarters and branches expenses	19,856,080	13,651,882
Hospitality expenses	2,594,993	1,526,798
Other expenses	6,524,707	12,749,718
	80,318,037	**96,801,565**

22- Depreciation / Amortization

	31-Dec-21	31-Dec-20
Impairment of financial assets (trade receivables)	6,180,974	8,597,282
Impairment of financial assets (cash)	(4,591)	32,918
Impairment of financial assets (debtors)	3,084,602	1,448,037
Impairment of financial assets (receivables from policy holders)	2,178,230	83,653
Impairment of financial assets (investments)	(85,511)	76,332
	11,353,704	**10,238,222**

23- Income Tax

	31-Dec-21	31-Dec-20
Current income tax	147,570,577	126,138,552
Deferred income tax	3,728,765	2,609,846
Treasury bills and treasury bonds tax	32,729,336	30,877,905
	184,028,678	**159,626,303**

Deferred tax assets	31-Dec-21	31-Dec-20
Property, plant and equipment (depreciation)	264,623	301,313
	264,623	**301,313**

Deferred tax liabilities	**31-Dec-21**	**31-Dec-20**
Financial portfolio (FVOCI)	25,926,818	37,657,182
	25,926,818	**37,657,182**

Effective tax rate	**31-Dec-21**	**31-Dec-20**
Net profit (before tax)	662,089,249	527,038,000
Tax rate	22.50%	22.50%
Income tax calculated based on net income	**148,970,081**	**118,583,550**
Tax adjustments effect	35,058,597	41,042,753
Income tax	**184,028,678**	**159,626,303**
Effective tax rate	**27.80%**	**30.29%**

24- Earnings per share for the year

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

	31-Dec-21	**31-Dec-20**
Net Profit for the year for owners of the parent company	464,819,029	352,675,305
Weighted average no. of ordinary shares	1,175,037,855	1,167,530,798
Earnings per share	**0.40**	**0.30**

25- Cash on hand and at banks

	31-Dec-21	**31-Dec-20**
Banks - current accounts	118,191,194	124,608,977
Cash on hand	9,904,215	4,903,749
Time deposit	-	4,417,967
Expected credit losses	(163,197)	(155,455)
	127,932,212	**133,775,238**

26- Loans and Receivables

	31-Dec-21	**31-Dec-20**
26-1 Loans and receivables measured at fair value through other comprehensive income	1,748,691,671	1,680,318,807
26-2 Loans and Receivables measured at amortized cost	1,471,545,164	721,847,847
	3,220,236,835	**2,402,166,654**

26-1 Loans and Receivables Measured at Fair Value Through Other Comprehensive Income

	31-Dec-21	31-Dec-20
Receivables-auto loans	407,223,593	803,831,553
Leasing- accounts receivable	988,083,963	642,599,986
Receivables-mortgage	353,384,115	233,887,268
	1,748,691,671	**1,680,318,807**

26-2 Loans and Receivables Measured at Amortized Cost

	31-Dec-21		31-Dec-20	
	Within a year	More than one year	Within a year	More than one year
Receivables-goods	380,393,916	311,490,970	140,206,434	18,202,103
Receivables-services	7,956,440	-	4,498,366	-
Leasing- accounts receivable	82,727,084	91,678,112	65,857,030	59,055,775
Factoring -accounts receivable	262,026,924	43,255,580	121,929,330	729,434
Receivables-mortgage	56,870,975	929,384,602	45,368,553	586,873,731
Transferred financial rights	8,975,035	-	36,247,824	532,957
(Less):				
Credit Interest & deferred Insurance and not calculated	(206,132,879)	(470,893,476)	(99,381,810)	(243,352,603)
Allowance for impairment	(10,365,514)	(15,822,605)	(6,373,086)	(8,546,191)
Net	**582,451,981**	**889,093,183**	**308,352,641**	**413,495,206**
	1,471,545,164		**721,847,847**	

The summary for the movement of provision is as follows:	31-Dec-21	31-Dec-20
1 January	14,919,277	39,935,707
Application standard (47) effect	-	(25,016,430)
No longer required	(42,074,631)	-
Formed during the year	53,343,473	-
31 December	**26,188,119**	**14,919,277**

27- Investments in Associates

Company's Name	Capital Participation 31-Dec-21	% of Capital Participation	Capital Participation 31-Dec-20	% of Capital Participation
Bavarian Contact Car Trading	19,977,970	%49	23,246,803	%49
Star Auto Credit	4,115,169	%33.4	5,935,879	%33.4
Ezz El-Arab - Contact Financial	11,707,891	%49	10,783,521	%49
Egyptian Credit Service	5,037,309	%49.9	4,938,275	%49.9
A S Investments Limited	25,216,000	%40.0	-	
Total	**66,054,339**		**44,904,478**	

31-Dec-21	Bavarian Contact Car Trading	Star Auto Credit	Ezz Elarab/Contact Financial	Egyptian Credit Service
Total assets	92,074,199	18,554,578	66,659,751	12,194,118
Total liabilities	(49,001,821)	(5,266,162)	(42,629,825)	(2,106,489)
Net assets	**43,072,378**	**13,288,416**	**24,029,926**	**10,087,629**

31-Dec-20	Bavarian Contact Car Trading	Star Auto Credit	Ezz Elarab/Contact Financial	Egyptian Credit Service
Total assets	126,516,519	26,208,520	50,577,016	10,342,076
Total liabilities	(72,603,176)	(6,481,310)	(27,779,604)	(463,550)
Net assets	**53,913,343**	**19,727,210**	**22,797,412**	**9,878,526**

Note:

The share of (Contact credit Company) a subsidiary of the parent company, from the losses in both Motor Care Services and Motor Care Egypt exceeded the share capital participation percentage.

28- Financial Investments

	31-Dec-21	31-Dec-20
Financial investments measured at fair value through other comprehensive income (equity instruments)	10,145,259	10,145,259
Financial investments measured at fair value through other comprehensive income (debt instruments)	1,648,411,304	1,174,162,819
	1,658,556,563	**1,184,308,078**

A) Financial Investments Measured at Fair Value Through Other Comprehensive Income (FVOCI) (Equity Instruments)

	31-Dec-21	31-Dec-20
Egyptian Mortgage Refinancing company*	6,413,750	6,413,750
A I venture	3,731,509	3,731,509
	10,145,259	**10,145,259**

* It is a mandatory investment valued at cost since it is not listed in an active market and its fair value cannot be reliably determined considering the following:

-Companies which are not listed in the stock exchange.
-The group owns a small stake in these companies a matter which restricts access to detailed and accurate information to conduct the evaluation process and measure the fair value.
-Net equity is positive as per the financial statements a matter which reflects the absence of any indicators of impairment in the investment value.

B) Financial Investments Measured at Fair Value Through Other Comprehensive Income (Debt Instruments)

	31-Dec-21	31-Dec-20
Treasury bills	1,366,423,478	1,071,593,769
Securitization bonds	9,862,901	11,448,639
Treasury bonds	272,124,925	91,120,411
	1,648,411,304	**1,174,162,819**

29- Securitization surplus

In the ordinary course of business activity, Contact Credit Group perform securitization process of Loans and Receivables resulting in some financial assets being transferred to Sarwa Securitization (Special Purpose Entity) on behalf of the bondholders.

The following is a list of the financial assets and liabilities pertaining to the outstanding securitization transactions of Sarwa Securitization:

	31-Dec-21	31-Dec-20
Description of transferred financial assets/liabilities that were disposed (derecognized)		
Financial rights portfolios	2,168,299,580	4,253,155,591
Amounts collected for custodian	14,254,477	24,512,191
Cash held with custodian	213,355,795	344,129,814
Total Financial Assets transferred	**2,395,909,852**	**4,621,797,596**
(Less): bonds issuance	(2,361,466,657)	(4,592,289,814)
Deferred interest of bond loan	(1,600,943)	-
Accrued expenses for securitization company	(19,516,166)	(2,360,978)
Surplus of securitization processes	**13,326,086**	**27,146,804**

The financial assets transferred to Sarwa Securitization meets the financial assets derecognition criteria.

30- Related Parties

30-1 Financial Position Balances

Due from Related Parties	Relation Nature	31-Dec-21	31-Dec-20
Star Auto Credit	Associate 33.4%	-	2,904,184
Motor Care Egypt	Associate 40.1%	2,786,032	2,440,201
Bavarian Contact Car Trading	Associate 49%	-	15,801,018
Ezz El-Arab - Contact Financial	Associate 49%	-	2,144,012
Consolidated Financial Holding	Parent Company	113,898	-
Other shareholders		30,283	30,283
Total		**2,930,213**	**23,319,698**

30-2 Income Statement Transactions

		31-Dec-21	31-Dec-20
		Expense (Revenue)	
Bavarian Contact Car Trading	Associate 49%		
Management and incentive fees		(4,199,605)	(4,243,148)
Star Auto Credit	Associate 33.4%		
Management fees		(137,904)	(209,265)
Ezz El-Arab / Contact Financial	Associate by 49%		
Management fees		(884,746)	(769,344)

30-3 Bonus and Salaries for Executive Management

The value of bonus and salaries for the executive management of the group for the year ended at December 31, 2021 amounted to EGP 69,203,087.

31- Debtors and Other Debit Balances

	31-Dec-21		31-Dec-20	
	Within a year	More than one year	Within a year	More than one year
Insurance companies - debit balances	7,797,055	-	7,797,055	-
Prepaid expenses	58,368,122	189,393	30,401,166	15,988,901
Advance payments to suppliers	8,437,211	-	34,800,810	-
Accrued revenue	16,811,143	19,415,598	28,803,495	1,844,055
Advances and Imprest	13,320,212	-	7,897,197	-
Tax authority - current accounts	3,142,411	-	3,837,979	-
Other debit balances	9,336,143	8,494,266	29,834,442	4,306,408
Receivables from policyholders	62,697,533	-	18,394,411	-
Deposits with third party	557,000	9,236,102	6,545,986	200,780
Egyptian compulsory insurance pool	5,790,732	-	3,211,538	-
Advance payment for investments	5,245,241	-	1,047,446	-
Discounting debit balances	269,002,694	-	86,320,786	-
Due from collection companies	1,379,230	-	-	-
(Less): impairment	(22,840,785)	-	(19,299,149)	-
Net	**439,043,942**	**37,335,359**	**239,593,162**	**22,340,144**
Total	**476,379,301**		**261,933,306**	

32- Property Plant and Equipment (net)

	Lands	Buildings	Vehicles	Furniture and fixtures	Machinery & equipment	Computers and software	Leasehold Improvement	Total
Cost								
Balance on 1 January 2020	29,662,500	2,593,854	4,875,443	22,584,149	12,760,155	38,326,698	67,616,854	**178,419,653**
Additions for the year	-	-	1,892,015	3,988,000	5,450,135	8,663,748	20,249,112	**40,243,010**
Disposals during the year	-	-	(61,283)	(30,503)	(332,859)	-	-	**(424,645)**
Total cost on 31 December 2020	**29,662,500**	**2,593,854**	**6,706,175**	**26,541,646**	**17,877,431**	**46,990,446**	**87,865,966**	**218,238,018**
Balance on 1 January 2021	29,662,500	2,593,854	6,706,175	26,541,646	17,877,431	46,990,446	87,865,966	**218,238,018**
Additions for the year	-	-	3,944,850	8,153,810	6,106,013	24,439,151	47,939,673	**90,583,497**
Disposals during the year	-	-	(21,887)	(17,100)	(245,715)	(12,364)	(638,782)	**(935,848)**
Total cost on 31 December 2021	**29,662,500**	**2,593,854**	**10,629,138**	**34,678,356**	**23,737,729**	**71,417,233**	**135,166,857**	**307,885,667**
Accumulated Depreciation								
Accumulated depreciation on 1 January 2020	-	453,925	275,135	7,106,407	4,762,200	26,299,390	21,320,719	**60,217,776**
Depreciation for the year	-	129,693	1,450,165	2,034,607	2,614,660	7,113,565	9,181,799	**22,524,489**
Accumulated depreciation for disposals	-	-	(39,396)	(17,285)	(173,916)	-	-	**(230,597)**
Total accumulated depreciation on 31 December 2020	-	**583,618**	**1,685,904**	**9,123,729**	**7,202,944**	**33,412,955**	**30,502,518**	**82,511,668**
Accumulated depreciation on 1 January 2021	-	583,618	1,685,904	9,123,729	7,202,944	33,412,955	30,502,518	**82,511,668**
Depreciation for the year	-	129,692	2,078,979	2,562,181	3,924,672	10,719,646	14,055,111	**33,470,281**
Accumulated depreciation for disposals	-	-	(21,888)	-	(117,771)	(5,839)	(35,276)	**(180,774)**
Total accumulated depreciation on 31 December 2021	-	**713,310**	**3,742,995**	**11,685,910**	**11,009,845**	**44,126,762**	**44,522,353**	**115,801,175**
Net Property Plant and Equipment as of 31 December 2020	**29,662,500**	**2,010,236**	**5,020,271**	**17,417,917**	**10,674,487**	**13,577,491**	**57,363,448**	**135,726,350**
Net Property Plant and Equipment as of 31 December 2021	**29,662,500**	**1,880,544**	**6,886,143**	**22,992,446**	**12,727,884**	**27,290,471**	**90,644,504**	**192,084,492**

33- Right of use assets

	Buildings EGP	Total EGP
Cost		
Balance at 1 January 2021	234,761,482	234,761,482
Additions for the year	361,961,243	361,961,243
Disposals during the year	(84,069,161)	(84,069,161)
Total cost on 31 December 2021	**512,653,564**	**512,653,564**
Accumulated Depreciation		
Depreciation for the year	30,322,594	30,322,594
Accumulated depreciation for disposals	(3,033,829)	(3,033,829)
Total Accumulated depreciation on 31 December 2021	**27,288,765**	**27,288,765**
Net book value		
Net as at 31 December 2021	**485,364,799**	**485,364,799**

*The additions including lease contract dated June 1,2021 with Misr Real Estate Assets for the property no. 15 Qasr El Nile St. with total space 10,947, with contract term of 15 years and 10 months, with annual rental payment of 19,705,716 EGP and annual increase of 10% starts from the second year till the end of the contract term.

34- Goodwill

Company	Description
Sarwa Securitization	*On Sep.2006 Contact Credit company (Contact Auto Credit) previously acquired Contact Egyptian International for Trade and Investment in a manner that its share capital participation percentage reached 96.8 % (the latter owns %81 of the capital of Sarwa Securitization). *On Dec. 26, 2013 Contact Credit sold (transferred the ownership of) Egyptian International for Trade and Investment at 99.9% to Sarwa Capital for financial investments (parent company). *On May 20, 2020 Sarwa Securitization merged into Egyptian International for Trade and Investment.
Contact Auto Credit	On Nov 10, 2013 the Company acquired 999 990 shares from minority shareholders with a total share capital participation percentage of 99.9%.
Contact Leasing	On March 31,2015 the Company acquired 1 999 990 shares representing 99.995% of the share capital participation percentage.

The total goodwill amounted to EGP 25 302 524 as at the acquisition dates on December 31, 2021 compared to EGP 25 302 524 on December 31, 2020.

35- Intangible assets

The intangible assets are Contact Cars website with a total value of EGP 19,576,096 EGP, according to the contract concluded between the group and Sarmady Communications Company, which stipulates the acquisition by Contact Finance.

36- Assets held for sale

	31-Dec-21	31-Dec-20
Total loss vehicles*	6,069,999	-
Foreclosed assets reverted to the company**	8,823,985	-
Total	**14,893,984**	**-**

*Total loss vehicles represented in the wreckage of vehicles insured by sarwa Insurance Company and destroyed and their ownership transferred to the company and retained in the short term until it will be sold publicly.

** Foreclosed assets reverted to contact leasing of its leased assets in settlement of debts.

The summary for the movement of provision for doubtful debts is as follows:

	31-Dec-21	31-Dec-20
1 January	19,299,149	7,797,055
Formed during the year	3,541,636	11,502,094
31 December	**22,840,785**	**19,299,149**

37- Loans and Overdrafts

	31-Dec-21		31-Dec-20	
	Within a year	More than one year	Within a year	More than one year
Medium term loans	695,831,952	1,169,628,862	285,735,140	577,483,186
Bank overdraft	28,324,108	-	118,050,377	-
Egyptian Mortgage Refinancing Company	9,456,278	501,463,108	6,329,810	340,878,172
Syndication loan	-	-	770,814	15,717,849
	733,612,338	**1,671,091,970**	**410,886,141**	**934,079,207**
Total	**2,404,704,308**		**1,344,965,348**	

38- Suppliers and Other Credit Balances

	31-Dec-21		31-Dec-20	
	Within a year	**More than one year**	**Within a year**	**More than one year**
Suppliers	75,317,705	-	44,985,270	-
Trade receivables – advance payments	16,719,941	-	17,252,349	-
Tax authority - current account	59,498,130	-	35,243,829	-
Custodian*	10,145,306	-	25,895,465	-
Accrued interest	14,424,613	-	11,155,086	-
Insurance and reinsurance companies	63,569,166	-	25,678,307	-
Accrued expenses	44,465,076	-	43,292,472	-
Deposits held with third party	3,234,696	-	5,134,498	-
Insurance companies- credit balances	3,724,474	-	1,250,746	-
Default reserve - discounting portfolios	146,742,317	-	66,700,776	-
Dividends payable	11,964,784	-	1,618,498	-
Health insurance contribution	11,906,955	-	11,043,171	-
Other credit balances	9,484,284	5,103,937	15,559,359	4,949,160
Deferred revenues	25,229,400	9,360,120	892,857	5,282,738
	496,426,847	**14,464,057**	**305,702,683**	**10,231,898**
Total	**510,890,904**		**315,934,581**	

* According to the custody agreement concluded between the group and the custodian it was agreed that the group will collect the installments related to customers' contracts which are transferred to Sarwa Securitization company on its behalf. They shall be subsequently transferred to the custodian; the aforementioned balance represents the amounts collected till the financial position date that were transferred to the custodian in the subsequent period.

39- Other provision

	31-Dec-21	31-Dec-20
Opening balance	23,500,000	23,500,000
No longer required	(10,086,471)	-
Provision used during the year	(13,413,529)	-
Ending balance	**-**	**23,500,000**

*Other provisions relate to legal and other exposures - see accounting policy in note (51-27).

40- Lease liability

	Lease liability contracts	Total
Balance at 1 January 2021	232,186,595	232,186,595
Additions during the year	361,961,243	361,961,243
Interest expense	23,174,509	23,174,509
Payment during the year	(55,386,792)	(55,386,792)
Disposals during the year	(89,707,668)	(89,707,668)
Total lease liability at 31 December 2021	**472,227,887**	**472,227,887**

*The minimum for the future expected lease payments related to the lease contracts, note no. (44).

Bank's Escrow Account

	31-Dec-21	31-Dec-20
Treasury bills	3,543,314	8,940,566
Reserve account	7,214,110	3,993,291
Proceeds from discounting process	10,335,814	4,591,767
Allowance for impairment of financial assets	(21,093,238)	(17,525,624)
Total	-	-

*Represents a reserve account relating to receivables discounted at banks. The reserve is managed (whether increased or decreased) in line with the contractual terms related thereto.

41. Paid in Capital

- Authorized capital amounts to EGP 600 Million with par value 10 EGP per share.

- Paid in and issuance capital amounts to EGP 69 601 510 distributed over 6 960 151 shares with a par value of EGP 10 per share. All shares are ordinary shares, and all issuance shares are paid in full.

- On 14 April 2016 the capital was increased by 1 750 161 shares with a total par value of EGP 17 501 610 and was recorded in the commercial register.

- On 5 April 2017 the capital was increased by 968 378 shares with a total par value of EGP 9 683 780 and was recorded in the commercial register.

- On 14 May 2018 the extraordinary general assembly approved increasing the authorized capital by EGP 400 million to EGP 1 billion and the paid in capital by EGP 3 213 100 to EGP 100 million in addition to a share split of 62.5:1 hanging the par value from EGP 10 per share to EGP 0.16 per share making the total number of shares 625 million instead of 10 million. This was recorded in the commercial register.

- The company's extraordinary general assembly dated 14 August 2018 approved the initial public offering of the company on the Egyptian Stock Exchange through a private and public placement. The offering was executed on 11 October 2018 with a total of 295 170 731 shares owned by some of the company's shareholders by 47.2% with total proceeds of EGP 2 172 456 581 EGP 700 million of which are to be reinvested in the company in a capital increase at the same price of the offering.

- On 17 October 2018 the Board of Directors with an authorization from the extraordinary general assembly dated on 14 August 2018 approved the increase of the issued and paid – in capital on 5 November 2018 by 95 108 696 shares at EGP 7.36 per share which represent EGP 0.16 nominal value per share and EGP 7.2 increase in premium reserve per share for a total amount of EGP 700 000 003 which is represented in.

- The increase took place on 5 November 2018 the total proceeds were recorded as EGP 15 217 391 in the share capital account with the balance of EGP 684 782 612 recorded in the share premium account.

- On May 9, 2019 the issuance and paid-in capital have increased by a decision of the Company's Board of Directors held on March 3, 2019. The increase of the Company's capital through the issuance of 28 million shares at nominal value of EGP 0.16 amounted to EGP 4 480 000 the total value of the increase is fully funded from the balance of retained earnings. The 28 million shares issuance for the bonus and incentive system approved by the Egyptian financial regulatory Authority (FRA) on 26 February 2019. The issuance and paid-in capital amounted to EGP 119 697 391.

- On October 3 2019 the issuance and paid-in capital have increased by a decision of the Company's Board of Directors held on May 13, 2019 and authorized by companies extraordinary general assembly dated September 8, 2019 through distribution of free shares to shareholders according to their investment percentage by 3 shares for every 5 shares to be financed from retained earning balance with nominal value 0.16 Egyptian pound. The issuance and paid-in capital amounted to 191 515 840 EGP distributed by 1 196 974 000 shares.

- On February 15, 2021 the authorized capital was adjusted to be 950 million EGP rather than 1 billion EGP and was recorded in the commercial register on March 28, 2021.

- The following schedule represents the ownership structure at the financial position date:

Company Name	**No. of Shares**	**Amount**	**Percentage**
Consolidated Financial Holding	724,601,986	115,936,318	60.53%
Orascom investment holding	350,088,786	56,014,206	29.25%
Other shareholders	77,419,140	12,387,062	6.47%
ESOP-unassigned	21,936,145	3,509,783	1.83%
ESOP-assigned	22,927,943	3,668,471	1.92%
	1,196,974,000	**191,515,840**	**100%**

42. Reserves

	31-Dec-21	31-Dec-20
Legal reserve	69,736,984	63,172,149
Fair value reserve	122,094,306	128,002,362
Share premium reserve	790,479,615	766,590,522
	982,310,905	**957,765,033**

42-1 Legal Reserve

Legal reserve balance on December 31, 2021 amounted to EGP 69,736,984 compared to EGP 63,172,149 as of December 31, 2020. According to Law 159 for the year 1981 and the Company's articles of association 5% of annual net profit is transferred to the legal reserve. Upon the approval of the general assembly the Company may stop such transfer when the legal reserve reaches 50% of the issuance capital.

42-2 Fair value reserve

	31-Dec-21	31-Dec-20
Opening balance	128,002,362	-
Effect of implementing EAS 47	-	242,343,027
Other comprehensive income for the year	(5,908,056)	(114,340,665)
	122,094,306	**128,002,362**

42-3 Share premium reserve

The company's capital was increased on April 14, 2016 April 5, 2017 November 5, 2018 and October 3, 2019 which resulted in share premium reserve as follows:

	Description	
Share premium reserve as at December 31 2015	**-**	
No. of increase in shares	1,750,161	shares
Value of increase in capital	17,501,610	EGP
Share premium amount	28,780,324	EGP
Share premium reserve as at December 31 2016	**28,780,324**	**EGP**
No. of increase in shares	968,378	shares
Value of increase in capital	9,683,780	EGP
Share premium amount	35,486,386	EGP
Share premium reserve as at December 31 2017	**64,266,710**	**EGP**
No. of increase in shares	95,108,696	shares
Value of increase in capital	15,217,391	EGP
Share premium amount	684,782,612	EGP
Share premium reserve as at December 31 2018	**749,049,322**	**EGP**
No. of increase in shares	448,865,304	shares
Value of increase in capital	71,818,449	EGP
Share premium amount	1,359,820	EGP
Share premium reserve as at December 31 2019	**750,409,142**	**EGP**
Share premium ESOP	16,181,380	EGP
Share premium reserve as at December 31 2020	**766,590,522**	**EGP**
Share premium ESOP	23,889,093	EGP
Share premium reserve as at December 31 2021	**790,479,615**	**EGP**

According to law No.159 for year 1981 and its executive regulations the amount of share premium is to be added to the legal reserve of the company up to reaching 50% of the issuance capital. Any excess is recognized as a special reserve and cannot be distributed as dividends.

43. Retained Earnings

The retained earnings include legal reserves and general reserves of subsidiaries which were classified as retained earnings for the purpose of the preparation of the consolidated financial statements however they should not be distributed. And their amount reached EGP 82,067,139 as of December 31, 2021 and EGP 48,470,248 as of December 31, 2020.

In addition, the retained earnings include the value of the retained earnings for Sarwa Securitization company with an amount of EGP 2,058,760 as at December 31, 2021 and EGP 19,132,158 as at December 31 2020 the prospectus of the various securitization issuances stipulated that Sarwa Securitization company is not allowed to distribute any dividends unless after all the liabilities of the bondholders are completely paid through the custodian bank without prejudice to its rights in distributing dividends resulting from surplus in other securitization portfolios.

44. Commitments and Liabilities

Minimum payments for future leases expected for future trade centers under lease are due as follows:

	31-Dec-21	31-Dec-20
First year	41,060,016	35,100,851
Second year	53,076,517	35,896,904
Third year	69,306,892	36,344,698
Fourth year	70,572,978	37,472,518
Above 5-year	784,355,719	262,236,709
Ending balance	**1,018,372,122**	**407,051,680**

45. Letter of Guarantee

	31-Dec-21	31-Dec-20
Letter of Guarantee - Suppliers	3,000,000	3,000,000
	3,000,000	**3,000,000**

46. Guarantees and Securities

- Contact Auto Credit provided joint guarantees for each of the associated and subsidiary companies operating under the credit sale system and the credit limit is granted in the name of Contact Auto Credit provided that the purpose of such credit limit and the use thereof shall be directed towards financing the activity of the group and/or financing the activity of any of the associated companies. Borrowing shall be carried out in the name of each company that uses the credit facility separately and within the limit of the total credit facility granted to Contact Auto Credit.

- Each company remains committed to pay the liabilities and assume any losses and risks resulting from nonpayment. The balance of credit facilities and loans granted to the companies in consideration of the joint guarantee amounted to EGP 506,129,576 as of December 31, 2021 compared to EGP 327,056,503 as of December 31, 2020.

Loans and credit facilities balances for the group companies as follows:

	31-Dec-21	31-Dec-20
Subsidiaries	2,404,704,308	1,344,965,348
Associate companies	49,248,559	54,745,650
	2,453,952,867	**1,399,710,998**

47. Tax Position

First: Corporation income tax

- Tax returns of Contact financial holding (Sarwa Capital Holding for Financial Investments (S.A.E) previously) were submitted for the years since the inception of the business activity till 2020 on the due dates according to law No. 91 for year 2005.
- Years 2010-2014: are currently being inspected by the Tax the Inspectorate.
- Years 2015-2016: the company was accounted by estimation, and was appealed on at the legal dates, and waiting for the reinspection session for these years.

Second: Salary tax

- The Company regularly settles the tax pay on the legal due dates and preparation of the data required for inspection is in process.

Third: Stamp tax

- The inspection was completed until 2016 and the due tax differences were paid.
- Currently preparing the inspection for the years 2017/2018.

48. Off balance-sheet portfolio management fee

48-1 Sukuk Issuance

Sarwa Sukuk Company issued two Mudarbah Sukuk transactions compliant with Islamic sharia which are tradable but not convertible to shares and will be callable starting from the 25th after the date of sukuk issuance. Sukuk are issued in two Mudarbah Sukuk transactions with a total value of EGP 2.5 billion per transaction distributed over 25 million Suk at a par value of EGP 100 each in to finance the beneficiary company (Contact Credit S.A.E.) ("The beneficiary company"/Mudareb) to finance Auto receivables portfolios which will be originated by Contact Credit company and its subsidiaries and associate's companies.

First Transaction

Contact Financial (Beneficiary Company /Mudareb) transferred the ownership of 22 portfolios of the first transaction in order to finance the purchase of vehicles owned by its customers and customers of its subsidiaries and associates whose current value amounted to EGP 2,601,998,847 with a total financing value of EGP 2,279,580,613 for the year 2021.

Second Transaction

Contact Financial (Beneficiary Company /Mudareb) transferred the ownership of 16 portfolios of the second transaction in order to finance the purchase of vehicles owned by its customers and/or customers of its subsidiaries and associates, whose current value amounted to EGP 1,255,697,544 with a total financing value of EGP 1,077,047,355 for the year 2021.

Balance of Sukuk Portfolio

Issuance Number	**Balance on December 31, 2021**
First transaction	1,949,754,552
Second transaction	1,200,444,418
Total	**3,150,198,970**

Default Reserve Account

A default reserve account will be kept at 3.6% of each portfolio present value at the time of portfolio transfer and it will be held in a separate account with the security agent, on the same date of the portfolio settlement with the beneficiary company. It will be used to cover any delinquencies and/or defaults of the clients over the tenor of each portfolio. At any point of time, the default reserve account must not fall below 3.6% of the present value of outstanding portfolios balance until the full sukuk redemption, and this is a commitment on the project manager.

Sukuk Management Fees

Portfolios that were transferred to sukuk and were derecognized from the books because of the risks and rewards of this portfolio were transferred substantially to sukuk holders. The group still manages these portfolio as per the service and collection agreement in return of 0,2% annually of the present value of outstanding portfolios balance portfolio’s project at the beginning of each month and it will be accrued at the end of each month.

Outstanding Sukuk Balance

Issuance Number	Total value of Sukuk	Disbursement until 31/12/2021	Remaining Balance
First issuance	2,500,000,000	1,949,754,552	550,245,448
Second issuance	2,500,000,000	1,200,444,418	1,299,555,582
Total	**5,000,000,000**	**3,150,198,970**	**1,849, 801,030**

48.2 Securitization Issuances

Securitized portfolios were derecognized from the books because of the risks and benefits of these portfolios were substantially transferred to bond holders.

Thirtieth Securitization Portfolio

This portfolio is represented in the financial rights transferred by each of Contact Credit Company (formerly Known as Contact Auto Credit Company), Bavarian Contact Car Trading Company (S.A.E.), Star Auto Credit Company (L.L.C), Contact Egyptian International Motor Credit Company .L.L.C), Ezz Al Arab/Contact Financial (L.L.C) and Modern Finance (L.L.C) to Sarwa for Securitization (S.A.E.) by assignment agreement dated on March 19, 2019 with a total securitized receivables value of EGP 1,705,020,201.

Thirty-Second Securitization Portfolio

This portfolio is represented in the financial rights transferred by each of Contact Credit Company (formerly Known as Contact Auto Credit), Bavarian Contact Car Trading Company (S.A.E.), Star Company (L.L.C), Contact Egyptian International Motor Credit L.L.C), Ezz Al Arab/Contact Financial (L.L.C) and Modern Finance (L.L.C) to Sarwa for Securitization (S.A.E.) by assignment agreement dated on November 14, 2019 with a total securitized receivables value of EGP 1,640,566,167.

Thirty-Third Securitization Portfolio

This portfolio is represented in the financial rights transferred by each of Contact Credit Company (formerly Known as Contact Auto Credit), Bavarian Contact Car Trading Company (S.A.E.), Star Company (L.L.C), Contact Egyptian International Motor Credit L.L.C), Ezz Al Arab/Contact Financial (L.L.C) and Modern Finance (L.L.C) to Sarwa for Securitization (S.A.E.) by assignment agreement dated on March 8, 2020 with a total securitized receivables value of EGP 1,690,589,272.

Thirty-Fourth Securitization Portfolio

This portfolio is represented in the financial rights transferred by each of Contact Credit Company (formerly Known as Contact Auto Credit), Contact Egyptian International Motor Credit Company L.L.C), Ezz Al Arab/Contact Financial (L.L.C), SMG - Engineering Automotive Co. (l.L.C) to Sarwa for Securitization Company (S.A.E.) by assignment agreement dated on December 3, 2020 with a total securitized receivables value of EGP 1,514,111,728.

Securitization Portfolios Balance

Issuance Number	Free interest balance on December 31 ,2021
The 30th issuance	EGP 258,672,433
The 32nd issuance	EGP 477,719,744
The 33rd issuance	EGP 513,340,193
The 34th issuance	EGP 918,567,208
Total	**EGP 2,168,299,578**

Outstanding securitization bonds balance

Issuance Number	Balance on December 31, 2021
The 30th issuance	EGP 284,687,244
The 32nd issuance	EGP 530,668,388
The 33rd issuance	EGP 556,060,079
The 34th issuance	EGP 1,030,769,209
Total	**EGP 2,402,184,920**

Management Fees

Sarwa Securitization Company (S.A.E.) and Contact Credit Company are entitled to respectively receive-in return for the outstanding issuances -administrative fees at the rate of 2.50% from outstanding portfolios balance (excluding interest) shall be deducted and paid monthly starting from the first month of the issuance.

48-3 Discounting facility

- Contact Credit Company, its subsidiaries and affiliates granted without recourse discounting facility with the Arab African Bank in December 2016 along with its annexes in order to discount auto credit accounts receivables arising from vehicle Finance Contracts, where the bank has laid down a discounting limit of a revolving nature with an amount of EGP 3 billion.
- Contact Credit Company, its subsidiaries and affiliates discounted 18 portfolios to finance the vehicle finance contracts owned by its customers, customers subsidiaries and associates till December 31,2021 the total present value of the transferred portfolios amounted to EGP 2,425,492,594 with a total transferred portfolios principal of EGP 2,070,826,652 during 2021.

Outstanding Discounted Portfolio Balance

The total current value of the balance of the discounted portfolios amounted to EGP 2,468,506,402 as of December 31, 2021.

Reserve Account

A reserve account is formed at the Arab African Bank in the name of Contact Credit Company to encounter any deficit or delay in the customer repayment. The reserve account is financed by deducting 5% of the discounting outcome and this percentage is maintained, however if this percentage exceeded 5%, the excess amounts of the reserve account shall be refunded by Contact Credit Company and the reserve account balance amounted to EGP 123,425,320 on 31 December 2021.

Discounting Agreement

Contract value	Total disbursement till December 31, 2021	Balance
EGP 3,000,000,000	EGP 2,468,506,402	EGP 531,493,598

49. Objectives and Policies of Financial Risks Management

This disclosure presents information about to the extent to which the group is subject to the following risks resulting from using the financial instruments the group's goals policies and operations regarding the measurement and management of such risks and the group's capital management as well.

The group's board of director is responsible for setting the framework for the risk management process and its monitoring. The group's top management is the responsible for setting and monitoring the risk management policies.

The internal audit committee monitor the compliance of the group's top management with policies and procedures adopted for the financial risk management process and the adequacy of the current policies and procedures to the expected financial risks.

49-1 Credit Risk

Credit risks are the financial losses incurred by the Company in the event that customer or the counterparty do not fulfill a or his/its obligations under of the terms and conditions of the financial instruments contract.

The group mainly faces credit risks from clients' receivables notes receivable sundry debtors other debit balances dues from related parties as well as its financing activities including deposits at banks and financial institutions.

First: Receivables Balances

- The credit risk is managed through the group's policies procedures and control structure related to risk management. As the credit worthiness is being measured for each client separately through conducting field survey to assure good reputation and credit worthiness of client and his ability to repay all his financial liabilities. The credit limit is determined according to this evaluation.

- The client's outstanding accounts are monitored on continuous basis. Impairment study is conducted at the financial position date.

- As for the financial assets that are considered to be credit-impaired the ECL provision covers the amount of loss expected to be incurred by the group. The evaluation of ECLs is carried out on a case-by-case basis for non-homogeneous portfolios or through applying portfolio-based standards in respect of individual financial assets in these portfolios via the group's ECL Model for homogeneous portfolios.

- Future economic forecasts are to be considered while calculating ECLs. The lifetime expected losses are estimated based on the probability-weighted present value in respect of the difference between the contractual cash flows that are due to the group under the contract; and the cash flows that the group expects to receive.

Amount arising from expected credit loss (ECL)
Inputs Assumptions and Techniques used for estimating
Significant increase in credit risks

When determining whether the risk of default in payment pertaining to a financial instrument increased significantly since initial recognition the group considers reasonable and supportable information that is relevant available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the group's historical experience and experts credit assessment submitted as a kind of forward-looking information.
The objective of the assessment is to identify whether a significant increase in credit risk occurred due to an exposure to credit risk or not.

Credit Risk Grades

The group allocates a grade for each exposure to a credit risk based on a variety of data that is determined to be predictive of the risk of default in payment applying experienced credit judgements and sound recovery process. In some cases, the group allocates a grade exposure to credit risk using the flow rate methodology. These factors vary depending on the nature of the exposure.

Risk grades are defined and calibrated in a manner that the risk of default increases exponentially as the credit risk deteriorates so for example the difference in risk of default between credit risk for buckets 1 and 2 is smaller than the difference between credit risk for buckets 2 and 3.
The table below shows the group's grades and their risk definitions.

Rating Grades	Bucket	Stage
1	Current	Stage 1
2	1-30	Stage 1
3	31-89	Stage 2
4	> 90	Stage 3

<u>Structure of probability of default (PD) Model</u>

By applying the flow rate methodology, default in payment of dues is deemed as fundamental input for determining the structure of PD for each bucket. The group collects performance and default information about its credit risk exposures customers based on the historical analysis for each kind of asset and line of business.

The group employs statistical models to analyze the data collected by the group and generate estimates to determine he remaining lifetime PD on exposures and how that outcome is ta expected to change by the passage of time.

These analyses include identifying and comparing the relationships between changes in default rates and changes related to key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) pertaining to the risk of default and most exposures are related to the main factors of macroeconomics.

The management team should annually identify the macroeconomic variables that may impact the group's financial assets.

The Management Team of the group will assess the base case, best case and worst-case forecasts of the selected macroeconomic indicators and how likely they are expected to improve based on trends in the indicators and macro-economic commentaries.

In determining the ECL for other assets the group applies the loss ratio model to estimate ECLs.

Determining whether credit risk has increased significantly or not

The criteria for determining whether credit risk has increased significantly vary according to the kind of financial assets portfolio and the quantitative and qualitative factors including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition as follows:

The group considers that a significant increase in credit risk occurs when the default in payment is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The group monitors the effectiveness of the criteria used to identify significant increases in credit risk by performing regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risks before classifying the financial instrument as being i in default.
- The criteria do not align with the point in time when the defaulting asset becomes 30 days past due; and
- There is no unwarranted volatility in provision for loss due to the transfer of the financial instrument from 12-month PD (stage 1) to lifetime PD (stage 2).

The contractual terms of a loan may be amended for a number of reasons including changing market conditions customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms were modified may be derecognized and the renegotiated loan shall be recognized as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified, and the modification does not result in derecognition the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- Its remaining lifetime PD at the reporting date based on the modified terms; with
- The remaining lifetime PD which is estimated based on data at initial recognition and the original contractual terms.

The group renegotiates the issuance of loans granted to customers who encounter financial difficulties (referred to as 'forbearance activities) to maximize collection opportunities and minimize the risk of default. Under The group's forbearance policy loan forbearance is granted on a selective basis if the debtor is currently in default of its debt or if there is a high risk of default there is an evidence that the debtor exerted all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the amended terms.

The amended terms usually include extending the maturity date changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

As for financial assets modified as part of the group's forbearance policy the estimate of PD reflects whether the modification has improved or restored the group's ability to collect interest and principal and the group's previous experience of similar forbearance action. As part of this process the group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Definition of default

The group considers a financial asset to be in default when:

- The borrower is past due for a year of equal / more than 90 days regarding any obligation towards the group
- Relying on data developed internally and obtained from external sources.

Inputs of assessment regarding whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The group's definition of default is in line with the definition applied by the group for the statutory (regulatory) capital purposes

Measurement of ECL

The key inputs into the measurement of ECL are the terms structure of the following variables:

- Probability of default (PD).
- Loss given default (LGD).
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical model's external data and other historical data. They are adjusted to reflect forward looking information as described above.

Probability of Default is a measure of the likelihood that an obligor will default on a contractual obligation. PD estimate are calculated based on statistical models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

Generally, the group uses two approaches in estimating PDs: Internally generated PDs (where internal data is available) and External PDs (where internal data is unavailable). For the purposes of PD estimation for financial assets it was adopted as the basis for each category of similar characteristics.

As a result, every category with similar line of business would have the same PD.

In case of External PDs market data are used to derive the PDs for counterparties. (if the data are not available)

If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

Loss Given Default is the measure of the percentage of the outstanding balance that the group may lose in the event of a default. The group estimates LGD based on the history of recovery rates of claims against defaulting counterparties.

Exposure at default is an estimate of the outstanding remaining loan balance at the time of default. Multi-year EADs are a collection of EAD values referring to different time years over the lifetime of a financial asset.

The group estimates the multi-year EAD for on-balance sheet exposures based on the contractual repayment cash flows and expectation of future prepayment.

For off-balance sheet exposures the EAD includes the amount drawn as well as potential future amounts that may be drawn under the contract. In this case the group will estimate the credit exposure equivalent (CEE) of all off-balance sheet exposures. This is performed using the credit conversion factor (CCF). CCF is the rate at which off-balance sheet commitments crystalize and become on-balance sheet exposures.
Where modelling of a parameter is carried out on a collective basis the financial instruments are ranked based on shared risk characteristics that include:

• Instrument type.
• Buckets gradings (categorizing portfolios in groups or classes);
• Collateral type.
• Default in payment
• Date of initial recognition.
• Remaining term to maturity.
• Line of business

As for portfolios in respect of which the group has limited historical data such as investment securities - debts Money market balances kept at other banks selected external rating agencies are used to - complete the internally available data.

Incorporation of Forward-Looking Information (FLI)

The group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the management team and consideration of a variety of external actual and forecasted information the group formulates a forecast of the future trend of relevant economic variables as well as a range of other possible forecast scenarios. This process involves developing one or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts made available by external sources.

The base case represents a most-likely outcome and is aligned with information used by the group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more prudent outcomes. Where there are no significant correlations between the macroeconomic variable and default the group performs - this analysis according to expert judgement. In cases where the group uses expert judgment due to the imposed restrictions it shall keep exploring other options to arrive at a statistical basis for incorporating FLI into its ECL computation.

Furthermore, the group annually carries out stress testing in respect of the economic changes in a more prudent manner to measure the repercussions of ECL.

The group identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments using an analysis of historical data and estimated relationships between macro-economic variables credit risk and credit losses. The economic scenarios used as at 31 Dec 2021 and 31 December 2020 are as follows:

	31 December 2021	**31 December 2020**
Private consumption contribution to actual GDP growth (% points)	Base 5.9 (Stressing by 1 Standard deviation)	Base 1.7 (Stressing by 1 Standard deviation)
Lending interest rate (%)	Base 9.4 (Stressing by 1 Standard deviation)	Base 11 (Stressing by 1 Standard deviation)
Government consumption (% of GDP)	Base 7.9 (Stressing by 1 Standard deviation)	Base 7.971 (Stressing by 1 Standard deviation)
Inward FDI flow (% of fixed investment)	Base 14.5 (Stressing by 1 Standard deviation)	Base 11.8 (Stressing by 1 Standard deviation)
Unemployment rate	Base 9.305 (Stressing by 1 Standard deviation)	-
Import prices (% annual change pa; US$)	Base 9.5 (Stressing by 1 Standard deviation)	Base -21.8 (Stressing by 1 Standard deviation)
Exchange rate LCU:US$ (av)	Base 15.7 (Stressing by 1 Standard deviation)	Base 15.81 (Stressing by 1 Standard deviation)
Exchange rate LCU: $ (end-year)	Base15.7 (Stressing by 1 Standard deviation)	Base 15.69 (Stressing by 1 Standard deviation)
Inland direct investment (US$)	Base 48.4 (Stressing by 1 Standard deviation)	-
Actual GDP (% annual change)	Base 3.326 (Stressing by 1 Standard deviation)	Base 3.57 (Stressing by 1 Standard deviation)
Unemployment rate (%)	Base 8.3 (Stressing by 1 Standard deviation)	Base 8.296 (Stressing by 1 Standard deviation (Range between 8.296 :8
Gross fixed investment contribution to actual growth of GDP (% points)	Base 0.3 (Stressing by 0.5 Standard deviation)	Base - 3.6 (Stressing by 0.5 Standard deviation)
Actual effective exchange rate	Base 106.0 (Stressing by 0.5 Standard deviation)	Base 105.7 (Stressing by 0.5 Standard deviation)
Private consumption (% of GDP)	Base 89 (Stressing by 1 Standard deviation)	Base 85.799 (Stressing by 1 Standard deviation)
Gross domestic product constant prices	Base 4104.35 (Stressing by 1 Standard deviation)	Base 3994.315 (Stressing by 1 Standard deviation)

Predicted relationships between the key indicators default and loss rates on various portfolios of financial assets were developed based on analyzing historical data over the past 5 years if available.

49-2 Liquidity Risk

- The liquidity risk is represented in the factors that could affect the ability of the group to repay all or part of its liabilities.
- The management of the group observes the cash flows and the financing and liquidity requirements of the group. The aim of the group is summarized in striking a balance between the continuity of finance and flexibility through borrowings from banks. The group manages liquidity risk by maintaining adequate reserves and obtaining facilities pertaining to loans; the matter which is performed through monitoring expected and actual cash flows and matching the maturities of financial assets and liabilities.

  The group has enough cash to pay for the expected operating expenses which include financial liabilities.

49-3 Market risk

- Market risk arises from the instability of the fair value of future cash flows in respect of the financial instrument as a result of the changes in market prices. Examples for foreign currency risk and interest rate risk these risks may affect the income of the group. The financial instruments that are affected by market risk include interest bearing loans and deposits. The purpose of managing market risk is to manage and control risks within acceptable limits and at the same time achieve rewarding returns. The group does not keep or issuance derivative financial instruments.

49-3-1 Interest rate risk

- Interest rate risk arises due to the fluctuations in the fair value of the future cash flows of the financial instruments as a result of the changes in the market interest rates. The management of the group reduces the interest rate risk through matching the similarity between the nature of interest rates applied by the group to its clients (fixed/variable interest rate) and the nature of interest rates of the liabilities (borrowings) of the group towards the lending financial institutions.

49-3-2 Foreign currency risk

- This risk is considered to be limited as the value of the financial instruments in foreign currencies and the various transactions that take place in a currency other than the presentation and functional currency are not deem end as relatively influential from a management perspective.

50. Bases of Measurements

- The financial statements are prepared on a historical cost basis except for financial instruments that are measured at fair value amortized cost or cost as appropriate.

51. Significant accounting policies

- The accounting policies described below have been applied consistently during the years presented in these financial statements.

51-1 Business Combination

- The group accounts for business combinations using the acquisition method when a business and control is transferred to the group.
  The material consideration transferred as well as the identifiable net assets acquired in the acquisition are generally measured at fair value.
  Any goodwill that arises from the acquisition process is tested annually for impairment.
  Any costs related to the acquisition are recognized as an expense in the period in which costs are borne and services are received except if related to the issuance of debt or equity securities.

- The consideration transferred does not include amounts related to the settlement of pre-existing relationships between the acquiring company and the acquiree. Such amounts are generally recognized 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 meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

51-2 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.

51-3 Non-controlling interests

- Non-controlling interest are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.
- Changes in the group's interest in subsidiaries which do not result in a loss of control are accounted for as equity transactions.

51-4 Loss of control

- When the group loses control over a subsidiary it derecognizes the assets and liabilities of the subsidiary and any related Non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

51-5 Investments accounted with equity method

- Group’s interests in equity-accounted investees comprise interests in associates and a joint venture.
- Associates are those entities in which the group has significant influence but not control or joint control over the financial and operating policies.
- A joint venture is an arrangement in which the group has joint control whereby the group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.
- Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost which includes transaction costs.
- Subsequent to initial recognition the consolidated financial statements include the group’s share of the profit or loss and other comprehensive income of equity accounted investees until the date on which significant influence or joint control ceases.

51-6 Transactions eliminated on consolidation

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

51-7 Financial instruments

Classification and Measurement

The group determines the nature of the business model by considering the way in which the financial assets are managed to achieve the business objective as determined by management.

At initial recognition financial assets have been classified and measured according to:

- Amortized cost
- Fair value through other comprehensive income. (FVTOCI) and
- Fair value through profit or loss (FVTPL).

The financial assets have been classified according to how they are managed (the entity's business model) and their contractual cash flow characteristics.

Subsequent Measurement

A financial asset is classified as subsequently measured at: amortized cost fair value through other comprehensive income (FVOCI) or (FVTPL) on the basis of both the group's business model for managing the financial asset and the contractual cash flows characteristics of the financial asset.

- A debt instrument is measured at amortized cost if it meets both of the following conditions:
  - The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- A debt instrument is measured at FVOCI only if it meets both of the following conditions:
  - The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- All other debit instruments assets will be classified as fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting year following the change in the business model.

The group may irrevocably elect to measure equity investment which is not classified as trading investments to be as a fair value through other comprehensive income at initial recognition. And this choice will be made on an instruments-by-instruments basis.

- All other equity instruments will be classified as fair value through profit or loss.

In addition to that the group may irrevocably elect to designate a financial asset that will be measured at amortized cost or fair value through other comprehensive income to be measured at fair value through profit or loss in the initial recognition if in such a case this reclassification will lead to prevent accounting mismatch.

Business Model Assessment

The group makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice specially to know whether these management policies concentrate to gain the contractual interest or reconcile financial assets year with the financial liabilities year which finance these assets or target cash flow from selling the assets.
- How the performance of the portfolio is evaluated and reported to the group's management.
- The risks that affect the performance of the business model and the financial assets held within that business model and how those risks are managed.

The frequency, volume and timing of sales in prior years the reasons for such sales and its expectations about future sales activity.

Meanwhile the scope of the group is not limited to the information related to sales activity separately but the overall assessment of how the goal that was announced by the group to manage financial assets can be achieved as well as how to realize cash flow must be taken into account.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment ‘principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular year of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs) as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or the amount of contractual cash flows such that it would not meet this condition.

Financial assets – Subsequent measurement, gains and losses

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses including any interest or dividend income are recognized in profit or loss.

Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses including any interest expense are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

The group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The group could enter into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The group also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognized in profit or loss.

Impairment

The group applies both the general and simplified approaches to measure expected credit loss on financial assets that are recognized at amortized cost and debt instruments that are recognized at fair value through other comprehensive income. The financial assets can transfer between three stages according to changes in credit quality since initial recognition.

Impairment losses on financial assets are recognized in the Consolidated Income Statement within the credit losses expenses.

Simplified approach model

With regards to trade receivables related to fees and commission the simplified approach model for determining the impairment is performed in two steps:

- Any trade receivable in default is individually assessed for impairment; and
- A general reserve is recognized for all other trade receivables (including those not past due) based on the determined historical loss rates and carry forward losses expectations.

General approach model

The general model impairment requirements of EAS No. (47) apply to all credit exposures that are measured at amortized cost or FVOCI except the positions covered by simplified model as above mentioned.
For purposes of the impairment policy below these instruments are referred to as ("Financial Assets").

The determination of impairment losses and allowance moves from an incurred credit loss model whereby credit losses are recognized when a defined loss event occurs under previous accounting standard to an expected credit loss model under EAS No. (47) where allowances are taken upon initial recognition of the Financial Asset based on expectations of potential credit losses at the time of initial recognition.

EAS No. (47) introduces a three-stage approach to impairment for Financial Assets that are not credit-impaired at the date of origination or purchase. This approach is summarized as follows:

Stage 1: 12 months expected credit loss:

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets expected credit loss is recognized on the gross carrying amount of the asset based on the expected credit losses. For these assets expected credit loss is a result of default events that are possible within 12 months after the reporting date.

Stage 2: Lifetime expected credit loss - not credit impaired:

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but those do not have objective evidence of impairment. For these assets' lifetime expected credit loss is recognized but interest is still calculated on the gross carrying amount of the asset. Lifetime expected credit loss are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime expected credit loss - credit impaired:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets' lifetime expected credit losses are recognized.

51-8 Segment reporting

- An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with any of the group's other components whose operating results are regularly reviewed by the group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

51-9 Foreign currency transaction

- Transactions in foreign currencies are translated into the functional currencies of the group 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 financial statements date. Non-monetary assets and liabilities 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 items that are measured based on historical cost in foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

51-10 Lease contracts

- The group has applied EAS 49 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under EAS 20. The details of accounting policies under EAS 20 are disclosed separately.

Policies applied from 1 January 2021

- At inception of a contract, the group assesses whether a 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 year of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in EAS 49. This policy is applied to contract entered in to, or after 1 Jan 2021.

As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is annually reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

fixed payments, including in-substance fixed payments.

variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable under a residual value guarantee.

The exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal year if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is premeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The group has elected not to recognize right-of-use assets and lease liabilities for leases of low – value assets and short-term leases, including IT equipment. The group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policies applied before 1 January 2021

Rental expense is recognized in the income statement on a straight-line basis over the term of the contract**.**

51-11 Revenue recognition

Policies applied from 1 January 2021

The group recognizes revenue under Standard No. (48) Revenue from Contracts with Customers using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price.	The transaction price is the amount of consideration to which the group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocation of transaction price.	For a contract that has more than one performance obligation, the group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Revenue recognition	The group recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Interest income

- Interest income is recognized in the income statement on the accrual basis using the Effective Interest Rate Method.

Effective interest rate method

- This is a method for computing the amortized cost of a financial asset or a financial liability (or a combination of financial assets or financial liabilities) and allocating the interest expenses and interest income over the lifetime of the financial asset or financial liability using the effective interest rate.

Effective interest rate

- This is an accurate rate used to discount future payments expected to be paid or collected over the expected lifetime of the financial instrument (and a shorter year where appropriate) in order to determine the present value of financial asset or financial liability).

Dividend's income

- Revenues from dividends resulting from group investments are recognized on income statement on the date on which the right of the company to collect the value of these profits arises.

Securitization profit

- The revenue from securitization transactions is recognized when the terms of derecognition of the financial asset for the asset that has been securitized are fulfilled. The revenue from securitization process is measured by the value in the increase in the consideration compared to the book value of the securitization portfolios on the date of transfer.

Insurance Premium Revenues

- The insurance premium revenues are recognized starting from the date of issuing the insurance policy revenue is recorded within the limits of the value of insurance premium related to the year.

Policies applied before 1 January 2021

a- Vehicle's goods sold and rendered services

- Revenues from selling vehicles and goods are recognized in the Income Statement when the significant risks and rewards of ownership is transferred to the purchaser. The revenues from rendered services are recorded in income statement when the services are rendered. No revenue shall be recognized in case there is a doubt in respect of the reimbursement of the amount in consideration of this revenue or the related costs or in case the administrative connection regarding the sold vehicles and goods shall continue to exist.

- Sales are represented in the value of vehicles and goods to be sold to customers at the cash selling price; however, the difference between the cash selling price and the total sale value are recognized as deferred interest income that are presented as a deduction from the total indebtedness due from customers. These interests shall be recorded as revenues in the income statement at the effective interest rate until the maturity date.

- The same basis shall be applied in recording the revenues of other services represented in providing insurance services and maintenance for the customers (Contact Service Club) through other companies specialized in this field and revenues from financial consulting services.

- The value of the revenue is measured at fair value of the received or accrued consideration of the group.

b- Interest income

- Interest income is recognized in the income statement on the accrual basis using the Effective Interest Rate Method.

c- Effective interest rate method

- This is a method for computing the amortized cost of a financial asset or a financial liability (or a combination of financial assets or financial liabilities) and allocating the interest expenses and interest income over the lifetime of the financial asset or financial liability using the effective interest rate.

d- Effective interest rate

- This is an accurate rate used to discount future payments expected to be paid or collected over the expected lifetime of the financial instrument (and a shorter year where appropriate) in order to determine the present value of financial asset or financial liability).

e- Dividend's income

- Revenues from dividends resulting from group investments are recognized on income statement on the date on which the right of the company to collect the value of these profits arises.

f- Securitization profit

- The revenue from securitization transactions is recognized when the terms of derecognition of the financial asset for the asset that has been securitized are fulfilled. The revenue from securitization process is measured by the value in the increase in the consideration compared to the book value of the securitization portfolios on the date of transfer.

g- Insurance Premium Revenues:

- The insurance premium revenues are recognized starting from the date of issuing the insurance policy revenue is recorded within the limits of the value of insurance premium related to the year/year.

51-12 Expenses

- Operating expenses and other expenses necessary to carryout business operations for the company including general, administrative and selling expenses are recognized according to accrual base.

Interest expense

- Interest expense on loans is recognized in the income statement using the effective interest rate method.

51-13 Employee benefit

- Employee Stock Ownership Plan (ESOP)
- According to the decision of the Extraordinary General Assembly Meeting of the group held on May 14, 2018 the articles of association of the group were amended in a manner that allows the Extraordinary General Assembly Meeting of the group to adopt one or more of the following systems to reward employees' managers and executive board members of the group and its subsidiaries:
- Granting bonus shares
- Granting shares with special prices or easy way payments.
- A promise to sell shares after a specified year or years of time and certain conditions are fulfilled in accordance with the group 's promise to sell.
- The General Assembly Meeting determines how to provide the shares necessary for the implementation of any of these - (ESOP) systems whether through the issuance of new shares through the group's purchase of its shares or through the transfer of cash reserve - or part of it as well as converting the retained earnings into shares whose value - is used to increase the issuance capital. The decision of the extraordinary general assembly meeting determines the conditions for entitlement to the prescribed shares in accordance with the (ESOP) including the conditions related to the tenure of the position the degree the competence and other conditions.

The group may entrust the management of the system to any of the following:

- Licensed custodians
- One of the companies working in securities field
- labour union of employees holding capital participations.

Short – term employee benefits

- Short-term employee benefits are expensed as the related service is provided. A liability is recognized 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.

Defined Contribution Plans

- Obligations of defined contribution plans are recognized as an expense when the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is made.

- The group pays contributions to the Public -Social Insurance Authority for their employees based on Social Insurance Law No 79 for the year 1975. The employees and employers contribute to this plan under this law with a fixed percentage of wages. The group's commitment is -confined to the value of their contribution. and. The group's contribution amount shall be charged as an expense to the income statement - according to accrual basis.

Employees' Share in Profits

- The holding group pays 10% of its cash dividends to its employees as a share in profits provided that it must not exceed the total employees' annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability during the fiscal year - wherein the group's shareholders approved these dividends.

51-14 Income tax

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

Current income tax

- The recognition of the current tax for the current year and prior years and that have not been paid as a liability but if the taxes have already been paid in the current year and prior years in excess of the value payable for these years this increase is recognized as an asset. The current taxable liabilities (assets) for the current year and prior years measured at expected value paid to (recovered from) the tax authority using the current tax rates (and tax laws) or in the process to issuance in the end of the financial year. 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.

Deferred tax

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

- Deferred tax is not recognized for:

  - Taxable temporary differences arising on the initial recognition of goodwill.
  - Temporary differences on the initial recognition of assets or liabilities in a transaction that is not:
    1. A business combination.
    2. And not affects neither accounting nor taxable profit nor loss.
  - 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 recognized 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 recognized 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 using current tax rate or future expecting rate.

- 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.

51-15 Property, plant and equipment and depreciation

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 recognized in profit or loss.

2) Subsequent expenditure

- Subsequent expenditure is capitalized 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 recognized in profit or loss.

- Land is not depreciated.

Estimated depreciation rates for each type of assets for current and comparative years are as follow:

Asset	Depreciation years
Building	20
Furniture	10
Computers	3-5
Machinery & equipment	5
Fixtures	10
Vehicles	5

- Leasehold improvements are depreciated - over the lease contract year or the useful life of the asset whichever is lower.

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

51-16 Investment property

- The investment property is measured at the recognition with cost after deducting the accumulated depreciation as well as the accumulated impairment losses.

- In the case of additions or renovation or modification in the property that leads to increase in size or useful life or change in the rental value as the restoration, then this cost is added to the property value, though the technicians estimate the useful life of the property after the renovations and depreciate the new total cost on the remaining useful life after deducting the residual value at the end of the useful life.

51-17 Assets held for sale

- The group measures the non-current assets classified as assets held for sale on the basis of the lower of the book value and the fair value less costs of selling.

- The entity classifies a non-current asset as an asset held for sale if the carrying amount will be recovered principally through a sale transaction instead of through continuing use.

- The asset must be available for immediate sale in its current condition without any conditions, except for the traditional and usual selling conditions for those assets, and the probability of their sale must be high.

- For the probability of selling to be high:

    - Management is committed to a plan to sell
    - An active program to locate a buyer is initiated
    - The process of executing the plan must be started
    - There must be serious marketing of the asset to sell it at a reasonable price proportionate with its fair value
    - It must be expected that the sale process will be fulfilled within a year from the date of classification.
    - Actions taken should indicate the impossibility of withdrawal of the plan.

51-18 Intangible assets

- Intangible assets are initially recognized at cost, which includes all costs necessary to acquire the asset, provided that such cost does not exceed the fair value of those assets (or similar assets) at the time of acquisition.

- Intangible assets that have definite useful life that can be determined on a subsequent measurement are valued at cost less accumulated depreciation and accumulated impairment losses.

- An entity shall test an asset that does not have a definite useful life for impairment by comparing the recoverable amount with the book value.

51-19 Work in Progress

- Work in progress is recorded at cost less accumulated impairment in their value if any. Costs include all costs directly related to - the acquisition of the asset and bringing it to be ready for its intended use and to be used in the purposes for which it is acquired. Work in progress is charged to fixed assets when they become ready for their intended use.

- Then the group starts its depreciation using the same bases used to depreciate the same types of assets.

51-20 Goodwill

- Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the acquired assets at the acquisition date. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

- For the purpose of impairment testing goodwill is allocated to each of the group's cash-generating units expected to generate cash and benefit from this combination. Cash-generating units are tested for impairment annually or more frequently when there is an indication that the unit may be impaired.

- If the recoverable amount of the cash-generating unit is less than it's carrying amount the impairment loss is allocated first to reduce the carrying amount of any goodwill previously allocated to the unit and then to reduce the value of the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Taking into account that an n impairment loss recognized for goodwill is not reversed in a subsequent period.

- On disposal of a subsidiary or a jointly controlled entity the attributable amount of goodwill is included in the determination of the profit or loss on sale. This applies as well on investments in associates where goodwill is included within the carrying amount of the investment.

51-21 Earnings per share

- Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the parent group (for their participation in the company's ordinary shares) over the weighted average number of ordinary shares outstanding during the year.

51-22 Dividends

- Dividends distribution is recognized as a liability in the financial statements in the year in which the dividends are declared.

51-23 Impairment

Impairment of non-financial Assets

- At each reporting date the reviews the carrying amounts of its non-financial assets (other than biological assets inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

- For impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination.

- The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

- An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

- Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amounts of the other assets in the cash generating unit on a pro rata basis.

- An impairment loss in respect of goodwill is not reversed in the subsequent period. For other assets an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized in previous years.

51-24 **Cash flows**

- The statement of cash flows is prepared using the indirect method. For the purpose of preparing the cash flows cash and cash equivalents consists of cash on hand, bank current accounts demand deposit which not exceed three months. Bank overdraft balance "that is settled when it is required or considered part of company's cash management" is considered as items that presented as a deduction for the purpose of calculating cash and cash on hands and at banks.

51-25 **Legal reserve**

- According to the requirements of Companies law No. 159 for the year 1981; the group's statutes provide for deduction of a sum equals to at least 5% of the annual net profit for the formation of the legal reserves such deduction will be ceased when the total reserve reaches an amount equals to at least half of the group's issuance capital. Once the reserve falls below this amount deduction shall resume.

51-26 Capital

1) Ordinary Shares

- Incremental costs directly attributable to the issuance of ordinary shares are recognized 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".

51-27 Provisions

- Provisions are recognized when the group has a present obligation (legal or constructive) as a result of past events and that it is probable that an outflow of economic resources will be required to settle the obligation the costs to settle related obligations are probable and a reliable estimate is made of the amount of the obligation. The provisions balances are revised at the financial position date and is adjusted when it is necessary to present best estimate of these provisions.

- The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date taking into account the risks and uncertainties surrounding the obligation.

52. Significant events – COVID 19

Many countries around the world including Egypt were exposed during 2020 to a state of slowdown and economic contraction as a result of the Covid-19 pandemic and the governments of the world including the Egyptian government made packages of precautionary measures to prevent the spread of the epidemic. These procedures led to a state of economic slowdown at the global and local levels which affected its impact on all activities in different ways.

Regarding to the group's activities the effects are:

1- Reducing the number of employees working at the group's headquarters and branches.

2- Collection rates for some clients working in sectors directly affected by the crisis are potentially impacted.

3- The group's volumes of new financing to clients are impacted.

4- The finances of corporate clients have been affected.

5- The suspension of services by some government agencies in particular notary public services new vehicle registration and Courts.

Regulatory precautions measures taken as follows:

1- The Financial Regulatory Authority took measures to ease the impact on clients of mortgage leasing and factoring companies directing companies to provide an option to clients to defer all their obligations for a year of six months without delay penalties.

2- On March 22, 2020 the Central Bank instructed banks to defer clients' loan obligations for a year of six months without delay penalties. This is within the framework of the precautionary measures taken by the Central Bank of Egypt to confront the effects of the Corona virus.

And based on the specific effects referred to above, it may have a significant impact on the assets, liabilities and business results of the company's financial statements during the year of 2020 and the following years.
The size and nature of the most significant or potential financial impacts of this risk on the items of the financial statements and the group's activities during the following years are summarized in:

- Clients' credit default risk.
- Defaults or breaches in the financial obligations with lenders.

However, besides the measures taken by the government to support these activities such as reducing the interest rate and postponing the payment of debts the group's management has taken several measures to mitigate the above risks and reduce and mitigate the impact on its financial position as follows:

1- The group has provided the necessary technological infrastructure for employees so that they can perform their work outside the group's headquarters and branches.

2- All group's financial covenants have been tested and the group's ability to fulfill its commitment to all financial covenants with lenders has been verified.

3- The group has measured the possible delay rates and appropriate provisions have been made to mitigate any potential increase in default rates that may arise with the management annually reviewing collection rates.

4- In coordination with the Financial Regulatory Authority and other companies operating in the securitization market Sarwa Securitization on behalf of the bond holders moved to adjust the tenors of outstanding securitization bonds to enable various underlying portfolio's services to adjust the terms of their contracts without affecting the credit rating of issuances.

5- The group approached the clients of finance leasing real estate mortgages and factoring portfolios to determine whether they want to defer their financial dues in order to proceed in implementing the FRA’s decision after fulfilling all necessary documentation.

6- The group coordinated with lenders regarding the Central Bank’s decision to defer loans in case such a step is needed.

53. Comparative figures

Comparative figures have been reclassified to match with the changes in the presentation used in the current year.