Translation of financial statements originally issued in Arabic

Sarwa Capital Holding for Financial Investments

Consolidated interim financial statements

For the period ended June 30, 2020

And review report thereon

Contents

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Review report on consolidated interim financial statements

To the Board of directors of Sarwa Capital Holding for Financial Investments

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of Sarwa Capital Holding for Financial Investments (an Egyptian joint stock company) as of 30 June 2020, and the related consolidated interim statements of income, comprehensive income, cash flows and changes in equity for the six - months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 June 2020, and of its consolidated financial performance and cash flows for the six-months period then ended in accordance with the Egyptian Accounting Standards.

Emphasis of Matter

As detailed in note No. (40) - clarification of important events - from the complementary notes of the financial statements, most of the world countries, including Egypt, were exposed during the first half of 2020 to the outbreak of the Corona (Covid-19) epidemic, which caused disturbance in most of Commercial and economic activities in general.

KPMG

Hazem Hassan

Therefore, it is likely that this will have a significant impact on the pre-defined operational and marketing plans and its future cash flows associated with it and the associated elements of assets, liabilities and business results in the financial statements of the group, and as indicated in the above-mentioned clarification, the group management is currently taking several procedures To face this risk and limit its impact on its financial position, however, in light of instability and uncertainty as a result of current events, the magnitude of the impact of that event mainly depends on the time period for the continuation of those effects and when is end of that event and its implications and the ability of the group to achieve its plans to confront this danger, which is difficult to determine at the present time.

KPMG Hazem Hassan

(KPMG Hazem Hassan)
Public accountants and consultants
Cairo, 12 August 2020

KPMG Hazem Hassan
Public Accountants and Consultants
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Sarwa Capital Holding for Financial Investments
Consolidated Statement of Financial Position as at June 30,2020

(in EGP)	Note No.	30-Jun-20	31-Dec-19
Assets			
Non-current assets			
Property, plant and equipment	(15)	127 954 190	118 201 877
Work in process		14 770 783	7 132 429
Goodwill	(16)	25 302 524	26 474 070
Investments in associates	(17)	27 871 157	59 243 897
Investments held till maturity	(18)	37 932 084	-
Investments available for sale	(19)	32 883 907	57 208 357
Debtors and other debit balances	(20)	12 705 204	6 408 077
Accounts receivable	(21)	1 507 816 091	1 464 259 565
Securitization surplus	(22)	26 632 608	50 238 493
Deferred tax assets	(13)	1 426 054	1 439 975
Total non-current assets		**1 815 294 602**	**1 790 606 740**
Due from related parties - debit	(33)	11 146 797	34 129 056
Deferred cost -insurance polices	(23)	-	218 259
Debtors and other debit balances	(20)	274 260 208	165 579 360
Accounts receivable	(21)	923 225 720	992 472 690
Treasury bills	(24)	716 983 548	845 684 177
Conditional Bank Account	(25)	13 858 722	18 613 651
Cash and cash equivalent	(26)	244 312 565	126 623 828
Total current assets		**2 183 787 560**	**2 183 321 021**
Total assets		**3 999 082 162**	**3 973 927 761**
Shareholders' equity			
Paid-in capital	(27)	191 515 840	191 515 840
Legal reserve	(28)	63 172 149	53 034 169
Share premium reserve	(29)	758 494 575	750 409 142
Retained earnings	(30)	919 774 977	968 294 254
Equity attributable to the shareholders of the parent company		**1 932 957 541**	**1 963 253 405**
Non Controlling Interest		61 283 542	66 401 653
Total equity & non controlling interest		**1 994 241 083**	**2 029 655 058**
Liabilities			
Loans and overdrafts	(31)	1 169 097 779	1 194 226 780
Suppliers and other credit balances	(32)	5 173 627	5 250 044
Deferred tax liabilities	(13)	5 202 131	4 956 907
Total Non-current liabilities		**1 179 473 537**	**1 204 433 731**
Current liabilities			
Loans and overdrafts	(31)	417 116 851	345 389 630
Suppliers and other credit balances	(32)	280 997 897	265 186 227
Current tax liabilities		52 111 620	88 333 000
Due to related parties - credit	(33)	3 584 094	3 828 285
Insurance policyholders' rights		71 557 080	37 101 830
Total current liabilities		**825 367 542**	**739 838 972**
Total liabilities		**2 004 841 079**	**1 944 272 703**
Total shareholders' equity and liabilities		**3 999 082 162**	**3 973 927 761**

* The accompanying notes and accounting policies from page (6) to page (49) are an integral part of these financial statements. and are to be read therewith.

Mohamed Said
Financial Manager

Ayman El sawy
Chief Financial Officer

Hazem Moussa
Chairman

Cairo August 12, 2020
Auditor's report "Attached"

Sarwa Capital Holding for Financial Investments

Consolidated Statement of Income for the period ended June 30,2020

(in EGP)

(EGP)	Note No.	The six months ended in 30-Jun-20	The six months ended in 30-Jun-19	The three months ended in 30-Jun-20	The three months ended in 30-Jun-19
Sales revenue - goods and services	(4)	1 722 600 795	1 035 338 040	882 280 417	626 643 413
Cost of sales - goods and services	(6)	(1 708 290 624)	(1 017 568 765)	(876 503 102)	(618 178 071)
Income from transferred portfolios		5 287 528	9 851 097	2 297 875	4 641 910
Income from financing activities	(5)	218 464 901	145 105 211	87 337 714	58 866 348
Securitization proceeds		116 203 692	68 402 907	657 427	-
Discounting proceeds		44 698 540	-	44 698 540	-
(Deficit) from insurance activities	(8)	4 859 073	(4 562 442)	10 957 287	(4 562 442)
Interest expense		(106 107 747)	(112 048 229)	(43 479 315)	(33 806 876)
Gross profit		**297 716 158**	**124 517 819**	**108 246 843**	**33 604 282**
Operating revenue	(7)	117 952 400	154 030 024	54 186 683	75 983 566
Services and collection revenue	(3-33)	105 000	311 557	50 000	147 532
Securitization net revenue	(9)	(34 520 740)	72 411 763	(3 002 484)	19 470 198
Administrative fees revenue	(10)	24 698 269	15 031 127	11 901 055	8 791 214
Operating expense	(11)	(6 086 572)	(28 185 722)	(2 637 049)	(15 018 742)
Net operating income		**102 148 357**	**213 598 749**	**60 498 205**	**89 373 768**
Other revenue		1 200 637	369 603	110 388	195 080
Sales and distribution expense		(13 656 354)	(11 016 934)	(6 175 573)	(5 256 642)
General and administrative expenses	(12)	(147 653 889)	(117 744 344)	(71 691 975)	(54 420 516)
ESOP expenses		(8 085 420)	-	(4 047 960)	-
Board of directors allowances		(255 000)	(24 000)	(115 000)	(4 000)
Impairment of financial assets		(48 736 393)	(1 693 228)	(25 993 660)	1 530 023
Total profit of the period		**182 678 096**	**208 007 665**	**60 831 268**	**65 021 995**
Profit share from associates		13 405 307	29 855 681	2 738 377	6 629 135
Foreign currency differences		(32 808)	(415 077)	1 180	(208 690)
Contingent provision		(3 779 945)	(921 848)	(1 606 621)	1 755 451
Net profit for the period before tax		**192 270 650**	**236 526 421**	**61 964 204**	**73 197 891**
Income tax	(13)	(59 165 326)	(43 604 897)	(22 643 445)	(8 156 085)
Net profit for the period after tax		**133 105 324**	**192 921 524**	**39 320 759**	**65 041 806**
Distributed as follows:					
Owners of the company		126 907 763	182 817 174	36 248 936	62 894 956
Non controlling interest		6 197 561	10 104 350	3 071 823	2 146 850
		133 105 324	192 921 524	39 320 759	65 041 806
Earnings per share for the period	(14)	0.11	0.25	0.03	0.08

The accompanying notes and accounting policies from page (6) to page (49) are an integral part of these financial statements and are to be read therewith.

Sarwa Capital Holding for Financial Investments

Consolidated Statement of Comprehensive Income for the period ended June 30,2020

(in EGP)	The six months ended in		The three months ended in	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Net profit for the period after income tax	133 105 324	192 921 524	39 320 759	65 041 806
Total comprehensive income for the period	**133 105 324**	**192 921 524**	**39 320 759**	**65 041 806**
Total comprehensive income distributed as follows:				
Owners of the company	126 907 763	182 817 174	36 248 936	62 894 956
Non controlling interest	6 197 561	10 104 350	3 071 823	2 146 850
	133 105 324	**192 921 524**	**39 320 759**	**65 041 806**

* The accompanying notes and accounting policies from page (6) to page (49) are an integral part of these financial statements. and are to be read therewith.

Sarwa Capital Holding for Financial Investments

Consolidated Statement of Changes in Equity for the period ended June 30,2020

(in EGP)

	Paid in capital	Legal reserve	Share premium reserve	Retained earnings	Total owners of the company	Non controlling interest	Total equity
Balance at 1 January 2019	115 217 391	48 393 450	749 049 322	703 221 858	1 615 882 021	49 060 477	1 664 942 498
ESOP	4 480 000	-	-	(4 480 000)	-	-	-
Total comprehensive income for the financial period	-	-	-	182 817 174	182 817 174	10 104 350	192 921 524
Transactions with the owners of the company:							
Legal reserve	-	873 703	-	(873 703)	-	-	-
The share of non controlling interest in subsidiaries' capital	-	-	-	-	-	7 539 266	7 539 266
Dividends	-	-	-	(35 858 255)	(35 858 255)	(12 966 532)	(48 824 787)
Balance at 30 June 2019	**119 697 391**	**49 267 153**	**749 049 322**	**844 827 074**	**1 762 840 940**	**53 737 561**	**1 816 578 501**
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
employee stock ownership plan	-	-	-	126 907 763	126 907 763	6 197 561	133 105 324
Transactions with the owners of the company:							
Share premium reserve ESOP	-	-	8 085 433	-	8 085 433	-	8 085 433
legal reserve	-	10 137 980	-	(10 137 980)	-	-	-
Dividends	-	-	-	(165 289 060)	(165 289 060)	(11 315 672)	(176 604 732)
Balance at 30 June 2020	**191 515 840**	**63 172 149**	**758 494 575**	**919 774 977**	**1 932 957 541**	**61 283 542**	**1 994 241 083**

* The accompanying notes and accounting policies from page (6) to page (49) are an integral part of these financial statements.

Sarwa Capital Holding for Financial Investments

Consolidated Statement of Cash Flows for the period ended June 30,2020

(in EGP)

	Note No.	30-Jun-20	30-Jun-19
Cash flows from operating activities			
Net profit for the period before taxes		192 270 650	236 526 421
Adjustments for			
Property, plant and equipment depreciation	(15)	10 556 371	10 734 844
impairment of Goodwill		1 171 546	
Impairments of financial assets		48 736 393	1 693 228
Interest revenue		(63 282 348)	(77 817 235)
Finance Expense		106 107 747	112 048 229
Securitization proceeds		(116 203 692)	(68 402 907)
Discounting proceeds		(44 698 540)	-
Profit share from associates		(13 405 307)	(24 844 585)
gain from sale of assets		-	(110 820)
Contingent provision		3 779 945	921 848
		125 032 765	**190 749 023**
Changes in:			
Accounts receivable		(1 713 635 221)	(753 977 016)
Proceeds from sale of receivable portfolios		1 851 491 504	881 700 000
Accrued deferred cost from insurance policy		218 259	7 487 889
Suppliers and other credit balances		(115 994 411)	88 476 652
Debtors and other debit balances		(80 798 984)	(76 765 467)
Related parties-debit		22 982 259	1 658 775
Related parties-credit		(244 191)	(288 030)
Insurance policyholders' rights		34 455 250	5 400 267
Surplus of securitization process		23 605 885	14 698 325
Conditional Bank Account		4 754 929	(1 825 190)
Cash provided by operating activities		**151 868 044**	**357 315 228**
Financing interest paid		(95 907 508)	(100 162 158)
Income tax paid		(95 127 561)	(59 484 740)
Net cash (used in) provided by operating activities		**(39 167 025)**	**197 668 330**
Cash flows from investing activities			
Purchase of property, plant, equipment	(15)	(20 358 902)	(15 988 223)
Proceeds from sale of property, plant and equipment		50 218	691 935
Works in progress		(7 638 354)	-
Held to maturity investments		(37 932 084)	-
change in available for sale investments		24 324 450	-
Proceeds from interest revenue		29 103 357	77 789 645
Payments for investment in subsidiaries		-	9 999 800
Treasury Bills		128 700 629	(345 846 111)
Dividends from associates		44 778 047	38 921 203
The share of non controlling interest in subsidiaries' capital		-	7 539 266
Net cash provided by (used in) investing activities		**161 027 361**	**(226 892 485)**
Cash flows from financing activities			
Paid dividends		(58 855 252)	(48 103 152)
Increase in Share premium reserve		8 085 433	-
Proceeds from banks and overdrafts		46 598 220	(611 945 738)
Net cash (used in) financing activities		**(4 171 599)**	**(660 048 890)**
Net change in cash and cash equivalent during the period		117 688 737	(689 273 045)
Cash and cash equivalent at the beginning of the period		126 623 828	813 357 813
Cash and cash equivalent at the end of the period	(26)	**244 312 565**	**124 084 768**

* The accompanying notes and accounting policies from page (6) to page (49) are an integral part of these financial statements. and are to be read therewith.

(All amount are shown in EGP unless otherwise stated)

Sarwa Capital Holding for Financial Investments (S.A.E)
Notes to the consolidated financial statements
For the year ended June 30, 2020

1. Reporting entity

1-1 Legal status

- Sarwa Capital 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.

1-2 Purpose of the company

- The company's purpose is represented in companies establishment participation that issue securities or capital increase considering applicable laws and regulation, provided that the necessary license is issued for the practice of these activities. The company may have an interest or participate in any manner with the companies that It shall carry out works similar to its work or which may cooperate to achieve its purpose in Egypt or abroad. It may also merge into these companies or buy thereto, in accordance with the law and the executive regulations.
- The company name was changed according to the extraordinary general assembly held on June 12, 2017 to be "Sarwa Capital Holding for Financial Investments" and it was recorded in the commercial record of the company under number 78317 dated March 18, 2018 as a result the legal shape of the company changed from law no. 159 for year 1981 to capital market law no. 95 for year 1992
- The following schedule represents the subsidiaries of Sarwa Holding Capital for Financial Investments with the ownership percentage (control) over those companies which are consolidated as part of the consolidated financial statements as at June 30, 2020:

	Control percentage	
Company Name	**Direct**	**Indirect**
Contact Auto 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	79.990%	-
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%

* Represent the percentage of ownership of Contact Auto Credit in its subsidiaries which are controlled indirectly by Sarwa Capital Holding for Financial Investment.

*Sarwa securitization and Egyptian international for trade and investments have been merged according to the decree of general authority for investment and free zones no.228 for 2019 and it has been registered in commercial register in May,20,2020.

2- Basis of accounting

2-1 The applicable accounting standards

The consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.

The Board of Directors approved the issuance of the consolidated financial statements on Aug 12, 2020.

2-2 Functional and presentation currency

These consolidated financial Statements are presented in Egyptian Pounds which represents the company's functional currency.

2-3 Use of judgments and estimates

- The preparation of the financial statements in conformity with Egyptian Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from those estimates,
- The Judgments and Estimates are reviewed periodically. Revision to estimates are recognized prospectively.

- The change in accounting estimates is being recognized in the same period the estimate is changed if the change is affecting this period only, or if the change is going to affect the period of change or in future period.

Fair value measurement

- The fair value of financial instruments is determined based on the market value of the financial instrument or the similar financial instruments on the financial statements date without deducting any estimated future sale costs .The value of financial assets is determined based on the current purchase prices of these assets, while the value of financial liabilities is determined using the current prices according to which these liabilities can be settled.
- In the absence of an active market that is required to determine the fair value of financial instruments, then the fair value is assessed using various valuation methods taking into consideration the exchange rates currently prevailing, and guided by the current fair value of the other similar instruments in a significant manner (the discounted cash flow approach) or any other valuation approach that results in reliable values.
- When using the discounted cash flow approach as an approach for valuation, the future cash flows shall be assessed based on the best management estimates. The used discount rate shall be determined in the light of the rates prevailing in the market on the financial statements date pertaining to similar financial instruments in terms of their nature and conditions.

2-4 Fair value measurement

The fair value measurement of financial assets and liabilities is set up in accordance with these levels:

First level:	The quoted prices of fair value of financial instruments in active markets.
Second level:	The quoted prices of fair value of financial instruments in active market or the quoted prices from the fund's manager in which the company is investing or any other evaluation methods in which all the material important inputs are supported with market information either in a direct or an indirect way.
Third level:	Other evaluating methods which is not relayed on any factors with material important inputs to comparable market information.

(All amount are shown in EGP unless otherwise stated)

Financial assets	**30 June 2020**	**31 December 2019**	**Level of fair value**	**Valuation techniques and main entries**
	EGP	**EGP**		
Available for sale investments-shares	6 413 750	6 413 750	Third	Other valuation techniques
Available for sale investments-bonds	-	4 330 000	Second	Quoted prices in active market for financial securities
Mutual funds	59 040	12 922 083	second	Quoted prices in active market for financial securities
Securitization bonds SPV 32	22 679 608	33 542 524	second	Quoted prices in active market for financial securities

3- 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. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment.
The group has 8 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.

For the the year ended June 30, 2020

Item	Car Finance	Consumer Goods	Finance Leasing	Insurance &Insurance Brokerage	Mortgage	Factoring	Securitization& sukuk	Others	Total
Gross profit	218 944 070	10 813 465	16 180 913	14 857 450	18 878 686	12 079 471	-	5 962 103	297 716 158
Total operating income	155 332 532	7 466 896	(10 760 734)	18 123 961	6 227 494	8 617 221	(4 490 967)	10 247 113	190 763 516
Profit share from associates	-	-	-	-	-	-	-	13 405 307	13 405 307
Foreign currency translation	-	-	-	(35 870)	-	-	-	3 062	(32 808)
ESOP	(4 560 441)	-	-	-	(3 524 979)	-	-	-	(8 085 420)
Takaful health insurance provision	(1 891 047)	(39 144)	(140 157)	(258 170)	(101 512)	(62 926)	(1 198 128)	(88 861)	(3 779 945)
Net profit for the period before tax	148 881 044	7 427 752	(10 900 891)	17 829 921	2 601 003	8 554 295	(5 689 095)	23 566 621	192 270 650
Income Tax	(30 840 359)	(1 709 768)	(470 123)	(2 440 511)	(1 649 143)	(1 287 762)	(16 465 792)	(4 301 868)	(59 165 326)
Net profit for the period After tax	118 040 685	5 717 984	(11 371 014)	15 389 410	951 860	7 266 533	(22 154 887)	19 264 753	133 105 324
Total current assets	713 810 115	99 467 884	319 988 276	278 669 456	132 779 602	152 092 726	262 095 248	224 884 253	2 183 787 560
Total non current assets	539 937 158	5 351 014	370 447 220	81 519 627	472 808 117	155 310 621	114 217 449	75 703 396	1 815 294 602
Total non current liabilities	243 014 681	1 896 327	331 865 663	200 048	467 367 225	127 794 521	-	7 335 072	1 179 473 537
Total current liabilities	257 545 472	42 061 193	177 562 015	122 276 433	16 543 265	114 683 783	20 839 979	73 855 402	825 367 542

(All amount are shown in EGP unless otherwise stated)

4- Sales of goods and services revenue

	The six months ended in		The three months ended in	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Goods sold	1 701 789 832	1 005 982 912	875 803 965	611 021 931
Service sold	20 810 963	29 355 128	6 476 452	15 621 482
Total	**1 722 600 795**	**1 035 338 040**	**882 280 417**	**626 643 413**

5- Income from financing activities

	The six months ended in		The three months ended in	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Auto credit	95 087 164	59 607 306	24 841 647	23 623 265
Mortgages	36 026 722	31 959 269	17 671 368	18 363 326
Factoring	24 560 215	308 851	16 470 283	308 851
Leased assets contracts	48 836 349	37 687 652	22 026 100	8 724 236
Consumer goods installments	13 954 451	15 542 133	6 328 316	7 846 670
Total	**218 464 901**	**145 105 211**	**87 337 714**	**58 866 348**

6- Cost of sales - goods and services

	The six months ended in		The three months ended in	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Cost of goods sold	1 701 789 830	1 005 982 912	875 803 964	611 021 932
Cost of services sold	6 500 794	11 585 853	699 138	7 156 139
Total	**1 708 290 624**	**1 017 568 765**	**876 503 102**	**618 178 071**

(All amount are shown in EGP unless otherwise stated)

7- Operating revenue

	The six months ended in		The three months ended in	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Management and incentive fees	2 768 023	4 871 460	780 217	1 737 693
Other service revenue (Insurance)	-	15 318 967	(749 583)	5 074 741
Credit Interest (Insurance)	2 511 212	5 169 464	1 178 935	2 177 021
Interest revenue	63 282 348	68 112 640	26 699 126	33 443 695
securitization fees	47 623 168	46 099 386	25 484 504	26 681 666
interest revenue (insurance activity)	-	9 704 595	-	4 678 986
Other operating revenue	1 767 649	4 753 512	793 484	2 189 764
Total	**117 952 400**	**154 030 024**	**54 186 683**	**75 983 566**

8- Surplus (Deficit) from insurance activity

	30-Jun-20		
	sarwa insurance	sarwa life insurance	Total
Net income from insurance operations	63 562 520	19 160 662	82 723 182
Direct commission	(13 603 497)	(3 763 542)	(17 367 039)
Production cost	(9 406 782)	(2 012 314)	(11 419 096)
General and administrative expenses	(14 678 039)	(7 388 042)	(22 066 081)
Provisions	(22 139 402)	(11 841 213)	(33 980 615)
Net income from restricted investments	5 049 758	1 918 964	6 968 722
Total	**8 784 558**	**(3 925 485)**	**4 859 073**

(All amount are shown in EGP unless otherwise stated)

9- Securitization net revenue

	The six months ended in		The three months ended in	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Interest income from financial rights portfolio	349 810 593	412 785 162	205 821 386	217 518 807
Proceeds from surplus of investments at custody	22 505 688	46 432 575	8 565 041	23 121 776
Interest from bonds loan and the amortization of securitization cost	(319 523 905)	(327 963 499)	(156 669 908)	(187 814 614)
Insurance policy cost	(7 999 363)	(10 360 821)	(4 297 650)	(5 338 576)
Collector fees	(105 000)	(311 558)	(50 000)	(147 533)
Custody fees	(3 108 136)	(3 100 092)	(1 609 065)	(1 803 722)
securitization portfolio accusation cost	(29 664 371)	-	(29 664 371)	-
Issuance fees	(46 436 246)	(45 070 004)	(25 097 917)	(26 065 940)
Proceeds from securitization process	**(34 520 740)**	**72 411 763**	**(3 002 484)**	**19 470 198**

10- Revenues from administrative services

Revenues from administrative services amounted to EGP 24 698 269 during the period ended June 30, 2020 compared to EGP 15 031 127 during the period ended June 30, 2019.
A percentage of auto financing contracts is collected as administrative fees to offset sales commissions and some other administrative costs.

11- Operating expenses

	The six months ended in		The three months ended in	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Other services Cost (Insurance)	2 084 060	16 823 074	754 608	5 497 785
Experts fees	33 218	760 270	-	340 576
Other operating expenses	3 969 294	10 602 378	1 882 441	9 180 381
Total	**6 086 572**	**28 185 722**	**2 637 049**	**15 018 742**

(All amount are shown in EGP unless otherwise stated)

12- General and administrative expenses

	The six months ended in		The three months ended in	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Salaries, wages and medical Care	94 235 900	71 751 811	46 836 587	33 433 444
Lease payments	-	519 295	-	246 645
Insurance	2 221 526	5 931 075	892 792	2 274 866
Property,plant and equipment depreciation	10 556 371	10 734 844	5 445 379	5 520 345
Professional and consultant fees	8 018 250	8 189 372	4 054 889	3 326 514
Branches and cars rent	9 899 802	4 051 358	5 226 502	2 030 997
Bank charges	803 558	1 018 560	303 327	523 798
Advertising, administrative expenses and stock exchange renewal	2 613 389	1 465 095	1 114 395	504 925
Vehicles related expenses	522 865	573 841	300 656	383 303
Miscellaneous expenses	18 782 228	13 509 093	7 517 448	6 175 679
Total	147 653 889	117 744 344	71 691 975	54 420 516

13- Income Tax

	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Charged to income statement				
Current income tax	43 926 925	48 714 524	15 654 818	13 175 069
Deferred income tax	259 144	(5 109 627)	787 921	(5 018 984)
Treasury Bills Tax	14 979 257	-	6 200 706	-
Total	59 165 326	43 604 897	22 643 445	8 156 085

Deferred Tax Assets

	30-Jun-20	31-Dec-19
Property, plant and equipment (depreciation)	1 426 054	1 439 975
Total	1 426 054	1 439 975

(All amount are shown in EGP unless otherwise stated)

Deferred tax assets for the following items were not recognized for the group as there isn't enough assurance to use the benefits therefrom:

	30-Jun-20	31-Dec-19
Debtors and other debit balance impairment	1 754 337	1 754 337
Default reserve- Discounting portfolios	7 055 037	796 569
Accounts receivables impairment	11 735 856	1 095 786
Total	**20 545 230**	**3 646 692**

Deferred Tax Liability

	30-Jun-20	31-Dec-19
Property, plant and equipment (depreciation)	5 202 131	4 956 907
Total	**5 202 131**	**4 956 907**

14- Earnings per share

Basic: 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 period.

	30-Jun-20	30-Jun-19
Net Profit for the year after taxes for owners of the company	133 166 215	182 817 174
weighted average No. of ordinary shares	1 167 594 798	728 197 585
Earnings per share	**0.11**	**0.25**

15- Property, plant and equipment

	Lands	Buildings	Vehicles	Furniture and fixture	Machinery & Equipment	Computers and software	Leasehold Improvement	assets right for use	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost									
Balance at 1 January 2019	29 662 500	2 593 854	88 300	16 819 966	5 293 329	29 274 189	59 374 285	-	143 106 423
Additions for the period	-	-	573 665	1 684 558	5 855 479	4 291 404	3 583 117	-	15 988 223
Disposals during the period	-	-	(573 665)	-	(35 696)	-	-	-	(609 361)
Total cost in 30 June 2019	29 662 500	2 593 854	88 300	18 504 524	11 113 112	33 565 593	62 957 402	-	158 485 285
Balance at 1 January 2020	29 662 500	2 593 854	111 600	22 584 149	12 760 155	38 326 698	67 616 854	4 763 843	178 419 653
Additions for the period	-	-	396 116	1 547 356	2 890 348	3 366 860	11 448 222	710 000	20 358 902
Disposals during the period	-	-	-	-	(71 662)	-	-	-	(71 662)
Total cost in 30 June 2020	29 662 500	2 593 854	507 716	24 131 505	15 578 841	41 693 558	79 065 076	5 473 843	198 706 893
Accumulated Depreciation									
Accumulated depreciation in 1 January 2019	-	324 232	67 767	5 348 758	2 975 204	19 700 563	9 778 745	-	38 195 269
Depreciation for the period	-	64 845	7 471	874 248	831 140	3 213 224	5 743 916	-	10 734 844
Accumulated depreciation for disposals	-	-	-	-	(28 246)	-	-	-	(28 246)
Total Accumulated depreciation in 30 June 2019	-	389 077	75 238	6 223 006	3 778 098	22 913 787	15 522 661	-	48 901 867
Accumulated depreciation in 1 January 2020	-	453 925	65 135	7 106 407	4 762 200	26 299 390	21 320 719	210 000	60 217 776
Depreciation for the period	-	64 847	21 052	999 838	1 283 167	3 398 565	4 121 079	667 823	10 556 371
Accumulated depreciation for disposals	-	-	-	-	(21 444)	-	-	-	(21 444)
Total Accumulated depreciation in 30 June 2020	-	518 772	86 187	8 106 245	6 023 923	29 697 955	25 441 798	877 823	70 752 703
Net as at 30 June 2019	**29 662 500**	**2 204 777**	**13 062**	**12 281 518**	**7 335 014**	**10 651 806**	**47 434 741**	**-**	**109 583 418**
Net as at 30 June 2020	**29 662 500**	**2 075 082**	**421 529**	**16 025 260**	**9 554 918**	**11 995 603**	**53 623 278**	**4 596 020**	**127 954 190**
Net as at 31 December 2019	**29 662 500**	**2 139 929**	**46 465**	**15 477 742**	**7 997 955**	**12 027 308**	**46 296 135**	**4 553 843**	**118 201 877**

(All amount are shown in EGP unless otherwise stated)

16- Goodwill

Company	Description
Sarwa Securitization	*In Sep.2006 Contact Auto Credit acquired Contact Egyptian International for Trade and Investment to reach an ownership percentage of 96.8 % (this company owns %81 of Sarwa Securitization) *In Dec. 26,2013 Contact Auto Credit sold Egyptian International for Trade and Investment which is amounted to 99.99% to Sarwa Capital for financial investments (holding) *In May 20,2020 Sarwa Securitization and Egyptian International for Trade and Investment have been merged.
Contact Auto Credit	In 10 Nov. 2013 the company acquired 999 990 shares from minority shareholders with total contribution 99.9%
Contact Leasing	In 31 March 2015 the company acquired 1 999 990 shares representing an ownership percentage of 99.995%.

The total goodwill amounted to EGP 25 302 524 as at the acquisition dates.

17- Investments in associates

Company's Name	Ownership 30-Jun-20	% of Share	Ownership 31-Dec-19
Bavarian Contact Car Trading	14 542 407	49%	29 088 215
Star Auto Credit	6 397 663	33.4%	23 850 713
Ezz El-Arab - Contact Financial	4 481 771	49%	6 304 969
Motor Care Service	2 449 316	49.9%	-
Total	**27 871 157**		**59 243 897**

(All amount are shown in EGP unless otherwise stated)

30-Jun-20	**Bavarian Contact Car Trading**	**Star Auto Credit**	**Ezz Elarab/Contact Financial**	**Egyptian Credit Service**
Total assets	164 171 105	25 821 594	50 780 404	5 044 232
Total liabilities	(134 503 540)	(6 666 913)	(41 633 932)	(144 622)
Net assets	**29 667 565**	**19 154 681**	**9 146 472**	**4 899 610**
Profit share from associates		**13 405 307**		

31-Dec-19	**Bavarian Contact Car Trading**	**Star Auto Credit**	**Ezz Elarab/Contact Financial**	**Egyptian Credit Service**
Total assets	195 518 106	103 558 650	44 039 318	-
Total liabilities	(136 165 217)	(32 149 330)	(31 172 035)	-
Net assets	**59 352 889**	**71 409 320**	**12 867 283**	-
Profit share from associates		**53 683 308**		

Note:

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

18- investments held to maturity

	30-Jun-20	**31-Dec-19**
Investment certificate B - NBE	33 100 000	-
Treasury bonds - banque du caire	4 832 084	-
	37 932 084	-

19- Investments available for sale

	30-Jun-20	**31-Dec-19**
Egyptian Mortgage Refinancing company	6 413 750	6 413 750
Securitization bonds	-	4 330 000
Mutual Fund Certificates	59 040	12 922 083
A I venture	3 731 509	-
Securitization bonds SPV 32	22 679 608	33 542 524
Total	**32 883 907**	**57 208 357**

(All amount are shown in EGP unless otherwise stated)

20- Debtors and other debit balances

	30-Jun-20		31-Dec-19	
	Within a year	More than one year	Within a year	More than one year
Insurance companies - debit	7 797 055	–	7 797 055	–
Prepaid expenses	21 816 735	6 406 271	11 881 750	2 764 389
Advance payments to suppliers	128 789 162	–	66 239 360	–
Accrued revenue	32 334 941	1 844 050	20 505 382	–
Employees advances	7 346 957	–	6 600 138	–
Tax authority	5 958 935	–	3 672 150	–
Other debit balances	48 385 010	4 454 883	50 776 653	3 643 688
Insurance and reinsurance companies	28 558 168	–	5 903 927	–
insurance with other	1 070 300	–	–	–
Deduct: Impairment	(7 797 055)	–	(7 797 055)	–
Net	**274 260 208**	**12 705 204**	**165 579 360**	**6 408 077**
Total	**286 965 412**		**171 987 437**	

(All amount are shown in EGP unless otherwise stated)

21- Accounts receivable

	30-Jun-20		31-Dec-19	
	Within a year	More than one year	Within a year	More than one year
Receivables-goods	743 815 705	705 816 266	893 242 651	813 327 013
Receivables-services	8 516 101	–	11 951 669	–
Leasing- accounts receivable	443 912 397	458 896 943	442 654 426	466 013 436
Factoring -accounts receivable	203 234 682	240 833 049	70 753 816	104 951
Receivables-mortgage	167 752 472	742 243 540	155 912 640	777 084 647
Transferred financial rights	50 553 264	10 259 911	56 138 733	27 884 299
Deduct:				
Credit Interest & deferred Insurance	(614 477 539)	(641 898 021)	(604 743 915)	(613 656 404)
Impairment of Accounts Receivable	(80 081 362)	(8 335 597)	(33 437 330)	(6 498 377)
Net	**923 225 720**	**1 507 816 091**	**992 472 690**	**1 464 259 565**
Total	**2 431 041 811**		**2 456 732 255**	

(All amount are shown in EGP unless otherwise stated)

22- Surplus of securitization processes

Contact Auto Credit group securitizes financial portfolios resulting in some financial assets being transferred to Sarwa Securitization (Special Purpose Entity)

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

	30-Jun-20	31-Dec-19
Description of transferred financial assets/liabilities that were disposed		
Financial Rights Portfolios	3 796 235 323	4 097 529 816
Deferred cost- insurance	-	7 254 682
Amounts collected for custodian	52 488 874	34 925 804
Cash held with custodian	277 658 132	351 995 182
Total Financial Assets transferred	**4 126 382 329**	**4 491 705 484**
Deduct: bond -principle	(4 099 749 721)	(4 441 466 991)
Surplus of securitization processes	**26 632 608**	**50 238 493**

The financial assets transferred to Sarwa Securitization meets the financial assets derecognition criteria, offset between financial assets and liabilities has been made for the group's consolidated financial statements.

23- Deferred cost - insurance

The deferred cost of insurance policies amounted to EGP Zero as at June 30, 2020 compared to amount EGP 218 259 as at December 31, 2019 this item represents the cost of insurance policies purchased with respect to cars sold to customers covering the remaining period of the contract term, The income statement is charged with the amortization of these costs referrer to the financial year.

24- Treasury Bills:

	30-Jun-20	31-Dec-19
Treasury bills	735 963 936	894 400 000
Deduct:		
Unearned revenue	(18 980 388)	(48 715 823)
Net	**716 983 548**	**845 684 177**

(All amount are shown in EGP unless otherwise stated)

25- Conditional Bank Account

	30-Jun-20	31-Dec-19
Treasury bills	9 930 033	15 240 713
Reserve account	3 510 353	2 862 394
Proceeds from discounting process	418 336	510 544
Total	**13 858 722**	**18 613 651**

26- Cash and cash equivalent

	30-Jun-20	31-Dec-19
Banks - Current Accounts	180 674 240	116 833 849
Cash on hand	7 410 907	3 580 665
Time deposit	56 227 418	6 209 314
Total	**244 312 565**	**126 623 828**

27- Capital

- Authorized capital amounts to EGP 600 Million with par value 10 EGP per share.
- Paid in and issued 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 issued 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, changing 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.

(All amount are shown in EGP unless otherwise stated)

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 –up capital 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.
- 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 issued and paid-up 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 LE 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 issued for the bonus and incentive system approved by the Egyptian financial regulatory Authority (FRA) on 26 February 2019. The issued and paid-up capital amounted to LE 119,697,391.
- On October 3, 2019 the issued and paid-up 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 .16 Egyptian pound. The issued and paid-up capital amounted to 191 515 840 EGP distributed by 1 196 974 000 share.
- 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	115 936 317	60.53%
Orascom investment holding	345 782 197	55 325 152	28.88%
Other shareholders	81 789 729	13 086 357	6.84%
ESOP*	44 800 088	7 168 014	3.75%
	1 196 974 000	**191 515 840**	**100%**

*15 420 886 shares were allocated to employees and 29 379 202 shares were not allocated.

(All amount are shown in EGP unless otherwise stated)

28- Legal Reserve

Legal reserve balance on June 30, 2020 amounted to EGP 63 172 149 compared to EGP 53 034 169 as at December 31, 2019. 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 issued capital.

29- Share premium reserve

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

Share premium reserve as at December 31, 2015	-
No. of shares increased	1 750 161 shares
Amount 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 shares increased	968 378 shares
Amount 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 shares increased	95 108 696 shares
Amount 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 shares increased	448 865 304 shares
Amount 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 amount	8 085 433 EGP
Share premium reserve as at June 30, 2020	**758 494 575 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 issued capital. Any excess is recognized as a special reserve and cannot be distributed as dividends.

(All amount are shown in EGP unless otherwise stated)

30- Retained Earnings

The legal reserves and general reserves for the subsidiaries were classified as retained earnings in these consolidated financial statements however they should not be distributed. They amount to EGP 48 296 646 as at June 30, 2020, EGP 33 842 544 as at December 31, 2019.
In addition, the retained earnings include the retained earnings for Sarwa Securitization company with amount of EGP 310 200 814 as at June 30, 2020, EGP 202 569 460 as at December 31, 2019 the offering memorandum for the outstanding issuances state that Sarwa Securitization company is not allowed to distribute any dividends unless all the liabilities of the bondholders are completely paid.

31- Loans and overdrafts

	30-Jun-20		31-Dec-19	
	Within a year	More than one year	Within a year	More than one year
Loans	141 782 736	801 155 162	194 136 146	467 072 105
Short term facilities	269 926 720	–	130 650 781	–
Egyptian Mortgage Refinancing Company	5 407 395	337 618 056	4 551 064	337 122 118
Syndication loan	–	30 324 561	16 051 639	390 032 557
	417 116 851	**1 169 097 779**	**345 389 630**	**1 194 226 780**
Total	**1 586 214 630**		**1 539 616 410**	

(All amount are shown in EGP unless otherwise stated)

32- Suppliers and other credit balances

	30-Jun-20		31-Dec-19	
	Within a year	**More than one year**	**Within a year**	**More than one year**
Suppliers	19 484 214	-	43 060 172	-
Accounts Receivables - Credit balances	5 520 256	-	5 710 466	-
Tax authority	14 434 615	-	29 240 653	-
Custodian*	60 591 192	-	59 310 955	-
Accrued interest	10 200 239	-	20 507 038	-
Insurance and reinsurance companies	27 828 617	-	7 631 765	-
Accrued expenses	27 472 745	-	21 966 999	-
Deposits held with others	5 431 133	467 812	5 435 583	676 937
Insurance companies- credit	11 514 275	-	24 940 812	-
Default reserve-discounting portfolios	31 355 718	-	3 540 306	-
devidends-credit	2 989 350	-	-	-
Other credit balances	32 412 951	4 705 815	11 325 066	4 573 107
Contingent provision	31 762 592	-	32 516 412	-
	280 997 897	**5 173 627**	**265 186 227**	**5 250 044**
Total	**286 171 524**		**270 436 271**	

* According to the custody agreement between the company and the custodian, it was agreed that the company will collect the installments related to customers' contracts which are transferred to Sarwa Securitization on its behalf. Its they are subsequently transferred to the custodian, the balance above represents the collected amounts that have been subsequently transferred to the custodian.

(All amount are shown in EGP unless otherwise stated)

33-Related Parties

33-1 Financial Position Balances

Related Party			
Due from related parties - debit	**Relation Nature**	**30-Jun-20**	**31-Dec-19**
Star Auto Credit	Associate 33.4%	–	10 087 988
Motor Care Egypt	Associate 40.1%	2 219 741	1 492 805
Bavarian Contact Car Trading	Associate 49%	8 729 569	20 856 031
Ezz El-Arab - Contact Financial	Associate 49%	29 589	1 597 886
Tamwil Holding	Parent Company	64 063	64 063
The Egyptian Company for Collection Service	Associate 49.9%	73 552	–
Other shareholders		30 283	30 283
Total		**11 146 797**	**34 129 056**

Due to related parties - credit		**30-Jun-20**	**31-Dec-19**
Consolidated Financial Holding	Shareholder 60.53%	3 584 094	3 828 285
Total		**3 584 094**	**3 828 285**

33-2 Income Statements Transactions

		30-Jun-20	**30-Jun-19**
		Expense (Revenue)	
Bavarian Contact Car Trading	Associate 49%		
Operating Income - Management and incentive fees		(2 176 823)	(612 000)
Star Auto Credit	Associate 33.4%		
Operating Income - Management fees		(59 016)	(4 030 700)
Ezz El-Arab / Contact Financial	Associate by 49%		
Operating Income - Management fees		(369 587)	(228 760)

(All amount are shown in EGP unless otherwise stated)

33-3 Collection and other services fees

Contact Auto Credit collects the financial rights of the customers of Sarwa Securitization Company in accordance with the service and collection contracts concluded with Sarwa Securitization Company, then the collected amounts are remitted to the custodian in return for monthly collection fees (for the 27 ,28,30,33). The total amount of such fees as at June 30, 2020 amounted to EGP 105 000 compared to EGP 311 557 as at June 30, 2019.

33-4 Bonus and salaries for executive management:

The value of bonus and salaries for executive management for the group as of June 30, 2020 amount to EGP 17 332 660.

34- Tax position

First: Corporate Tax:

- Tax returns since company's establishment till 2019 were submitted within legal deadlines according to law 91 for year 2005.
- Years 2010-2014 are currently under inspection.

Second: Salary Tax:

- The company made the payment on the legal due dates and preparing needed documents for inspection is in processing.

Third: Stamp tax

- The inspection was completed until 2016 and the payment made for the due differences.

35- Contingent liabilities

	30-Jun-20	31-Dec-19
Letter of Guarantee - Vendors	3 000 000	3 000 000
Total	**3 000 000**	**3 000 000**

36- Guarantees and securities

- Contact Auto Credit provided joint guarantees to each of the associated and subsidiary companies operating under Contact Auto Credit system and the credit limit is given on behalf of Contact Auto Credit, provided that the purpose of such credit limit and the use thereof shall be directed to finance the activity of the Company and/or finance an activity of any of the associated companies. Borrowing shall be carried out under the name of each company utilizing 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 secured by the joint guarantee as at June 30, 2020 amounted to EGP 559 905 160 compared to EGP 716 667 306 as at December 31, 2019.

37-Financial instruments and management of related risks

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

The company's Board of Director is responsible for setting the framework for the risk management process and its monitoring. The company's top management is the responsible for setting and monitoring the risk management policies and report on a regular base to the parent company the risk management activities.

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

37-1 Credit risk

Credit risk is the risk that a person or an organization defaults in the repayment of his obligations to the Group in respect of the terms and conditions of the credit facilities granted to him by the Group.

The company mainly faces credit risks from clients' receivable, notes receivable, sundry debtors, other assets, due from related parties and its financing activities including deposits in banks and financial institutions.

Client receivables

The credit risk is managed through the company's policies, procedures and control structure related to risk management. As the credit worthiness is being measured for each client separately through doing the needed investigation to assure good reputation and credit worthiness that the client have; also his ability to repay all his liabilities. The credit limit is being determined according to this evaluation. A client's accounts to be always monitored. Impairment study is to be made at the financial position date.

37-2 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 company observes the cash flows and the financing and liquidity requirements of the company. The aim of the company in achieving the balance between the financing continuity and flexibility through borrowings from banks. This is performed through monitoring expected and actual cash flows and matching the maturities of financial assets and liabilities.

The company has enough cash to pay the expected operating expenses which includes the financial liabilities.

37-3 Market risk

Market risk arises from the instability of the fair value of cash flows for financial instruments as a result of changes in market prices. Examples for market risks are foreign currency risk and interest rate risk, these risks may have effect the income of the company .the financial instruments that are affected by market risk includes interest bearing loans and deposits. The purpose of managing market risk is to manage and control risk within acceptable limits and in the same time achieving sufficient returns. The company doesn't keep derivative financial instruments.

37-3-1 Interest rate risk

Interest rate risk arises from the sensitivity of earnings to future movements in the interest rate prices in the market. The management of the group decreases the interest rate risk through matching the interest rates applied for clients (fixed/variable interest rate) with the interest rates for the liabilities (borrowings) of the company.

37-3-2 Foreign currency risk

This risk is considered limited, as the value of the financial instruments in foreign currencies and different transactions that occur in a currency different from the presentation and functional currency, are not relatively influential from a management perspective.

38- 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.

39- Significant accounting policies

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

39-1 Business combination

- The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.
- The consideration transferred does not include amounts related to the settlement of pre- existing relationships. 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 premeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is premeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

39-2Subsidiaries

- 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.

39-3 Non-controlling interests

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

39-4 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.

39-5 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.

39-6 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.

39-7 Foreign currency

Foreign currency transactions

- Transactions in foreign currencies are translated into the functional currencies of the company 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.
- However, foreign currency differences arising from the translation of the following items are recognized in other comprehensive income:

- available- for- sale equity investments (except for impairment، in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

39-8 <u>Revenue Recognition</u>

a- <u>Cars and goods sales and related services</u>

- Revenues from selling cars and goods are recognized in income statement when the significant risks and rewards of ownership is transferred to the purchaser. The revenue from rendered services are recorded in income statement when the services are rendered. No revenue shall be recorded 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 there is an expectation that sales returns shall be made or the administrative connection regarding the sold cars and goods shall continue to exist.
- Sales are represented in the value of cars 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 revenue. These returns shall be recorded as revenues in the income statement. 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.
- The value of the revenue is measured with fair value for the received or accrued payment for the company

b- <u>Interest income</u>

- Interest income return is recognized in the income statement on the accrual basis using the effective interest rate.

<u>Effective interest method</u>

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

Effective interest rate

- This is an accurate rate used to discount future payments expected to be paid or collected over the term of the financial instrument (or less period if applicable) to determine the present value of financial asset or financial liability).

c- Revenue from dividends

- Revenue from dividends resulting from group investments are recognized on income statement at the date of declaration.

d- Securitization profit

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

39-9 Expenses

Rent

Rental expense is recognized in profit or loss on a straight line basis over the contract duration.

Interest expense

Interest expense on loans is recognized in profit or loss using the effective interest method.

39-10 Employee benefit

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 Company 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.

Define contribution plans

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

Profit sharing to employees

- The holding company pays 10% of its cash dividends as profit sharing to its employees provided that it will not exceed total employees annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the Company's shareholders.

39-11 Income Tax

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

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 Company 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 Company. 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 Company 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.

39-12 <u>Property, plant and equipment and depreciation</u>

1) <u>Recognition and measurement</u>

- 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) <u>Subsequent expenditure</u>

- Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

3) <u>Depreciation</u>

- 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 periods are as follow:

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

- Leased improvements depreciated on the less of the lease contract period or on the useful life of the asset.
- Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

39-13 Projects under Construction

- Projects under construction are carried at cost, less accumulated impairment, if any. Costs include all costs associated with the acquisition of the asset and bringing it to be ready for its intended use. Projects under construction are transferred to fixed assets when they become ready for their intended use.
- Then the group starts its depreciation using the assumptions that is used in depreciate the same types of the assets.

39-14 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 identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. 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 benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated 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 its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to

the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An 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 disposal. This applies as well on investments in associates, where goodwill is included within the carrying amount of the investment.
- The Group's policy for goodwill arising on the acquisition of an associate is described above at "Investments in associates.

39-15 Earnings per share

- Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period/year.

39-16 Dividends Distribution

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

39-17 Financial instrument

- The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and debit balance, investment available for sale.
- The Company classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

1) Non-derivative financial assets and financial liabilities – Recognition and de-recognition

- The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.
- The Company derecognizes a financial asset when the contractual rights to the cash flows from the 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 it neither transfers nor retains substantially all of the risks and

rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

- The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.
- Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously

2) Non-derivative financial assets – Measurement

First: Financial assets at fair value through profit or loss

- A financial asset is classified as at fair value through profit or loss if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

Second: Loans and receivables

- These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Third: Held-to-maturity financial assets

- These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Forth: Available-for-sale financial assets

- These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

3) Non-derivative financial liabilities – Measurement

- A financial liability is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.
- Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

39-18 Impairment

Non-derivative financial assets

- Financial assets not classified at fair value through profit or loss, including an interest in an equity- accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.
- Objective evidence that financial assets are impaired includes:
  - Default or delinquency by a debtor;
  - Restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
  - Indications that a debtor or issuer will enter bankruptcy;
  - Adverse changes in the payment status of borrowers or issuers;
  - The disappearance of an active market for a security because of financial difficulties; or
  - Observable data indicating that there is a measurable decrease in the expected cash flows from a Company of financial assets.
- For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of 20% to be significant and a period of nine months to be prolonged.

First: Financial assets measured at amortized cost

- The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.
- In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic

and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

- An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Second: Available-for-sale financial assets

- Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

Third: Equity-accounted investees

- An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been favorable changes in the estimates used to determine the recoverable amount.

Non-financial Assets

- At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, 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 generated units. Goodwill arising from a business combination is allocated to cash generated units or groups of cash generated units that are expected to benefit from the synergies of the combination.
- The recoverable amount of an asset or cash generated 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 generated unit.
- An impairment loss is recognized if the carrying amount of an asset or cash generated 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 generated unit, and then to reduce the carrying amounts of the other assets in the cash generated 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 periods.

39-19 <u>Cash Flows</u>

- 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.

39-20 <u>Legal Reserve</u>

- According to the law of Joint Stock companies no. 159 for the year 1981 and the company's statutes provides for deduction of a sum equals to 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 half of the company's issued capital, according to the article no. 192 from the executive regulations for law no. 159 for the year 1981; no dividends paid from these reserves and the legal reserve is allowed to be used to cover the company's losses and the increase of the capital.

(All amount are shown in EGP unless otherwise stated)

39-21 Capital

1) Ordinary Shares

- Incremental costs directly attributable to the issue 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".

39-22 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 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.

40 -Significant Events

40-1 On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015 , which include some new accounting standards as well as introducing amendments to certain existing standards. The most prominent amendments are as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
The new Egyptian Accounting Standard No. (49) "Lease Contracts	1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015 2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the leassee as operating l or	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied. Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its

	finance lease contracts . 3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract. 4- As for the finance lease , the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract . 5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.		amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing " as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.

(All amount are shown in EGP unless otherwise stated)

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
The new Egyptian Accounting Standard No. (47) "Financial Instruments"	1-The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise. 2- Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset. 3-When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL)Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event. 4-based on the requirements of this standard the following standards were amended : --Egyptian Accounting Standard No. (1)"Presentation of Financial Statements" as amended in 2019] -Egyptian Accounting Standard No. (4) -"Statement of Cash Flows". -Egyptian Accounting Standard No. (25)	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos.(1), (25), (26) and (40) are to be simultaneously applied. (postponed) -These ammendments are effective as of the date of implementing Standard]No. (47)

	- "Financial Instruments: Presentation. -Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement". Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures "		
The new Egyptian Accounting Standard No. -(48) "Revenue from Contracts with Customers"	1. The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void: a-Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015. b-Egyptian Accounting Standard No. (11) – "Revenue" as amended in 2015. 2. For revenue recognition, Control Model is used instead of Risk and Rewards Model. 3. incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met 4. the standard requires that contract must have a commercial substance in order for revenue to be recognized 5. Expanding in the presentation and disclosure requirements	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	Standard No(48) applies to financial periods beginning on or after January1st, 2020, and the early implementation thereof is permitted (postponed)

(All amount are shown in EGP unless otherwise stated)

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
Egyptian Accounting Standard No. (42))as ammended " Consolidated Financial Statements"	Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were ammended are as follows: - (ESA 15) Related Party Disclosures - (ESA 17)Consolidated and Separate Financial Statements - (ESA 18) Investments in Associates - (ESA 24) Income Taxes - (ESA 29)Business Combinations - ESA(30) Periodical Financial Statements - EAS (44) Disclosure of Interests in Other Entities.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted. -The new or amended paragraphs Pertaining to the amended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019(postponed)

40-2 On April 12, 2020, the Financial Regulatory Authority issued a decision to postpone the application of the new accounting standards and the accompanying amendments issued in Resolution No. (69) of 2019 to the periodic financial statements issued during the year 2020 for the current conditions in the country through the outbreak of the new Corona virus and the necessary effects Economic and financial related, as well as the application of preventive measures and countering its spread from imposing restrictions on the presence of human resources in companies at their full capacity on a regular basis. And companies applying these standards and these operations to the annual financial statements of companies at the end of 2020 and including the comprehensive impact for the whole year by the end of 2020 with companies 'commitment to adequately disclose in their periodic lists during 2020 about this fact and its accounting effects if any.

And based on the company's keenness to adhere to the application of the standard on the periodic financial statements that will be issued during the financial year 2020. The company uses its internal and external experiences to start implementation of the application of the new Egyptian accounting standards and the accompanying amendments to the financial statements that will be issued during the financial year 2020 and once final results are reached It will make sufficient disclosures on its periodic financial statement during 2020.

40-3 Most countries of the world, including Egypt, were exposed during the first half of 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 company's activities, the effects are:

1- Reducing the number of employees working at the company's headquarters and branches
2- Collection rates for some clients working in sectors directly affected by the crisis are potentially impacted
3- The company'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.

1- The Financial Regulatory Authority took measures to ease the impact on clients of mortgage, leasing and factoring companies, directing companies to defer all client obligations for a period of six months without delay penalties.
2- On March 22, 2020, the Central Bank instructed banks to defer clients's loan obligations for a period of six months without delay penalties

Based on the specific effects mentioned above, it may have a significant impact on the elements of assets, liabilities and business results in the company's financial statements during the first quarter of 2020 and the following periods.

The size and nature of the most significant or potential financial impacts of this risk on the items of the financial statements and the company's activities during the following period and periods are summarized in:

- Clients' credit default risk.
- Defaults or breaches in the financial obligations with company's 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 company'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 company has provided the necessary technological infrastructure for employees so that they can perform their work outside the company's headquarters and branches

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

3- The company has measured the possible delay rates and contingent provisions of EGP 12 million have been made to mitigate any potential increase in default rates that may arise, with the company's management periodically reviewing collection rates

4- In coordination with the Financial Regulatory Authority and other companies operating in the securitization market, Sarwa Securitization moved to adjust 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 company approached the clients of financial 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 company is coordinating with lenders regarding the Ccentral Bank's decision to defer loans in case such a step is needed