

**Sarwa Capital Holding for Financial Investments (S.A.E)**  
**(Sarwa Capital for Financial Advisory-previously)**

**Special Purpose Consolidated Financial Statements**  
**For the financial period ended June 30, 2018 and the years ended**  
**December 31, 2017 2016 and 2015**  
**And Auditor's Report Thereon**

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**Independent Auditor's Report**  
**Sarwa Capital Holding for Financial Investments**  
**(Sarwa Capital for Financial Advisory-previously)**  
**(An Egyptian Joint Stock Company)**

**Report on the Special Purpose Consolidated Financial Statements**

We have audited the accompanying the special purpose consolidated financial statements of Sarwa Capital Holding for Financial Investments Company S.A.E, (Sarwa Capital for Financial Advisory-previously) which comprise the special purpose consolidated financial position as at June 30, 2018, December 31, 2017, 2016 and 2015 and the special purpose consolidated statement of Income, the special purpose consolidated statement of comprehensive income, the special purpose consolidated statement of changes in equity, the special purpose consolidated statement of cash flows for the financial period then ended as at June 30, 2018, and the financial years ended December 31, 2017, 2016 and 2015, and a summary of significant accounting policies and other explanatory notes.

**Management's responsibility for the special purpose consolidated financial statements**

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

**Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special Purpose consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special purpose consolidated financial statements in order to design audit procedures that are appropriate in the

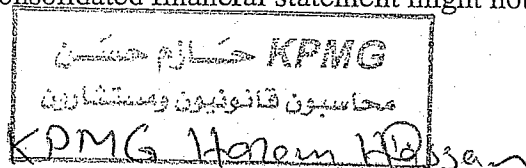
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the special purpose consolidated financial statements.

## Opinion

In our opinion, the special purpose consolidated financial statements referred to above present fairly, in all material respects, the special purpose consolidated financial position of the company as at June 30, 2018, December 31, 2017, 2016 and, 2015 and of its special purpose consolidated financial performance and its special purpose consolidated financial statements cash flows for the period ended June 30, 2018 and years ended December 31, 2017, 2016 and, 2015, in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these special purpose consolidated financial statements.

## Purpose

As mentioned in Note (2-2) from the notes attached to the special purpose consolidated financial statement, these special purpose consolidated financial statements had been prepared to be included in the prospectus subscription notification and/or offering circular, consequently years special purpose consolidated financial statement might not be appropriate to any other purpose.



KPMG Hazem Hassans

Public Accountants and Consultants

Cairo, July 19, 2018

**Special Purposes Consolidated Statement of Financial Position as at**

	<u>Note</u>	<u>30-Jun-18</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
<u>Assets</u>	<u>No.</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
<b><u>Non-current assets</u></b>					
Property, plant and equipment	(19)	55 836 714	55 950 833	55 691 111	15 635 516
Leased assets	(20)	419 884 482	395 530 697	335 807 380	141 637 478
Leased contracts under settlement		(26 513 023)	(29 064 750)	(18 394 876)	(4 457 277)
Works in progress	(21)	21 838 342	5 283 416	-	-
Intangible assets	(22)	26 474 070	26 474 070	26 474 070	26 474 070
Investments in associates	(23)	37 099 150	50 582 106	20 217 104	22 406 112
Investments available for sale	(24)	10 743 750	10 493 750	30 762 980	2 462 818
Debtors and other debit balances	(25)	8 062 746	4 157 888	2 579 839	7 909 867
Accounts receivable	(26)	931 793 197	869 847 743	928 572 149	187 813 028
Securitization surplus	(27)	122 021 050	110 293 739	82 170 040	35 485 555
Deferred tax assets	(17)	4 014 821	93 351	5 786	84 867
<b>Total non-current assets</b>		<b>1 611 255 299</b>	<b>1 499 642 843</b>	<b>1 463 885 583</b>	<b>435 452 034</b>
<b><u>Current Assets</u></b>					
Due from related parties - debit	(37)	45 317 849	47 249 394	50 500 759	7 260 704
Deferred cost -insurance policies	(28)	17 163 533	13 652 855	11 975 787	7 327 427
Debtors and other debit balances	(25)	127 391 131	150 847 177	28 563 568	20 968 122
Accounts receivable	(26)	460 967 593	484 209 190	347 803 227	77 375 453
Treasury bills	(29)	53 710 593	40 945 166	42 318 558	15 351 166
Conditional Bank Account	(30)	1 520 580	78 297 301	3 990 613	-
Cash and cash equivalents	(31)	278 550 566	79 139 530	117 075 548	32 768 512
<b>Total current assets</b>		<b>984 621 845</b>	<b>894 340 613</b>	<b>602 228 060</b>	<b>161 051 384</b>
<b>Total assets</b>		<b>2 595 877 144</b>	<b>2 393 983 456</b>	<b>2 066 113 643</b>	<b>596 503 418</b>
<b><u>Shareholders' equity</u></b>					
Paid-in capital	(32)	100 000 000	96 786 900	87 103 120	69 601 510
Advance payment -capital increase				49 023 065	-
Legal reserve	(33)	48 393 450	48 393 450	43 551 560	1 233 344
Share premium reserve	(34)	64 266 710	64 266 710	28 780 324	-
Retained earnings	(34-1)	568 161 523	464 824 394	295 170 538	209 137 221
<b>Equity attributable to the shareholders of the parent company</b>		<b>780 821 683</b>	<b>674 271 454</b>	<b>503 628 607</b>	<b>279 972 075</b>
Non Controlling Interest		42 267 520	34 233 770	21 802 713	20 398 926
<b>Total equity &amp; non controlling interest</b>		<b>823 089 203</b>	<b>708 505 224</b>	<b>525 431 320</b>	<b>300 371 001</b>
<b><u>Non-current liabilities</u></b>					
Loans and overdrafts	(35)	1 201 601 925	979 342 678	1 149 650 633	132 248 068
Suppliers and other credit balances	(36)	6 578 344	6 443 820	3 970 409	20 858 007
Deferred tax liabilities	(17)	1 339 878	1 639 444	1 469 099	1 074 025
<b>Total Non-current liabilities</b>		<b>1 209 520 147</b>	<b>987 425 942</b>	<b>1 155 090 141</b>	<b>154 180 100</b>
<b><u>Current liabilities</u></b>					
Loans and overdrafts	(35)	355 994 918	350 905 354	131 889 291	35 660 821
Suppliers and other credit balances	(36)	187 035 021	297 311 086	171 472 137	93 719 134
Current tax liabilities		15 439 866	36 327 329	32 409 835	12 572 362
Due to related parties - credit	(37)	4 797 989	13 508 521	49 820 919	-
<b>Total current liabilities</b>		<b>563 267 794</b>	<b>698 052 290</b>	<b>385 592 182</b>	<b>141 952 317</b>
<b>Total liabilities</b>		<b>1 772 787 941</b>	<b>1 685 478 232</b>	<b>1 540 682 323</b>	<b>296 132 417</b>
<b>Total shareholders' equity and liabilities</b>		<b>2 595 877 144</b>	<b>2 393 983 456</b>	<b>2 066 113 643</b>	<b>596 503 418</b>

\* The accompanying notes from (1) to (46) are an integral part of these financial statements.

Financial Manager

Cairo July 19, 2018  
Audit report "Attached"

Financial Controller

Managing Director

	Note No.	The six months ended in		The three months ended in		The year ended in	The year ended in	The year ended in
		30-Jun-18 EGP	30-Jun-17 EGP	30-Jun-18 EGP	30-Jun-17 EGP	31-Dec-17 EGP	31-Dec-16 EGP	31-Dec-15 EGP
Sales revenue - goods and services	(6)	1 207 092 254	1 170 921 106	602 626 307	576 187 472	2 265 992 870	2 115 442 466	1 258 006 510
Cost of sales - goods and services	(10)	(1 140 284 041)	(1 117 666 521)	( 568 478 593)	(548 537 740)	(2 151 761 672)	(2 027 186 155)	(1 235 067 017)
Income from transferred portfolios		14 742 318	19 922 699	7 051 181	9 867 014	38 626 394	18 634 128	4 228 479
Interest income - goods and services	(7)	146 028 901	137 597 378	66 345 858	73 076 907	277 580 404	115 505 441	40 622 589
Securitization proceeds	(8)	18 796 085	-	18 796 085	-	6 881 913	13 766 611	36 737 061
Discounting proceeds	(9)	18 581 653	31 671 792	3 293 627	16 990 159	41 025 965	2 757 811	-
Interest expense		(148 419 667)	(105 419 641)	(81 568 816)	(54 472 039)	(241 310 548)	(112 965 728)	(30 777 918)
Gross profit		116 537 503	137 026 813	48 065 649	73 111 773	237 035 326	125 954 574	73 749 704
Operating revenue	(11)	35 103 867	32 557 593	17 521 602	16 274 604	74 402 789	44 713 539	37 485 972
Services and collection revenue	(37)	693 106	1 239 742	360 002	582 725	2 068 936	28 368 957	38 914 542
Securitization net revenue	(12)	68 754 869	24 117 615	56 180 998	10 220 440	79 767 210	42 934 168	45 026 408
Administrative fees revenue	(13)	16 727 344	17 160 683	8 762 721	8 076 541	32 162 391	29 930 526	15 663 562
Other revenue	(14)	42 111 026	13 163 377	24 297 355	7 690 044	41 252 883	40 862 845	9 429 216
Operating expense	(15)	(26 252 509)	(23 876 880)	(12 132 992)	(12 076 338)	(55 310 150)	(38 715 403)	(31 528 025)
Sales and distribution expense		(10 963 296)	(8 909 006)	(5 232 434)	(4 482 617)	(17 777 101)	(16 511 657)	(10 065 145)
General and administrative expenses	(16)	(88 241 855)	(65 154 998)	(46 111 000)	(33 481 121)	(137 455 101)	(121 617 862)	(96 351 988)
Board of directors allowances		( 35 500)	( 16 000)	( 17 500)	( 16 000)	( 79 000)	( 79 000)	( 71 000)
Impairment of financial assets		(4 547 271)	(1 003 838)	(3 891 906)	( 763 080)	(17 358 413)	(4 234 885)	(2 000 000)
Net operating income		149 887 284	126 305 101	87 802 495	65 136 971	238 709 770	131 605 802	80 253 246
Profit share from associates		25 660 034	18 534 977	16 350 574	11 222 873	47 271 281	11 613 086	14 034 250
Foreign currency differences		54 620	( 546 535)	84 891	( 292 852)	( 764 794)	(5 090 626)	-
Net profit for the period/year before tax		175 601 938	144 293 543	104 237 960	76 066 992	285 216 257	138 128 262	94 287 496
Income tax	(17)	(19 639 566)	(29 188 248)	(3 928 739)	(15 849 176)	(81 017 612)	(36 328 242)	(19 204 391)
Net profit for the period/year after tax		155 962 372	115 105 295	100 309 221	60 217 816	204 198 645	101 800 020	75 083 105
<u>Distributed as follows:</u>								
Owners of the company		147 691 385	105 220 169	95 658 520	55 217 621	187 006 882	95 003 229	69 001 716
Non controlling interest		8 270 987	9 885 126	4 650 701	5 000 195	17 191 763	6 796 791	6 081 389
		155 962 372	115 105 295	100 309 221	60 217 816	204 198 645	101 800 020	75 083 105
Earnings per share for the period/year	(18)	0.24	0.19	0.19	0.16	0.32	0.19	0.16

\* The accompanying notes from (1) to (46) are an integral part of these financial statements.

	<u>The six months ended in</u>		<u>The three months ended in</u>		<u>The year ended in</u>	<u>The year ended in</u>	<u>The year ended in</u>
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>				<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Net profit for the period/year after income tax	155 962 372	115 105 295	100 309 221	60 217 816	204 198 645	101 800 020	75 083 105
Total comprehensive income for the period/year	155 962 372	115 105 295	100 309 221	60 217 816	204 198 645	101 800 020	75 083 105

Total comprehensive income distributed as follows:

Owners of the company	147 691 385	105 220 169	95 658 520	55 217 621	187 006 882	95 003 229	69 001 716
Non controlling interest	8 270 987	9 885 126	4 650 701	5 000 195	17 191 763	6 796 791	6 081 389
	155 962 372	115 105 295	100 309 221	60 217 816	204 198 645	101 800 020	75 083 105

\* The accompanying notes from (1) to (46) are an integral part of these financial statements.

**Sarwa Capital Holding for Financial Investments**  
**(Sarwa Capital for Financial Advisory-previously)**  
**Special Purpose Consolidated Statement of Changes in Equity for the periods/years**

	Note No.	Paid in capital EGP	Advance payment - capital increase EGP	Legal reserve EGP	Share premium reserve EGP	Retained earnings EGP	Total owners of the company EGP	Non controlling interest EGP	Total equity EGP
Balance at 1 January 2015		69 601 510	-	1 020 389	-	149 684 122	220 306 021	16 996 423	237 302 444
Total comprehensive income for the year		-	-	-	-	69 001 716	69 001 716	6 081 389	75 083 105
<b>Transactions with the owners of the company:</b>									
Transfer to legal reserve		-	-	212 955	-	( 212 955)	-	-	-
The share of non controlling interest in subsidiaries' capital		-	-	-	-	-	-	400 000	400 000
Dividends		-	-	-	-	(9 335 662)	(9 335 662)	(3 078 886)	(12 414 548)
Balance at 31 December 2015		69 601 510	-	1 233 344	-	209 137 221	279 972 075	20 398 926	300 371 001
Balance at 1 January 2016		69 601 510	-	1 233 344	-	209 137 221	279 972 075	20 398 926	300 371 001
Total comprehensive income for the year		-	-	-	-	95 003 229	95 003 229	6 796 791	101 800 020
<b>Transactions with the owners of the company:</b>									
Advance payment - capital increase		-	49 023 065	-	-	-	49 023 065	-	49 023 065
Increase in paid in capital	(32)	17 501 610	-	42 318 216	28 780 324	-	88 600 150	-	88 600 150
The share of non controlling interest in subsidiaries' capital		-	-	-	-	-	-	1 150	1 150
Dividends		-	-	-	-	(8 969 912)	(8 969 912)	(5 394 154)	(14 364 066)
Balance at 31 December 2016		87 103 120	49 023 065	43 551 560	28 780 324	295 170 538	503 628 607	21 802 713	525 431 320
Balance at 1 January 2017		87 103 120	49 023 065	43 551 560	28 780 324	295 170 538	503 628 607	21 802 713	525 431 320
Total comprehensive income for the year		-	-	-	-	187 006 882	187 006 882	17 191 763	204 198 645
<b>Transactions with the owners of the company:</b>									
Increase in paid in capital	(32)	9 683 780	(49 023 065)	3 852 899	35 486 386	-	-	-	-
Legal reserve		-	-	988 991	-	( 988 991)	-	-	-
Dividends		-	-	-	-	(16 364 035)	(16 364 035)	(4 760 706)	(21 124 741)
Balance at 31 December 2017		96 786 900	-	48 393 450	64 266 710	464 824 394	674 271 454	34 233 770	708 505 224
Balance at 1 January 2017		87 103 120	49 023 065	43 551 560	28 780 324	295 170 538	503 628 607	21 802 713	525 431 320
Total comprehensive income for the period		-	-	-	-	105 220 169	105 220 169	9 885 126	115 105 295
<b>Transactions with the owners of the company:</b>									
Legal reserve		-	-	988 991	-	( 988 991)	-	-	-
Increase in paid in capital		9 683 780	(49 023 065)	3 852 899	35 486 386	-	-	-	-
Dividends		-	-	-	-	(2 621 745)	(2 621 745)	( 200 114)	(2 821 859)
Balance at 30 June 2017		96 786 900	-	48 393 450	64 266 710	396 779 971	606 227 031	31 487 725	637 714 756
Balance at 1 January 2018		96 786 900	-	48 393 450	64 266 710	464 824 394	674 271 454	34 233 770	708 505 224
Total comprehensive income for the period		-	-	-	-	147 691 385	147 691 385	8 270 987	155 962 372
<b>Transactions with the owners of the company:</b>									
Increase in paid in capital	(32)	3 213 100	-	-	-	-	3 213 100	-	3 213 100
The share of non controlling interest in subsidiaries' capital		-	-	-	-	-	-	17 515 000	17 515 000
Dividends		-	-	-	-	(44 354 256)	(44 354 256)	(17 752 237)	(62 106 493)
Balance at 30 June 2018		100 000 000	-	48 393 450	64 266 710	568 161 523	780 821 683	42 267 520	823 089 203

\* The accompanying notes from (1) to (46) are an integral part of these financial statements.



**Special Purpose Consolidated Statement of Cash Flows for the periods/years**

	Note No.	The six months ended in 30-Jun-18 EGP	30-Jun-17 EGP	The year ended in 31-Dec-17 EGP	The year ended in 31-Dec-16 EGP	The year ended in 31-Dec-15 EGP
<b>Cash flows from operating activities</b>						
Net profit for the period/year before taxes		175 601 938	144 293 543	285 216 257	138 128 262	94 287 496
<b>Adjustments for</b>						
Property, plant and equipment depreciation	(19)	4 616 849	3 585 077	7 595 288	5 674 154	3 709 528
Leased assets depreciation	(20)	67 112 453	48 053 647	100 737 284	55 351 897	16 212 152
Impairments of financial assets		4 547 271	1 003 838	17 358 413	2 000 000	2 000 000
Income from available for sale investments		( 355 166)	-	( 1 142 860)	( 1 165 986)	( 232 258)
Interest Expense		( 17 021 673)	( 12 559 858)	( 34 213 585)	( 15 686 614)	( 3 053 143)
Finance Expense		148 419 667	105 419 641	241 310 548	112 965 728	30 777 918
Securitization proceeds	(8)	(18 796 085)	-	( 6 881 913)	(13 766 611)	(36 737 061)
Discounting proceeds	(9)	( 18 581 653)	( 31 671 792)	( 41 025 965)	( 2 757 811)	-
Profit share from associates		( 20 792 109)	( 16 518 111)	(37 800 136)	( 7 617 386)	( 10 659 525)
		<u>324 751 492</u>	<u>241 605 985</u>	<u>531 153 331</u>	<u>273 125 633</u>	<u>96 305 107</u>
<b>Changes in:</b>						
Purchase of leased assets	(20)	( 115 054 085)	( 123 202 768)	( 207 844 319)	( 257 385 818)	( 119 287 697)
Proceeds from sale of leased assets		36 535 960	23 850 716	64 776 721	11 191 326	-
Lease contracts under settlement		( 18 527 172)	( 9 545 785)	( 18 317 748)	9 375 407	1 079 579
Accounts receivable		(1 642 725 072)	( 652 216 956)	(1 363 108 974)	(1 455 270 345)	(1 358 770 521)
Proceeds from sale of receivable portfolios		1 639 879 013	567 395 379	1 331 368 501	460 842 757	1 324 053 273
Accrued deferred cost from insurance policy		( 3 510 678)	( 4 830 233)	( 1 677 068)	( 4 648 360)	( 1 362 908)
Suppliers and other credit balances		(160 046 059)	100 393 543	30 401 104	44 291 298	10 055 065
Debtors and other debit balances		19 551 188	(80 115 909)	( 127 658 658)	( 3 265 418)	5 595 887
Related parties-debit		1 931 545	165 247	3 251 365	( 43 240 055)	1 725 196
Related parties-credit		( 8 710 532)	1 764 899	( 36 312 398)	49 820 919	( 1 000 000)
Surplus of securitization process		( 11 727 311)	( 11 222 994)	( 28 123 699)	( 46 684 485)	5 195 748
Conditional Bank Account		76 776 721	( 19 377 792)	( 74 306 688)	( 3 990 613)	-
Cash provided by (used in) operating activities		<u>139 125 010</u>	<u>34 663 332</u>	<u>103 601 470</u>	<u>(965 837 754)</u>	<u>(36 411 271)</u>
Proceeds from interest expense		17 021 673	12 559 858	34 213 585	15 686 614	3 053 143
Financing interest paid		( 122 375 750)	( 105 419 641)	( 216 499 136)	( 92 570 760)	( 27 464 555)
Income tax paid		( 20 887 463)	( 29 188 248)	( 3 917 494)	( 19 837 473)	( 19 204 391)
Net cash provided by (used in) operating activities		<u>12 883 470</u>	<u>( 87 384 699)</u>	<u>( 82 601 575)</u>	<u>(1 062 559 373)</u>	<u>( 80 027 074)</u>
<b>Cash flows from investing activities</b>						
Purchase of property, plant, equipment	(19)	( 4 506 453)	( 1 857 124)	( 8 376 482)	( 45 785 074)	( 9 271 659)
Proceeds from sale of property, plant and equipment		3 723	589 201	521 472	55 325	447 939
Works in progress		(16 554 926)	( 100 254)	( 5 283 416)	-	-
Purchases of available for sale investments		( 250 000)	-	( 500 000)	( 42 052 623)	( 5 002 500)
Proceeds of available for sale investments		355 166	13 846 154	21 912 090	14 918 447	2 771 940
Purchases for acquiring subsidiaries		-	-	-	-	( 8 486 331)
Treasury Bills		( 12 765 427)	19 787 155	1 373 392	( 26 967 392)	5 479 994
Dividends from associates		34 275 065	-	7 435 134	9 806 392	5 159 800
The share of non controlling interest in subsidiaries' capital		17 515 000	-	-	1 150	400 000
Net cash provided by (used in) investing activities		<u>18 072 148</u>	<u>32 265 132</u>	<u>17 082 190</u>	<u>( 90 023 775)</u>	<u>( 8 500 817)</u>
<b>Cash flows from financing activities</b>						
Paid dividends		( 62 106 493)	( 2 821 859)	( 21 124 741)	( 14 364 066)	( 12 414 548)
Increase in paid in capital		3 213 100	-	-	137 623 215	-
Change in banks and overdrafts		227 348 811	75 096 967	48 708 108	1 113 631 035	114 103 953
Net cash provided by financing activities		<u>168 455 418</u>	<u>72 275 108</u>	<u>27 583 367</u>	<u>1 236 890 184</u>	<u>101 689 405</u>
Net change in cash and cash equivalent during the period/year		<u>199 411 036</u>	<u>17 155 541</u>	<u>( 37 936 018)</u>	<u>84 307 036</u>	<u>13 161 514</u>
Cash and cash equivalent at the beginning of the period/year		<u>79 139 530</u>	<u>117 075 548</u>	<u>117 075 548</u>	<u>32 768 512</u>	<u>19 606 998</u>
Cash and cash equivalent at the end of the period/year	(31)	<u>278 550 566</u>	<u>134 231 089</u>	<u>79 139 530</u>	<u>117 075 548</u>	<u>32 768 512</u>

\* The accompanying notes from (1) to (46) are an integral part of these financial statements.

**(Sarwa Capital for Financial Advisory-previously)**  
**Notes to the special purpose consolidated financial statements**  
**For the financial period ended June 30, 2018 and the years ended**  
**December 31, 2017, 2016 and 2015**

**1. Reporting entity**

- 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.
- The company's purpose is represented in the general trading and providing financial, economic, technical and insurance consulting for new and existing projects, in addition to management related services for all the projects (except the hotel management); Services relating to preparation, distribution and marketing specialized technical studies in the economic sector, and also creative arts through printed and electronic media (except for marketing and promotion for investments).
- 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, 2018, December 31, 2017, 2016 and 2015:

<u>Company Name</u>	<u>Control percentage</u>	
	<u>Direct</u>	<u>Indirect</u>
Contact Auto Credit	99.999%	-
Sarwa Asset Management	99.96%	-
Egyptian International for Trading and Investment	99.998%	-
Sawa Payment Systems	50.997%	-
Plus Leasing	99.9995%	-
Plus Factoring	74.99%	25%
Sarwa Insurance	84.980%	-
Sarwa Life Insurance	79.990%	-
Sarwa Promotion and Underwriting	99.996%	-
*Contact Mortgage Finance	-	99.9996%
*Wadi Degla Financial	-	50%

*Contact Insurance Brokerage	-	80%
*Sarwa Securitization (owned by Egyptian International for Trading and Investment by 81% and 18% by Contact Auto Credit )	-	99%
*Capital Real Estate	-	99.7%
*Contact Egyptian International Motor Credit	-	50%
*Contact Specialized Consulting	1%	99%

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

## **2- Basis of accounting**

### **2-1 The applicable accounting standards**

The special purpose 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 special purpose consolidated financial statements on July 19, 2018.

### **2-2 The purpose**

The special purpose consolidated financial statements had been prepared to be listed in the public offering memorandum, consequently special purpose consolidated financial statements might not be appropriate to any other purpose.

## **3- Functional and presentation currency**

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

## **4- Use of judgements 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

- 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.

#### **-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

Notes to the Special Purpose Consolidated Financial Statements for the period ended June 30, 2018 and the financial years ended December 31, 2017, 2016 and 2015

Financial assets	30 June 2018	31 December 2017	31 December 2016	31 December 2015	Level of fair value	Valuation techniques and main entries
	EGP	EGP	EGP	EGP		
Available for sale investments-shares	6 413 750	6 413 750	6 413 750	-	Third	Other valuation techniques
Available for sale investments-bonds	4 330 000	4 080 000	24 349 230	2 462 818	Second	Quoted prices in active market for financial securities

**Holding for Financial Investments (S.A.E)  
for Financial Advisory-previously)  
Financial Purpose Consolidated Financial Statements for the period ended June 30, 2018  
(years ended in December 31, 2017, 2016 and 2015) (continued)**

months ended June 30, 2018									
Item	Car Finance	Consumer Goods	Finance Leasing	Insurance Brokerage	Mortgage	Factoring	Securitization	Others	Total
Income	58 353 030	7 905 376	19 169 427	10 120 852	5 412 801	-	9 454 059	6 121 958	111 333 003
Income tax	40 920 056	6 504 444	13 321 367	8 699 611	413 476	197 602	77 933 657	1 897 071	95 273 724
Income tax expense	-	-	-	-	-	-	-	25 660 034	25 660 034
Income tax expense	-	-	-	-	-	-	-	54 620	54 620
Income tax expense	40 920 056	6 504 444	13 321 367	8 699 611	413 476	197 602	77 933 657	27 611 725	111 333 003
Income tax expense	759 900	(1 463 503)	(3 678 457)	(1 958 093)	(3 966)	(44 460)	(10 423 453)	(2 827 534)	(11 282 913)
Income tax expense	41 679 956	5 040 941	9 642 910	6 741 518	409 510	153 142	67 510 204	24 784 191	90 050 090
Income tax expense	483 605 233	5 247 808	124 706 273	17 322 356	50 798 131	10 530 226	67 542 268	224 869 551	988 002 188
Income tax expense	644 433 074	85 092 621	395 211 455	2 246 626	177 301 850	-	122 890 793	184 078 880	1 611 000 000
Income tax expense	717 966 293	6 089 467	262 652 940	17 836	139 340 550	-	-	83 453 061	1 200 000 000
Income tax expense	198 675 886	66 294 953	166 302 512	9 809 628	40 099 085	26 520	46 123 779	35 935 432	566 000 000
Income tax expense	76 895 406	4 165 104	14 623 694	7 084 892	(1 185 051)	122 089	21 591 912	3 007 055	121 000 000
Income tax expense	-	-	-	-	-	-	-	18 534 977	18 534 977
Income tax expense	-	-	-	-	-	-	-	(546 535)	(546 535)
Income tax expense	76 895 406	4 165 104	14 623 694	7 084 892	(1 185 051)	122 089	21 591 912	20 995 497	111 000 000
Income tax expense	(16 527 854)	(937 148)	(3 414 718)	(1 594 100)	(29 504)	(27 470)	(4 312 218)	(2 345 236)	(22 200 000)
Income tax expense	60 367 552	3 227 956	11 208 976	5 490 792	(1 214 555)	94 619	17 279 694	18 650 261	111 000 000
Income tax expense	60 367 552	3 227 956	11 208 976	5 490 792	(1 214 555)	94 619	17 279 694	18 650 261	111 000 000

months ended June 30, 2017									
Item	Car Finance	Consumer Goods	Finance Leasing	Insurance Brokerage	Mortgage	Factoring	Securitization	Others	Total
Income	96 325 427	4 487 034	19 395 546	7 627 608	2 506 448	-	-	6 684 750	133 929 713
Income tax	76 895 406	4 165 104	14 623 694	7 084 892	(1 185 051)	122 089	21 591 912	3 007 055	121 000 000
Income tax expense	-	-	-	-	-	-	-	18 534 977	18 534 977
Income tax expense	-	-	-	-	-	-	-	(546 535)	(546 535)
Income tax expense	76 895 406	4 165 104	14 623 694	7 084 892	(1 185 051)	122 089	21 591 912	20 995 497	111 000 000
Income tax expense	(16 527 854)	(937 148)	(3 414 718)	(1 594 100)	(29 504)	(27 470)	(4 312 218)	(2 345 236)	(22 200 000)
Income tax expense	60 367 552	3 227 956	11 208 976	5 490 792	(1 214 555)	94 619	17 279 694	18 650 261	111 000 000

Folding for Financial Investments (S.A.E)  
for Financial Advisory-previously)  
Special Purpose Consolidated Financial Statements for the period ended June 30, 2018  
11 years ended in December 31, 2017, 2016 and 2015 (continued)

period ended December 31, 2017

Item	Car Finance	Consumer Goods	Finance Leasing	Insurance Brokerage	Mortgage	Factoring	Securitization	Others
g income	153 519 287	9 198 178	39 368 530	16 833 432	5 738 547	-	1 715 140	10 662 212
n associates	105 850 233	8 813 305	18 872 859	14 582 443	(2 421 630)	491 217	86 984 903	5 536 440
y translation	-	-	-	-	-	-	-	47 271 281
e period/year before tax	-	-	-	-	-	-	-	( 764 794)
he period/year After tax	105 850 233	8 813 305	18 872 859	14 582 443	(2 421 630)	491 217	86 984 903	52 042 927
	(45 669 747)	(1 982 993)	(6 855 182)	(3 281 050)	( 19 021)	( 101 777)	(8 996 184)	(14 111 658)
	60 180 486	6 830 312	12 017 677	11 301 393	(2 440 651)	389 440	77 988 719	37 931 269

assets

ent assets

ent liabilities

liabilities

period ended December 31, 2016

Item	Car Finance	Consumer Goods	Finance Leasing	Insurance Brokerage	Mortgage	Factoring	Securitization	Others
income	43 684 258	2 557 624	24 703 796	12 445 662	-	-	9 024 650	33 538 584
associates	10 193 579	1 803 686	15 695 471	10 074 876	718 481	( 38 876)	72 336 743	20 821 842
translation	-	-	-	-	-	-	-	11 613 086
period/year before tax	-	-	-	-	-	-	-	(5 090 626)
period/year After tax	10 193 579	1 803 686	15 695 471	10 074 876	718 481	( 38 876)	72 336 743	27 344 302
	(12 339 773)	( 253 405)	(2 452 968)	(2 266 847)	( 193 123)	-	(7 675 511)	(11 146 615)
	(2 146 194)	1 550 281	13 242 503	7 808 029	525 358	(38 876)	64 661 232	16 197 687

assets

nt assets

nt liabilities

abilities

Holding for Financial Investments (S.A.E)  
for Financial Advisory-previously)  
Special Purpose Consolidated Financial Statements for the period ended June 30, 2018  
al years ended in December 31, 2017, 2016 and 2015 (continued)

ar ended December 31, 2015

Item	Car Finance	Consumer Goods	Finance Leasing	Insurance Brokerage	Mortgage	Factoring	Securitization	Others
g income	17 118 532	318 952	8 068 410	4 487 640	-	-	36 737 061	7 019 109
are in associates profit	(27 486 973)	(364 240)	2 825 694	2 126 230	214 359	-	111 390 139	(8 451 963)
y translation	-	-	-	-	-	-	-	14 034 250
ie period/year before tax	(27 486 973)	(364 240)	2 825 694	2 126 230	214 359	-	111 390 139	5 582 287
	(11 130 597)	(61 524)	42 722	(478 401)	(48 231)	-	(3 902 793)	(3 625 567)
the period/year After tax	(38 617 570)	(425 764)	2 868 416	1 647 829	166 128	-	107 487 346	1 956 720
assets	60 115 564	4 222 981	4 122 898	3 539 796	12 674 987	-	28 352 275	48 022 883
rent assets	160 934 804	1 363 909	143 638 855	867 963	-	-	1 657 382	126 989 121
rent liabilities	55 301 389	61 524	57 934 411	39 299	-	-	-	40 843 477
liabilities	60 777 486	990 896	56 268 156	720 631	8 859	-	8 596 729	14 589 560



6- Sales of goods and services revenue

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Goods sold	1 059 543 969	1 066 665 723	2 046 215 384	1 966 533 250	1 217 331 532
Lease revenue	121 662 067	92 587 965	197 489 588	103 208 704	29 594 714
Service sold	25 886 218	11 667 418	22 287 898	45 700 512	11 080 264
	<u>1 207 092 254</u>	<u>1 170 921 106</u>	<u>2 265 992 870</u>	<u>2 115 442 466</u>	<u>1 258 006 510</u>

7- Interest income- goods and services

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Interest income -Car installments	119 794 225	130 348 788	254 533 261	112 091 274	40 303 637
Interest income- Mortgages	14 659 777	2 506 448	10 593 101	-	-
Interest income -Consumer goods installments	11 574 899	4 742 142	12 454 042	3 414 167	318 952
Total	<u>146 028 901</u>	<u>137 597 378</u>	<u>277 580 404</u>	<u>115 505 441</u>	<u>40 622 589</u>

8- Securitization proceeds

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Net profit from securitization	18 796 085	-	6 881 913	13 766 611	36 737 061
	<u>18 796 085</u>	<u>-</u>	<u>6 881 913</u>	<u>13 766 611</u>	<u>36 737 061</u>

9- Discounting proceeds

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Discounting Financial Instruments Net Income	18 581 653	31 671 792	41 025 965	2 757 811	-
	<u>18 581 653</u>	<u>31 671 792</u>	<u>41 025 965</u>	<u>2 757 811</u>	<u>-</u>

10- Cost of sales - goods and services

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Cost of goods sold	1 059 543 971	1 066 665 723	2 046 215 384	1 966 179 336	1 217 331 532
Cost of services sold	12 797 225	2 086 318	3 399 302	4 854 671	240 819
Cost of leasing contracts and depreciation	67 942 845	48 914 480	102 146 986	56 152 148	17 494 666
	<u>1 140 284 041</u>	<u>1 117 666 521</u>	<u>2 151 761 672</u>	<u>2 027 186 155</u>	<u>1 235 067 017</u>

11- Operating revenue

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Management and incentive fees	5 254 030	3 049 018	12 573 937	4 189 466	4 165 619
Other service revenue (Insurance)	20 530 327	18 625 158	40 121 904	32 176 067	27 383 125
Credit Interest (Insurance)	6 168 401	5 594 653	12 249 843	8 197 767	5 909 704
Other operating revenue	3 151 109	5 288 764	9 457 105	150 239	27 524
Total	<u>35 103 867</u>	<u>32 557 593</u>	<u>74 402 789</u>	<u>44 713 539</u>	<u>37 485 972</u>

## 12- Securitization net revenue

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Interest income from financial rights portfolio	249 917 486	103 166 887	222 773 532	280 456 779	274 204 216
Proceeds from surplus of investments at custody	24 298 190	20 126 472	40 733 190	28 510 626	20 879 665
Interest from bonds loan and the amortization of securitization cost	(172 728 777)	(92 572 107)	(172 103 586)	(220 309 324)	(194 068 219)
Insurance policy cost	(6 280 134)	(4 282 488)	(7 504 416)	(14 216 373)	(14 092 263)
Collector fees	( 574 456)	(1 139 335)	(1 945 407)	(28 360 979)	(38 914 591)
Custody fees	(1 866 544)	(1 181 814)	(2 186 103)	(3 146 561)	(2 982 400)
Issuance fees	(24 010 896)	-	-	-	-
Proceeds from securitization process	<u>68 754 869</u>	<u>24 117 615</u>	<u>79 767 210</u>	<u>42 934 168</u>	<u>45 026 408</u>

## 13- Revenues from administrative services

Revenues from administrative services amounted to EGP 16 727 344 during the period June 30, 2018 compared to EGP 17 160 683 during the period June 30, 2017 compared to EGP 32 162 391 during the year ended December 31, 2017 compared to EGP 29 930 526 during the year ended December 31, 2016 compared to 15 663 562 during the year ended December 31, 2015. A percentage of auto financing contracts is collected as administrative fees to offset sales commissions and some other administrative costs.

## 14- Other revenue

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Interest income	17 021 673	12 559 858	34 213 585	15 686 614	3 053 143
Other	25 089 353	603 519	7 039 298	25 176 231	6 376 073

**15- Operating expenses**

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Other services Cost (Insurance)	24 511 386	22 026 237	48 534 933	35 492 797	29 017 286
Experts fees	995 235	1 055 470	2 119 779	2 059 306	1 954 833
Other operating expenses	745 888	795 173	4 655 438	1 163 300	555 906
<b>Total</b>	<b>26 252 509</b>	<b>23 876 880</b>	<b>55 310 150</b>	<b>38 715 403</b>	<b>31 528 025</b>

**16- General and administrative expenses**

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Salaries, wages and medical Care	53 049 511	39 008 041	81 767 604	62 693 854	49 520 566
Lease payments	506 556	337 412	843 968	13 446 568	13 024 083
Insurance	5 774 705	4 721 025	8 823 049	7 065 910	5 620 380
Property, plant and equipment depreciation	4 616 849	3 674 001	7 595 288	5 674 154	3 709 528
Professional and consultant fees	5 955 404	4 830 269	9 894 655	7 886 477	7 487 852
Branches and cars rent	2 967 325	2 421 501	5 120 884	4 113 340	2 747 786
Bank charges	775 238	1 043 015	2 102 050	1 220 041	925 286
Advertising, administrative expenses and stock exchange	806 747	664 098	1 292 671	1 151 185	1 295 777
Vehicles related expenses	543 281	488 954	1 032 493	712 557	809 561
Establishing fees	228 026	38 594	-	38 595	205 783
Miscellaneous expenses	13 018 213	7 928 088	18 982 439	17 615 181	11 005 386
	<b>88 241 855</b>	<b>65 154 998</b>	<b>137 455 101</b>	<b>121 617 862</b>	<b>96 351 988</b>

17- Income Tax

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
<u>Charged to income statement</u>					
Current income tax	23 860 602	30 050 798	80 934 832	35 854 087	19 109 351
Deferred income tax	( 4 221 036)	( 862 550)	82 780	474 155	95 040
<b>Total</b>	<b>19 639 566</b>	<b>29 188 248</b>	<b>81 017 612</b>	<b>36 328 242</b>	<b>19 204 391</b>

Deferred Tax Assets

	<u>30-Jun-18</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Property, plant and equipment (depreciation)	-	93 351	5 786	84 867
Tax on carried forward loss	4 014 821	-	-	-
<b>Total</b>	<b>4 014 821</b>	<b>93 351</b>	<b>5 786</b>	<b>84 867</b>

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

	<u>30-Jun-18</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Debtors and other debit balance	1 754 337	1 754 337	900 000	675 000
Default reserve- Discounting	437 751	17 434 977	897 505	-
Accounts receivables impairment	1 909 503	1 567 516	1 402 849	675 000
	<b>4 101 591</b>	<b>20 756 830</b>	<b>3 200 354</b>	<b>1 350 000</b>

**Deferred Tax Liability**

	<b><u>30-Jun-18</u></b>	<b><u>31-Dec-17</u></b>	<b><u>31-Dec-16</u></b>	<b><u>31-Dec-15</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Property, plant and equipment (depreciation)	(1 339 878)	(1 639 444)	(1 469 099)	(1 074 025)
<b>Total</b>	<b>(1 339 878)</b>	<b>(1 639 444)</b>	<b>(1 469 099)</b>	<b>(1 074 025)</b>

	<b><u>30-Jun-18</u></b>	<b><u>31-Dec-17</u></b>	<b><u>31-Dec-16</u></b>	<b><u>31-Dec-15</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
As follows the movement on the deferred tax		<b><u>Asset (liability)</u></b>		
		<b><u>Revenue (Expense)</u></b>		
Beginning balance	(1 546 093)	(1 463 313)	(989 158)	(894 118)
Deferred income tax	4 221 036	(82 780)	(474 155)	(95 040)
<b>Ending balance</b>	<b>2 674 943</b>	<b>(1 546 093)</b>	<b>(1 463 313)</b>	<b>(989 158)</b>

	<u>30-Jun-18</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
<u>Effective tax rate</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Net profit (before tax)	175 601 938	285 216 257	138 128 262	94 287 496
Tax rate	22.50%	22.50%	22.50%	22.50%
Income tax calculated based on net income	39 510 436	64 173 658	31 078 859	21 214 687
Non taxable expenses	557 810	27 479 992	7 862 327	1 147 411
Profit share from associates	(5 773 508)	(10 636 038)	(2 612 944)	(3 157 706)
Tax adjustments effect	(14 655 172)	-	-	-
<b>Income tax</b>	<b>19 639 566</b>	<b>81 017 612</b>	<b>36 328 242</b>	<b>19 204 392</b>
Effective tax rate	11.18%	28.41%	26.30%	20.37%

**18- 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 year.

	<u>The six months ended in</u>		<u>The years ended in</u>		
	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Net Profit for the period/year after taxes for owners of the company	147 691 385	115 105 295	187 006 882	95 003 229	69 001 716
weighted average No. of ordinary shares	610 161 726	604 918 125	589 288 398	513 227 249	435 009 438
<b>Earnings per share</b>	<b>0.24</b>	<b>0.19</b>	<b>0.32</b>	<b>0.19</b>	<b>0.16</b>

Plant and equipment

1 January 2015  
acquired assets during the year  
during the year

during the year  
in 31 December 2015

1 January 2016  
for the year  
during the year

in 31 December 2016

1 January 2017  
for the year  
during the year

in 31 December 2017

1 January 2018  
for the period  
during the period

in 30 June 2018

Depreciation

Depreciation in 1 January 2015  
Depreciation of acquired assets during the year  
in for the year  
Depreciation for disposals

Depreciation in 31 December 2015  
Depreciation in 1 January 2016  
in for the year  
Depreciation for disposals

Depreciation in 31 December 2016  
Depreciation in 1 January 2017  
in for the year  
Depreciation for disposals

Depreciation in 31 December 2017  
Depreciation in 1 January 2018  
in for the period  
Depreciation for disposals

Depreciation in 30 June 2018

December 2015

December 2016

December 2017

June 2018

	<u>Lands</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Furniture and fixture</u>	<u>Machinery &amp; Equipment</u>	<u>Computers</u>	<u>Leasehold Improvement</u>	<u>Total</u>
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
	-	-	569 800	3 625 282	1 641 490	10 489 016	1 660 610	17 986 110
	-	-	-	410 563	-	554 977	2 041 756	3 007 250
	-	-	50 350	1 817 663	763 596	2 704 536	3 935 514	9 271 650
	-	-	( 527 950)	-	( 113 100)	-	( 1 050)	( 642 100)
	-	-	92 200	5 853 508	2 291 986	13 748 529	7 636 830	29 623 050
	-	-	92 200	5 853 508	2 291 986	13 748 529	7 636 830	29 623 050
	29 662 500	2 593 854	17 200	1 263 385	1 159 958	5 188 647	5 899 530	45 785 070
	-	-	-	-	( 151 200)	-	-	( 151 200)
	29 662 500	2 593 854	109 400	7 116 893	3 300 744	18 937 176	13 536 360	75 256 920
	-	-	109 400	7 116 893	3 300 744	18 937 176	13 536 360	75 256 920
	-	-	44 800	739 118	721 070	3 928 906	2 942 588	8 376 480
	-	-	( 65 900)	-	( 88 054)	( 19 551)	( 577 610)	( 751 115)
	29 662 500	2 593 854	88 300	7 856 011	3 933 760	22 846 531	15 901 338	82 882 290
	29 662 500	2 593 854	88 300	7 856 011	3 933 760	22 846 531	15 901 338	82 882 290
	-	-	-	337 904	323 777	2 259 711	1 585 061	4 506 450
	-	-	-	( 9 900)	-	-	-	( 9 900)
	29 662 500	2 593 854	88 300	8 184 015	4 257 537	25 106 242	17 486 399	87 378 840
	-	-	96 181	2 160 929	1 124 199	5 190 724	1 089 118	9 661 151
	-	-	-	123 490	-	245 148	442 381	811 019
	-	-	50 722	541 124	325 561	2 091 148	700 973	3 709 528
	-	-	( 121 405)	-	( 72 756)	-	-	( 194 161)
	-	-	25 498	2 825 543	1 377 004	7 527 020	2 232 472	13 987 537
	-	-	25 498	2 825 543	1 377 004	7 527 020	2 232 472	13 987 537
	-	64 846	31 689	721 548	450 759	3 137 164	1 268 148	5 674 154
	-	-	-	-	( 95 875)	-	-	( 95 875)
	-	64 846	57 187	3 547 091	1 731 888	10 664 184	3 500 620	19 565 816
	-	64 846	57 187	3 547 091	1 731 888	10 664 184	3 500 620	19 565 816
	-	129 693	31 623	783 097	598 557	4 062 497	1 989 821	7 595 288
	-	-	( 42 130)	-	( 60 561)	( 15 483)	( 111 469)	( 229 643)
	-	194 539	46 680	4 330 188	2 269 884	14 711 198	5 378 972	26 931 461
	-	194 539	46 680	4 330 188	2 269 884	14 711 198	5 378 972	26 931 461
	-	64 846	12 048	516 245	337 756	2 357 464	1 328 490	4 616 849
	-	-	-	( 6 177)	-	-	-	( 6 177)
	-	259 385	58 728	4 840 256	2 607 640	17 068 662	6 707 462	31 542 133
	-	-	66 702	3 027 965	914 982	6 221 509	5 404 358	15 635 516
	29 662 500	2 529 008	52 213	3 569 802	1 568 856	8 272 992	10 035 740	55 691 111
	29 662 500	2 399 315	41 620	3 525 823	1 663 876	8 135 333	10 522 366	55 950 833
	29 662 500	2 334 469	29 572	3 343 759	1 649 897	8 037 580	10 778 937	55 836 714



20- Leased Assets (net)

	<u>Real Estate</u>	<u>Machinery &amp; Equipment</u>	<u>Computers</u>	<u>Cars &amp; Vehicles</u>	<u>Total</u>
<u>Cost</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Balance at 1 January 2015	-	-	-	-	-
Cost of acquired assets during the year	1 085 000	28 673 522	6 595 704	14 758 800	51 113 026
Additions during the year	23 607 680	59 352 515	14 503 367	21 824 135	119 287 697
Disposals during the year	-	(8 183 277)	-	(303 395)	(8 486 672)
Total cost in 31 December 2015	24 692 680	79 842 760	21 099 071	36 279 540	161 914 051
Balance at 1 January 2016	24 692 680	79 842 760	21 099 071	36 279 540	161 914 051
Additions for the year	-	159 103 705	8 919 318	89 362 795	257 385 818
Disposals during the year	-	(3 997 459)	(5 458 083)	(1 735 781)	(11 191 323)
Total cost in 31 December 2016	24 692 680	234 949 006	24 560 306	123 906 554	408 108 546
Balance at 1 January 2017	24 692 680	234 949 006	24 560 306	123 906 554	408 108 546
Additions for the year	-	107 949 937	4 480 000	95 414 382	207 844 319
Disposals during the year	-	(20 698 812)	(16 175 422)	(27 902 486)	(64 776 720)
Total cost in 31 December 2017	24 692 680	322 200 131	12 864 884	191 418 450	551 176 145
Balance at 1 January 2018	24 692 680	322 200 131	12 864 884	191 418 450	551 176 145
Additions for the period	-	73 187 535	960 725	40 905 825	115 054 085
Disposals during the period	(1 085 000)	(18 447 965)	(3 381 597)	(13 621 398)	(36 535 960)
Total cost in 30 June 2018	23 607 680	376 939 701	10 444 012	218 702 877	629 694 270
<u>Accumulated Depreciation</u>					
Accumulated Depreciation in 1 January 2015	-	-	-	-	-
Accumulated depreciation of acquired assets during the year	4 521	5 758 813	559 304	1 485 410	7 808 048
Depreciation for the year	164 327	7 977 657	4 093 263	3 976 905	16 212 152
Accumulated Depreciation for disposals	-	(3 704 361)	-	(39 266)	(3 743 627)
Total Accumulated Depreciation in 31 December 2015	168 848	10 032 109	4 652 567	5 423 049	20 276 573
Accumulated Depreciation in 1 January 2016	168 848	10 032 109	4 652 567	5 423 049	20 276 573
Depreciation for the year	560 480	32 515 556	8 148 303	14 127 558	55 351 897
Accumulated Depreciation for disposals	-	(467 533)	(3 481 221)	(613 435)	(4 562 189)
Total Accumulated Depreciation in 31 December 2016	729 328	42 080 132	9 319 649	18 937 172	71 066 281
Accumulated Depreciation in 1 January 2017	729 328	42 080 132	9 319 649	18 937 172	71 066 281
Depreciation for the year	560 479	58 298 663	6 461 982	35 416 160	100 737 284
Accumulated Depreciation for disposals	-	(7 588 297)	(10 783 614)	(10 615 710)	(28 987 621)
Total Accumulated Depreciation in 31 December 2017	1 289 807	92 790 498	4 998 017	43 737 622	142 815 944
Accumulated Depreciation in 1 January 2018	1 289 807	92 790 498	4 998 017	43 737 622	142 815 944
Depreciation for the period	262 156	40 170 911	206 979	24 609 588	67 112 453
Accumulated Depreciation for disposals	(162 750)	(7 084 286)	(2 254 398)	(6 474 010)	(15 975 444)
Total Accumulated Depreciation in 30 June 2018	1 389 213	125 877 123	4 813 417	61 873 200	193 952 953
Net book value					
As at 31 December 2015	24 523 832	69 810 651	16 446 504	30 856 491	141 637 478
As at 31 December 2016	23 963 352	192 868 874	15 240 657	104 969 382	337 042 265
As at 31 December 2017	23 402 873	229 409 633	7 866 867	147 680 828	408 360 201
As at 30 June 2018	22 218 467	251 062 578	5 630 595	156 829 677	435 741 317
	<u>30-Jun-18</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>	
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	
Net leased assets	435 741 317	408 360 201	337 042 265	141 637 478	
Impairment of financial leased assets	(15 856 835)	(12 829 504)	(1 234 885)	-	
Net	419 884 482	395 530 697	335 807 380	141 637 478	

## 21- Works in progress

The company is improving a new headquarters located at 7 Champollion St., Cairo which certificate of completion and costs amounted to EGP 21 838 342 as at June 30, 2018 compared to 5 283 416 as at December 31, 2017 at the financial position date.

## 22- Intangible assets

<u>Company</u>	<u>Description</u>
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)
Contact Auto Credit	In 10 Nov. 2013 the company acquired 999 990 shares from minority shareholders with total contribution 99.9%
Plus 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 26 474 070 as at the acquisition dates.

## 23- Investments in associates

<u>Company's Name</u>	<u>% of Share</u>	<u>Ownership 30-Jun-18 EGP</u>	<u>Share Amount 31-Dec-17 EGP</u>	<u>Share Amount 31-Dec-16 EGP</u>	<u>Share Amount 31-Dec-15 EGP</u>
Bavarian Contact Car Trading	49%	17 429 356	24 861 099	9 459 896	9 819 392
Star Auto Credit	33.4%	16 026 320	21 089 113	7 067 366	8 695 320
Ezz El-Arab - Contact Financial	49%	3 391 583	4 398 715	3 485 490	3 747 953
Motor Care Service	49.2%	251 891	233 179	204 352	143 447
		<b>37 099 150</b>	<b>50 582 106</b>	<b>20 217 104</b>	<b>22 406 112</b>

<u>30-Jun-18</u>	<u>Bavarian Contact Car Trading EGP</u>	<u>Star Auto Credit EGP</u>	<u>Ezz El-Arab - Contact Financial EGP</u>	<u>Motor Care Service EGP</u>
Total assets	272 867 422	626 547 741	41 145 048	843 456
Total liabilities	(237 308 124)	(578 564 746)	(34 223 450)	( 331 484)
Net assets	35 559 298	47 982 995	6 921 598	511 972
Profit share from associates	25 660 034			

<u>31-Dec-17</u>	<u>Bavarian Contact Car Trading EGP</u>	<u>Star Auto Credit EGP</u>	<u>Ezz El-Arab - Contact Financial EGP</u>	<u>Motor Care Service EGP</u>
Total assets	152 734 650	244 882 812	41 284 144	793 046
Total liabilities	(102 008 529)	(181 741 756)	(32 307 174)	( 319 106)
Net assets	50 726 121	63 141 056	8 976 970	473 940
Profit share from associates	47 271 281			

<u>31-Dec-16</u>	<u>Bavarian Contact Car Trading EGP</u>	<u>Star Auto Credit EGP</u>	<u>Ezz El-Arab - Contact Financial EGP</u>	<u>Motor Care Service EGP</u>
Total assets	276 124 526	155 749 356	54 230 252	593 397
Total liabilities	(256 829 432)	(134 589 578)	(47 117 007)	( 178 211)
Net assets	19 295 094	21 159 778	7 113 245	415 186
Profit share from associates	11 613 086			

<u>31-Dec-15</u>	<u>Bavarian Contact Car Trading EGP</u>	<u>Star Auto Credit EGP</u>	<u>Ezz El-Arab - Contact Financial EGP</u>	<u>Motor Care Service EGP</u>
Total assets	57 306 535	38 653 795	13 566 522	446 562
Total liabilities	(37 277 775)	(12 619 904)	(5 917 639)	( 155 003)

**24- Investments available for sale**

	<u>30-Jun-18</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Egyptian Mortgage Refinancing company*	6 413 750	6 413 750	6 413 750	-
Securitization bonds	-	-	20 769 230	2 462 818
Treasury bonds	4 330 000	4 080 000	3 580 000	-
<b>Total</b>	<b>10 743 750</b>	<b>10 493 750</b>	<b>30 762 980</b>	<b>2 462 818</b>

\* The investments was evaluated at cost as it is not quoted in an active market and its fair value can not be determined accurately.

**25- Debtors and other debit balances**

	<u>30-Jun-18</u>		<u>31-Dec-17</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Insurance companies - debit	7 797 055	-	7 797 055	-
Prepaid expenses	14 727 777	4 313 992	12 158 096	4 072 888
Advance payments to suppliers	75 372 329	-	8 043 146	-
Accrued revenue	18 129 380	-	12 856 756	-
Employees advances	5 731 425	327 643	6 642 365	-
Tax authority	1 800 585	-	1 160 025	-
Other debit balances	11 434 470	3 421 111	109 791 624	85 000
Payments under establishment of a subsidiary	195 165	-	195 165	-
 Deduct: Impairment	 (7 797 055)	 -	 (7 797 055)	 -
 Net	 127 391 131	 8 062 746	 150 847 177	 4 157 888
 Total	 135 453 877		 155 005 065	

	<u>31-Dec-16</u>		<u>31-Dec-15</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Insurance companies - debit	7 797 055	-	7 797 055	-
Prepaid expenses	8 547 899	2 554 839	5 721 126	7 884 867
Advance payments to suppliers	2 849 110	-	5 372 686	-
Accrued revenue	361 651	-	26 745	-
Employees advances	3 145 087	-	2 030 621	-
Tax authority	379 234	-	404	-
Other debit balances	9 031 847	25 000	3 019 485	25 000
Payments under establishment of a subsidiary	451 685	-	-	-
Deduct: Impairment	(4 000 000)	-	(3 000 000)	-
Net	<u>28 563 568</u>	<u>2 579 839</u>	<u>20 968 122</u>	<u>7 909 867</u>
Total	<u>31 143 407</u>		<u>28 877 989</u>	

## 26- Accounts receivable

	<u>30-Jun-18</u>		<u>31-Dec-17</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Receivables-goods	742 860 745	1 194 644 769	740 366 926	1 079 661 740
Receivables-services	4 355 526	-	2 961 279	-
Leasing- accounts receivable	47 836 243	-	36 077 860	-
Transferred financial rights	79 920 116	106 622 462	84 808 040	140 789 614
Deduct:				
Credit Interest & deferred Insurance	( 407 226 243)	( 367 766 150)	(373 744 015)	(349 897 772)
Impairment of Accounts Receivable	( 6 778 794)	( 1 707 884)	(6 260 900)	( 705 839)
Net	<u>460 967 593</u>	<u>931 793 197</u>	<u>484 209 190</u>	<u>869 847 743</u>
Total	<u>1 392 760 790</u>		<u>1 354 056 933</u>	

	<u>31-Dec-16</u>		<u>31-Dec-15</u>	
	<u>Within a year</u>	<u>More than one</u>	<u>Within a year</u>	<u>More than</u>
	<u>EGP</u>	<u>year</u> <u>EGP</u>	<u>EGP</u>	<u>one year</u> <u>EGP</u>
Receivables-goods	553 493 578	1 081 225 148	170 249 634	194 932 275
Receivables-services	8 064 994	-	1 026 096	-
Leasing- accounts receivable	20 772 885	-	2 075 746	-
Transferred financial rights	52 409 557	146 411 893	24 290 036	57 566 623
Deduct:				
Credit Interest & deferred Insurance	( 280 702 902)	( 299 064 892)	( 117 266 059)	( 64 685 870)
Impairment of Accounts Receivable	( 6 234 885)	-	( 3 000 000)	-
Net	<u>347 803 227</u>	<u>928 572 149</u>	<u>77 375 453</u>	<u>187 813 028</u>
Total	<u>1 276 375 376</u>		<u>265 188 481</u>	

## 27- 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:

	<u>30-Jun-18</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
<u>Description of transferred financial assets/liabilities that were disposed</u>				
Financial Rights Portfolios	3 108 132 880	1 828 102 509	1 541 187 818	2 025 009 407
Deferred cost- insurance	6 955 640	3 902 382	4 002 461	7 852 954
Amounts collected for custodian	16 294 447	10 909 350	8 551 944	8 675 786
Cash held with custodian	291 059 032	189 708 270	246 630 302	190 244 466
Total Financial Assets transferred	<u>3 422 441 999</u>	<u>2 032 622 511</u>	<u>1 800 372 525</u>	<u>2 231 782 613</u>
Deduct: bond -principle	(3 300 420 949)	(1 922 328 772)	(1 718 202 485)	(2 189 936 425)
Accrued interest on bonds	-	-	-	( 6 360 633)
Surplus of securitization processes	<u>122 021 050</u>	<u>110 293 739</u>	<u>82 170 040</u>	<u>35 485 555</u>

The financial assets transferred to Sarwa Securitization meets the financial assets derecognition criteria, offset

## 28- Deferred cost - insurance

The deferred cost of insurance policies amounted to EGP 17 163 533 as at June 30, 2018 compared to amount EGP 13 652 855 as at December 31, 2017 compared to 11 975 787 as at December 31, 2016 compared to 7 327 427 as at December 31, 2015 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.

## 29- Treasury Bills:

	<u>30-Jun-18</u> <u>EGP</u>	<u>31-Dec-17</u> <u>EGP</u>	<u>31-Dec-16</u> <u>EGP</u>	<u>31-Dec-15</u> <u>EGP</u>
Treasury bills	59 750 000	43 975 000	43 525 000	15 400 000
Deduct:				
Unearned revenue	( 6 039 407)	( 3 029 834)	( 1 206 442)	( 48 834)
Net	<u>53 710 593</u>	<u>40 945 166</u>	<u>42 318 558</u>	<u>15 351 166</u>

## 30- Conditional Bank Account

	<u>30-Jun-18</u> <u>EGP</u>	<u>31-Dec-17</u> <u>EGP</u>	<u>31-Dec-16</u> <u>EGP</u>	<u>31-Dec-15</u> <u>EGP</u>
Treasury bills	243 665	16 995 498	-	-
Reserve account	1 115 014	54 058 398	3 990 613	-
Proceeds from discounting process	161 901	7 243 405	-	-
	<u>1 520 580</u>	<u>78 297 301</u>	<u>3 990 613</u>	<u>-</u>

The amount is represented in the reserve account of the discounting contracts at banks and it is being financed or discounted in light of the related parties' items of the contract.

31- Cash and cash equivalents

	<u>30-Jun-18</u> <u>EGP</u>	<u>31-Dec-17</u> <u>EGP</u>	<u>31-Dec-16</u> <u>EGP</u>	<u>31-Dec-15</u> <u>EGP</u>
Banks - Current Accounts	266 726 815	72 930 051	111 182 344	31 090 914
Cash on hand	5 582 524	3 454 618	2 794 174	1 608 057
Checks under collection	459 077	145 440	432 553	69 541
Time deposit	5 782 150	2 609 421	2 666 477	-
<b>Total</b>	<b>278 550 566</b>	<b>79 139 530</b>	<b>117 075 548</b>	<b>32 768 512</b>

32- 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 May 14, 2018 the authorized capital was increased by EGP 400 million to be EGP 1 billion and the paid in capital was increased by EGP 3 213 100 to be EGP 100 million divided into 625 million shares and was recorded in the commercial register.

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

<u>Company Name</u>	<u>No. of Shares</u>	<u>Amount</u> <u>EGP</u>	<u>Percentage</u>
Consolidated Financial Holding	620 540 187	99 286 430	99.19%
Mohamed-Hossam-Aboul-Fotoh	4 441 063	710 570	0.78%
Amr Mohamed Lamei	6 250	1 000	0.01%
Hazem Amr Moussa	6 250	1 000	0.01%
Ayman Elsayy Mahmoud	6 250	1 000	0.01%



### 33- Legal Reserve

Legal reserve balance on June 30, 2018 amounted to EGP 48 393 450 compared to EGP 48 393 450 as at December 31, 2017 compared to 43 551 560 as at December 31, 2016 compared to 1 233 344 as at December 2015. 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.

### 34- Share premium reserve

The company's capital was increased on April 14, 2016 and May 5, 2017 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

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

Share premium reserve as at June 30, 2018	64 266 710 EGP
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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 recognised as a special reserve and cannot be distributed as dividends.

### 34-1 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 25 024 580 as at June 30, 2018 , EGP 19 161 326 as at December 31, 2017, EGP 15 836 027 as at December 31, 2016 and EGP 10 919 829 as at December 31, 2015.

In addition, the retained earnings include the retained earnings for Sarwa Securitization company with amount of EGP 98 645 049 as at June 30, 2018 , EGP 59 389 869 as at December 31, 2017 , EGP 50 286 909 as at December 31, 2016 and EGP 40 226 409 as at December 31, 2015; 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.

### 35- Loans and overdrafts

	<u>30-Jun-18</u>		<u>31-Dec-17</u>	
	<u>EGP</u>		<u>EGP</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Loans	247 478 333	541 352 084	132 276 646	538 829 226
Short term facilities	29 573 950	-	164 212 111	-
Egyptian Mortgage Refinancing Company	462 200	46 882 546	23 065	2 571 565
Overdraft	-	-	-	-
Syndication loan	78 480 435	613 367 295	54 393 532	437 941 887
	<u>355 994 918</u>	<u>1 201 601 925</u>	<u>350 905 354</u>	<u>979 342 678</u>
	<u>1 557 596 843</u>		<u>1 330 248 032</u>	

	<u>31-Dec-16</u>		<u>31-Dec-15</u>	
	<u>EGP</u>		<u>EGP</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Loans	129 528 160	1149 650 633	32 407 493	132 248 068
Short term facilities	2 361 131	-	1 726 460	-
Egyptian Mortgage Refinancing Company	-	-	-	-
Overdraft	-	-	1 526 868	-
Syndication loan	-	-	-	-
	<u>131 889 291</u>	<u>1 149 650 633</u>	<u>35 660 821</u>	<u>132 248 068</u>
	<u>1 281 539 924</u>		<u>167 908 889</u>	

### 36- Suppliers and other credit balances

	<u>30-Jun-18</u>		<u>31-Dec-17</u>	
	<u>EGP</u>		<u>EGP</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Suppliers	36 753 622	-	45 957 232	-
Accounts Receivables - Credit balances	2 785 049	-	1 763 610	-
Tax authority	16 306 347	-	40 341 438	-
Custodian*	16 834 572	-	34 284 649	-
Accrued interest	26 043 917	-	24 811 412	-
Accrued expenses	6 003 223	-	6 770 962	-
Notes payable	-	-	-	-
Deposits held with others	4 413 792	2 403 359	4 537 791	2 459 543
Insurance companies- credit	51 063 878	-	40 973 678	-
Default reserve-discounting portfolios	1 945 562	-	77 488 785	-
Default reserve- securitization	7 435 559	-	8 189 548	-
Other credit balances	17 449 500	4 174 985	12 191 981	3 984 277
	<u>187 035 021</u>	<u>6 578 344</u>	<u>297 311 086</u>	<u>6 443 820</u>
	<u>193 613 365</u>		<u>303 754 006</u>	

Notes to the Special Purpose Consolidated Financial Statements for the period ended June 30, 2018 and the financial years ended December 31, 2017, 2016 and 2015

	<u>31-Dec-16</u>		<u>31-Dec-15</u>	
	<u>EGP</u>		<u>EGP</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Suppliers	52 577 595	-	32 180 083	-
Accounts Receivables - Credit balances	5 807 896	-	3 478 027	-
Tax authority	3 134 425	-	4 713 749	-
Custodian*	8 551 136	-	8 675 786	-
Accrued interest	20 394 968	-	3 313 363	-
Accrued expenses	8 331 307	-	4 053 487	-
Notes payable	333 235	-	10 200 112	-
Deposits held with others	3 297 395	3 970 409	2 341 221	2 283 400
Insurance companies- credit	31 576 143	-	17 398 866	-
Default reserve-discounting portfolios	3 988 909	-	-	-
Default reserve- securitization	9 483 748	-	-	-
Other credit balances	23 995 380	-	7 364 440	18 574 607
	<u>171 472 137</u>	<u>3 970 409</u>	<u>93 719 134</u>	<u>20 858 007</u>
	<u>175 442 546</u>		<u>114 577 141</u>	

\* 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. If they are subsequently transferred to the custodian, the balance above represents the collected amounts that have been subsequently transferred to the custodian.

### 37-Related Parties

#### Financial Position Balances

<u>Related Party</u>		<u>30-Jun-18</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
		<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
<b><u>Due from related parties - debit</u></b>	<b><u>Relation Nature</u></b>				
Sarwa Investement	Shareholder	-	-	-	4 421 815
Milton Financial	Shareholder	-	-	-	609 834
Star Auto Credit	Associate 33.4%	42 778 717	39 273 233	31 439 035	184 464
Motor Care Egypt	Associate 40.1%	1 299 928	1 181 714	977 527	925 321
Bavarian Contact Car Trading	Associate 49%	-	4 983 965	17 492 646	1 006 834
Ezz El-Arab / Contact Financial	Associate 49%	2 942	405 859	46 477	-
Motor Care Service	Associate 49.2%	-	-	-	2 436
Asala Holding	Shareholder	-	-	-	100 000
Tamwil Holding	Parent Company	-	245 752	107 469	-
Easy Finance (Under Establishment)	Subsidiary company	852 281	774 890	111 222	-
Nihal Brik	Investing in contact insurance brokerage 5%	-	-	-	10 000
Other shareholders		383 981	383 981	326 383	-
		<u>45 317 849</u>	<u>47 249 394</u>	<u>50 500 759</u>	<u>7 260 704</u>

#### Due to related parties - credit

Consolidated Financial Holding	Main Shareholder 99	4 318 539	13 508 521	49 820 919	-
Bavarian Contact Car Trading	Associate 49%	479 450	-	-	-
		<u>4 797 989</u>	<u>13 508 521</u>	<u>49 820 919</u>	<u>-</u>

### Income Statements Transactions

		<u>Six months</u>	
		<u>30-Jun-18</u>	<u>30-Jun-17</u>
		<u>Expense (Revenue)</u>	
		<u>EGP</u>	<u>EGP</u>
<u>Bavarian Contact Car Trading</u>	<u>Associate 49%</u>		
Operating Income - Management and incentive fees		( 612 000)	( 612 000)
<u>Star Auto Credit</u>	<u>Associate 33.4%</u>		
Operating Income - Management fees		(4 385 186)	(2 100 098)
<u>Ezz El-Arab / Contact Financial</u>	<u>Associate by 49%</u>		
Operating Income - Management fees		( 256 844)	( 336 920)

		<u>The years ended</u>		
		<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
		<u>Expense (Revenue)</u>		
		<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
<u>Bavarian Contact Car Trading</u>	<u>Associate 49%</u>			
Operating Income - Management and incentive fees		(5 786 812)	(2 274 182)	(2 233 703)
<u>Star Auto Credit</u>	<u>Associate 33.4%</u>			
Operating Income - Management fees		(6 136 515)	(1 438 328)	(1 549 416)
<u>Ezz El-Arab / Contact Financial</u>	<u>Associate by 49%</u>			
Operating Income - Management fees		( 650 610)	( 476 956)	( 382 500)

### 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 10th, 12th, 13th, 15th , 16th ,20th and 22th issues). The total amount of such fees as at June 30, 2018 amounted to EGP 693 106 compared to EGP

1 239 742 as at June 30, 2017 compared to EGP 2 068 936 as at December 31, 2017

### **Bonus and salaries for executive management:**

The value of bonus and salaries for executive management for the group including their shares in dividends as of June 30, 2018 amount to EGP 9 912 742 ,as of June 30, 2017 amount to EGP 7 958 132 , as of December 31, 2017 amount to EGP 27 633 898 , as of December 31, 2016 amount to EGP 19 889 657 and as of December 31, 2015 amount to EGP 15 094 836.

### **38- Tax position**

#### **First: Corporate Tax:**

- Tax returns since company's establishment till 2017 were submitted within legal deadlines.
- Years 2010-2014 are currently under inspection.

#### **Second: Salary Tax:**

- The company made the payment on the legal due dates. The company have not inspected since establishment.

#### **Third: Stamp tax**

- The inspection was completed until 2013 and the payment made on the legal due dates.

### **39- Contingent liabilities**

	<u>30-Jun-18</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Letter of Guarantee - 16th bond issue	7 000 000	7 000 000	7 000 000	7 000 000
Letter of Guarantee - Carefour	3 150 000	-	-	-
	<u>10 150 000</u>	<u>7 000 000</u>	<u>7 000 000</u>	<u>7 000 000</u>

#### 40- Finance Lease

	<u>30-Jun-18</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Liabilities within a year	983 564	1 013 112	1 011 360	11 042 412
Liabilities longer than one year	2 020 555	2 497 563	806 123	37 596 779
	<u>3 004 119</u>	<u>3 510 675</u>	<u>1 817 483</u>	<u>48 639 191</u>

#### Finance lease cars:

Some of lease contracts for No. sale and leaseback contracts of cars that owned by the company.

The total of these contracts are as follows:

<u>Description</u>	<u>Amounts paid from concluded contracts during previous years</u>	<u>Amounts paid during the year from concluded contracts till 30 June, 2018</u>	<u>Liability from contracts in 30 June, 2018</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Cars Leasing Contracts	19 968 532	506 556	3 004 119

#### 41- Guarantees and sureties

- Contact Auto Credit provided joint guarantees to each of the associated companies operating under the car instalment 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, 2018 amounted to EGP 826 145 630 compared to EGP 504 620 121 as at December 31, 2017 compared to EGP 781 276 084 as at December 31, 2016 compared to EGP 124 327 872 as at December 31, 2015.



#### **42- Capital commitments**

Capital commitments as at June 30, 2018 was amounted to EGP 2 157 679 represented in the remaining amount of total contractual value of leasehold improvement located at 7th Champollion street-Cairo with total estimated contractual value of EGP 12 957 663 compared to EGP 5 478 245 as at December 31, 2017.

#### **43- Important Events**

##### **Employees Stock Ownership Plan (ESOP)**

Based on the Resolution issued by the Extraordinary General Assembly on May 14, 2018, the Company's Articles of Association were amended to allow the Extraordinary General Assembly of the Company to implement one or more of the following plans to reward employees, managers and executive board members of the Company and the subsidiaries thereof:

- Granting bonus stocks.
- Offering shares at favorable rates or using easy payment methods.
- Giving a promise of sale to the employee to own shares in the Company after spending a specific employment period(s) and fulfilling certain requirements in accordance with the promise of sale policy issued by the Company.

The General Assembly shall determine how the shares needed to implement any of the said plans will be available for the employees, either through issuing new shares, buying the shares issued by the Company or transferring the reserve fund or part thereof as well as transferring the retained earnings to shares for the sake of increasing the issued capital. The Extraordinary General Assembly Resolution shall determine the terms and conditions organizing and governing the entitlement of the shares to be determined in accordance with the Plan Regulations including the terms and conditions relating to the employment period, position, key performance indicator rating and other conditions.

The Company may assign the management of the plan to any of the following entities:

- Authorized Custodians.
- A Brokerage Company trading in securities.
- Employees Contribution Union.

#### **44- 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.

##### **44-1 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.

##### **First: 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.

##### **44-2 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

#### **44-3 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.

##### **44-3-1 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.

##### **44-3-2 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.

#### **45- 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.

#### **46- Significant accounting policies**

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

##### **46-1 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.

- 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.

#### **46-2 Subsidiaries**

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

##### **46-2-1 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.

##### **46-2-2 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.

##### **46-2-3 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.

#### **46-2-4 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.

#### **46-3 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

- 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.

#### **46-4 Revenue Recognition**

##### **a- Cars and goods sales and related services**

- 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- Interest income**

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

Effective interest method

- 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.

e- Finance leasing

- The lease contract revenue is recognized based on the consequential interest income in addition to an amount equal to the leased assets depreciation, the difference between the income recognized and the accrued rental value for the same period is recorded in a separate account and is settled against the net carrying value of leased assets at the end of the lease contract period. The revenue on late interest charges is recognized starting from the year 2012 in response to article (19 e) of the leasing contracts.

**46-5 Expenses**

**Rent**

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

#### **46-6 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.

#### **46-7 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.

- 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.

#### **46-8 Property, plant and equipment and depreciation**

##### **1) Recognition and measurement**

- Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.
- If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
- Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

##### **2) Subsequent expenditure**

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

##### **3) Depreciation**

- Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the (straight-line method) over their estimated useful lives for each item, and is generally recognized in profit or loss.
- Land is not depreciated.
- Estimated depreciation rates for each type of assets for current and comparative periods are as follow:

<u>Asset</u>	<u>Depreciation years</u>
Building	20
Furniture	10
Computers	3
Machinery & equipment	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.

#### **46-9 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.

#### **46-10 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

- The Group's policy for goodwill arising on the acquisition of an associate is described above at "Investments in associates.

#### **46-11 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.

#### **46-12 Dividends Distribution**

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

#### **46-13 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.

- 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.

**46-14 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.

- 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.

### **46-15 Cash Flows**

- The statement of cash flows is prepared using the indirect method. For the purpose of preparing the cash flows, cash and cash equivalents consists of cash on hand, bank-current accounts, demand deposit which not exceed three months.



#### **46-16 Legal Reserve**

- 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.

#### **46-17 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".

#### **46-18 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.