

**Sarwa Capital Holding for Financial Investments (S.A.E)**  
**(Sarwa Capital for Financial Advisory-previously)**  
**Consolidated financial statements**  
**For the financial year ended December 31, 2018**  
**And Auditor's Report Theron**

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## Hazem Hassan

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### Independent Auditor's Report

#### **Sarwa Capital Holding for Financial Investments (Sarwa Capital for Financial Advisory-previously)**

##### **Report on Consolidated Financial Statements**

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

##### **Management's responsibility for the consolidated financial statements**

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

##### **Auditor's responsibility**

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

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

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





Hazem Hassan

Translation of financial statements originally issued in Arabic

## Opinion

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

## Explanatory paragraph

As detailed in Note 43 to the attached financial statements, Law No. 176 of 2018 concerning the organization of financial leasing and factoring activities has been issued. The Company's management has considered the application of the Egyptian Accounting Standard No. (20) Financial leasing on the contracts concluded under the provisions of the new law referred to above until the issuance of a new or modified Egyptian accounting standard dealing with these contracts.

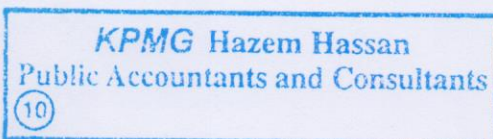
## Report on Other Legal and Regulatory Requirements

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

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

KPMG Hazem Hassans

Public Accountants and Consultants



Cairo, February 26, 2019

**Sarwa Capital Holding for Financial Investments**  
**(Sarwa Capital for Financial Advisory-previously)**  
**Consolidated Statement of Financial Position as at December 31,2018**

| <u>Assets</u>  | <u>Note</u> | <u>31-Dec-18</u>     | <u>31-Dec-17</u>     |
|--|-------------|----------------------|----------------------|
|  | <u>No.</u>  | <u>EGP</u>           | <u>EGP</u>           |
| <b><u>Non-current assets</u></b>                                     |             |                      |                      |
| Property, plant and equipment  | (17)        | 104 911 154          | 55 950 833           |
| Leased assets  | (18)        | 479 386 424          | 395 530 697          |
| Leased contracts under settlement                                    |             | (16 590 169)         | (29 064 750)         |
| Work in progress   |             | -                    | 5 283 416            |
| Goodwill   | (19)        | 26 474 070           | 26 474 070           |
| Investments in associates  | (20)        | 56 320 606           | 50 582 106           |
| Investments available for sale                                       | (21)        | 10 743 750           | 10 493 750           |
| Debtors and other debit balances                                     | (22)        | 6 792 381            | 4 157 888            |
| Payments for investments in subsidiaries                             |             | 9 999 800            | -                    |
| Accounts receivable  | (23)        | 971 304 273          | 869 847 743          |
| Securitization surplus   | (24)        | 144 153 062          | 110 293 739          |
| Deferred tax assets  | (15)        | 282 334              | 93 351               |
| <b>Total non-current assets</b>                                      |             | <b>1 793 777 685</b> | <b>1 499 642 843</b> |
| <b><u>Current Assets</u></b>   |             |                      |                      |
| Due from related parties - debit                                     | (35)        | 79 497 736           | 46 408 748           |
| Deferred cost -insurance policies                                    | (25)        | 15 626 174           | 13 652 855           |
| Debtors and other debit balances                                     | (22)        | 138 528 009          | 151 687 823          |
| Accounts receivable  | (23)        | 451 758 825          | 484 209 190          |
| Treasury bills   | (26)        | 221 543 264          | 40 945 166           |
| Conditional Bank Account   | (27)        | 2 330 082            | 78 297 301           |
| Cash and cash equivalents  | (28)        | 813 357 813          | 79 139 530           |
| <b>Total current assets</b>  |             | <b>1 722 641 903</b> | <b>894 340 613</b>   |
| <b>Total assets</b>  |             | <b>3 516 419 588</b> | <b>2 393 983 456</b> |
| <b><u>Shareholders' equity</u></b>                                   |             |                      |                      |
| Paid-in capital  | (29)        | 115 217 391          | 96 786 900           |
| Legal reserve  | (30)        | 48 393 450           | 48 393 450           |
| Share premium reserve  | (31)        | 749 049 322          | 64 266 710           |
| Retained earnings  | (32)        | 703 221 858          | 464 824 394          |
| <b>Equity attributable to the shareholders of the parent company</b> |             | <b>1 615 882 021</b> | <b>674 271 454</b>   |
| Non Controlling Interest   |             | 49 060 477           | 34 233 770           |
| <b>Total equity &amp; non controlling interest</b>                   |             | <b>1 664 942 498</b> | <b>708 505 224</b>   |
| <b><u>Non-current liabilities</u></b>                                |             |                      |                      |
| Loans and overdrafts   | (33)        | 1 319 608 562        | 979 342 678          |
| Suppliers and other credit balances                                  | (34)        | 6 118 853            | 6 443 820            |
| Deferred tax liabilities   | (15)        | 4 183 692            | 1 639 444            |
| <b>Total Non-current liabilities</b>                                 |             | <b>1 329 911 107</b> | <b>987 425 942</b>   |
| <b><u>Current liabilities</u></b>                                    |             |                      |                      |
| Loans and overdrafts   | (33)        | 253 451 321          | 350 905 354          |
| Suppliers and other credit balances                                  | (34)        | 221 689 894          | 297 311 086          |
| Current tax liabilities  |             | 42 308 453           | 36 327 329           |
| Due to related parties - credit                                      | (35)        | 4 116 315            | 13 508 521           |
| <b>Total current liabilities</b>                                     |             | <b>521 565 983</b>   | <b>698 052 290</b>   |
| <b>Total liabilities</b>   |             | <b>1 851 477 090</b> | <b>1 685 478 232</b> |
| <b>Total shareholders' equity and liabilities</b>                    |             | <b>3 516 419 588</b> | <b>2 393 983 456</b> |

\* The accompanying notes from (1) to (43) are an integral part of these financial statements.

Ahmed abdelkariem  
Financial Manager

Cairo February 26, 2019  
Auditor's report "Attached"

Ismail samir  
Financial Controller

Hazem Moussa  
Chairman & Managing Director

**Sarwa Capital Holding for Financial Investments****(Sarwa Capital for Financial Advisory-previously)****Consolidated Statement of Income for the financial year ended December 31,2018**

|   | <b><u>Note<br/>No.</u></b> | <b><u>31-Dec-18<br/>EGP</u></b> | <b><u>31-Dec-17<br/>EGP</u></b> |
|---|----------------------------|---------------------------------|---------------------------------|
| Sales revenue - goods and services        | (6)                        | 2 637 180 481                   | 2 265 992 870                   |
| Cost of sales - goods and services        | (8)                        | (2 497 495 884)                 | (2 151 761 672)                 |
| Income from transferred portfolios        |                            | 26 933 232                      | 37 384 402                      |
| Interest income - goods and services      | (7)                        | 247 464 481                     | 277 580 404                     |
| Securitization proceeds                   |                            | 81 117 024                      | 6 881 913                       |
| Discounting proceeds                      |                            | 21 401 291                      | 41 025 965                      |
| Portfolio Transferred proceeds            |                            | -                               | 1 241 992                       |
| Interest expense                          |                            | (278 328 110)                   | ( 241 310 548)                  |
| <b>Gross profit</b>                       |                            | <b>238 272 515</b>              | <b>237 035 326</b>              |
| Operating revenue                         | (9)                        | 146 147 945                     | 74 402 789                      |
| Services and collection revenue           | (35)                       | 1 134 025                       | 2 068 936                       |
| Securitization net revenue                | (10)                       | 132 136 988                     | 79 767 210                      |
| Administrative fees revenue               | (11)                       | 33 610 694                      | 32 162 391                      |
| Other revenue                             | (12)                       | 73 189 868                      | 41 252 883                      |
| Operating expense                         | (13)                       | (55 517 322)                    | (55 310 150)                    |
| Sales and distribution expense            |                            | (22 568 982)                    | (17 777 101)                    |
| General and administrative expenses       | (14)                       | (194 441 426)                   | (137 455 101)                   |
| Initial public offering expenses          |                            | (22 745 323)                    | -                               |
| Board of directors allowances             |                            | ( 80 000)                       | ( 79 000)                       |
| Impairment of financial assets            |                            | (14 330 366)                    | (17 358 413)                    |
| <b>Net operating income</b>               |                            | <b>314 808 616</b>              | <b>238 709 770</b>              |
| Profit share from associates              |                            | 51 526 218                      | 47 271 281                      |
| Foreign currency differences              |                            | 66 898                          | ( 764 794)                      |
| Health insurance tax provision            |                            | (5 617 812)                     | -                               |
| <b>Net profit for the year before tax</b> |                            | <b>360 783 920</b>              | <b>285 216 257</b>              |
| Income tax                                | (15)                       | (62 969 284)                    | (81 017 612)                    |
| <b>Net profit for the year after tax</b>  |                            | <b>297 814 636</b>              | <b>204 198 645</b>              |
| <b><u>Distributed as follows:</u></b>     |                            |                                 |                                 |
| Owners of the company                     |                            | 282 751 702                     | 187 006 882                     |
| Non controlling interest                  |                            | 15 062 934                      | 17 191 763                      |
|   |                            | <b>297 814 636</b>              | <b>204 198 645</b>              |
| Earnings per share for the year           | (16)                       | <b>0.45</b>                     | <b>0.32</b>                     |

\* The accompanying notes from (1) to (43) are an integral part of these financial statements.

**Sarwa Capital Holding for Financial Investments**

**(Sarwa Capital for Financial Advisory-previously)**

**Consolidated Statement of Comprehensive Income for the financial year ended December 31,2018**

|  | <b><u>31-Dec-18</u></b>   | <b><u>31-Dec-17</u></b>   |
|--|---------------------------|---------------------------|
|  | <b><u>EGP</u></b>         | <b><u>EGP</u></b>         |
| Net profit for the year after income tax                             | <u>297 814 636</u>        | <u>204 198 645</u>        |
| <b>Total comprehensive income for the year</b>                       | <b><u>297 814 636</u></b> | <b><u>204 198 645</u></b> |
| <br><b><u>Total comprehensive income distributed as follows:</u></b> |                           |                           |
| Owners of the company  | 282 751 702               | 187 006 882               |
| Non controlling interest   | <u>15 062 934</u>         | <u>17 191 763</u>         |
|  | <b><u>297 814 636</u></b> | <b><u>204 198 645</u></b> |

\* The accompanying notes from (1) to (43) are an integral part of these financial statements.

**Sarwa Capital Holding for Financial Investments****(Sarwa Capital for Financial Advisory-previously)****Consolidated Statement of Changes in Equity for the financial year ended December 31,2018**

|  | <b><u>Paid in capital</u></b><br><b><u>EGP</u></b> | <b><u>Advance</u></b><br><b><u>payment -</u></b><br><b><u>capital increase</u></b><br><b><u>EGP</u></b> | <b><u>Legal reserve</u></b><br><b><u>EGP</u></b> | <b><u>Share premium</u></b><br><b><u>reserve</u></b><br><b><u>EGP</u></b> | <b><u>Retained</u></b><br><b><u>earnings</u></b><br><b><u>EGP</u></b> | <b><u>Total owners of</u></b><br><b><u>the company</u></b><br><b><u>EGP</u></b> | <b><u>Non controlling</u></b><br><b><u>interest</u></b><br><b><u>EGP</u></b> | <b><u>Total equity</u></b><br><b><u>EGP</u></b> |
|--|--|---|--|---|---|---|--|---|
| 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 financial year              | -  | -   | -  | -   | 187 006 882   | 187 006 882   | 17 191 763   | 204 198 645                                     |
| <b><u>Transactions with the owners of the company:</u></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  | -  | -   | -  | -   | (16 364 035)  | (16 364 035)  | (4 760 706)  | (21 124 741)                                    |
| <b>Balance at 31 December 2017</b>                             | <b>96 786 900</b>                                  | <b>-</b>  | <b>48 393 450</b>                                | <b>64 266 710</b>   | <b>464 824 394</b>  | <b>674 271 454</b>  | <b>34 233 770</b>  | <b>708 505 224</b>                              |
| 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 financial year              | -  | -   | -  | -   | 282 751 702   | 282 751 702   | 15 062 934   | 297 814 636                                     |
| <b><u>Transactions with the owners of the company:</u></b>     |  |   |  |   |   |   |  |   |
| Increase in paid in capital                                    | 18 430 491   | -   | -  | 684 782 612   | -   | 703 213 103   | -  | 703 213 103                                     |
| The share of non controlling interest in subsidiaries' capital | -  | -   | -  | -   | -   | -   | 17 515 000   | 17 515 000                                      |
| Dividends  | -  | -   | -  | -   | (44 354 238)  | (44 354 238)  | (17 751 227)   | (62 105 465)                                    |
| <b>Balance at 31 December 2018</b>                             | <b>115 217 391</b>                                 | <b>-</b>  | <b>48 393 450</b>                                | <b>749 049 322</b>  | <b>703 221 858</b>  | <b>1615 882 021</b>   | <b>49 060 477</b>  | <b>1 664 942 498</b>                            |

\* The accompanying notes from (1) to (43) are an integral part of these financial statements.



**Sarwa Capital Holding for Financial Investments**  
**(Sarwa Capital for Financial Advisory-previously)**  
**Consolidated Statement of Cash Flows for the financial year ended December 31,2018**

|   | <b><u>Note<br/>No.</u></b> | <b><u>31-Dec-18<br/>EGP</u></b> | <b><u>31-Dec-17<br/>EGP</u></b> |
|---|----------------------------|---------------------------------|---------------------------------|
| <b><u>Cash flows from operating activities</u></b>                |                            |                                 |                                 |
| Net profit for the year before taxes                              |                            | 360 783 920                     | 285 216 257                     |
| <b><u>Adjustments for</u></b>                                     |                            |                                 |                                 |
| Property, plant and equipment depreciation                        | (17)                       | 11 297 879                      | 7 595 288                       |
| Leased assets depreciation  | (18)                       | 147 440 885                     | 100 737 284                     |
| Impairments of financial assets                                   |                            | 14 330 366                      | 17 358 413                      |
| Interest revenue  |                            | ( 69 888 853)                   | ( 34 213 585)                   |
| Finance Expense   |                            | 278 328 110                     | 241 310 548                     |
| Securitization proceeds   | (8)                        | ( 81 117 024)                   | ( 6 881 913)                    |
| Discounting proceeds  | (9)                        | ( 21 401 291)                   | ( 41 025 965)                   |
| Profit share from associates                                      |                            | ( 40 013 565)                   | ( 37 800 136)                   |
| Health insurance tax provision                                    |                            | 5 617 812                       | -                               |
|   |                            | <b><u>605 378 239</u></b>       | <b><u>532 296 191</u></b>       |
| <b><u>Changes in:</u></b>   |                            |                                 |                                 |
| Purchase of leased assets   | (18)                       | ( 285 496 358)                  | ( 207 844 319)                  |
| Proceeds from sale of leased assets                               |                            | 45 226 446                      | 64 776 721                      |
| Lease contracts under settlement                                  |                            | ( 12 474 581)                   | ( 18 317 748)                   |
| Accounts receivable   |                            | (1 511 032 708)                 | (1 363 108 974)                 |
| Proceeds from sale of receivable portfolios                       |                            | 1 539 187 792                   | 1 331 368 501                   |
| Accrued deferred cost from insurance policy                       |                            | ( 1 973 319)                    | ( 1 677 068)                    |
| Suppliers and other credit balances                               |                            | ( 105 460 456)                  | 30 401 104                      |
| Debtors and other debit balances                                  |                            | 11 002 065                      | ( 127 658 658)                  |
| Related parties-debit   |                            | ( 33 088 988)                   | 3 251 365                       |
| Related parties-credit  |                            | ( 9 392 206)                    | ( 36 312 398)                   |
| Surplus of securitization process                                 |                            | ( 33 859 323)                   | ( 28 123 699)                   |
| Conditional Bank Account  |                            | 75 967 219                      | ( 74 306 688)                   |
| <b><u>Cash provided by operating activities</u></b>               |                            | <b><u>283 983 822</u></b>       | <b><u>104 744 330</u></b>       |
| Proceeds from interest revenue                                    |                            |                                 |                                 |
| Financing interest paid   |                            | ( 254 300 406)                  | ( 216 499 136)                  |
| Income tax paid   |                            | ( 54 764 114)                   | ( 3 917 494)                    |
| <b><u>Net cash (used in) operating activities</u></b>             |                            | <b><u>( 25 080 698)</u></b>     | <b><u>( 115 672 300)</u></b>    |
| <b><u>Cash flows from investing activities</u></b>                |                            |                                 |                                 |
| Purchase of property, plant, equipment                            | (17)                       | ( 60 264 831)                   | ( 8 376 482)                    |
| Proceeds from sale of property, plant and equipment               |                            | 6 631                           | 521 472                         |
| Works in progress   |                            | 5 283 416                       | ( 5 283 416)                    |
| Purchases of available for sale investments                       |                            | ( 250 000)                      | ( 500 000)                      |
| Proceeds of available for sale investments                        |                            | -                               | 20 769 230                      |
| Proceeds from interest revenue                                    |                            | 69 412 109                      | 34 213 585                      |
| Payments for investment in subsidiaries                           |                            | ( 9 999 800)                    |                                 |
| Treasury Bills  |                            | ( 180 598 098)                  | 1 373 392                       |
| Dividends from associates   |                            | 34 275 065                      | 7 435 134                       |
| The share of non controlling interest in subsidiaries' capital    |                            | 17 515 000                      | -                               |
| <b><u>Net cash (used in) provided by investing activities</u></b> |                            | <b><u>( 124 620 508)</u></b>    | <b><u>50 152 915</u></b>        |
| <b><u>Cash flows from financing activities</u></b>                |                            |                                 |                                 |
| Paid dividends  |                            | ( 62 105 465)                   | ( 21 124 741)                   |
| Increase in paid in capital                                       |                            | 18 430 491                      | -                               |
| Increase in share premium reserve                                 |                            | 684 782 612                     | -                               |
| Change in banks and overdrafts                                    |                            | 242 811 851                     | 48 708 108                      |
| <b><u>Net cash provided by financing activities</u></b>           |                            | <b><u>883 919 489</u></b>       | <b><u>27 583 367</u></b>        |
| Net change in cash and cash equivalent during the year            |                            | 734 218 283                     | ( 37 936 018)                   |
| Cash and cash equivalent at the beginning of the year             |                            | 79 139 530                      | 117 075 548                     |
| <b><u>Cash and cash equivalent at the end of the year</u></b>     | (28)                       | <b><u>813 357 813</u></b>       | <b><u>79 139 530</u></b>        |

\* The accompanying notes from (1) to (43) are an integral part of these financial statements.

**Sarwa Capital Holding for Financial Investments (S.A.E)**  
**(Sarwa Capital for Financial Advisory-previously)**  
**Notes to the consolidated financial statements**  
**For the financial year ended December 31, 2018**

**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 December 31, 2018:

| <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                                      | 99.9998%                  | -               |
| 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%             |
| *Modern Finance                                   | -                         | 50%             |
| *Get Go Credit Service                            | -                         | 99.9996%        |
| *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**

### **The applicable accounting standards**

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

The Board of Directors approved the issuance of the consolidated financial statements on February 26, 2019.

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

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

## **4- Use of judgments and estimates**

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

Fair value measurement

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

**-Fair value measurement**

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

- |                      |  |
|----------------------|--|
| <b>First level:</b>  | The quoted prices of fair value of financial instruments in active markets.  |
| <b>Second level:</b> | 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. |
| <b>Third level:</b>  | Other evaluating methods which is not relayed on any factors with material important inputs to comparable market information.  |



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| <b>Financial assets</b>               | <b>31 December 2018</b> | <b>31 December 2017</b> | <b>Level of fair value</b> | <b>Valuation techniques and main entries</b>            |
|---------------------------------------|-------------------------|-------------------------|----------------------------|---|
|                                       | <b>EGP</b>              | <b>EGP</b>              |                            |   |
| Available for sale investments-shares | 6 413 750               | 6 413 750               | Third                      | Other valuation techniques                              |
| Available for sale investments-bonds  | 4 330 000               | 4 080 000               | Second                     | Quoted prices in active market for financial securities |

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**5- Operating segments**

Segment information is presented in respect of the Group's business segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment.

The group has 7 operating segments that are being financially reported to the management and these reports are exposing different products and services that are being managed separately because it required different technological and market strategies.

The revenue & expense and assets & liabilities analysis in the table below is based on the type of business activities and services that are distinguishable component.

**For the the year ended December 31, 2018**

| <u>Item</u>                              | <u>Car Finance</u> | <u>Consumer Goods</u> | <u>Finance Leasing</u> | <u>Insurance &amp; Insurance Brokerage</u> | <u>Mortgage</u>   | <u>Factoring</u> | <u>Securitization</u> | <u>Others</u>      | <u>Total</u>       |
|--|--------------------|-----------------------|------------------------|--|-------------------|------------------|-----------------------|--------------------|--------------------|
| <b>Gross profit</b>                      | <b>153 538 163</b> | <b>18 522 935</b>     | <b>36 263 525</b>      | <b>23 739 512</b>                          | <b>12 909 631</b> | <b>-</b>         | <b>(18 035 064)</b>   | <b>11 333 813</b>  | <b>238 272 515</b> |
| <b>Total operating income</b>            | <b>74 476 377</b>  | <b>11 934 462</b>     | <b>21 506 895</b>      | <b>25 163 823</b>                          | <b>976 929</b>    | <b>942 399</b>   | <b>180 865 400</b>    | <b>(1 057 669)</b> | <b>314 808 616</b> |
| Profit share from associates             | -                  | -                     | -                      | -  | -                 | -                | -                     | 51 526 218         | 51 526 218         |
| Forgein currency translation             | -                  | -                     | -                      | -  | -                 | -                | -                     | 66 898             | 66 898             |
| Takaful health insurance provision       | (3 564 558)        | ( 188 828)            | ( 354 814)             | ( 67 339)                                  | ( 65 127)         | ( 2 047)         | (1 245 845)           | ( 129 254)         | (5 617 812)        |
| Net profit for the year before tax       | <b>70 911 819</b>  | <b>11 745 634</b>     | <b>21 152 081</b>      | <b>25 096 484</b>                          | <b>911 802</b>    | <b>940 352</b>   | <b>179 619 555</b>    | <b>50 406 193</b>  | <b>360 783 920</b> |
| Income Tax                               | (11 357 595)       | (2 878 606)           | (6 858 044)            | (5 636 886)                                | ( 40 982)         | ( 212 040)       | (29 488 800)          | (6 496 331)        | (62 969 284)       |
| <b>Net profit for the year After tax</b> | <b>59 554 224</b>  | <b>8 867 028</b>      | <b>14 294 037</b>      | <b>19 459 598</b>                          | <b>870 820</b>    | <b>728 312</b>   | <b>150 130 755</b>    | <b>43 909 862</b>  | <b>297 814 636</b> |
| <b>Total current assets</b>              | 873 840 897        | 88 528 608            | 141 729 253            | 130 692 258                                | 109 408 074       | 56 270 624       | 125 546 203           | 196 625 986        | 1 722 641 903      |
| <b>Total non current assets</b>          | 702 606 087        | 9 365 600             | 464 103 471            | 3 084 984                                  | 333 902 259       | -                | 145 050 620           | 135 664 664        | 1 793 777 685      |
| <b>Total non current liabilities</b>     | 730 419 148        | 2 522 253             | 259 635 229            | 139 559                                    | 279 811 865       | -                | -                     | 57 383 053         | 1 329 911 107      |
| <b>Total current liabilities</b>         | 115 702 247        | 53 589 852            | 161 834 094            | 11 178 081                                 | 64 376 810        | 191 748          | 42 896 749            | 71 796 402         | 521 565 983        |

**For the the year ended December 31, 2017**

| <u>Item</u>                              | <u>Car Finance</u> | <u>Consumer Goods</u> | <u>Finance Leasing</u> | <u>Insurance &amp; Insurance Brokerage</u> | <u>Mortgage</u>    | <u>Factoring</u> | <u>Securitization</u> | <u>Others</u>     | <u>Total</u>       |
|--|--------------------|-----------------------|------------------------|--|--------------------|------------------|-----------------------|-------------------|--------------------|
| <b>Gross profit</b>                      | <b>153 519 287</b> | <b>9 198 178</b>      | <b>39 368 530</b>      | <b>16 833 432</b>                          | <b>5 738 547</b>   | <b>-</b>         | <b>1 715 140</b>      | <b>10 662 212</b> | <b>237 035 326</b> |
| <b>Total operating income</b>            | <b>105 850 233</b> | <b>8 813 305</b>      | <b>18 872 859</b>      | <b>14 582 443</b>                          | <b>(2 421 630)</b> | <b>491 217</b>   | <b>86 984 903</b>     | <b>5 536 440</b>  | <b>238 709 770</b> |
| Profit share from associates             | -                  | -                     | -                      | -  | -                  | -                | -                     | 47 271 281        | 47 271 281         |
| Forgein currency translation             | -                  | -                     | -                      | -  | -                  | -                | -                     | ( 764 794)        | ( 764 794)         |
| Net profit for the year before tax       | <b>105 850 233</b> | <b>8 813 305</b>      | <b>18 872 859</b>      | <b>14 582 443</b>                          | <b>(2 421 630)</b> | <b>491 217</b>   | <b>86 984 903</b>     | <b>52 042 927</b> | <b>285 216 257</b> |
| Income Tax                               | ( 45 669 747)      | ( 1 982 993)          | ( 6 855 182)           | ( 3 281 050)                               | ( 19 021)          | ( 101 777)       | ( 8 996 184)          | ( 14 111 658)     | (81 017 612)       |
| <b>Net profit for the year after tax</b> | <b>60 180 486</b>  | <b>6 830 312</b>      | <b>12 017 677</b>      | <b>11 301 393</b>                          | <b>(2 440 651)</b> | <b>389 440</b>   | <b>77 988 719</b>     | <b>37 931 269</b> | <b>204 198 645</b> |
| <b>Total current assets</b>              | 511 019 692        | 53 721 651            | 53 747 889             | 26 259 227                                 | 33 108 274         | 10 360 999       | 58 762 613            | 147 360 268       | 894 340 613        |
| <b>Total non current assets</b>          | 713 640 247        | 7 333 439             | 368 931 241            | 540 670                                    | 77 794 874         | -                | 415 218               | 330 987 154       | 1 499 642 843      |
| <b>Total non current liabilities</b>     | 623 248 373        | 4 968 095             | 201 222 695            | 4 846                                      | 54 690 863         | -                | -                     | 103 291 070       | 987 425 942        |
| <b>Total current liabilities</b>         | 342 583 702        | 43 171 932            | 136 137 069            | 5 037 800                                  | 7 961 449          | 10 435           | 63 726 688            | 99 423 215        | 698 052 290        |

**6- Sales of goods and services revenue**

|               | <b><u>31-Dec-18</u></b>     | <b><u>31-Dec-17</u></b>     |
|---------------|-----------------------------|-----------------------------|
|               | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
| Goods sold    | 2 326 381 312               | 2 046 215 384               |
| Lease revenue | 259 733 143                 | 197 489 588                 |
| Service sold  | 51 066 026                  | 22 287 898                  |
|               | <b><u>2 637 180 481</u></b> | <b><u>2 265 992 870</u></b> |

**7- Interest income- goods and services**

|                             | <b><u>31-Dec-18</u></b>   | <b><u>31-Dec-17</u></b>   |
|-----------------------------|---------------------------|---------------------------|
|                             | <b><u>EGP</u></b>         | <b><u>EGP</u></b>         |
| Car installments            | 185 022 296               | 254 533 261               |
| Mortgages                   | 36 317 435                | 10 593 101                |
| Consumer goods installments | 26 124 750                | 12 454 042                |
| <b>Total</b>                | <b><u>247 464 481</u></b> | <b><u>277 580 404</u></b> |

**8- Cost of sales - goods and services**

|  | <b><u>31-Dec-18</u></b>     | <b><u>31-Dec-17</u></b>     |
|--|-----------------------------|-----------------------------|
|  | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
| Cost of goods sold                         | 2 326 381 312               | 2 046 215 384               |
| Cost of services sold                      | 21 821 377                  | 3 399 302                   |
| Cost of leasing contracts and depreciation | 149 293 195                 | 102 146 986                 |
|  | <b><u>2 497 495 884</u></b> | <b><u>2 151 761 672</u></b> |

**9- Operating revenue**

|                                   | <b><u>31-Dec-18</u></b>   | <b><u>31-Dec-17</u></b>  |
|-----------------------------------|---------------------------|--------------------------|
|                                   | <b><u>EGP</u></b>         | <b><u>EGP</u></b>        |
| Management and incentive fees     | 13 784 072                | 12 573 937               |
| Other service revenue (Insurance) | 43 206 812                | 40 121 904               |
| Credit Interest (Insurance)       | 12 978 192                | 12 249 843               |
| Other operating revenue           | 76 178 869                | 9 457 105                |
| <b>Total</b>                      | <b><u>146 147 945</u></b> | <b><u>74 402 789</u></b> |

**10- Securitization net revenue**

|  | <b><u>31-Dec-18</u></b>   | <b><u>31-Dec-17</u></b>  |
|--|---------------------------|--------------------------|
|  | <b><u>EGP</u></b>         | <b><u>EGP</u></b>        |
| Interest income from financial rights portfolio                      | 651 128 422               | 222 773 532              |
| Proceeds from surplus of investments at custody                      | 69 365 691                | 40 733 190               |
| Interest from bonds loan and the amortization of securitization cost | (496 554 298)             | (172 103 586)            |
| Insurance policy cost  | (16 536 417)              | (7 504 416)              |
| Collector fees   | (1 004 008)               | (1 945 407)              |
| Custody fees   | (5 000 935)               | (2 186 103)              |
| Issuance fees  | (69 261 467)              | -                        |
| <b>Proceeds from securitization process</b>                          | <b><u>132 136 988</u></b> | <b><u>79 767 210</u></b> |

**11- Revenues from administrative services**

Revenues from administrative services amounted to EGP 33 610 694 during the year ended December 31, 2018 compared to EGP 32 162 391 during the year ended December 31, 2017. A percentage of auto financing contracts is collected as administrative fees to offset sales commissions and some other administrative costs.



**12- Other revenue**

|                 | <b><u>31-Dec-18</u></b>  | <b><u>31-Dec-17</u></b>  |
|-----------------|--------------------------|--------------------------|
|                 | <b><u>EGP</u></b>        | <b><u>EGP</u></b>        |
| Interest income | 69 888 853               | 34 213 585               |
| Other           | 3 301 015                | 7 039 298                |
| <b>Total</b>    | <b><u>73 189 868</u></b> | <b><u>41 252 883</u></b> |

**13- Operating expenses**

|                                 | <b><u>31-Dec-18</u></b>  | <b><u>31-Dec-17</u></b>  |
|---------------------------------|--------------------------|--------------------------|
|                                 | <b><u>EGP</u></b>        | <b><u>EGP</u></b>        |
| Other services Cost (Insurance) | 48 482 266               | 48 534 933               |
| Experts fees                    | 1 948 721                | 2 119 779                |
| Other operating expenses        | 5 086 335                | 4 655 438                |
| <b>Total</b>                    | <b><u>55 517 322</u></b> | <b><u>55 310 150</u></b> |

**14- General and administrative expenses**

|   | <b><u>31-Dec-18</u></b><br><b><u>EGP</u></b> | <b><u>31-Dec-17</u></b><br><b><u>EGP</u></b> |
|---|--|--|
| Salaries, wages and medical Care                                | 118 751 034                                  | 81 767 604                                   |
| Lease payments  | 1 026 790                                    | 843 968                                      |
| Insurance   | 13 413 642                                   | 8 823 049                                    |
| Property, plant and equipment depreciation                      | 11 297 879                                   | 7 595 288                                    |
| Professional and consultant fees                                | 13 011 864                                   | 9 894 655                                    |
| Branches and cars rent  | 6 504 160                                    | 5 120 884                                    |
| Bank charges  | 1 835 739                                    | 2 102 050                                    |
| Advertising, administrative expenses and stock exchange renewal | 1 625 950                                    | 1 292 671                                    |
| Vehicles related expenses                                       | 1 139 696                                    | 1 032 493                                    |
| Establishing fees   | 245 664                                      | -  |
| Miscellaneous expenses  | 25 589 008                                   | 18 982 439                                   |
|   | <b><u>194 441 426</u></b>                    | <b><u>137 455 101</u></b>                    |

**15- Income Tax**

|   | <b><u>31-Dec-18</u></b><br><b><u>EGP</u></b> | <b><u>31-Dec-17</u></b><br><b><u>EGP</u></b> |
|---|--|--|
| <b><u>Charged to income statement</u></b> |  |  |
| Current income tax                        | 60 614 019                                   | 80 934 832                                   |
| Deferred income tax                       | 2 355 265                                    | 82 780                                       |
| <b>Total</b>                              | <b><u>62 969 284</u></b>                     | <b><u>81 017 612</u></b>                     |

**Deferred Tax Assets**

|  | <b><u>31-Dec-18</u></b><br><b><u>EGP</u></b> | <b><u>31-Dec-17</u></b><br><b><u>EGP</u></b> |
|--|--|--|
| Property, plant and equipment (depreciation) | 282 334                                      | 93 351                                       |
| <b>Total</b>                                 | <b><u>282 334</u></b>                        | <b><u>93 351</u></b>                         |

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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><b>31-Dec-18</b></u> | <u><b>31-Dec-17</b></u>  |
|--|-------------------------|--------------------------|
|  | <u><b>EGP</b></u>       | <u><b>EGP</b></u>        |
| Debtors and other debit balance impairment | 1 754 337               | 1 754 337                |
| Default reserve- Discounting protofolios   | 1 620 629               | 17 434 977               |
| Accounts receivables impairment            | 2 064 427               | 1 567 516                |
|  | <u><b>5 439 394</b></u> | <u><b>20 756 830</b></u> |

**Deferred Tax Liability**

|  | <u><b>31-Dec-18</b></u> | <u><b>31-Dec-17</b></u> |
|--|-------------------------|-------------------------|
|  | <u><b>EGP</b></u>       | <u><b>EGP</b></u>       |
| Property, plant and equipment (depreciation) | 4 183 692               | 1 639 444               |
| <b>Total</b>                                 | <u><b>4 183 692</b></u> | <u><b>1 639 444</b></u> |

|  | <u><b>31-Dec-18</b></u>         | <u><b>31-Dec-17</b></u>         |
|--|---------------------------------|---------------------------------|
|  | <u><b>EGP</b></u>               | <u><b>EGP</b></u>               |
| <b>As follows the movement on the deferred tax</b> | <u><b>Asset (liability)</b></u> | <u><b>Asset (liability)</b></u> |
|  | <u><b>Revenue (Expense)</b></u> | <u><b>Revenue (Expense)</b></u> |
| Beginning balance                                  | ( 1 546 093)                    | ( 1 463 313)                    |
| Deferred income tax                                | ( 2 355 265)                    | ( 82 780)                       |
| <b>Ending balance</b>                              | <u><b>(3 901 358)</b></u>       | <u><b>(1 546 093)</b></u>       |

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|   | <b><u>31-Dec-18</u></b>  | <b><u>31-Dec-17</u></b>  |
|---|--------------------------|--------------------------|
| <b><u>Effective tax rate</u></b>          | <b><u>EGP</u></b>        | <b><u>EGP</u></b>        |
| Net profit (before tax)                   | 360 783 920              | 285 216 257              |
| Tax rate                                  | 22.50%                   | 22.50%                   |
| Income tax calculated based on net income | <b><u>81 176 382</u></b> | <b><u>64 173 658</u></b> |
| Tax adjustments-net                       | (18 207 098)             | 16 843 954               |
| <b>Income tax</b>                         | <b><u>62 969 284</u></b> | <b><u>81 017 612</u></b> |
| Effective tax rate                        | <b><u>17.45%</u></b>     | <b><u>28.41%</u></b>     |

**16- 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.

|   | <b><u>31-Dec-18</u></b> | <b><u>31-Dec-17</u></b> |
|---|-------------------------|-------------------------|
| Net Profit for the year after taxes for owners of the company | 282 751 702             | 187 006 882             |
| weighted average No. of ordinary shares                       | 630 465 486             | 589 288 398             |
| <b>Earnings per share</b>                                     | <b><u>0.45</u></b>      | <b><u>0.32</u></b>      |



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**17- Property, plant and equipment**

|   | <u>Lands</u>      | <u>Buildings</u> | <u>Vehicles</u> | <u>Furniture and<br/>fixture</u> | <u>Machinery &amp;<br/>Equipment</u> | <u>Computers and<br/>software</u> | <u>Leasehold<br/>Improvement</u> | <u>Total</u>       |
|---|-------------------|------------------|-----------------|----------------------------------|--------------------------------------|-----------------------------------|----------------------------------|--------------------|
| <u>Cost</u>                                       | <u>EGP</u>        | <u>EGP</u>       | <u>EGP</u>      | <u>EGP</u>                       | <u>EGP</u>                           | <u>EGP</u>                        | <u>EGP</u>                       | <u>EGP</u>         |
| Balance at 1 January 2017                         | 29 662 500        | 2 593 854        | 109 400         | 7 116 893                        | 3 300 744                            | 18 937 176                        | 13 536 360                       | 75 256 927         |
| Additions for the year                            | -                 | -                | 44 800          | 739 118                          | 721 070                              | 3 928 906                         | 2 942 588                        | 8 376 482          |
| Disposals during the year                         | -                 | -                | ( 65 900)       | -                                | ( 88 054)                            | ( 19 551)                         | ( 577 610)                       | ( 751 115)         |
| Total cost in 31 December 2017                    | 29 662 500        | 2 593 854        | 88 300          | 7 856 011                        | 3 933 760                            | 22 846 531                        | 15 901 338                       | 82 882 294         |
| Balance at 1 January 2018                         | 29 662 500        | 2 593 854        | 88 300          | 7 856 011                        | 3 933 760                            | 22 846 531                        | 15 901 338                       | 82 882 294         |
| Additions for the year                            | -                 | -                | -               | 8 961 756                        | 1 492 179                            | 6 336 848                         | 43 474 048                       | 60 264 831         |
| Disposals during the year                         | -                 | -                | -               | -                                | ( 41 800)                            | -                                 | -                                | ( 41 800)          |
| Total cost in 31 December 2018                    | 29 662 500        | 2 593 854        | 88 300          | 16 817 767                       | 5 384 139                            | 29 183 379                        | 59 375 386                       | 143 105 325        |
| <b><u>Accumulated Depreciation</u></b>            |                   |                  |                 |                                  |                                      |                                   |                                  |                    |
| Accumulated depreciation in 1 January 2017        | -                 | 64 846           | 57 187          | 3 547 091                        | 1 731 888                            | 10 664 184                        | 3 500 620                        | 19 565 816         |
| Depreciation for the year                         | -                 | 129 693          | 31 623          | 783 097                          | 598 557                              | 4 062 497                         | 1 989 821                        | 7 595 288          |
| Accumulated depreciation for disposals            | -                 | -                | ( 42 130)       | -                                | ( 60 561)                            | ( 15 483)                         | ( 111 469)                       | ( 229 643)         |
| Total Accumulated depreciation in 31 December 201 | -                 | 194 539          | 46 680          | 4 330 188                        | 2 269 884                            | 14 711 198                        | 5 378 972                        | 26 931 461         |
| Accumulated depreciation in 1 January 2018        | -                 | 194 539          | 46 680          | 4 330 188                        | 2 269 884                            | 14 711 198                        | 5 378 972                        | 26 931 461         |
| Depreciation for the year                         | -                 | 129 693          | 21 086          | 1 018 575                        | 740 886                              | 4 987 865                         | 4 399 774                        | 11 297 879         |
| Accumulated depreciation for disposals            | -                 | -                | -               | -                                | ( 35 169)                            | -                                 | -                                | ( 35 169)          |
| Total Accumulated depreciation in 31 December 201 | -                 | 324 232          | 67 766          | 5 348 763                        | 2 975 601                            | 19 699 063                        | 9 778 746                        | 38 194 171         |
| <b>Net as at 31 December 2017</b>                 | <b>29 662 500</b> | <b>2 399 315</b> | <b>41 620</b>   | <b>3 525 823</b>                 | <b>1 663 876</b>                     | <b>8 135 333</b>                  | <b>10 522 366</b>                | <b>55 950 833</b>  |
| <b>Net as at 31 December 2018</b>                 | <b>29 662 500</b> | <b>2 269 622</b> | <b>20 534</b>   | <b>11 469 004</b>                | <b>2 408 538</b>                     | <b>9 484 316</b>                  | <b>49 596 640</b>                | <b>104 911 154</b> |

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**18- Leased Assets (net)**

|  | <u>Real Estate</u> | <u>Machinery &amp;<br/>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 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 year                             | 50 000 000         | 117 935 008                          | 960 725          | 116 600 625                | 285 496 358        |
| Disposals during the year                          | ( 1 085 000)       | ( 47 664 898)                        | ( 6 920 110)     | ( 34 678 514)              | (90 348 522)       |
| Total cost in 31 December 2018                     | 73 607 680         | 392 470 241                          | 6 905 499        | 273 340 561                | 746 323 981        |
| <b><u>Accumulated Depreciation</u></b>             |                    |                                      |                  |                            |                    |
| Accumulated depreciation in 1 January 2017         | 729 328            | 42 080 132                           | 9 319 649        | 18 937 172                 | 71 066 281         |
| Depreciation for the year                          | 560 478            | 58 298 663                           | 6 461 982        | 35 416 160                 | 100 737 283        |
| Accumulated depreciation for disposals             | -                  | ( 7 588 297)                         | ( 10 783 614)    | ( 10 615 710)              | (28 987 621)       |
| Total Accumulated depreciation in 31 December 2017 | 1 289 806          | 92 790 498                           | 4 998 017        | 43 737 622                 | 142 815 943        |
| Accumulated depreciation in 1 January 2018         | 1 289 806          | 92 790 498                           | 4 998 017        | 43 737 622                 | 142 815 943        |
| Depreciation for the year                          | 1 015 270          | 90 303 624                           | 3 766 690        | 52 355 301                 | 147 440 885        |
| Accumulated depreciation for disposals             | ( 162 750)         | ( 23 959 052)                        | ( 4 598 613)     | ( 16 401 661)              | (45 122 076)       |
| Total Accumulated depreciation in 31 December 2018 | 2 142 326          | 159 135 070                          | 4 166 094        | 79 691 262                 | 245 134 752        |
| <b>Net book value</b>                              |                    |                                      |                  |                            |                    |
| <b>As as at 31 December 2017</b>                   | <b>23 402 874</b>  | <b>229 409 633</b>                   | <b>7 866 867</b> | <b>147 680 828</b>         | <b>408 360 202</b> |
| <b>As as at 31 December 2018</b>                   | <b>71 465 354</b>  | <b>233 335 171</b>                   | <b>2 739 405</b> | <b>193 649 299</b>         | <b>501 189 229</b> |
|  | <u>31-Dec-18</u>   | <u>31-Dec-17</u>                     |                  |                            |                    |
|  | <u>EGP</u>         | <u>EGP</u>                           |                  |                            |                    |
| Net leased assets                                  | 501 189 229        | 408 360 202                          |                  |                            |                    |
| Impairment of financial leased assets              | (21 802 805)       | (12 829 505)                         |                  |                            |                    |
| Net  | <b>479 386 424</b> | <b>395 530 697</b>                   |                  |                            |                    |

**19- Goodwill**

| <b><u>Company</u></b> | <b><u>Description</u></b>   |
|-----------------------|---|
| 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.

**20- Investments in associates**

| <b><u>Company's Name</u></b>    | <b><u>% of</u></b>  | <b><u>Ownership</u></b>  | <b><u>% of</u></b>  | <b><u>Ownership</u></b>  |
|---------------------------------|---------------------|--------------------------|---------------------|--------------------------|
|                                 | <b><u>Share</u></b> | <b><u>31-Dec-18</u></b>  | <b><u>Share</u></b> | <b><u>31-Dec-17</u></b>  |
|                                 |                     | <b><u>EGP</u></b>        |                     | <b><u>EGP</u></b>        |
| Bavarian Contact Car Trading    | 49%                 | 24 791 575               | 49%                 | 24 861 099               |
| Star Auto Credit                | 33.4%               | 26 523 592               | 33.4%               | 21 089 113               |
| Ezz El-Arab - Contact Financial | 49%                 | 4 680 745                | 49%                 | 4 398 715                |
| Motor Care Service              | 49.2%               | 324 694                  | 49.2%               | 233 179                  |
|                                 |                     | <b><u>56 320 606</u></b> |                     | <b><u>50 582 106</u></b> |

Translation of financial statements originally issued in Arabic  
Sarwa Capital Holding for Financial Investments (S.A.E)  
(Sarwa Capital for Financial Advisory-previously)  
Notes to the Consolidated Financial Statements for the year ended December 31, 2018

| <u>31-Dec-18</u>                    | <u>Bavarian</u><br><u>Contact Car</u><br><u>Trading</u><br><u>EGP</u> | <u>Star Auto</u><br><u>Credit</u><br><u>EGP</u> | <u>Ezz</u><br><u>Elarab/Contact</u><br><u>Financial</u><br><u>EGP</u> | <u>Motor</u><br><u>Care</u><br><u>Service</u><br><u>EGP</u> |
|-------------------------------------|---|---|---|---|
| Total assets                        | 320 153 286   | 632 591 347                                     | 54 206 611  | 1 404 451   |
| Total liabilities                   | (269 569 052)   | (553 179 394)                                   | (44 654 071)  | ( 744 503)  |
| Net assets                          | <b>50 584 234</b>   | <b>79 411 953</b>                               | <b>9 552 540</b>  | <b>659 948</b>  |
| <b>Profit share from associates</b> | <b>51 526 218</b>   |   |   |   |

| <u>31-Dec-17</u>                    | <u>Bavarian</u><br><u>Contact Car</u><br><u>Trading</u><br><u>EGP</u> | <u>Star Auto</u><br><u>Credit</u><br><u>EGP</u> | <u>Ezz</u><br><u>Elarab/Contact</u><br><u>Financial</u><br><u>EGP</u> | <u>Motor</u><br><u>Care</u><br><u>Service</u><br><u>EGP</u> |
|-------------------------------------|---|---|---|---|
| Total assets                        | 152 734 650   | 244 882 812                                     | 41 337 215  | 793 046   |
| Total liabilities                   | (102 008 529)   | (181 741 756)                                   | (32 360 245)  | ( 319 106)  |
| Net assets                          | <b>50 726 121</b>   | <b>63 141 056</b>                               | <b>8 976 970</b>  | <b>473 940</b>  |
| <b>Profit share from associates</b> | <b>47 271 281</b>   |   |   |   |

**21- Investments available for sale**

|  | <u>31-Dec-18</u><br><u>EGP</u> | <u>31-Dec-17</u><br><u>EGP</u> |
|--|--------------------------------|--------------------------------|
| Egyptian Mortgage Refinancing company* | 6 413 750                      | 6 413 750                      |
| Treasury bonds                         | 4 330 000                      | 4 080 000                      |
| <b>Total</b>                           | <b>10 743 750</b>              | <b>10 493 750</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.

**22- Debtors and other debit balances**

|                               | <b>31-Dec-18</b>            |   | <b>31-Dec-17</b>            |   |
|-------------------------------|-----------------------------|---|-----------------------------|---|
|                               | <b><u>Within a year</u></b> | <b><u>More than one</u></b>             | <b><u>Within a year</u></b> | <b><u>More than</u></b>                     |
|                               | <b><u>EGP</u></b>           | <b><u>year</u></b><br><b><u>EGP</u></b> | <b><u>EGP</u></b>           | <b><u>one year</u></b><br><b><u>EGP</u></b> |
| Insurance companies - debit   | 7 797 055                   | –                                       | 7 797 055                   | –   |
| Prepaid expenses              | 10 510 803                  | 3 501 678                               | 12 158 096                  | 4 072 888                                   |
| Advance payments to suppliers | 68 547 717                  | –                                       | 8 043 146                   | –   |
| Accrued revenue               | 20 105 556                  | –                                       | 12 856 756                  | –   |
| Employees advances            | 7 119 707                   | –                                       | 6 642 365                   | –   |
| Tax authority                 | 2 361 728                   | –                                       | 1 160 025                   | –   |
| Other debit balances          | 29 882 498                  | 3 290 703                               | 110 827 435                 | 85 000                                      |
| Deduct: Impairment            | ( 7 797 055)                | –                                       | ( 7 797 055)                | –   |
| <b>Net</b>                    | <b>138 528 009</b>          | <b>6 792 381</b>                        | <b>151 687 823</b>          | <b>4 157 888</b>                            |
| <b>Total</b>                  | <b>145 320 390</b>          |   | <b>155 845 711</b>          |   |

**23- Accounts receivable**

|                                      | <b>31-Dec-18</b>            |   | <b>31-Dec-17</b>            |   |
|--------------------------------------|-----------------------------|---|-----------------------------|---|
|                                      | <b><u>Within a year</u></b> | <b><u>More than one</u></b>             | <b><u>Within a year</u></b> | <b><u>More than</u></b>                     |
|                                      | <b><u>EGP</u></b>           | <b><u>year</u></b><br><b><u>EGP</u></b> | <b><u>EGP</u></b>           | <b><u>one year</u></b><br><b><u>EGP</u></b> |
| Receivables-goods                    | 744 010 571                 | 1 369 013 246                           | 740 366 926                 | 1 079 661 740                               |
| Receivables-services                 | 15 442 284                  | –                                       | 2 961 279                   | –   |
| Leasing- accounts receivable         | 57 222 873                  | –                                       | 36 077 860                  | –   |
| Transferred financial rights         | 71 052 612                  | 73 005 988                              | 84 808 040                  | 140 789 614                                 |
| Deduct:                              |                             |   |                             |   |
| Credit Interest & deferred Insurance | ( 426 794 282)              | ( 467 566 392)                          | (373 744 015)               | (349 897 772)                               |
| Impairment of Accounts Receivable    | ( 9 175 233)                | ( 3 148 569)                            | (6 260 900)                 | ( 705 839)                                  |
| <b>Net</b>                           | <b>451 758 825</b>          | <b>971 304 273</b>                      | <b>484 209 190</b>          | <b>869 847 743</b>                          |
| <b>Total</b>                         | <b>1 423 063 098</b>        |   | <b>1 354 056 933</b>        |   |

**24- 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><b>31-Dec-18</b></u><br><u><b>EGP</b></u> | <u><b>31-Dec-17</b></u><br><u><b>EGP</b></u> |
|--|--|--|
| <b><u>Description of transferred financial assets/liabilities that were disposed</u></b> |  |  |
| Financial Rights Portfolios  | 3 492 421 205                                | 1 828 102 509                                |
| Deferred cost- insurance   | 7 049 312                                    | 3 902 382                                    |
| Amounts collected for custodian  | 18 104 972                                   | 10 909 350                                   |
| Cash held with custodian   | 422 101 427                                  | 189 708 270                                  |
| Total Financial Assets transferred   | <u><b>3 939 676 916</b></u>                  | <u><b>2 032 622 511</b></u>                  |
| Deduct: bond -principle  | <u>(3 795 523 854)</u>                       | <u>(1 922 328 772)</u>                       |
| <b>Surplus of securitization processes</b>   | <u><b>144 153 062</b></u>                    | <u><b>110 293 739</b></u>                    |

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

**25- Deferred cost - insurance**

The deferred cost of insurance policies amounted to EGP 15 626 174 as at December 31, 2018 compared to amount EGP 13 652 855 as at December 31, 2017 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.

**26- Treasury Bills:**

|                  | <u><b>31-Dec-18</b></u><br><u><b>EGP</b></u> | <u><b>31-Dec-17</b></u><br><u><b>EGP</b></u> |
|------------------|--|--|
| Treasury bills   | 242 350 000                                  | 43 975 000                                   |
| Deduct:          |  |  |
| Unearned revenue | <u>( 20 806 736)</u>                         | <u>( 3 029 834)</u>                          |
| <b>Net</b>       | <u><b>221 543 264</b></u>                    | <u><b>40 945 166</b></u>                     |

**27- Conditional Bank Account**

|                                   | <u><b>31-Dec-18</b></u><br><u><b>EGP</b></u> | <u><b>31-Dec-17</b></u><br><u><b>EGP</b></u> |
|-----------------------------------|--|--|
| Treasury bills                    | 667 859                                      | 16 995 498                                   |
| Reserve account                   | 1 301 627                                    | 54 058 398                                   |
| Proceeds from discounting process | 360 596                                      | 7 243 405                                    |
|                                   | <u><b>2 330 082</b></u>                      | <u><b>78 297 301</b></u>                     |

**28- Cash and cash equivalents**

|                          | <u><b>31-Dec-18</b></u><br><u><b>EGP</b></u> | <u><b>31-Dec-17</b></u><br><u><b>EGP</b></u> |
|--------------------------|--|--|
| Banks - Current Accounts | 254 406 596                                  | 73 075 491                                   |
| Cash on hand             | 2 965 590                                    | 3 454 618                                    |
| Time deposit             | <u>555 985 627</u>                           | <u>2 609 421</u>                             |
| <b>Total</b>             | <u><b>813 357 813</b></u>                    | <u><b>79 139 530</b></u>                     |

**29- Capital**

- Authorized capital amounts to EGP 600 Million with par value 10 EGP per share.
- Paid in and issued capital amounts to EGP 69 601 510 distributed over 6 960 151 shares with a par value of EGP 10 per share. All shares are ordinary shares and all issued shares are paid in full.
- On 14 April 2016 the capital was increased by 1 750 161 shares with a total par value of EGP 17 501 610 and was recorded in the commercial register.
- On 5 April 2017 the capital was increased by 968 378 shares with a total par value of EGP 9 683 780 and was recorded in the commercial register.
- On 14 May 2018 the extraordinary general assembly approved increasing the authorized capital by EGP 400 million to EGP 1 billion and the paid in capital by EGP 3 213 100 to EGP 100 million, in addition to a share split of 62.5:1, changing the par value from EGP 10 per share to EGP 0.16 per share, making the total number of shares 625 million instead of 10 million. This was recorded in the commercial register.

- The company's extraordinary general assembly dated 14 August 2018 approved the initial public offering of the company on the Egyptian Stock Exchange through a private and public placement. The offering was executed on 11 October 2018 with a total of 295 170 731 shares, owned by some of the company's shareholders by 47.2%, with total proceeds of EGP 2 172 456 581, EGP 700 million of which are to be reinvested in the company in a capital increase at the same price of the offering.
- On 17 October 2018 the Board of Directors, with an authorization from the extraordinary general assembly dated on 14 August 2018, approved the increase of the issued and paid –up capital by 95 108 696 shares at EGP 7.36 per share which represent EGP 0.16 nominal value per share and EGP 7.2 increase in premium reserve per share, for a total amount of EGP 700 000 002.
- The increase took place on 5 November 2018. The total proceeds were recorded as EGP 15 217 391 in the share capital account with the balance of EGP 684 782 611 recorded in the share premium account.
- The following schedule represents the ownership structure at the financial position date:

| <u>Company Name</u>            | <u>No. of Shares</u>      | <u>Amount</u><br><u>EGP</u> | <u>Percentage</u>  |
|--------------------------------|---------------------------|-----------------------------|--------------------|
| Consolidated Financial Holding | 452 876 209               | 72 460 193                  | 62.89%             |
| Orascom investment holding     | 216 032 608               | 34 565 217                  | 30%                |
| Amr Mohamed Lamei              | 6 250                     | 1 000                       | 0.001%             |
| Hazem Amr Moussa               | 6 250                     | 1 000                       | 0.001%             |
| Ayman Elsayy Mahmoud           | 6 250                     | 1 000                       | 0.001%             |
| Other shareholders             | 51 181 129                | 8 188 981                   | 7.107%             |
|                                | <u><b>720 108 696</b></u> | <u><b>115 217 391</b></u>   | <u><b>100%</b></u> |

### **30- Legal Reserve**

Legal reserve balance on December 31, 2018 amounted to EGP 48 393 450 compared to EGP 48 393 450 as at December 31, 2017. 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.



### **31- Share premium reserve**

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

|  |                        |
|--|------------------------|
| <b>Share premium reserve as at December 31, 2015</b> | <b>-</b>               |
| No. of shares increased                              | 1 750 161 shares       |
| Amount of increase in capital                        | 17 501 610 EGP         |
| Share premium amount                                 | 28 780 324 EGP         |
| <b>Share premium reserve as at December 31, 2016</b> | <b>28 780 324 EGP</b>  |
| No. of shares increased                              | 968 378 shares         |
| Amount of increase in capital                        | 9 683 780 EGP          |
| Share premium amount                                 | 35 486 386 EGP         |
| <b>Share premium reserve as at December 31, 2017</b> | <b>64 266 710 EGP</b>  |
| No. of shares increased                              | 95 108 696 shares      |
| Amount of increase in capital                        | 15 217 391 EGP         |
| Share premium amount                                 | 684 782 612 EGP        |
| <b>Share premium reserve as at December 31, 2018</b> | <b>749 049 322 EGP</b> |

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.

### **32- 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 25 024 608 as at December 31, 2018, EGP 19 161 326 as at December 31, 2017.

In addition, the retained earnings include the retained earnings for Sarwa Securitization company with amount of EGP 99 641 464 as at December 31, 2018, EGP 59 989 767 as at December 31, 2017; 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.

**33- Loans and overdrafts**

|                                       | <b><u>31-Dec-18</u></b>     |                                  | <b><u>31-Dec-17</u></b>     |                                  |
|---------------------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|
|                                       | <b><u>EGP</u></b>           |                                  | <b><u>EGP</u></b>           |                                  |
|                                       | <b><u>Within a year</u></b> | <b><u>More than one year</u></b> | <b><u>Within a year</u></b> | <b><u>More than one year</u></b> |
| Loans                                 | 222 668 340                 | 628 139 126                      | 132 276 646                 | 538 829 226                      |
| Short term facilities                 | 11 906 394                  | -                                | 164 212 111                 | -                                |
| Egyptian Mortgage Refinancing Company | 1 644 686                   | 174 630 726                      | 23 065                      | 2 571 565                        |
| Syndication loan                      | 17 231 901                  | 516 838 710                      | 54 393 532                  | 437 941 887                      |
|                                       | <b><u>253 451 321</u></b>   | <b><u>1 319 608 562</u></b>      | <b><u>350 905 354</u></b>   | <b><u>979 342 678</u></b>        |
|                                       | <b><u>1 573 059 883</u></b> |                                  | <b><u>1 330 248 032</u></b> |                                  |

**34- Suppliers and other credit balances**

|  | <b><u>31-Dec-18</u></b>     |                                  | <b><u>31-Dec-17</u></b>     |                                  |
|--|-----------------------------|----------------------------------|-----------------------------|----------------------------------|
|  | <b><u>EGP</u></b>           |                                  | <b><u>EGP</u></b>           |                                  |
|  | <b><u>Within a year</u></b> | <b><u>More than one year</u></b> | <b><u>Within a year</u></b> | <b><u>More than one year</u></b> |
| Suppliers                              | 44 278 334                  | -                                | 45 957 232                  | -                                |
| Accounts Receivables - Credit balances | 1 619 366                   | -                                | 1 763 610                   | -                                |
| Tax authority                          | 16 859 656                  | -                                | 40 341 438                  | -                                |
| Custodian*                             | 27 932 254                  | -                                | 34 284 649                  | -                                |
| Accrued interest                       | 24 027 704                  | -                                | 24 811 412                  | -                                |
| Accrued expenses                       | 17 881 988                  | -                                | 6 770 962                   | -                                |
| Deposits held with others              | 4 800 357                   | 1 869 172                        | 4 537 791                   | 2 459 543                        |
| Insurance companies- credit            | 54 295 418                  | -                                | 40 973 678                  | -                                |
| Default reserve-discounting portfolios | 7 202 796                   | -                                | 77 488 785                  | -                                |
| Default reserve- securitization        | 7 080 020                   | -                                | 8 189 548                   | -                                |
| Other credit balances                  | 10 094 189                  | 4 249 681                        | 12 191 981                  | 3 984 277                        |
| Takaful health insurance provision     | 5 617 812                   | -                                | -                           | -                                |
|  | <b><u>221 689 894</u></b>   | <b><u>6 118 853</u></b>          | <b><u>297 311 086</u></b>   | <b><u>6 443 820</u></b>          |
|  | <b><u>227 808 747</u></b>   |                                  | <b><u>303 754 906</u></b>   |                                  |

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Notes to the Consolidated Financial Statements for the year ended December 31, 2018

\* 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.

### **35-Related Parties**

#### **35-1 Financial Position Balances**

| <b><u>Related Party</u></b>                    |                               | <b><u>31-Dec-18</u></b>  | <b><u>31-Dec-17</u></b>  |
|--|-------------------------------|--------------------------|--------------------------|
|  | <b><u>Relation Nature</u></b> | <b><u>EGP</u></b>        | <b><u>EGP</u></b>        |
| <b><u>Due from related parties - debit</u></b> |                               |                          |                          |
| Star Auto Credit                               | Associate 33.4%               | 63 095 962               | 39 273 233               |
| Motor Care Egypt                               | Associate 40.1%               | 1 244 790                | 1 181 714                |
| Bavarian Contact Car Trading                   | Associate 49%                 | 14 163 221               | 4 983 965                |
| Ezz El-Arab / Contact Financial                | Associate 49%                 | 899 417                  | 405 859                  |
| Tamwil Holding                                 | Parent Company                | 64 063                   | 245 752                  |
| Other shareholders                             |                               | 30 283                   | 318 225                  |
|  |                               | <b><u>79 497 736</u></b> | <b><u>46 408 748</u></b> |

| <b><u>Due to related parties - credit</u></b> |                       | <b><u>31-Dec-18</u></b> | <b><u>31-Dec-17</u></b>  |
|---|-----------------------|-------------------------|--------------------------|
|   |                       | <b><u>EGP</u></b>       | <b><u>EGP</u></b>        |
| Consolidated Financial Holding                | Main Shareholder 99 % | 4 116 315               | 13 508 521               |
|   |                       | <b><u>4 116 315</u></b> | <b><u>13 508 521</u></b> |

0.00                      0.00

#### **35-2 Income Statements Transactions**

|  |                         | <b><u>31-Dec-18</u></b>         | <b><u>31-Dec-17</u></b> |
|--|-------------------------|---------------------------------|-------------------------|
|  |                         | <b><u>Expense (Revenue)</u></b> |                         |
|  |                         | <b><u>EGP</u></b>               | <b><u>EGP</u></b>       |
| <u>Bavarian Contact Car Trading</u>              | <u>Associate 49%</u>    |                                 |                         |
| Operating Income - Management and incentive fees |                         | (5 560 630)                     | (5 786 812)             |
| <u>Star Auto Credit</u>                          | <u>Associate 33.4%</u>  |                                 |                         |
| Operating Income - Management fees               |                         | (7 641 707)                     | (6 136 515)             |
| <u>Ezz El-Arab / Contact Financial</u>           | <u>Associate by 49%</u> |                                 |                         |
| Operating Income - Management fees               |                         | ( 581 735)                      | ( 650 610)              |

### **35-3 Collection and other services fees**

Contact Auto Credit collects the financial rights of the customers of Sarwa Securitization Company in accordance with the service and collection contracts concluded with Sarwa Securitization Company, then the collected amounts are remitted to the custodian in return for monthly collection fees (for the 12, 13, 15, 16 ,20 ,22 ,27 ,28 ) . The total amount of such fees as at December 31, 2018 amounted to EGP 1 134 025 compared to EGP 2 068 936 as at December 31, 2017.

### **35-4 Bonus and salaries for executive management:**

The value of bonus and salaries for executive management for the group including their estimated shares in dividends as of December 31, 2018 amount to EGP 37 203 741, as of December 31, 2017 amount to EGP 27 633 898.

### **36- Tax position**

#### First: Corporate Tax:

- Tax returns since company's establishment till 2017 were submitted within legal deadlines according to law 91 for year 2005.
- Years 2010-2014 are currently under inspection.

#### Second: Salary Tax:

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

#### Third: Stamp tax

- The inspection was completed until 2016 and the payment made on the legal due dates.

### **37- Contingent liabilities**

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

### **38- Finance Lease**

|                                  | <u><b>31-Dec-18</b></u> | <u><b>31-Dec-17</b></u> |
|----------------------------------|-------------------------|-------------------------|
|                                  | <u><b>EGP</b></u>       | <u><b>EGP</b></u>       |
| Liabilities within a year        | 964 430                 | 1 013 112               |
| Liabilities longer than one year | 1 929 795               | 2 497 563               |
|                                  | <u><b>2 894 225</b></u> | <u><b>3 510 675</b></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><b>Description</b></u> | <u><b>Amounts paid<br/>from concluded<br/>contracts during<br/>previous years</b></u> | <u><b>Amounts paid<br/>during the year<br/>from concluded<br/>contracts till 31<br/>December 2018</b></u> | <u><b>Contract<br/>liabilities as of<br/>31 December ,<br/>2018</b></u> |
|---------------------------|---|---|---|
|                           | <u><b>EGP</b></u>   | <u><b>EGP</b></u>   |   |
| Cars Leasing Contracts    | 20 728 366  | 266 956   | 2 894 225   |

### **39- 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 December 31, 2018 amounted to EGP 1 703 935 930 compared to EGP 504 620 121 as at December 31, 2017.

#### **40- 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.

##### **40-1 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.

##### **40-2 Liquidity Risk**

The liquidity risk is represented in the factors that could affect the ability of the group to repay all or part of its liabilities.

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

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

#### **40-3 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.

##### **40-3-1 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.

##### **40-3-2 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.

#### **41- 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.

#### **42- Significant accounting policies**

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

##### **42-1 Business combination**

- The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.
- The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.
- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not premeasured and settlement is accounted

for within equity. Otherwise, other contingent consideration is premeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

#### **42-2 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.

#### **42-3 Non-controlling interests**

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

#### **42-4 Loss of control**

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

#### **42-5 Investments accounted with equity method**

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



profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

#### **42-6 Transactions eliminated on consolidation**

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

#### **42-7 Foreign currency**

##### **Foreign currency transactions**

- Transactions in foreign currencies are translated into the functional currencies of the company at the exchange rates at the dates of the transactions.
- Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the financial statements date. Non- monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non- monetary items that are measured based on historical cost in foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.
- However, foreign currency differences arising from the translation of the following items are recognized in other comprehensive income:
  - available- for- sale equity investments (except for impairment, in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss);
  - a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
  - qualifying cash flow hedges to the extent that the hedges are effective.

#### **42-8 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.

**42-9 Expenses**

**Rent**

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

**Interest expense**

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

**42-10 Employee benefit**

Short – term employee benefits

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

Define contribution plans

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

Profit sharing to employees

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

**42-11 Income Tax**

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

Current income tax

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

Deferred tax

- Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes.
- Deferred tax is not recognized for:
  - Taxable temporary differences arising on the initial recognition of goodwill.
  - Temporary differences on the initial recognition of assets or liabilities in a transaction that is not:
    1. A business combination.
    2. And not affects neither accounting nor taxable profit nor loss.
  - Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Company. deferred tax assets are reassessed at each reporting date, and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.
- Deferred tax is measured at the tax rates that are expected to be applied to temporary differences using current tax rate or future expecting rate.
- The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
- Deferred tax assets and liabilities are offset only if certain criteria are met.

#### **42-12 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:

| <b><u>Asset</u></b>   | <b><u>Depreciation years</u></b> |
|-----------------------|----------------------------------|
| Building              | 20                               |
| Furniture             | 10                               |
| Computers             | 3                                |
| Machinery & equipment | 5                                |
| Fixtures              | 5                                |
| vehicles              | 5                                |

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

**42-13 Projects under Construction**

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

**42-14 Goodwill**

- Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.
- For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.
- If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.
- On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. This applies as well on investments in associates, where goodwill is included within the carrying amount of the investment.
- The Group's policy for goodwill arising on the acquisition of an associate is described above at "Investments in associates."

**42-15 Earnings per share**

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

**42-16 Dividends Distribution**

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

**42-17 Financial instrument**

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

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

- The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.
- The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.
- The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.
- Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously



2) Non-derivative financial assets – Measurement

First: Financial assets at fair value through profit or loss

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

Second: Loans and receivables

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

Third: Held-to-maturity financial assets

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

Forth: Available-for-sale financial assets

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

3) Non-derivative financial liabilities – Measurement

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

#### **42-18 Impairment**

##### Non-derivative financial assets

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

##### First: Financial assets measured at amortized cost

- The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.
- In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.
- An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event

occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Second: Available-for-sale financial assets

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

Third: Equity-accounted investees

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

Non-financial Assets

- At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.
- For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generated units. Goodwill arising from a business combination is allocated to cash generated units or groups of cash generated units that are expected to benefit from the synergies of the combination.
- The recoverable amount of an asset or cash generated unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current

market assessments of the time value of money and the risks specific to the asset or cash generated unit.

- An impairment loss is recognized if the carrying amount of an asset or cash generated unit exceeds its recoverable amount.
- Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generated unit, and then to reduce the carrying amounts of the other assets in the cash generated unit on a pro rata basis.
- An impairment loss in respect of goodwill is not reversed in the subsequent period. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized in previous periods.

#### **42-19 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.

#### **42-20 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.

#### **42-21 Capital**

##### **1) Ordinary Shares**

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

**42-22 Provisions**

- Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and that it is probable that an outflow of economic resources will be required to settle the obligation, the costs to settle related obligations are probable and a reliable estimate is made of the amount of the obligation.
- The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

**43- Significant Events**

- On 14 August 2018 Law No. 176 of 2018 was issued on the regulation of financial leasing and factoring activities, Article 1 of this law stipulates the repeal of the Law No. 95 of 1995 on financial leasing. The Company has continued to apply the Egyptian Accounting Standard No. (20) for the accounting treatment of the financial leasing activity to the new contracts concluded by the Company under the new law until the pending issuance of a new or revised Egyptian accounting standard dealing with these contracts.