

GB Auto (S.A.E.)
(An Egyptian Joint Stock Company)
Consolidated Interim Financial Statements
For The Financial Period Ended June 30, 2019
And Limited Review Report

 **Hazem Hassan**
Public Accountants & Consultants

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Limited Review Report on Consolidated Interim Financial Statements

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

Introduction

We have performed a limited review for the accompanying consolidated balance sheet of GB Auto (S.A.E.) as at June 30, 2019 and the related consolidated statement of income and other comprehensive income, changes in equity, and cash flows for the six-months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and of its financial performance and its cash flows for the Six-months then ended in accordance with Egyptian Accounting Standards.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo August 6, 2019

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Financial Position
as at June 30, 2019

(All amounts in thousand Egyptian Pound)	Note	30 June 2019	31 December 2018 Restated
Assets			
Non-current assets			
Property, plant, equipment and projects under construction (Net)	(15)	3 982 998	3 827 922
Intangible assets and goodwill	(16)	430 155	430 155
Payments Under Investments		-	1 000
Investment in Associate		10 624	8 034
Notes receivables (Net)	(11)	3 271 968	3 516 786
Deferred tax assets	(9-B)	363 709	273 048
Investment property	(17)	90 905	90 905
Total non-current assets		8 150 359	8 147 850
Current assets			
Inventories (Net)	(10)	4 593 164	4 820 828
Accounts and notes receivables (Net)	(12)	6 594 230	5 328 993
Debtors and other debit balances (Net)	(13)	1 367 530	1 588 696
Due from related parties	(31)	207 190	202 019
Cash on hand and at banks	(14)	1 796 943	1 179 275
Total current assets		14 559 057	13 119 811
Total assets		22 709 416	21 267 661
Equity			
Issued and paid in capital	(18)	1 094 010	1 094 010
Legal reserve	(20)	376 253	331 529
Other reserves	(21)	2 279 541	2 490 733
Retained earnings		(9 102)	(517 330)
Net profit for the period / year		7 120	537 583
Equity attributable to owners of the company		3 747 822	3 936 525
Non-controlling interests	(22)	1 281 487	1 291 028
Total equity		5 029 309	5 227 553
Liabilities			
Non-current liabilities			
Loans	(24)	2 848 567	3 170 887
Long term notes payables and creditors		294 827	301 151
Warranty provisions	(26)	11 126	15 159
Deferred tax liabilities	(9-B)	175 660	173 073
Total non-current liabilities		3 330 180	3 660 270
Current liabilities			
Provisions	(26)	232 985	253 540
Current tax liabilities	(9-A)	83 544	131 690
Loans, borrowings and overdrafts	(24)	11 265 561	9 251 784
Due to related parties	(31)	78 942	94 861
Trade payables and other credit balances	(25)	2 688 895	2 647 963
Total current liabilities		14 349 927	12 379 838
Total liabilities		17 680 107	16 040 108
Total equity and liabilities		22 709 416	21 267 661

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

Group Finance Director and Executive Board Member
Abbas Elsayed

Executive Board Member
Nader Ghabbour

Chairman and Managing Director
Dr. Raouf Ghabbour

"Auditor's report attached"

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Income
for the financial period ended June 30, 2019

(All amounts in thousand Egyptian Pound)		The six Months ended 30, June		The three Months ended 30, June	
	Note	2019	2018 Restated	2019	2018 Restated
<u>Continuing operations</u>					
Sales		11 534 848	10 800 593	5 656 430	6 039 819
Cost of sales		(9 814 291)	(9 226 215)	(4 780 212)	(5 173 026)
Gross profit		1 720 557	1 574 378	876 218	866 793
Other income		74 139	70 648	32 281	39 416
Selling and marketing expenses		(507 256)	(415 654)	(188 088)	(217 586)
General and administrative expenses		(512 683)	(347 183)	(334 669)	(147 316)
Provisions and Impairment of Current and Non-Current assets (Net)	(7)	(52 628)	(1 199)	(42 475)	(20 629)
Operating results		722 129	880 990	343 267	520 678
Finance costs (Net)	(6)	(607 251)	(595 053)	(315 504)	(313 550)
Net profit for the period before income tax		114 878	285 937	27 763	207 128
Income tax expense	(9-C)	(1 397)	(30 369)	19 521	(13 645)
Net Profit for the period		113 481	255 568	47 284	193 483
Attributable to:					
Owners of the company		7 120	209 428	(8 878)	175 932
Non-controlling interests		106 361	46 140	56 162	17 551
		113 481	255 568	47 284	193 483
Basic earnings / (Loss) per share/ EGP	(8)	0.007	0.191	(0.008)	0.161

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

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Comprehensive Income
for the financial period ended June 30, 2019

(All amounts in thousand Egyptian Pound)	Note	The six Months ended 30, June 2019	2018 Restated	The three Months ended 30, June 2019	2018 Restated
Net profit for the period after income tax		113 481	255 568	47 284	193 483
Other comprehensive income items					
Foreign currency translation difference		(307 432)	24 904	(146 853)	34 492
Modification surplus of fixed assets result		(18 172)	(18 936)	(8 992)	(8 347)
Total other comprehensive income for the period before income tax		(325 604)	5 968	(155 845)	26 145
Income tax Related to other comprehensive income item		3 839	5 100	1 908	2 729
Other comprehensive income for the period after income tax		(321 765)	11 068	(153 937)	28 874
Total other comprehensive income for the period		(208 284)	266 636	(106 653)	222 357
Other comprehensive income is attributable to:					
Owners of the company		(207 001)	243 138	(126 214)	232 953
Non-controlling interests		(1 283)	23 498	19 561	(596)
		(208 284)	266 636	(106 653)	232 357

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GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Shareholders Equity
for the financial period ended June 30, 2019

30 June 2019

(All amounts in thousand Egyptian Pound)

	Attributed to owners of the company										
	Share capital	Legal reserve	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserve	Share premium (Special reserve)	Carry Forward Losses	Net Profit for the year /Period	Total	Non-Controlling interests	Total equity
Balance at 31 December 2018 restated	1 094 010	331 529	1 336 561	88 882	148 489	916 801	(517 330)	537 583	3 936 525	1 291 028	5 227 553
Transferred to retained earnings	-	-	-	-	-	-	537 583	(537 583)	-	-	-
Total comprehensive income											
Net profit for the year	-	-	-	-	-	-	-	7 120	7 120	106 361	113 481
Modification surplus of fixed assets after income tax	-	-	-	-	(14 333)	-	18 172	-	3 839	-	3 839
Other comprehensive income items	-	-	(196 859)	-	-	-	-	-	(196 859)	(113 895)	(310 754)
Total comprehensive income	-	-	(196 859)	-	(14 333)	-	18 172	7 120	(185 900)	(7 534)	(193 434)
Transactions with owners of the company											
Dividends	-	-	-	-	-	-	(2 803)	-	(2 803)	(1 509)	(4 312)
Capital increase	-	-	-	-	-	-	-	-	-	202	202
Non-Controlling interests share of liquidated companies	-	-	-	-	-	-	-	-	-	(700)	(700)
Transferred to Legal reserve	-	44 724	-	-	-	-	(44 724)	-	-	-	-
Total Transactions with owners of the company	-	44 724	-	-	-	-	(47 527)	-	(2 803)	(2 007)	(4 810)
Balance at June 30, 2019	1 094 010	376 253	1 139 702	88 882	134 156	916 801	(9 102)	7 120	3 747 822	1 281 487	5 029 309

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

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Shareholders Equity
for the financial period ended June 30, 2019

30 June 2018 Restated

(All amounts in thousand Egyptian Pound)

<u>30 June 2018 Restated</u>	Attributed to owners of the company										
(All amounts in thousand Egyptian Pound)	Share capital	Legal reserve	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserve	Share premium (Special reserve)	Carry Forward Losses	Net profit/losses for the year / period	Total	Non-Controlling interests	Total equity
Balance at December 31, 2017	1 094 010	320 992	1 291 867	88 882	165 418	916 801	(144 564)	(666 900)	3 066 506	1 163 158	4 229 664
Transferred to Carry forward losses	-	-	-	-	-	-	(666 900)	666 900	-	-	-
Total comprehensive income											
Net Profit for the period	-	-	-	-	-	-	-	209 428	209 428	46 140	255 568
Modification surplus of fixed assets after income tax	-	-	-	-	(5 100)	-	18 936	-	13 836	-	13 836
Other comprehensive income items	-	-	24 904	-	-	-	-	-	24 904	4 552	29 456
Total other comprehensive income	-	-	24 904		(5 100)	-	18 936	209 428	248 168	50 692	298 860
Transactions with owners of the company											
Change in non-controlling interests without changing in control	-	877	-	-	-	-	(118 410)	-	(117 533)	(53 275)	(170 808)
Transfer from legal reserve to increase capital of subsidiaries	-	(7 735)	-	-	-	-	-	-	(7 735)	(1 673)	(9 408)
Dividends	-	-	-	-	-	-	(8 101)	-	(8 101)	-	(8 101)
Capital increase	-	-	-	-	-	-	-	-	-	32 000	32 000
Transferred to Legal reserve	-	15 037	-	-	-	-	(15 037)	-	-	-	-
Total Transactions with owners of the company	-	8 179	-	-	-	-	(141 548)	-	(133 369)	(22 948)	(156 317)
Balance at June 30, 2018	1 094 010	329 171	1 316 771	88 882	160 318	916 801	(934 076)	209 428	3 181 305	1 190 902	4 372 207

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GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Cash Flows
for the financial period ended June 30, 2019

(All amounts in thousand Egyptian Pound)

	Note	30 June 2019	30 June 2018 Restated
<u>Cash flows from operating activities</u>			
Net profit for the period before tax		114 878	285 937
<u>Adjustments for:</u>			
Interest expense		751 201	606 153
Depreciation and amortization for the Period	(16+15)	417 297	232 539
Provisions movements (net)	(26)	23 748	(14 318)
Impairment losses on current assets (net)		28 880	15 517
Interest income	(6)	(61 643)	(48 858)
Loans capitalized interest		(32 898)	(31 116)
Gain from sale of property, plant, equipment and assets held for sale		(8 065)	(14 830)
		1 233 398	1 031 024
Changes in:			
Inventories		233 254	(404 942)
Accounts and notes receivables		(1 029 508)	(1 250 381)
Debtors and other debit balances		206 038	(696 174)
Due from related parties		(2 900)	21 097
Due to related parties		(15 919)	560
Trade payables and other credit balances		159 249	1 290 836
Cash provided from / (used in) operating activities		783 612	(7 980)
Provisions used		(50 869)	(20 853)
Income tax paid		(133 778)	(77 888)
Dividends paid		(7 633)	-
Net cash provided from / (used in) operating activities		591 332	(106 721)
<u>Cash flows from investing activities</u>			
Acquisition of property, plant, equipment and projects under constructions		(1 484 670)	(1 537 235)
Sale of shares in subsidiaries		-	(167 827)
Acquisition of intangible assets		(1 147)	(2 870)
Interest income received		65 676	46 513
Payment in Investment in associates		(2 590)	-
Proceeds from sale of property, plant, equipment and assets held for sale		808 617	911 761
Net cash (used in) investing activities		(614 114)	(749 658)
<u>Cash flows from financing activities</u>			
Proceeds from non controlling interest to increase capital of subsidiaries		-	32 000
Proceeds from sales of shares held by the group		(498)	-
Proceeds from loans and borrowings		1 691 457	2 008 116
Long-Term notes payable		(6 325)	(94)
Interest paid		(746 726)	(588 868)
Net cash provided from financing activities		937 908	1 451 154
Net Increase in cash and cash equivalents		915 126	594 775
Cash and cash equivalents at the beginning of the period		1 179 275	1 242 776
Effect of movements in exchange rates on cash and cash equivalents held		(297 458)	35 591
Cash and cash equivalents at end of the period	(14-B)	1 796 943	1 873 142

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

1- Back ground of the Group

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

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

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

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

The major shareholders of the company are Dr. Raouf Ghabbour and his family who collectively owns approximately 62.89% of the Company's shares as at June 30, 2019.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on August 6, 2019.

2- Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with an updated Egyptian Accounting Standards (EAS) issued as per the decree of the minister of investment No. 110 for the year 2015, issued on 9 July 2015 and effective for financial years commence on January1, 2016 and the related Egyptian laws and regulations.

The Company's management adopted the special accounting treatment stated in annex (A) of the modified Egyptian Accounting Standard no. (13) as amended in 2015, "The Effects of Changes in Foreign Exchange Rates" issued on 7 February 2017 by the Minister of Investment Decision No. (16) of 2017, whereby both the cost and accumulated depreciation of some fixed assets categories are modified using modification factors which are stated in the above-mentioned annex.

On August 14, 2018, Law No. 176 of 2018 was issued, regulating the activities of financial leasing and factoring. And article 1 of this law stipulates the abolition of Law No. 95 of 1995 on financial leasing. The Ministry of Investment and International Cooperation issued Resolution No. 69 of 2019 on April 7, 2019, amending some provisions of the Egyptian accounting standards, including the abolition of the Egyptian Accounting Standard No. (20) rules and accounting standards related to financial leasing and replaced it with the Egyptian Accounting Standard No. (49) leasing contracts.

The Egyptian standard is applied to financial periods beginning on or after January 2020. Early application is permitted if Egyptian Accounting Standard (48) " Revenue from Contracts with Customers 2019 " is applied at the same time. As an exception, the first date of application shall be the beginning of the annual

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

report period in which the Financial Leasing Law No. 95 of 1995 -and its amendments - was abolished, The issuance of the Financial Leasing and Factoring Activities Law No. 176 of 2018 (January 1, 2018) for financial leasing contracts that were subject to Law 95 of 1995 as well as contracts that are subject to Law 176 of 2018 and were to be processed in accordance with the Egyptian Accounting Standard No. (20) "Accounting Rules and Standards" Related to finance lease "

3- Functional and presentation currency

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

4- Use of judgement and estimates

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

A- Measurement of fair value

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

5- Operating Segments

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

Reportable segment

Operations

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

A- Total Revenue

	<u>June 30, 2019</u>	<u>June 30, 2018 Restated</u>
Passenger car	54.7%	53.5%
Buses and trucks	7.9%	7.7%
2 & 3 Wheels	13.7%	17.6%
Financial Services non-Banking	16.4%	14.4%
Other Operations	7.3%	6.7%

B- Revenue from foreign operations

	<u>June 30, 2019</u>	<u>June 30, 2018 Restated</u>
Passenger car	45.6%	21.2%
2 & 3 Wheels	30.9%	15.2%
Other Operations	0.03%	3.8%

C- Segments results

	<u>June 30, 2019</u>	<u>June 30, 2018 Restated</u>
Passenger car	28.41%	37.8%
Buses and trucks	8.08%	7.3%
2 & 3 Wheels	14.14%	19.9%
Financial Services non-Banking	41.27%	28%
Other Operations	8.1%	7%

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

5- Operating Segments (Continued)

D- Assets

	June 30, 2019	June 30, 2018 Restated
Passenger car	%21.5	%38.2
Buses and trucks	%7.4	%16.9
2 & 3 Wheels	%14.2	%3.1
Financial Services non-Banking	%37.1	%19.1
Other Operations	%19.8	%22.7

E- Liabilities

	June 30, 2019	June 30, 2018 Restated
Passenger car	%34.7	%42.2
Buses and trucks	%15.5	%14.4
2 & 3 Wheels	%8.2	%5.0
Financial Services non-Banking	%38.1	%25.7
Other Operations	%3.5	%12.5

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

	June 30, 2019	June 30, 2018 Restated
Revenues		
Total revenues for reportable segments	12 575 262	11 810 108
Elimination of inter-segment revenue	(1 040 414)	(1 009 515)
Consolidated Revenue	11 534 848	10 800 593
Segments result		
Gross profit for reportable segment	1 712 294	1 569 693
Elimination of inter-segment gross profit	8 263	4 685
Consolidated Gross Profit	1 720 557	1 574 378
Assets		
Total assets for reportable segments	37 820 274	34 012 224
Elimination inter-segment assets	(15 110 858)	(14 599 627)
Total Consolidated Assets	22 709 416	19 412 597
Liabilities		
Total Liabilities for reportable segments	25 645 677	23 429 413
Elimination inter-segment Liabilities	(7 965 570)	(8 365 953)
Total Consolidated Liabilities	17 680 107	15 063 460

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

G-Other martial amounts

	Total reportable segment	Adjustments	Total consolidated June 30, 2019
Finance income	61 642	–	61 642
Interest expense and Bank Charges	(742 615)	(8 586)	(751 201)
Capital expenditure	3 312 376	(38 679)	3 273 697
Depreciation and amortization	454 774	(21 038)	433 736
	Total reportable segment	Adjustment	Total consolidated June 30, 2018 Restated
Finance income	55 508	(6 650)	48 858
Interest expense and Bank Charges	(541 342)	(64 811)	(606 153)
Capital expenditure	1 568 645	–	1 568 645
Depreciation and amortization	247 862	(10 032)	237 830

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

5- Operating segments (continued)

H- Operations results

	Passenger cars		Commercial vehicles		Two and three Wheelers		Financial Services Non Banking		Other operations		Total	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018 Restated
Sales	6 313 588	5 780 644	907 783	826 904	1 579 362	1 913 650	1 894 542	1 556 967	839 574	722 428	11 534 849	10 800 593
Gross profit	488 503	595 487	139 054	114 369	243 359	313 998	710 347	441 036	139 296	109 491	1 720 559	1 574 381
General and administrative expenses											(507 256)	(415 654)
Marketing and Selling expenses											(512 683)	(347 183)
Provisions and Impairment of Current and Non–Current assets (Net)											(52 628)	(1 199)
Other income											74 139	70 648
Operating results											722 130	880 993
Finance cost											(607 251)	(595 053)
Net profit for the period before income tax											114 879	285 940
Income tax expense											(1 397)	(30 369)
Net Profit for the period											113 482	255 571
Attributable to:												
Owners of the company											7 120	209 428
Non–controlling interests											106 361	46 140
											113 481	255 568

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

6- Finance Costs

	June 30, 2019	June 30, 2018 Restated
Interest income	50 150	40 015
Interest income on installment sales	11 493	8 843
Foreign exchange gain	82 308	-
Total Finance Income	143 951	48 858
Interest expense and bank charges	(751 202)	(632 340)
Foreign exchange losses	-	(11 571)
Total Finance Cost	(751 202)	(643 911)
Net Finance Cost	(607 251)	(595 053)

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

Provisions no longer required

	June 30, 2019	June 30, 2018 Restated
Warranty provision	3 021	-
Impairment of accounts and notes receivables	5 714	26 755
Impairment of debtors and other debit balances	-	4 339
Other Provisions	121 289	31 256
Litigation provision	-	5 506
Total provisions no longer required	130 024	67 856

Provisions formed

	June 30, 2019	June 30, 2018 Restated
Warranty provision	(4 949)	(10 469)
Impairment of accounts and notes receivable	(22 883)	(23 560)
Impairment of debtors and other debit balances	(11 711)	(7 491)
Impairment of due from related parties	-	(15 560)
Litigation provision	-	(1 375)
Other provisions	(143 109)	(10 600)
Total provisions formed	(182 652)	(69 055)
Net provisions in the income statement	(52 628)	1 199

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

- The movement of current and non-current assets impairment represented as follow:

	Balance at 1/1/2019	Impairment during the period	Used during the period	Reversal of Impairment during the period	Effect of movements of exchange rates	Balance at 30/06/2019
Impairment of Accounts & Notes receivable	437 017	22 883	(3 561)	(5 714)	(4 518)	446 107
Impairment of due from related parties	31 923	-	-	-	(2 271)	29 652
Impairment of Debtors & Other debit balances	9 866	11 711	-	-	(611)	20 966
	478 806	34 594	(3 561)	(5 714)	(7 400)	496 725
Impairment of Inventory *	63 161	2 543	-	(8 133)	-	57 571
	541 967	37 137	(3 561)	(13 847)	(7 400)	554 296

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

8- Earnings per share

i. Basic

Since there is no suggested dividends account, accordingly the base used to calculate the net profit/(Loss) available for the shareholders was determined based on the net profit/(Loss) for the period without deducting the employees share and the board of director's bonus.

Basic earnings per share is calculated by dividing net profit/(Loss) for the period (as it is shown in the previous paragraph), by the weighted average number of ordinary shares issued during the period.

	June 30, 2019	June 30, 2018 Restated
Net profit for the period attributable to the shareholders	7 120	209 428
Weighted average number of ordinary shares issued	1 094 010	1 094 010
Basic profit earnings per share/ EGP	0,007	0,191

9- Income tax

A- Income tax liabilities

	June 30, 2019	December 31, 2018 Restated
Balance at 1 January	131 690	80 565
Taxes paid during the period/year	(133 778)	(88 568)
Current income tax during the period/year (Note 9- C)	85 632	139 693
Balance at the end of the period/year	83 544	131 690

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Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

9- Income tax (Continued)

B- Deferred tax assets and liabilities

	Fixed and Intangible Assets	Carried forward losses	Impairment of Inventory	Warranty Provision	Surplus revaluation of fixed assets	June 30, 2019	Total December 31, 2018 Restated
Deferred tax assets							
Balance at 1 January	11	229 765	6 826	36 445	–	273 048	282 652
Charged to the income statement	–	101 205	(463)	(10 080)	–	90 661	(68)
Effect of changes in Accounting policy	–	–	–	–	–	–	(9 536)
Balance at the end of the period	11	330 970	6 363	26 365	–	363 709	273 048
Deferred tax liabilities							
Balance at 1 January	(142 798)	–	–	–	(30 275)	(173 073)	(152 501)
Charged to the income statement	(6 426)	–	–	–	–	(6 426)	(11 653)
Effect of changes in Accounting policy	–	–	–	–	–	–	(17 674)
Charged to Statement of comprehensive income	–	–	–	–	3 839	3 839	8 755
Balance at the end of the period/year	(149 224)	–	–	–	(26 436)	(175 660)	(173 073)
Net deferred tax liabilities	(149 213)	330 970	6 363	26 365	(26 436)	188 049	117 649
Net							
Balance at 1 January	(142 787)	229 765	6 826	36 445	(30 275)	99 974	130 151
Charged to the income statement	(6 426)	101 205	(463)	(10 080)	–	84 235	(11 721)
Effect of changes in Accounting policy	–	–	–	–	–	–	(14 306)
Charged to Statement of comprehensive income	–	–	–	–	3 839	3 839	8 755
Balance at the end of the period	(149 213)	330 970	6 363	26 365	(26 436)	188 049	99 974

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

9- Income tax (Continued)

B- Deferred tax assets and liabilities (Continued)

Unrecognised deferred tax assets

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

	June 30, 2019	December 31, 2018
		Restated
Impairment of accounts and notes receivables	100 374	98 329
Impairment of other debit balances	4 717	2 220

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

C- Income tax expenses

	June 30, 2019	June 30, 2018
		Restated
Current income tax for the period (Note 9-A)	(85 632)	(49 551)
Deferred tax – benefit \ (expense) (Note 9-B)	84 235	19 182
Income tax for the period	(1 397)	(30 369)

D- Amounts recognized in OCI

	<u>June 30, 2019</u>			<u>June 30, 2018</u>		
	<u>Before Tax</u>	<u>Taxes</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>Taxes</u>	<u>After Tax</u>
Foreign Currency translation difference	(310 754)	-	(310 754)	24 904	-	(24 904)
Modification surplus of fixed assets result	(18 172)	3 839	(14 333)	(18 936)	5 100	(13 836)
	(328 926)	3 839	(325 087)	5 968	5100	11 068

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Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

10- Inventories

	June 30, 2019	December 31, 2018
Goods in transit	749 744	854 414
Cars, buses and trucks	1 899 783	1 992 939
Raw material and car components	1 187 575	1 037 281
Spare parts for sale	581 825	629 637
Work in progress	88 497	201 133
Tires	114 133	104 712
Oils	29 178	63 873
Total	4 650 735	4 883 989
Impairment of inventory *	(57 571)	(63 161)
Net	4 593 164	4 820 828

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

11- Long term notes receivables

	June 30, 2019	December 31, 2018 Restated
Long-term notes receivable	3 895 603	5 162 568
Interest income on installment sales	(613 037)	(1 636 369)
Net present value for long-term notes receivable	3 282 566	3 526 199
Impairment of long-term notes receivable	(10 598)	(9 413)
Net	3 271 968	3 516 786

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

12- Accounts and notes receivables

	June 30, 2019	December 31, 2018 Restated
Total notes receivable	12 917 090	12 265 972
Long-term notes receivable (Note 11)	(3 895 603)	(5 162 568)
Unamortized interest	(3 298 938)	(2 616 450)
Net present value for short-term notes receivable	5 722 549	4 486 954
Trade receivable	1 307 190	1 269 644
Total	7 029 739	5 756 598
Impairment of accounts and notes receivable balances	(435 509)	(427 605)
Net	6 594 230	5 328 993

13- Debtors and other debit balances

	June 30, 2019	December 31, 2018 Restated
Advance payments to suppliers	407 152	710 545
Withholding tax	267 732	223 626
Sales tax receivable	24 735	59 668
Accrued interest	734	4 767
Letters of credit	169 369	148 241
Prepaid expenses	187 437	88 359
Deposits with others	33 878	33 440
Letters of guarantee margin	120 855	216 535
Staff loans and custodies	33 918	25 507
Other debit balances	138 895	84 721
Customs duties	3 791	3 154
Total	1 388 496	1 598 563
Impairment of debtor and other debit balances	(20 966)	(9 867)
Net	1 367 530	1 588 696

14- Cash on hand and at banks

A- Cash on hand and at banks

	June 30, 2019	December 31, 2018 Restated
Cash on hand and cash at banks	1 796 943	1 179 275
	1 796 943	1 179 275

B- Cash and cash equivalents

	June 30, 2019	December 31, 2018 Restated
Cash on hand and cash at banks	1 796 943	1 179 275
	1 796 943	1 179 275

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

15 - Property, plant, equipments and projects under construction

	Land and Buildings	Machinery & equipment	Vehicles	IT infrastructures & computers	Fixtures & furniture	Leasehold improvements	* Projects under construction	Total
Cost								
Cost at 1 January 2018 restated	1 908 196	888 803	462 142	175 863	498 934	29 037	787 976	4 750 951
Additions during the period	80 808	28 207	119 374	20 442	44 122	3 836	240 960	537 749
Transferred from projects under construction to PP&E and intangible assets	249 265	47 532	-	-	79 761	1 105	(377 663)	-
Disposals during the period	(6 750)	(817)	(37 889)	(229)	(6 161)	(1 563)	(16 146)	(69 555)
Effect of cost modification using modification factor	-	-	(11 574)	(6)	(1)	-	(9 896)	(21 477)
Effect of movements of exchange rates	(3 977)	237	27	78	917	(50)	-	(2 768)
Balance at 31 December 2018 restated	2 227 542	963 962	532 080	196 148	617 572	32 365	625 231	5 194 900
Cost at 1 January 2019	2 227 542	963 962	532 080	196 148	617 572	32 365	625 231	5 194 900
Additions during the period	997 247	94 579	170 274	13 249	22 181	2 370	217 601	1 517 501
Transferred from projects under construction to PP&E and intangible assets	7 806	-	-	-	1 196	-	(9 002)	-
Disposals during the period	(914 774)	(154 159)	(194 092)	(6 107)	(3 727)	(112)	(26 162)	(1 299 133)
Effect of movements of exchange rates	3 884	(12)	132	7	(160)	(180)	-	3 671
Balance at 30 June 2019	2 321 705	904 370	508 394	203 297	637 062	34 443	807 668	5 416 939
Accumulated depreciation and impairment losses								
Accumulated depreciation at 1 January 2018 restated	182 910	468 652	178 161	136 027	248 213	18 903	5 816	1 238 682
Depreciation during the period	26 683	62 813	57 217	17 550	51 219	2 683	-	218 165
Disposals during the period	(897)	(801)	(51 681)	(189)	(7 110)	-	-	(60 678)
Effect of accumulated depreciation modification using modification factor	-	-	(30 569)	(8)	-	-	-	(30 577)
Effect of movements of exchange rates	371	235	245	73	471	(9)	-	1 386
Accumulated depreciation at 31 December 2018 restated	209 067	530 899	153 373	153 453	292 793	21 577	5 816	1 366 978
Accumulated depreciation at 1 January 2019	209 067	530 899	153 373	153 453	292 793	21 577	5 816	1 366 978
Depreciation during the period	104 447	93 245	116 567	20 568	69 389	11 934	-	416 150
Disposals during the period	(107 684)	(80 064)	(180 187)	23 092	(131)	(97)	-	(345 071)
Effect of accumulated depreciation modification using modification factor	-	-	(169)	(1)	-	-	-	(170)
Effect of movements of exchange rates	355	(133)	(33)	(600)	(3 396)	(139)	-	(3 946)
Accumulated depreciation at 30 June 2019	206 185	543 947	89 551	196 512	358 655	33 275	5 816	1 433 941
Net carrying Amount								
At 1 January 2018 restated	1 725 286	420 151	283 981	39 836	250 721	10 134	782 160	3 512 269
At 31 December 2018 restated	2 018 475	433 063	378 707	42 695	324 779	10 788	619 415	3 827 922
At 30 June 2019	2 115 520	360 423	418 843	6 785	278 407	1 168	801 852	3 982 998

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

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

16- Intangible assets and goodwill

	Goodwill	Computer software	Knowhow	Total
Cost				
Balance at 1 January	430 155	33 895	5 703	469 753
Additions During the period	–	1 147	–	1 147
Balance at June 30, 2019	430 155	35 042	5 703	470 900
Accumulated amortization				
Balance at 1 January	–	33 895	5 703	39 598
Amortization charge for the period	–	1 147	–	1 147
Balance at June 30, 2019	–	35 042	5 703	40 745
Net carrying amount at June 30, 2019	430 155	–	–	430 155
Net carrying amount at December 31, 2018 restated	430 155	–	–	430 155

Goodwill

- On March 28, 2007, GB Auto company fully acquired the shares of Cairo Individual Transport Industries “CITI” by acquiring 49.03% which were owned by the minority at a value of EGP 209 997, in return of acquiring shares of GB Auto share capital increase. The acquisition resulted in a goodwill amounting to EGP 177 million which represents the increase in the acquisition value over the net fair value of the acquired Company’s assets at the acquisition date. This goodwill has been allocated for the asset of the operating segment of two and three wheels’ segment.
- On December 8, 2008, GB Auto Company fully acquired the shares of GB for financial lease (S.A.E) which its business is financial leasing with all its fields, and the acquisition resulted in goodwill amounted to EGP 1 million.
- During November 2010, the Group entered into 50% investment as a joint venture agreement in Almajmoa Alalamia Litijaret Alsaiaarat (GK), in Jordan, to acquire the existing business of Hyundai Vehicles Agency in Iraq, the joint venture agreement gives the group the power to govern the financial and operating policies of (GK) and as a result of this investment the group recognized a goodwill with an Amount 357.9 EGP million pound.
- During the period GB Auto Company fully acquired the shares of Egyptian International Maintenance and cars Manufacturing Company EIAC SAE, and the acquisition resulted in goodwill amounted EGP 2.8 million.

Impairment test of cash generating units including goodwill

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

	June 30, 2019	December 31, 2018 Restated
Two and three wheels’ activities	177 375	177 375
Hyundai Iraq sales	248 910	248 910
Financial leasing activity	1 000	1 000
After Sale service- PC	2 870	2 870
	430 155	430 155

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Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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16- Intangible assets and goodwill (Continued)

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

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

17- Investments property

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Balance at 1 January	90 905	90 905
Balance at the end of the period/year	90 905	90 905

18- Issued and paid in capital

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Authorized capital (5 000 000 000 shares with par value EGP 1 each)	5 000 000	5 000 000
Issued and paid capital (1 094 009 733 shares of EGP 1 each)	1 094 010	1 094 010

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

Private placement (Capital Increase)

- At the date of February 4, 2015, the extra ordinary general assembly meeting, has agreed to increase the company's authorized capital from 400 million EGP to 5 billion EGP and to increase the company's issued capital from EGP 135 337 545 to be EGP 1 095 337 545 with an increase of EGP 960 000 000 to be divided on 1 095 337 545 shares with a par value of 1 EGP each. (In additional to issuance cost of 1 pts./share), and that increase to be fully allocated for the favor of old shareholders each according to their share in the company's issued capital, and it is agreed to use the subscription right separately from the original share, with the company's issued capital increase to be paid either cash and/or using due cash debts for the subscriber by the company according to their contribution share.
- The subscription was covered by an amount of EGP 958 672 188 (EGP 473 225 502 in Cash and EGP 485 446 686 covered through the outstanding balances due to shareholders) divided on

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

18-Issued and paid in capital (continued)

958 672 188 shares with a par value of 1 EGP each to be the total capital issued and fully paid after the increase equals to EGP 1 094 009 733, it has been annotated in the commercial register at May 31, 2015.

19- Shares of the Company held by the Group

Shares of the Company held by the Group represented in the shares owned by one of the Companies of the Group amounted to 26 506 119 shares at the par value of EGP 26 506 thousand in GB Auto Company capital which is acquired by Almora resources Company one of the Group subsidiaries which is 100% owned. The acquisition cost amounted to EGP 126 231 thousand. The share premium which is transferred to special reserve has been reduced by the difference between the acquisition cost and the par value amounted to EGP 99 725 thousand.

At the date of February 23, 2018, the number of 26 506 119 shares was sold. The special reserve was reduced by an amount of EGP 50 638 thousand which represents the differences between treasury shares purchase cost amounted to EGP 126 231 thousand and its reselling price amounted to EGP 75 593 thousand .

20- Legal reserve

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Balance at 1 January	331 529	320 992
Transferred to legal reserve	44 724	17 395
Change of non-controlling interests without changing in control	-	877
Transferred from legal reserve to increase the capital	-	(7 735)
Balance at the end of the period/year	<u>376 253</u>	<u>331 529</u>

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

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

Share premium

The share premium represented in the difference between the amount paid and par value for issued shares and issuance cost is deducted from it. The share premium was transferred to both legal reserve and special reserve according to Law No. 159 of 1981, based on the authorization of the General Assembly Meeting dated June 29, 2008.

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Share premium	916 801	916 801

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

21- Other reserves

	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserve	Share premium (special reserves)	Total
Balance as at January 1, 2019	1 336 561	88 882	148 489	916 801	2 490 733
Foreign currency translation differences	(196 859)	-	-	-	(196 859)
Modification surplus of fixed assets after income tax	-	-	(14 333)	-	(14 333)
Balance at June 30, 2019	1 139 702	88 882	134 156	916 801	2 279 541

The special reserve represented in the transferred amount from the net share premium in 2007 less the amount transferred to the legal reserve (Note 20).

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

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

22- Non-controlling Interest

	Capital	Reserves	Legal Reserve	Retained earnings	Total	
					June 30, 2019	December 31, 2018 Restated
Balance at 1 January	518 192	789 634	30 563	(47 361)	1 291 028	1 163 158
Net profit for the period/year	-	-	-	106 361	106 361	121 391
Foreign currency translation results	-	(113 895)	-	-	(113 895)	8 795
Capital increase	202	-	-	-	202	37 468
Change in Non-controlling interests	(700)	-	-	-	(700)	(38 227)
Transferred to Legal reserve	-	-	10 513	(10 513)	-	-
Dividends	-	-	-	(1 509)	(1 509)	(1 557)
Balance at the end of the period /year	517 694	675 739	41 076	46 978	1 281 487	1 291 028

23- Capital Management

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

In order to maintain an optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings and notes payables, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

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Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

The gearing ratio at June 30, 2019 and December 31, 2018 restated were as follows:

	June 30, 2019	December 31, 2018 Restated
Total loans and borrowings and notes payable		
Loans, borrowings and overdrafts	14 114 128	12 422 671
Short-term notes payable and suppliers	209 914	201 021
Total loans and borrowings and notes payables	14 324 042	12 623 692
Less: Cash and cash equivalent	(1 796 943)	(1 179 275)
Letters of credit margin	(169 369)	(148 241)
Letters of guarantee margin	(120 855)	(216 535)
Net debt	12 236 875	11 079 641
Shareholders' equity	3 732 718	3 919 662
Net debt to equity ratio	3.28	2.83

24- Loans, borrowings and overdrafts

	June 30, 2019			December 31, 2018 Restated		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks overdraft	9 468 693	-	9 468 693	8 021 786	81 355	8 103 141
Loans	1 796 868	2 848 567	4 645 435	1 229 998	3 089 532	4 319 530
Total	11 265 561	2 848 567	14 114 128	9 251 784	3 170 887	12 422 671

A. Banks overdraft

The average interest rate on the outstanding Egyptian Pounds and the US Dollars bank overdraft are 17.908% and 6.32% respectively.

- a. The analysis of the loans and banks overdraft balances according to their maturity dates is as follows:

	June 30, 2019	December 31, 2018 Restated
Less than one year	11 265 561	9 251 784
More than one year and less than five years	2 848 567	3 170 887
	14 114 128	12 422 671

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Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

25- Trade payables and other credit balances

	June 30, 2019	December 31, 2018 Restated
Trade payables	1 402 913	1 539 065
Other credit balances	107 582	78 124
Advances from customers	404 602	385 160
Tax Authority	101 113	48 889
Accrued expenses	447 627	408 543
Notes payables	209 914	153 952
Dividends payable	9 506	18 163
Deferred revenues	5 638	16 067
	2 688 895	2 647 963

26- Provisions

	Legal Claims	Warranty Provision	Other Provisions	Total
Balance at January 1, 2018	5 387	77 115	186 197	268 699
Provisions formed during the period	-	4 949	143 109	148 058
Provisions utilized during the period	(40)	(9 438)	(37 830)	(47 308)
Provisions no longer required	-	(3 021)	(121 289)	(124 310)
Effect of movement of exchange rates	(40)	-	(988)	(1 028)
Balance at June 30, 2019	5 307	69 605	169 199	244 111
Balance at 1 January 2018	7 084	108 844	167 834	283 762
Provisions formed during the period/year	4 574	24 965	55 281	84 820
Provisions utilized during the period/year	(705)	(9 159)	(30 272)	(40 136)
Provisions no longer required	(5 495)	(47 535)	(6 639)	(59 669)
Effect of movement of exchange rates	(71)	-	(7)	(78)
Balance at December 31, 2018 restated	5 387	77 115	186 197	268 699

Legal claims

The amounts shown comprises of gross provisions in respect of legal claims brought against the Group, and management opinion, after taking appropriate legal advice, that the outcome of these legal claims will not exceed significantly the provision formed as at June 30, 2019.

Warranty Provision

The Group provides warranty on its products and guarantees to either fix or replace the products that are not working properly, and the Group has estimated its warranty provisions to be EGP 74 485 at the end of the period for expected warranty claims in the light of management experience for repair and returns level in previous years.

The warranty provision includes a long term provision amounted EGP 11 126 (December 31, 2018 restated EGP 15 159).

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Other provisions

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

27- Financial risk management

(1) Financial risk factors

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

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

(a) Market risk

1. Foreign currency exchange rate risk

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

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

	June 30, 2019			December 31, 2018
	Assets	Liabilities	Net	Net
US Dollars	805 830	(1 193 656)	(387 826)	(206 053)
Euros	23 839	(5 959)	17 880	19 505
Other currencies	157 191	(18 933)	138 258	149 140

2. Price risk

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

3. Cash flows and fair value interest rate risk

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

Loans, borrowings and overdrafts at the balance sheet date with variable interest rates are amounted to EGP 14 114 128 as at June 30, 2019 (EGP 12 422 671 as at December 31, 2018 restated).

Financial assets that carry fixed interest rates are amounted to EGP 95 120 as at June 30, 2019 (EGP 97 693 as at December 31, 2018).

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

		<u>June 30, 2019</u>	<u>December 31, 2018</u>
Time deposits	USD	75 211	78 750
Time deposits	EGP	19 909	18 943
		<u>95 120</u>	<u>97 693</u>

(b) Credit risk

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

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

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

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

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

	<u>June 30, 2019</u>	<u>December 31, 2018 Restated</u>
Notes and accounts receivables	14 224 280	13 535 616
Impairment of accounts and notes receivable balances	(435 509)	(427 604)
The ratio of the allowance to total accounts and notes receivable	<u>3.06%</u>	<u>%3.2</u>

(c) Liquidity risk

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

(2) Fair value estimation

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

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

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

31- Related party transactions

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

Balances due from and to related parties are as follows:

Due from related parties	June 30, 2019	December 31, 2018
GB for Import and Export	–	489
Itamco agriculture development	5 067	5 013
El Bostan Holding	71 065	76 198
SARL SIPAC – Algeria	14 144	15 267
Algematco – Algeria	15 625	16 603
Blue Bay Management Company	20 748	–
Kassed Shareholders' Current Account	80 810	82 778
El Qalam Shareholders' Current Account	25 383	33 594
Aff.Co.-Cur.Acc.-GB Produce	4 000	4 000
Total	236 842	233 942
Impairment of due from related parties	(29 652)	(31 923)
	207 190	202 019
	June 30, 2019	December 31, 2018
Due to related parties		
Marco Polo Company	61 045	65 669
EQI	761	761
Al Watania for car accessories and spare parts	6 085	6 204
Al Watania for tires import	–	1 111
Itamco for import and export	–	1 286
Halan for Information Technology	–	7 887
Gaya	10 983	11 875
Wahdan Company	68	68
	78 942	94 861

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

28- Investment in subsidiary companies

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

Companies	Percentage of ownership	
	30 June 2019	31 December 2018
RG Investment “S.A.E.”	99.99%	99.99%
International Trade Agencies and Marketing Co. (ITAMCO) “S.A.E.”	99.449%	%99.449
Egyptian Vehicles Manufacturing Co. (Ghabbour Egypt) “S.A.E.”	99.528%	%99.528
Ghabbour Continental Trading Co. (GCT) –Alex “S.A.E.”	100%	%100
GB Polo Buses Manufacturing “S.A.E.”	80%	80%
Haram Transportation Co. “S.A.E.”	99%	%99
GB Company for financial lease “S.A.E.”	100%	%100
Haram for transpiration Tourism “S.A.E.”	100%	%100
GB Allab Company	66.20%	66.20%
Masters Automotive Company “S.A.E.”	75%	%75
Microfinance consultancy Services (Mashro'ey) “S.A.E.”	65%	65%
Almajmoa Alalamia; Litijaret Alsaiaarat (GK)	50%	%50
GB Logistics “S.A.E.”	99.98%	%99.98
GB Capital holding for financial investments “S.A.E.”	99%	%99
Gulf Company	100%	%100
Drive Automotive “S.A.E.”	100%	%90
Drive Finance “S.A.E.”	100%	76%
Ghabbour Al Qalam	68%	%68
GB Global Company	100%	%100
GBR Company	54%	%54
GBR Services Company	48.80%	%48.80
Egypt Auto Mall Company for used car “S.A.E.”	99%	%99
GB El Bostan	60%	%60
Ghabbour general trade	25%	%25
Egypt Tires Market “S.A.E.”	90%	%90
Pan African Egypt Company for Oil “S.A.E.”	100%	%100
Tires & more Company for car services “S.A.E.”	100%	%100
Suez Canal logistic services Co. “S.A.E.”	100%	%100
GB Automotive Manufacturing Co. “S.A.E.”	100%	%100
Ready Parts for automotive spare parts “S.A.E.”	100%	%100
GB Light transport manufacturing company (GB LTMC) “S.A.E.”	100%	%100
GB for Import & export	100%	–
Tasaheel Microfinance company ((Tasaheel)) “S.A.E.”	65%	65%
GB for heavy truck and construction equipment trading “S.A.E.”	100%	%100
GB for water and environment technology. “S.A.E.”	100%	%100
Engineering company for transportation maintenance El Mikaneeky	65%	65%

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

28-Investment in subsidiary companies (Continued)

Egyptian International Maintenance and cars Manufacturing Company EIAC "S.A.E."	100%	100%
GB Finance S.A.R.L.	100%	100%
MNT for SME Development "S.A.E."	53.33%	53.33%
BBAL Blue Bay Auto Loan Investments Cyprus LTD	100%	100%
Salexia L.T.D. Trading (Cyprus)	100%	100%
MNT Investment B.V. (Netherland)	53.33%	53.33%
GB Capital Securitization S.A.E.	%100	%100
Rassedy S.A.E.	%57	%57
GB Real Estate Mortgage Finance B.V.	100%	-
GB For Import &Export	100%	-

29- Capital Commitments

The capital contractual expenditure of the Group at the consolidated financial statements date reached EGP 227 685 (EGP 122 452 as at December 31, 2018 restated) represented in the amount to be paid upon the completion of the new production lines under construction and other branches across the country.

30- Contingent liabilities

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
USD	1 850 379	1 984 048
EGP	160 127	172 132
Japanese Yen	1 223	1 556
Euro	4 084	4 174

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Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

31- Related party transactions

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

Balances due from and to related parties are as follows:

Due from related parties	June 30, 2019	December 31, 2018
GB for Import and Export	–	489
Itamco agriculture development	5 067	5 013
El Bostan Holding	71 065	76 198
SARL SIPAC – Algeria	14 144	15 267
Algematco – Algeria	15 625	16 603
Blue Bay Management Company	20 748	–
Kassed Shareholders' Current Account	80 810	82 778
El Qalam Shareholders' Current Account	25 383	33 594
Aff.Co.-Cur.Acc.-GB Produce	4 000	4 000
Total	236 842	233 942
Impairment of due from related parties	(29 652)	(31 923)
	207 190	202 019
	June 30, 2019	December 31, 2018
Due to related parties		
Marco Polo Company	61 045	65 669
EQI	761	761
Al Watania for car accessories and spare parts	6 085	6 204
Al Watania for tires import	–	1 111
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Halan for Information Technology	–	7 887
Gaya	10 983	11 875
Wahdan Company	68	68
	78 942	94 861

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

31-Related party transactions (Continued)

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

Related party name	Relation type	Transaction nature	Transaction amount	
			June 30, 2019	December 31, 2018
Executive BOD	Board of Directors	Management Salaries	16 451	24 258
EQI	Related Party	Dividends	–	39
GB for import and export.	Related Party	Cash transfer	489	(6 481)
Al Watania for Vehicles Accessories and spare parts	Related Party	Cash transfer	(119)	(670)
SARL SIPAC – Algeria	Related Party	Cash transfer	1 123	(382)
Kassed Shareholders' current account	Related Party	Cash transfer	1 968	77 112
Itamco agriculture	Related Party	Cash transfers	(63)	2 966
El- Qalam Shareholder current account	Shareholder in one of the subsidiaries	Cash transfers	8 221	16 669
Marco Polo Company	Shareholder in one of the subsidiaries	Cash transfers	(4 264)	(4 369)
Itamco for Import and Export	Related Party	Cash transfers	(1 286)	5
Watania Company for Tires Import	Related Party	Cash transfers	(1 111)	31
Algematco – Algeria	Shareholder in one of the subsidiaries	Cash transfers	978	(350)
Blue Bay for management	Shareholder in one of the subsidiaries	Cash transfers	–	(12 000)
Bostan Holding	Related Party	Cash transfers	5 133	806
GB Produce	Shareholder in one of the subsidiaries	Cash transfers	–	4000
Halan for information technology	Shareholder in one of the subsidiaries	Cash transfers	(7 887)	(7 887)
Gaya	Related Party	Cash transfers	(892)	(11 875)
Wahdan Company	Shareholder in one of the subsidiaries	Cash transfers	–	(68)

GB Auto (S.A.E.)

Notes to the consolidated Interim financial statements for the financial period ended June 30, 2019

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)**32- Income as per expense nature**

	30 June 2019	30 June 2018 Restated
Sales	11 534 848	10 800 593
COGS	(9 814 291)	(9 226 215)
Gross Profit	1 720 557	1 574 378
Other income	74 139	70 648
Provisions no longer required	130 024	36 735
Interest income	50 150	40 015
Installment sales interest	11 493	8 843
Bank charge	(48 470)	(35 243)
Interest expense	(702 731)	(570 909)
Salaries & Benefits	(540 103)	(417 665)
Advertising & Marketing	(96 994)	(75 494)
Rents	(74 547)	(79 063)
Net Gain/losses foreign exchange transaction	82 308	(11 572)
Provisions formed	(182 652)	(37 934)
Depreciation and Amortization	(60 847)	(49 256)
Consulting	(12 826)	(12 317)
Transportation	(27 601)	(15 211)
vehicles expense	(19 684)	(20 487)
Governmental Fees & stamps	(18 330)	(12 100)
IT, Network & PCs	(18 600)	(14 904)
Other Expenses	(50 247)	(16 617)
Insurance	(9 555)	(4 957)
Security Expense	(9 493)	(8 083)
Telecommunication	(6 840)	(4 969)
Repair/Maintenance Expenses	(683)	(469)
Administration Supplies	(18 646)	(13 701)
Utilities	(8 817)	(6 903)
Public relations	(42 565)	(30 493)
Freight	(3 563)	(6 336)
Net profit for the period before income tax	114 877	285 936

33- The Financial impact for implementing EAS (49) - Lease contracts

The Company's opening restated consolidated statement of financial position as of December 31, 2018 has been prepared (date of transformation), after making the necessary amendments to switch from Egyptian Accounting Standard EAS 20 related to Finance Lease Rules and Standards to EAS 49 Lease contracts. These adjustments include adjustments on restated equity as at December 31 2018, as at restated June 30 2018, as well as adjustments on the interim consolidated income and interim consolidated comprehensive income for the financial period ended June 30, 2018, as follows:

GB Auto (S.A.E.)

Notes to the consolidated Interim financial statements for the financial period ended June 30, 2019

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

33-1 Adjustment on Consolidated statement of financial position as in 31 December 2011

(All amounts in thousand Egyptian Pound)	Note	According to Accounting standard no.20	Financial Effect	According to Accounting standard 49
Assets				
Non-current assets				
Property, plant, equipment and projects under construction (Net)	(15)	6 271 129	(2 443 207)	3 827 922
Intangible assets and goodwill	(16)	430 155	-	430 155
Payments Under Investments		1 000	-	1 000
Investment in Assosiate		8 034	-	8 034
Notes receivables (Net)	(11)	1 548 842	1 967 944	3 516 786
Deferred tax assets	(9-B)	282 584	(9 536)	273 048
Investment property	(17)	90 905	-	90 905
Total non-current assets		8 632 649	(484 799)	8 147 850
Current assets				
Inventories (Net)	(10)	4 820 828	-	4 820 828
Accounts and notes receivables (Net)	(12)	4 610 991	718 002	5 328 993
Debtors and other debit balances (Net)	(13)	1 625 165	(36 469)	1 588 696
Due from related parties	(31)	202 019	-	202 019
Cash on hand and at banks	(14)	1 179 275	-	1 179 275
Total current assets		12 438 278	681 533	13 119 811
Total assets		21 070 927	196 734	21 267 661
Equity				
Issued and paid in capital	(18)	1 094 010	-	1 094 010
Legal reserve	(20)	331 529	-	331 529
Other reserves	(21)	2 490 733	-	2 490 733
Carry forward losses		(512 319)	(5 011)	(517 330)
Net profit /(Losses) for the year		515 710	21 873	537 583
Equity attributable to owners of the company		3 919 663	16 862	3 936 525
Non-controlling interests	(22)	1 290 717	311	1 291 028
Total equity		5 210 380	17 173	5 227 553
Liabilities				
Non-current liabilities				
Loans	(24)	3 170 887	-	3 170 887
Notes payables and creditors		-	301 151	301 151
Warranty provisions	(26)	15 159	-	15 159
Deferred revenues		54 321	(54 321)	-
Deferred tax liabilities	(9-B)	155 399	17 674	173 073
Total non-current liabilities		3 395 766	264 504	3 660 270
Current liabilities				
Provisions	(26)	253 540	-	253 540
Current tax liabilities	(9-A)	131 690	-	131 690
Loans, borrowings and overdrafts	(24)	9 251 784	-	9 251 784
Due to related parties	(31)	94 861	-	94 861
Trade payables and other credit balances	(25)	2 732 906	(84 943)	2 647 963
Total current liabilities		12 464 781	(84 943)	12 379 838
Total liabilities		15 860 547	179 561	16 040 108
Total equity and liabilities		21 070 927	196 734	21 267 661

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Notes to the consolidated Interim financial statements for the financial period ended June 30, 2019

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

33-2 Adjustment on periodic Consolidated income statement as of June 30, 2018

(All amounts in thousand Egyptian Pound)	Note	30 June 2018		
		According to Accounting standard no.20	Financial Effect	According to Accounting standard 49
Sales		10 851 753	(51 160)	10 800 593
Cost of sales		(9 277 255)	51 040	(9 226 215)
Gross profit		1 574 498	(120)	1 574 378
Other income		77 715	(7 067)	70 648
Selling and marketing expenses		(415 654)	-	(415 654)
General and administrative expenses		(384 174)	36 991	(347 183)
Provisions and Impairment of Current and Non-Current assets (Net)		(1 199)	-	(1 199)
Operating results		851 186	29 804	880 990
Finance costs (Net)	(6)	(568 866)	(26 187)	(595 053)
Net profit for the period before income tax		282 320	3 617	285 937
Income tax expense		(49 822)	19 453	(30 369)
Net Profit / (Loss) for the period		232 498	23 070	255 568
Attributable to:				
Owners of the company		181 548	27 880	209 428
Non-controlling interests		50 950	(4 810)	46 140
		232 498	23 070	255 568
Basic earnings / (Loss) per share/ EGP	(8)	0.166	0.025	0.191

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Notes to the consolidated Interim financial statements for the financial period ended June 30, 2019

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

33-3 Adjustment on consolidated Comprehensive income

(All amounts in thousand Egyptian Pound)	According to Accounting standard no.20	Financial Effect	According to Accounting standard 49
Net Profit for the period before income tax	232 498	23 070	255 568
Other comprehensive income items			
Foreign currency translation difference	24 904	-	24 904
Modification surplus of fixed assets result	(18 936)	-	(18 936)
Total other comprehensive income for the period before income tax	5 968		5 968
Income tax Related to other comprehensive income item	5 100	-	5 100
Other comprehensive income for the period after income tax	11 068	-	11 068
Total other comprehensive income for the period	243 566	23 070	266 636
Other comprehensive income is attributable to:			
Owners of the company	220 288	22 850	243 138
Non-controlling interests	23 278	220	23 498
	243 566	23 070	266 636

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Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

34- Significant accounting policies

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

A- Business combination

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

1) Subsidiaries

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

2) Non-controlling interests

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

3) Loss of control

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

4) Transaction elimination on consolidation

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

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Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

34- Significant accounting policies (Continued)

B- Foreign currency

1) Foreign currency transactions

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

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

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

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

Foreign currency differences are generally recognised in profit or loss.

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

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

2) Foreign Operations

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

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

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

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

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

C- Discontinued operation

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

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

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

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Notes to the consolidated interim financial statements for the financial period ended June 30, 2019

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

34- Significant accounting policies (Continued)

D- Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contractual obligations have been met. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

1) Sales – wholesale and showrooms

Sales of goods are recognised when a Group entity has delivered products to the wholesaler, the wholesaler has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been delivered either in the Group entity warehouse or in the wholesalers' locations depending on the agreements. Accordingly, the risks and benefits have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made on a short credit term basis.

2) Sales – retail and Companies

The Group operates a chain of showrooms for selling, and sales of goods are recognised when a Group entity has delivered

Instalment sales revenues are those that require the payment of the value in instalments that are charged at sale price excluding interest as revenues on the sales date. The selling price is the present value of the instalments and is determined by discounting the value of the instalments due using the interest rate applicable. The deferred interest income is charged as a revenue when due and on the basis of the matching principle, taking into account the applied interest rate on the transaction.

3) Sales of services – maintenance

The Group's entities provide maintenance service that measure on basis of labour hours and spare parts. The revenue from maintenance service is recognised when the service is done.

4) Revenue from finance lease contracts

Finance income is recognized over the period of the lease contract, based on a pattern that reflects a constant periodic rate of return on the lessor's net investment in the lease contract. The lessor must distribute the finance income over the period of the lease contract on a regular and reasonable basis. The lessor must apply the lease payments for the period against the total investment in the lease contract to reduce both the principal amount and the unrealized finance income.

5) Revenue from operating lease

Lease payments from operating leases are recognized as income either on a straight-line basis or on any other regular basis. The lessor must apply another regular basis if the basis more expresses the pattern in which the use of the underlying asset decreases.

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34- Significant accounting policies (Continued)

6) Interest income

Interest income is recognized on a time proportion basis, as it accrues using the effective interest rate method. When an impairment exists in the debit balances resulting from recognizing the interest, hence the book value is reduced to the value expected to be collected.

7) Dividend income

Dividend income is recognised when the right to receive payment is established.

E- Employee benefit

1) Short – term employee benefits

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

2) Share – based payment arrangements

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

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

3) Define contribution plans

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

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

4) Termination benefits

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

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34- Significant accounting policies (Continued)

F- Finance income and finance costs

The Group's finance income and finance costs include:

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

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

G- Income Tax

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

1) Current income tax

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

2) Deferred tax

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

Deferred tax is not recognised for:

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

C. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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34 -Significant accounting policies (Continued)

at each reporting date, and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

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

H- Inventories

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

I- Property, plant and equipment

1) Recognition and measurement

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

2) Subsequent expenditure

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

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34-Significant accounting policies (Continued)

3) Depreciation

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

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

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

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

4) Reclassification to investment property

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

5) Project under construction

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

J- Intangible assets and goodwill

1) Recognition and measurement

I. Goodwill:

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

II. Other intangible assets:

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

III. Computer software

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

Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Expenditure to

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34- Significant accounting policies (Continued)

acquire computer software is capitalized and included as an intangible asset. Computer software costs recognised as assets are amortised using the straight-line method over their useful lives and not exceeding a year of 3 years.

III. Knowhow

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

2) Subsequent expenditure

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

3) Amortization

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

Goodwill is not amortised.

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

K- Investment property

Investment property is property held by the Group for rental or rise in value, or both and initially measured at cost and subsequently at cost less accumulated depreciation and impairment, and recognize in profit and loss the depreciation expenses and impairment losses. The depreciation of investment property calculated using (straight-line method) over their estimated useful lives for each type of investment property, land is not depreciated.

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

L- Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for- sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies.

Impairment losses on initial classification as held-for-sale or held-for- distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

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34- Significant accounting policies (Continued)

M- Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

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

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument. The Group derecognises 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 derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises 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 Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2) Non-derivative financial assets – Measurement

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 recognised 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 recognised in profit or loss.

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 amortised cost using the effective interest method.

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 amortised cost using the effective interest method.

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 instrument are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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34- Significant accounting policies (Continued)

3) Non-derivative financial liabilities – Measurement

A financial liability 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 recognised 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 recognised 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 amortised cost using the effective interest method.

N- Share capital

1) Ordinary Shares

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

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

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

O- Impairment

1) Non-derivative financial assets

Financial assets not classified as 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 Group on terms that the Group 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 group 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.

34- Significant accounting policies (Continued)

Financial assets measured at amortised cost

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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.

1) Non-derivative financial assets

Financial assets measured at amortised cost

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 recognised 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 recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses which have been recognized previously in OCI and the 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 amortisation) and the current fair value, less any impairment loss previously recognised 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 recognised, then the impairment loss is reversed through profit or Impairment loss.

losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

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 recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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34-Significant accounting policies (Continued)

2) Non-financial Assets

At each reporting date, the Group 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 CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU 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 CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

2) Non-financial assets

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 amortisation) if no impairment loss had been recognised in previous periods.

P- Provisions

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

1) Warranties

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

2) Legal Claims

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

3) Other Provisions

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

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34- Significant accounting policies (Continued)

Q- Leases

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

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

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

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

As a lessor:

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

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

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised.
- The lease term is for the major part of the economic life of the underlying asset even if title is not transferred.
- At the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset.
- The underlying asset is of such a specialised nature that only the lessee can use it without major modifications.

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Recognition and measurement

Initial measurement

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

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

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

Operating leases

Recognition and measurement

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

Sale and leaseback transactions

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

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

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

2) Transfer of the asset is a sale

- a) If the transfer of an asset by the seller-lessee satisfies the requirements of EAS (48) to be accounted for as a sale of the asset:
 - The seller-lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.
 - The buyer-lessor shall account for the purchase of the asset applying applicable Standards, and for the lease applying the lessor accounting requirements in this Standard.

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- b) If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, an entity shall make the following adjustments to measure the sale proceeds at fair value:
 - Any below-market terms shall be accounted for as a prepayment of lease payments.
 - Any above-market terms shall be accounted for as additional financing provided by the buyer lessor to the seller-lessee.
- c) The entity shall measure any potential adjustment required on the basis of the more readily determinable of:
 - The difference between the fair value of the consideration for the sale and the fair value of the asset.
 - The difference between the present value of the contractual payments for the lease and the present value of payments for the lease at market rates.

3) Transfer of the asset is not a sale

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

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

As a lessee:

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

Measurement

1) Initial measurement of the right-of-use asset

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

- a) The amount of the initial measurement of the lease liability shall measure at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.
- b) Any lease payments made at or before the commencement date, less any lease incentives received.
- c) Any initial direct costs incurred by the lessee.
- d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

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2) Subsequent measurement of the right-of-use asset

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

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

3) Initial measurement of the lease liability

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

4) Subsequent measurement of the lease liability

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

- a) Increasing the carrying amount to reflect interest on the lease liability.
- b) Reducing the carrying amount to reflect the lease payments.
- c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

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

R- Segmental Reports

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

S- Dividends

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

T- Comparative figures

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

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34-Significant accounting policies (Continued)

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

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
1- The new Egyptian Accounting Standard No. (47) "Financial Instruments"	<p>1-The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.</p> <p>2- Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3- When measuring the impairment of financial assets, the Incurred Loss Model is replaced by the Expected</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos.(1), (25), (26) and (40) are to be simultaneously applied.

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	<p>Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</p> <p>4- based on the requirements of this standard the following standards were amended:</p> <p>-Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019]</p> <p>2-Egyptian Accounting Standard No. (4) - "Statement of Cash Flows".</p> <p>3-Egyptian Accounting Standard No. (25) - "Financial Instruments: Presentation.</p> <p>4-Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement".</p> <p>5- Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures "</p>		<p>-These amendments are effective as of the date of implementing Standard No. (47)]</p>
<p>The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers"</p>	<p>1.The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void:</p> <p>2.Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015.</p> <p>3.Egyptian Accounting Standard No. (11) – "Revenue" as amended in 2015.</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>Standard No (48) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted</p>

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	<p>4. For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p> <p>5. incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met</p> <p>6. the standard requires that contract must have a commercial substance in order for revenue to be recognized</p> <p>7. Expanding in the presentation and disclosure requirements</p>		
The new Egyptian Accounting Standard No. (49) "Lease Contracts"	<p>1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20)," Accounting Rules and Standards related to Financial Leasing" issued in 2015</p> <p>2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lease as operating l or finance lease contracts.</p> <p>3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</p> <p>4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	<p>This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied.</p> <p>Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and</p>

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	<p>amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</p> <p>5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</p>		<p>standards related to financial leasing ” as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.</p>
Egyptian Accounting Standard No. (38)) as ammended " Employees Benefits "	<p>A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.</p>
Egyptian Accounting Standard No. (42)) as ammended " Consolidated Financial Statements"	<p>Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were ammended are as follows:</p> <ul style="list-style-type: none"> - (ESA 15) Related Party Disclosures - (ESA 17) Consolidated and Separate Financial Statements - (ESA 18) Investments in Associates - (ESA 24) Income Taxes - (ESA 29) Business Combinations 	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.</p> <p>-The new or amended paragraphs pertaining to the ammended standards concerning the investment entities shall apply on the effective date of</p>

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	<ul style="list-style-type: none"> - ESA(30) Periodical Financial Statements - EAS (44) Disclosure of Interests in Other Entities. 		Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019
Issuance of Egyptian Accounting Interpretation No. (1)" Public Service Privileges Arrangements" ...	<p>This interpretation provides guidance on the accounting by operators of public service privileges arrangements from a public entity to a private entity for the construction, operation and maintenance of the infrastructure for public utilities such as roads, bridges, tunnels, hospitals, airports, water supply facilities, power supplies and communications networks. ..., etc</p> <p>This interpretation gives the option of continuing to apply the prior treatment of public service privileges arrangements that prevailed prior to January 1st,2019 on entities that used to recognize and measure the assets of these arrangements as fixed assets in accordance with Egyptian Accounting Standard No. 10 "Fixed Assets and Depreciation"until their useful lives are expired .</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	Interpretation No. (1) applies to financial periods beginning on or after January 1st, 2019,
Egyptian Accounting Standard No. (22)) as ammended " Earnings per Share	The scope of implementaion of the Standard was amended to be applied to the separate, or consolidated financial statements issued to all enterprises.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (34)) as ammended " Real Estate Investment	The Fair Value Model option for all enterprises is no longer used when the subsequent measurement of their real estate investments is made and compliance shall apply only to the Cost Model.	The Management is currently assessing the potential impact of implementing the amendment of the	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.

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	<p>while only real estate investment funds are obliged to use the Fair Value Model, upon the subsequent measurement of all their real estate assets.</p> <p>Based on this amendment, the following standards were ammended :</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (32) Non-current Assets Held for Sale and Discontinued Operation - Egyptian Accounting Standard No. (31) Impairment of Assets 	standard on the financial statements	
Egyptian Accounting Standard No. (4) as ammended " Statemnet of Cash Flows"	This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows .	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.