

**GB Auto (S.A.E.)**  
**(An Egyptian Joint Stock Company)**

**Consolidated Financial Statements**  
**For The Financial Year Ended December 31, 2019**  
**And Auditor's Report**

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## **Auditor's Report**

### **To the Shareholders of GB Auto (S.A.E.)**

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

We have audited the accompanying consolidated financial statements of GB Auto (S.A.E.), which comprise the consolidated balance sheet as at December 31, 2019, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

#### ***Management's Responsibility for the Consolidated Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GB Auto (S.A.E.) as of December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

***Report on Other Legal and Regulatory Requirements***

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account, according to the limits of this information in books.

KPMG Hazem Hassan

Public Accountants & Consultants

Cairo February 26, 2020

**GB Auto (S.A.E)**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Financial Position**  
**as at December 31, 2019**

(All amounts in thousand Egyptian Pound)	Note No.	31 December 2019	31 December 2018 Restated
<b><u>Assets</u></b>			
<b><u>Non-current assets</u></b>			
Property, plant, equipment and projects under construction (Net)	(15)	4 043 219	3 839 165
Intangible assets and goodwill	(16)	433 945	430 155
Payments Under Investments		72	1 000
Investment in Associate		58 034	8 034
Notes receivables (Net)	(11)	3 233 203	3 516 786
Deferred tax assets	(9-B)	618 310	455 682
Investment property	(17)	90 905	90 905
<b>Total non-current assets</b>		<b>8 477 688</b>	<b>8 341 727</b>
<b><u>Current assets</u></b>			
Inventories (Net)	(10)	3 788 210	4 820 828
Accounts and notes receivables (Net)	(12)	6 435 527	5 328 993
Debtors and other debit balances (Net)	(13)	2 226 957	1 645 109
Due from related parties	(31)	272 202	202 019
Cash on hand and at banks	(14)	1 408 948	1 179 275
<b>Total current assets</b>		<b>14 131 844</b>	<b>13 176 224</b>
<b>Total assets</b>		<b>22 609 532</b>	<b>21 517 951</b>
<b><u>Equity</u></b>			
Issued and paid in capital	(18)	1 094 010	1 094 010
Legal reserve	(20)	381 508	331 529
Other reserves	(21)	2 242 046	2 490 733
Retained Earning/Carry forward (Losses)		22 596	( 477 260)
Net Profit for the year		42 674	544 833
<b>Equity attributable to owners of the company</b>		<b>3 782 834</b>	<b>3 983 845</b>
Non-controlling interests	(22)	1 364 896	1 303 362
<b>Total equity</b>		<b>5 147 730</b>	<b>5 287 207</b>
<b><u>Liabilities</u></b>			
<b><u>Non-current liabilities</u></b>			
Loans	(24)	3 002 093	3 170 887
Long term notes payables and creditors		163 504	301 151
Warranty provisions	(26)	4 168	15 159
Deferred tax liabilities	(9-B)	345 055	332 426
<b>Total non-current liabilities</b>		<b>3 514 820</b>	<b>3 819 623</b>
<b><u>Current liabilities</u></b>			
Provisions	(26)	225 629	253 540
Current tax liabilities	(9-A)	234 505	139 185
Loans, borrowings and overdrafts	(24)	10 661 022	9 251 784
Due to related parties	(31)	73 643	94 861
Trade payables and other credit balances	(25)	2 752 183	2 671 751
<b>Total current liabilities</b>		<b>13 946 982</b>	<b>12 411 121</b>
<b>Total liabilities</b>		<b>17 461 802</b>	<b>16 230 744</b>
<b>Total equity and liabilities</b>		<b>22 609 532</b>	<b>21 517 951</b>

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

Group Finance Director  
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 Statement of Income**  
**for the financial Year ended**

(All amounts in thousand Egyptian Pound)	<u>Note No.</u>	<u>31 December 2019</u>	<u>31 December 2018 Restated</u>
<b><u>Continuing operations</u></b>			
Sales		25 398 046	25 621 245
Cost of sales		(21 582 070)	(21 973 811)
<b>Gross profit</b>		<b>3 815 976</b>	<b>3 647 434</b>
Other income		157 544	158 921
Selling and marketing expenses		(1 018 504)	( 789 044)
General and administrative expenses		(1 165 702)	( 881 266)
Provisions and Impairment of Current and Non-Current assets (Net)	(7)	( 306 360)	(59 153)
<b>Operating results</b>		<b>1 482 954</b>	<b>2 076 892</b>
Finance costs (Net)	(6)	(1 167 018)	(1 223 591)
<b>Net profit for the Year before income tax</b>		<b>315 936</b>	<b>853 301</b>
Income tax (expense)	( 9-C )	( 92 380)	(180 988)
<b>Net Profit for the Year</b>		<b>223 556</b>	<b>672 313</b>
<b>Attributable to:</b>			
Shareholder's of the parent company		42 674	544 833
Non-controlling interests		180 882	127 480
		<b>223 556</b>	<b>672 313</b>
Basic earnings per share/ EGP	(8)	0.039	0.498

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

**GB Auto (S.A.E)**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Comprehensive Income**  
**for the financial Year ended**

(All amounts in thousand Egyptian Pound)	Note No.	31 December 2019	31 December 2018 Restated
Net profit for the Year after income tax		223 556	672 313
<b>Other comprehensive income items</b>			
Foreign currency translation difference		( 365 746)	53 545
Modification surplus of fixed assets result		(36 221)	(25 684)
<b>Total other comprehensive income for the Year before income tax</b>		<b>( 401 967)</b>	<b>27 861</b>
Income tax related to other comprehensive income item		6 316	8 755
<b>Other comprehensive income for the Year after income tax</b>		<b>( 395 651)</b>	<b>36 616</b>
<b>Total other comprehensive income for the Year</b>		<b>( 172 095)</b>	<b>708 929</b>
<b>Other comprehensive income is attributable to:</b>			
Shareholder's of the parent company		( 206 013)	572 597
Non-controlling interests		33 918	136 332
		<b>( 172 095)</b>	<b>708 929</b>

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

**GB Auto (S.A.E)**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Shareholders Equity**  
**for the financial Year ended**

**31 December 2019**

(All amounts in thousand Egyptian Pound)

31 December 2019	Shareholder's equity of the parent 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)	Retained Earning/ Carry forward (Losses)	Net profit for the Year	Total	Non-Controlling interests	Total equity
Balance at December 31, 2018 restated	1 094 010	331 529	1 336 561	88 882	148 489	916 801	( 477 260)	544 833	3 983 845	1 303 362	5 287 207
Transferred to retained earnings	-	-	-	-	-	-	544 833	( 544 833)	-	-	-
Total comprehensive income											
Net Profit for the Year	-	-	-	-	-	-	-	42 674	42 674	180 882	223 556
Other comprehensive income elements:											
Modification surplus of fixed assets after income tax(Net)	-	-	-	-	( 29 905)	-	36 221	-	6 316	-	6 316
Foreign currency translation difference	-	-	( 218 782)	-	-	-	-	-	( 218 782)	( 146 964)	( 365 746)
Total comprehensive income	-	-	( 218 782)	-	( 29 905)	-	36 221	42 674	( 169 792)	33 918	( 135 874)
Transactions with owners of the Company											
Employee Dividends	-	-	-	-	-	-	( 31 219)	-	( 31 219)	( 1 942)	( 33 161)
Capital increase	-	-	-	-	-	-	-	-	-	6 167	6 167
Non-Controlling interests share of liquidated Companies	-	-	-	-	-	-	-	-	-	( 700)	( 700)
Transferred to legal reserve	-	49 979	-	-	-	-	( 49 979)	-	-	-	-
Payement under capital increase	-	-	-	-	-	-	-	-	-	24 091	24 091
Total Transactions with owners of the company	-	49 979	-	-	-	-	( 81 198)	-	( 31 219)	27 616	( 3 603)
Balance at December 31, 2019	1 094 010	381 508	1 117 779	88 882	118 584	916 801	22 596	42 674	3 782 834	1 364 896	5 147 730

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



**GB Auto (S.A.E)**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Shareholders Equity**  
**for the financial Year ended**

**31 December 2018 Restated**

(All amounts in thousand Egyptian Pound)

<u>31 December 2018 Restated</u>	Shareholder's equity of the parent 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)	Retained Earning/Carry forward (Losses)	Net profit for the year	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
Adjustments on opening balance							35 059		35 059	10 206	45 265
Transferred to Carry forward losses	-	-	-	-	-	-	( 666 900)	666 900	-	-	-
Total comprehensive income											
Net Profit for the Year	-	-	-	-	-	-	-	544 833	544 833	127 480	672 313
Other comprehensive income elements											
Modification surplus of fixed assets after income tax(Net)	-	-	-	-	( 16 929)	-	25 684	-	8 755	-	8 755
Foreign currence translation diffrences	-	-	44 694	-	-	-	-	-	44 694	8 851	53 545
Total other comprehensive income	-	-	44 694	-	( 16 929)	-	25 684	544 833	598 282	136 331	734 613
Transactions with owners of the company											
Change in non-controlling interests without changing in control	-	877	-	-	-	-	300 233	-	301 110	( 36 661)	264 449
Transfer from legal reserve to increase capital of subsidiaries	-	( 7 735)	-	-	-	-	-	-	( 7 735)	( 1 672)	( 9 407)
Employee Dividends	-	-	-	-	-	-	( 9 377)	-	( 9 377)	-	( 9 377)
Capital increase	-	-	-	-	-	-	-	-	-	32 000	32 000
Transferred to Legal reserve	-	17 395	-	-	-	-	( 17 395)	-	-	-	-
Total Transactions with owners of the company	-	10 537	-	-	-	-	273 461	-	283 998	( 6 333)	277 665
Balance at December 31, 2018	1 094 010	331 529	1 336 561	88 882	148 489	916 801	( 477 260)	544 833	3 983 845	1 303 362	5 287 207

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

**GB Auto (S.A.E)**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Cash Flows**  
**for the financial Year ended**

(All amounts in thousand Egyptian Pound)

	Note No.	31 December 2019	31 December 2018 Restated
Net profit for the Year before tax		315 936	853 301
<b><u>Adjustments for:</u></b>			
Interest expense		1 461 955	1 365 611
Depreciation and amortization for the Year	(16-15)	654 742	218 165
Provisions movements (net)	(26)	109 566	25 151
Impairment losses on current assets (net)		124 354	( 28 716)
Interest income	(6)	( 112 796)	( 171 992)
Gain from sale of property, plant, equipment and assets held for sale		( 12 292)	( 38 818)
		<b>2 541 465</b>	<b>2 222 702</b>
<b>Changes in:</b>			
Inventories		1 028 494	(1 745 798)
Accounts and notes receivables		( 828 763)	(2 197 387)
Debtors and other debit balances		( 604 846)	( 398 076)
Due from related parties		( 68 780)	( 77 347)
Due to related parties		( 19 263)	24 794
Trade payables and other credit balances		80 430	1 247 041
<b>Cash provided from / (used in) operating activities</b>		<b>2 128 737</b>	<b>( 924 071)</b>
Provisions used		( 226 980)	( 41 010)
Income tax paid		( 140 606)	( 88 568)
Dividends paid		( 33 161)	-
<b>Net cash provided from / (used in) operating activities</b>		<b>1 727 990</b>	<b>(1 053 649)</b>
<b><u>Cash flows from investing activities</u></b>			
Acquisition of property, plant, equipment and projects under constructions		(1 736 040)	(3 238 290)
Acquisition of non controlling interest	(22)	-	( 167 827)
Sale of shares in subsidiaries		-	480 000
Acquisition of intangible assets		( 4 877)	( 2 870)
Interest income received		112 796	167 225
Payment under Investment		( 72)	( 1 000)
Payment in Investment in associates		( 50 000)	( 8 034)
Proceeds from sale of property, plant, equipment and assets held for sale		831 252	2 191 960
<b>Net cash (used in) investing activities</b>		<b>(846 941)</b>	<b>( 578 836)</b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds from non controlling interest to increase capital of subsidiaries		6 167	37 468
Proceeds from non controlling interest to increase paid under capital increase of subsidiaries		24 091	-
Proceeds from sales of shares held by the group		( 700)	-
Proceeds from loans and borrowings		1 240 444	2 807 879
Long-Term notes payable		( 137 647)	( 558)
Interest paid		(1 460 926)	(1 316 644)
<b>Net cash (used in)/ provided from financing activities</b>		<b>( 328 571)</b>	<b>1 528 145</b>
<b>Net Increase/Decrease in cash and cash equivalents</b>		<b>552 478</b>	<b>(104 340)</b>
Cash and cash equivalents at the beginning of the Year		1 179 275	1 242 776
Effect of movements in exchange rates on cash and cash equivalents		( 322 805)	40 839
<b>Cash and cash equivalents at end of the Year</b>	(14-B)	<b>1 408 948</b>	<b>1 179 275</b>

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

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

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## **1- Background 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 shareholder's of the Company are Dr. Raouf Ghabbour and his family who collectively owns approximately 62.89% of the Company's shares as at December 31, 2019.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on February 26, 2020

## **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 July 9, 2015 and effective for financial years commence on January 1, 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, 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.

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

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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 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 financial statements for the financial year ended December 31, 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>December 31, 2019</u>	<u>December 31, 2018</u> <u>Restated</u>
Passenger car	%56.7	%56
Buses and trucks	%6.6	%6.8
2 & 3 Wheels	%13.2	%17
Financial Services non-Banking	%17.1	%13.7
Other Operations	%6.4	%6.5

### B- Revenue from foreign operations

	<u>December 31, 2019</u>	<u>December 31, 2018</u> <u>Restated</u>
Passenger car	%42.1	%22.6
2 & 3 Wheels	%32.5	%16.2
Other Operations	%0.1	%2.2

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

**C- Segments results**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
		<b>Restated</b>
Passenger car	%27.63	%38.45
Buses and trucks	%6.78	%5.77
2 & 3 Wheels	%14.34	%19.16
Financial Services non-Banking	%43.70	%30.15
Other Operations	%7.55	%6.47

**D- Assets**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
		<b>Restated</b>
Passenger car	%18.3	%22
Buses and trucks	%8.1	%18
2 & 3 Wheels	%10.5	%13
Financial Services non-Banking	%42.8	%36
Other Operations	%20.3	%11

**E- Liabilities**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
		<b>Restated</b>
Passenger car	%32.8	%41
Buses and trucks	%16.6	%15
2 & 3 Wheels	%2.6	%5
Financial Services non-Banking	%43.7	%37
Other Operations	%4.3	%2

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

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

	December 31, 2019	December 31, 2018 Restated
<b>Revenues</b>		
Total revenues for operating segments	27 562 160	28 245 193
Elimination of inter-segment revenue	(2 164 114)	(2 623 948)
<b>Consolidated Revenue</b>	<b>25 398 046</b>	<b>25 621 245</b>
<b>Segments result</b>		
Gross profit for operating segment	3 797 558	3 649 423
Elimination of inter-segment gross profit	18 418	(1 989)
<b>Consolidated Gross Profit</b>	<b>3 815 976</b>	<b>3 647 434</b>
<b>Assets</b>		
Total assets for operating segments	39 610 873	36 393 893
Elimination inter-segment assets	(17 001 341)	(14 875 942)
<b>Total Consolidated Assets</b>	<b>22 609 532</b>	<b>21 517 951</b>
<b>Liabilities</b>		
Total Liabilities for operating segments	26 057 638	24 347 029
Elimination inter-segment Liabilities	(8 595 836)	(8 116 285)
<b>Total Consolidated Liabilities</b>	<b>17 461 802</b>	<b>16 230 744</b>

**G- Other martial amounts**

	Total reportable segment	Adjustments	Total consolidated December 31, 2019
Finance income	112 796	-	112 796
Interest expense and Bank Charges	(1 438 711)	(23 244)	(1 461 955)
Capital expenditure	1 740 917	-	1 740 917
Depreciation and amortization	654 742	-	654 742
	<b>Total reportable segment</b>	<b>Adjustment</b>	<b>Total consolidated December 31, 2018 Restated</b>
Finance income	189 420	(17 428)	171 992
Interest expense and Bank Charges	(1 379 910)	14 299	(1 365 611)
Capital expenditure	540 637	-	540 637
Depreciation and amortization	221 244	-	221 244

## 5- Operating segments (continued)

## H- Operations results

	Passenger cars		Commercial vehicles		Two and three Wheelers		Financial Services Non Banking		Other operations		Total	
	31 December 2019	31 December 2018 Restated	31 December 2019	31 December 2018 Restated	31 December 2019	31 December 2018 Restated	31 December 2019	31 December 2018 Restated	31 December 2019	31 December 2018 Restated	31 December 2019	31 December 2018 Restated
Sales	14 399 207	14 351 777	1 664 080	1 745 097	3 341 240	4 358 885	4 349 306	3 502 807	1 644 213	1 662 679	25 398 046	25 621 245
<b>Gross profit</b>	1 053 826	1 402 614	258 374	210 576	546 791	698 922	1 668 915	1 099 682	288 070	235 640	3 815 976	3 647 434
General and administrative expenses											(1 018 504)	( 789 044)
Marketing and Selling expenses											(1 165 702)	( 881 266)
Provisions and Impairment of Current and Non-Current assets (Net)											( 306 360)	( 59 153)
Other income											157 544	158 921
<b>Operating results</b>											<b>1 482 954</b>	<b>2 076 892</b>
Finance cost(Net)											(1 167 018)	(1 223 591)
<b>Net profit for the Year before income tax</b>											<b>315 936</b>	<b>853 301</b>
Income tax expense											( 92 380)	( 180 988)
<b>Net Profit for the Year</b>											<b>223 556</b>	<b>672 313</b>
<b>Attributable to:</b>												
Equity holders of the Company											42 674	544 833
Non-controlling interests											180 882	127 480
											<b>223 556</b>	<b>672 313</b>



GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

## 6- Finance Costs

	<b>December 31, 2019</b>	<b>December 31, 2018 Restated</b>
Interest income	105 047	152 524
Interest income on installment sales	7 749	19 469
Foreign exchange gain	182 141	-
<b>Total Finance Income</b>	<b>294 937</b>	<b>171 993</b>
Interest expense and bank charges	(1 461 955)	(1 365 611)
Foreign exchange losses	-	(29 973)
<b>Total Finance Cost</b>	<b>(1 461 955)</b>	<b>(1 395 584)</b>
<b>Net Finance Cost</b>	<b>(1 167 018)</b>	<b>(1 223 591)</b>

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

### Provisions no longer required

	<b>December 31, 2019</b>	<b>December 31, 2018 Restated</b>
Warranty provision	32 290	47 535
Impairment of accounts and notes receivables	45 509	29 782
Impairment of debtors and other debit balances	-	724
Other Provisions	111 980	6 639
Litigation provision	-	5 495
<b>Total provisions no longer required</b>	<b>189 779</b>	<b>90 175</b>

### Provisions formed

	<b>December 31, 2019</b>	<b>December 31, 2018 Restated</b>
Warranty provision	(73 213)	(24 965)
Impairment of accounts and notes receivable	(140 884)	(45 571)
Impairment of debtors and other debit balances	(24 855)	(3 134)
Impairment of due from related parties	-	(15 803)
Litigation provision	(829)	(4 574)
Impairment of fixed assets	(69 625)	-
Other provisions	(186 733)	(55 281)
<b>Total provisions formed</b>	<b>(496 139)</b>	<b>(149 328)</b>
<b>Net provisions in the income statement</b>	<b>(306 360)</b>	<b>(59 153)</b>

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Notes to the consolidated financial statements for the financial year ended December 31, 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 Year	Used during the Year	Reversal of Impairmen t during the Year	Effect of movements of exchange rates	Balance at 31/12/2019
Impairment of Accounts & Notes receivable	437 017	140 884	(79 045)	(45 509)	(10 518)	442 829
Impairment of due from related parties	31 923	-	-	-	(3 358)	28 565
Impairment of Debtors & Other debit balances	9 866	24 855	-	-	(1 857)	32 864
	<b>478 806</b>	<b>165 739</b>	<b>(79 045)</b>	<b>(45 509)</b>	<b>(15 733)</b>	<b>504 258</b>
Impairment of Inventory *	63 161	12 257	-	(8 133)	-	67 285
	<b>541 967</b>	<b>177 996</b>	<b>(79 045)</b>	<b>(53 642)</b>	<b>(15 733)</b>	<b>571 543</b>

\*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 year 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 year (as it is shown in the previous paragraph), by the weighted average number of ordinary shares issued during the year.

	December 31, 2019	December 31, 2018 Restated
Net profit for the year attributable to the shareholders	42 674	544 833
Weighted average number of ordinary shares issued	1 094 010	1 094 010
<b>Basic profit earnings per share/ EGP</b>	<b>0.039</b>	<b>0.498</b>

## 9- Income tax

### A- Income tax liabilities

	December 31, 2019	December 31, 2018 Restated
Balance at 1 January	139 185	58 486
Taxes paid during the year	(140 743)	(88 568)
Current income tax during the year (Note 9-C)	236 063	169 267
<b>Balance at the end of the year</b>	<b>234 505</b>	<b>139 185</b>

**GB Auto (S.A.E.)**

**Notes to the consolidated financial statements for the financial Year ended December 31, 2019**

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

	Fixed and Intangible Assets	Carried forward losses	Impairment of Inventory	Warranty Provision	Surplus revaluation of fixed assets *	Notes payable	Capital Gains	Total	
								December 31, 2019	December 31, 2018 Restated
<b>Deferred tax assets</b>									
Balance at 1 January	11	237 281	6,826	36,445	-	175,119	-	455 682	282 652
Charged to the income statement	-	186 817	3 516	( 5 169)	-	( 22 536)	-	162 628	( 68)
Effect of changes in Accounting policy	-	-	-	-	-	-	-	-	173 098
<b>Balance at the end of the Year /year</b>	<b>11</b>	<b>424 098</b>	<b>10 342</b>	<b>31 276</b>		<b>152 583</b>		<b>618 310</b>	<b>455 682</b>
<b>Deferred tax liabilities</b>									
Balance at 1 January	( 225 915)	-	-	-	( 30 275)	-	( 76 236)	( 332 426)	( 152 501)
Charged to the income statement	( 32 751)	-	-	-	-	-	13 806	( 18 945)	( 11 653)
Effect of changes in Accounting policy	-	-	-	-	-	-	-	-	( 177 027)
Charged to Statement of comprehensive income	-	-	-	-	6 316	-	-	6 316	8 755
Balance at the end of the Year/year	( 258 666)				( 23 959)		( 62 430)	( 345 055)	( 332 426)
<b>Net deferred tax liabilities</b>	<b>( 258 655)</b>	<b>424 098</b>	<b>10 342</b>	<b>31 276</b>	<b>( 23 959)</b>	<b>152 583</b>	<b>( 62 430)</b>	<b>273 255</b>	<b>123 256</b>
<b>Net</b>									
Balance at 1 January	( 225 904)	237 281	6 826	36 445	( 30 275)	175 119	( 76 236)	123 256	130 151
Charged to the income statement	( 32 751)	186 817	3 516	( 5 169)	-	( 22 536)	13 806	143 683	( 11 721)
Effect of changes in Accounting policy	-	-	-	-	-	-	-	-	( 3 929)
Charged to Statement of comprehensive income	-	-	-	-	6 316	-	-	6 316	8 755
<b>Balance at the end of the Year</b>	<b>( 258 655)</b>	<b>424 098</b>	<b>10 342</b>	<b>31 276</b>	<b>( 23 959)</b>	<b>152 583</b>	<b>( 62 430)</b>	<b>273 255</b>	<b>123 256</b>

\* 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 financial statements for the financial year ended December 31, 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.

	<b>December 31, 2019</b>	<b>December 31, 2018 Restated</b>
Impairment of accounts and notes receivables	99 637	98 329
Impairment of other debit balances	7 394	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)\benefits

	<b>December 31, 2019</b>	<b>December 31, 2018 Restated</b>
Current income tax for the year (Note 9-A)	(236 063)	(169 267)
Deferred tax – benefit \ (expense) (Note 9-B)	143 683	(11 721)
<b>Income tax for the year</b>	<b>(92 380)</b>	<b>(180 988)</b>

### D- Amounts recognized in OCI

	<b><u>December 31,2019</u></b>			<b><u>December 31,2018 Restated</u></b>		
	<b><u>Before Tax</u></b>	<b><u>Taxes</u></b>	<b><u>After Tax</u></b>	<b><u>Before Tax</u></b>	<b><u>Taxes</u></b>	<b><u>After Tax</u></b>
Foreign Currency translation difference	(365 746)	–	(365 746)	53 545	–	53 545
Modification surplus of fixed assets result	(36 221)	6 316	(29 905)	(25 684)	8 755	(16 929)
	<b>(401 967)</b>	<b>6 316</b>	<b>(395 651)</b>	<b>27 382</b>	<b>8 755</b>	<b>36 616</b>

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

## 10- Inventories

	December 31,2019	December 31, 2018 Restated
Goods in transit	795 657	854 414
Cars, buses and trucks	1 378 068	1 992 939
Raw material and car components	871 336	1 037 281
Spare parts for sale	488 284	629 637
Work in progress	154 613	201 133
Tires	113 434	104 712
Oils	54 103	63 873
<b>Total</b>	<b>3 855 495</b>	<b>4 883 989</b>
Impairment of inventory *	(67 285)	(63 161)
<b>Net</b>	<b>3 788 210</b>	<b>4 820 828</b>

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

## 11- Long term notes receivables

	December 31,2019	December 31, 2018 Restated
Long-term notes receivable	3 932 299	5 162 568
Interest income on installment sales	(641 866)	(1 636 369)
<b>Net present value for long-term notes receivable</b>	<b>3 290 433</b>	<b>3 526 199</b>
Impairment of long-term notes receivable	(57 230)	(9 413)
<b>Net</b>	<b>3 233 203</b>	<b>3 516 786</b>

## 12- Accounts and notes receivables

	December 31,2019	December 31, 2018 Restated
Total notes receivable	11 750 129	12 265 972
Long-term notes receivable (Note 11)	(3 932 299)	(5 162 568)
Unamortized interest	(1 818 583)	(2 616 450)
<b>Net present value for short-term notes receivable</b>	<b>5 999 247</b>	<b>4 486 954</b>
Trade receivable	821 879	1 269 643
<b>Total</b>	<b>6 821 126</b>	<b>5 756 597</b>
Impairment of accounts and notes receivable balances	(385 599)	(427 604)
<b>Net</b>	<b>6 435 527</b>	<b>5 328 993</b>

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Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

### 13- Debtors and other debit balances

	December 31,2019	December 31, 2018 Restated
Advance payments to suppliers	463 388	710 473
Withholding tax	261 755	223 699
Sales tax receivable	95 724	110 078
Accrued interest	134 417	4 767
Accrued revenue	347	3 910
Letters of credit	201 104	148 241
Prepaid expenses	113 466	88 359
Deposits with others	32 710	33 440
Letters of guarantee margin	136 440	216 535
Staff loans and custodies	27 269	25 507
Other debit balances	789 475	86 810
Customs duties	3 726	3 156
<b>Total</b>	<b>2 259 821</b>	<b>1 654 975</b>
Impairment of debtor and other debit balances	(32 864)	(9 866)
<b>Net</b>	<b>2 226 957</b>	<b>1 645 109</b>

### 14- Cash on hand and at banks

A- Cash on hand and at banks

	December 31,2019	December 31, 2018 Restated
Cash on hand and cash at banks	1 408 948	1 179 275
	<b>1 408 948</b>	<b>1 179 275</b>

B- Cash and cash equivalents

	December 31,2019	December 31, 2018 Restated
Cash on hand and cash at banks	1 408 948	1 179 275
	<b>1 408 948</b>	<b>1 179 275</b>

## 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
<b>Cost</b>								
<b>Cost at 1 January 2018 restated</b>	1 919 439	888 803	462 142	175 863	498 934	29 037	787 976	<b>4 762 194</b>
Additions during the year	80 808	28 207	119 374	20 442	44 122	3 836	240 960	<b>537 749</b>
Transferred from projects under construction to PP&E and intangible assets	249 265	47 532	-	-	79 761	1 105	( 377 663)	<b>-</b>
Disposals during the year	( 6 750)	( 817)	( 37 889)	( 229)	( 6 161)	( 1 563)	( 16 146)	<b>( 69 555)</b>
Effect of cost modification using modification factor	-	-	( 11 574)	( 6)	( 1)	-	( 9 896)	<b>( 21 477)</b>
Effect of movements of exchange rates	( 3 977)	237	27	78	917	( 50)	-	<b>( 2 768)</b>
<b>Balance at 31 December 2018 restated</b>	<b>2 238 785</b>	<b>963 962</b>	<b>532 080</b>	<b>196 148</b>	<b>617 572</b>	<b>32 365</b>	<b>625 231</b>	<b>5 206 143</b>
<b>Cost at 1 January 2019</b>	2 238 785	963 962	532 080	196 148	617 572	32 365	625 231	<b>5 206 143</b>
Additions during the Year	1 020 068	139 647	223 588	27 870	58 093	6 908	259 866	<b>1 736 040</b>
Transferred from projects under construction to PP&E and intangible assets	191 300	55 589	-	-	256 998	3 095	( 510 712)	<b>( 3 730)</b>
Disposals during the Year	( 897 743)	( 114 454)	( 236 465)	( 230)	( 28 123)	( 209)	( 1 176)	<b>( 1 278 400)</b>
Effect of cost modification using modification factor	-	-	( 3 587)	-	( 1 089)	-	-	<b>( 4 675)</b>
Effect of movements of exchange rates	1 417	( 249)	( 362)	( 74)	( 1 230)	( 256)	-	<b>( 754)</b>
<b>Balance at 31 December 2019</b>	<b>2 553 827</b>	<b>1 044 496</b>	<b>515 254</b>	<b>223 713</b>	<b>902 221</b>	<b>41 902</b>	<b>373 210</b>	<b>5 654 623</b>
<b>Accumulated depreciation and impairment losses</b>								
<b>Accumulated depreciation at 1 January 2018 restated</b>	182 910	468 652	178 161	136 027	248 213	18 903	5 816	<b>1 238 682</b>
Depreciation during the year	26 683	62 813	57 217	17 550	51 219	2 683	-	<b>218 165</b>
Disposals during the year	( 897)	( 801)	( 51 681)	( 189)	( 7 110)	-	-	<b>( 60 678)</b>
Effect of accumulated depreciation modification using modification factor	-	-	( 30 569)	( 8)	-	-	-	<b>( 30 577)</b>
Effect of movements of exchange rates	371	235	245	73	471	( 9)	-	<b>1 386</b>
<b>Accumulated depreciation at 31 December 2018 restated</b>	<b>209 067</b>	<b>530 899</b>	<b>153 373</b>	<b>153 453</b>	<b>292 793</b>	<b>21 577</b>	<b>5 816</b>	<b>1 366 978</b>
<b>Accumulated depreciation at 1 January 2019</b>	209 067	530 899	153 373	153 453	292 793	21 577	5 816	<b>1 366 978</b>
Depreciation during the Year	206 711	168 131	190 772	22 054	61 775	4 213	-	<b>653 655</b>
Disposals during the Year	( 173 943)	( 125 566)	( 156 395)	( 1 431)	( 2 007)	( 97)	-	<b>( 459 440)</b>
Effect of accumulated depreciation modification using modification factor	-	-	( 6 816)	( 1)	( 1 088)	-	-	<b>( 7 905)</b>
Impairment of fixed assets	59 093	5 807	-	71	4 653	-	-	<b>69 625</b>
Effect of movements of exchange rates	( 1 024)	( 1 768)	( 2 063)	( 934)	( 5 523)	( 198)	-	<b>( 11 509)</b>
<b>Accumulated depreciation at 31 December 2019</b>	<b>299 905</b>	<b>577 503</b>	<b>178 871</b>	<b>173 212</b>	<b>350 602</b>	<b>25 495</b>	<b>5 816</b>	<b>1 611 404</b>
<b>Net carrying Amount</b>								
<b>At 1 January 2018 restated</b>	<b>1 736 529</b>	<b>420 151</b>	<b>283 981</b>	<b>39 836</b>	<b>250 721</b>	<b>10 134</b>	<b>782 160</b>	<b>3 523 512</b>
<b>At 31 December 2018 restated</b>	<b>2 029 718</b>	<b>433 063</b>	<b>378 707</b>	<b>42 695</b>	<b>324 779</b>	<b>10 788</b>	<b>619 415</b>	<b>3 839 165</b>
<b>At 31 December 2019</b>	<b>2 253 922</b>	<b>466 993</b>	<b>336 383</b>	<b>50 501</b>	<b>551 619</b>	<b>16 407</b>	<b>367 394</b>	<b>4 043 219</b>

\* 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
<b>Cost</b>				
Balance at 1 January	430 155	33 895	5 703	<b>469 753</b>
Additions during the year	-	1 147	-	<b>1 147</b>
Transfer from PUC	-	3 730	-	<b>3 730</b>
<b>Balance at December 31, 2019</b>	<b>430 155</b>	<b>38 772</b>	<b>5 703</b>	<b>474 630</b>
<b>Accumulated amortization</b>				
Balance at 1 January	-	33 895	5 703	<b>39 598</b>
Amortization during the year	-	1 087	-	<b>1 087</b>
<b>Balance at December 31, 2019</b>	<b>-</b>	<b>34 982</b>	<b>5 703</b>	<b>40 685</b>
<b>Net carrying amount at December 31, 2019</b>	<b>430 155</b>	<b>-</b>	<b>-</b>	<b>433 945</b>
<b>Net carrying amount at December 31, 2018 restated</b>	<b>430 155</b>	<b>-</b>	<b>-</b>	<b>430 155</b>

### Goodwill

- On June 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 September 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 249 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:

	December 31, 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
	<b>430 155</b>	<b>430 155</b>



GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

### 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

	December 31, 2019	December 31, 2018 Restated
Balance at 1 January	90 905	90 905
<b>Balance at the end of the year</b>	<b>90 905</b>	<b>90 905</b>

### 18- Issued and paid in capital

	December 31, 2019	December 31, 2018 Restated
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)	<b>1 094 010</b>	<b>1 094 010</b>

- On August 31, 2014, the Board of Directors according to the delegation of the extra ordinary assembly meeting held on June 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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Notes to the consolidated financial statements for the financial year ended December 31, 2019

(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.

On 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

	December 31, 2019	December 31, 2018 Restated
Balance at 1 January	331 529	320 992
Transferred to legal reserve	49 977	17 395
Change of non-controlling interests without changing in control	-	877
Transferred from legal reserve to increase the capital	-	(7 735)
<b>Balance at the end of the year</b>	<b>381 508</b>	<b>331 529</b>

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 that dated June 29, 2008.

	December 31, 2019	December 31, 2018 Restated
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
<b>Balance as at January 1, 2019</b>	1 336 561	88 882	148 489	916 801	<b>2 490 733</b>
Foreign currency translation	(218 782)	–	–	–	<b>(218 782)</b>
Modification surplus of fixed assets after income tax	–	–	(29 905)	–	<b>(29 905)</b>
<b>Balance at December 31, 2019</b>	<b>1 117 779</b>	<b>88 882</b>	<b>118 584</b>	<b>916 801</b>	<b>2 242 046</b>

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

							Total
	Capital	Payment Under capital increase	Reserves	Legal reserve	Retained earnings	December 31, 2019	December 31, 2018 Restated
Balance at 1 January	518 192	–	789 634	30 563	(35 027)	1 303 362	1 172 851
Net profit for the year	–	–	–	–	180 882	180 882	127 480
Foreign currency translation results	–	–	(147 395)	–	–	(147 395)	9 364
Capital increase	6 167	–	–	–	–	6 167	32 000
Change in Non-controlling interests	(700)	–	–	–	–	(700)	(36 661)
Transferred to Legal reserve	–	–	–	12 964	(12 964)	–	–
Dividends	–	–	–	–	(1 509)	(1 509)	(1 672)
Payment under capital increase	–	24 090	–	–	–	24 090	–
Balance at the end of the year	523 659	24 090	642 239	43 527	131 382	1 364 896	1 303 362

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

### 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.

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

	December 31, 2019	December 31, 2018 Restated
Loans, borrowings and overdrafts	13 663 115	12 422 671
Short-term notes payable - suppliers	375 694	353 331
<b>Total loans and notes payables</b>	<b>14 038 809</b>	<b>12 776 002</b>
<b>Less: Cash and cash equivalent</b>	<b>(1 408 948)</b>	<b>(1 179 275)</b>
Letters of credit margin	(201 103)	(148 241)
Letters of guarantee margin	(136 440)	(216 535)
<b>Net debt</b>	<b>12 292 318</b>	<b>11 231 951</b>
Shareholders' equity	3 782 833	3 983 845
<b>Net debt to equity ratio</b>	<b>3.25</b>	<b>2.82</b>

### 24- Loans, borrowings and overdrafts

	December 31, 2019			December 31, 2018 Restated		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks overdraft	8 910 667	27 737	8 938 404	8 021 786	81 355	8 103 141
Loans	1 750 355	2 974 356	4 724 711	1 229 998	3 089 532	4 319 530
<b>Total</b>	<b>10 661 022</b>	<b>3 002 093</b>	<b>13 663 115</b>	<b>9 251 784</b>	<b>3 170 887</b>	<b>12 422 671</b>

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Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

**A. Banks overdraft**

The average interest rate on the outstanding Egyptian Pounds and the US Dollars bank overdraft are 14.38% and 5% respectively.

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

	<b>December 31, 2019</b>	<b>December 31, 2018 Restated</b>
Less than one year	10 661 022	9 251 784
More than one year and less than five years	3 002 093	3 170 887
	<b>13 663 115</b>	<b>12 422 671</b>

**25- Trade payables and other credit balances**

	<b>December 31, 2019</b>	<b>December 31, 2018 Restated</b>
Trade payables	1 291 729	1 340 371
Other credit balances	280 446	174 402
Advances from customers	360 840	385 160
Tax Authority	30 798	33 555
Accrued expenses	335 253	327 599
Notes payables	375 694	353 331
Dividends payable	37 440	18 163
Deferred revenues	39 983	39 170
	<b>2 752 183</b>	<b>2 671 751</b>

**26- Provisions**

	<b>Legal Claims</b>	<b>Warranty Provision</b>	<b>Other Provisions</b>	<b>Total</b>
<b>Balance at January 1, 2019</b>	<b>5 387</b>	<b>77 115</b>	<b>186 197</b>	<b>268 699</b>
Provisions formed during the year	829	73 213	186 732	<b>260 773</b>
Provisions utilized during the year	(40)	(19 568)	(128 327)	<b>(147 935)</b>
Provisions no longer required	-	(32 291)	(118 917)	<b>(151 208)</b>
Effect of movement of exchange rates	(63)	-	(470)	<b>(532)</b>
<b>Balance at December 31, 2019</b>	<b>6 113</b>	<b>98 469</b>	<b>125 216</b>	<b>229 797</b>
<b>Balance at January 1, 2018</b>	7 084	108 844	167 834	<b>283 762</b>
Provisions formed during the year	4 574	24 965	55 281	<b>84 820</b>
Provisions utilized during the year	(705)	(9 159)	(30 272)	<b>(40 136)</b>
Provisions no longer required	(5 495)	(47 535)	(6 639)	<b>(59 669)</b>
Effect of movement of exchange rates	(71)	-	(7)	<b>(78)</b>
<b>Balance at December 31, 2018 restated</b>	<b>5 387</b>	<b>77 115</b>	<b>186 197</b>	<b>268 699</b>

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Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

### 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 December 31, 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 98 469 at the end of the year 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 4 168 (December 31, 2018 restated EGP 15 159).

### 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

### (2) 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:

	December 31, 2019			December 31, 2018
	Assets	Liabilities	Net	Net
US Dollars	635 092	(1 349 444)	(714 352)	(206 053)
Euros	826 085	(1 370 528)	(544 443)	19 505
Other currencies	3 436	(129 861)	(126 425)	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.

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### 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 13 663 115 as at December 31, 2019 (EGP 12 422 671 as at December 31, 2018 restated).

Financial assets that carry fixed interest rates are amounted to EGP 92 289 as at December 31, 2019 (EGP 97 693 as at December 31, 2018 Restated).

		<b>December 31, 2019</b>	<b>December 31, 2018 Restated</b>
Time deposits	USD	69 612	78 750
Time deposits	EGP	22 677	18 943
		<b>92 289</b>	<b>97 693</b>

#### (a) 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:

	<b>December 31, 2019</b>	<b>December 31, 2018 Restated</b>
Notes and accounts receivables	12 572 008	13 839 615
Impairment of accounts and notes receivable balances	(442 829)	(427 604)
<b>The ratio of the allowance to total accounts and notes receivable</b>	<b>3.5%</b>	<b>%3.1</b>

#### (b) 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.

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Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

## (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.

## 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	
	31 December 2019	31 December 2018 Restated
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%



GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2019

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

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%
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%	-
GB Real Estate BV	100%	-
Transport Vehicle Distribution TVD S.A.E.	51%	-
Automobilk S.A.E	75%	-
GB Finance Lease BV	100%	-
GB Microcredit BV	100%	-
GB Operational Lease BV	100%	-
GB Consumer Finance BV	100%	-
Rassedy For Collection S.A.E	41.25%	-

## 29- Capital Commitments

The capital contractual expenditure of the Group at the consolidated financial statements date reached EGP 205 680 (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.

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### 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:

	December 31, 2019	December 31, 2018 Restated
USD	2 455 842	1 984 048
EGP	180 672	172 132
Japanese Yen	22 821	1 556
Euro	24 744	4 174

### 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	December 31, 2019	December 31, 2018 Restated
GB for Import and Export	–	489
Itamco agriculture development	–	5 013
El Bostan Holding	68 307	76 198
SARL SIPAC – Algeria	13 627	15 267
Algematco – Algeria	28 608	16 603
Halan for Information technology	70 144	–
Kassed Shareholders' Current Account	11 153	82 778
El Qalam Shareholders' Current Account	108 928	33 594
Aff.Co.-Cur.Acc.-GB Produce	–	4 000
<b>Total</b>	<b>300 767</b>	<b>233 942</b>
Impairment of due from related parties	(28 565)	(31 923)
	<b>272 202</b>	<b>202 019</b>

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

	December 31, 2019	December 31, 2018 Restated
<b>Due to related parties</b>		
Marco Polo Company	61 227	65 669
EQI	761	761
Al Watania for car accessories and spare parts	6 135	6 204
Al Watania for tires import	-	1 111
Itamco for import and export	-	1 286
Halan for Information Technology	-	7 887
Gaya	5 090	11 875
Wahdan Company	68	68
EL Ghalban Company	362	-
	<b>73 643</b>	<b>94 861</b>

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

Related party name	Relation type	Transaction nature	Transaction amount	
			December 31, 2019	December 31, 2018 Restated
Executive BOD	Board of Directors	Management Salaries	78 637	44 078
EQI	Shareholder in one of the subsidiaries	Dividends	-	39
GB for import and export.	Related Party	Cash transfer	-	(6 481)
Al Watania for Vehicles Accessories and spare parts	Related Party	Cash transfer	(1 955)	(670)
SARL SIPAC – Algeria	Related Party	Foreign Currency translation difference	(1 656)	(382)
Kassed Shareholders' current account	Shareholder in one of the subsidiaries	Cash transfer	(1 650)	(1 771)
		Sales	(69 997)	78 883
Itamco agriculture	Related Party	Cash transfers	(4 997)	2 966
El- Qalam Shareholder current account	Shareholder in one of the subsidiaries	Sales	(81 806)	10 669
		Services	6 472	6 000
Marco Polo Company	Shareholder in one of the subsidiaries	Cash transfers	4 442	(4 369)
Itamco for Import and Export	Related Party	Cash transfers	(1 286)	5

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

Watania Company for Tires Import	Related Party	Cash transfers	(1 111)	31
Algematco – Algeria	Shareholder in one of the subsidiaries	Cash transfers	(12 005)	(350)
Blue Bay for Management	Shareholder in one of the subsidiaries	Cash transfers	–	(12 000)
Bostan Holding	Related Party	Foreign Currency translation difference	(7 891)	806
GB produce	Related Party	Cash transfers	(4000)	4 000
Halan for Information technology	Related Party	Cash transfers	(70 144)	(7 887)
Gaya	Shareholder in one of the subsidiaries	Cash transfers	6 785	(11 875)
El Ghalban	Shareholder in one of the subsidiaries	Cash transfers	362	–
Wahdan Company	Shareholder in one of the subsidiaries	Cash transfers	–	(68)

### 32- Investment in associates

	Contribution percentage	December 31, 2019	December 31, 2018 Restated
Halan for Information technology	3.5%	8 034	8 034
Bedaia for Real estate Financing	33.33%	50 000	–
		<b>58 034</b>	<b>8 034</b>

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## Notes to the consolidated financial statements for the financial Year ended December 31, 2019

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

## 33- Income as per expense nature

	31 December 2019	31 December 2018 Restated
Sales	25 398 046	25 621 245
COGS	(21 582 070)	(21 973 811)
<b>Gross Profit</b>	<b>3 815 976</b>	<b>3 647 434</b>
Other income	157 544	158 921
Provisions no longer required	189 779	98 471
Interest income	105 047	152 523
Installment sales interest	7 749	19 469
Bank charge	( 103 811)	( 59 224)
Interest expense	(1 358 144)	(1 306 387)
Salaries & Benefits	(1 135 518)	( 817 751)
Advertising & Marketing	( 221 903)	( 229 347)
Rents	( 147 548)	( 119 732)
Net Gain/losses foreign exchange transaction	182 141	( 29 972)
Provisions formed	( 496 139)	( 157 624)
Depreciation and Amortization	( 124 358)	( 112 767)
Consulting	( 35 806)	( 29 149)
Transportation	( 66 275)	( 43 785)
vehicles expense	( 42 616)	( 45 187)
Governmental Fees & stamps	( 47 312)	( 30 539)
IT, Network & PCs	( 55 532)	( 43 237)
Other Expenses	( 77 995)	( 41 818)
Insurance	( 17 483)	( 10 985)
Security Expense	( 21 218)	( 15 545)
Repair/Maintenance Expenses	( 1 569)	( 1 171)
Administration Supplies	( 36 992)	( 31 713)
Utilities	( 26 024)	( 20 536)
Public relations	( 68 216)	( 29 776)
Medical Fund	( 49 950)	( 34 842)
Freight	( 7 891)	( 12 429)
<b>Net profit for the year before income tax</b>	<b>315 936</b>	<b>853 301</b>

## 34- 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 December 31 2018, as well as adjustments on the consolidated income and consolidated comprehensive income for the financial Year ended December 30, 2018, as follows:

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Notes to the consolidated financial statements for the financial Year ended December 31, 2019

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

as of 31 December 2018

(All amounts in thousand Egyptian Pound)	Note No.	According to Egyptian Accounting standard no.20	Financial Effect	According to Egyptian Accounting standard no. 49
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant, equipment and projects under construction (Net)	(15)	6 271 129	(2 431 964)	3 839 165
Intangible assets and goodwill	(16)	430 155	-	430 155
Payments Under Investments		1 000	-	1 000
Investment in Associate		8 034	-	8 034
Notes receivables (Net)	(11)	1 548 842	1 967 944	3 516 786
Deferred tax assets	(9-B)	282 584	173 098	455 682
Investment property	(17)	90 905	-	90 905
<b>Total non-current assets</b>		<b>8 632 649</b>	<b>( 290 922)</b>	<b>8 341 727</b>
<b>Current assets</b>				
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	19 944	1 645 109
Due from related parties	(31)	202 019	-	202 019
Cash on hand and at banks	(14)	1 179 275	-	1 179 275
<b>Total current assets</b>		<b>12 438 278</b>	<b>737 946</b>	<b>13 176 224</b>
<b>Total assets</b>		<b>21 070 927</b>	<b>447 024</b>	<b>21 517 951</b>
<b>Equity</b>				
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)	35 059	( 477 260)
Net profit for the year		515 710	29 123	544 833
<b>Equity attributable to owners of the company</b>		<b>3 919 663</b>	<b>64 182</b>	<b>3 983 845</b>
Non-controlling interests	(22)	1 290 717	12 645	1 303 362
<b>Total equity</b>		<b>5 210 380</b>	<b>76 827</b>	<b>5 287 207</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
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	177 027	332 426
<b>Total non-current liabilities</b>		<b>3 395 766</b>	<b>423 857</b>	<b>3 819 623</b>
<b>Current liabilities</b>				
Provisions	(26)	253 540	-	253 540
Current tax liabilities	(9-A)	131 690	7 495	139 185
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	( 61 155)	2 671 751
<b>Total current liabilities</b>		<b>12 464 781</b>	<b>( 53 660)</b>	<b>12 411 121</b>
<b>Total liabilities</b>		<b>15 860 547</b>	<b>370 197</b>	<b>16 230 744</b>
<b>Total equity and liabilities</b>		<b>21 070 927</b>	<b>447 024</b>	<b>21 517 951</b>

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

## 34-2 Adjustment on Yearic Consolidated income statement as of 31 December 2011

(All amounts in thousand Egyptian Pound)	Note No.	According to Egyptian Accounting standard no.20	Financial Effect	According to Egyptian Accounting standard 49
Sales		25 811 964	( 190 719)	25 621 245
Cost of sales		(22 248 011)	274 200	(21 973 811)
<b>Gross profit</b>		<b>3 563 953</b>	<b>83 481</b>	<b>3 647 434</b>
Other income		173 107	( 14 186)	158 921
Selling and marketing expenses		( 908 624)	-	( 789 044)
General and administrative expenses		( 793 878)	( 87 388)	( 881 266)
Provisions and Impairment of Current and Non-Current assets (Net)		( 59 153)	-	(59 153)
<b>Operating results</b>		<b>1 975 405</b>	<b>101 487</b>	<b>2 076 892</b>
Finance costs (Net)	(6)	(1 187 257)	( 36 334)	(1 223 591)
<b>Net profit for the Year before income tax</b>		<b>788 148</b>	<b>65 153</b>	<b>853 301</b>
Income tax expense		( 151 414)	( 29 574)	(180 988)
<b>Net Profit for the Year</b>		<b>636 734</b>	<b>35 579</b>	<b>672 313</b>
<b>Attributable to:</b>				
Owners of the company		515 710	29 123	544 833
Non-controlling interests		121 024	6 456	127 480
		<b>636 734</b>	<b>35 579</b>	<b>672 313</b>
Basic earnings / (Loss) per share/ EGP	(8)	0.471		0.498

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

## 34-3 Adjustment on consolidated Comprehensive income as of 31 December 2018

(All amounts in thousand Egyptian Pound)	According to Egyptian Accounting standard no.20	Financial Effect	According to Egyptian Accounting standard no.49
Net Profit for the Year before income tax	636 734	35 579	672 313
<b>Other comprehensive income items</b>			
Foreign currency translation difference	53 545	-	53 545
Modification surplus of fixed assets result	( 25 684)	-	(25 684)
<b>Total other comprehensive income for the Year before income tax</b>	<b>27 861</b>		<b>27 861</b>
Income tax Related to other comprehensive income item	8 755	-	8 755
<b>Other comprehensive income for the Year after income tax</b>	<b>36 616</b>	-	<b>36 616</b>
<b>Total other comprehensive income for the Year</b>	<b>673 350</b>	<b>35 579</b>	<b>708 929</b>
<b>Other comprehensive income is attributable to:</b>			
Owners of the company	543 475	29 122	572 597
Non-controlling interests	129 875	6 457	136 332
	<b>673 350</b>	<b>35 579</b>	<b>708 929</b>



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

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### 35- 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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### **35-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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### **35-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

Installment 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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### **35-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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### **35-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) 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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### **35 -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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### 35-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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### 35-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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### **35-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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### **35-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.

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### **35-Significant accounting policies (Continued)**

#### **Financial assets measured at amortised cost**

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

#### **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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### **35-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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### **35-Significant accounting policies (Continued)**

#### **Q- Leases**

##### **1) Financial lease**

For leases within the scope of Law 95 of 1995, lease costs including maintenance expense of leased assets are recognized in income statement in the period incurred. If the Company elects to exercise the purchase option on the leased asset, the option cost is capitalised as property, plant, and equipment and depreciated over their expected remaining useful lives on a basis consistent with similar assets.

<sup>2)</sup> Other finance leases that do not fall under the scope of Law 95 for 1995, or fall within the scope of Law 95 of 1995 but do not fall under the scope of EAS No.20 (Accounting Principles and Standards Attributable to Finance Lease). also in case the company will sale property, plant and equipment and leasing it back the asset is capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest charge on the outstanding finance cost balance. The finance lease obligations, net of finance charges, are classified as liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant rate of interest over the remaining balance of the liability for each period. Assets acquired under this type of finance lease are depreciated over the shorter of the useful life of the assets or the lease term.

<sup>3)</sup> Gains arising from the excess of the collected payments over the book value of the non-current assets that are being sold and leased back through finance leases are deferred and amortized over the lease term.

##### **4) Operational lease**

Lease payments under an operating lease, excluding any incentives received from the lessor over the contract period, shall be recognized as an expense charged to the statement of income for the year on a time pattern basis and accrued base.

#### **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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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:

<b>New or Amended Standards</b>	<b>A Summary of the Most Significant Amendments</b>	<b>The Possible Impact on the Financial Statements</b>	<b>Date of Implementation</b>
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 Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at</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>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 ammendments 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>4.For revenue recognition, Control Model is used instead of Risk and Rewards Model.</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 January1st, 2020, and the early implementation thereof is permitted</p>

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	<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 amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</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 standards related to financial leasing" as well as the finance</p>



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	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.		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.
Egyptian Accounting Standard No. (38)) as ammended " Employees Benefits "	A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.
Egyptian Accounting Standard No. (42)) as ammended " Consolidated Financial Statements"	Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were ammended are as follows: <ul style="list-style-type: none"> <li>- (ESA 15) Related Party Disclosures</li> <li>- ( ESA 17)Consolidated and Separate Financial Statements</li> <li>- ( ESA 18) Investments in Associates</li> <li>- (ESA 24) Income Taxes</li> <li>- (ESA 29)Business Combinations</li> <li>- ESA( 30) Periodical Financial Statements</li> <li>- EAS (44) Disclosure of Interests in Other Entities.</li> </ul>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted. -The new or amended paragraphs pertaining to the ammended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated

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			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	<p>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.</p> <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>	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.

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	<p>Based on this amendment, the following standards were ammended :</p> <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (32) Non-current Assets Held for Sale and Discontinued Operation</li> <li>- Egyptian Accounting Standard No. (31) Impairment of Assets</li> </ul>		
Egyptian Accounting Standard No. (4) as ammended " Statemnet of Cash Flows"	<p>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 .</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.</p>