GB Auto (S.A.E.)
(An Egyptian Joint Stock Company)
Consolidated Interim Financial Statements
For The Financial Period Ended March 31, 2019

And Limited Review Report

KPMG Hazem Hassan
Public Accountants & Consultants

Limited Review report on consolidated Interim Financial Statements

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

Introduction

We have performed a limited review for the accompanying Consolidated balance sheet of GB Auto (S.A.E.) as at March 31, 2019 and the related consolidated statement of income and other comprehensive income, changes in equity, and cash flows for the three-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim Consolidated financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2019 and of its financial performance and its cash flows for the three-month then ended in accordance with Egyptian Accounting Standards.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo May 12, 2019

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GB Auto (S.A.E)
(An Egyption Joint Stock Company)
Consolidated Intrem statement of financial position
as at March 31, 2019

(All amounts in thousand Egyptian Pound)	Note	31 March 2019	31 December 2018
Assets			
Non-current assets			
Property, plant, equipment and projects under construction (Net)	(15)	6 224 080	6 271 129
Intangible assets and goodwill	(16)	430 420	430 155
Payments Under Investments		-	1 000
Investment in Assosiate		7 846	-
Notes receivables (Net)	(11)	1 606 279	1 548 842
Deferred tax assets	(9-B)	315 532	282 584
Investment property	(17)	90 905	90 905
Total non-current assets		**8 675 062**	**8 632 649**
Current assets			
Inventories (Net)	(10)	5 020 981	4 820 828
Accounts and notes receivables (Net)	(12)	5 487 805	4 610 991
Debtors and other debit balances (Net)	(13)	1 492 783	1 625 165
Due from related parties	(32)	202 849	202 019
Cash on hand and at banks	(14)	1 436 265	1 179 275
Total current assets		**13 640 683**	**12 438 278**
Total assets		**22 315 745**	**21 070 927**
Equity			
Issued and paid in capital	(18)	1 094 010	1 094 010
Legal reserve	(20)	355 583	331 529
Other reserves	(21)	2 393 948	2 490 733
Retained earnings		(11 483)	(512 319)
Net profit /(Losses)for the year		15 998	515 710
Equity attributable to owners of the company		**3 848 056**	**3 919 663**
Non-controlling interests	(22)	1 270 073	1 290 717
Total equity		**5 118 129**	**5 210 380**
Liabilities			
Non-current liabilities			
Loans	(24)	3 090 616	3 170 887
Warranty provisions	(26)	15 159	15 159
Deferred revenues		-	54 321
Deferred tax liabilities	(9-B)	162 059	155 399
Total non-current liabilities		**3 267 834**	**3 395 766**
Current liabilities			
Provisions	(26)	228 121	253 540
Current tax liabilities	(9-A)	165 067	131 690
Loans, borrowings and overdrafts	(24)	10 052 384	9 251 784
Due to related parties	(32)	83 545	94 861
Trade payables and other credit balances	(25)	3 400 665	2 732 906
Total current liabilities		**13 929 782**	**12 464 781**
Total liabilities		**17 197 616**	**15 860 547**
Total equity and liabilities		**22 315 745**	**21 070 927**

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

Group Finance Director	Chief Operating Officer and Executive Board Member	Chairman and Managing Director
Abbas Elsayed	**Nader Ghabbour**	**Dr. Raouf Ghabbour**

"Auditor's report attached"

GB Auto (S.A.E)
(An Egyption Joint Stock Company)
Consolidated Interim statement of Income
for the financial period ended March 31, 2019

		The Three Months ended 31, March	
(All amounts in thousand Egyptian Pound)	**Note**	**2019**	**2018**
Continuing operations			
Sales		5 878 418	4 760 774
Cost of sales		(5 034 079)	(4 053 189)
Gross profit		**844 339**	**707 585**
Other income		41 858	31 232
Selling and marketing expenses		(319 168)	(198 068)
General and administrative expenses		(178 014)	(199 867)
Provisions and Impairment of Current and Non-Current assets (Net)	(7)	(10 153)	19 430
Operating results		**378 862**	**360 312**
Finance costs (Net)	(6)	(291 747)	(281 503)
Net profit / (Loss) for the year before income tax		**87 115**	**78 809**
Income tax expense	(9-C)	(20 918)	(16 724)
Net Profit / (Loss) for the year		**66 197**	**62 085**
Attributable to:			
Owners of the company		15 998	33 496
Non-controlling interests		50 199	28 589
		66 197	**62 085**
Basic earnings / (Loss) per share/ EGP	(8)	0.015	0.031

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

GB Auto (S.A.E)
(An Egyption Joint Stock Company)
Consolidated Interim statement of comprehensive income
for the financial period ended March 31, 2019

(All amounts in thousand Egyptian Pound)	Note	The Three Months ended 31, March 2019	2018
Net Profit / (Loss) for the year after income tax		66 196	62 085
Other comprehensive income items			
Foreign currency translation difference		(160 579)	(9 588)
Modification surplus of fixed assets result		(9 180)	(10 589)
Total other comprehensive income for the year before income tax		**(169 759)**	**(20 177)**
Income tax Related to other comprehensive income item		1 931	2 371
Other comprehensive income for the year after income tax		**(167 828)**	**(17 806)**
Total other comprehensive income for the year		**(101 632)**	**44 279**
Other comprehensive income is attributable to:			
Owners of the company		(80 787)	20 185
Non-controlling interests		(20 844)	24 094
		(101 631)	**44 279**

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GB Auto (S.A.E)
(An Egyption Joint Stock Company)
Consolidated Interim statement of Shareholders Equity
for the financial period ended March 31, 2019

31 March 2019	**Attributed to owners of the company**										
(All amounts in thousand Egyptian Pound)	**Share capital**	**Legal reserve**	**Foreign currency translation reserve**	**ESOP (Fair value) reserve**	**Surplus Revaluation of fixed assets reserve**	**Share premium (Special reserve)**	**Retained earnings**	**Net Profit for the year /(losses) year**	**Total**	**Non-Controlling interests**	**Total equity**
Balance at 31 December 2018	**1 094 010**	**331 529**	**1 336 561**	**88 882**	**148 489**	**916 801**	**(512 319)**	**515 710**	**3 919 663**	**1 290 717**	**5 210 380**
Transferred to retained earnings	-	-	-	-	-	-	515 710	(515 710)	**-**	-	**-**
Total comprehensive income											
Net profit for the year	-	-	-	-	-	-	-	15 998	**15 998**	50 199	**66 197**
Modification surplus of fixed assets after income tax	-	-	-	-	(7 249)	-	9 180	-	**1 931**	-	**1 931**
Other comprehensive income items	-	-	(89 536)	-	-	-	-	-	**(89 536)**	(71 043)	**(160 579)**
Total comprehensive income	-	-	**(89 536)**	-	**(7 249)**	-	**9 180**	**15 998**	**(71 607)**	**(20 844)**	**(92 451)**
Transactions with owners of the company											
Capital increase	-	-	-	-	-	-	-	-	**-**	200	**200**
Transferred to Legal reserve	-	24 054	-	-	-	-	(24 054)	-	**-**	-	**-**
Total Transactions with owners of the company	-	**24 054**	-	-	-	-	**(24 054)**	-		**200**	**200**
Balance at March 31, 2019	**1 094 010**	**355 583**	**1 247 025**	**88 882**	**141 240**	**916 801**	**(11 483)**	**15 998**	**3 848 056**	**1 270 073**	**5 118 129**

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

GB Auto (S.A.E)
(An Egyption Joint Stock Company)
Consolidated Interim statement of Shareholders Equity
for the financial period ended March 31, 2019

31 March 2018

	Attributed to owners of the company											
(All amounts in thousand Egyptian Pound)	**Share capital**	**Shares held by the group**	**Legal reserve**	**Foreign currency translation reserve**	**ESOP (Fair value) reserve**	**Surplus Revaluation of fixed assets reserve**	**Share premium (Special reserve)**	**Retained earnings**	**Net profit for the year / year**	**Total**	**Non-Controlling interests**	**Total equity**
Balance at 31 December 2017	**1 094 010**	**-**	**320 992**	**1 291 867**	**88 882**	**165 418**	**916 801**	**(144 564)**	**(666 900)**	**3 066 506**	**1 163 158**	**4 229 664**
Transferred to retained earnings	-	-	-	-	-	-	-	(666 900)	666 900	-	-	-
Total comprehensive income												
Net (Loss) for the year	-	-	-	-	-	-	-	-	33 496	**33 496**	28 589	**62 085**
Modification surplus of fixed assets after income tax	-	-	-	-	-	(8 218)	-	10 589	-	**2 371**	-	**2 371**
Other comprehensive income items	-	-	-	(5 093)	-	-	-	-	-	**(5 093)**	(4 495)	**(9 588)**
Total other comprehensive income	**-**	**-**	**-**	**(5 093)**		**(8 218)**	**-**	**10 589**	**33 496**	**30 774**	**24 094**	**54 868**
Transactions with owners of the company												
Transferred to Legal reserve	-	-	15 037	-	-	-	-	(15 037)	-	-	-	-
Total Transactions with owners of the company	**-**	**26 506**	**15 037**	**-**	**-**	**-**	**-**	**(15 037)**	**-**	**-**	**-**	**-**
Balance at December 31, 2017	**1 094 010**	**-**	**336 029**	**1 286 774**	**88 882**	**157 200**	**916 801**	**(815 912)**	**33 496**	**3 097 280**	**1 187 252**	**4 284 532**

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Translation of interim financial statements
Originally issued in Arabic

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim statement of cash flows
for the financial period ended March 31, 2019

(All amounts in thousand Egyptian Pound)	Note	The Three months ended 31 March 2019	31 March 2018
Cash flows from operating activities			
Net profit / (loss) for the year before tax		87 115	78 809
Adjustments for:			
Interest expense		367 485	280 256
Depreciation and amortization for the year	(16،15)	100 807	117 152
Provisions movements (net)	(27)	(5 844)	(18 843)
Impairment losses on current assets (net)		15 997	(43 684)
Interest income	(6)	(30 217)	(14 224)
Loans capitalized interest		(12 644)	(14 741)
Loss from sales of shares held by the group		-	5 569
Gain from sale of property, plant, equipment and assets held for sale		(4 081)	(2 003)
		518 618	**388 291**
Changes in:			
Inventories		(192 021)	46 362
Accounts and notes receivables		(882 589)	(611 916)
Debtors and other debit balances		127 078	(405 609)
Due from related parties		(1 600)	(2 915)
Due to related parties		(11 316)	(248)
Trade payables and other credit balances		577 238	624 380
Cash (used in) / Provided from operating activities		**135 408**	**38 345**
Provisions used		(19 069)	(10 371)
Income tax paid		(11 898)	(347)
Net cash (used in) / Provided from operating activities		**104 441**	**27 627**
Cash flows from investing activities			
Acquisition of property, plant, equipment and projects under constructions		(426 249)	(763 090)
Acquisition of intangible assets		(1 147)	-
Interest income received		29 784	13 832
Payment in Investment in associates		188	-
Proceeds from sale of property, plant, equipment and assets held for sale		281 496	518 964
Net cash used in investing activities		**(115 928)**	**(230 294)**
Cash flows from financing activities			
Proceeds from non controlling interest to increase capital of subsidiaries		200	-
Proceeds from loans and borrowings		720 330	664 854
Long-Term notes payable		-	438
Interest paid		(276 964)	(202 889)
Net cash generated from financing activities		**443 566**	**462 403**
Net decrease in cash and cash equivalents		**432 079**	**259 736**
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 held		(175 089)	(7 662)
Cash and cash equivalents at end of the year	(14-B)	**1 436 265**	**1 494 850**

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

1- Reporting entity

GB Auto Co. is an Egyptian joint stock company incorporated on 15 July 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 26 April 2007, it has been agreed to change the Company's name to be GB Auto. This amendment was registered in the commercial register on 23 May 2007.

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

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

The major shareholders of the company are Dr. Raouf Ghabbour and his family who collectively owns approximately 62.89% of the Company's shares as at March 31, 2019.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on May 12,2019.

2- Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with an updated Egyptian Accounting Standards (EAS) issued as per the decree of the minister of investment No. 110 for the year 2015, issued on 9 July 2015 and effective for financial years commence on 1st January 2016 and the related Egyptian laws and regulations.

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

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.

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 summery describes the operations for each reportable segment:

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

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 nonbanking financial services. The factoring services intended to buy existing and future rights of sellers of goods and services and provide related services.
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

	March 31, 2019	**March 31, 2018**
Passenger car	52.9%	51%
Buses and trucks	7.8%	7.6%
2 & 3 Wheels	16.6%	19.2%
Financial Services non-Banking	15.8%	15.8%
Other Operations	6.9%	6.4%

B- Revenue from foreign operations

	March 31, 2019	**March 31, 2018**
Passenger car	43.8%	28.7%
2 & 3 Wheels	22.5%	14.4%
Other Operations	0.5%	12.1%

C- Segments results

	March 31, 2019	**March 31, 2018**
Passenger car	%32.2	38.3%
Buses and trucks	%7.2	18%
2 & 3 Wheels	%17.3	3.5%
Financial Services non-Banking	%36.3	33.7
Other Operations	%7	6.5%

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

5- Operating Segments (Continued)

D- Assets

	March 31, 2019	**March 31, 2018**
Passenger car	22%	41.6%
Buses and trucks	7%	14.4%
2 & 3 Wheels	14%	5.7%
Financial Services non-Banking	38%	29.7%
Other Operations	19%	8.6%

E- Liabilities

	March 31, 2019	**March 31, 2018**
Passenger car	%32	%36.2
Buses and trucks	%16	%16.6
2 & 3 Wheels	%8	%4.3
Financial Services non-Banking	%41	%41.5
Other Operations	%3	%1.4

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

	March 31, 2019	**March 31, 2018**
Revenues		
Total revenues for reportable segments	6 511 672	5 254 690
Elimination of inter-segment revenue	(633 254)	(493 916)
Consolidated Revenue	**5 878 418**	**4 760 774**
Segments result		
Gross profit for reportable segment	839 700	700 722
Elimination of inter-segment gross profit	4 639	6 863
Consolidated Gross Profit	**844 339**	**707 585**
Assets		
Total assets for reportable segments	36 963 835	31 346 082
Elimination inter-segment assets	(14 648 090)	(13 897 936)
Total Consolidated Assets	**22 315 745**	**17 448 146**
Liabilities		
Total Liabilities for reportable segments	24 834 783	21 228 885
Elimination inter-segment Liabilities	(7 637 167)	(8 065 271)
Total Consolidated Liabilities	**17 197 616**	**13 163 614**

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

G- Other martial amounts

	Total reportable segment	Adjustments	Total consolidated March 31, 2019
Finance income	30 217	-	**30 217**
Interest expense and Bank Charges	(327 375)	(40 110)	**(367 485)**
Capital expenditure	458 762	(32 513)	**426 249**
Depreciation and amortization	116 022	(15 215)	**100 807**

	Total reportable segment	Adjustment	Total consolidated March 31, 2018
Interest income	18 140	(3 916)	**14 224**
Interest expense and Bank Charges	(264 922)	(31 769)	**(296 691)**
Capital expenditure	777 831	-	**777 831**
Depreciation and amortization	125 140	(7 988)	**117 152**

6- Finance Costs

	March 31, 2019	March 31, 2018
Interest income	24 480	11 380
Interest income on installment sales	5 737	2 844
Total Finance Income	**30 217**	**14 224**
Interest expense and bank charges	(367 485)	(296 691)
Foreign exchange differences	45 521	964
Total Finance Cost	**(321 964)**	**(295 727)**
Net Finance Cost	**(291 747)**	**(281 503)**

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

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

Provisions no longer required

	March 31, 2019	March 31, 2018
Impairment of accounts and notes receivables.	2 057	23 806
Impairment of debtors and other debit balances.	–	520
Other Provisions	26 638	23 924
Litigation provision	–	5 886
Total provisions no longer required	**28 695**	**54 136**

Provisions formed

	March 31, 2019	March 31, 2018
Warranty provision	(870)	(4 284)
Impairment of accounts and notes receivable	(12 018)	(4 736)
Impairment of debtors and other debit balances	(6 036)	(3 200)
Impairment of due from related parties	–	(15 803)
Litigation provision	–	(550)
Other provisions	(19 924)	(6 133)
Total provisions formed	**(38 848)**	**(34 706)**
Net provisions in the income statement	**(10 153)**	**19 430**

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

	Balance at 1/1/2019	Impairment during the period	Used during the period	Reversal of Impairment during the period	Effect of movements of exchange rates	Balance at 31/03/2019
Impairment of Accounts & Notes receivable	437 017	12 018	(1 673)	(2 057)	(2 123)	443 182
Impairment of due from related parties	31 923	–	–	–	(1 229)	30 694
Impairment of Debtors & Other debit balances	9 866	6 036	–	–	(298)	15 604
	478 806	**18 054**	**(1 673)**	–	**(3 650)**	**489 480**
Impairment of Inventory *	63 161	–	–	(8 133)	–	55 028
	541 967	**18 054**	**(1 673)**	**(10 190)**	**(3 650)**	**544 508**

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

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

8- Earnings / (Loss) per share

i. Basic

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

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

	March 31, 2019	March 31, 2018
Net profit for the period attributable to the shareholders	15 954	33 497
Weighted average number of ordinary shares issued	1 094 010	1 094 010
Basic profit earnings per share/ EGP	**0.015**	**0.031**

9- Income tax

A- Income tax liabilities

	March 31, 2019	December 31, 2018
Balance at 1 January	131 690	80 565
Taxes paid during the period	(11 898)	(568 88)
Current income tax during the period (Note 9-C)	45 275	139 693
Balance at the end of the period	**165 067**	**131 690**

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

9- Income tax (Continued)

B- Deferred tax assets and liabilities

	Fixed and Intangible Assets	Carried forward losses	Impairment of Inventory	Warranty Provision	Legal Provision	Surplus revaluation of fixed assets	Total March 31, 2019	Total December 31, 2018
Deferred tax assets								
Balance at 1 January	**11**	**239 302**	**6 826**	**36 445**	**1 236**	–	**282 584**	**282 652**
Charged to the income statement	–	40 871	(592)	(7 331)	(1 236)	–	**32 948**	**(68)**
Balance at the end of the period	**11**	**280 173**	**6 234**	**29 114**	–	–	**315 532**	**282 584**
Deferred tax liabilities								
Balance at 1 January	(125 124)	–	–	–	–	(30 275)	**(155 399)**	**(152 501)**
Charged to the income statement	(8 591)	–	–	–	–	–	**(8 591)**	**(11 653)**
Charged to Statement of comprehensive income	–	–	–	–	–	1 931	**1 931**	**8 755**
Balance at the end of the period	**(133 715)**	–	–	–	–	**(28 344)**	**(162 059)**	**(155 399)**
Net deferred tax liabilities	**(133 704)**	**280 173**	**6 234**	**29 114**	–	**(28 344)**	**153 473**	**127 185**
Net								
Balance at 1 January	(125 113)	239 302	6 826	36 445	1 236	(30 275)	**127 185**	**130 151**
Charged to the income statement	(8 591)	40 871	(592)	(7 331)	(1 236)	–	**24 357**	**(11 721)**
Charged to Statement of comprehensive income	–	–	–	–	–	1 931	**1 931**	**8 755**
Balance at the end of the period	**(133 704)**	**280 173**	**6 234**	**29 114**	–	**(28 344)**	**153 473**	**127 185**

(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.

	March 31, 2019	December 31, 2018
Impairment of accounts and notes receivables	99 716	98 329
Impairment of other debit balances	3 511	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

	March 31, 2019	March 31, 2018
Current income tax for the period (Note 9-A)	(45 275)	(23 945)
Deferred tax – benefit \ (expense) (Note 9-B)	24 357	7 221
Income tax for the period	**(20 918)**	**(16 724)**

D- Amounts recognized in OCI

	March 31, 2019			March 31, 2018		
	Before Tax	Taxes	After Tax	Before Tax	Taxes	After Tax
Foreign Currency translation difference	(160 579)	–	(160 579)	(9 588)	–	(9 588)
Modification surplus of fixed assets result	(7 249)	1 931	(9 180)	(10 589)	2 371	(8 218)
	(167 728)	**1 931**	**(169 759)**	**(20 177)**	**2 371**	**(17 806)**

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

10- Inventories

	March 31, 2019	December 31, 2018
Goods in transit	1 060 240	854 414
Cars, buses and trucks	1 896 183	1 992 939
Raw material and car components	1 206 028	1 037 281
Spare parts for sale	705 157	629 637
Work in progress	127 550	201 133
Tires	32 077	104 712
Oils	48 774	63 873
Total	**5 076 009**	**4 883 989**
Impairment of inventory *	(55 028)	(63 161)
Net	**5 020 981**	**4 820 828**

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

11- Long term notes receivables

	March 31, 2019	December 31, 2018
Long-term notes receivable (Note 12)	2 244 247	2 182 196
Interest income on installment sales	(628 165)	(623 941)
Net present value for long-term notes receivable	**1 616 082**	**1 558 255**
Impairment of long-term notes receivable	(9 803)	(9 413)
Net	**1 606 279**	**1 548 842**

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

12- Accounts and notes receivables

	March 31, 2019	December 31, 2018
Total notes receivable	13 237 036	12 414 187
Long-term notes receivable (Note 11)	(2 244 360)	(2 182 196)
Unamortized interest	(6 381 794)	(6 456 714)
Net present value for short-term notes receivable	**4 610 882**	**3 775 277**
Trade receivable	1 310 302	1 263 318
Total	**5 921 184**	**5 038 595**
Impairment of accounts and notes receivable balances	(433 379)	(427 604)
Net	**5 487 805**	**4 610 991**

13- Debtors and other debit balances

	March 31, 2019	December 31, 2018
Advance payments to suppliers	545 506	721 504
Withholding tax	257 436	223 626
Sales tax receivable	72 743	59 668
Accrued interest	3 796	4 767
Letters of credit	90 062	148 241
Prepaid expenses	166 879	113 848
Deposits with others	33 550	33 440
Letters of guarantee margin	212 788	216 535
Staff loans and custodies	32 249	25 507
Other debit balances	89 721	84 741
Customs duties	3 657	3 154
Total	**1 508 387**	**1 635 031**
Impairment of debtor and other debit balances	(15 604)	(9 866)
Net	**1 492 783**	**1 625 165**

14- Cash on hand and at banks

A- Cash on hand and at banks

	March 31, 2019	December 31, 2018
Cash on hand and cash at banks	1 436 265	1 179 275
	1 436 265	**1 179 275**

B- Cash and cash equivalents

	March 31, 2019	December 31, 2018
Cash on hand and cash at banks	1 436 265	1 179 275
	1 436 265	**1 179 275**

GB Auto (S.A.E.)

Notes to the consolidated Interim financial statements for the financial period ended March 31, 2019

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

15 - Property, plant, equipments and projects under construction

	Land and Buildings	Machinery & equipment	Vehicles	IT infrastructures & computers	Fixtures & furniture	Leashold improvements	* Projects under constrction	Total
Cost								
Cost at 1 January 2018	4 961 198	1 458 927	1 157 848	208 954	494 292	29 038	544 820	**8 855 077**
Additions during the period	2 178 893	83 312	397 396	20 442	44 120	3 838	560 499	**3 288 500**
Transferred from projects under construction to PP&E and intangible assets	249 265	47 532	-	-	79 761	1 107	(377 663)	**-**
Reclassification from assets held for sale								
Disposals during the period	(1 718 581)	(274 422)	(598 158)	(18 554)	(393)	-	-16146 -	**(2 626 254)**
Effect of cost modification using modification factor	-	-	(11 574)	(6)	(1)	-1563 -	(9 897)	**(23 041)**
Effect of movements of exchange rates	(3 978)	237	27	79	918	(49)	-	**(2 766)**
Balance at 31 December 2018	**5 666 797**	**1 315 586**	**945 539**	**210 915**	**618 697**	**32 371**	**701 613**	**9 491 516**
Cost at 1 Januaray 2019	5 666 797	1 315 586	945 539	210 915	618 697	32 371	701 613	**9 491 516**
Additions during the period	287 881	14 177	47 727	7 463	12 574	1 046	55 446	**426 315**
Transferred from projects under construction to PP&E and intangible assets	7 872	-	-	-	1 196	-	(9 068)	**-**
Disposals during the period	(247 335)	(23 694)	(53 056)	(641)	(200)	-	(1 166)	**(326 091)**
Effect of movements of exchange rates	4 627	(2)	64	25	(160)	(108)	-	**4 445**
Balance at 31 March 2019	**5 719 842**	**1 306 068**	**940 273**	**217 761**	**632 108**	**33 309**	**746 825**	**9 596 185**
Accumulated depreciation and impairment losses								
Accumulated depreciation at 1 Januaray 2018	250 309	567 458	476 360	157 194	244 263	18 903	5 816	**1 720 303**
Depreciation during the period	71 685	121 175	163 419	22 168	50 117	2 684	-	**431 248**
Disposals during the period	(50 297)	(80 475)	(319 415)	(15 106)	(283)	-	-	**(465 576)**
Effect of accumulated depreciation modification using modification factor	-	-	(30 569)	(8)	-	-	-	**(30 577)**
Effect of movements of exchange rates	371	235	245	73	471	(9)	-	**1 386**
Accumulated depreciation at 31 December 2018	**272 068**	**608 393**	**290 040**	**164 321**	**294 568**	**21 578**	**5 816**	**1 656 784**
Accumulated depreciation at 1 Januaray 2019	272 068	608 393	290 040	164 321	294 568	21 578	5 816	**1 656 784**
Depreciation during the period	24 597	28 786	32 884	4 973	7 738	946	-	**99 923**
Disposals during the period	(11 828)	(10 858)	(25 798)	(83)	(109)	-	-	**(48 676)**
Effect of movements of exchange rates	(314)	(551)	(557)	(290)	(1 605)	(83)	-	**(3 400)**
Accumulated depreciation at 31 March 2019	**284 523**	**625 770**	**296 569**	**168 920**	**300 593**	**22 441**	**5 816**	**1 704 631**
Net carring Amount								
At 1 January 2018	**4 710 889**	**891 469**	**681 488**	**51 760**	**250 029**	**10 135**	**539 004**	**7 134 774**
At 31 December 2018	**5 394 729**	**707 193**	**655 499**	**46 594**	**324 129**	**10 793**	**695 797**	**7 834 732**
At 31 March 2019	**5 435 319**	**680 298**	**643 705**	**48 842**	**331 515**	**10 868**	**741 009**	**7 891 554**

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

Property, plant, equipments and projects under construction (Net)

	Note	31 March 2019	31 December 2018
Property, plant, equipments and projects under construction (Net)		7 891 556	7 834 732
Deduct:-			
Amounts under settlement of financial lease contracts	(29)	1 667 476	1 563 605
		6 224 080	**6 271 127**

GB Auto (S.A.E.)
Notes to the consolidated interim financial statements for the financial period ended March 31, 2019
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

15 - Property, plant, equipment and Projects under constructions (Continued)

A-Financial leased assets:

Property, plant and equipment include assets financially leased to others, under contracts which are subject to the provisions of the Law No. 95 for 1995, and it recognized as fixed assets as follows:

	Land and Buildings	Machinery & equipment	Vehicles	IT infrastructures & computers	Total
Cost					
Cost at 1 January 2018	3 563 068	762 332	773 647	33 092	**5 132 139**
Additions during the period	2 460 651	55 105	278 493	-	**2 794 249**
Disposals during the period	(1 396 103)	(274 166)	(500 527)	(18 483)	**(2 189 279)**
Balance at 31 December 2018	**4 627 616**	**543 271**	**551 613**	**14 609**	**5 737 109**
Cost at 1 Januaray 2019	4 627 616	543 271	551 613	14 609	**5 737 109**
Additions during the period	287 529	11 595	31 627	-	**330 751**
Disposals during the period	(220 261)	(21 593)	(45 635)	(139)	**(287 628)**
Balance at 31 March 2019	**4 694 885**	**533 273**	**537 605**	**14 470**	**5 780 232**
Accumulated depreciation					
Accumulated depreciation at 1 Januaray 2018	84 617	109 764	299 203	21 197	**514 781**
Depreciation during the period	73 259	64 827	120 760	4 589	**263 435**
Disposals during the period	(47 407)	(80 237)	(267 662)	(15 075)	**(410 381)**
Accumulated depreciation at 31 December 2018	**110 469**	**94 354**	**152 301**	**10 711**	**367 835**
Accumulated depreciation at 1 Januaray 2019	110 469	94 354	152 301	10 711	**367 835**
Depreciation during the period	20 879	13 668	27 912	728	**63 186**
Disposals during the period	(11 828)	(10 285)	(22 149)	(83)	**(44 345)**
Accumulated depreciation at 31 March 2019	**119 520**	**97 737**	**158 064**	**11 356**	**386 676**
Carring Amount					
At 1 January 2018	**3 478 451**	**652 568**	**474 444**	**11 895**	**4 617 358**
At 31 December 2018	**4 517 147**	**448 917**	**399 312**	**3 898**	**5 369 274**
At 31 March 2019	**4 575 365**	**435 536**	**379 541**	**3 114**	**5 393 556**

Financial leased assets (Net)

	Note	31 March 2019	31 December 2018
Financial leased assets (Net)		5 393 556	5 369 274
Deduct:-			
Amounts under settlement of financial lease contracts	(29)	1 667 476	1 563 605
		3 726 080	**3 805 669**

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

15- Property, plant, equipment and Projects under constructions (Continued)

B- Leased Assets:

The Group has financial leased assets (trailers and buses) according to contracts under Law No. 95 for 1995, that is not considered as property, plant and equipment according to the accounting policy (34/Q) and according to the requirement of the Egyptian Accounting Standard (No.20), according to, the annual lease payments are recognized as an expense in the income statement for the year. And the leased contracts are as follows:

	March 31, 2019	December 31, 2018
Total contractual lease payments	154 139	113 512
Total purchase price on termination of leases	100	100
Average contracts life	4 years	4 years
lease payments for the period	16 512	40 627

16- Intangible assets and goodwill

	Goodwill	Computer software	Knowhow	Total
Cost				
Balance at 1 January	430 155	33 895	5 703	**469 753**
Additions During the period	–	1 147	–	**1 147**
Balance at March 31, 2019	**430 155**	**35 042**	**5 703**	**470 900**
Accumulated amortization				
Balance at 1 January	–	33 895	5 703	**39 598**
Amortization charge for the period	–	882	–	**882**
Balance at March 31, 2019	**–**	**34 777**	**5 703**	**40 480**
Net carrying amount at March 31, 2019	**430 155**	**265**	**–**	**430 420**
Net carrying amount at December 31, 2018	**430 155**	**–**	**–**	**430 155**

Goodwill

- On March 28, 2007, GB Auto company fully acquired the shares of Cairo Individual Transport Industries "CITI" by acquiring 49.03% which were owned by the minority at a value of EGP 209 997, in return of acquiring shares of GB Auto share capital increase. The acquisition resulted in a goodwill amounting to EGP 177 million which represents the increase in the acquisition value over the net fair value of the acquired Company's assets at the acquisition date. This goodwill has been allocated for the asset of the operating segment of two and three wheels' segment.
- On December 8, 2008, GB Auto Company fully acquired the shares of GB for financial lease (S.A.E) which its business is financial leasing with all its fields, and the acquisition resulted in goodwill amounted to EGP 1 million.
- During November 2010, the Group entered into 50% investment as a joint venture agreement in Almajmoa Alalamia Litijaret Alsaiarat (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.
- 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.

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

16- Intangible assets and goodwill (Continued)

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:

	March 31, 2019	December 31, 2018
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	3 135	2 870
	430 420	**430 155**

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

	March 31, 2019	December 31, 2018
Balance at 1 January	90 905	90 905
Disposals during the period	–	–
Balance at the end of the period	**90 905**	**90 905**

18- Issued and paid in capital

	March 31, 2019	December 31, 2018
Authorized capital (5 000 000 000 shares with par value EGP 1 each)	5 000 000	5 000 000
Issued and paid capital (1 094 009 733 shares of EGP 1 each)	**1 094 010**	**1 094 010**

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

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

18- Issued and paid in capital (Continued)

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

19- Shares of the Company held by the Group

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

At the date of February 23, 2018, the number of 26 506 119 shares was sold. The special reserve was reduced by an amount of EGP 50 638 thousand which represents the differences between treasury shares purchase cost amounted to EGP 126 231 thousand and its reselling price amounted to EGP 75 593 thousand (Note 21).

20- Legal reserve

	March 31, 2019	December 31, 2018
Balance at 1 January	**331 529**	**320 992**
Transferred to legal reserve	24 054	17 395
Change of non-controlling interests without changing in control	–	877
Transferred from legal reserve to increase the capital	–	(7 735)
Balance at the end of the period	**355 583**	**331 529**

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.

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

20- Legal reserve (continued)

Share premium

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

	March 31, 2019	December 31, 2018
Share premium	916 801	916 801

21- Other reserves

	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserve	Share premium (special reserves)	Total
Balance as at 1 January 2019	1 336 561	88 882	148 489	916 801	**2 490 733**
Foreign currency translation differences	(89 536)	–	–	–	**(89 536)**
Modification surplus of fixed assets after income tax	–	–	(7 249)	–	**(7 249)**
Balance at March 31, 2019	**1 247 025**	**88 882**	**141 240**	**916 801**	**2 393 948**

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

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

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

22- Non-controlling Interest

	Capital	Reserves	Legal Reserve	Retained earnings	Total March 31, 2019	Total December 31, 2018
Balance at 1 January	518 192	789 634	30 563	(47 672)	**1 290 717**	**1 163 158**
Net profit /loss for the period	–	–	–	50 198	**50 198**	**121 024**
Foreign currency translation results	–	(71 043)	–	–	**(71 043)**	**8 851**
Capital increase	200	–	–	–	**200**	**37 468**
Change in Non-controlling interests	–	–	–	–	**–**	**(38 227)**
Transferred to Legal reserve	–	–	2 949	–	**2 949**	**–**
Transferred from legal reserve to increase the capital	–	–	–	(2 948)	**(2 948)**	**(1 557)**
Balance at the end of the period	**518 392**	**718 591**	**33 512**	**(422)**	**1 270 073**	**1 290 717**

(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 March 31, 2019 and December 31, 2017 were as follows:

Total loans and borrowings and notes payable	**March 31, 2019**	**December 31, 2018**
Loans, borrowings and overdrafts	13 143 000	12 422 671
Short-term notes payable and suppliers	413 890	201 021
Total loans and borrowings and notes payables	**13 556 890**	**12 623 692**
Less: Cash and cash equivalent	(1 436 264)	(1 179 275)
Letters of credit margin	(90 062)	(148 241)
Letters of guarantee margin	(212 788)	(216 535)
Net debt	**11 817 775**	**11 079 641**
Shareholders' equity	3 848 035	3 919 662
Net debt to equity ratio	**3.07**	**2.82**

24- Loans, borrowings and overdrafts

	March 31, 2019			**December 31, 2018**		
	Current portion	**Long-term portion**	**Total**	**Current portion**	**Long-term portion**	**Total**
Banks overdraft	8 694 077	12 069	**8 706 146**	8 021 786	81 355	**8 103 141**
Loans	1 358 307	3 078 547	**4 436 854**	1 229 998	3 089 532	**4 319 530**
Related parties' loans	–	–	–	–	–	–
Total	**10 052 384**	**3 090 616**	**13 143 000**	**9 251 784**	**3 170 887**	**12 422 671**

A. Banks overdraft

The average interest rate on the outstanding Egyptian Pounds and the US Dollars bank overdraft are 17.91% and 6.60% respectively.

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

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

	March 31, 2019	December 31, 2018
Less than one year	10 052 384	9 251 784
More than one year and less than five years	3 090 616	3 170 887
	13 143 000	**12 422 671**

25- Trade payables and other credit balances

	March 31, 2019	December 31, 2018
Trade payables	1 979 513	1 621 578
Other credit balances	178 973	78 122
Advances from customers	321 863	295 557
Tax Authority	50 569	48 889
Accrued expenses	333 849	409 132
Notes payables	413 889	201 021
Dividends payable	8 601	17 575
Deferred revenues	113 408	61 032
	3 400 665	**2 732 906**

26- Provisions

	Legal Claims	Warranty Provision	Other Provisions	Total
Balance at January 1, 2018	**5 387**	**77 115**	**186 197**	**268 699**
Provisions formed during the period	–	870	19 924	**20 794**
Provisions utilized during the period	(40)	(3 500)	(15 529)	**(19 069)**
Provisions no longer required	–	–	(26 638)	**(26 638)**
Effect of movement of exchange rates	(19)	–	(487)	**(506)**
Balance at March 31, 2019	**5 328**	**74 485**	**163 467**	**243 280**
Balance at 1 January 2018	7 084	108 844	167 834	**283 762**
Provisions formed during the period	4 574	24 965	55 281	**84 820**
Provisions utilized during the period	(705)	(9 159)	(30 272)	**(40 136)**
Provisions no longer required	(5 495)	(47 535)	(6 639)	**(59 669)**
Effect of movement of exchange rates	(71)	–	(7)	**(78)**
Balance at December 31, 2018	**5 387**	**77 115**	**186 197**	**268 699**

(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 March 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 74 485 at the end of the period for expected warranty claims in the light of management experience for repair and returns level in previous years.

The warranty provision includes a long term provision amounted EGP 15 159 (December 31, 2018 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- Amounts under settlement of financial lease contacts

This account represents the differences (either positive or negative) between the earned revenue which is recorded according to revenue recognition policy in Note (34-D/4), and the due lease receivable.

The balance of such account is settled against the net book value of the leased asset at the termination date of the leasing contract.

	March 31, 2019	December 31, 2018
Advances from customers	1 436 494	1 339 092
Amounts under settlement of financial lease contacts	230 982	224 513
	1 667 476	**1 563 605**

28- 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.

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

***(a)* Market risk**

1. **Foreign currency exchange rate risk**
   The Group is exposed to foreign exchange rate risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange rate risk arises from future commercial transaction, assets and liabilities in foreign currency outstanding at the consolidated balance sheet date, and also, net investments in foreign entity.
   The below table shows the exposures of foreign currencies at the consolidated balance sheet date, presented in EGP, as follows:

	March 31, 2019			December 31, 2018
	Assets	Liabilities	Net	Net
US Dollars	827 969	(1 027 367)	**(199 398)**	**(206 053)**
Euros	24 292	(5 726)	**18 566**	**19 505**
Other currencies	161 885	(18 937)	**142 947**	**149 140**

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

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

30- Financial risk management

Loans, borrowings and overdrafts at the balance sheet date with variable interest rates are amounted to EGP 12 422 671 as at March 31, 2019 (EGP 9 614 792 as at December 31, 2018).
Financial assets that carry fixed interest rates are amounted to EGP 95 588 as at March 31, 2019 (EGP 97 693 as at December 31, 2018).

		March 31, 2019	December 31, 2018
Time deposits	USD	76 728	78 750
Time deposits	EGP	18 860	18 943
		95 588	**97 693**

***(b)* Credit risk**

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

For banks, the Group is dealing with the banks which have a high independent rating and banks with a good solvency in the absence of an independent credit rating.
For suppliers and wholesalers, the Credit Controllers assess the credit quality of the wholesale customer, taking into account their financial position, past experience and other factors.

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

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:

	March 31, 2019	**December 31, 2018**
Notes and accounts receivables	14 547 337	13 677 505
Impairment of accounts and notes receivable balances	(443 181)	(427 604)
The ratio of the allowance to total accounts and notes receivable	**%3.05**	**%3.13**

(c) **Liquidity risk**

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

(2) Fair value estimation

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

For the fair value of financial instruments that are not traded in an active market, The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the financial instruments or similar instruments are used for long-term debt.
Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. At the balance sheet date, the fair value of non-current liabilities does not significantly differ from their carrying amount, as the interest rates do not significantly differ.

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

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

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

30-Investment in subsidiary companies (Continued)

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

24- Capital commitments

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

25- 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:

	March 31, 2019	December 31, 2018
USD	1 919 975	1 984 048
EGP	172 132	172 132
Japanese Yen	1 556	1 556
Euro	4 048	4 174

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

26- 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	**March 31, 2019**	**December 31, 2018**
GB for Import and Export	–	489
Itamco agriculture development	5 019	5 013
El Bostan Holding	73 738	76 198
SARL SIPAC – Algeria	14 568	15 267
Algematco – Algeria	16 150	16 603
Blue Bay Management Company	16 129	–
Kassed Shareholders' Current Account	82 927	82 778
El Qalam Shareholders' Current Account	23 012	33 594
Aff.Co.-Cur.Acc.-GB Produce	4 000	4 000
Total	235 543	233 942
Impairment of due from related parties	(30 694)	(31 923)
	204 849	**202 019**

Due to related parties	**March 31, 2019**	**December 31, 2018**
Marco Polo Company	62 833	65 669
EQI	761	761
Al Watania for car accessories and spare parts	6 187	6 204
Al Watania for tires import	1 111	1 111
Itamco for import and export	1 285	1 286
Halan for Information Technology	–	7 887
Gaya	11 300	11 875
Wahdan Company	68	68
	83 545	**94 861**

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

34- **Related party transactions (Continued)**

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

Related party name	Relation type	Transaction nature	Transaction amount	
			March 31, 2019	**December 31, 2018**
Executive BOD	Board of Directors	Management Salaries	–	24 258
EQI	Related Party	Dividends	–	39
GB for import and export.	Related Party	Cash transfer	489	(6 481)
Al Watania for Vehicles Accessories and spare parts	Related Party	Cash transfer	(17)	(670)
SARL SIPAC – Algeria	Related Party	Cash transfer	699	(382)
Kassed Shareholders' current account	Shareholder in one of the subsidiaries	Cash transfer	(149)	77 112
Itamco agriculture	Related Party	Cash transfers	(16)	2 966
El- Qalam Shareholder current account	Shareholder in one of the subsidiaries	Cash transfers	10 582	16 669
Marco Polo Company	Shareholder in one of the subsidiaries	Cash transfers	(2 836)	(4 369)
Itamco for Import and Export	Related Party	Cash transfers	(1)	5
Blue Bay for Management	Shareholder in one of the subsidiaries	Cash transfers	–	(12 000)
Bostan Holding	Related Party	Cash transfers	2 460	806
GB Produce	Related Party	Cash transfers	–	4 000
Halan for Information technology	Related Party	Cash transfers	(24 016)	(7 887)
Gaya	Shareholder in one of the subsidiaries	Cash transfers	(575)	(11 875)
Wahdan Company	Shareholder in one of the subsidiaries	Cash transfers	–	(68)
Watania Company for Tires Import	Related Party	Cash transfers	–	31
Algematco – Algeria	Shareholder in one of the subsidiaries	Cash transfers	453	(350)

35- Significant accounting policies

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

A- Business combination

b. The Group accounts for business combination using the acquisition method when control is transferred to the Group.

c. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

d. Any goodwill that arises is tested annually for Impairment. Any gain on a bargain purchase recognized in profit or loss immediately.

e. Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities.

f. The consideration transferred does not include amounts related to the settlement of pre-exiting relationship. Such amounts are generally recognised in profit or loss.

g. 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

a. Subsidiaries are entities controlled by the Group.

b. 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.

c. 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.

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.

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

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

3) Sales of services – maintenance

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

4) Financial Lease Contracts

Lease income is recognized on the basis of the rate of return on the lease contract plus an amount equal to the depreciation charge for the period and the difference between the recognized lease revenue and the gross receivable is deferred in the balance sheet in the same financial period in a separate account either debit or credit and is offset against the net book value of the leased asset on termination of the lease contract.

5) 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.

35- Significant accounting policies (Continued)

6) 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.

F- Employee benefit

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.

G- 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.

35- Significant accounting policies (Continued)

H- 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:

d. Taxable temporary differences arising on the initial recognition of goodwill.,

e. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not:
   1. A business combination.
   2. And not affects neither accounting nor taxable profit or loss.

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 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.

35 -Significant accounting policies (Continued)

I- 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.

J- 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) , as described in details in note no.(7).

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.

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

35-Significant accounting policies (Continued)

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.

K- 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 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.

35- Significant accounting policies (Continued)

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.

L- 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.

M- 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.

N- 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.

35- Significant accounting policies (Continued)

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.

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.

35- Significant accounting policies (Continued)

O- 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".

P- Share Capital

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.

Q- 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.

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.

35- Significant accounting policies (Continued)

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.

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.

35- Significant accounting policies (Continued)

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.

R- 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.

S- Leases

1) <u>Financial lease</u>

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.

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.

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.

2) <u>Operational lease</u>

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.

35- Significant accounting policies (Continued)

T- 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.

U- Dividends

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

V- Comparative figures

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