

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

Consolidated Interim Financial Statements
For The Financial Period Ended March 31, 2021
And Limited Review Report

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Translation of limited review report
Originally issued in Arabic

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, 2021 and the related consolidated statements of income and 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

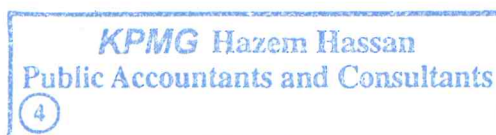
We conducted our limited review in accordance with Egyptian Standard on Review Engagements (no. 2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons 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, 2021 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 11, 2021



GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Financial Position
as at March 31, 2021

(All amounts in thousand Egyptian Pound)	Note No.	31 March 2021	31 December 2020
Assets			
Non-current assets			
Property, plant, equipment and projects under construction (Net)	(16)	4 147 938	4 167 572
Assets right of use	(17)	346 541	-
Intangible assets and goodwill	(18)	451 902	453 238
Payments under investment	(31)	64 528	72
Investment in associate	(35)	96 575	97 904
Long term notes receivables (Net)	(12)	5 511 217	4 779 240
Deferred tax assets	(10-B)	490 795	540 627
Investment property	(19)	90 905	90 905
Debitors and other debit balances	(14-A)	152 756	153 379
Total non-current assets		11 353 157	10 282 937
Current assets			
Inventories (Net)	(11)	3 777 977	3 367 987
Accounts and notes receivables (Net)	(13)	8 121 099	7 106 385
Debitors and other debit balances (Net)	(14-B)	2 070 535	1 697 179
Due from related parties	(34)	406 502	337 332
Cash on hand and at banks	(15)	2 060 101	1 797 830
Total current assets		16 436 214	14 306 713
Total assets		27 789 371	24 589 650
Equity			
Issued and paid in capital	(20)	1 094 010	1 094 010
Treasury bills	(21)	-	(8 000)
General risk reserve	(40)	100 272	-
Legal reserve	(22)	455 458	451 064
Other reserves	(23)	2 162 040	2 156 417
Private risk reserve - Non banking financial service	(39)	94 003	-
Retained Earning		494 948	17 653
Net Profit for the period		298 850	916 955
Equity attributable to shareholders of the parent		4 699 581	4 628 099
Non-controlling interests	(24)	1 504 284	1 485 969
Total equity		6 203 865	6 114 068
Liabilities			
Non-current liabilities			
Loans	(26)	3 799 793	3 582 377
Long term notes payables and creditors		370 982	325 082
Right of use Liability		282 606	-
Warranty provisions	(28)	5 245	3 697
Deferred tax liabilities	(10-B)	350 644	359 105
Total non-current liabilities		4 809 270	4 270 261
Current liabilities			
Provisions	(28)	192 141	185 011
Current tax liabilities	(10-A)	364 522	296 730
Loans, borrowings and overdrafts	(26)	11 540 150	10 459 290
Due to related parties	(34)	120 525	120 198
Trade payables and other credit balances	(27)	4 558 898	3 144 092
Total current liabilities		16 776 236	14 205 321
Total liabilities		21 585 506	18 475 582
Total equity and liabilities		27 789 371	24 589 650

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

Group Chief Financial Officer
Executive Board Member
Abbas Elsayed



Executive Board Member
Nader Chabbour



**Limited review report "attached"

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Income
for the financial Period ended 31 March 2021

(All amounts in thousand Egyptian Pound)	Note No.	31 March 2021	31 March 2020
<u>Continuing operations</u>			
Operating revenue		6 827 594	5 888 724
Operating cost		(5 474 624)	(4 790 541)
Gross profit		1 352 970	1 098 183
Other income	(6)	39 819	30 136
Selling and marketing expenses		(283 906)	(212 100)
General and administrative expenses		(427 895)	(375 304)
Provisions and Impairment of Current and Non-Current assets (Net)	(8)	(69 202)	(34 401)
Operating results		611 786	506 514
Finance costs (Net)	(7)	(146 627)	(221 071)
Investment in associates losses		(1 328)	-
Net profit for the period before income tax		463 831	285 443
Income tax (expense)	(10-C)	(114 305)	(69 291)
Net profit for the period		349 526	216 152
Attributable to:			
Shareholder's of the parent company		298 850	138 371
Non-controlling interests		50 676	77 781
		349 526	216 152
Basic earnings(EGP/Share)	(9)	0.273	0.126

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

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Comprehensive Income
for the financial Period ended 31 March 2021

(All amounts in thousand Egyptian Pound)	Note No.	31 March 2021	31 March 2020
Net profit for the period after income tax		349 526	216 152
Other comprehensive income items			
Foreign currency translation difference		(15 630)	(75 979)
Modification surplus of fixed assets result		6 872	7 833
Total other comprehensive income for the period before income tax		(8 758)	(68 146)
Income tax related to other comprehensive income item		(2 046)	(2 402)
Other comprehensive income for the period after income tax		(10 804)	(70 548)
Total other comprehensive income for the period		338 722	145 604
Other comprehensive income is attributable to:			
Shareholder's of the parent company		291 893	89 741
Non-controlling interests		46 829	45 001
		338 722	134 742

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

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Shareholders Equity
for the financial Period ended 31 March 2021

31 March 2021

	Shareholder's equity of the parent company													
(All amounts in thousand Egyptian Pound)	Share capital	Legal reserve	Treasury Bills	Foreign currency translation reserve	ESOP (Fair value) reserve	Revaluation surplus of fixed assets reserve	Share premium (Special reserve)	General risk reserve	Private risk reserve - Non banking financial service	Retained Earning	Net profit for the year	Total	Non-Controlling interests	Total equity
Balance at December 31, 2020	1 094 010	451 064	(8 000)	1 057 721	88 882	97 833	911 981	-	-	20 333	916 955	4 630 779	1 485 969	6 116 748
Adjustments on opening balance														
Invstment in associates losses	-	-	-	-	-	-	-	-	-	(2 680)	-	(2 680)	-	(2 680)
Balance at December 31, 2020 Restated	1 094 010	451 064	(8 000)	1 057 721	88 882	97 833	911 981	-	-	17 653	916 955	4 628 099	1 485 969	6 114 068
Transferred to retained earnings	-	-	-	-	-	-	-	-	-	916 955	(916 955)	-	-	-
Total comprehensive income														
Net profit for the period	-	-	-	-	-	-	-	-	-	-	298 850	298 850	50 676	349 526
Modification surplus of fixed assets after income tax (Net)	-	-	-	-	-	(4 826)	-	-	-	6 874	-	2 048	-	2 048
Other Comprehensive income items	-	-	-	(11 783)	-	-	-	-	-	-	-	(11 783)	(3 847)	(15 630)
Total comprehensive income	-	-	-	(11 783)	-	(4 826)	-	-	-	6 874	298 850	289 115	46 829	335 944
Transactions with owners of the Company														
The impact of applying the new Egyptian standards.	-	-	-	-	-	-	-	-	-	80 338	-	80 338	24 378	104 716
General risk reserve	-	-	-	-	-	-	-	100 272	-	(100 272)	-	-	-	-
Private risk reserve - Non banking financial service	-	-	-	-	-	-	-	-	94 003	(94 003)	-	-	-	-
Dividends Distribution	-	-	-	-	-	-	-	-	-	(328 203)	-	(328 203)	(53 480)	(381 683)
Selling Treasury Bills	-	-	8 000	-	-	-	22 232	-	-	-	-	30 232	-	30 232
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	588	588
Transferred to legal reserve	-	4 394	-	-	-	-	-	-	-	(4 394)	-	-	-	-
Total Transactions with owners of the company	-	4 394	8 000	-	-	-	22 232	100 272	94 003	(446 534)	-	(217 633)	(28 514)	(246 147)
Balance at March 31, 2021	1 094 010	455 458	-	1 045 938	88 882	93 007	934 213	100 272	94 003	494 948	298 850	4 699 581	1 504 284	6 203 865

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

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Statement of Shareholders Equity
for the financial Period ended 31 March 2021

31 December 2020

(All amounts in thousand Egyptian Pound)

Shareholdr's equity of the parent Company											
Share capital	Legal reserve	Treasury bills	Foreign currency translation reserve	ESOP (Fair value) reserve	Revaluation surplus of fixed assets reserve	Share premium (Special reserve)	Retained Earning/Carry forward (Losses)	Net profit for the year	Total	Non-Controlling interests	Total equity
1 094 010	381 508	-	1 117 779	88 882	118 584	916 801	22 596	42 674	3 782 834	1 364 896	5 147 730
-	-	-	-	-	-	-	42 674	(42 674)	-	-	-
-	-	-	-	-	-	-	-	138 371	138 371	77 781	216 152
-	-	-	-	-	(5 431)	-	7 833	-	2 402	-	2 402
-	-	-	(43 199)	-	-	-	-	-	(43 199)	(32 780)	(75 979)
-	-		(43 199)	-	(5 431)	-	7 833	138 371	97 574	45 001	142 575
-	-	(10 000)	-	-	-	(9 570)	-	-	(19 570)	-	(19 570)
-	-	-	-	-	-	-	-	-	-	4 375	4 375
-	16 227	-	-	-	-	-	(16 227)	-	-	-	-
-	16 227	(10 000)	-	-	-	(9 570)	(16 227)	-	(19 570)	4 375	(15 195)
1 094 010	397 735	(10 000)	1 074 580	88 882	113 153	907 231	56 876	138 371	3 860 838	1 414 272	5 275 110

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

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Cash Flows
for the financial period ended 31 March 2021

(All amounts in thousand Egyptian Pound)

	Note No.	31 March 2021	31 March 2020
Net profit for the period before tax		463 831	285 443
<u>Adjustments for:</u>			
Interest expense	(7)	144 897	280 224
Depreciation and amortization for the period	(16-17)	93 881	90 898
Provisions movements (net)	(27)	18 932	12 897
Impairment losses on current assets (net)		51 584	20 903
Interest income	(7)	(25 649)	(26 602)
Gain from sale of property, plant, equipment and assets held for sale	(6)	(1 309)	(2 190)
Investment losses in subsidiaries		1 328	-
		747 495	661 573
Changes in:			
Inventories		(399 449)	99 334
Accounts and notes receivables		(1 680 417)	(732 629)
Debtors and other debit balances		(372 295)	644 424
Due from related parties		(69 144)	28 060
Due to related parties		327	21 412
Proceeds from loans and borrowings		885 957	-
Trade payables and other credit balances		1 043 375	388 219
Cash provided from operating activities		155 850	1 110 393
Provisions used		(9 711)	(19 897)
Income tax paid		(3 097)	(1 213)
Dividends paid		(29 328)	-
Net cash provided from operating activities		113 714	1 089 283
<u>Cash flows from investing activities</u>			
Acquisition of property, plant, equipment and projects under constructions		(88 917)	(210 786)
Acquisition of intangible assets		(23)	-
Interest income received		25 649	26 602
Payment under investment		(64 456)	-
Proceeds from sale of property, plant, equipment and assets held for sale		30 939	10 420
Net cash (used in) investing activities		(96 808)	(173 764)
<u>Cash flows from financing activities</u>			
Proceeds from non controlling interest to increase capital of subsidiaries		588	4 375
Payment to buy Treasury bills		-	(19 571)
Dividends paid -minority equity		(53 480)	-
Gain From selling Treasury bills		30 232	-
Proceeds from loans and borrowings		412 319	(335 933)
Long-Term notes payable		45 900	(53 663)
Interest expense paid		(184 041)	(280 224)
Net cash(used in) financing activities		251 518	(685 016)
Net Increase/Decrease in cash and cash equivalents		268 424	230 503
Cash and cash equivalents at the beginning of the period		1 797 830	1 408 948
Effect of movements in exchange rates on cash and cash equivalents		(6 153)	(81 455)
Cash and cash equivalents at end of the period	(15)	2 060 101	1 557 996

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

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

1- Background of the Group

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

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

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

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

The major shareholder's of the Company are Dr. Raouf Ghabbour and his family who collectively owns approximately 62.89% of the Company's shares as at March 31, 2021.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on May 11, 2021.

2- Basis of preparation of consolidated financial statements

The consolidated interim financial statements have been prepared in accordance with an updated Egyptian Accounting Standards (EAS) and the related Egyptian laws and regulations.

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

On August 14, 2018, Law No. 176 of 2018 was issued, regulating the activities of financial leasing and factoring. And article 1 of this law stipulates the abolition of Law No. 95 of 1995 on financial leasing.

The Ministry of Investment and International Cooperation issued Resolution No. 69 of 2019 on April 7, 2019, amending some provisions of the Egyptian accounting standards, including the abolition of the Egyptian Accounting Standard No. (20) rules and accounting standards related to financial leasing and replaced it with the Egyptian Accounting Standard No. (49) leasing contracts.

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

The Egyptian standard is applied to financial periods beginning on or after January 2020. Early application is permitted if Egyptian Accounting Standard (48) "Revenue from Contracts with Customers 2019" is applied at the same time. As an exception, the first date of application shall be the beginning of the annual report period in which the Financial Leasing Law No. 95 of 1995 -and its amendments - was abolished, The issuance of the Financial Leasing and Factoring Activities Law No. 176 of 2018 (January 1, 2018) for financial leasing contracts that were subject to Law 95 of 1995 as well as contracts that are subject to Law 176 of 2018 and were to be processed in accordance with the Egyptian Accounting Standard No. (20) "Accounting Rules and Standards" Related to finance lease "

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015, which include some new accounting standards as well as introducing amendments to certain existing standards. Given the current circumstances that the country is going through due to the outbreak of the new Corona virus and its Economic and financial effects related to it, in addition implementing prevention measures and countering its spread from imposing restrictions on the presence of human resources in companies at their full capacity on a regular basis. The Higher Committee for the Review of Egyptian Accounting Standards , Limited review, and Other Verification Tasks Formulated by Prime Minister Decision No. 909 of 2011 which states that the application of the New Egyptian Accounting standards can be postponed and the amendments related to this issued by decision No. 69 on the annual financial statements of these companies at the end of 2020 and include the combined effect for the whole year By the end of 2020 the laws have been postponed again on January 1, 2021, based on the Prime Minister's Decision No. 1871 of 2020 .The most prominent amendments are as follows:

- Egyptian Accounting Standard No (47) Financial Instrument
 - Egyptian Accounting Standard No (48) Revenue from contracts with customers
 - Egyptian Accounting Standard No (49) Operating lease
- The company has assessed the impact of the new accounting standards and applied them from 1 January 2021

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.

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

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 summary describes the operations for each reportable segment:

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

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial Period ended March 31, 2021

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

5-Operating Segments(Continued)

A-Total Revenue

	March 31, 2021	March 31, 2020
Passenger car	46.58%	51.20%
Buses and trucks	4.06%	5.40%
2 & 3 Wheels	20.42%	17.50%
Financial Services non-Banking	20.16%	19.40%
Other Operations	8.78%	6.50%

B-Revenue from foreign operations

	March 31, 2021	March 31, 2020
Passenger car	7.11%	39.10%
2 & 3 Wheels	29.30%	30.70%
Other Operations	0.00%	0.00%

C- Segments results

	March 31, 2021	March 31, 2020
Passenger car	29.45%	25.78%
Buses and trucks	0.25%	2.65%
2 & 3 Wheels	18.57%	19.31%
Financial Services non-Banking	45.74%	45.23%
Other Operations	5.99%	7.03%

D-Assets

	March 31, 2021	March 31, 2020
Passenger car	14.6%	16.0%
Buses and trucks	8.3%	10.0%
2 & 3 Wheels	9.7%	10.0%
Financial Services non-Banking	49.4%	44.0%
Other Operations	18.0%	20.0%

E- Liabilities

	March 31, 2021	March 31, 2020
Passenger car	31.0%	29.0%
Buses and trucks	15.0%	20.0%
2 & 3 Wheels	1.0%	3.0%
Financial Services non-Banking	49.0%	45.0%
Other Operations	4.0%	3.0%

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

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

	March 31, 2021	March 31, 2020
Revenues		
Total revenues for operating segments	7 610 017	6 513 014
Elimination of inter-segment revenue	(782 423)	(624 290)
Consolidated Revenue	6 827 594	5 888 724
Segments result		
Gross profit for operating segment	1 348 423	1 101 058
Elimination of inter-segment gross profit	4 547	(2 875)
Consolidated Gross Profit	1 352 970	1 098 183
Assets		
Total assets for operating segments	45 785 076	39 992 887
Elimination inter-segment assets	(17 995 700)	(17 176 701)
Total Consolidated Assets	27 789 377	22 816 186
Liabilities		
Total Liabilities for operating segments	30 182 121	25 706 138
Elimination inter-segment Liabilities	(8 596 610)	(8 165 062)
Total Consolidated Liabilities	21 585 511	17 541 076

G-Other martial amounts

	Total reportable segment	Adjustments	Total consolidated March 31, 2021
Finance income	25 649	-	25 649
Interest expense and Bank Charges	(185 107)	4 966	(180 141)
Capital expenditure	(88 940)	-	(88 940)
Depreciation and amortization	99 065	-	99 065
	Total reportable segment	Adjustments	Total consolidated March 31, 2020
Finance income	26 602	-	26 602
Interest expense and Bank Charges	(276 423)	(3 800)	(280 223)
Capital expenditure	210 786	-	210 786
Depreciation and amortization	67 800	-	67 800

5- Operating segments (continued)

H- Operations results

	Passenger cars		Commercial vehicles		Two and three Wheelers		Financial Services Non Banking		Other operations		Total	
	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20
Operating revenue	3 180 473	3 012 256	277 219	319 799	1 394 010	1 031 006	1 376 489	1 144 451	599 432	381 212	6 827 624	5 888 724
Gross profit	399 230	283 141	(3 437)	29 144	251 745	212 097	617 414	496 719	88 018	77 082	1 352 970	1 098 183
General and administrative expenses											(283 905)	(212 100)
Marketing and Selling expenses											(427 895)	(375 304)
Provisions and Impairment of Current and Non-Current assets (Net)											(69 202)	(34 401)
Other income											39 819	30 136
Operating results											611 786	506 514
Investment losses											(1 328)	-
Finance cost(Net)											(146 627)	(221 071)
Net profit for the period before income tax											463 831	285 443
Income tax expense											(114 305)	(69 291)
Net profit for the period											349 526	216 152
Attributable to:												
Equity holders of the Company											298 850	138 371
Non-controlling interests											50 676	77 781
											349 526	216 152

6- Other Income

	March 31, 2021	March 31, 2020
Gain on sale of fixed asset	1 315	1 292
Scrap Sales	15 722	9 721
Commission for reissuance loans	11 846	8 569
Other revenues	7 310	3 292
Cash incentive revenue	692	3 425
Rent	2 934	3 837
	39 819	30 136

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

7-Finance Costs

	March 31, 2021	March 31, 2020
Interest income	19 940	19 089
Interest income on installment sales	5 709	7 513
Foreign exchange gain	7 866	32 550
Total Finance Income	33 515	59 152
Interest expense and bank charges	(180 141)	(280 223)
Total Finance Cost	(180 141)	(280 223)
Net Finance Cost	(146 627)	(221 071)

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

Provisions no longer required

	March 31, 2021	March 31, 2020
Warranty provision	2 795	1 219
Impairment of accounts and notes receivables	8 620	-
Impairment of debtors and other debit balances	1 018	241
Other Provisions	26 327	13 359
Legal Claims	-	828
Total provisions no longer required	38 760	15 647

Provisions formed

Warranty provision	(9 897)	(11 058)
Impairment of accounts and notes receivable	(60 511)	(29 921)
Impairment of debtors and other debit balances	(711)	-
Other provisions	(36 843)	(9 069)
Total provisions formed	(107 962)	(50 048)
Net provisions in the income statement	(69 202)	(34 401)

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

	Balance at 1/1/2021	Impairment during the period	Used during the period	Reversal of Impairment during the period	Effect of movements of exchange rates	the impact of the change in egyptian accounting standard charget on equity	Balance at 31/03/2021
Impairment of Accounts & Notes receivable	638 781	60 511	-	(8 620)	(957)	(117 208)	572 507
Impairment of due from related parties	26 648	-	-	-	(26)	-	26 622
Impairment of Debtors & Other debit balances	31 990	711	-	(1 018)	(131)	-	31 552
	697 419	61 222	-	(9 638)	(1 114)	(117 208)	630 681
Impairment of Inventory *	52 480	1 511	-	(12 052)	-	-	41 939
	749 899	62 733	-	(21 690)	(1 114)	(117 208)	672 620

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

9-Earnings per share**i.Basic**

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

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

	March 31, 2021	March 31, 2020
Net profit for the year attributable to the shareholders	298 850	138 371
Weighted average number of ordinary shares issued	1 094 010	1 092 035
Basic profit earnings per share/ EGP	0.273	0.126

10-Income tax**A-Income tax liabilities**

	March 31, 2021	December 31, 2020
Balance at 1 January	296 730	234 505
Taxes paid during the period	(3 097)	(245 099)
Current income tax during the period (Note 10-C)	70 889	307 324
Balance at the end of the period	364 522	296 730

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

10-Income tax (Continued)	Fixed Assets	Carried forward losses	Impairment of Inventory	Warranty Provision	Revaluation surplus of fixed assets	Notes payable	Capital Gains	Total	
								31-Mar-21	31-Dec-20
B-Deferred tax Asset and Liability									
Deferred tax assets									
Balance at 1 January	11	355 563	4 173	44 305	-	136 574	-	540 626	618 310
Charged to the income statement	-	(43 772)	433	1 485	-	(7 977)	-	(49 831)	(77 683)
Balance at the end of the period	11	311 791	4 606	45 790	-	128 597	-	490 795	540 627
Deferred tax liabilities									
Balance at 1 January	(297 220)	-	-	-	(14 247)	-	(47 638)	(359 105)	(345 055)
Charged to the income statement	2 717	-	-	-	-	-	3 698	6 415	(23 766)
Charged to Statement of comprehensive income	-	-	-	-	2 046	-	-	2 046	9 716
Balance at the end of the period	(294 503)	-	-	-	(12 201)	-	(43 940)	(350 644)	(359 105)
Net Balance at the end of the period	(294 492)	311 791	4 606	45 790	(12 201)	128 597	(43 940)	140 151	181 522
Net									
Balance at 1 January	(297 209)	355 563	4 173	44 305	(14 247)	136 574	(47 638)	181 521	273 255
Charged to the income statement (10-B)	2 717	(43 772)	433	1 485	-	(7 977)	3 698	(43 416)	(101 449)
Charged to Statement of comprehensive income	-	-	-	-	2 046	-	-	2 046	9 716
Balance at the end of the period	(294 492)	311 791	4 606	45 790	(12 201)	128 597	(43 940)	140 151	181 522

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

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

10-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, 2021	December 31, 2020
Impairment of accounts and notes receivables	128 814	143 726
Impairment of other debit balances	7 099	7 198

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, 2021	March 31, 2020
Current income tax (Note 10-A)	(70 889)	(66 991)
Deferred tax – (Note 10-B)	(43 416)	(2 300)
Income tax for the period	(114 305)	(69 291)

D-Amounts recognized in OCI

	March 31, 2021			March 31, 2020		
	<u>Before Tax</u>	<u>Taxes</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>Taxes</u>	<u>After Tax</u>
Foreign Currency translation difference	(15 630)	-	(15 630)	(76 006)	-	(76 006)
Modification surplus of fixed assets cost	6 872	(2 046)	4 826	(7 833)	2 402	(5 431)
	(8 758)	(2 046)	(10 804)	(83 839)	2 402	(81 437)

11-Inventories

	March 31, 2021	December 31, 2020
Goods in transit	595 056	558 181
Cars, buses and trucks	1 697 006	1 338 961
Raw material and car components	669 148	767 392
Spare parts for sale	470 117	416 255
Work in progress	220 060	200 295
Tires	139 662	111 741
Oils	28 867	27 642
Total	3 819 916	3 420 467
Impairment of inventory *	(41 939)	(52 480)
Net	3 777 977	3 367 987

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

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

12-Long term notes receivables		
	March 31, 2021	December 31, 2020
Long-term notes receivable	6 097 986	5 351 017
Interest income on installment sales	(467 933)	(497 081)
Net present value for long-term notes receivable	5 630 053	4 853 936
Impairment of long-term notes receivable	(118 836)	(74 696)
Net	5 511 217	4 779 240

13-Accounts and notes receivables		
	March 31, 2021	December 31, 2020
Total notes receivable	14 559 179	12 897 419
Long-term notes receivable (Note 12)	(6 097 986)	(5 351 017)
Unamortized interest	(683 377)	(556 472)
Net present value for short-term notes receivable	7 777 816	6 989 930
Trade receivable	796 954	680 540
Total	8 574 770	7 670 470
Impairment of accounts and notes receivable balances	(453 671)	(564 085)
Net	8 121 099	7 106 385

The following table represents the decrease in the value of clients' balances and receivables according to the expected losses model on March 31, 2021:

1-Non Banking -Financial Services

	Stage 1: Expected credit losses over 12 months	Stage 2: Lifetime ECL is not credit impaired	Stage 3: Life Expected Credit Losses with impaired credit	Total
Account & notes recivables	10 239 128	1 064 304	652 100	11 955 533
Adjust: Impairment of accounts and notes receivable balances	(64 868)	(37 103)	(256 218)	(358 189)
	10 174 261	1 027 201	395 882	11 597 344

2- Passenger cars, transport, buses and motorcycles sector - tuk-tuks and other operations

	The Balance	The percentage of expected losses	Decrease in the balance of account & notes recivable	Net
Notes Recivable	1 472 383	10%	(153 571)	1 318 812
Trade recivables	481 974	2%	(8 184)	473 790
From 1 to 30	139 526	1%	(1 863)	137 663
From 31 to 60	42 613	2%	(971)	41 642
From 61 to 90	15 880	5%	(860)	15 020
From 91 to 120	32 762	4%	(1 470)	31 292
More than 120	64 153	74%	(47 399)	16 754
Total	2 249 291		(214 318)	2 034 973

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

14-Debtors and other debit balances

A-Long term debtors and other debit balance

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Debt securitization Companies	152 756	153 379
	152 756	153 379

B-Debtors and other debit balances

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Advance payments to suppliers	569 790	410 225
Withholding tax	333 356	302 681
Value added tax	185 680	172 679
Accrued interest	65 774	3 493
Accrued revenue	9 190	95 593
Letters of credit	421 913	345 557
Prepaid expenses	157 830	125 238
Security deposits with others	19 661	37 464
Letters of guarantee margin	100 573	134 797
Staff loans and custodies	46 903	33 113
Other debit balances	187 972	65 039
Customs duties	3 446	3 290
Total	2 102 087	1 729 169
Impairment of debtor and other debit balances	(31 552)	(31 990)
Net	2 070 535	1 697 179

15-Cash on hand and at banks

A-Cash on hand and at banks

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Time deposits	393 915	353 258
Current accounts	1 444 784	1 132 586
Checks under collections	146 568	90 448
Treasury bills	74 834	221 538
	2 060 101	1 797 830

B-Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and cash at banks	2 060 101	1 797 830
	2 060 101	1 797 830

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

Originally issued in Arabic

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

16 - Property, plant, equipments and projects under construction

	Land and Buildings	Machinery & equipment	Vehicles	Computers	Fixtures & furniture	Leasehold improvements	* Projects under construction	Total
Cost								
Cost at 1 January 2020	2 553 827	1 044 495	515 254	223 714	902 221	41 903	367 393	5 648 807
Additions during the year	82 526	16 020	224 515	32 358	44 844	32 681	274 822	707 765
Transferred from projects under construction to PP&E and intangible assets	7 506	74 541	-	742	56 131	1 504	(160 867)	(20 443)
Disposals during the year	(175 974)	(77 326)	(76 019)	(4 650)	(6 994)	(2 793)	(1 693)	(345 448)
Effect of cost modification using modification factor	-	-	(4 028)	(2 928)	(2 396)	-	-	(9 352)
Effect of movements of exchange rates	(32 731)	(1 396)	(727)	(270)	(1 978)	(386)	-	(37 488)
Balance at 31 December 2020	2 435 154	1 056 333	658 995	248 966	991 829	72 909	479 655	5 943 840
Cost at 1 January 2020	2 435 154	1 056 333	658 995	248 966	991 829	72 909	479 655	5 943 840
Additions during the period	5 999	5 034	23 024	9 209	18 702	2 983	23 966	88 917
Transferred from projects under construction to PP&E and intangible assets	-	923	-	-	228	-	(1 152)	-
Disposals during the period	-	(212)	(22 830)	(12)	(1 261)	-	(15 320)	(39 634)
Effect of cost modification using modification factor	-	-	(172)	-	(30)	-	-	(201)
Effect of movements of exchange rates	-	24	(183)	1	240	-	-	82
Balance at 31 March 2021	2 441 154	1 062 102	658 834	258 165	1 009 709	75 892	487 149	5 993 004
Accumulated depreciation and impairment losses								
Accumulated depreciation at 1 January 2020	299 904	577 503	178 871	173 212	350 603	25 495	-	1 605 588
Depreciation during the year	30 910	80 219	86 116	22 157	77 356	9 318	-	306 076
Disposals during the year	(14 111)	(69 269)	(33 073)	(3 645)	(5 800)	(322)	-	(126 220)
Effect of accumulated depreciation modification using modification factor	-	(5 147)	(10 290)	(2 928)	(2 255)	-	-	(20 620)
Impairment of fixed asset	-	-	-	-	-	-	13 278	13 278
Effect of movements of exchange rates	(1 703)	(27)	(16)	(3)	(32)	(54)	-	(1 835)
Accumulated depreciation at 31 December 2020	315 000	583 279	221 608	188 793	419 872	34 437	13 278	1 776 267
Accumulated depreciation at 1 January 2020	315 000	583 279	221 608	188 793	419 872	34 437	13 278	1 776 267
Depreciation during the period	8 943	19 863	18 028	6 202	20 290	5 919	-	79 245
Disposals during the period	-	(272)	(8 015)	(11)	(1 707)	-	-	(10 004)
Effect of accumulated depreciation modification using modification factor	-	-	(297)	3	-	-	-	(294)
Effect of movements of exchange rates	4	2	(171)	-	7	10	-	(147)
Accumulated depreciation at 31 March 2021	323 947	602 872	231 153	194 988	438 462	40 366	13 278	1 845 066
Net carrying Amount								
At 1 January 2020	2 253 923	466 992	336 383	50 502	551 618	16 408	367 393	4 043 219
At 31 December 2020	2 120 154	473 055	437 385	60 173	571 957	38 472	466 376	4 167 572
At 31 March 2021	2 117 207	459 230	427 680	63 177	571 247	35 526	473 871	4 147 938

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

GB Auto (S.A.E)**Notes to the consolidated interim financial statements for the financial period ended March 31, 2021**
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)**17- Asset Right Of Use**

The company applied an Egyptian Accounting Standard No. (49) (lease contracts) as of January 1, 2021, and this resulted in the recognition of right of use assets and liabilities as follows:

	<u>Land & building</u>	<u>Total</u>
Cost		
Balance at 1 January 2021		
Asset right of use during the period	365 002	365 002
Balance at March 31, 2021	365 002	365 002
Accumulated depreciation at 1 January 2021		
Depreciation	18 461	18 461
Balance at March 31, 2021	18 461	18 461
Net carrying amount at March 31, 2021	346 541	346 541

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

18- Intangible assets and goodwill

	<u>Goodwill</u>	<u>Computer software</u>	<u>Knowhow</u>	<u>Total</u>
Cost				
Balance at 1 January	430 155	62 179	5 703	498 037
Additions during the period	-	23	-	23
Balance at March 31, 2021	430 155	62 202	5 703	498 060
Accumulated amortization				
Balance at 1 January	-	39 096	5 703	44 799
Amortization during the period	-	1 359	-	1 359
Balance at March 31, 2021	-	40 455	5 703	46 158
Net carrying amount at March 31, 2021	430 155	21 747	-	451 902
Net carrying amount at December 31, 2020	430 155	23 083	-	453 238

Goodwill

On June 28, 2007, GB Auto Company fully acquired the shares of Cairo Individual Transport Industries "CITI" by acquiring 49.03% which were owned by the minority at a value of 210 EGP million pound, in return of acquiring shares of GB Auto share capital increase. The acquisition resulted in a goodwill amounting to EGP177 million which represents the increase in the acquisition value over the net fair value of the acquired Company's assets at the acquisition date. This goodwill has been allocated for the asset of the operating segment of two and three wheels' segment.

On September 8, 2008, GB Auto Company fully acquired the shares of GB for financial lease (S.A.E) which its business is financial leasing with all its fields, and the acquisition resulted in goodwill amounted to EGP 1 million.

During November 2010, the Group entered into 50% investment as a joint venture agreement in Almajmoa Alalamia Litijaret Alsaiaarat (GK), in Jordan, to acquire the existing business of Hyundai Vehicles Agency in Iraq, the joint venture agreement gives the group the power to govern the financial and operating policies of (GK) and as a result of this investment the group recognized a goodwill with an Amount 249 EGP million pound.

On October 26, 2017 GB Auto Company fully acquired the shares of Egyptian International Maintenance and cars Manufacturing Company EIAC (SAE), and the acquisition resulted in goodwill amounted EGP 2.8 million

Impairment test of cash generating units including goodwill

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Two and three wheels' activities	177 375	177 375
Hyundai Iraq sales	248 910	248 910
Financial leasing activity	1 000	1 000
After Sale service- PC	2 870	2 870
	430 155	430 155

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

18-Intangible assets and goodwill (Continued)

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

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

19-Investments property

	March 31, 2021	December 31, 2020
Balance at 1 January	90 905	90 905
Balance at the end of the period	90 905	90 905

20-Issued and paid in capital

	March 31, 2021	December 31, 2020
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 with par value of EGP 1 each)	1 094 010	1 094 010

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

Private placement (Capital Increase)

At the date of February 4, 2015, the extra ordinary general assembly meeting, has agreed to increase the Company's authorized capital from 400 million EGP to 5 billion EGP and to increase the Company's issued capital from EGP 135 337 545 to be EGP 1 095 337 545 with an increase of EGP 960 000 000 to be divided on 1 095 337 545 shares with a par value of 1 EGP each. (In addition 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.

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

21-Treasury Bills

On March 1, 2020, the Board of Directors of the company decided to purchase treasury shares with an amount of 10 000 000 shares of the company, which represents 0.914% of the total shares of the company, through the open market, and that implementation be carried out from the session of March 2, 2020 and Until April 2, 2020, or until the full amount is executed, with the same price of the security during trading sessions in the execution period in light of the amendment issued in Article (51) bis of the registration rules issued by the Board of Directors of the Financial Supervisory Authority No. 27 of 2020 on February 29, 2020 And that works in it as of the date of its issuance, as well as the statement posted on the announcement screens on the Egyptian Stock Exchange on March 1, 2020 regarding the exceptional procedures for companies whose securities are listed on the stock exchange wishing to purchase treasury shares.

The company has purchased 10 million shares with a total value of 19.570 million Egyptian pounds. The amount of 10 million pounds has been recorded as treasury shares representing the nominal value of the share. The difference between the purchase cost and the nominal value of the amount of 9.570 million Egyptian pounds has been recorded in the other reserves (Note 22).

During the year, the company sold 2 million shares with a total value of 6 750 million Egyptian pounds, resulting in a reduction of 2 million Egyptian pounds. This represents the nominal value of the share, and the difference between the sale value and the nominal value of 4 750 million Egyptian pounds was recorded within the other reserves .

During the period from January 1, 2021 to March 31, 2021, the company sold 8 million shares with a total value of 30 232 million Egyptian pounds, resulting in a reduction of 8 million Egyptian pounds. This represents the nominal value of the share and the difference between the sale value and the face value of 22,232 million Egyptian pounds among other reserves (Note 23)

22-Legal reserve

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Balance at 1 January	451 064	381 508
Transferred to legal reserve	4 394	69 556
Balance at the end of the per	<u>455 458</u>	<u>451 064</u>

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

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

GB Auto (S.A.E)
Notes to the consolidated interim financial statements for the financial period ended March 31, 2021
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

23-Other reserves

	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserve	Share premium (special reserves)	Total
Balance as at January 1, 2021	1 057 721	88 882	97 833	911 981	2 156 417
Foreign currency translation	(11 783)	-	-	-	(11 783)
Selling Treasury Bills	-	-	-	22 232	22 232
Modification surplus of fixed assets cost	-	-	(4 826)	-	(4 826)
Balance at March 31, 2021	1 045 938	88 882	93 007	934 213	2 162 040

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.

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Share premium	934 213	911 981

The special reserve represented in the transferred amount from the net share premium in 2007 less the amount transferred to the legal reserve (Note 21).

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.

The share premium was reduced by an amount of 9 570 thousand EGP ,which represent the difference between cost of purchasing treasury shares during the year 2020 with an amount of 19 570 thousand EGP and the par value of shares of 10 million EGP.

The share premium has also been increased by an amount of 4,750,000 Egyptian pounds, representing the difference between the sale price of treasury shares during the year 2020 by an amount of 6,750,000 Egyptian pounds and the nominal value of the shares of 2 million Egyptian pounds.

24-Non-controlling Interest

	Capital	Payment Under capital increase	Reserves	Legal reserve	Private risk reserve - Non banking	General risk reserve	Retained earnings	Total	
								March 31, 2021	December 31, 2020
Balance at 1 January	580 303	10 033	593 532	60 806	-	-	241 295	1 485 969	1 364 896
Net profit for the period	-	-	-	-	-	-	50 676	50 676	199 106
Foreign currency translation results	-	-	(3 847)	-	-	-	-	(3 847)	(48 706)
Capital increase	8 433	(7 845)	-	-	-	-	-	588	42 587
Change in Non-controlling interests	-	-	-	-	-	-	-	-	(6 410)
The Impact of new egyptian accounting standards	-	-	-	-	-	-	24 378	24 378	-
Transfer to risk reserve	-	-	-	-	30 166	-	(30 166)	-	-
Transfer to general reserve	-	-	-	-	-	16 314	(16 314)	-	-
Dividends	-	-	-	-	-	-	(53 480)	(53 480)	(65 504)
Balance at the end of the period/ year	588 736	2 188	589 685	60 806	30 166	16 314	216 389	1 504 284	1 485 969

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

25-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, 2021 and December 31, 2020 restated were as follows:

	March 31, 2021	December 31, 2020
Loans, borrowings and overdrafts	15 339 943	14 041 667
Short-term notes payable - suppliers	485 916	413 762
Total loans and notes payables	15 825 859	14 455 429
Less: Cash and cash equivalent	2 060 101	(1 797 830)
Letters of credit	421 913	(345 557)
Letters of guarantee	100 573	(134 797)
Net debt	18 408 446	12 177 245
Shareholders' equity	4 699 581	4 630 779
Net debt to equity ratio	3.92	2.63

26-Loans, borrowings and overdrafts

	March 31, 2021			December 31, 2020		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks overdraft	10 104 959	19 437	10 124 396	9 005 209	35 064	9 040 273
Loans	1 435 191	3 780 356	5 215 547	1 454 081	3 547 313	5 001 394
Total	11 540 150	3 799 793	15 339 943	10 459 290	3 582 377	14 041 667

A.Banks overdraft

The average interest rate on the outstanding Egyptian Pounds and the US Dollars bank overdraft are 8.85% and 3.19% respectively.

	March 31, 2021	December 31, 2020
Less than one year	10 104 959	9 005 209
More than one year and less than five years	19 437	35 064
	10 124 396	9 040 273

B.Loans

The group (the non-banking financial services sector) obtained medium and long-term bank loans for the purpose of financing car sales contracts and operational and financial lease contracts. The repayment period for these loans reached 5 years for each operation financed by guaranteeing the financial rights of the contracts concluded and arising from those contracts towards the clients of the group companies

	March 31, 2021	December 31, 2020
Less than one year	1 435 191	1 454 081
More than one year and less than five years	3 780 356	3 547 313
	5 215 547	5 001 394

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

27-Trade payables and other credit balances

	March 31, 2021	December 31, 2020
Trade payables	1 766 030	1 397 145
Other credit balances	146 234	109 252
Advances from customers	923 493	338 300
Tax Authority	47 833	48 544
Value added tax	225 782	102 383
Accrued expenses	469 930	559 262
Accrued interest exoense	82 023	85 977
Deposits from others	23 851	35 886
Notes payables	485 916	464 374
Right of use liability	70 146	-
Dividends payable	301 283	2 500
Deferred revenues	16 375	469
	4 558 896	3 144 092

28-Provisions

	Legal Claims	Warranty Provision	Other Provisions	Total
Balance at January 1, 2021	7 140	79 296	102 272	188 708
Provisions formed during the period	-	9 897	43 591	53 488
Provisions utilized during the period	-	(3 714)	(5 997)	(9 711)
Provisions no longer required	-	(2 795)	(31 761)	(34 556)
Effect of movement of exchange rates	-	-	(543)	(543)
Balance at March 31, 2021	7 140	82 684	107 562	197 386
Balance at January 1, 2020	6 112	98 469	125 216	229 797
Provisions formed during the year	1 038	51 092	144 330	196 460
Provisions utilized during the year	-	(39 828)	(54 024)	(93 852)
Provisions no longer required	-	(30 437)	(112 139)	(142 576)
Effect of movement of exchange rates	(10)	-	(1 111)	(1 121)
Balance at December 31, 2020	7 140	79 296	102 272	188 708

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, 2021.

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 82 684 at the end of the year for expected warranty claims in the light of management experience for repair and returns level in previous years. The warranty provision includes a long-term provision amounted as at March 31 ,2020 EGP 5 245 (December 31, 2020 EGP 3 697).

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

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.

A portion of the value of the formed and (no longer required) of the other provisions is included in the sales revenue. The value of the formed provisions on March 31, 2020 amounted to 6 748 thousand Egyptian pounds and the value of the no longer required provisions is 5 434 thousand Egyptian pounds EGP.

29-Financial risk management**1 Financial risk factors**

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

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

A-Market risk**1.Foreign currency exchange rate risk**

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

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

	March 31, 2021			December 31, 2020
	Assets	Liabilities	Net	Net
US Dollars	484 286	(1 245 552)	(761 266)	(652 217)
Euros	4 038	(18 114)	(14 076)	(20 104)
Other currencies	16 819	(59 906)	(43 087)	(38 286)

2.Price risk

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

3.Cash flows and fair value interest rate risk

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

Loans, borrowings and overdrafts at the balance sheet date with variable interest rates are amounted to EGP 15 339 944 as at March 31,2021 (EGP 14 041 668 as at December 31, 2020).

Financial assets that carry fixed interest rates are amounted to EGP 393 915 as at March 31, 2021 (EGP 353 258 as at December 31, 2020).

		March 31, 2021	December 31, 2020
Time deposits	USD	55 742	57 474
Time deposits	EGP	338 173	295 784
		393 915	353 258

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

B-Credit risk

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

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

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

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Notes and accounts receivables	15 356 133	13 577 959
Impairment of accounts and notes receivable balances	572 507	638 781
The ratio of the allowance to total accounts and notes receivable	3.73%	4.70%

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.

D- Fair value estimation

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

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

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

GB Auto (S.A.E)

Notes to the consolidated Interim financial statements for the financial period ended March 31, 2021

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

30-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	
	March 31, 2021	December 31, 2020
RG Investment "S.A.E."	99.99%	99.99%
International Trade Agencies and Marketing Co. (ITAMCO) "S.A.E."	99.45%	99.45%
Egyptian Vehicles Manufacturing Co. (Ghabbour Egypt) "S.A.E."	99.53%	99.53%
Ghabbour Continental Trading Co. (GCT) –Alex "S.A.E."	100.00%	100.00%
GB Polo Buses Manufacturing "S.A.E."	80.00%	80.00%
Haram Transportation Co. "S.A.E."	99.00%	99.00%
GB Company for financial lease "S.A.E."	100.00%	100.00%
Haram for transpiration Tourism "S.A.E."	100.00%	100.00%
GB Allab Company	66.20%	66.20%
Masters Automotive Company "S.A.E."	75.00%	75.00%
Microfinance consultancy Services (Mashro'ey) "S.A.E."	65.00%	65.00%
Almajmoa Alalamia; Litijaret Alsaiaarat (GK)	50.00%	50.00%
GB Logistics "S.A.E."	99.98%	99.98%
GB Capital holding for financial investments "S.A.E."	99.00%	99.00%
Gulf Company	100.00%	100.00%
Drive Automotive "S.A.E."	100.00%	100.00%
Drive Finance "S.A.E."	100.00%	100.00%
Ghabbour Al Qalam	68.00%	68.00%
GB Global Company	100.00%	100.00%
GBR Company	54.00%	54.00%
GBR Services Company	48.80%	48.80%
Egypt Auto Mall Company for used car "S.A.E."	99.00%	99.00%
GB El Bostan	60.00%	60.00%
Ghabbour general trade	25.00%	25.00%
Egypt Tires Market "S.A.E."	90.00%	90.00%
Pan African Egypt Company for Oil "S.A.E."	100.00%	100.00%
Tires & more Company for car services "S.A.E."	100.00%	100.00%
Suez Canal logistic services Co. "S.A.E."	100.00%	100.00%
GB Automotive Manufacturing Co. "S.A.E."	100.00%	100.00%
Ready Parts for automotive spare parts "S.A.E."	100.00%	100.00%
GB Light transport manufacturing Company (GB LTMC) "S.A.E."	100.00%	100.00%
GB for Import & export	100.00%	–
Tasaheel Microfinance Company ((Tasaheel)) "S.A.E."	65.00%	65.00%
GB for heavy truck and construction equipment trading "S.A.E"	100.00%	100.00%
GB for water and environment technology. "S.A.E."	100.00%	100.00%
Engineering Company for transportation maintenance El Mikaneeky	65.00%	65.00%
Egyptian International Maintenance and cars Manufacturing Company EIAC "S.A.E."	100.00%	100.00%
GB Finance S.A.R.L.	100.00%	100.00%

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

MNT for SME Development "S.A.E."	53.33%	53.33%
BBAL Blue Bay Auto Loan Investments Cyprus LTD	100.00%	100.00%
Salexia L.T.D. Trading (Cyprus)	100.00%	100.00%
MNT Investment B.V. (Netherland)	53.33%	53.33%
GB Capital Securitization S.A.E.	100.00%	100.00%
Rasseddy S.A.E.	47.70%	57.00%
GB Real Estate Mortgage Finance B.V.	100.00%	100.00%
GB for Import &Export	100.00%	100.00%
GB Real Estate BV	100.00%	100.00%
Transport Vehicle Distribution TVD S.A.E.	51.00%	51.00%
Automobilk S.A.E	65.00%	65.00%
GB Finance Lease BV	100.00%	100.00%
GB Microcredit BV	100.00%	100.00%
GB Operational Lease BV	100.00%	100.00%
GB Consumer Finance BV	100.00%	100.00%
Rasseddy For Collection S.A.E	41.25%	41.25%
GB Factoring BV	100.00%	-
GB Global BV	100.00%	-
GB Clean Label Foods	90.00%	-

31- Payment under Investment

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Auto Market Company	54 456	-
Halan for Consumer finance	10 000	-
GBM Global	72	72
Total	<u>64 528</u>	<u>72</u>

32-Capital Commitments

The capital contractual expenditure of the Group at the consolidated financial statements date reached EGP 92 852 at March 31,2021 (EGP 97 974 as at December 31, 2020) represented in the amount to be paid upon the completion of the new production lines under construction and other branches across the country.

33-Contingent liabilities

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
USD	1 294 742	908 966
EGP	166 024	139 657
Japanese Yen	94 354	47 108
Euro	1 978	14 396
Cny	12 179	12 179

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

34-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:

<u>Due from related parties</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>
El Bostan Holding	66 865	66 992
SARL SIPAC – Algeria	11 974	11 978
Algematco – Algeria	27 127	25 270
Halan for Information technology	226 521	178 150
Kassed Shareholders' Current Account	7 731	7 746
El Qalam Shareholders' Current Account	88 206	73 844
Tokyo Marine	4 700	–
Total	433 124	363 980
Impairment of due from related parties	(26 622)	(26 648)
	406 502	337 332
	<u>March 31, 2021</u>	<u>December 31, 2020</u>
<u>Due to related parties</u>		
Marco Polo Company	59 545	59 659
EQI	761	761
Al Watania for car accessories and spare parts	8 090	6 146
Gaya	10 659	11 119
Wahdan Company	68	2 534
EL Ghalban Company	40 706	39 979
Egypt auto market	696	–
	120 525	120 198

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

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

Related party name	Relation type	Transaction nature	Transaction amount	
			March 31, 2021	December 31, 2020
Executive BOD	Board of Directors	Management Salaries	10 408	32 093
Al Watania for Vehicles Accessories and spare parts	Related Party	Purchases	11	11
SARL SIPAC – Algeria	Related Party	Cash transfer	(11 978)	1 649
Kassed Shareholders' current account	Shareholder in one of the subsidiaries	Sales	-	-
		Cash transfer	(7 746)	3 407
El- Qalam Shareholder current account	Shareholder in one of the subsidiaries	Sales	(108 271)	(108 271)
		Services	34 427	143 355
Marco Polo Company	Shareholder in one of the subsidiaries	Services	(59 659)	1 568
Algematco – Algeria	Shareholder in one of the subsidiaries	Cash transfers	(25 270)	3 338
Bostan Holding	Related Party	Foreign Currency translation difference	(66 992)	1 315
Halan for Information technology	Related Party	Cash transfers	(178 150)	(108 006)
Gaya	Shareholder in one of the subsidiaries	Cash transfers	11 119	6 029
El Ghalban	Shareholder in one of the subsidiaries	Cash transfers	39 979	39 617

35-Investment in associates

	Contribution percentage	December 31, 2020	Adjustment on Opening balance	December 31,2020 Restated	Net Profit /Losses for the period	March 31, 2021
Halan for Information technology	2.28%	8 034	-	8 034	-	8 034
Bedaia for Real estate Financing	33.33%	50 000	5 859	55 859	998	56 857
Tokyo Marine	37.50%	42 550	(8 539)	34 011	(2 326)	31 684
		100 584	(2 680)	97 904	(1 328)	96 575

GB Auto (S.A.E)**Notes to the consolidated interim financial statements for the financial period ended March 31, 2021**

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

36- Income statement according to expense nature

	March 31, 2021	March 31, 2020
Operating Revenue	6 827 594	5 888 724
Operating Cost	(5 474 624)	(4 790 541)
Gross Profit	1 352 970	1 098 183
Other income	39 819	30 136
Provisions no longer required	8 803	15 647
Investment in associates losses	(1 329)	-
Interest income	19 940	19 089
Installment sales interest	5 709	7 513
Bank charge	(26 778)	(21 184)
Interest expense	(153 364)	(259 040)
Salaries & Benefits	(424 135)	(341 586)
Selling & Marketing	(71 222)	(46 430)
Rents	(20 950)	(31 639)
Net Gain foreign exchange transaction	7 866	32 550
Provisions formed	(78 005)	(50 048)
Depreciation and Amortization	(48 276)	(37 672)
Consulting	(5 973)	(9 453)
Transportation	(8 579)	(17 871)
vehicles expense	(13 950)	(9 865)
Governmental Fees & stamps	(7 290)	(12 040)
IT Expense	(24 700)	(13 359)
Other Expenses	(30 691)	(18 197)
Insurance	(4 172)	(4 449)
Security Expense	(6 310)	(5 140)
Repair/Maintenance Expenses	(204)	(367)
Administration Supplies	(10 608)	(9 272)
Utilities	(3 673)	(4 963)
Donations & Puplic relation	(13 037)	(11 202)
Medical Fund	(15 332)	(12 114)
Freight	(2 698)	(1 784)
Net profit for the period before income tax	463 831	285 443

37- Securitized Operations

During the year the group (the non-banking financial services sector) signing into money transfer contracts and the data on securitization operations are as follows:

The securitization portfolio consists of financial rights and deferred dues secured by various guarantees in favor of the assignor, which have been transferred to the assignee. The assignor has transferred financial rights and deferred payment dues for the purpose of issuing securitized bonds.

March 31, 2021		December 31, 2020	
Total Value	Current Value	Total Value	Current Value
3 230 892	2 561 351	3 769 976	2 988 824

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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38 –Private Risk Reserve

The risk reserve is represented in non-banking financial services, the effects of applying the Egyptian Accounting Standard No. 47 “Financial Instruments” equivalent to 1% of the assets listed in the risk weights in accordance with the provisions of the decisions issued by the Board of Directors of the General Authority for Financial Supervision No. 200 of 2020 on some companies that engage in financial activities

Non-banking, and the balance on March 31, 2021 reached 94 million Egyptian pounds, and the balance of this reserve will not be used after applying Standard No. 47 except after obtaining the prior approval of the Authority.

39 – General Risk Reserve

A general risk reserve is the difference between applying the expected credit loss model according to the non-bank financial companies' application of the Egyptian Accounting Standard No. 47 on January 1, 2021 for the provision for doubtful debts, and the management of the subsidiaries decided to create this reserve until it was presented to the general assemblies of the subsidiaries for approval.

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

40- Significant accounting policies

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

A- Business combination

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

1) Subsidiaries

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

2) Non-controlling interests

NCI are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3) Loss of control

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

4) Transaction elimination on consolidation

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

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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40-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 Other comprehensive income:

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

2) Foreign Operations

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

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

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

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

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

C- Discontinued operation

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

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

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

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40 -Significant accounting policies (Continued)

1) Revenue from customer contracts.

Egyptian Accounting Standard No. 48 - Revenue from contracts with customers.

Egyptian Accounting Standard No. 48 specifies a comprehensive framework for determining the value and timing of revenue recognition. This standard replaces the following Egyptian accounting standards (Egyptian Accounting Standard No. (11) "Revenue" and Egyptian Accounting Standard No. (8) "Construction Contracts". Revenue is recognized

When a customer is able to control units or services, determining the timing of the transfer of control - over a period of time or at a point in time - requires a measure of personal judgment.

Revenue Recognition

According to the nature of the group's activities, in addition to the group's current accounting policies, the effect of Egyptian Accounting Standard No. 48 on the recognition of revenue by the group will be immaterial, as the net effect of retained earnings amounted to 12.5 million Egyptian pounds.

The costs of assign a contract with customers

Under Egyptian Accounting Standard 48, some of the additional costs incurred in acquiring a contract with a customer ("contract costs"), which previously did not qualify for recognition as an asset under any of the other accounting standards, have been deferred in the consolidated statement of financial position.

The effect of capitalizing contract costs resulting from the application of Egyptian Accounting Standard 48 is shown.

Transitional period

The Group applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in retained earnings with effect from January 1, 2021, and the comparative figures have not been adjusted.

The effect of applying Egyptian Accounting Standard 48 on the opening balances of the group's financial position, as of

January 1, 2021, and this resulted in an impact on the retained earnings on January 1, 2021, an amount of 12.5 million Egyptian pounds

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

40 -Significant accounting policies (Continued)**D- Employee benefit****1) Short – term employee benefits**

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

2) Share – based payment arrangements

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

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

3) Defined 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.

E- 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.

F- 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.

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

40 -Significant accounting policies (Continued)**1) Current income tax**

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

2) Deferred tax

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

Deferred tax is not recognised for:

- a. Taxable temporary differences arising on the initial recognition of goodwill.,
- b. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not: 1) business combination
2) And not affects neither accounting nor taxable profit or loss.
- c. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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.

G- 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.

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

40 -Significant accounting policies (Continued)**H- Property, plant and equipment****1) Recognition and measurement**

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

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

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

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

2) Subsequent expenditure

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

3) Depreciation

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

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

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

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

4) Reclassification to investment property

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

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40 -Significant accounting policies (Continued)

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.

I- 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.

IV. Knowhow

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

2) Subsequent expenditure

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

3) Amortization

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

Goodwill is not amortised.

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

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

40 -Significant accounting policies (Continued)

J- 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.

EAS 47 - Financial instruments

EAS 47 – Defined the recognition and measurement of financial assets and financial liabilities and some of non-financial items agreements for sale or purchase. This standard replaces EAS 25 financial instruments: presentation and disclosure and EAS 26 financial instruments.

The recognition and measurement and EAS 40 financial instruments disclosures applied on 2021 disclosures.

Financial assets and financial liabilities

Classification and measurement

The new standard requires the company to value the classification of financial assets at the company's financial statements according to the financial assets cash flow conditions and the company related business module for financial assets certain category.

EAS 47 has no longer available for sale classification for financial assets. The new standard contains different requirements for financial asset in debit instruments or equity instruments.

The financial instruments must be classified and measured by one of the following:

- Amortized cost, which actual interest rate will be applied
- Fair value through comprehensive profit and loss with subsequent reclassification to profits and losses when the financial assets sale or fair value through profit and losses
- Investments in equity instruments must be classified and measured by one of the following methods except for those considered and applied owners' equity accounting
- Fair value through other comprehensive income through subsequent reclassification to profits and losses statement when financial assets have been sold
- Fair value through profits and losses
- The company initially continues in measurement of financial assets by using fair value plus cost of transaction at the initial recognition except the financial assets measured at fair value through profits and loss in accordance with the current

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practices, most of financial assets classification have not been effected by the adoption of EAS 47 at 1 January 2021

EAS 47 largely retains the current requirements including those in EAS 26 for financial liabilities classification and measurements

The application of EAS 47 didn't have a significant impact on the company's accounting policies related to financial liabilities and derivatives.

Impairment: -

EAS 47 uses the expected credit loss model, which replaces the exposure loss model EAS 26, where there was no need for a provision for doubtful debts except in cases in which there is actual loss incurred in contrast, the ECL model requires the company to recognize for doubtful debts provisions on all financial assets included in amortized cost as well as debt instruments classified as fair value through other comprehensive income since initial recognition regardless of whether loss was incurred as a result, the company's doubtful debts provisions has been increased when applying EAS 47 at 1 January 2021 Below are the main changes in the group's accounting policy for impairment of financial assets.

When determining a default for the purpose of determining the risk of a default, the entity shall apply a default definition consistent with Identification used for internal credit risk management purposes of the relevant financial instrument and theoretical qualitative indicators when appropriate. However, it is a rebuttable assumption that the default does not occur later when the financial asset is due.

for a period of 90 days unless an entity has reasonable and supportive information to demonstrate that the non-satisfactory default criterion is the most appropriate.

The default definition used for these purposes is applied consistently to all financial instruments unless information is available.

Which prove that non-consensual recognition of the other is not appropriate for a particular financial instrument.

A three-stage approach is applied to measure expected credit losses for financial assets listed at cost

depreciated and debt instruments designated as Fair value through other comprehensive income. Assets are transferred through

The following three stages are based on the change in the quality of credit ratings since initial recognition for these assets :

- Stage one: 12-month expected credit losses

For exposures that have not resulted in a quantitative increase in credit risk since initial recognition, a portion of the credit risk is recognized. Lifetime ECL based on the probability of default occurring over the next 12 months

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- Stage 2: Lifetime ECL - not credit-impaired

For credit exposures that have resulted in a significant increase in credit risk since initial recognition, but not Credit impaired, lifetime expected credit losses are recognized.

- Stage Three: Lifetime Expected Credit Loss Financial assets are credit-impaired when the One or more events that have a detrimental effect on the estimated future cash flows of those assets Finance.

- **hedge accounting**

Egyptian Accounting Standard No. 47 increases the company's ability to apply hedge accounting. In addition, it has been Align the requirements of the standard more closely with the company's risk management policies, so high coverage will be measured in the future.

- **Transitional period**

The company applied the standard using the modified cumulative effect tick, which means that the impact of applying the standard has been recognized In retained earnings as of January 1, 2021, the comparative figures have not been adjusted

K- Share capital

1) Ordinary Shares

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

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

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

L- 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.

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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.

Leases

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

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

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

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

As a lessor:

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

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

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

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40 -Significant accounting policies (Continued)

Recognition and measurement

Initial measurement

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

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

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

Operating leases

Recognition and measurement

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

Sale and leaseback transactions

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

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

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

2) Transfer of the asset is a sale

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

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

3) Transfer of the asset is not a sale

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

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

As a lessee:

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

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Initial measurement of the right-of-use asset

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

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

Any lease payments made at or before the commencement date, less any lease incentives received.

Any initial direct costs incurred by the lessee.

An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequent measurement of the right-of-use asset

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

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

Initial measurement of the lease liability

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

Subsequent measurement of the lease liability

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

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

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Egyptian Accounting Standard No. (49 - Lease contracts

- The Egyptian Accounting Standard (49) replaces the Egyptian Accounting Standard No. (20) - the accounting rules and standards related to financial leasing operations.
- Egyptian Accounting Standard No. (49) "Lease Contracts" provides a single accounting model for the lessor and the lessee where the lessee recognizes the right to use the leased asset within the company's assets and recognizes a commitment which represents the current value of unpaid lease payments within the company's obligations, bearing in mind that Leases are not classified to the lessee as an operating lease or a finance lease. There are optional exemptions for short-term and low-value leases.
- With regard to the lessor, the lessor must classify each of his lease contracts either as an operating lease contract or as a finance lease contract.
- With regard to the financial lease, the lessor must recognize the assets held under a finance lease contract in the balance sheet and display them as receivable sums in an amount equal to the net investment in the lease contract.
- For an operating lease, the lessor must recognize lease payments from operating lease contracts as income, either on a straight line basis or on any other regular basis.

Recognition and measurement

- Upon the commencement of the contract, the company evaluates whether the contract contains lease arrangements, and for such arrangements for leasing contracts, the company recognizes Right of use assets and liabilities for lease contracts, with the exception of short-term leasing contracts and low-value asset contracts as follows:
 - On initial recognition, the Right of use asset is measured as the amount equal to the rental obligation measured initially and adjusted for pre-contract lease payments, initial direct cost, rental incentives, and the discounted value of the estimated costs of dismantling and removing the asset.

In the subsequent measurement, the right of use base is measured at cost deducted from the depreciation aggregate and the sum of the impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the Right of use assets or the lease term, whichever is less.
- Lease commitment is measured at the beginning of the lease contract at the present value of the lease payments unpaid on that date over the lease period. Lease payments must be deducted using the country's incremental borrowing rate in general. The company uses the additional borrowing rate as the discount rate.

Then the lease contract liability is measured at amortized cost using the effective interest rate method.

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- The Right of use assets and lease obligation of the lease contracts will be re-measured later in the event that any of the following events occur:
 - The change in the rental price due to the link to the price or the rate that became effective in the period.
 - Amendments to the lease contract
 - Reassessment of the lease term

Leases of non-core assets that are not related to the main operating activities of the company, which are short-term in nature (less than 12 months including renewal options) and low-value commodity leases are included in the income statement as incurred.

Transitional period

The company has applied the Egyptian Accounting Standard No. (49) with effect from January 1, 2021, and the comparative figures have not been modified. Upon switching to LAS 49, the company chose to apply the practical method to exclude the valuation whereby transactions represent lease contracts. It applied Egyptian Accounting Standard 49 only to contracts that were previously defined as lease contracts. Contracts that were not defined as lease contracts under Egyptian Accounting Standard 20 were not re-evaluated. Consequently, the definition of a lease contract under Egyptian Accounting Standard 49 was applied only to contracts concluded or changed on or after January 1, 2021, as the company adopted practical incentives. When applying the Egyptian Accounting Standard No. (49) to the following:

Lease contracts previously classified as operating leases under the Egyptian Accounting Standard No. (20):

Application of a single discount rate to a group of leases with reasonably similar characteristics the average additional interest rate applied to the lease obligations recognized on January 1, 2021, was 9.12%.

The application of the exemption by not recognizing the assets and liabilities of the Right of use asset that expire during the year 2021.

Excluding the initial direct cost from measuring the Right of use asset on the first application date.

The company has also chosen to use recognition exemptions for leasing contracts whose lease period does not exceed 12 months or less from the date of the first application and does not contain the option to purchase "short-term lease contracts" as well as low-value leasing contracts for "low-value assets."

Important rulings in determining the lease term for contracts that include renewal options

The term of the leasing contract determines, along with a period of time, the lease option contract, or this right may be exercised, and to a reasonable extent, or periods covered by the option to terminate the lease, may exercise this right.

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The company has the option under some lease contracts to lease assets for additional periods, the company applies judgment in assessing whether it is certain and to a reasonable degree to exercise the renewal option, and this means that all relevant factors that create an economic incentive to practice renewal are taken into consideration, after the start date

The company shall return the lease term if there is a major event or change in the circumstances under its control that affects its ability to exercise (or not exercise) the renewal option (for example) a change in the business strategy.

M- 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.

N- Dividends

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

O- Comparative figures

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

GB Auto (S.A.E)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2021

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

41- Important events

Most of the world countries, including Egypt, were exposed during the first quarter of 2020 to a state of slowdown and economic contraction as a result of the outbreak of the new Corona Pandemic (Covid-19), and the governments of the world, including the Egyptian government, made packages of precautionary measures to prevent the spread of the Pandemic, and these measures led to a situation From the economic slowdown at the global and local levels, whose impact appeared on all activities in different forms and on the trade, distribution and marketing of all types of transportation of all kinds, locally manufactured and imported, exporting and selling products and goods, imported and local, in cash or on time, financial leasing and microfinance in Egypt in particular.

Regarding the group's activities outside the Egyptian market, the vehicle sectors have witnessed a noticeable decline, as the Iraqi market has been affected by the closure and curfews, in addition to the travel restrictions. While two- and three-wheeled scooters showed less damage.