

Sarwa Capital Holding for Financial Investments

Consolidated interim financial statements

For the period ended September 30, 2019

And review report thereon

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Review report on consolidated interim financial statements

To the Board of directors of Sarwa Capital Holding for Financial Investments

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of Sarwa Capital Holding for Financial Investments (an Egyptian joint stock company) as of 30 September 2019 and the related consolidated interim statements of income, comprehensive income, cash flows and changes in equity for the nine - months period 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 financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Egyptian Standard on Review Engagements 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A 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 review procedures. A 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 consolidated interim financial statements.

Conclusion

Based on our 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 30 September 2019, and of its consolidated financial performance and cash flows for the nine months period then ended in accordance with the Egyptian Accounting Standards.

Hazem Hassan
KPMG Hazem Hassan
(KPMG Hazem Hassan)
Public Accountants and Consultants
Public accountants and consultants
10
Cairo, 14 November 2019

Sarwa Capital Holding for Financial Investments**Consolidated Statement of Financial Position as at September 30, 2019****(in EGP)**

	Note	30-Sep-19	31-Dec-18
<u>Assets</u>	<u>No.</u>		<u>*Adjusted</u>
Property, plant and equipment	(15)	110 765 226	104 911 154
work in process		4 052 953	-
Goodwill	(16)	26 474 070	26 474 070
Investments in associates	(17)	43 879 522	56 320 606
Investments available for sale	(18)	10 743 750	10 743 750
Debtors and other debit balances	(19)	5 516 523	6 792 381
Payments for investments in subsidiaries		-	9 999 800
Accounts receivable	(20)	1573 342 192	1266 058 234
Securitization surplus	(21)	139 070 631	144 153 062
Deferred tax assets	(13)	5 259 703	282 334
Total non-current assets		1 919 104 570	1 625 735 391
Due from related parties - debit	(32)	21 599 059	79 497 736
Deferred cost -insurance policies	(22)	4 180 367	15 626 174
Debtors and other debit balances	(19)	187 920 066	129 049 779
Accounts receivable	(20)	876 448 855	629 279 349
Treasury bills	(23)	614 853 276	221 543 264
Conditional Bank Account	(24)	21 834 775	2 330 082
Cash and cash equivalents	(25)	365 635 477	813 357 813
Total current assets		2 092 471 875	1 890 684 197
Total assets		4 011 576 445	3 516 419 588
Shareholders' equity			
Paid-in capital	(26)	119 697 391	115 217 391
Legal reserve	(27)	49 267 153	48 393 450
Share premium reserve	(28)	749 049 322	749 049 322
Retained earnings	(29)	941 935 511	703 221 858
Equity attributable to the shareholders of the parent company		1 859 949 377	1 615 882 021
Non Controlling Interest		60 904 631	49 060 477
Total equity & non controlling interest		1 920 854 008	1 664 942 498
liabilities			
Loans and overdrafts	(30)	1 455 355 389	1 319 608 562
Suppliers and other credit balances	(31)	5 961 926	6 118 853
Deferred tax liabilities	(13)	4 341 990	4 183 692
Total Non-current liabilities		1 465 659 305	1 329 911 107
Loans and overdrafts	(30)	358 893 875	253 451 321
Suppliers and other credit balances	(31)	190 434 257	221 689 894
Current tax liabilities		54 813 373	42 308 453
Due to related parties - credit	(32)	3 828 285	4 116 315
insurance policyholders' rights		17 093 342	-
Total current liabilities		625 063 132	521 565 983
Total liabilities		2 090 722 437	1 851 477 090
Total shareholders' equity and liabilities		4 011 576 445	3 516 419 588

* The accompanying notes and accounting policies from page (6) to page (50) are an integral part of these financial statements. and are to be read therewith.

** Disclosure (40)

Ahmed Abdelkarim
Financial Manager

Cairo November 14, 2019
Auditor's report "Attached"

Ayman El sawy
Chief Financial Officer

Hazem Moussa
Chairman & Managing Director

Sarwa Capital Holding for Financial InvestmentsConsolidated Statement of Income for the period ended September 30, 2019

(in EGP)	Note No.	The nine months ended in		The three months ended in	
		30-Sep-19	30-Sep-18 Adjusted	30-Sep-19	30-Sep-18
Sales revenue - goods and services	(4)	1 941 396 368	1 816 115 276	906 058 328	730 685 089
Cost of sales - goods and services	(6)	(1 906 866 566)	(1 793 111 222)	(889 297 801)	(720 770 026)
Income from transferred portfolios		13 922 529	21 146 078	4 071 432	6 403 760
Income from financing activities	(5)	253 978 832	259 512 047	108 873 621	61 316 234
Securitization proceeds		84 786 320	81 117 024	16 383 413	62 320 939
Discounting proceeds		-	21 401 291	-	2 819 638
(Deficit) from insurance activities	(8)	(11 386 920)	-	(6 824 478)	-
Interest expense		(136 771 807)	(216 126 743)	(24 723 578)	(67 707 076)
Gross profit		239 058 756	190 053 751	114 540 937	75 068 558
Operating revenue	(7)	216 803 615	132 134 553	62 773 591	52 933 311
Services and collection revenue	(3-32)	434 991	937 243	123 434	244 137
Securitization net revenue	(9)	75 763 529	118 933 193	3 351 766	50 178 324
Administrative fees revenue	(10)	26 992 875	27 215 113	11 961 748	10 487 769
Operating expense	(11)	(34 013 421)	(40 463 768)	(5 827 699)	(13 380 867)
Net operating income		285 981 589	238 756 334	72 382 840	100 462 674
Other revenue		5 600 290	405 933	5 230 687	9 580
Sales and distribution expense		(16 412 893)	(16 970 035)	(5 395 959)	(6 006 739)
General and administrative expenses	(12)	(178 423 984)	(135 003 682)	(60 679 640)	(46 761 827)
Board of directors allowances		(32 000)	(35 500)	(8 000)	-
Impairment of financial assets		(5 283 814)	(9 747 309)	(3 590 586)	(5 200 038)
total profit of the period		330 487 944	267 459 492	122 480 279	117 572 208
Profit share from associates		35 395 018	43 921 482	5 539 337	18 261 448
Foreign currency differences		(559 171)	62 694	(144 094)	8 074
Contingent provision		(2 605 349)	-	(1 683 501)	-
Net profit for the period before tax		362 718 442	311 443 668	126 192 021	135 841 730
Income tax	(13)	(70 489 145)	(48 120 136)	(26 884 248)	(28 480 570)
Net profit for the period after tax		292 229 297	263 323 532	99 307 773	107 361 160
Distributed as follows:					
Owners of the company		279 925 611	248 163 893	97 108 437	100 472 508
Non controlling interest		12 303 686	15 159 639	2 199 336	6 888 652
		292 229 297	263 323 532	99 307 773	107 361 160
Earnings per share for the period	(14)	0.38	0.40	0.13	0.16

* The accompanying notes and accounting policies from page (6) to page (50) are an integral part of these financial statements, and are to be read therewith.

* Disclosure (40)

Sarwa Capital Holding for Financial Investments

Consolidated Statement of Comprehensive Income for the period ended september 30,2019

<u>(in EGP)</u>	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-19</u>	<u>30-Sep-18</u>	<u>30-Sep-19</u>	<u>30-Sep-18</u>
		<u>Adjusted</u>		
Net profit for the period after income tax	<u>292 229 297</u>	<u>263 323 532</u>	<u>99 307 773</u>	<u>107 361 160</u>
Total comprehensive income for the period	<u>292 229 297</u>	<u>263 323 532</u>	<u>99 307 773</u>	<u>107 361 160</u>
<u>Total comprehensive income distributed as follows:</u>				
Owners of the company	<u>279 925 611</u>	<u>248 163 893</u>	<u>97 108 437</u>	<u>100 472 508</u>
Non controlling interest	<u>12 303 686</u>	<u>15 159 639</u>	<u>2 199 336</u>	<u>6 888 652</u>
	<u>292 229 297</u>	<u>263 323 532</u>	<u>99 307 773</u>	<u>107 361 160</u>

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Translation of financial statements originally issued in Arabic

Sarwa Capital Holding for Financial Investments
Consolidated Statement of Changes in Equity for the period ended September 30, 2019

(in EGP)

	<u>Paid in capital</u>	<u>Legal reserve</u>	<u>Share premium reserve</u>	<u>Retained earnings</u>	<u>Total owners of the company</u>	<u>Non controlling interest</u>	<u>Total equity</u>
Balance at 1 January 2018	96 786 900	48 393 450	64 266 710	464 824 394	674 271 454	34 233 770	708 505 224
Total comprehensive income for the financial period	-	-	-	248 163 893	248 163 893	15 159 639	263 323 532
Transactions with the owners of the company:							
The share of non controlling interest in subsidiaries' capital	-	-	-	-	-	17 515 000	17 515 000
Increase in paid in capital	3 213 100	-	-	-	3 213 100	-	3 213 100
Dividends	-	-	-	(44 354 256)	(44 354 256)	(17 752 237)	(62 106 493)
Balance at 30 September 2018	100 000 000	48 393 450	64 266 710	668 634 031	881 294 191	49 156 172	930 450 363
Balance at 1 January 2019	115 217 391	48 393 450	749 049 322	703 221 858	1 615 882 021	49 060 477	1 664 942 498
employee stock ownership plan	4 480 000	-	-	(4 480 000)	-	-	-
Total comprehensive income for the financial period	-	-	-	279 925 611	279 925 611	12 303 686	292 229 297
Transactions with the owners of the company:							
Increase in paid in capital	-	873 703	-	(873 703)	-	-	-
The share of non controlling interest in subsidiaries' capital	-	-	-	-	-	12 507 000	12 507 000
Dividends	-	-	-	(35 858 255)	(35 858 255)	(12 966 532)	(48 824 787)
Balance at 30 September 2019	119 697 391	49 267 153	749 049 322	941 935 511	1 859 949 377	60 904 631	1 920 854 008

* The accompanying notes and accounting policies from page (6) to page (50) are an integral part of these financial statements.

Sarwa Capital Holding for Financial Investments
Consolidated Statement of Cash Flows for the period ended September 30, 2019
(in EGP)

	<u>Note No.</u>	<u>30-Sep-19</u>	<u>30-Sep-18 Adjusted</u>
<u>Cash flows from operating activities</u>			
Net profit for the period before taxes		362 718 442	311 443 668
<u>Adjustments for</u>			
Property, plant and equipment depreciation	(15)	16 268 981	6 996 781
Impairments of financial assets		5 283 814	9 747 309
Income from available for sale investments		-	(355 166)
Interest revenue		(105 109 646)	(27 704 621)
Finance Expense		136 771 807	216 126 743
Securitization proceeds		(84 786 320)	(81 117 024)
Discounting proceeds		-	(21 401 291)
Profit share from associates		(26 480 119)	(38 038 807)
gain from sale of assets		(110 820)	-
Contingent provision		2 605 349	-
		<u>307 161 488</u>	<u>375 697 592</u>
<u>Changes in:</u>			
Accounts receivable		(1 373 034 371)	(1 974 881 337)
Proceeds from sale of receivable portfolios		898 083 413	2 414 811 078
Accrued deferred cost from insurance policy		11 445 807	(3 557 321)
Suppliers and other credit balances		(51 686 908)	(161 955 931)
Debtors and other debit balances		(57 583 627)	18 948 457
Related parties-debit		57 898 677	35 699 357
Related parties-credit		(288 030)	(9 381 389)
insurance policyholders' rights		17 093 342	-
Surplus of securitization process		5 082 431	(38 788 832)
Conditional Bank Account		(19 504 693)	73 006 072
Cash (used in) provided by operating activities		<u>(205 332 471)</u>	<u>729 597 746</u>
Financing interest paid		(119 537 799)	(199 388 307)
Income tax paid		(62 803 296)	(15 468 918)
Net cash (used in) provided by operating activities		<u>(387 673 566)</u>	<u>514 740 521</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant, equipment	(15)	(22 704 168)	(34 111 180)
Proceeds from sale of property, plant and equipment		691 935	4 456
Works in progress		(4 052 953)	(11 514 065)
Purchases of available for sale investments		-	(250 000)
Proceeds from interest revenue		105 098 844	27 647 865
Payments for investment in subsidiaries		9 999 800	-
Treasury Bills		(393 310 012)	(209 176 701)
income from investments available for sale		-	355 166
Dividends from associates		38 921 203	34 275 065
The share of non controlling interest in subsidiaries' capital		12 507 000	17 515 000
Net cash (used in) investing activities		<u>(252 848 351)</u>	<u>(175 254 394)</u>
<u>Cash flows from financing activities</u>			
Paid dividends		(48 389 800)	(62 106 493)
paid to increase capital		-	3 213 100
proceeds from banks and overdrafts		241 189 381	(235 673 948)
Net cash provided by (used in) financing activities		<u>192 799 581</u>	<u>(294 567 341)</u>
Net change in cash and cash equivalent during the period		<u>(447 722 336)</u>	<u>44 918 786</u>
Cash and cash equivalent at the beginning of the period		813 357 813	79 139 530
Cash and cash equivalent at the end of the period	(25)	<u>365 635 477</u>	<u>124 058 316</u>

* The accompanying notes and accounting policies from page (6) to page (50) are an integral part of these financial statements. and are to be read therewith.

* Disclosure (40)

Sarwa Capital Holding for Financial Investments (S.A.E)
Notes to the consolidated financial statements
For the nine months ended September 30, 2019

1. Reporting entity

1-1 legal status

- Sarwa Capital for Financial Investments (S.A.E) an Egyptian Joint Stock Company was established pursuant to Law No: 159 for year 1981 and its executive regulations as amended by law No. 3 for year 1998 and was registered in the commercial register under No. 37933 on March 30th 2009.

1-2 Purpose of the company

- The company's purpose is represented in companies establishment participation that issue securities or capital increase considering applicable laws and regulation, provided that the necessary license is issued for the practice of these activities. The company may have an interest or participate in any manner with the companies that It shall carry out works similar to its work or which may cooperate to achieve its purpose in Egypt or abroad. It may also merge into these companies or buy thereto, in accordance with the law and the executive regulations.
- The company name was changed according to the extraordinary general assembly held on June 12, 2017 to be "Sarwa Capital Holding for Financial Investments" and it was recorded in the commercial record of the company under number 78317 dated March 18, 2018 as a result the legal shape of the company changed from law no. 159 for year 1981 to capital market law no. 95 for year 1992
- The following schedule represents the subsidiaries of Sarwa Holding Capital for Financial Investments with the ownership percentage (control) over those companies which are consolidated as part of the consolidated financial statements as at September 30, 2019:

<u>Company Name</u>	<u>Control percentage</u>	
	<u>Direct</u>	<u>Indirect</u>
Contact Auto Credit	99.999%	-
Sarwa Asset Management	99.96%	-
Egyptian International for Trading and Investment	99.998%	-
Sawa Payment Systems	50.997%	-
Plus Leasing	99.9998%	-
Plus Factoring	74.99%	25%
Sarwa Insurance	84.980%	-
Sarwa Life Insurance	79.990%	-
Sarwa Promotion and Underwriting	99.996%	-
Sarwa sukuk	99,98%	-
*Contact Mortgage Finance	-	99.9998%

*Wadi Degla Financial	-	50%
*Modern Finance	-	50%
*Get Go Credit Service	-	99.9996%
*Contact Insurance Brokerage	-	80%
*Sarwa Securitization (owned by Egyptian International for Trading and Investment by 81%and 18% by Contact Auto Credit)	-	99%
*Capital Real Estate	-	99.7%
*Contact Egyptian International Motor Credit	-	50%
*Contact Specialized Consulting	1%	99%
*SMG auto loan	-	50%

* Represent the percentage of ownership of Contact Auto Credit in its subsidiaries which are controlled indirectly by Sarwa Capital Holding for Financial Investment.

2- Basis of accounting

2-1 The applicable accounting standards

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

The Board of Directors approved the issuance of the consolidated financial statements on November 14, 2019.

2-2 Functional and presentation currency

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

2-3 Use of judgments and estimates

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

- The change in accounting estimates is being recognized in the same period the estimate is changed if the change is affecting this period only, or if the change is going to affect the period of change or in future period.

Fair value measurement

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

2-4 Fair value measurement

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

- | | |
|----------------------|--|
| First level: | The quoted prices of fair value of financial instruments in active markets. |
| Second level: | The quoted prices of fair value of financial instruments in active market or the quoted prices from the fund's manager in which the company is investing or any other evaluation methods in which all the material important inputs are supported with market information either in a direct or an indirect way. |
| Third level: | Other evaluating methods which is not relayed on any factors with material important inputs to comparable market information. |

Translation of financial statements originally issued in Arabic
Sarwa Capital Holding for Financial Investments (S.A.E)
Notes to the Consolidated Financial Statements for the period ended September 30, 2019 (continued)
(All amount are shown in EGP unless otherwise stated)

Financial assets	30 September 2019 EGP	31 December 2018 EGP	Level of fair value	Valuation techniques and main entries
Available for sale investments- shares	6 413 750	6 413 750	Third	Other valuation techniques
Available for sale investments-bonds	4 330 000	4 330 000	Second	Quoted prices in active market for financial securities

Sarwa Capital Holding for Financial Investments
Consolidated Statement of Financial Position as at September 30, 2019
(in EGP)

Translation of financial statements originally issued in Arabic

3- Operating segments
Segment information is presented in respect of the Group's business segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment. The group has 8 operating segments that are being financially reported to the management and these reports are exposing different products and services that are being managed separately because it required different technological and market strategies.
The revenue & expense and assets & liabilities analysis in the table below is based on the type of business activities and services that are distinguishable component.

For the the period ended September 30, 2019

Item	Car Finance	Consumer Goods	Finance Leasing	Insurance & Reinsurance Brokerage	Mortgage	Factoring	Securitization & subank	Others	Total
Gross profit	156 683 105	18 574 786	9 395 697	12 683 554	26 863 405	763 568	-	14 094 641	239 058 756
Total operating income	106 002 818	13 801 447	12 333 064	18 169 756	23 290 204	8 677 347	129 868 723	18 344 585	330 487 944
Profit share from associates	-	-	-	-	-	-	-	35 395 018	35 395 018
Foreign currency translation	-	-	-	(2 863)	-	-	-	(556 308)	(559 171)
Takaful health insurance provision	(504)	87 820	(191 066)	(162 526)	(157 550)	(24 428)	(1 848 239)	(308 856)	(2 605 349)
Net profit for the period before tax	106 002 314	13 889 267	12 141 998	18 004 367	23 132 654	8 652 919	128 020 484	52 874 439	362 718 442
Income Tax	(23 242 696)	(3 132 712)	4 978 530	(4 256 961)	(4 906 846)	(1 952 409)	(29 916 104)	(8 059 947)	(70 489 145)
Net profit for the period After tax	82 759 618	10 756 555	17 120 528	13 747 406	18 225 808	6 700 510	98 104 380	44 814 492	292 229 297
Total current assets	718 065 856	105 770 286	378 870 544	211 578 502	123 692 793	93 173 539	224 572 984	236 747 371	2 092 471 875
Total non current assets	883 818 571	8 939 798	312 223 070	7 718 561	472 084 813	121 376	140 035 398	94 162 983	1 919 104 570
Total non current liabilities	713 150 607	3 826 968	292 250 520	132 597	427 818 490	25 759	-	28 454 364	1 465 659 305
Total current liabilities	158 456 716	58 344 470	201 359 137	40 720 607	50 611 653	30 489 742	30 992 187	54 088 620	625 063 132

4- Sales of goods and services revenue

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-19</u>	<u>30-Sep-18</u>	<u>30-Sep-19</u>	<u>30-Sep-18</u>
		<u>*adjusted</u>		
Goods sold	1 891 097 912	1 772 476 084	885 115 000	712 932 115
Service sold	50 298 456	43 639 192	20 943 328	17 752 974
	<u>1 941 396 368</u>	<u>1 816 115 276</u>	<u>906 058 328</u>	<u>730 685 089</u>

5- Income from financing activities

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-19</u>	<u>30-Sep-18</u>	<u>30-Sep-19</u>	<u>30-Sep-18</u>
		<u>*adjusted</u>		
Car installments	115 367 257	138 790 855	55 759 951	18 996 630
Mortgages	49 876 873	24 421 357	17 917 604	9 761 580
factoring	1 536 526	-	1 227 675	-
leased assets contracts	64 036 794	77 619 772	26 349 142	25 452 860
Consumer goods installments	23 161 382	18 680 063	7 619 249	7 105 164
Total	<u>253 978 832</u>	<u>259 512 047</u>	<u>108 873 621</u>	<u>61 316 234</u>

6- Cost of sales - goods and services

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-19</u>	<u>30-Sep-18</u>	<u>30-Sep-19</u>	<u>30-Sep-18</u>
Cost of goods sold	1 891 097 912	1 772 476 082	885 115 000	712 932 111
Cost of services sold	15 768 654	20 635 140	4 182 801	7 837 915
	<u>1 906 866 566</u>	<u>1 793 111 222</u>	<u>889 297 801</u>	<u>720 770 026</u>

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Sarwa Capital Holding for Financial Investments (S.A.E)
Notes to the Consolidated Financial Statements for the period ended September 30, 2019 (continued)
(All amount are shown in EGP unless otherwise stated)

7- Operating revenue

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-19</u>	<u>30-Sep-18</u>	<u>30-Sep-19</u>	<u>30-Sep-18</u>
Management and incentive fees	9 475 470	6 833 768	4 604 010	1 579 738
Other service revenue (Insurance)	18 969 252	32 041 828	3 650 285	11 511 501
Credit Interest (Insurance)	7 223 937	9 623 041	2 054 473	3 454 640
interest revenue	90 193 098	23 737 534	22 080 458	6 715 861
interest revenue (insurance activity)	14 916 548	3 967 085	5 211 953	3 967 085
Other operating revenue	76 025 310	55 931 297	25 172 412	25 704 486
Total	<u>216 803 615</u>	<u>132 134 553</u>	<u>62 773 591</u>	<u>52 933 311</u>

8- (Deficit) from insurance activity

	<u>30-Sep-19</u>		
	<u>sarwa insurance</u>	<u>sarwa life insurance</u>	<u>total</u>
net income from insurance operations	9 518 390	(520 197)	8 998 193
direct commission	(5 416 049)	(660 640)	(6 076 689)
Production cost	(3 242 360)	(600 107)	(3 842 467)
general and administrative expenses	(8 205 673)	(3 700 427)	(11 906 100)
provision for installments under collection	56 619	(67 735)	(11 116)
net income from restricted investments	1 048 245	403 014	1 451 259
	<u>(6 240 828)</u>	<u>(5 146 092)</u>	<u>(11 386 920)</u>

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9- Securitization net revenue

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-19</u>	<u>30-Sep-18</u>	<u>30-Sep-19</u>	<u>30-Sep-18</u>
Interest income from financial rights portfolio	592 507 790	463 601 842	179 722 628	213 684 356
Proceeds from surplus of investments at custody	69 159 565	45 402 640	22 726 990	21 104 450
Interest from bonds loan and the amortization of securitization cost	(498 727 073)	(327 253 445)	(170 763 574)	(154 524 668)
Insurance policy cost	(14 863 098)	(11 653 013)	(4 502 277)	(5 372 879)
Collector fees	(434 991)	(807 226)	(123 433)	(232 770)
Custody fees	(4 619 661)	(3 452 323)	(1 519 569)	(1 585 779)
Issuance fees	(67 259 003)	(46 905 282)	(22 188 999)	(22 894 386)
Proceeds from securitization process	<u>75 763 529</u>	<u>118 933 193</u>	<u>3 351 766</u>	<u>50 178 324</u>

10- Revenues from administrative services

Revenues from administrative services amounted to EGP 26 992 875 during the year ended September 30, 2019 compared to EGP 27 215 113 during the year ended September 30, 2018. A percentage of auto financing contracts is collected as administrative fees to offset sales commissions and some other administrative costs.

11- Operating expenses

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-19</u>	<u>30-Sep-18</u>	<u>30-Sep-19</u>	<u>30-Sep-18</u>
Other services Cost (Insurance)	20 731 092	36 569 602	3 908 018	12 058 216
Experts fees	995 175	1 475 050	234 905	479 815
Other operating expenses	12 287 154	2 419 116	1 684 776	842 836
Total	<u>34 013 421</u>	<u>40 463 768</u>	<u>5 827 699</u>	<u>13 380 867</u>

12- General and administrative expenses

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-19</u>	<u>30-Sep-18</u>	<u>30-Sep-19</u>	<u>30-Sep-18</u>
Salaries, wages and medical Care	108 386 767	81 498 706	36 634 956	28 449 195
Lease payments	909 785	759 834	390 490	253 278
Insurance	5 966 601	9 724 693	35 526	3 949 988
Property, plant and equipment depreciation	16 268 981	6 996 781	5 534 137	2 379 932
Professional and consultant fees	11 974 727	9 496 695	3 785 355	3 541 291
Branches and cars rent	6 229 863	4 642 850	2 178 505	1 675 525
Bank charges	1 637 278	1 247 198	618 718	471 960
Advertising, administrative expenses and stock exchange renewal	2 015 790	1 196 555	550 695	389 808
Vehicles related expenses	790 455	849 710	216 614	306 429
Miscellaneous expenses	24 243 737	18 590 660	10 734 644	5 344 421
	<u>178 423 984</u>	<u>135 003 682</u>	<u>60 679 640</u>	<u>46 761 827</u>

13- Income Tax

	<u>30-Sep-19</u>	<u>30-Sep-18</u>
<u>Charged to income statement</u>		
Current income tax	75 308 216	47 237 197
Deferred income tax	(4 819 071)	882 939
Total	<u>70 489 145</u>	<u>48 120 136</u>

Deferred Tax Assets

	<u>30-Sep-19</u>	<u>31-Dec-18</u>
Property, plant and equipment (depreciation)	5 259 703	282 334
Total	<u>5 259 703</u>	<u>282 334</u>

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Deferred tax assets for the following items were not recognized for the group as there isn't enough assurance to use the benefits therefrom:

	<u>30-Sep-19</u>	<u>31-Dec-18</u>
Debtors and other debit balance impairment	1 754 337	1 754 337
Default reserve- Discounting portfolios	944 511	1 620 629
Accounts receivables impairment	7 656 121	1 567 516
	<u>10 354 969</u>	<u>4 942 482</u>

Deferred Tax Liability

	<u>30-Sep-19</u>	<u>31-Dec-18</u>
Property, plant and equipment (depreciation)	4 341 990	4 183 692
Total	<u>4 341 990</u>	<u>4 183 692</u>

	<u>30-Sep-19</u>	<u>31-Dec-18</u>
As follows the movement on the deferred tax	<u>Asset (liability)</u>	<u>Asset (liability)</u>
	<u>Revenue (Expense)</u>	<u>Revenue (Expense)</u>
Beginning balance	(3 901 358)	(1 546 093)
Deferred income tax	4 819 071	(2 355 265)
Ending balance	<u>917 713</u>	<u>(3 901 358)</u>

14- Earnings per share

Basic: Basic earnings per share is calculated by dividing the net profit attributable to shareholders' of the Parent company by the weighted average number of ordinary shares outstanding during the period.

	<u>30-Sep-19</u>	<u>30-Sep-18</u>
Net Profit for the year after taxes for owners of the company	279 925 611	248 163 893
weighted average No. of ordinary shares	734 932 225	615 180 554
Earnings per share	<u><u>0.38</u></u>	<u><u>0.40</u></u>

Sarwa Capital Holding for Financial Investments
Consolidated Statement of Income for the period ended September 30
(in EGP)

Translation of financial statements originally issued in Arabic

15-	Property, plant and equipment	Land											Total EGP									
		Land EGP	Buildings EGP	Vehicles EGP	Furniture and fixture EGP	Machinery & Equipment EGP	Computers and software EGP	Leasehold improvement EGP	Accumulated Depreciation	Accumulated Depreciation	Accumulated Depreciation	Accumulated Depreciation										
	Cost																					
	Balance at 1 January 2018	29 662 500	2 593 854	88 300	7 856 011	3 844 051	392 897	22 928 075	15 901 338	4 506 453	82 884 129											
	Additions for the period	-	-	-	456 716	-	-	(9 900)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Disposals during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total cost in 30 September 2018	29 662 500	2 593 854	88 300	8 312 727	4 236 948	392 897	24 906 950	17 489 403	4 506 453	87 350 682											
	Balance at 1 January 2019	29 662 500	2 593 854	88 300	16 819 966	5 293 329	6 360 663	29 274 189	59 374 385	1 431 064	143 106 423											
	Additions for the period	-	-	590 565	4 883 561	-	-	7 110 749	3 758 630	-	22 704 168											
	Disposals during the period	-	-	(375 665)	-	(35 696)	-	-	-	-	(609 361)											
	Total cost in 30 September 2019	29 662 500	2 593 854	105 200	21 708 527	11 618 296	-	36 384 938	63 132 915	165 201 210	165 201 210											
	Accumulated Depreciation																					
	Accumulated depreciation in 1 January 2018	-	194 539	46 679	4 330 188	2 270 985	-	14 711 937	5 378 967	4 616 840	26 933 295											
	Depreciation for the period	-	64 846	12 048	516 245	337 756	(1 109)	2 357 464	1 328 490	(7 277)	4 616 840											
	Accumulated depreciation for disposals	-	-	-	-	-	-	(6 177)	-	-	(7 277)											
	Total Accumulated depreciation in 30 September 2018	-	259 385	58 727	4 846 433	2 607 641	-	17 063 224	6 707 457	31 542 867	31 542 867											
	Accumulated depreciation in 1 January 2019	-	324 232	67 677	5 348 758	2 975 204	-	19 700 563	9 778 745	38 195 269	38 195 269											
	Depreciation for the period	-	97 269	12 139	1 310 710	1 548 949	(28 246)	4 676 251	8 625 653	16 268 981	16 268 981											
	Accumulated depreciation for disposals	-	-	-	-	-	-	-	-	-	(28 246)											
	Total Accumulated depreciation in 30 September 2019	-	421 501	79 906	6 659 468	4 495 907	-	24 376 814	18 402 408	54 436 004	54 436 004											
	Net as at 30 September 2018	29 662 500	2 334 469	29 573	3 466 294	1 629 307	-	7 933 736	10 781 946	55 837 815	55 837 815											
	Net as at 30 September 2019	29 662 500	2 172 353	28 294	15 044 059	7 122 389	-	12 008 124	44 730 507	110 765 226	110 765 226											
	Net as at 31 December 2018	29 662 500	2 269 622	20 533	11 471 208	2 318 125	-	9 573 626	49 595 540	104 911 154	104 911 154											

16- Goodwill

<u>Company</u>	<u>Description</u>
Sarwa Securitization	In Sep.2006 Contact Auto Credit acquired Contact Egyptian International for Trade and Investment to reach an ownership percentage of 96.8 % (this company owns %81 of Sarwa Securitization)
Contact Auto Credit	In 10 Nov. 2013 the company acquired 999 990 shares from minority shareholders with total contribution 99.9%
Plus Leasing	In 31 March 2015 the company acquired 1 999 990 shares representing an ownership percentage of 99.995%.

The total goodwill amounted to EGP 26 474 070 as at the acquisition dates.

17- Investments in associates

<u>Company's Name</u>	<u>Ownership</u> <u>30-Sep-19</u>	<u>% of</u> <u>Share</u>	<u>Ownership</u> <u>31-Dec-18</u>
Bavarian Contact Car Trading	19 593 603	49%	24 791 575
Star Auto Credit	19 930 613	33.4%	26 523 592
Ezz El-Arab - Contact Financial	4 355 306	49%	4 680 745
Motor Care Service	-	49.2%	324 694
	<u>43 879 522</u>		<u>56 320 606</u>

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<u>30-Sep-19</u>	<u>Bavarian Contact Car Trading</u>	<u>Star Auto Credit</u>	<u>Ezz Elarab/Contact Financial</u>	<u>Motor Care Service</u>
Total assets	293 878 116	302 249 193	52 906 616	-
Total liabilities	(253 901 987)	(242 576 699)	(44 018 237)	-
Net assets	<u>39 976 129</u>	<u>59 672 494</u>	<u>8 888 379</u>	-
Profit share from associates	<u>35 395 018</u>			

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

Note:

The share of (Contact Auto credit Company), a subsidiary of the parent company, of the losses in both Motor Care Services and Motor Care Egypt exceeded the shareholding in the capital.

18- Investments available for sale

	<u>30-Sep-19</u>	<u>31-Dec-18</u>
Egyptian Mortgage Refinancing company*	6 413 750	6 413 750
Treasury bonds	4 330 000	4 330 000
Total	<u>10 743 750</u>	<u>10 743 750</u>

* The investments was evaluated at cost as it is not quoted in an active market and its fair value can not be determined accurately.

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19- Debtors and other debit balances

	<u>30-Sep-19</u>		<u>31-Dec-18</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Insurance companies - debit	7 797 055	-	7 797 055	-
Prepaid expenses	13 978 151	1 939 881	10 510 803	3 501 678
Advance payments to suppliers	88 032 321	-	68 547 717	-
Accrued revenue	31 345 811	-	20 105 556	-
Employees advances	6 230 177	-	7 119 707	-
Tax authority	9 437 134	-	2 361 728	-
Other debit balances	37 358 945	3 576 642	20 404 268	3 290 703
insurance and reinsurance companies	1 537 527	-	-	-
Deduct: Impairment	(7 797 055)	-	(7 797 055)	-
Net	187 920 066	5 516 523	129 049 779	6 792 381
Total	193 436 589		135 842 160	

20- Accounts receivable

	<u>30-Sep-19</u>		<u>31-Dec-18</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Receivables-goods	879 185 187	1 103 267 142	694 340 416	837 257 749
Receivables-services	10 648 310	-	15 442 284	-
Leasing- accounts receivable	412 882 090	380 684 140	342 630 380	365 927 239
factoring -accounts receivable	40 069 155	136 350	-	-
Receivables-mortgage	148 380 822	754 976 958	49 670 155	531 755 497
Transferred financial rights	63 257 583	34 516 390	71 052 612	73 005 988
Deduct:				
Credit Interest & deferred Insurance	(643 947 088)	(695 575 747)	(512 878 461)	(538 739 670)
Impairment of Accounts Receivable	(34 027 204)	(4 663 041)	(30 978 037)	(3 148 569)
Net	876 448 855	1 573 342 192	629 279 349	1 266 058 234
Total	2 449 791 047		1 895 337 583	

21- Surplus of securitization processes

Contact Auto Credit group securitizes financial portfolios resulting in some financial assets being transferred to Sarwa Securitization (Special Purpose Entity)

The following is a list of financial assets and liabilities for outstanding securitization transactions of Sarwa Securitization:

	<u>30-Sep-19</u>	<u>31-Dec-18</u>
<u>Description of transferred financial assets/liabilities that were disposed</u>		
Financial Rights Portfolios	3 363 820 299	3 492 421 205
Deferred cost- insurance	2 235 272	7 049 312
Amounts collected for custodian	23 462 770	18 104 972
Cash held with custodian	430 658 269	422 101 427
Total Financial Assets transferred	<u>3 820 176 610</u>	<u>3 939 676 916</u>
Deduct: bond -principle	<u>(3 681 105 979)</u>	<u>(3 795 523 854)</u>
Surplus of securitization processes	<u><u>139 070 631</u></u>	<u><u>144 153 062</u></u>

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

22- Deferred cost - insurance

The deferred cost of insurance policies amounted to EGP 4 180 367 as at September 30, 2019 compared to amount EGP 15 626 174 as at December 31, 2018 this item represents the cost of insurance policies purchased with respect to cars sold to customers covering the remaining period of the contract term, The income statement is charged with the amortization of these costs referrer to the financial year.

23- Treasury Bills:

	<u>30-Sep-19</u>	<u>31-Dec-18</u>
Treasury bills	632 175 000	242 350 000
Deduct:		
Unearned revenue	<u>(17 321 724)</u>	<u>(20 806 736)</u>
Net	<u><u>614 853 276</u></u>	<u><u>221 543 264</u></u>

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24- Conditional Bank Account

	<u>30-Sep-19</u>	<u>31-Dec-18</u>
Treasury bills	18 313 287	667 859
Reserve account	2 861 351	1 301 627
Proceeds from discounting process	660 137	360 596
	<u>21 834 775</u>	<u>2 330 082</u>

25- Cash and cash equivalents

	<u>30-Sep-19</u>	<u>31-Dec-18</u>
Banks - Current Accounts	67 233 666	254 406 596
Cash on hand	6 148 882	2 965 590
Time deposit	292 252 929	555 985 627
Total	<u>365 635 477</u>	<u>813 357 813</u>

26- Capital

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

The offering was executed on 11 October 2018 with a total of 295 170 731 shares, owned by some of the company's shareholders by 47.2%, with total proceeds of EGP 2 172 456 581, EGP 700 million of which are to be reinvested in the company in a capital increase at the same price of the offering.

- On 17 October 2018 the Board of Directors, with an authorization from the extraordinary general assembly dated on 14 August 2018, approved the increase of the issued and paid –up capital by 95 108 696 shares at EGP 7.36 per share which represent EGP 0.16 nominal value per share and EGP 7.2 increase in premium reserve per share, for a total amount of EGP 700 000 003.
- The increase took place on 5 November 2018. The total proceeds were recorded as EGP 15 217 391 in the share capital account with the balance of EGP 684 782 612 recorded in the share premium account.
- On May 9, 2019, the issued and paid-up capital have increased by a decision of the Company's Board of Directors held on March 3, 2019. The increase of the Company's capital through the issuance of 28 million shares at nominal value of LE 0.16 amounted to EGP 4,480,000, the total value of the increase is fully funded from the balance of retained earnings. the 28 million shares issued for the bonus and incentive system approved by the Egyptian financial regulatory Authority (FRA) on 26 February 2019. The issued and paid-up capital amounted to LE 119,697,391.
- The capital increase of the issued and paid up company was proposed by the Board of Directors of the Company held on May 13, 2019 through the distribution of free shares to the shareholders each according to the proportion of its contribution whereby three shares for every five shares. The total value of the increase is fully funded from the balance of retained earnings. The authorization of the Chairman of the Board of Directors to take all necessary procedures to implement the resolution including invite the Ordinary and Extraordinary General Assembly.
- The following schedule represents the ownership structure at the financial position date:

<u>Company Name</u>	<u>No. of Shares</u>	<u>Amount</u>	<u>Percentage</u>
Consolidated Financial Holding	452 876 209	72 460 193	60.54%
Orascom investment holding	216 032 608	34 565 217	28.88%
Other shareholders	51 199 879	8 191 981	6.84%
ESOP	28 000 000	4 480 000	3.74%
	<u>748 108 696</u>	<u>119 697 391</u>	<u>100%</u>

27- Legal Reserve

Legal reserve balance on September 30, 2019 amounted to EGP 49 267 153 compared to EGP 48 393 450 as at December 31, 2018. According to Law 159 for the year 1981 and the Company's articles of association, 5% of annual net profit is transferred to the legal reserve. Upon the approval of the general assembly, the Company may stop such transfer when the legal reserve reaches 50% of the issued capital.

28- Share premium reserve

The company's capital was increased on April 14, 2016 and April 5, 2017 and November 5, 2018 which results share premium reserve as follows:

Share premium reserve as at December 31, 2015	-
No. of shares increased	1 750 161 shares
Amount of increase in capital	17 501 610 EGP
Share premium amount	28 780 324 EGP
Share premium reserve as at December 31, 2016	28 780 324 EGP
No. of shares increased	968 378 shares
Amount of increase in capital	9 683 780 EGP
Share premium amount	35 486 386 EGP
Share premium reserve as at December 31, 2017	64 266 710 EGP
No. of shares increased	95 108 696 shares
Amount of increase in capital	15 217 391 EGP
Share premium amount	684 782 612 EGP
Share premium reserve as at December 31, 2018	749 049 322 EGP
Share premium reserve as at september 30, 2019	749 049 322 EGP

According to law No.159 for year 1981 and its executive regulations, the amount of share premium is to be added to the legal reserve of the company up to reaching 50% of the issued capital. Any excess is recognized as a special reserve and cannot be distributed as dividends.

29- Retained Earnings

The legal reserves and general reserves for the subsidiaries were classified as retained earnings in these consolidated financial statements however they should not be distributed. They amount to EGP 33 842 544 as at September 30, 2019, EGP 25 024 608 as at December 31, 2018.

In addition, the retained earnings include the retained earnings for Sarwa Securitization company with amount of EGP 202 569 460 as at September 30, 2019, EGP 98 645 042 as at December 31, 2018 the offering memorandum for the outstanding issuances state that Sarwa Securitization company is not allowed to distribute any dividends unless all the liabilities of the bondholders are completely paid.

30- Loans and overdrafts

	<u>30-Sep-19</u>		<u>31-Dec-18</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Loans	216 336 890	648 494 022	222 668 340	628 139 126
Short term facilities	119 903 495		11 906 394	-
Egyptian Mortgage Refinancing Company	4 057 550	325 545 649	1 644 686	174 630 726
Syndication loan	18 595 940	481 315 718	17 231 901	516 838 710
	<u>358 893 875</u>	<u>1 455 355 389</u>	<u>253 451 321</u>	<u>1 319 608 562</u>
	<u>1 814 249 264</u>		<u>1 573 059 883</u>	

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31- Suppliers and other credit balances

	<u>30-Sep-19</u>		<u>31-Dec-18</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Suppliers	17 393 424	-	44 278 334	-
Accounts Receivables - Credit balances	3 640 724	-	1 619 366	-
Tax authority	17 914 381	-	16 859 656	-
Custodian*	41 401 719	-	27 932 254	-
Accrued interest	17 234 008	-	24 027 704	-
insurance and reinsurance companies	4 282 970	-	-	-
Accrued expenses	22 016 848	-	17 881 988	-
Deposits held with others	4 969 873	1 455 173	4 800 357	1 869 172
Insurance companies- credit	31 637 202	-	54 295 418	-
Default reserve-discounting portfolios	4 197 826	-	7 202 796	-
Default reserve- securitization	6 823 708	-	-	-
Other credit balances	12 138 317	4 506 753	17 174 209	4 249 681
Credit Dividends	434 955	-	-	-
Contingent provision	6 348 302	-	5 617 812	-
	<u>190 434 257</u>	<u>5 961 926</u>	<u>221 689 894</u>	<u>6 118 853</u>
	<u>196 396 183</u>		<u>227 808 747</u>	

* According to the custody agreement between the company and the custodian, it was agreed that the company will collect the installments related to customers' contracts which are transferred to Sarwa Securitization on its behalf. Its they are subsequently transferred to the custodian, the balance above represents the collected amounts that have been subsequently transferred to the custodian.

32-Related Parties

32-1 Financial Position Balances

<u>Related Party</u>		<u>30-Sep-19</u>	<u>31-Dec-18</u>
<u>Due from related parties - debit</u>	<u>Relation Nature</u>		
Star Auto Credit	Associate 33.4%	6 191 150	63 095 962
Motor Care Egypt	Associate 40.1%	1 496 770	1 244 790
Bavarian Contact Car Trading	Associate 49%	13 268 565	14 163 221
Ezz El-Arab - Contact Financial	Associate 49%	548 228	899 417
Tamwil Holding	Parent Company	64 063	64 063
Other shareholders		30 283	30 283
		<u>21 599 059</u>	<u>79 497 736</u>

<u>Due to related parties - credit</u>		<u>30-Sep-19</u>	<u>31-Dec-18</u>
Consolidated Financial Holding	Shareholder 60.54%	3 828 285	4 116 315
		<u>3 828 285</u>	<u>4 116 315</u>

32-2 Income Statements Transactions

		<u>30-Sep-19</u>	<u>30-Sep-18</u>
		<u>Expense (Revenue)</u>	
<u>Bavarian Contact Car Trading</u>	<u>Associate 49%</u>		
Operating Income - Management and incentive fees		(3 740 786)	(918 000)
<u>Star Auto Credit</u>	<u>Associate 33.4%</u>		
Operating Income - Management fees		(5 232 938)	(5 563 745)
<u>Ezz El-Arab / Contact Financial</u>	<u>Associate by 49%</u>		
Operating Income - Management fees		(501 746)	(352 023)

32-3 Collection and other services fees

Contact Auto Credit collects the financial rights of the customers of Sarwa Securitization Company in accordance with the service and collection contracts concluded with Sarwa Securitization Company, then the collected amounts are remitted to the custodian in return for monthly collection fees (for the 12, 13, 15, 16 ,20 ,22 ,27 ,28,30) . The total amount of such fees as at September 30, 2019 amounted to EGP 434 991 compared to EGP 937 243 as at September 30, 2018.

32-4 Bonus and salaries for executive management:

The value of bonus and salaries for executive management for the group as of September 30, 2019 amount to EGP 21 081 262.

33- Tax position

First: Corporate Tax:

- Tax returns since company's establishment till 2018 were submitted within legal deadlines according to law 91 for year 2005.
- Years 2010-2014 are currently under inspection.

Second: Salary Tax:

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

Third: Stamp tax

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

34- Contingent liabilities

	<u>30-Sep-19</u>	<u>31-Dec-18</u>
Letter of Guarantee - 16th bond issue	3 500 000	7 000 000
Letter of Guarantee - Carrefour	3 000 000	-
	<u>6 500 000</u>	<u>7 000 000</u>

35- Finance Lease

	<u>30-Sep-19</u>	<u>31-Dec-18</u>
Liabilities within a period	1 442 028	964 430
Liabilities longer than one period	4 273 856	1 929 795
	<u>5 715 884</u>	<u>2 894 225</u>

Finance lease cars:

Some of lease contracts for No. sale and leaseback contracts of cars that owned by the company.

The total of these contracts are as follows:

<u>Description</u>	<u>Amounts paid from concluded contracts during previous periods</u>	<u>Amounts paid during the period from concluded contracts till 30 september 2019</u>	<u>Contract liabilities as of 30 september . 2019</u>
Cars Leasing Contracts	20 995 322	1 512 081	5 715 884

36- Guarantees and sureties

- Contact Auto Credit provided joint guarantees to each of the associated and subsidiary companies operating under the car instalment system and the credit limit is given on behalf of Contact Auto Credit, provided that the purpose of such credit limit and the use thereof shall be directed to finance the activity of the Company and/or finance an activity of any of the associated companies. Borrowing shall be carried out under the name of each company utilizing the credit facility separately and within the limit of the total credit facility granted to Contact Auto Credit.
- Each company remains committed to pay the liabilities and assume any losses and risks resulting from nonpayment. The balance of credit facilities secured by the joint guarantee as at September 30, 2019 amounted to EGP 1 400 718 885 compared to EGP 1 703 935 930 as at December 31, 2018.

37- Financial instruments and management of related risks

This Disclosure presents information about to the extent to which the company is subject to the following risks resulting from using the financial instruments, the company's goals, policies and operations regarding the measurement and management of such risks and the company's capital management as well.

The company's Board of Director is responsible for setting the framework for the risk management process and its monitoring. The company's top management is the responsible for setting and monitoring the risk management policies and report on a regular base to the parent company the risk management activities.

The internal audit committee monitor the compliance of the company's top management with policies and procedures adopted for the financial risk management process and the adequacy of the current policies and procedures to manage the risks.

37-1 Credit risk

Credit risk is the risk that a person or an organization defaults in the repayment of his obligations to the Group in respect of the terms and conditions of the credit facilities granted to him by the Group.

The company mainly faces credit risks from clients' receivable, notes receivable, sundry debtors, other assets, due from related parties and its financing activities including deposits in banks and financial institutions.

First: Client receivables

The credit risk is managed through the company's policies, procedures and control structure related to risk management. As the credit worthiness is being measured for each client separately through doing the needed investigation to assure good reputation and credit worthiness that the client have; also his ability to repay all his liabilities. The credit limit is being determined according to this evaluation. A client's accounts to be always monitored. Impairment study is to be made at the financial position date.

37-2 Liquidity Risk

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

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

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

37-3 Market risk

Market risk arises from the instability of the fair value of cash flows for financial instruments as a result of changes in market prices. Examples for market risks are foreign currency risk and interest rate risk, these risks may have effect the income of the company .the financial instruments that are affected by market risk includes interest bearing loans and deposits. The purpose of managing market risk is to manage and control risk within acceptable limits and in the same time achieving sufficient returns. The company doesn't keep derivative financial instruments.

37-3-1 Interest rate risk

Interest rate risk arises from the sensitivity of earnings to future movements in the interest rate prices in the market. The management of the group decreases the interest rate risk through matching the interest rates applied for clients (fixed/variable interest rate) with the interest rates for the liabilities (borrowings) of the company.

37-3-2 Foreign currency risk

This risk is considered limited, as the value of the financial instruments in foreign currencies and different transactions that occur in a currency different from the presentation and functional currency, are not relatively influential from a management perspective.

38- Bases of Measurements

- The financial statements are prepared on a historical cost basis except for financial instruments that are measured at fair value, amortized cost or cost as appropriate.

39- Significant accounting policies

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

39-1 Business combination

- The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

- The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not premeasured and settlement is accounted for within

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

39-2 Subsidiaries

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

39-3 Non-controlling interests

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

39-4 Loss of control

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

39-5 Investments accounted with equity method

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

39-6 Transactions eliminated on consolidation

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

39-7 Foreign currency

Foreign currency transactions

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

39-8 Revenue Recognition

a- Cars and goods sales and related services

- Revenues from selling cars and goods are recognized in income statement when the significant risks and rewards of ownership is transferred to the purchaser. The revenue from rendered services are recorded in income statement when the services are rendered. No revenue shall be recorded in case there is a doubt in respect of the reimbursement of the amount in consideration of this revenue or the related costs, or in case there is an

expectation that sales returns shall be made or the administrative connection regarding the sold cars and goods shall continue to exist.

- Sales are represented in the value of cars and goods to be sold to customers at the cash selling price; however, the difference between the cash selling price and the total sale value are recognized as deferred revenue. These returns shall be recorded as revenues in the income statement. The same basis shall be applied in recording the revenues of other services represented in providing insurance services, and maintenance for the customers (Contact Service Club) through other companies specialized in this field and revenues from financial consulting.
- The value of the revenue is measured with fair value for the received or accrued payment for the company

b- Interest income

- Interest income return is recognized in the income statement on the accrual basis using the effective interest rate.

Effective interest method

- This is a method to calculate the amortized cost for a financial asset or a financial liability (or a combination of financial assets or financial liabilities) and allocates the interest cost and Interest income over the lifetime of the financial asset or financial liability using effective interest rate.

Effective interest rate

- This is an accurate rate used to discount future payments expected to be paid or collected over the term of the financial instrument (or less period if applicable) to determine the present value of financial asset or financial liability).

c- Revenue from dividends

- Revenue from dividends resulting from group investments are recognized on income statement at the date of declaration.

d- Securitization profit

- The revenue from securitization transactions is recognized when the terms of derecognition of the financial asset are fulfilled for the asset that has been securitized. The revenue from securitization process is measured by the increase in the price transfer compared to the book value of the securitization portfolios in the date of transfer.

39-9 Expenses

Rent

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

Interest expense

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

39-10 Employee benefit

Short – term employee benefits

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

Define contribution plans

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

Profit sharing to employees

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

39-11 Income Tax

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

Current income tax

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

Deferred tax

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

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

39-12 Property, plant and equipment and depreciation

1) Recognition and measurement

- Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.
- If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
- Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

2) Subsequent expenditure

- Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

3) Depreciation

- Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the (straight-line method) over their estimated useful lives for each item, and is generally recognized in profit or loss.
- Land is not depreciated.
- Estimated depreciation rates for each type of assets for current and comparative periods are as follow:

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

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

39-13 Projects under Construction

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

39-14 Goodwill

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

39-15 Earnings per share

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

39-16 Dividends Distribution

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

39-17 Financial instrument

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

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

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

2) Non-derivative financial assets – Measurement

First: Financial assets at fair value through profit or loss

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

Second: Loans and receivables

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

Third: Held-to-maturity financial assets

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

Forth: Available-for-sale financial assets

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

3) Non-derivative financial liabilities – Measurement

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

39-18 Impairment

Non-derivative financial assets

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

First: Financial assets measured at amortized cost

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

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

Second: Available-for-sale financial assets

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

Third: Equity-accounted investees

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

Non-financial Assets

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

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

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

39-19 Cash Flows

- The statement of cash flows is prepared using the indirect method. For the purpose of preparing the cash flows, cash and cash equivalents consists of cash on hand, bank current accounts, demand deposit which not exceed three months.

39-20 Legal Reserve

- According to the law of Joint Stock companies no. 159 for the year 1981 and the company's statutes provides for deduction of a sum equals to 5% of the annual net profit for the formation of the legal reserves such deduction will be ceased when the total reserve reaches an amount equals to half of the company's issued capital, according to the article no. 192 from the executive regulations for law no. 159 for the year 1981; no dividends paid from these reserves and the legal reserve is allowed to be used to cover the company's losses and the increase of the capital.

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39-21 Capital

1) Ordinary Shares

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

39-22 Provisions

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

40- Comparative figures

As a result of issuance of the new Egyptian Accounting Standard No.(49) "lease contracts" to replace the Egyptian Accounting Standard No.(20). Certain changes to the comparative amounts have been made in order to conform with the new accounting standard

- The financial impact of the application of the Egyptian Accounting Standard No. (49) "Lease contracts "

The Egyptian Accounting Standard No. 49 (lease contacts) applies to financial periods beginning on or after January 2020 and the early implementation thereof is permitted if the Egyptian Accounting Standard No. (48) "Revenue from Contracts with customers" is simultaneously applied. The initial date of application shall be the beginning of the annual reporting period in which the finance lease law No.(95) for year 1995 was canceled and the finance leasing and factoring activities law No.(179) for year 2018 was promulgated for each of the following:

a-Financial leasing contracts that were subject to Law 95 of year 1995 and would have been processed in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and Standards Related to Financial Leasing Operations"

b- Financial leasing contracts that are established in accordance of and are subject to the Regulation of Financial Leasing and factoring Law No. 176 of year 2018.

The financial position of the Company as at 1 January 2018 (the date of the transition) has been prepared after making the necessary adjustments to the transition from Egyptian Accounting No. 20 to the accounting rules and standards related to financial leasing operations. The accounting standard also requires disclosure of adjustments that show the impact of these adjustments to financial positions and comprehensive income, either as a result of revaluation or reclassification due to the transition from Egyptian Accounting Standard No. 20 to Egyptian Accounting Standards No. 49. These adjustments include adjustments to equity as at 1 January 2018, 30 June 2018 and 31 December 2018, as well

as the adjustment to comprehensive income for the year ended 31 December 2018, as follows:

Adjustments to the statement of financial position as at 31/12/2018

<u>Assets</u>	<u>As issued in accordance with Egyptian Accounting Standards No. 20</u>	<u>Financial impact of transition</u>	<u>In accordance with the new Egyptian accounting standards No. 49</u>
Leased assets-financing lease	479 386 424	(479 386 424)	-
Leased assets contract under settlement	(16 590 169)	16 590 169	-
Account receivable-leased assets	-	529 497 358	529 497 358
Account receivable-late payments	57 222 873	(57 222 873)	-
Other debit balance	55 946 101	(9 478 228)	46 467 873
Total assets	575 965 231	-	575 965 231

Adjustments to the statement of profit, loss and other comprehensive income for the year ended 31/12/2018

<u>Assets</u>	<u>As issued in accordance with Egyptian Accounting Standards No. 20</u>	<u>Financial impact of transition</u>	<u>In accordance with the new Egyptian accounting standards No. 49</u>
Activity income	259 733 143	(147 440 885)	112 292 258
Leased assets depreciation	(147 440 885)	147 440 885	-
Total activity revenue	122 292 258	-	112 292 258
Leased assets contracts impairment	(8 973 303)	-	(8 973 303)
Income before tax	103 318 955	-	103 318 955

Summary of Adjustments

The following is a summary of the nature of the adjustments made to the financial statements as at 31 December 2018. The amounts for these adjustments show the cumulative effect of the differences between Egyptian accounting standard no.(20) "Accounting Standards and Standards Relating to Leasing and the Egyptian Accounting Standard no.(49) leasing contracts on those dates:

Adjustments on assets

	<u>31/12/2018</u>
Leased assets in accordance with accounting standard (20)	
Reclassification of leased assets to Account receivable-leased assets EAS (49)	479 386 424
Account under settlement	
Cancellation the effect of account under settlement in accordance with EAS (49)	16 590 169

Adjustments on profit and loss and other comprehensive income

	<u>31/12/2018</u>
Activity income cost	
Reduction of activity income by leased assets depreciation in accordance with EAS (49)	147 440 885
Leased assets depreciation	
Cancellation the effect of leased assets depreciation in accordance with EAS (49)	147 440 885

41- Significant Events

- 1- On 8 September 2019, the Extraordinary General Assembly was held, which decided to increase the issued and paid up capital of the Company by distributing bonus shares to the shareholders each according to its shareholding ratio of three shares for every five shares. The full amount of the increase shall be fully financed from the balance of retained earnings shown in the financial statements of the Company as of the financial position ended 31 March 2019. It has been record in the Commercial Register on 23 October 2019.

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

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New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
<p>The new Egyptian Accounting Standard No. (49) "Lease Contracts"</p>	<ol style="list-style-type: none"> 1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015 2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts . 3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract. 4- As for the finance lease , the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract . 5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis. 	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied. Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing " as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.</p>

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

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	<p>4- based on the requirements of this standard the following standards were amended :</p> <p>-Egyptian Accounting Standard No. (1)“Presentation of Financial Statements” as amended in 2019]</p> <p>2-Egyptian Accounting Standard No. (4) -“Statement of Cash Flows”.</p> <p>3-Egyptian Accounting Standard No. (25) - “Financial Instruments: Presentation.</p> <p>4-Egyptian Accounting Standard No. (26) - “Financial Instruments: Recognition and Measurement”.</p> <p>Egyptian Accounting 5- Standard - EAS No. (40) - “Financial Instruments: Disclosures “</p>		<p>-These ammendments are effective as of the date of implementing Standard]No. (47)</p>
<p>The new Egyptian Accounting Standard No. -(48) “Revenue from Contracts with Customers”</p>	<ol style="list-style-type: none"> 1. The new Egyptian Accounting Standard No. (48) - “Revenue from Contracts with Customers” shall supersede the following standards and accordingly such standards shall be deemed null and void: 2. Egyptian Accounting Standard No. (8) - “Construction Contracts” as amended in 2015. 3. Egyptian Accounting Standard No. (11) – “Revenue” as amended in 2015. 4. For revenue recognition, Control Model is used instead of Risk and Rewards Model. 5. incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met 6. the standard requires that contract must have a commercial substance in order for revenue to be recognized 7. Expanding in the presentation and disclosure requirements 	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>Standard No(48) applies to financial periods beginning on or after January1st, 2020, and the early implementation thereof is permitted</p>

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New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
<p>Egyptian Accounting Standard No. (42) as amended " Consolidated Financial Statements"</p>	<p>Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were amended are as follows:</p> <ul style="list-style-type: none"> - (ESA 15) Related Party Disclosures - (ESA 17) Consolidated and Separate Financial Statements - (ESA 18) Investments in Associates - (ESA 24) Income Taxes - (ESA 29) Business Combinations - ESA(30) Periodical Financial Statements - EAS (44) Disclosure of Interests in Other Entities. 	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted. -The new or amended paragraphs pertaining to the amended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019</p>