

Sarwa Capital Holding for Financial Investments

**Consolidated interim financial statements
For the period ended September 30, 2020**

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 2020, 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 2020, and of its consolidated financial performance and cash flows for the nine-months period then ended in accordance with the Egyptian Accounting Standards.

Emphasis of Matter

Without qualifying our opinion and as detailed in note No. (40) -important events- of the explanatory notes to the financial statements, most of the countries, including Egypt, were exposed during the year 2020 to the outbreak of the Corona (Covid-19) pandemic, which caused disruption in most of Commercial and economic activities in general.



Hazem Hassan

Therefore, it is likely that it will have a significant impact on the pre-defined operational and marketing plans and its future cash flows associated with it, the associated elements of assets, liabilities and business results in the financial statements of the group. As indicated in the above-mentioned clarification, the group management is currently taking several procedures to face this risk and limit its impact on its financial position. However, in light of instability and uncertainty as a result of current events, the magnitude of the impact of that event mainly depends on the length of time and the effects of that event, its implications and the ability of the group to achieve its plans to confront this risk, which is difficult to determine at the present time.

KPMG

KPMG Hazem Hassan
Public Accountants and Consultants
Public accountants and consultants
Cairo, 10 November 2020

Sarwa Capital Holding for Financial Investments
Consolidated Statement of Financial Position as at September 30, 2020

<u>(in EGP)</u>	<u>Note</u>	<u>30-Sep-20</u>	<u>31-Dec-19</u>
Assets			
Non-current assets			
Property, plant and equipment	(15)	134 426 968	118 201 877
Work in process		11 758 431	7 132 429
Goodwill	(16)	25 302 524	26 474 070
Investments in associates	(17)	33 756 439	59 243 897
Investments held till maturity	(18)	37 831 384	-
Investments available for sale	(19)	27 222 669	57 208 357
Debtors and other debit balances	(20)	12 786 360	6 408 077
Accounts receivable	(21)	1 750 152 660	1 464 259 565
Securitization surplus	(22)	71 550 081	50 238 493
Deferred tax assets	(13)	333 859	1 439 975
Total non-current assets		2 105 121 375	1 790 606 740
Due from related parties - debit	(33)	42 351 046	34 129 056
Deferred cost - insurance policies	(23)	-	218 259
Debtors and other debit balances	(20)	198 513 792	165 579 360
Accounts receivable	(21)	1004 002 171	992 472 690
Treasury bills	(24)	801 051 174	845 684 177
Conditional Bank Account	(25)	25 279 092	18 613 651
Cash and cash equivalent	(26)	148 476 223	126 623 828
Total current assets		2 219 673 498	2 183 321 021
Total assets		4 324 794 873	3 973 927 761
Shareholders' equity			
Paid-in capital	(27)	191 515 840	191 515 840
Legal reserve	(28)	63 172 149	53 034 169
Share premium reserve	(29)	762 542 549	750 409 142
Retained earnings	(30)	986 731 895	968 294 254
Equity attributable to the shareholders of the parent company		2 003 962 433	1 963 253 405
Non Controlling Interest		65 964 033	66 401 653
Total equity & non controlling interest		2 069 926 466	2 029 655 058
Liabilities			
Loans and overdrafts	(31)	1 241 716 404	1 194 226 780
Suppliers and other credit balances	(32)	5 178 879	5 250 044
Deferred tax liabilities	(13)	5 691 506	4 956 907
Total Non-current liabilities		1 252 586 789	1 204 433 731
Current liabilities			
Loans and overdrafts	(31)	465 088 798	345 389 630
Suppliers and other credit balances	(32)	360 242 273	265 186 227
Current tax liabilities		80 375 065	88 333 000
Due to related parties - credit	(33)	3 584 094	3 828 285
Insurance policyholders' rights		92 991 388	37 101 830
Total current liabilities		1 002 281 618	739 838 972
Total liabilities		2 254 868 407	1 944 272 703
Total shareholders' equity and liabilities		4 324 794 873	3 973 927 761

* 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.

Mohamed Said
Financial Manager



Cairo November 10, 2020
Auditor's report "Attached"

Ayman El-sawy
Chief Financial Officer



Hazem Moussa
Chairman



Sarwa Capital Holding for Financial Investments
Consolidated Statement of Income for the period ended September 30,2020

(in EGP)		<u>The nine months ended in</u>		<u>The three months ended in</u>	
(EGP)	<u>Note No.</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
Sales revenue - goods and services	(4)	1 928 255 196	1 941 396 368	205 654 401	906 058 328
Cost of sales - goods and services	(6)	(1 904 201 086)	(1 906 866 566)	(195 910 462)	(889 297 801)
Income from transferred portfolios		8 066 207	13 922 529	2 778 679	4 071 432
Income from financing activities	(5)	333 779 406	253 978 832	115 314 505	108 873 621
Securitization proceeds		114 698 256	84 786 320	(1 505 436)	16 383 413
Discounting proceeds		82 309 627	-	37 611 087	-
(Deficit) from insurance activities	(8)	(2 293 594)	(11 386 920)	(7 152 667)	(6 824 478)
Interest expense		(152 948 387)	(136 771 807)	(46 840 640)	(24 723 578)
Gross profit		407 665 625	239 058 756	109 949 467	114 540 937
Operating revenue	(7)	169 986 644	216 803 615	52 034 244	62 773 591
Services and collection revenue	(3-33)	150 000	434 991	45 000	123 434
Securitization net revenue	(9)	(26 710 740)	75 763 529	7 810 000	3 351 766
Administrative fees revenue	(10)	46 026 133	26 992 875	21 327 864	11 961 748
Operating expense	(11)	(10 930 882)	(34 013 421)	(4 844 310)	(5 827 699)
Net operating income		178 521 155	285 981 589	76 372 798	72 382 840
Other revenue		1 332 050	5 600 290	131 413	5 230 687
Sales and distribution expense		(28 697 748)	(16 412 893)	(15 041 394)	(5 395 959)
General and administrative expenses	(12)	(228 853 525)	(178 423 984)	(81 199 636)	(60 679 640)
ESOP expenses		(12 133 380)	-	(4 047 960)	-
Board of directors allowances		(403 000)	(32 000)	(148 000)	(8 000)
Impairment of financial assets		(30 413 566)	(5 283 814)	18 322 827	(3 590 586)
Total profit of the period		287 017 611	330 487 944	104 339 515	122 480 279
Profit share from associates		18 453 935	35 395 018	5 048 628	5 539 337
Foreign currency differences		(149 374)	(559 171)	(116 566)	(144 094)
Contingent provision		(5 013 210)	(2 605 349)	(1 233 265)	(1 683 501)
Net profit for the period before tax		300 308 962	362 718 442	108 038 312	126 192 021
Income tax	(13)	(98 066 216)	(70 489 145)	(38 900 890)	(26 884 248)
Net profit for the period after tax		202 242 746	292 229 297	69 137 422	99 307 773
<u>Distributed as follows:</u>					
Owners of the company		193 864 694	279 925 611	66 956 931	97 108 437
Non controlling interest		8 378 052	12 303 686	2 180 491	2 199 336
		202 242 746	292 229 297	69 137 422	99 307 773
Earnings per share for the period	(14)	0.17	0.38	0.06	0.13

* 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.

Sarwa Capital Holding for Financial Investments**Consolidated Statement of Comprehensive Income for the period ended September 30,2020**

<u>(in EGP)</u>	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
Net profit for the period after income tax	<u>202 242 746</u>	<u>292 229 297</u>	<u>69 137 422</u>	<u>99 307 773</u>
Total comprehensive income for the period	<u>202 242 746</u>	<u>292 229 297</u>	<u>69 137 422</u>	<u>99 307 773</u>
<u>Total comprehensive income distributed as follows:</u>				
Owners of the company	193 864 694	279 925 611	66 956 931	97 108 437
Non controlling interest	<u>8 378 052</u>	<u>12 303 686</u>	<u>2 180 491</u>	<u>2 199 336</u>
	<u>202 242 746</u>	<u>292 229 297</u>	<u>69 137 422</u>	<u>99 307 773</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.

Sarwa Capital Holding for Financial Investments
Consolidated Statement of Changes in Equity for the period ended September 30, 2020

(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 2019	115 217 391	48 393 450	749 049 322	703 221 858	1 615 882 021	49 060 477	1 664 942 498
ESOP	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
<u>Transactions with the owners of the company:</u>							
Legal reserve	-	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
Balance at 1 January 2020	191 515 840	53 034 169	750 409 142	968 294 254	1 963 253 405	66 401 653	2 029 655 058
Total comprehensive income for the financial period	-	-	-	193 864 694	193 864 694	8 378 052	202 242 746
<u>Transactions with the owners of the company:</u>							
Share premium reserve ESOP	-	-	12 133 407	-	12 133 407	-	12 133 407
legal reserve	-	10 137 980	-	(10 137 980)	-	-	-
The share of non controlling interest in subsidiaries' capital	-	-	-	-	-	10 010 000	10 010 000
Dividends	-	-	-	(165 289 073)	(165 289 073)	(18 825 672)	(184 114 745)
Balance at 30 September 2020	191 515 840	63 172 149	762 542 549	986 731 895	2 003 962 433	65 964 033	2 069 926 466

* 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 30,2020****(in EGP)**

	Note No.	30-Sep-20	30-Sep-19
<u>Cash flows from operating activities</u>			
Net profit for the period before taxes		300 308 962	362 718 442
<u>Adjustments for</u>			
Property, plant and equipment depreciation	(15)	16 290 719	16 268 981
impairment of Goodwill		1 171 546	
Impairments of financial assets		30 413 566	5 283 814
Interest revenue		(90 813 948)	(105 109 646)
Finance Expense		152 948 387	136 771 807
Securitization proceeds		(114 698 256)	(84 786 320)
Discounting proceeds		(82 309 627)	-
Profit share from associates		(18 453 935)	(26 480 119)
gain from sale of assets		-	(110 820)
Contingent provision		5 013 210	2 605 349
		199 870 624	307 161 488
Changes in:			
Accounts receivable		(3 308 219 604)	(1 373 034 371)
Proceeds from sale of receivable portfolios		3 177 391 345	898 083 413
Accrued deferred cost from insurance policy		218 259	11 445 807
Suppliers and other credit balances		77 206 129	(51 686 908)
Debtors and other debit balances		(6 424 891)	(57 583 627)
Related parties-debit		(8 221 990)	57 898 677
Related parties-credit		(244 191)	(288 030)
Insurance policyholders' rights		55 889 558	17 093 342
Surplus of securitization process		(21 311 588)	5 082 431
Conditional Bank Account		(6 665 441)	(19 504 693)
Cash provided by operating activities		159 488 210	(205 332 471)
Financing interest paid		(140 182 845)	(119 537 799)
Income tax paid		(104 183 436)	(62 803 296)
Net cash (used in) provided by operating activities		(84 878 071)	(387 673 566)
<u>Cash flows from investing activities</u>			
Purchase of property, plant, equipment	(15)	(32 667 684)	(22 704 168)
Proceeds from sale of property, plant and equipment		151 874	691 935
Works in progress		(4 626 002)	(4 052 953)
Held to maturity investments		(37 831 384)	-
change in available for sale investments		29 985 688	-
Proceeds from interest revenue		57 926 124	105 098 844
Payments for investment in subsidiaries		-	9 999 800
Treasury Bills		44 633 003	(393 310 012)
Dividends from associates		43 941 393	38 921 203
The share of non controlling interest in subsidiaries' capital		10 010 000	12 507 000
Net cash provided by (used in) investing activities		111 523 012	(252 848 351)
<u>Cash flows from financing activities</u>			
Paid dividends		(184 114 745)	(48 389 800)
Increase in Share premium reserve		12 133 407	-
Proceeds from banks and overdrafts		167 188 792	241 189 381
Net cash (used in) financing activities		(4 792 546)	192 799 581
Net change in cash and cash equivalent during the period		21 852 395	(447 722 336)
Cash and cash equivalent at the beginning of the period		126 623 828	813 357 813
Cash and cash equivalent at the end of the period	(26)	148 476 223	365 635 477

* 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.

Sarwa Capital Holding for Financial Investments (S.A.E)
Sarwa Capital for financial advisory (previously)
Notes to the consolidated financial statements
For the period ended September 30, 2020

1. Reporting entity

1-1 Legal status

- Sarwa Capital holding for Financial Investments (S.A.E) -Sarwa capital for financial advisory (previously) 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, 2020:

<u>Company Name</u>	<u>Control percentage</u>	
	<u>Direct</u>	<u>Indirect</u>
Contact Finance	99.9999%	-
Sarwa Asset Management	99.96%	-
Sawa Payment Systems	50.997%	-
Contact Leasing	99.9998%	-
Contact 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	-	99%
*Capital Real Estate	-	99.7%
*Contact Egyptian International Motor Credit	-	50%
*Contact Specialized Consulting	1%	99%
*SMG auto credit	-	50%

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

*Sarwa securitization and Egyptian international for trade and investments have been merged according to the decree of general authority for investment and free zones no.228 for 2019 and it has been registered in commercial register in May,20,2020.

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 10, 2020.

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, 2020 (continued)
(All amount are shown in EGP unless otherwise stated)

<u>Financial assets</u>	<u>30 September 2020</u>	<u>31 December 2019</u>	<u>Level of</u>	<u>Valuation techniques and</u>
	<u>EGP</u>	<u>EGP</u>	<u>fair value</u>	<u>main entries</u>
Available for sale investments- shares	6 413 750	6 413 750	Third	Other valuation techniques
Available for sale investments-bonds	-	4 330 000	Second	Quoted prices in active market for financial securities
Mutual funds	57 667	12 922 083	second	Quoted prices in active market for financial securities
Securitization bonds SPV 32	17 019 743	33 542 524	second	Quoted prices in active market for financial securities

Sarwa Capital Holding for Financial Investments
Consolidated Statement of Financial Position as at September 30, 2020
(in EGP)

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 year ended September 30, 2020

Item	Car Finance	Consumer Goods	Finance Leasing	Insurance & Insurance Brokerage	Mortgage	Factoring	Securitization & sukuk	Others	Total
Gross profit	297 844 772	16 065 256	23 540 960	17 329 411	21 909 137	23 281 444	-	7 694 645	407 665 625
Total operating income	189 923 388	10 816 260	5 688 691	23 377 291	20 481 113	17 557 862	22 370 361	8 936 025	299 150 991
Profit share from associates	-	-	-	-	-	-	-	18 453 935	18 453 935
Foreign currency translation	-	-	-	(120 076)	-	-	-	(29 298)	(149 374)
ESOP	(6 845 912)	-	-	-	(5 287 468)	-	-	-	(12 133 380)
Takaful health insurance provision	(2 262 120)	(58 882)	(206 384)	(431 245)	(136 298)	(118 929)	(1 688 043)	(111 309)	(5 013 210)
Net profit for the period before tax	180 815 356	10 757 378	5 482 307	22 825 970	15 057 347	17 438 933	20 682 318	27 249 353	300 308 962
Income Tax	(47 952 289)	(2 459 775)	(3 639 206)	(5 806 941)	(5 035 803)	(3 268 275)	(24 509 225)	(5 374 702)	(98 066 216)
Net profit for the period After tax	132 863 067	8 297 603	1 843 101	17 019 029	10 001 544	14 170 658	(3 826 907)	21 874 651	202 242 746
Total current assets	684 964 540	96 882 164	356 057 785	302 818 919	133 849 303	177 995 278	273 863 349	193 242 160	2 219 673 498
Total non current assets	784 030 669	8 665 036	382 112 912	78 366 314	478 839 171	169 113 278	131 669 733	72 324 262	2 105 121 375
Total non current liabilities	314 915 854	2 366 105	318 679 861	292 811	452 339 735	162 079 688	-	1 912 735	1 252 586 789
Total current liabilities	377 890 372	39 740 099	274 980 837	144 764 792	27 859 337	114 158 929	27 874 985	45 012 267	1 002 281 618

4- Sales of goods and services revenue

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
Goods sold	1 896 889 956	1 891 097 912	195 100 124	885 115 000
Service sold	31 365 240	50 298 456	10 554 277	20 943 328
Total	<u>1 928 255 196</u>	<u>1 941 396 368</u>	<u>205 654 401</u>	<u>906 058 328</u>

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
Goods sold	1 928 255 196	1 941 396 368	205 654 401	906 058 328
Service sold not recorded	1 253 793 791	-	1 253 793 791	-
Total	<u>3 182 048 987</u>	<u>1 941 396 368</u>	<u>1 459 448 192</u>	<u>906 058 328</u>

* Contact Credit S.A.E. (Previously Contact Auto Credit)- subsidiary of Sarwa Capital group – has received the first consumer financing license, with this license Contact will be governed and regulated by the Consumer Credit Act no. 18 of the year 2020 instead of the Companies Act no. 159 of the year 1981, therefore Contact amended its accounting policies to be in compliance with the new license, consequently the Contact Credit's sales revenue- goods and services- from 01/07/2020 until 09/30/2020 with a total amount of EGP 1,253,793,791 were not recognized in against to the comparative periods.

5- Income from financing activities

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
Auto credit	150 075 432	115 367 257	54 988 268	55 759 951
Mortgages	46 784 349	49 876 873	10 757 627	17 917 604
Factoring	44 873 492	1 536 526	20 313 277	1 227 675
Leased assets contracts	71 564 334	64 036 794	22 727 985	26 349 142
Consumer goods instalments	20 481 799	23 161 382	6 527 348	7 619 249
Total	<u>333 779 406</u>	<u>253 978 832</u>	<u>115 314 505</u>	<u>108 873 621</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-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
Cost of goods sold	1 896 889 953	1 891 097 912	195 100 123	885 115 000
Cost of services sold	7 311 133	15 768 654	810 339	4 182 801
Total	<u>1 904 201 086</u>	<u>1 906 866 566</u>	<u>195 910 462</u>	<u>889 297 801</u>

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
Goods sold	1 928 255 196	1 941 396 368	205 654 401	906 058 328
Service sold not recorded	1 253 793 791	-	1 253 793 791	-
Total	<u>3 182 048 987</u>	<u>1 941 396 368</u>	<u>1 459 448 192</u>	<u>906 058 328</u>

* Contact Credit S.A.E. (Previously Contact Auto Credit)- subsidiary of Sarwa Capital group – has received the first consumer financing license, with this license Contact will be governed and regulated by the Consumer Credit Act no. 18 of the year 2020 instead of the Companies Act no. 159 of the year 1981, therefore Contact amended its accounting policies to be in compliance with the new license, consequently the Contact Credit's sales revenue- goods and services- from 01/07/2020 until 09/30/2020 with a total amount of EGP 1,253,793,791 were not recognized in against to the comparative periods.

7- Operating revenue

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
Management and incentive fees	3 814 165	9 475 470	1 046 142	4 604 010
Other service revenue (Insurance)	-	18 969 252	-	3 650 285
Credit Interest (Insurance)	3 650 628	7 223 937	1 139 416	2 054 473
Interest revenue	90 813 948	90 193 098	27 531 600	22 080 458
securitization fees	68 777 888	46 099 386	21 154 720	-
Interest revenue (insurance activity)	-	14 916 548	-	5 211 953
Other operating revenue	2 930 015	29 925 924	1 162 366	25 172 412
Total	169 986 644	216 803 615	52 034 244	62 773 591

8- (Deficit) from insurance activity

	<u>30-Sep-20</u>		<u>Total</u>
	<u>Sarwa insurance</u>	<u>Sarwa life insurance</u>	
Net income from insurance operations	100 376 590	20 582 807	120 959 397
Direct commission	(24 439 195)	(4 021 522)	(28 460 717)
Production cost	(15 565 515)	(3 940 685)	(19 506 200)
General and administrative expenses	(21 368 174)	(10 542 092)	(31 910 266)
Provisions	(43 107 344)	(11 130 864)	(54 238 208)
Net income from restricted investments	8 158 766	2 703 634	10 862 400
Total	4 055 128	(6 348 722)	(2 293 594)

9- Securitization net revenue

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
Interest income from financial rights portfolio	507 813 435	592 507 790	158 002 842	179 722 628
Proceeds from surplus of investments at custody	35 076 742	69 159 565	12 571 054	22 726 990
Interest from bonds loan and the amortization of securitization cost	(457 231 569)	(498 727 073)	(137 707 664)	(170 763 574)
Insurance policy cost	(11 144 725)	(14 863 098)	(3 145 362)	(4 502 277)
Collector fees	(150 000)	(434 991)	(45 000)	(123 433)
Custody fees	(4 434 696)	(4 619 661)	(1 326 560)	(1 519 569)
securitization portfolio accusation cost	(29 964 371)	-	(300 000)	-
Issuance fees	(66 675 556)	(67 259 003)	(20 239 310)	(22 188 999)
Proceeds from securitization process	<u>(26 710 740)</u>	<u>75 763 529</u>	<u>7 810 000</u>	<u>3 351 766</u>

10- Revenues from administrative services

Revenues from administrative services amounted to EGP 46 026 133 during the period ended September 30, 2020 compared to EGP 26 992 875 during the period ended September 30, 2019. 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-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
Other services Cost (Insurance)	3 741 038	20 731 092	1 656 978	3 908 018
Experts fees	33 218	995 175	-	234 905
Other operating expenses	7 156 626	12 287 154	3 187 332	1 684 776
Total	<u>10 930 882</u>	<u>34 013 421</u>	<u>4 844 310</u>	<u>5 827 699</u>

12- General and administrative expenses

	<u>The nine months ended in</u>		<u>The three months ended in</u>	
	<u>30-Sep-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
Salaries, wages and medical Care	144 629 454	108 385 767	50 393 554	36 634 956
Lease payments	-	909 785	-	390 490
Insurance	3 329 801	5 966 601	1 108 275	35 526
Property, plant and equipment depreciation	16 290 710	16 268 981	5 734 339	5 534 137
Professional and consultant fees	12 564 412	11 974 727	4 546 162	3 785 355
Branches and cars rent	16 005 464	6 229 863	6 105 662	2 178 505
Bank charges	1 198 247	1 637 278	394 689	618 718
Advertising, administrative expenses and stock exchange renewal	2 202 883	2 015 790	(410 506)	550 695
Vehicles related expenses	852 054	790 455	329 189	216 614
Miscellaneous expenses	31 780 500	24 243 737	12 998 272	10 734 644
Total	<u>228 853 525</u>	<u>178 423 984</u>	<u>81 199 636</u>	<u>60 679 640</u>

13- Income Tax

	<u>30-Sep-20</u>	<u>30-Sep-19</u>	<u>30-Sep-20</u>	<u>30-Sep-19</u>
<u>Charged to income statement</u>				
Current income tax	72 599 316	75 308 216	28 672 391	26 593 692
Deferred income tax	1 840 715	(4 819 071)	1 581 571	290 556
Treasury Bills Tax	23 626 185	-	8 646 928	-
Total	<u>98 066 216</u>	<u>70 489 145</u>	<u>38 900 890</u>	<u>26 884 248</u>

Deferred Tax Assets

	<u>30-Sep-20</u>	<u>31-Dec-19</u>
Property, plant and equipment (depreciation)	333 859	1 439 975
Total	<u>333 859</u>	<u>1 439 975</u>

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-20</u>	<u>31-Dec-19</u>
Debtors and other debit balance impairment	1 754 337	1 754 337
Default reserve- Discounting portfolios	15 331 962	796 569
Accounts receivables impairment	8 294 955	1 095 786
Total	<u><u>25 381 255</u></u>	<u><u>3 646 692</u></u>

Deferred Tax Liability

	<u>30-Sep-20</u>	<u>31-Dec-19</u>
Property, plant and equipment (depreciation)	5 691 506	4 956 907
Total	<u><u>5 691 506</u></u>	<u><u>4 956 907</u></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-20</u>	<u>30-Sep-19</u>
Net Profit for the year after taxes for owners of the company	193 864 694	279 925 611
weighted average No. of ordinary shares	1 167 530 798	734 932 225
Earnings per share	<u><u>0.17</u></u>	<u><u>0.38</u></u>

16- Goodwill

<u>Company</u>	<u>Description</u>
Sarwa Securitization	<p>*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)</p> <p>*In Dec. 26,2013 Contact Auto Credit sold Egyptian International for Trade and Investment which is amounted to 99.99% to Sarwa Capital for financial investments (holding)</p> <p>*In May 20,2020 Sarwa Securitization and Egyptian International for Trade and Investment have been merged.</p>
Contact Auto Credit	In 10 Nov. 2013 the company acquired 999 990 shares from minority shareholders with total contribution 99.9%
Contact 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 25 302 524 as at the acquisition dates at 30 September 2020 and EGP 26 477 070 at 31 December 2019.

17- Investments in associates

<u>Company's Name</u>	<u>Ownership</u> <u>30-Sep-20</u>	<u>% of</u> <u>Share</u>	<u>Ownership</u> <u>31-Dec-19</u>
Bavarian Contact Car Trading	16 483 172	49%	29 088 215
Star Auto Credit	6 526 201	33.4%	23 850 713
Ezz El-Arab - Contact Financial	5 764 362	49%	6 304 969
Motor Care Service	4 982 704	49.9%	-
Total	33 756 439		59 243 897

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, 2020 (continued)
(All amount are shown in EGP unless otherwise stated)

<u>30-Sep-20</u>	<u>Bavarian Contact Car Trading</u>	<u>Star Auto Credit</u>	<u>Ezz Elarab/Contact Financial</u>	<u>The Egyptian Company for Collection Service</u>
Total assets	252 946 315	38 859 447	64 635 764	10 217 804
Total liabilities	(219 318 005)	(19 319 924)	(52 871 759)	(250 403)
Net assets	<u>33 628 310</u>	<u>19 539 523</u>	<u>11 764 005</u>	<u>9 967 401</u>
Profit share from associates	<u><u>18 543 935</u></u>			

<u>31-Dec-19</u>	<u>Bavarian Contact Car Trading</u>	<u>Star Auto Credit</u>	<u>Ezz Elarab/Contact Financial</u>	<u>The Egyptian Company for Collection Service</u>
Total assets	195 518 106	103 558 650	44 039 318	-
Total liabilities	(136 165 217)	(32 149 330)	(31 172 035)	-
Net assets	<u>59 352 889</u>	<u>71 409 320</u>	<u>12 867 283</u>	-
Profit share from associates	<u><u>53 683 308</u></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 held to maturity

	<u>30-Sep-20</u>	<u>31-Dec-19</u>
Investment certificate B - NBE	33 100 000	-
Treasury bonds - Banque du caire	4 731 384	-
	<u><u>37 831 384</u></u>	<u><u>-</u></u>

19- Investments available for sale

	<u>30-Sep-20</u>	<u>31-Dec-19</u>
Egyptian Mortgage Refinancing company	6 413 750	6 413 750
Securitization bonds	-	4 330 000
Mutual Fund Certificates	57 667	12 922 083
A I venture	3 731 509	-
Securitization bonds SPV 32	17 019 743	33 542 524
Total	27 222 669	57 208 357

20- Debtors and other debit balances

	<u>30-Sep-20</u>		<u>31-Dec-19</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	19 096 283	6 683 143	11 881 750	2 764 389
Advance payments to suppliers	28 611 363	-	66 239 360	-
Accrued revenue	31 043 773	1 844 051	20 505 382	-
Employees advances	6 676 403	-	6 600 138	-
Tax authority	4 861 791	-	3 672 150	-
Other debit balances	82 088 461	4 033 386	50 776 653	3 643 688
Insurance and reinsurance companies	25 291 183	-	5 903 927	-
Insurance with other	844 535	225 780	-	-
Deduct: Impairment	(7 797 055)	-	(7 797 055)	-
Net	198 513 792	12 786 360	165 579 360	6 408 077
Total	211 300 152		171 987 437	

21- Accounts receivable

	<u>30-Sep-20</u>		<u>31-Dec-19</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	938 088 699	916 464 795	893 242 651	813 327 013
Receivables-services	5 556 406	-	11 951 669	-
Leasing- accounts receivable	454 273 521	475 745 580	442 654 426	466 013 436
Factoring -accounts receivable	218 815 152	255 682 071	70 753 816	104 951
Receivables-mortgage	177 363 667	752 574 735	155 912 640	777 084 647
Transferred financial rights	46 014 858	3 504 276	56 138 733	27 884 299
Deduct:				
Credit Interest & deferred Insurance	(777 461 991)	(642 117 665)	(604 743 915)	(613 656 404)
Impairment of Accounts Receivable	(58 648 141)	(11 701 132)	(33 437 330)	(6 498 377)
Net	1 004 002 171	1 750 152 660	992 472 690	1 464 259 565
Total	2 754 154 831		2 456 732 255	

22- 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-20</u>	<u>31-Dec-19</u>
<u>Description of transferred financial assets/liabilities that were disposed</u>		
Financial Rights Portfolios	3 188 151 897	4 097 529 816
Deferred cost- insurance	6 381 369	7 254 682
Amounts collected for custodian	86 180 407	34 925 804
Cash held with custodian	327 437 318	351 995 182
Total Financial Assets transferred	<u>3 608 150 991</u>	<u>4 491 705 484</u>
Deduct: bond -principle	<u>(3 536 600 910)</u>	<u>(4 441 466 991)</u>
Surplus of securitization processes	<u><u>71 550 081</u></u>	<u><u>50 238 493</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.

23- Deferred cost - insurance

The deferred cost of insurance policies amounted to EGP Zero as at September 30, 2020 compared to amount EGP 218 259 as at December 31, 2019 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.

24- Treasury Bills:

	<u>30-Sep-20</u>	<u>31-Dec-19</u>
Treasury bills	838 275 000	894 400 000
Deduct:		
Unearned revenue	<u>(37 223 826)</u>	<u>(48 715 823)</u>
Net	<u><u>801 051 174</u></u>	<u><u>845 684 177</u></u>

25- Conditional Bank Account

	<u>30-Sep-20</u>	<u>31-Dec-19</u>
Treasury bills	20 470 296	15 240 713
Reserve account	3 019 367	2 862 394
Proceeds from discounting process	1 789 429	510 544
Total	<u>25 279 092</u>	<u>18 613 651</u>

26- Cash and cash equivalent

	<u>30-Sep-20</u>	<u>31-Dec-19</u>
Banks - Current Accounts	125 516 552	116 833 849
Cash on hand	12 208 930	3 580 665
Time deposit	10 750 741	6 209 314
Total	<u>148 476 223</u>	<u>126 623 828</u>

27- 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.
- On October 3, 2019 the issued and paid-up capital have increased by a decision of the Company's Board of Directors held on May 13, 2019 and authorized by companies extraordinary general assembly dated September 8, 2019 through distribution of free shares to shareholders according to their investment percentage by 3 shares for every 5 shares to be financed from retained earning balance with nominal value .16 Egyptian pound. The issued and paid-up capital amounted to 191 515 840 EGP distributed by 1 196 974 000 share.

- 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	724 601 986	115 936 318	60.53%
Orascom investment holding	350 088 786	56 014 206	29.25%
Other shareholders	77 419 140	12 387 062	6.47%
ESOP-unassigned	29 443 202	4 710 912	2.46%
ESOP-assigned	15 420 886	2 467 342	1.29%
	<u>1 196 974 000</u>	<u>191 515 840</u>	<u>100%</u>

28- Legal Reserve

Legal reserve balance on September 30, 2020 amounted to EGP 63 172 149 compared to EGP 53 034 169 as at December 31, 2019. 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.

29- Share premium reserve

The company's capital was increased on April 14,2016 and April 5, 2017 and November 5,2018 and October 3,2019 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
No. of shares increased	448 865 304 shares
Amount of increase in capital	71 818 449 EGP
Share premium amount	1 359 820 EGP
Share premium reserve as at December 31, 2019	750 409 142 EGP
Share premium amount	12 133 407 EGP
Share premium reserve as at September 30, 2020	762 542 549 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.

30- 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 48 296 646 as at September 30, 2020, EGP 33 842 544 as at December 31, 2019.

In addition, the retained earnings include the retained earnings for Sarwa Securitization company with amount of EGP 310 200 814 as at September 30, 2020, EGP 202 569 460 as at December 31, 2019 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.

31- Loans and overdrafts

	<u>30-Sep-20</u>		<u>31-Dec-19</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Loans	206 471 288	842 026 767	194 136 146	467 072 105
Short term facilities	250 879 211	-	130 650 781	-
Egyptian Mortgage Refinancing Company	5 844 902	335 981 556	4 551 064	337 122 118
Syndication loan	1 893 397	63 708 081	16 051 639	390 032 557
	<u>465 088 798</u>	<u>1 241 716 404</u>	<u>345 389 630</u>	<u>1 194 226 780</u>
Total	<u>1 706 805 202</u>		<u>1 539 616 410</u>	

32- Suppliers and other credit balances

	<u>30-Sep-20</u>		<u>31-Dec-19</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Suppliers	35 846 569	-	43 060 172	-
Accounts Receivables - Credit balances	15 261 728	-	5 710 466	-
Tax authority	17 385 805	-	29 240 653	-
Custodian*	101 291 890	-	59 310 955	-
Accrued interest	12 765 542	-	20 507 038	-
Insurance and reinsurance companies	26 348 841	-	7 631 765	-
Accrued expenses	25 378 614	-	21 966 999	-
Deposits held with others	5 508 453	406 711	5 435 583	676 937
Insurance companies- credit	3 457 219	-	24 940 812	-
Default reserve-discounting portfolios	68 142 054	-	3 540 306	-
Other credit balances	15 849 518	4 772 168	11 325 066	4 573 107
Contingent provision	33 006 040	-	32 516 412	-
	<u>360 242 273</u>	<u>5 178 879</u>	<u>265 186 227</u>	<u>5 250 044</u>
Total	<u>365 421 152</u>		<u>270 436 271</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. If they are subsequently transferred to the custodian, the balance above represents the collected amounts that have been subsequently transferred to the custodian.

33-Related Parties

33-1 Financial Position Balances

<u>Related Party</u>		<u>30-Sep-20</u>	<u>31-Dec-19</u>
<u>Due from related parties - debit</u>	<u>Relation Nature</u>		
Star Auto Credit	Associate 33.4%	17 508 211	10 087 988
Motor Care Egypt	Associate 40.1%	2 899 243	1 492 805
Bavarian Contact Car Trading	Associate 49%	18 788 243	20 856 031
Ezz El-Arab - Contact Financial	Associate 49%	2 984 685	1 597 886
Tamwil Holding	Parent Company	64 063	64 063
The Egyptian Company for Collection Service	Associate 49.9%	76 318	-
Other shareholders		30 283	30 283
Total		42 351 046	34 129 056

<u>Due to related parties - credit</u>		<u>30-Sep-20</u>	<u>31-Dec-19</u>
Consolidated Financial Holding	Shareholder 60.53%	3 584 094	3 828 285
Total		3 584 094	3 828 285

33-2 Income Statements Transactions

		<u>30-Sep-20</u>	<u>30-Sep-19</u>
		<u>Expense (Revenue)</u>	
<u>Bavarian Contact Car Trading</u>	<u>Associate 49%</u>		
Operating Income - Management and incentive fees		(3 072 074)	(3 740 786)
<u>Star Auto Credit</u>	<u>Associate 33.4%</u>		
Operating Income - Management fees		(82 790)	(5 232 938)
<u>Ezz El-Arab / Contact Financial</u>	<u>Associate by 49%</u>		
Operating Income - Management fees		(554 380)	(501 746)

33-3 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 27 ,28,30,33). The total amount of such fees as at September 30, 2020 amounted to EGP 150 000 compared to EGP 434 991 as at September 30, 2019.

33-4 Bonus and salaries for executive management:

The value of bonus and salaries for executive management for the group as of September 30, 2020 amount to EGP 26 458 990.

34- Tax position

First: Corporate Tax:

- Tax returns since company's establishment till 2019 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 and preparing needed documents for inspection is in processing.

Third: Stamp tax

- The inspection was completed until 2016 and the payment made for the due differences.

35- Contingent liabilities

	<u>30-Sep-20</u>	<u>31-Dec-19</u>
Letter of Guarantee - Vendors	3 000 000	3 000 000
Total	3 000 000	3 000 000

36- Guarantees and securities

- Contact Auto Credit provided joint guarantees to each of the associated and subsidiary companies operating under Contact Auto Credit 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, 2020 amounted to EGP 705 386 219 compared to EGP 716 667 306 as at December 31, 2019.

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.

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	10
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.

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 -Significant Events

40-1 On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015 , which include some new accounting standards as well as introducing amendments to certain existing standards. The most prominent amendments are as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
The new Egyptian Accounting Standard No. (49) "Lease Contracts	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 l or	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	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

	<p>finance lease contracts .</p> <p>3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</p> <p>4- As for the finance lease , the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract .</p> <p>5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</p>		<p>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>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>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>-Egyptian Accounting Standard No. (4) -"Statement of Cash Flows".</p> <p>-Egyptian Accounting Standard No. (25)</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. (postponed)</p> <p>-These ammendments are effective as of the date of implementing Standard]No. (47)</p>

	<ul style="list-style-type: none"> - “Financial Instruments: Presentation. -Egyptian Accounting Standard No. (26) - “Financial Instruments: Recognition and Measurement”. <p>Egyptian Accounting Standard - EAS No. (40) - “Financial Instruments: Disclosures “</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: <ul style="list-style-type: none"> a-Egyptian Accounting Standard No. (8) - “Construction Contracts” as amended in 2015. b-Egyptian Accounting Standard No. (11) – “Revenue” as amended in 2015. 2. For revenue recognition, Control Model is used instead of Risk and Rewards Model. 3. 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 4. the standard requires that contract must have a commercial substance in order for revenue to be recognized 5. 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 January 1st, 2020, and the early implementation thereof is permitted (postponed)</p>

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
Egyptian Accounting Standard No. (42) as amended " Consolidated Financial Statements"	<p>Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were 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. 	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted. -The new or amended paragraphs Pertaining to the 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(postponed)

40-2 On April 12, 2020, the Financial Regulatory Authority issued a decision to postpone the application of the new accounting standards and the accompanying amendments issued in Resolution No. (69) of 2019 to the periodic financial statements issued during the year 2020 for the current conditions in the country through the outbreak of the new Corona virus and the necessary effects Economic and financial related, as well as the application of preventive measures and countering its spread from imposing restrictions on the presence of human resources in companies at their full capacity on a regular basis. And companies applying these standards and these operations to the annual financial statements of companies at the end of 2020 and including the comprehensive impact for the whole year by the end of 2020 with companies' commitment to adequately disclose in their periodic lists during 2020 about this fact and its accounting effects if any.

And based on the company's keenness to adhere to the application of the standard on the periodic financial statements that will be issued during the financial year 2020. The company uses its internal and external experiences to start implementation of the application of the new Egyptian accounting standards and the accompanying amendments to the financial statements that will be issued during the financial year 2020 and once final results are reached It will make sufficient disclosures on its periodic financial statement during 2020.

40-3 Most countries of the world, including Egypt, were exposed during 2020 to a state of slowdown and economic contraction as a result of the Covid-19 pandemic, and the governments of the world, including the Egyptian government, made packages of precautionary measures to prevent the spread of the epidemic. These procedures led to a state of economic slowdown at the global and local levels, which affected its impact on all activities in different ways.

Regarding to the company's activities, the effects are:

- 1- Reducing the number of employees working at the company's headquarters and branches
- 2- Collection rates for some clients working in sectors directly affected by the crisis are potentially impacted
- 3- The company's volumes of new financing to clients are impacted
- 4- The finances of corporate clients have been affected
- 5- The suspension of services by some government agencies, in particular notary public services, new vehicle registration and Courts.

- 1- The Financial Regulatory Authority took measures to ease the impact on clients of mortgage, leasing and factoring companies, directing companies to defer all client obligations for a period of six months without delay penalties.
- 2- On March 22, 2020, the Central Bank instructed banks to defer clients's loan obligations for a period of six months without delay penalties

Based on the specific effects mentioned above, it may have a significant impact on the elements of assets, liabilities and business results in the company's financial statements during 2020 and the following periods.

The size and nature of the most significant or potential financial impacts of this risk on the items of the financial statements and the company's activities during the following period and periods are summarized in:

- Clients' credit default risk.
- Defaults or breaches in the financial obligations with company's lenders

However, besides the measures taken by the government to support these activities, such as reducing the interest rate and postponing the payment of debts, the company's management has taken several measures to mitigate the above risks and reduce and mitigate the impact on its financial position, as follows:

- 1- The company has provided the necessary technological infrastructure for employees so that they can perform their work outside the company's headquarters and branches
- 2- All company's financial covenants have been tested, and the company's ability to fulfill its commitment to all financial covenants with lenders has been verified
- 3- The company has measured the possible delay rates and contingent provisions of EGP 12 million have been made to mitigate any potential increase in default rates that may arise, with the company's management periodically reviewing collection rates
- 4- In coordination with the Financial Regulatory Authority and other companies operating in the securitization market, Sarwa Securitization moved to adjust tenors of outstanding securitization bonds to enable various underlying portfolio's services to adjust the terms of their contracts without affecting the credit rating of issuances
- 5- The company approached the clients of financial leasing, real estate, mortgages and factoring portfolios to determine whether they want to defer their financial dues, in order to proceed in implementing the FRA's decision after fulfilling all necessary documentation
- 6- The company is coordinating with lenders regarding the Central Bank's decision to defer loans in case such a step is needed