

Sarwa Capital Holding for Financial Investments

**Consolidated interim financial statements
For the three months ended March 31, 2019**

And review report thereon

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Review report on consolidated interim financial statements

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

Introduction

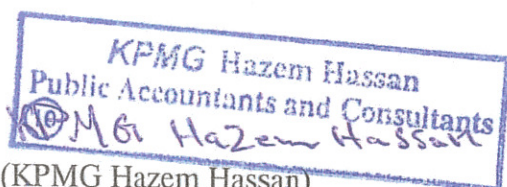
We have reviewed the accompanying consolidated interim statement of financial position of Sarwa Capital Holding for Financial Investments (an Egyptian joint stock company) as of 31 March 2019 and the related consolidated interim statements of income, comprehensive income, cash flows and changes in equity for the three - 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 financial position of the Company as at 31 March 2019, and of its financial performance and its cash flows for the nine months period then ended in accordance with the Egyptian Accounting Standards.



(KPMG Hazem Hassan)

Public accountants and consultants

Cairo, 13 May 2019

Sarwa Capital Holding for Financial Investments
Consolidated Statement of Financial Position as at March 31, 2019

	<u>Note</u>	<u>31-Mar-19</u>	<u>31-Dec-18</u>
	<u>No.</u>	<u>EGP</u>	<u>EGP</u>
Assets			
<u>Non-current assets</u>			
Property, plant and equipment	(17)	113 177 912	104 911 154
Leased assets	(18)	503 976 396	479 386 424
Leased contracts under settlement		(12 035 172)	(16 590 169)
Goodwill	(19)	26 474 070	26 474 070
Investments in associates	(20)	36 747 256	56 320 606
Investments available for sale	(21)	10 743 750	10 743 750
Debtors and other debit balances	(22)	6 103 528	6 792 381
Payments for investments in subsidiaries		-	9 999 800
Accounts receivable	(23)	497 741 451	971 304 273
Securitization surplus	(24)	1 992 069 676	144 153 062
Deferred tax assets	(15)	314 941	282 334
Total non-current assets		3 175 313 808	1 793 777 685
<u>Current Assets</u>			
Due from related parties - debit	(35)	1 476 580	79 497 736
Deferred cost -insurance policies	(25)	13 856 228	15 626 174
Debtors and other debit balances	(22)	190 706 494	138 528 009
Accounts receivable	(23)	354 583 354	451 758 825
Treasury bills	(26)	553 847 580	221 543 264
Conditional Bank Account	(27)	2 028 616	2 330 082
Cash and cash equivalents	(28)	170 824 132	813 357 813
Total current assets		1 287 322 984	1 722 641 903
Total assets		4 462 636 792	3 516 419 588
<u>Shareholders' equity</u>			
Paid-in capital	(29)	115 217 391	115 217 391
Legal reserve	(30)	49 267 153	48 393 450
Share premium reserve	(31)	749 049 322	749 049 322
Retained earnings	(32)	786 412 118	703 221 858
Equity attributable to the shareholders of the parent company		1 699 945 984	1 615 882 021
Non Controlling Interest		44 053 445	49 060 477
Total equity & non controlling interest		1 743 999 429	1 664 942 498
<u>Non-current liabilities</u>			
Loans and overdrafts	(33)	1 079 795 185	1 319 608 562
Suppliers and other credit balances	(34)	6 215 739	6 118 853
Deferred tax liabilities	(15)	4 125 656	4 183 692
Total Non-current liabilities		1 090 136 580	1 329 911 107
<u>Current liabilities</u>			
Loans and overdrafts	(33)	344 731 183	253 451 321
Suppliers and other credit balances	(34)	300 095 063	221 689 894
Current tax liabilities		77 163 186	42 308 453
Due to related parties - credit	(35)	906 511 351	4 116 315
Total current liabilities		1 628 500 783	521 565 983
Total liabilities		2 718 637 363	1 851 477 090
Total shareholders' equity and liabilities		4 462 636 792	3 516 419 588

* The accompanying notes from (1) to (43) are an integral part of these financial statements.

Ahmed Abdelkariem
Financial Manager



Cairo May 13, 2019

Auditor's report "Attached"

Ismail Samir
Financial Controller



Hazem Moussa
Chairman & Managing Director



Sarwa Capital Holding for Financial Investments**Consolidated Statement of Income for the three months ended March 31,2019**

	<u>Note</u> <u>No.</u>	<u>31-Mar-19</u> <u>EGP</u>	<u>31-Mar-18</u> <u>EGP</u>
Sales revenue - goods and services	(6)	483 006 988	604 465 947
Cost of sales - goods and services	(8)	(443 628 274)	(571 805 448)
Income from transferred portfolios		5 209 187	7 691 137
Interest income - goods and services	(7)	57 275 447	79 683 043
Securitization proceeds		68 402 907	-
Discounting proceeds		-	15 288 026
Interest expense		(78 241 353)	(66 850 851)
Gross profit		92 024 902	68 471 854
Operating revenue	(9)	36 681 194	17 582 265
Services and collection revenue	(35)	164 025	333 104
Securitization net revenue	(10)	52 941 565	21 436 627
Administrative fees revenue	(11)	6 239 913	7 964 623
Other revenue	(12)	39 869 077	17 813 671
Operating expense	(13)	(12 607 635)	(22 982 273)
Sales and distribution expense		(5 760 292)	(5 730 862)
General and administrative expenses	(14)	(63 323 828)	(42 130 855)
Board of directors allowances		(20 000)	(18 000)
Impairment of financial assets		(3 223 251)	(655 365)
Net operating income		142 985 670	62 084 789
Profit share from associates		23 226 546	9 309 460
Foreign currency differences		(206 387)	(30 271)
Health insurance tax provision		(2 677 299)	-
Net profit for the period before tax		163 328 530	71 363 978
Income tax	(15)	(35 448 812)	(15 710 827)
Net profit for the period after tax		127 879 718	55 653 151
<u>Distributed as follows:</u>			
Owners of the company		119 922 218	52 032 865
Non controlling interest		7 957 500	3 620 286
		127 879 718	55 653 151
Earnings per share for the period	(16)	0.17	0.09

* The accompanying notes from (1) to (43) are an integral part of these financial statements.

Sarwa Capital Holding for Financial Investments

Consolidated Statement of Comprehensive Income for the three months ended March 31,2019

	<u>31-Mar-19</u>	<u>31-Mar-18</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period after income tax	127 879 718	55 653 151
Total comprehensive income for the period	127 879 718	55 653 151
<u>Total comprehensive income distributed as follows:</u>		
Owners of the company	119 922 218	52 032 865
Non controlling interest	7 957 500	3 620 286
	127 879 718	55 653 151

* The accompanying notes from (1) to (43) are an integral part of these financial statements.

Translation of financial statements originally issued in Arabic

Sarwa Capital Holding for Financial Investments
Consolidated Statement of Changes in Equity for the three months ended March 31, 2019

	<u>Paid in capital</u> EGP	<u>Legal reserve</u> EGP	<u>Share premium</u> <u>reserve</u> EGP	<u>Retained</u> <u>earnings</u> EGP	<u>Total owners of</u> <u>the company</u> EGP	<u>Non controlling</u> <u>interest</u> EGP	<u>Total equity</u> EGP
Balance at 1 January 2018	96 786	48 393 450	64 266 710	464 824 394	674 271 454	34 233 770	708 505 224
Total comprehensive income for the financial period	-	-	-	52 032 865	52 032 865	3 620 286	55 653 151
Balance at 31 March 2018	96 786	48 393 450	64 266 710	516 857 259	726 304 319	37 854 056	764 158 375
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
Total comprehensive income for the financial period	-	-	-	119 922 218	119 922 218	7 957 500	127 879 718
Transactions with the owners of the company:							
Increase in paid in capital	-	873 703	-	(873 703)	-	-	-
The share of non controlling interest in subsidiaries' capital	-	-	-	-	-	2 000	2 000
Dividends	-	-	-	(35 858 255)	(35 858 255)	(12 966 532)	(48 824 787)
Balance at 31 March 2019	115 217 391	49 267 153	749 049 322	786 412 118	1 699 945 984	44 053 445	1 743 999 429

* The accompanying notes from (1) to (43) are an integral part of these financial statements.

Sarwa Capital Holding for Financial Investments
Consolidated Statement of Cash Flows for the three months ended March 31,2019

	<u>Note No.</u>	<u>31-Mar-19 EGP</u>	<u>31-Mar-18 EGP</u>
<u>Cash flows from operating activities</u>			
Net profit for the period before taxes		163 328 530	71 363 978
<u>Adjustments for</u>			
Property, plant and equipment depreciation			2 298 742
Leased assets depreciation	(17)	5 214 499	30 727 323
Impairments of financial assets	(18)	43 678 235	655 365
Interest revenue		3 223 251	(15 288 026)
Finance Expense		(39 694 554)	
Securitization proceeds		78 241 353	-
Profit share from associates	(8)	(68 402 907)	-
Health insurance tax provision		(19 347 853)	(7 834 144)
		2 677 299	-
		<u>168 917 853</u>	<u>81 923 238</u>
<u>Changes in:</u>			
Purchase of leased assets			
Proceeds from sale of leased assets	(18)	(79 798 179)	(53 885 524)
Lease contracts under settlement		9 867 665	23 172 832
Accounts receivable		(4 554 997)	(12 965 303)
Proceeds from sale of receivable portfolios		(244 119 744)	(180 976 828)
Accrued deferred cost from insurance policy		881 700 000	30 576 052
Suppliers and other credit balances		1 769 946	(2 623 105)
Debtors and other debit balances		3 306 107	71 059 752
Related parties-debit		(51 489 632)	(8 192 070)
Related parties-credit		78 021 156	(101 669 225)
Surplus of securitization process		902 395 036	(167 100)
Conditional Bank Account		(1 847 916 614)	(5 826 116)
		301 466	(11 322 286)
<u>Cash (used in) operating activities</u>			
Financing interest paid		(181 599 937)	(170 895 683)
Income tax paid		(54 547 491)	-
Net cash (used in) operating activities		<u>(684 722)</u>	<u>-</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant, equipment		(236 832 150)	(170 895 683)
Proceeds from sale of property, plant and equipment	(17)	(13 484 600)	(3 438 777)
Works in progress		3 343	4 455
Purchases of available for sale investments		-	(8 793 966)
Proceeds from interest revenue		-	(250 000)
Payments for investment in subsidiaries		39 694 554	-
Treasury Bills		9 999 800	-
Dividends from associates		(332 304 316)	(51 053 311)
The share of non controlling interest in subsidiaries' capital		38 921 203	-
		2 000	-
Net cash (used in) investing activities		<u>(257 168 016)</u>	<u>(63 531 599)</u>
<u>Cash flows from financing activities</u>			
Change in banks and overdrafts		(148 533 515)	268 079 101
Net cash (used in) provided by financing activities		<u>(148 533 515)</u>	<u>268 079 101</u>
Net change in cash and cash equivalent during the period		(642 533 681)	33 651 819
Cash and cash equivalent at the beginning of the period		813 357 813	79 139 530
Cash and cash equivalent at the end of the period	(28)	<u>170 824 132</u>	<u>112 791 349</u>

* The accompanying notes from (1) to (43) are an integral part of these financial statements.

Sarwa Capital Holding for Financial Investments (S.A.E)
Notes to the consolidated financial statements
For the three months ended March 31, 2019

1. Reporting entity

- Sarwa Capital for Financial Investments (S.A.E) an Egyptian Joint Stock Company was established pursuant to Law No: 159 for year 1981 and its executive regulations as amended by law No. 3 for year 1998 and was registered in the commercial register under No. 37933 on March 30th 2009.
- The company's purpose is represented in the general trading and providing financial, economic, technical and insurance consulting for new and existing projects, in addition to management related services for all the projects (except the hotel management); Services relating to preparation, distribution and marketing specialized technical studies in the economic sector, and also creative arts through printed and electronic media (except for marketing and promotion for investments).
- 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 March 31, 2019:

<u>Company Name</u>	<u>Control percentage</u>	
	<u>Direct</u>	<u>Indirect</u>
Contact Auto Credit	99.999%	-
Sarwa Asset Management	99.96%	-
Egyptian International for Trading and Investment	99.998%	-
Sawa Payment Systems	50.997%	-
Plus Leasing	99.9998%	-
Plus Factoring	74.99%	25%
Sarwa Insurance	84.980%	-
Sarwa Life Insurance	79.990%	-
Sarwa Promotion and Underwriting	99.996%	-
Sarwa sukuk	99,98%	-
*Contact Mortgage Finance	-	99.9998%
*Wadi Degla Financial	-	50%
*Modern Finance	-	50%
*Get Go Credit Service	-	99.9996%
*Contact Insurance Brokerage	-	80%

*Sarwa Securitization (owned by Egyptian International for Trading and Investment by 81%and 18% by Contact Auto Credit)	-	99%
*Capital Real Estate	-	99.7%
*Contact Egyptian International Motor Credit	-	50%
*Contact Specialized Consulting	1%	99%

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

2- Basis of accounting

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 May 13, 2019.

3- Functional and presentation currency

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

4- 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.

-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.

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

Sarwa Capital Holding for Financial Investments (S.A.E)
Notes to the Consolidated Financial Statements for the three months ended March 31, 2019 (continued)

5- 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 7 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 period ended March 31, 2019

Item	Car Finance	Consumer Goods	Finance Leasing	Insurance & Brokerage	Mortgage	Factoring	Securitization & sukuk	Others	Total
Gross profit	73 221 987	6 470 954	12 565 703	5 689 888	6 543 637	-	(17 514 551)	5 047 284	92 024 902
Total operating income	56 910 140	5 480 193	10 082 937	5 145 591	5 645 789	2 556 259	51 574 908	5 589 853	142 985 670
Profit share from associates	-	-	-	-	-	-	-	23 226 546	23 226 546
Foreign currency translation	-	-	-	-	-	-	-	(206 387)	(206 387)
Takaful health insurance provision	(1 459 708)	(109 491)	(190 999)	(33 690)	(46 393)	(6 432)	(599 816)	(230 770)	(2 677 299)
Net profit for the period before tax	55 450 432	5 370 702	9 891 938	5 111 901	5 599 396	2 549 827	50 975 092	28 379 242	163 328 530
Income Tax	(17 454 416)	(1 248 225)	(2 642 680)	(1 156 219)	(975 732)	(575 158)	(7 472 060)	(3 924 322)	(35 448 812)
Net profit for the period After tax	37 996 016	4 122 477	7 249 258	3 955 682	4 623 664	1 974 669	43 503 032	24 454 920	127 879 718
Total current assets	440 903 163	94 120 293	163 725 897	139 988 843	107 187 160	58 745 115	76 385 585	206 266 928	1 287 322 984
Total non current assets	193 004 643	10 141 037	493 074 092	3 563 306	365 636 825	-	1 992 841 647	117 052 258	3 175 313 808
Total non current liabilities	460 401 136	1 075 289	273 860 222	147 912	308 011 775	-	-	46 640 246	1 090 136 580
Total current liabilities	324 863 885	57 281 463	195 327 107	20 804 954	61 066 888	691 570	881 134 204	87 330 712	1 628 500 783

6- Sales of goods and services revenue

	<u>31-Mar-19</u>	<u>31-Mar-18</u>
	<u>EGP</u>	<u>EGP</u>
Goods sold	394 960 981	539 539 661
Lease revenue	74 312 361	57 450 242
Service sold	13 733 646	7 476 044
	<u>483 006 988</u>	<u>604 465 947</u>

7- Interest income- goods and services

	<u>31-Mar-19</u>	<u>31-Mar-18</u>
	<u>EGP</u>	<u>EGP</u>
Car installments	35 984 041	68 151 189
Mortgages	13 595 943	6 253 637
Consumer goods installments	7 695 463	5 278 217
Total	<u>57 275 447</u>	<u>79 683 043</u>

8- Cost of sales - goods and services

	<u>31-Mar-19</u>	<u>31-Mar-18</u>
	<u>EGP</u>	<u>EGP</u>
Cost of goods sold	394 960 980	539 539 661
Cost of services sold	4 429 714	1 146 039
Cost of leasing contracts and depreciation	44 237 580	31 119 748
	<u>443 628 274</u>	<u>571 805 448</u>

9- Operating revenue

	<u>31-Mar-19</u>	<u>31-Mar-18</u>
	<u>EGP</u>	<u>EGP</u>
Management and incentive fees	3 133 767	2 386 263
Other service revenue (Insurance)	10 244 226	10 406 583
Credit Interest (Insurance)	2 992 443	3 120 955
Other operating revenue	20 310 758	1 668 464
Total	<u>36 681 194</u>	<u>17 582 265</u>

10- Securitization net revenue

	<u>31-Mar-19</u>	<u>31-Mar-18</u>
	<u>EGP</u>	<u>EGP</u>
Interest income from financial rights portfolio	195 266 355	80 892 549
Proceeds from surplus of investments at custody	23 310 799	10 644 433
Interest from bonds loan and the amortization of securitization cost	(140 148 885)	(66 851 693)
Insurance policy cost	(5 022 245)	(2 139 369)
Collector fees	(164 025)	(311 096)
Custody fees	(1 296 370)	(798 197)
Issuance fees	(19 004 064)	-
Proceeds from securitization process	<u>52 941 565</u>	<u>21 436 627</u>

11- Revenues from administrative services

Revenues from administrative services amounted to EGP 6 239 913 during the year ended March 31, 2019 compared to EGP 7 964 623 during the year ended March 31, 2018. A percentage of auto financing contracts is collected as administrative fees to offset sales commissions and some other administrative costs.

12- Other revenue

	<u>31-Mar-19</u>	<u>31-Mar-18</u>
	<u>EGP</u>	<u>EGP</u>
Interest income	39 694 554	8 406 755
Other	174 523	9 406 916
Total	<u>39 869 077</u>	<u>17 813 671</u>

13- Operating expenses

	<u>31-Mar-19</u>	<u>31-Mar-18</u>
	<u>EGP</u>	<u>EGP</u>
Other services Cost (Insurance)	11 325 289	22 107 094
Experts fees	419 694	503 650
Other operating expenses	862 652	371 529
Total	<u>12 607 635</u>	<u>22 982 273</u>

14- General and administrative expenses

	<u>31-Mar-19</u> <u>EGP</u>	<u>31-Mar-18</u> <u>EGP</u>
Salaries, wages and medical Care	38 318 367	26 108 808
Lease payments	272 650	253 278
Insurance	3 656 209	2 837 788
Property, plant and equipment depreciation	5 214 499	2 298 746
Professional and consultant fees	4 862 858	2 892 975
Branches and cars rent	2 020 361	1 496 948
Bank charges	494 762	325 312
Advertising, administrative expenses and stock exchange renewal	960 170	329 673
Vehicles related expenses	190 538	294 259
Establishing fees	48 081	-
Miscellaneous expenses	7 285 333	5 293 068
	<u><u>63 323 828</u></u>	<u><u>42 130 855</u></u>

15- Income Tax

	<u>31-Mar-19</u> <u>EGP</u>	<u>31-Mar-18</u> <u>EGP</u>
<u>Charged to income statement</u>		
Current income tax	35 539 455	15 873 352
Deferred income tax	(90 643)	(162 525)
Total	<u><u>35 448 812</u></u>	<u><u>15 710 827</u></u>

Deferred Tax Assets

	<u>31-Mar-19</u> <u>EGP</u>	<u>31-Dec-18</u> <u>EGP</u>
Property, plant and equipment (depreciation)	314 941	282 334
Total	<u><u>314 941</u></u>	<u><u>282 334</u></u>

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 Three months ended March 31, 2019

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>31-Mar-19</u>	<u>31-Dec-18</u>
	<u>EGP</u>	<u>EGP</u>
Debtors and other debit balance impairment	1 754 337	1 754 337
Default reserve- Discounting portfolios	1 312 808	1 620 629
Accounts receivables impairment	2 326 961	2 064 427
	<u>5 394 106</u>	<u>5 439 393</u>

Deferred Tax Liability

	<u>31-Mar-19</u>	<u>31-Dec-18</u>
	<u>EGP</u>	<u>EGP</u>
Property, plant and equipment (depreciation)	4 125 656	4 183 692
Total	<u>4 125 656</u>	<u>4 183 692</u>

	<u>31-Mar-19</u>	<u>31-Dec-18</u>
	<u>EGP</u>	<u>EGP</u>
	<u>Asset (liability)</u>	<u>Asset (liability)</u>
	<u>Revenue (Expense)</u>	<u>Revenue (Expense)</u>
As follows the movement on the deferred tax		
Beginning balance	(3 901 358)	(1 546 093)
Deferred income tax	90 643	(2 355 265)
Ending balance	<u>(3 810 715)</u>	<u>(3 901 358)</u>

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16- 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 year.

	<u>31-Mar-19</u>	<u>31-Dec-19</u>
Net Profit for the year after taxes for owners of the company	119 922 218	52 032 865
weighted average No. of ordinary shares	720 108 696	604 918 125
Earnings per share	<u><u>0.17</u></u>	<u><u>0.09</u></u>

Sarwa Capital Holding for Financial Investments (S.A.E)
Notes to the Consolidated Financial Statements for the three months ended March 31, 2019 (continued)

17- **Property, plant and equipment**

Cost	Lands		Buildings		Vehicles		Furniture and fixture		Machinery & Equipment		Computers and software		Leasehold Improvement		Total
	EGP		EGP		EGP		EGP		EGP		EGP		EGP		
Balance at 1 January 2018	29 662 500	-	2 593 854	-	88 300	-	7 856 011	-	3 844 051	-	22 938 075	-	15 901 338	-	82 884 129
Additions during the period	-	-	-	-	-	-	337 472	-	233 011	-	1 329 228	-	1 539 066	-	3 438 777
Disposals during the period	-	-	-	-	-	-	-	-	(9 900)	-	-	-	-	-	(9 900)
Total cost in 31 March 2018	29 662 500	-	2 593 854	-	88 300	-	8 193 483	-	4 067 162	-	24 267 303	-	17 440 404	-	86 313 006
Balance at 1 January 2019	29 662 500	-	2 593 854	-	88 300	-	16 819 966	-	5 293 329	-	29 274 189	-	59 374 285	-	143 106 423
Additions during the period	-	-	-	-	-	-	1 036 360	-	5 763 701	-	4 010 545	-	2 673 994	-	13 484 600
Disposals during the period	-	-	-	-	-	-	-	-	(17 200)	-	-	-	-	-	(17 200)
Total cost in 31 March 2019	29 662 500	-	2 593 854	-	88 300	-	17 856 326	-	11 039 830	-	33 284 734	-	62 048 279	-	156 573 823
Accumulated Depreciation															
Accumulated depreciation in 1 January 2018	-	-	194 539	-	46 679	-	4 330 188	-	2 270 985	-	14 711 937	-	5 378 967	-	26 933 295
Depreciation for the period	-	-	32 423	-	6 244	-	209 283	-	173 113	-	1 225 626	-	652 053	-	2 298 742
Accumulated depreciation for disposals	-	-	-	-	-	-	-	-	(6 545)	-	-	-	-	-	(6 545)
Total Accumulated depreciation in 31 March 2018	-	-	226 962	-	52 923	-	4 539 471	-	2 437 553	-	15 937 563	-	6 031 020	-	29 225 492
Accumulated depreciation in 1 January 2019	-	-	324 232	-	67 767	-	5 348 758	-	2 975 204	-	19 700 563	-	9 778 745	-	38 195 269
Depreciation for the period	-	-	32 423	-	3 733	-	421 788	-	330 081	-	1 544 557	-	2 881 917	-	5 214 499
Accumulated depreciation for disposals	-	-	-	-	-	-	-	-	(13 857)	-	-	-	-	-	(13 857)
Total Accumulated depreciation in 31 March 2019	-	-	356 655	-	71 500	-	5 770 546	-	3 291 428	-	21 245 120	-	12 660 662	-	43 395 911
Net as at 31 December 2018	29 662 500	-	2 269 622	-	20 533	-	11 471 208	-	2 318 125	-	9 573 626	-	49 595 540	-	104 911 154
Net as at 31 March 2018	29 662 500	-	2 366 892	-	35 377	-	3 654 012	-	1 629 609	-	8 329 740	-	11 409 384	-	57 087 514
Net as at 31 March 2019	29 662 500	-	2 237 199	-	16 800	-	12 085 780	-	7 748 402	-	12 039 614	-	49 387 617	-	113 177 912

Notes to the Consolidated Financial Statements for the three months ended March 31, 2019 (continued)

18- Leased Assets (net)

	Real Estate		Machinery & Equipment		Computers		Cars & Vehicles		Total	
	EGP		EGP		EGP		EGP		EGP	
Balance at 1 January 2018	24 692 680		322 200 131		12 864 884		191 418 450		551 176 145	
Additions for the period	-		35 289 643		402 725		18 193 156		53 885 524	
Disposals during the period	(1 085 000)		(15 862 965)		(3 381 597)		(2 843 270)		(23 172 832)	
Total cost in 31 March 2018	23 607 680		341 626 809		9 886 012		206 768 336		581 888 837	
Balance at 1 January 2019	73 607 680		392 470 241		6 905 499		273 340 561		746 323 981	
Additions for the period	-		28 794 704		-		51 003 475		79 798 179	
Disposals during the period	-		(13 103 499)		(558 000)		(11 402 430)		(25 063 929)	
Total cost in 31 March 2019	73 607 680		408 161 446		6 347 499		312 941 606		801 058 231	
Accumulated Depreciation										
Accumulated depreciation in 1 January 2018	1 289 807		92 790 498		4 998 017		43 737 622		142 815 944	
Depreciation for the period	135 599		18 188 651		1 089 684		11 313 388		30 727 322	
Accumulated depreciation for disposals	(162 750)		(6 111 286)		(2 254 398)		(1 093 908)		(9 622 342)	
Total Accumulated depreciation in 31 March 2018	1 262 656		104 867 863		3 833 303		53 957 102		163 920 924	
Accumulated depreciation in 1 January 2019	2 142 327		159 135 070		4 166 094		79 691 262		245 134 753	
Depreciation for the period	626 557		24 078 270		685 238		18 288 170		43 678 235	
Accumulated depreciation for disposals	-		(8 260 050)		(567 187)		(6 369 027)		(15 196 264)	
Total Accumulated depreciation in 31 December 2019	2 768 884		174 953 290		4 284 145		91 610 405		273 616 724	
Net book value										
As at 31 December 2018	71 465 353		233 335 171		2 739 405		193 649 299		501 189 228	
As at 31 March 2018	22 345 024		236 758 946		6 052 709		152 811 234		417 967 913	
As at 31 March 2019	70 838 796		233 208 156		2 063 354		221 331 201		527 441 507	
Net leased assets	31-Mar-19	31-Dec-18								
	EGP	EGP								
	527 441 507	501 189 228								
Impairment of financial leased assets	(23 465 111)	(21 802 804)								
Net	503 976 396	479 386 424								

19- Goodwill

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

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

20- Investments in associates

<u>Company's Name</u>	<u>Ownership</u> <u>31-Mar-19</u> <u>EGP</u>	<u>% of</u> <u>Share</u>	<u>Ownership</u> <u>31-Dec-18</u> <u>EGP</u>
Bavarian Contact Car Trading	17 691 131	49%	24 791 575
Star Auto Credit	15 029 238	33.4%	26 523 592
Ezz El-Arab - Contact Financial	3 690 846	49%	4 680 745
Motor Care Service	336 041	49.2%	324 694
	<u>36 747 256</u>		<u>56 320 606</u>

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<u>31-Mar-19</u>	<u>Bavarian Contact Car Trading EGP</u>	<u>Star Auto Credit EGP</u>	<u>Ezz Elarab/Contact Financial EGP</u>	<u>Motor Care Service EGP</u>
Total assets	353 511 479	917 082 085	68 487 702	1 154 781
Total liabilities	(317 417 947)	(872 084 367)	(60 955 364)	(471 770)
Net assets	<u>36 093 532</u>	<u>44 997 718</u>	<u>7 532 338</u>	<u>683 011</u>
Profit share from associates	<u>23 226 825</u>			

<u>31-Mar-18</u>	<u>Bavarian Contact Car Trading EGP</u>	<u>Star Auto Credit EGP</u>	<u>Ezz Elarab/Contact Financial EGP</u>	<u>Motor Care Service EGP</u>
Total assets	273 704 176	681 296 281	57 506 661	812 800
Total liabilities	(215 710 817)	(606 607 893)	(47 719 148)	(299 790)
Net assets	<u>57 993 359</u>	<u>74 688 388</u>	<u>9 787 513</u>	<u>513 010</u>
Profit share from associates	<u>9 309 460</u>			

21- Investments available for sale

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

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

22- Debtors and other debit balances

	<u>31-Mar-19</u>		<u>31-Dec-18</u>	
	<u>Within a year</u>	<u>More than one</u>	<u>Within a year</u>	<u>More than</u>
	<u>EGP</u>	<u>year</u> <u>EGP</u>	<u>EGP</u>	<u>one year</u> <u>EGP</u>
Insurance companies - debit	7 797 055	-	7 797 055	-
Prepaid expenses	11 140 098	2 855 819	10 510 803	3 501 678
Advance payments to suppliers	72 068 773	-	68 547 717	-
Accrued revenue	56 747 598	-	20 105 556	-
Employees advances	6 253 387	-	7 119 707	-
Tax authority	7 400 308	-	2 361 728	-
Other debit balances	37 096 330	3 247 709	29 882 498	3 290 703
Deduct: Impairment	(7 797 055)	-	(7 797 055)	-
Net	190 706 494	6 103 528	138 528 009	6 792 381
Total	196 810 022		145 320 390	

23- Accounts receivable

	<u>31-Mar-19</u>		<u>31-Dec-18</u>	
	<u>Within a year</u>	<u>More than one</u>	<u>Within a year</u>	<u>More than</u>
	<u>EGP</u>	<u>year</u> <u>EGP</u>	<u>EGP</u>	<u>one year</u> <u>EGP</u>
Receivables-goods	446 273 434	782 797 779	744 010 571	1 369 013 246
Receivables-services	16 997 570	-	15 442 284	-
Leasing- accounts receivable	66 116 981	-	57 222 873	-
Transferred financial rights	46 013 485	81 668 607	71 052 612	73 005 988
Deduct:				
Credit Interest & deferred Insurance	(210 476 067)	(363 182 236)	(426 794 282)	(467 566 392)
Impairment of Accounts Receivable	(10 342 049)	(3 542 699)	(9 175 233)	(3 148 569)
Net	354 583 354	497 741 451	451 758 825	971 304 273
Total	852 324 805		1 423 063 098	

24- 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>Description of transferred financial assets/liabilities that were disposed</u>	<u>31-Mar-19</u> <u>EGP</u>	<u>31-Dec-18</u> <u>EGP</u>
Financial Rights Portfolios	4 727 860 566	3 492 421 205
Deferred cost- insurance	10 619 131	7 049 312
Amounts collected for custodian	60 881 573	18 104 972
Cash held with custodian	419 384 958	422 101 427
Total Financial Assets transferred	<u>5 218 746 228</u>	<u>3 939 676 916</u>
Deduct: bond -principle	<u>(3 226 676 552)</u>	<u>(3 795 523 854)</u>
Surplus of securitization processes	<u>1 992 069 676</u>	<u>144 153 062</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.

25- Deferred cost - insurance

The deferred cost of insurance policies amounted to EGP 13 856 228 as at March 31, 2019 compared to amount EGP 15 626 174 as at December 31, 2018 this item represents the cost of insurance policies purchased with respect to cars sold to customers covering the remaining period of the contract term, The income statement is charged with the amortization of these costs referrer to the financial year.

26- Treasury Bills:

	<u>31-Mar-19</u> <u>EGP</u>	<u>31-Dec-18</u> <u>EGP</u>
Treasury bills	570 200 000	242 350 000
Deduct:		
Unearned revenue	(16 352 420)	(20 806 736)
Net	<u>553 847 580</u>	<u>221 543 264</u>

27- Conditional Bank Account

	<u>31-Mar-19</u> <u>EGP</u>	<u>31-Dec-18</u> <u>EGP</u>
Treasury bills	49 812	667 859
Reserve account	1 329 023	1 301 627
Proceeds from discounting process	649 781	360 596
	<u>2 028 616</u>	<u>2 330 082</u>

28- Cash and cash equivalents

	<u>31-Mar-19</u> <u>EGP</u>	<u>31-Dec-18</u> <u>EGP</u>
Banks - Current Accounts	143 774 628	254 406 596
Cash on hand	6 381 511	2 965 590
Time deposit	20 667 993	555 985 627
Total	<u>170 824 132</u>	<u>813 357 813</u>

29- 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.
- 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>EGP</u>	<u>Percentage</u>
Consolidated Financial Holding	452 876 209	72 460 193	62.89%
Orascom investment holding	216 032 608	34 565 217	30%
Other shareholders	51 199 879	8 191 981	7.107%
	<u>720 108 696</u>	<u>115 217 391</u>	<u>100%</u>

30- Legal Reserve

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

31- Share premium reserve

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

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

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

32- Retained Earnings

The legal reserves and general reserves for the subsidiaries were classified as retained earnings in these consolidated financial statements however they should not be distributed. They amount to EGP 33 842 544 as at March 31, 2019, EGP 25 024 608 as at December 31, 2018. In addition, the retained earnings include the retained earnings for Sarwa Securitization company with amount of EGP 204 615 617 as at March 31, 2019, EGP 99 641 464 as at December 31, 2018 the offering memorandum for the outstanding issuances state that Sarwa Securitization company is not allowed to distribute any dividends unless all the liabilities of the bondholders are completely paid.

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33- Loans and overdrafts

	31-Mar-19		31-Dec-18	
	EGP		EGP	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Loans	230 144 659	403 489 039	222 668 340	628 139 126
Short term facilities	69 112 150	-	11 906 394	-
Egyptian Mortgage Refinancing Company	2 161 385	209 938 483	1 644 686	174 630 726
Syndication loan	43 312 989	466 367 663	17 231 901	516 838 710
	<u>344 731 183</u>	<u>1 079 795 185</u>	<u>253 451 321</u>	<u>1 319 608 562</u>
	<u>1 424 526 368</u>		<u>1 573 059 883</u>	

34- Suppliers and other credit balances

	<u>31-Mar-19</u>		<u>31-Dec-18</u>	
	<u>EGP</u>		<u>EGP</u>	
	<u>Within a year</u>	<u>More than one year</u>	<u>Within a year</u>	<u>More than one year</u>
Suppliers	38 913 394	-	44 278 334	-
Accounts Receivables - Credit balances	2 690 424	-	1 619 366	-
Tax authority	17 148 713	-	16 859 656	-
Custodian*	73 659 354	-	27 932 254	-
Accrued interest	23 693 862	-	24 027 704	-
Accrued expenses	12 942 411	-	17 881 988	-
Deposits held with others	4 772 796	1 899 693	4 800 357	1 869 172
Insurance companies- credit	54 230 755	-	54 295 418	-
Default reserve-discounting portfolios	5 834 703	-	7 202 796	-
Default reserve- securitization	7 080 020	-	7 080 020	-
Other credit balances	8 751 757	4 316 046	10 094 189	4 249 681
Credit Dividends	42 081 762	-	-	-
Takaful health insurance provision	8 295 112	-	5 617 812	-
	<u>300 095 063</u>	<u>6 215 739</u>	<u>221 689 894</u>	<u>6 118 853</u>
	<u>306 310 802</u>		<u>227 808 747</u>	

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

35-Related Parties

35-1 Financial Position Balances

<u>Related Party</u>	<u>Relation Nature</u>	<u>31-Mar-19</u> <u>EGP</u>	<u>31-Dec-18</u> <u>EGP</u>
<u>Due from related parties - debit</u>			
Star Auto Credit	Associate 33.4%	-	63 095 962
Motor Care Egypt	Associate 40.1%	1 382 234	1 244 790
Bavarian Contact Car Trading	Associate 49%	-	14 163 221
Ezz El-Arab - Contact Financial	Associate 49%	-	899 417
Tamwil Holding	Parent Company	64 063	64 063
Other shareholders		30 283	30 283
		<u>1 476 580</u>	<u>79 497 736</u>

Due to related parties - credit

<u>Related Party</u>	<u>Relation Nature</u>	<u>31-Mar-19</u> <u>EGP</u>	<u>31-Dec-18</u> <u>EGP</u>
<u>Due to related parties - credit</u>			
Consolidated Financial Holding	Main Shareholder 62.89 %	3 828 285	4 116 315
Ezz El-Arab - Contact Financial*	Associate 49%	47 319 924	-
Star Contact Car Trading*	Associate 33.4%	585 421 485	-
Bavarian Contact Car Trading*	Associate 49%	269 941 657	-
		<u>906 511 351</u>	<u>4 116 315</u>

* on April 2, 2019 the credit balance related of thirty securitization issuance have been paid

35-2 Income Statements Transactions

<u>Related Party</u>	<u>Relation Nature</u>	<u>31-Mar-19</u> <u>Expense (Revenue)</u> <u>EGP</u>	<u>31-Mar-18</u> <u>Expense (Revenue)</u> <u>EGP</u>
<u>35-2 Income Statements Transactions</u>			
Bavarian Contact Car Trading	Associate 49%		
Operating Income - Management and incentive fees		(306 000)	(306 000)
Star Auto Credit	Associate 33.4%		
Operating Income - Management fees		(2 682 573)	(1 941 321)
Ezz El-Arab / Contact Financial	Associate by 49%		

35-3 Collection and other services fees

Contact Auto Credit collects the financial rights of the customers of Sarwa Securitization Company in accordance with the service and collection contracts concluded with Sarwa Securitization Company, then the collected amounts are remitted to the custodian in return for monthly collection fees (for the 12, 13, 15, 16 ,20 ,22 ,27 ,28). The total amount of such fees as at March 31, 2019 amounted to EGP 164 025 compared to EGP 333 104 as at December 31, 2017.

35-4 Bonus and salaries for executive management:

The value of bonus and salaries for executive management for the group as of March 31, 2019 amount to EGP 7 126 987.

36- Tax position

First: Corporate Tax:

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

Second: Salary Tax:

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

Third: Stamp tax

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

37- Contingent liabilities

	<u>31-Mar-19</u>	<u>31-Dec-18</u>
	<u>EGP</u>	<u>EGP</u>
Letter of Guarantee - 16th bond issue	7 000 000	7 000 000
Letter of Guarantee - Carefour	3 150 000	3 150 000
	10 150 000	10 150 000

38- Finance Lease

	<u>31-Mar-19</u>	<u>31-Dec-18</u>
	<u>EGP</u>	<u>EGP</u>
Liabilities within a period	914 389	964 430
Liabilities longer than one period	1 726 552	1 929 795
	2 640 941	2 894 225

Finance lease cars:

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

The total of these contracts are as follows:

<u>Description</u>	<u>Amounts paid from concluded contracts during previous periods</u>	<u>Amounts paid during the period from concluded contracts till 31 March 2019</u>	<u>Contract liabilities as of 31 March , 2018</u>
	<u>EGP</u>	<u>EGP</u>	
Cars Leasing Contracts	20 995 322	253 278	2 640 941

39- Guarantees and sureties

- Contact Auto Credit provided joint guarantees to each of the associated companies operating under the car instalment system and the credit limit is given on behalf of Contact Auto Credit, provided that the purpose of such credit limit and the use thereof shall be directed to finance the activity of the Company and/or finance an activity of any of the associated companies. Borrowing shall be carried out under the name of each company utilizing the credit facility separately and within the limit of the total credit facility granted to Contact Auto Credit.
- Each company remains committed to pay the liabilities and assume any losses and risks resulting from nonpayment. The balance of credit facilities secured by the joint guarantee as at March 31, 2019 amounted to EGP 1 675 852 140 compared to EGP 1 703 935 930 as at December 31, 2018.

40- 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.

40-1 Credit risk

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

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

First: Client receivables

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

40-2 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.

40-3 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.

40-3-1 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.

40-3-2 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.

41- 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.

42- Significant accounting policies

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

42-1 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.

42-2 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.

42-3 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.

42-4 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.

42-5 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.

42-6 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.

42-7 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.

42-8 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.

e- Finance leasing

- The lease contract revenue is recognized based on the consequential interest income in addition to an amount equal to the leased assets depreciation, the difference between the income recognized and the accrued rental value for the same period is recorded in a separate account and is settled against the net carrying value of leased assets at the end of the lease contract period. The revenue on late interest charges is recognized starting from the year 2012 in response to article (19 e) of the leasing contracts.

42-9 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.

42-10 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.

42-11 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.

42-12 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
Machinery & equipment	5
Fixtures	5
vehicles	5

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

42-13 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.

42-14 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.

42-15 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.

42-16 Dividends Distribution

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

42-17 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.

42-18 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.

42-19 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.

42-20 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.

42-21 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".

42-22 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.

43- Significant Events

- On 14 August 2018 Law No. 176 of 2018 was issued on the regulation of financial leasing and factoring activities, Article 1 of this law stipulates the repeal of the Law No. 95 of 1995 on financial leasing. The Company has continued to apply the Egyptian Accounting Standard No. (20) For the accounting treatment of the financial leasing activity to the new

contracts concluded by the Company under the new law until the pended issuance of a new or revised Egyptian accounting standard dealing with these contracts.

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

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

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

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Sarwa Capital Holding for Financial Investments (S.A.E)
Notes to the Consolidated Financial Statements for the Three months ended March 31, 2019

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