

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

Consolidated Interim Financial Statements
For The Financial Period Ended March 31, 2016

And Limited Review Report

 **Hazem Hassan**
Public Accountants & Consultants

Contents	Page
Limited Review Report	1
Consolidated Interim Statement of Financial Position	2
Consolidated Interim Statement of Income	3
Consolidated Interim Statement of Comprehensive Income	4
Consolidated Interim Statement of Changes in Equity	5
Consolidated Interim Statement of Cash Flows	7
Notes to the Consolidated Interim Financial Statements	8

GB Auto (S.A.E)
(An Egypt Joint Stock Company)
Consolidated interim statement of financial position
at at March 31, 2016

(All amounts in thousand Egyptian Pound)	Note	31 March 2016	31 December 2015
<u>Assets</u>			
Non-current assets			
Property, plant, equipment and projects under construction (Net)	(16)	4 099 298	3 660 356
Intangible assets and goodwill	(17)	307 196	293 078
Notes receivables (Net)	(11)	483 917	414 330
Deferred tax assets	(9 - B)	35 814	40 640
Investment property	(18)	91 512	91 512
Debit balances		24 110	24 110
Total non-current assets		5 041 847	4 524 026
<u>Current assets</u>			
Inventories (Net)	(10)	3 357 659	2 950 981
Assets held for sale	(15)	331 324	329 175
Accounts and notes receivables (Net)	(12)	1 705 632	1 649 624
Debtors and other debit balances (Net)	(13)	1 274 327	1 069 509
Due from related parties	(34)	99 787	86 203
Cash on hand and at banks	(14)	842 112	1 188 704
Total current assets		7 610 841	7 274 196
Total assets		12 652 688	11 798 222
<u>Equity</u>			
Issued and paid in capital	(19)	1 094 010	1 094 010
Shares held by the group	(20)	(26 506)	(26 506)
Legal reserve	(21)	296 570	296 570
Other reserves	(22)	1 283 137	1 152 989
Retained earnings		814 401	584 288
Net Income for the period / year		28 585	233 095
Equity attributable to owners of the company		3 490 197	3 334 446
Non-controlling interests	(23)	664 682	608 660
Total equity		4 154 879	3 943 106
<u>Liabilities</u>			
Non-current liabilities			
Loans	(25)	1 107 774	898 473
Warranty provisions	(27)	54 741	54 741
Trade and notes payables	(28)	1 073	-
Deferred tax liabilities	(9 - B)	83 823	82 926
Amounts under settlement on financial lease contract	(29)	552 084	484 870
Total non-current liabilities		1 799 495	1 521 010
Current liabilities			
Provisions	(27)	87 815	88 470
Current tax liabilities	(9 - A)	82 218	61 555
Loans, borrowings and overdrafts	(25)	4 918 632	4 334 801
Due to related parties	(34)	28 796	62 404
Trade payables and other credit balances	(26)	1 580 853	1 786 876
Total current liabilities		6 698 314	6 334 106
Total liabilities		8 497 809	7 855 116
Total equity and liabilities		12 652 688	11 798 222

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

Group Finance Director
Abbas Elsayed

Chief Financial Officer
and Board of Director Member
Mostafa Ahmed Elmahdi

Chairman and Managing Director
Dr. Raouf Ghabbour

"Limited review report attached"

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim statement of Income
for the financial period ended March 31, 2016

(All amounts in thousand Egyptian Pounds)	Note	The three months ended	
		31 March 2016	31 March 2015
<u>Continuing operations</u>			
Revenue		2 924 613	3 200 316
Cost of sales		(2 482 215)	(2 797 862)
Gross profit		442 398	402 454
Other income		11 348	7 606
Selling and marketing expenses		(97 804)	(81 188)
General and administrative expenses		(119 409)	(108 628)
Provisions (Net)	(7)	(11 407)	(4 629)
Operating profit		225 126	215 615
Finance costs (Net)	(6)	(182 657)	(147 258)
Net profit for the period before income tax		42 469	68 357
Income tax expense	(9-C)	(28 347)	(21 209)
Profit from continuing operations		14 122	47 148
Discontinued operations		-	-
Profit from discontinued operations after income tax		-	-
Net Profit for the period		14 122	47 148
Profit is attributable to:			
Owners of the company		28 585	52 080
Non-controlling interests		(14 463)	(4 932)
		14 122	47 148
Basic earnings per share/ EGP	(8)	0.027	0.385

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

GB Auto (S.A.E)
(An Egyption Joint Stock Company)
Consolidated interim statement of comprehensive income
for the financial period ended March 31, 2016

(All amounts in thousand Egyptian Pounds)	Note	The three months ended	
		31 March 2016	31 March 2015
Net Profit for the period after income tax		14 122	47 148
Other comprehensive income items			
Items that are or may reclassified subsequently to profit or loss			
Foreign currency translation difference		202 167	82 356
Total other comprehensive income for the period before income tax		202 167	82 356
Related income tax		-	-
Other comprehensive income for the period after income tax		202 167	82 356
Total other comprehensive income for the period after income tax		216 289	129 504
Other comprehensive income is attributable to:			
Owners of the parent Company		154 067	104 771
Non-controlling interests		62 222	24 733
		216 289	129 504

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

(All amounts in thousand Egyptian Pounds)

(All amounts in thousand Egyptian Pounds)		The Three months ended	
		31 March 2016	31 March 2015
	Note		
<u>Cash flows from operating activities</u>			
Net profit for the period before tax		42 469	68 357
<u>Adjustments for:</u>			
Interest expense		110 818	93 935
Depreciation and amortization for the period	(16-17)	72 028	58 412
Provisions (net)	(27)	6 763	3 186
Impairment losses on current assets (net)		4 644	4 119
ESOP fair value		4 666	6 940
Interest income	(6)	(4 769)	(3 467)
Loans capitalized interest		(3 206)	(4 547)
Capital gain - Sale and lease back		-	(1 606)
Gain from sale of property, plant,equipment and project under construction		(455)	(50)
		232 958	225 279
<u>Changes in:</u>			
Inventories		(409 527)	(352 848)
Accounts and notes receivables		(117 261)	(41 475)
Debtors and other debit balances		(204 185)	100 123
Due from related parties		(13 584)	(15 863)
Due to related parties		(33 607)	(786)
Trade payables and other credit balances		(220 128)	508 748
Cash (used in) / generated from operating activities		(765 334)	423 178
Provisions used		(7 420)	(2 980)
Income tax paid during the period		(1 961)	-
Dividends paid - Employees		(11 182)	(19 407)
Net cash (used in) / generated from operating activities		(785 897)	400 791
<u>Cash flows from investing activities</u>			
Acquisition of property, plant, equipment and assets held for sale		(514 763)	(304 003)
Acquisition of intangible assets		(107)	(770)
Interest received		4 137	3 467
Proceeds from sale of property, plant, equipment and assets held for sale		12 319	11 421
Net cash (used in) investing activities		(498 414)	(289 885)
<u>Cash flows from financing activities</u>			
Proceeds from non controlling interest to increase capital of subsidiaries		2 000	6 170
Proceeds from loans and borrowings		860 342	191 245
Long-term notes payables		1 073	556
Interest paid		(96 713)	(86 275)
Net cash generated from financing activities		766 702	111 696
Net (decrease) / increase in cash and cash equivalents		(517 609)	222 602
Cash and cash equivalents at the beginning of the period		1 188 704	1 177 577
Effect of movements in exchange rates on cash and cash equivalents		171 017	78 739
Cash and cash equivalents at end of the period	(14-B)	842 112	1 478 918

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

GB Auto (S.A.E)
(An Egyption Joint Stock Company)
Consolidated iterim statement of Shareholders Equity
for the financial period ended March 31, 2016

(All amounts in thousand Egyptian Pounds)	Attributed to owners of the company										Non-Controlling interests	Total equity
	Share capital	Shares held by the group	Legal reserve	Foreign currency translation reserves	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserves	Share premium (Special reserves)	Retained earnings	Net profit for the priod / year	Total		
Balance at 31 December 2015	1 094 010	(26 506)	296 570	115 275	67 777	2 498	967 439	584 288	233 095	3 334 446	608 660	3 943 106
Transferred to retained earnings	-	-	-	-	-	-	-	233 095	(233 095)	-	-	-
Total comprehensive income												
Net profit for the period	-	-	-	-	-	-	-	-	28 585	28 585	(14 463)	14 122
Other comprehensive income items	-	-	-	125 482	-	-	-	-	-	125 482	76 685	202 167
Total comprehensive income	-	-	-	125 482	-	-	-	-	28 585	154 067	62 222	216 289
Transactions with owners of the company												
Dividends	-	-	-	-	-	-	-	(2 982)	-	(2 982)	(8 200)	(11 182)
ESOP fair value	-	-	-	-	4 666	-	-	-	-	4 666	-	4 666
Capital increase	-	-	-	-	-	-	-	-	-	-	2 000	2 000
Total Transactions with owners of the company	-	-	-	-	4 666	-	-	(2 982)	-	1 684	(6 200)	(4 516)
Balance at March 31, 2016	1 094 010	(26 506)	296 570	240 757	72 443	2 498	967 439	814 401	28 585	3 490 197	664 682	4 154 879

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

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim statement of Shareholders Equity
for the financial period ended March 31, 2016

31 March 2015	Attributed to owners of the company											
(All amounts in thousand Egyptian Pounds)	Share capital	Shares held by the group	Legal reserve	Foreign currency translation reserves	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserves	Share premium (Special reserves)	Retained earnings	Net profit for the priod / year	Total	Non-Controlling interests	Total equity
Balance at 31 December 2014	135 338	(3 275)	267 265	46 519	49 114	2 498	968 653	496 040	173 989	2 136 141	637 782	2 773 923
Transferred to retained earnings	-	-	-	-	-	-	-	173 989	(173 989)	-	-	-
Total comprehensive income												
Net profit for the period	-	-	-	-	-	-	-	-	52 080	52 080	(4 932)	47 148
Other comprehensive income items	-	-	-	52 691	-	-	-	-	-	52 691	29 665	82 356
Total other comprehensive income	-	-	-	52 691	-	-	-	-	52 080	104 771	24 733	129 504
Transactions with owners of the company												
Dividends	-	-	-	-	-	-	-	(19 407)	-	(19 407)	-	(19 407)
ESOP fair value	-	-	-	-	6 940	-	-	-	-	6 940	-	6 940
Capital increase	-	-	-	-	-	-	-	-	-	-	6 171	6 171
Transfer to legal reserve	-	-	9 864	-	-	-	-	(9 864)	-	-	-	-
Total Transactions with owners of the company	-	-	9 864	-	6 940	-	-	(29 271)	-	(12 467)	6 171	(6 296)
Balance at March 31, 2015												
	135 338	(3 275)	277 129	99 210	56 054	2 498	968 653	640 758	52 080	2 228 445	668 686	2 897 131

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

1- Reporting entity

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

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

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

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

The major shareholders of the company are Dr. Raouf Ghabbour and his family who collectively owns approximately 54.41% of the Company's shares as at March 31, 2016.

The consolidated interim financial statements were authorized for issue by the Company's Board of Directors on May 10, 2016.

2- Basis of preparation of interim consolidated financial statements

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

3- Functional and presentation currency

The consolidated financial statements are presented in Egyptian Pounds which is the Group's functional currency.

4- Use of judgement and estimates

In preparing the consolidated financial statements in accordance with Egyptian Accounting Standards (EAS), management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on past experience and various factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

4- Use of judgement and estimates (Continued)

The recognition of the change in accounting estimates in the period in which the change in estimate, if the change affects only that period, or in the period of change and future periods if the change affects both.

A- Measurement of fair value

The fair value of financial instruments determines based on the market value of a financial instrument or similar financial instruments at the date of the financial statements without deducting any estimate future costs of sale. The financial asset values determine at current prices for the purchase of those assets, while determining the value of financial liabilities at current prices, which could be settled by those commitments.

In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into consideration the transactions price that has recently or be guided by the current fair value of other instruments which is substantially similar. Or the use of discounted cash flow or any other evaluating method that leads to results can rely on it.

When using the discounted cash flow method as a way for the evaluation, the future cash flows are estimated based on the best estimates of management. And determined the discount rate used in the prevailing market price at the date of the financial statements of financial instruments are similar in nature and terms.

5- Operating Segments

The Group has the following four operational segments, which are its reportable segments to top management. These segments offer different products and services, and are managed separately because they require different technology and marketing strategies.

- The following summery describes the operations for each reportable segments:

<u>Reportable segment</u>	<u>Operations</u>
Passenger car	Trading, distributing and marketing for all kinds of passenger cars, whether locally manufactured or imported.
Buses and trucks	Trading, distributing and marketing for all kinds of heavy trucks, semi-trucks, buses, mini buses, micro buses, agriculture tractors, whether locally manufactured or imported.
2 & 3 Wheels	Trading, distributing and marketing for all kinds of 2 & 3 Wheels, whether locally manufactured or imported.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

5- Operating Segments (Continued)

Other Operations	Trading spare parts, and its accessories whether locally manufactured or imported, tires for vehicles and equipment whether locally manufactured or imported. export activities, selling locally manufactured and imported products for cash, on credit or through finance leasing and microfinance. and trade in all goods including light truck and sale by instalments and provide services of factoring and nonbanking financial services. The factoring services intended to buy existing and future rights of sellers of goods and services and provide related services.
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A- Total Revenue

	March 31, 2016	March 31, 2015
Passenger car	57.8 %	60.3 %
Buses and trucks	9.6 %	14.2 %
2 & 3 Wheels	15.6 %	15.3 %
Other Operations	17 %	10.2 %

B- Revenue from foreign operations

	March 31, 2016	March 31, 2015
Passenger car	11,9 %	25.4 %
Buses and trucks	-	-
2 & 3 Wheels	0.9 %	0.04 %
Other Operations	3.7 %	11,6 %

C- Segment results

	March 31, 2016	March 31, 2015
Passenger car	46.9 %	49.4 %
Buses and trucks	8.6 %	14.5 %
2 & 3 Wheels	20.2 %	21.2 %
Other Operations	24.3 %	14.9 %

D- Assets

	March 31, 2016	March 31, 2015
Passenger car	43 %	42 %
Buses and trucks	19 %	1 %
2 & 3 Wheels	10 %	2 %
Other Operations	28 %	55 %

E- Liabilities

	March 31, 2016	March 31, 2015
Passenger car	54 %	46 %
Buses and trucks	14 %	9 %
2 & 3 Wheels	4 %	2 %
Other Operations	28 %	43 %

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

5- Operating Segments (Continued)

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

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Revenues		
Total revenues for reportable segments	3 488 886	3 709 623
Elimination of inter-segment revenue	(564 273)	(509 307)
Consolidated Revenue	2 924 613	3 200 316
Segments result		
Gross profit for reportable segment	436 053	404 075
Elimination of inter-segment gross profit	6 345	(1 621)
Consolidated Gross Profit	442 398	402 454
Assets		
Total assets for reportable segments	25 145 830	23 091 062
Elimination inter-segment assets	(12 288 233)	(12 660 356)
Total Consolidated Assets	12 857 597	10 430 706
Liabilities		
Total Liabilities for reportable segments	16 445 933	15 806 807
Elimination inter-segment Liabilities	(7 743 215)	(8 273 232)
Total Consolidated Liabilities	8 702 718	7 533 575

G- Other martial amounts

	<u>Total reportable segment</u>	<u>Adjustment</u>	<u>Total consolidated March 31, 2016</u>
Interest income	9 371	(4 700)	4 671
Interest expense and Bank Charges	(126 855)	536	(126 319)
Capital expenditure	518 076	-	518 076
Depreciation and amortization	72 028	-	72 028
	<u>Total reportable segment</u>	<u>Adjustment</u>	<u>Total consolidated March 31, 2015</u>
Interest income	4 076	(609)	3 467
Interest expense and Bank Charges	(93 383)	609	(92 774)
Capital expenditure	309 321	-	309 321
Depreciation and amortization	58 412	-	58 412

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

6- Finance Costs

	<u>March, 31 2016</u>	<u>March, 31 2015</u>
Interest income	4 068	3 005
Interest income on installment sales	701	462
Total Finance Income	4 769	3 467
Interest expense and bank charges	(126 292)	(92 774)
Net foreign exchange loss	(61 134)	(57 951)
Total Finance Cost	(187 426)	(150 725)
Net Finance Cost	(182 657)	(147 258)

7- Provisions

Provisions no longer required

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Warranty provision	-	12 907
Impairment of accounts and notes receivables, debtors and other debit balances.	412	385
Litigation provision	23	-
Total provisions no longer required	435	13 292

Provisions formed

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Warranty provision	(2 262)	(4 820)
Impairment of accounts and notes receivable, debtors and other debit balances	(5 056)	(1 828)
Litigation provision	(520)	-
Other provisions	(4 004)	(11 273)
Total provisions formed	(11 842)	(17 921)
Net provisions in the income statement	(11 407)	(4 629)

- The movement of current assets impairment represented as follow:

	Balance at 1/1/2016	Impairment during the period	Reversal of Impairment during the period	Effect of movements of exchange rates	Balance at 31/3/2016
- Impairment of Accounts & Notes receivable	290 783	5 056	(412)	10 519	305 946
- Impairment of Debtors & Other debit balances	5 407	-	-	-	5 407
	296 190	5 056	(412)	10 519	311 353
- Impairment of Inventory*	69 222	-	-	2 848	72 070
	365 412	5 056	(412)	13 367	383 423

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

8- Earnings per share

i. Basic

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

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

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Net profit for the period attributable to the owners of the company	28 585	52 080
Weighted average number of ordinary shares issued	1 067 504	135 338
Basic earnings per share/ EGP	<u>0.027</u>	<u>0.385</u>

9- Income tax

A- Income tax liabilities

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Balance at 1 January	61 555	76 942
Taxes paid during the period / year	(1 961)	(68 433)
Income tax during the period / year (Note 9-C)	22 624	53 046
Balance at the end of the period / year	<u>82 218</u>	<u>61 555</u>

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016

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

9- Income tax (Continued)

B- Deferred tax assets and liabilities

	Note	Fixed and Intangible Assets	Carried forward losses	Inventory Provision	Warranty Provision	Total	
						March 31, 2016	December 31, 2015
A Deferred tax assets							
Balance at January 1,		825	15 063	9 910	14 842	40 640	35 517
Charged to the income statement		-	(6 411)	-	1 585	(4 826)	5 123
Balance at the end of the period / year		825	8 652	9 910	16 427	35 814	40 640
B Deferred tax liabilities							
Balance at January 1,		(82 926)	-	-	-	(82 926)	(85 464)
Charged to the income statement		(897)	-	-	-	(897)	2 538
Balance at the end of the period / year		(83 823)	-	-	-	(83 823)	(82 926)
Net deferred tax liabilities		(82 998)	8 652	9 910	16 427	(48 009)	(42 286)
C Net Deferred tax							
Balance at January 1,		(82 101)	15 063	9 910	14 842	(42 286)	(49 947)
Charged to the income statement (9-C)		(897)	(6 411)	-	1 585	(5 723)	7 661
Balance at the end of the period / year		(82 998)	8 652	9 910	16 427	(48 009)	(42 286)

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

9- Income tax (Continued)

B- Deferred tax assets and liabilities (Continued)

Unrecognised deferred tax assets

- Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the group can use the benefits therefrom.

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Impairment of accounts and notes receivables	68 838	65 426
Impairment of other debit balances	1 217	1 217

- Liability for temporary differences related to investments in subsidiaries, associates and the joint venture was not recognized because the group controls the timing of reversal of the related temporary differences and satisfied that they will not reverse in the foreseeable future.

C- Income tax expenses

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Current income tax for the period (Note 9-A)	22 624	15 501
Deferred tax (Note 9-B)	5 723	5 708
Income tax for the period	<u>28 347</u>	<u>21 209</u>

D- Amounts recognized in OCI

	<u>March 31, 2016</u>			<u>March 31, 2015</u>		
	<u>Before Tax</u>	<u>Taxes</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>Taxes</u>	<u>After Tax</u>
Currency translation difference	202 167	-	202 167	82 356	-	82 356

On June 4, 2014, Law No. (44) for the year 2014 has been issued to impose a temporary three years' additional tax amounting to (5%) starting from the current taxable period. This additional tax is taxable profit over an amount of One Million Egyptian pounds by individuals or corporates as stipulated in the articles of the Income Tax Law. This additional tax should be assessed and collected according to those articles. This law became into force starting from June 5, 2014.

On June 30, 2014, Law No. (53) for the year 2014 has been issued by a presidential decree. This law included amendments for some articles of Income Tax Law No. (91) for the year 2005. The most important amendments are as follows:

1. Imposing a tax on Dividends.
2. Imposing a tax on the capital gains resulted from the sale of capital contribution shares and securities.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

9- Income tax (Continued)

At April 6, 2015 ministry decree No. (2/11) was issued for the year 2015 modifying the Executive regulations of the income tax law issued by ministry decree No.91 for the year 2005.

On August 20, 2015, the presidential decree for law No. 96 for the year 2015 has been issued to amend the provisions of income tax law No. 91 for the year 2005 and the decree No. 44 for the year 2014 that imposing a temporary additional income tax, this decree shall be in effect from the next day of issuance. The most important changes included in the decree are as follows:

- 1 The income tax rate will decrease to be 22.5 % from the annual net profit.
- 2 Amend the period of imposition the 5 % temporary tax.
- 3 Amend the tax on dividends.
- 4 Ceasing the tax impose of the capital gains resulted from sale of securities that are listed in capital market for two years starting from 17/5/2015.

10- Inventories

	March 31, 2016	December 31, 2015
Goods in transit	1 085 390	940 125
Cars, buses and trucks	1 368 018	1 171 703
Raw material and car components	515 042	491 091
Spare parts for sale	292 517	264 052
Work in progress	67 371	56 452
Tires	80 520	81 622
Oils	20 871	15 158
Total	3 429 729	3 020 203
Impairment of inventory *	(72 070)	(69 222)
Net	3 357 659	2 950 981

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

11- Long term notes receivables

	March 31, 2016	December 31, 2015
Long-term notes receivable (Note 12)	634 433	542 265
Interest income on installment sales	(148 357)	(125 768)
Net present value for long-term notes receivable	486 076	416 497
Impairment of long-term notes receivable	(2 159)	(2 167)
Net	483 917	414 330

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016

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

12- Accounts and notes receivables

	March 31, 2016	December 31, 2015
Total notes receivable	1 867 718	1 650 927
Long-term notes receivable (Note 11)	(634 433)	(542 265)
Unamortized interest	(154 674)	(128 239)
Net present value for short-term notes receivable	1 078 611	980 423
Trade receivable	930 808	957 817
Total	2 009 419	1 938 240
Impairment of accounts and notes receivable balances	(303 787)	(288 616)
Net	1 705 632	1 649 624

13- Debtors and other debit balances

	March 31, 2016	December 31, 2015
Advance payments to suppliers	314 908	202 565
Withholding tax	156 689	143 631
Accrued interest	633	754
Letters of credit	510 616	521 906
Prepaid expenses	94 979	88 324
Deposits with others	12 613	10 956
Letters of guarantee margin	56 324	19 966
Staff loans and custodies	23 396	18 340
Other debit balances	104 184	63 268
Customs duties	5 392	5 206
Total	1 279 734	1 074 916
Impairment of debtor and other debit balances	(5 407)	(5 407)
Net	1 274 327	1 069 509

14- Cash on hand and at banks

A- Cash on hand and at banks

	March 31, 2016	December 31, 2015
Cash on hand and cash at banks	842 112	1 188 704
	842 112	1 188 704

B- Cash and cash equivalents

	March 31, 2016	March 31, 2015
Cash on hand and cash at banks	842 112	1 478 161
Treasury bills less than 91 Day	-	757
	842 112	1 478 918

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016

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

15- Non-Current assets held for sale

	March 31, 2016				December 31, 2015
	Land	Building	Investment	Total	Total
Cost					
Balance at 1 January	300 471	14 288	34 750	349 509	314 759
Additions during the period / year	-	-	-	-	34 750
Effect of movement of exchange rates	-	-	4 659	4 659	-
Balance at March, 31 2016	300 471	14 288	39 409	354 168	349 509
Accumulated depreciation and impairment					
Balance at 1 January	-	1 615	18 719	20 334	1 615
Impairment of non – current asset held for sale	-	-	-	-	18 719
Effect of movement of exchange rates	-	-	2 510	2 510	-
Balance at March, 31 2016	-	1 615	21 229	22 844	20 334
Carring amount at the end of the period / year	300 471	12 673	18 180	331 324	329 175

- Assets held for sale represented in lands and buildings which the board of directors of the subsidiaries decided to sell it as no longer benefits holding it within the companies' assets.
- The Companies' management has decided to keep the non-current assets within the same classification according to the continuance of the company's management intention to use these assets as well as having the capability of doing so.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016

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

16 - Property, plant, equipments and projects under construction

	Land and Buildings	Machinery & equipment	Vehicles	IT & infrastructures & computers	Fixtures & furniture	Leashold improvements	* Projects under construction	Total
<u>Cost</u>								
Balance at 1 January 2015	1 888 118	657 401	628 880	87 519	174 339	16 155	230 905	3 683 317
Reclassification between categories	-	(38)	-	359	(1 148)	827	-	-
Additions during the year	630 076	55 519	278 395	36 853	19 758	373	243 846	1 264 820
Transferred to investment property under development	(3 565)	-	-	-	-	-	-	(3 565)
Transferred from projects under construction	141 674	21 022	-	298	15 788	2 109	(183 544)	(2 653)
Disposals during the year	(286 256)	(5 578)	(119 834)	(320)	(8 365)	-	(2 906)	(423 259)
Effect of movements of exchange rates	(9 793)	811	382	238	3 697	(99)	930	(3 834)
Balance at 31 December 2015	2 360 254	729 137	787 823	124 947	204 069	19 365	289 231	4 514 826
Balance at 1 Januaray 2016	2 360 254	729 137	787 823	124 947	204 069	19 365	289 231	4 514 826
Additions during the period	346 664	74 140	42 364	1 610	1 503	223	51 464	517 968
Transferred from projects under construction	1 158	42 110	-	267	8 196	-	(51 731)	-
Disposals during the period	(19 032)	(20 048)	(16 435)	(80)	(3 228)	-	-	(58 823)
Effect of movements of exchange rates	20 272	2 182	1 610	497	5 707	305	1 571	32 144
Balance at 31 March 2016	2 709 316	827 521	815 362	127 241	216 247	19 893	290 535	5 006 115
<u>Accumulated depreciation and impairment losses</u>								
Accumulated depreciation at 1 Januaray 2015	108 007	210 460	234 049	51 836	81 698	8 423	-	694 473
Reclassification between categories	-	(9)	-	123	(542)	428	-	-
Depreciation during the year	34 266	53 247	122 961	16 072	22 957	3 237	-	252 740
Disposals during the year	(4 497)	(2 794)	(85 176)	(237)	(3 256)	-	-	(95 960)
Impairment during the year	-	1 343	-	-	115	-	133	1 591
Effect of movements of exchange rates	114	161	78	147	1 143	(17)	-	1 626
Accumulated depreciation at 31 December 2015	137 890	262 408	271 912	67 941	102 115	12 071	133	854 470
Accumulated depreciation at 1 Januaray 2016	137 890	262 408	271 912	67 941	102 115	12 071	133	854 470
Depreciation during the period	10 171	14 425	34 893	4 992	5 994	856	-	71 331
Disposals during the period	(952)	(9 706)	(9 681)	(73)	(3 050)	-	-	(23 462)
Effect of movements of exchange rates	1 182	418	557	339	1 939	43	-	4 478
Accumulated depreciation at 31 March 2016	148 291	267 545	297 681	73 199	106 998	12 970	133	906 817
<u>Carring Amount</u>								
At 1 January 2015	1 780 111	446 941	394 831	35 683	92 641	7 732	230 905	2 988 844
At 31 December 2015	2 222 364	466 729	515 911	57 006	101 954	7 294	289 098	3 660 356
At 31 March 2016	2 561 025	559 976	517 681	54 042	109 249	6 923	290 402	4 099 298

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

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

A- Leased Assets:

The Group has financial leased assets (trailers and buses) according to contracts under Law No. 95 for 1995, that is not considered as property, plant and equipment according to the accounting policy (35/Q) and according to the requirement of the Egyptian Accounting Standard (No.20), according to, the annual lease payments are recognized as an expense in the income statement for the period / year. And the leased contracts are as follows:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Total contractual lease payments	26 788	23 679
Total purchase price on termination of leases	20	2
Average contracts life	5 Years	5 Years
lease payments for the period / year	1 309	6 514

B- Financial leased assets:

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

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
<u>Cost</u>		
Balance at 1 January	1 865 479	1 351 070
Additions during the period / year	450 160	911 770
Disposals during the period / year	(52 044)	(397 361)
Total cost	2 263 595	1 865 479
<u>Accumulated depreciation</u>		
Balance at 1 January	249 707	191 382
Depreciation during the period / year	42 773	145 014
Disposals during the period / year	(17 850)	(86 689)
Total accumulated depreciation	274 630	249 707
Net book value	1 988 965	1 615 772

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

17- Intangible assets and goodwill

	Goodwill	Computer software	Knowhow	Total
Cost				
Balance at January 1, 2016	288 065	23 260	5 703	317 028
Additions during the period	-	107	-	107
Effect of movement of exchange rates	14 708	-	-	14 708
Balance at March 31, 2016	302 773	23 367	5 703	331 843
Accumulated amortization				
Balance at January 1, 2016	-	18 247	5 703	23 950
Amortization charge for the period	-	697	-	697
Balance at March 31, 2016	-	18 944	5 703	24 647
Carrying amount at March 31, 2016	302 773	4 423	-	307 196
Carrying amount at December 31, 2015	288 065	5 013	-	293 078

Goodwill

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

Impairment test of cash generating units including goodwill

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

17- Intangible assets and goodwill (Continued)

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Two and three wheels	177 375	177 375
Hyundai Iraq sales	124 398	109 690
Financial leasing activity	1 000	1 000
	<u>302 773</u>	<u>288 065</u>

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

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

18- Investments property

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Balance at January 1, 2016	91 512	606
Additions during the period / year	-	3 565
Developed investment property revaluation – Gain	-	87 341
Balance at the end of the period / year (by the fair value)	<u>91 512</u>	<u>91 512</u>

19- Issued and paid in capital

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Authorized capital (5 000 000 000 shares with par value EGP 1 each)	5 000 000	5 000 000
Issued and paid capital (1 094 009 733 shares of EGP 1 each)	<u>1 094 010</u>	<u>1 094 010</u>

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

19- Paid in capital (Continued)

Private placement (Capital Increase)

- At the date of February 4, 2015, the extra ordinary general assembly meeting, has agreed to increase the company's authorized capital from 400 million EGP to 5 billion EGP and to increase the company's issued capital from EGP 135 337 545 to be EGP 1 095 337 545 with an increase of EGP 960 000 000 to be divided on 1 095 337 545 shares with a par value of 1 EGP each.(In additional to issuance cost of 1 pts./share), and that increase to be fully allocated for the favor of old shareholders each according to his share in the company's issued capital , and it is agreed to use the subscription right separately from the original share, with the company's issued capital increase to be paid either cash and/or using due cash debts for the subscriber by the company according to his contribution share.
- The subscription was covered by an amount of EGP 958 672 188 (EGP 473 225 502 in Cash and EGP 485 446 686 covered through the outstanding balances due to shareholders) divided on 958 672 188 shares with a par value of 1 EGP each to be the total capital issued and fully paid after the increase equals to EGP 1 094 009 733, it has been annotated in the commercial register at May 31, 2015.

20- Shares of the Company held by the Group

Shares of the Company held by the Group represented in the shares owned by one of the Companies of the Group amounted to 26 506 119 shares at the par value of EGP 26 506 thousand in GB Auto Company capital which is acquired by Almora resources Company one of the Group subsidiaries which is 100% owned.

The acquisition cost amounted to EGP 126 231 thousands. The share premium transferred to special reserve has been reduced by the difference between the acquisition cost and the par value amounted to EGP 99 725 thousands.

21- Legal reserve

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Balance at 1 January	296 570	267 265
Transferred to legal reserve	-	29 305
Balance at the end of the period / year	<u>296 570</u>	<u>296 570</u>

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

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

21- Legal reserve (continued)

Share premium

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

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Share premium	975 688	975 688

22- Other reserves

	Foreign currency translation reserve	ESOP (Fair value) reserves	Surplus Revaluation of fixed assets reserves	Share premium (special reserves)	Total
Balance as at 1 January 2016	115 275	67 777	2 498	967 439	1 152 989
Foreign currency translation differences	125 482	-	-	-	125 482
ESOP fair value	-	4 666	-	-	4 666
Balance at March 31, 2016	240 757	72 443	2 498	967 439	1 283 137

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

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

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

23- Non-controlling Interest

	Capital	Reserves	Legal Reserve	Retained earnings	Total March 31, 2016	December 31, 2015
Balance at 1 January	451 578	79 751	30 601	46 730	608 660	637 782
Net profit for the period / year	-	-	-	(14 463)	(14 463)	(41 581)
Foreign currency translation differences	-	76 685	-	-	76 685	26 700
Capital increase	2 000	-	-	-	2 000	10 678
Change in Non-controlling interests	-	-	-	-	-	4 141
Dividends	-	-	-	(8 200)	(8 200)	(29 060)
Balance at the end of the period / year	453 578	156 436	30 601	24 067	664 682	608 660

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

24- Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders who use these financial statements and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain an optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings and notes payables, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratio at March 31, 2016 and December 31, 2015 were as follows:

	March 31, 2016	December 31, 2015
Total loans and borrowings and notes payable		
Loans, borrowings and overdrafts	6 026 406	5 233 274
Short-term notes payable and creditors	84 791	78 125
Long-term notes payable and creditors	1 073	-
Total loans and borrowings and notes payables	6 112 270	5 311 399
Less: Cash and cash equivalent	(842 112)	(1 188 704)
Letter of credit margin	(510 616)	(521 906)
Letter of guarantee margin	(56 324)	(19 966)
Net debt	4 703 218	3 580 823
Shareholders' equity	3 490 197	3 334 446
Total Shareholders' equity	8 193 415	6 915 269
Net debt to equity ratio	57,4 %	52%

25- Loans, borrowings and overdrafts

	March 31, 2016			December 31, 2015		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks overdraft	4 423 450	-	4 423 450	3 862 541	-	3 862 541
Loans	495 182	1 024 146	1 519 328	472 260	817 779	1 290 039
Related parties loans	-	83 628	83 628	-	80 694	80 694
Total	4 918 632	1 107 774	6 026 406	4 334 801	898 473	5 233 273

A. Banks overdraft

The average interest rate on the outstanding Egyptian Pounds and the US Dollars bank overdraft are 13.04% and 4% respectively.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

25- Loans, borrowings and overdrafts (Continued)

B. Loans from related parties

- The Group obtained loans from Marco Polo [a related party - Brazil] in US dollars with an interest rate of LIBOR + 3%. These loans balance amounted to EGP 83 628 thousands as at March 31, 2016 and to be settled on an annual installment.
- The analysis of the loans and banks overdraft balances according to their maturity dates is as follows:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Less than one year	4 918 632	4 334 124
More than one year and less than five years	1 107 774	899 150
	<u>6 026 406</u>	<u>5 233 274</u>

26- Trade payables and other credit balances

	<u>March 31, 2015</u>	<u>December 31, 2015</u>
Trade payables	937 008	1 277 279
Other credit balances	39 500	25 687
Advances from customers	183 664	129 803
Tax Authority	85 168	53 495
Accrued expenses	236 462	210 711
Notes payables	84 791	78 125
Dividends payable	1 700	1 196
Deferred revenues	12 560	10 580
	<u>1 580 853</u>	<u>1 786 876</u>

27- Provisions

	Legal Claims	Warranty Provision	Other Provisions	Total
Balance at January 1, 2016	5 147	77 752	60 312	143 211
Provisions formed during the period	520	2 262	4 004	6 786
Provisions utilized during the period	(3 136)	(4 284)	-	(7 420)
Provisions no longer required	(23)	-	-	(23)
Effect of movement of exchange rates	2	-	-	2
Balance at March 31, 2016	<u>2 510</u>	<u>75 730</u>	<u>64 316</u>	<u>142 556</u>
Balance at 1 January 2015	5 773	77 306	30 313	113 392
Provisions formed during the year	21	30 593	30 093	60 707
Provisions utilized during the year	(647)	(12 485)	(94)	(13 226)
Provisions no longer required	-	(17 662)	-	(17 662)
Balance at December 31, 2015	<u>5 147</u>	<u>77 752</u>	<u>60 312</u>	<u>143 211</u>

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

27- Provisions (Continued)

Legal claims

The amounts shown comprises of gross provisions in respect of legal claims brought against the Group, and management opinion, after taking appropriate legal advice, that the outcome of these legal claims will not exceed significantly the provision formed as at March 31, 2016.

Warranty Provision

The Group provides warranty on its products and guarantees to either fix or replace the products that are not working properly, and the Group has estimated its warranty liability to be EGP 75 730 at the end of the period for expected warranty claims in the light of management experience for repair and returns level in previous years.

The warranty provision includes a long term provision amounted to EGP 54 741 (December 31, 2015 EGP 54 741).

Other provisions

Other provisions are related to claims expected to be made by a third party in connection with the Group operations. The information usually required by accounting standards is not disclosed because the management believes that to do so would seriously affects the outcome of the negotiation with that third party. These provisions are reviewed by management yearly and adjusted based on latest developments, discussions and agreements with the third party.

28- Trade and notes payables long term

	March 31, 2016		December 31, 2015	
	Present Value	Notes Payable	Present Value	Notes Payable
Total notes payables and creditors	85 864	85 864	78 125	78 125
Notes payable Less than 1 year (Note 26)	(84 791)	(84 791)	(78 125)	(78 125)
Total	1 073	1 073	-	-

29- Amounts under settlement of financial lease contacts

This account represents the differences (either positive or negative) between the earned revenue which is recorded according to revenue recognition policy in Note (35-D/4), and the due lease receivable. The balance of such account is settled against the net book value of the leased asset at the termination date of the leasing contract.

30- Financial risk management

(1) Financial risk factors

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

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

30- Financial risk management (Continued)

(1) Financial risk factors (Continued)

(a) Market risk

1. Foreign currency exchange rate risk

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

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

	March 31, 2016			December 31, 2015
	Assets	Liabilities	Net	Net
US Dollars	377 905	(1 136 882)	(758 977)	(799 618)
Euros	15 831	(4 933)	10 898	(2 324)
Other currencies	461 164	(92 915)	368 249	(129 795)

2. Price risk

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

3. Cash flows and fair value interest rate risk

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

Loans, borrowings and overdrafts at the balance sheet date with variable interest rates are amounted to EGP 6 026 406 as at March 31, 2016 (EGP 5 233 274 as at December 31, 2015).

Financial assets that carry fixed interest rates are amounted to EGP 65 216 as at March 31, 2016 (EGP 175 867 as at December 31, 2015).

		March 31, 2016	December 31, 2015
Time deposits	USD	12 161	2 392
Time deposits	EGP	53 055	173 475
		65 216	175 867

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

30- Financial risk management (Continued)

(1) Financial risk factors (Continued)

(b) Credit risk

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

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

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

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

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

	March 31, 2016	December 31, 2015
Notes and accounts receivables	2 798 527	2 608 744
Impairment of accounts and notes receivable balances	(305 946)	(290 783)
The ratio of the allowance to total accounts and notes receivable	10,93 %	11%

(c) Liquidity risk

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

(2) Fair value estimation

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

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

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

31- Subsidiary companies

The consolidated financial statements for GB Auto "S.A.E.", include the financial statements of the following subsidiaries:

	Percentage of ownership	
	31 March 2016	31 December 2015
RG Investment "S.A.E."	100%	100%
International Trade Agencies and Marketing Co. (ITAMCO) "S.A.E."	99.449%	99.449%
Egyptian Vehicles Manufacturing Co. (Ghabbour Egypt) "S.A.E."	99.528%	99.528%
Ghabbour Continental Trading Co. (GCT) –Alex "S.A.E."	100%	100%
GB Polo Buses Manufacturing "S.A.E."	51%	51%
Almora Recourses Co. "B.V.I."	100%	100%
Haram Transportation Co. "S.A.E."	99%	99%
GB Company for financial lease "S.A.E."	100%	100%
Haram for transpiration Tourism "S.A.E."	100%	100%
GB Allab Company	66.20%	66.20%
Masters Automotive Company "S.A.E."	75%	75%
Microfinance consultancy Services (Mashro'ey) "S.A.E."	80%	80%
Almajmoa Alalamia; Litijaret Alsaierat (GK)	50%	50%
GB Logistics "S.A.E."	99.98%	99.98%
GB Capital "S.A.E."	99%	99%
Gulf Company	100%	100%
Drive Automotive "S.A.E."	90%	90%
Drive Finance "S.A.E."	76%	76%
Ghabbour Al Qalam	68%	68%
GB Global Company	100%	100%
GBR Company	54%	54%
GBR Services Company	48.80%	48.80%
Egypt Auto Mall Company "S.A.E."	99%	99%
GB El Bostan	60%	60%
Ghabbour general trade	25%	25%
Egypt Tires Market "S.A.E."	90%	90%
Pan African Company "S.A.E."	100%	100%
Tires & more Company "S.A.E."	100%	100%
Suez canal logistic services Co. "S.A.E."	100%	100%
GB Automotive manufacturing Co. "S.A.E."	100%	100%
Ready Parts for automotive spare parts "S.A.E."	100%	100%
GB Light transport manufacturing company (GB LTMC) "S.A.E."	100%	100%
Tasaheel Microfinance company ((Tasaheel)) "S.A.E."	90%	90%
GB for heavy truck and construction equipment trading "S.A.E"	100%	100%

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

32- Capital commitments

The capital contractual expenditure of the Group at the consolidated interim financial statements date reached EGP 243 126 (EGP 229 257 as at December 31, 2015) represented in the amount to be paid upon the completion of the new production lines under construction and other branches across the country.

33- Contingent liabilities

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

	March 31, 2016	December 31, 2015
USD	1 029 089	727 445
EGP	163 721	153 301
Japanese Yen	-	207
Euro	203	2 569
SEK	14 190	-

34- Related party transactions

The subsidiaries have current accounts with related parties which include all payments made on behalf of or through the subsidiaries. The subsidiaries collect and pay these amounts regularly.

Balances due from and to relate parties are as follows:

Due from related parties	March 31, 2016	December 31, 2015
GB Trade-In Co.	1 477	1 477
GB For Import And Export	14 011	13 196
Itamco for import and export	1 891	2 582
Al Watania for Vehicles Accessories and spare parts	4 839	4 725
Al Watania for tires import	1 875	2 296
Itamco agriculture development	2 001	134
El Bostan Holding	59 362	52 342
SARL SIPAC – Algeria	9 213	8 302
Kassed Shareholders' Current Account	3 815	-
EL-Nabateen Shareholders' Current Account	1 303	1 149
	99 787	86 203

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

34- Related party transactions (Continued)

Due to related parties	March 31, 2016	December 31, 2015
Marco Polo Company	24 386	21 203
Executive directors	690	474
Kassed Shareholders' Current Account	-	31 694
EQI	1 564	-
El-Qalam Shareholders' Current Account	2 156	9 033
	28 796	62 404

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

Related party name	Relation type	Transaction nature	Transaction amount	
			March 31, 2016	March 31, 2015
Executive Directors	Board of director members	Cash transfers	(6 926)	(1 073)
	Board of director members	Top management salaries	6 710	5 337
El Bostan Holding	Shareholder in one of the subsidiaries	Cash transfers	7 019	10 815
EQI	Shareholder in one of the subsidiaries	Dividends	1 564	-
GB Trade-In Co.	Shareholder in one of the subsidiaries	Cash transfers	-	1
GB for import and export.	Related Party	Cash transfer	815	-
Al Watania for Vehicles Accessories and spare parts	Related Party	Cash transfer	114	-
SARL SIPAC – Algeria	Related Party	Cash transfer	911	-
Kassed Shareholders' current account	Shareholder in one of the subsidiaries	Cash transfers	35 509	367
Itamco agriculture development	Related Party	Cash transfers	1 867	-
El- Qalam Shareholder current account	Shareholder in one of the subsidiaries	Cash transfers	6 876	4 399
El-Nabateen Shareholders' current account	Shareholder in one of the subsidiaries	Cash transfers	154	281
Marco Polo Company	Shareholder in one of the subsidiaries	Cash transfers	3 184	1 915
Itamco for Import and Export	Related Party	Cash transfers	691	-
Al Watania For Tires Import	Related Party	Cash transfers	421	-
GK Auto Shareholder current account	Shareholder in one of the subsidiaries	Cash transfers	-	3 774

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies

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

A- Business combination

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

1) Subsidiaries

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

2) Non-controlling interests

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

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

3) Loss of control

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

4) Transaction elimination on consolidation

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

B- Foreign currency

1) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

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

2) Foreign Operations

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

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

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

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

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

C- Discontinued operation

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

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

C- Discontinued operations (Continued)

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

D- Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contractual obligations have been met. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

1) Sales – wholesale and showrooms

Sales of goods are recognised when a Group entity has delivered products to the wholesaler, the wholesaler has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been delivered either in the Group entity warehouse or in the wholesalers' locations depending on the agreements. Accordingly, the risks and benefits have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made on a short credit term basis.

2) Sales – retail and Companies

The Group operates a chain of showrooms for selling, and sales of goods are recognised when a Group entity has delivered

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

3) Sales of services – maintenance

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

D- Revenue (Continued)

4) Financial Lease Contracts

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

5) Interest income

Interest income is recognized on a time proportion basis, as it accrues using the effective interest rate method. When an impairment exists in the debit balances resulting from recognizing the interest, hence the book value is reduced to the value expected to be collected.

6) Dividend income

Dividend income is recognised when the right to receive payment is established.

E- Employee benefit

1) Short – term employee benefits

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

2) Share – based payment arrangements

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

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

3) Define contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group pays contributions to the Public Authority for Social Insurance for their employees based on the rules of the social insurance law no 79 for the year 1975. The employees and employers contribute under this law with a fixed percentage of wages. The Group's commitment is limited to the value of their contribution. And the Group's contribution amount expensed in profits and losses according to accrual basis.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

E- Employee benefit (Continued)

4) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted - before tax – to reflect the time value of money.

F- Finance income and finance costs

The Group's finance income and finance costs include:

- interest income.
- interest expense.
- Foreign currency gains or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

G- Income Tax

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

1) Current income tax

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

2) Deferred tax

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

Deferred tax is not recognised for:

- 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:
 - a. A business combination.
 - b. And not affects neither accounting nor taxable profit or loss.

Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

G- Income Tax (Continued)

2) Deferred income tax (Continued)

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

H- Inventories

Inventories are valued at cost or net realisable value whichever is lower. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate share of production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

I- Property, plant and equipment

1) Recognition and measurement

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

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

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

2) Subsequent expenditure

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

3) Depreciation

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

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

I- Property, plant and equipment (Continued)

3) Depreciation (Continued)

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

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

4) Reclassification to investment property

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

5) Project under construction

The projects under construction recognized at cost. All expenses related to cost includes direct and necessary to prepare the asset to the state that is ready to use and in the purpose for which it was acquired for. The asset transferred from projects under construction to fixed assets when it is completed and ready to use.

J- Intangible assets and goodwill

1) Recognition and measurement

I. Goodwill:

Arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

II. Other intangible assets:

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

III. Computer software

Costs associated with developing or maintenance of computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate future economic benefits beyond one year, are recognised as intangible assets.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

J- Intangible assets and goodwill (Continued)

1) Recognition and measurement (Continued)

III. Computer software (Continued)

Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Expenditure to acquire computer software is capitalized and included as an intangible asset. Computer software costs recognised as assets are amortised using the straight-line method over their useful lives and not exceeding a year of 3 years.

IV. Knowhow

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

2) Subsequent expenditure

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

3) Amortization

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

Goodwill is not amortised.

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

K- Investment property

Investment property is property held by the Group for rental or rise in value, or both and initially measured at cost and subsequently at cost less accumulated depreciation and impairment, and recognize in profit and loss the depreciation expenses and impairment losses.

The depreciation of investment property calculated using (straight-line method) over their estimated useful lives for each type of investment property, land is not depreciated.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

L- Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for- sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

L- Assets held for sale (Continued)

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies.

Impairment losses on initial classification as held-for-sale or held-for- distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

M- Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

1) Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

M- Financial instruments (Continued)

2) Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

3) Non-derivative financial liabilities – Measurement

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

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

N- Share capital

1) Ordinary Shares

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

N- Share Capital (Continued)

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

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

O- Impairment

1) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity- accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

O- Impairment (Continued)

1) Non-derivative financial assets (Continued)

Financial assets measured at amortised cost (Continued)

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses which have been recognized previously in OCI and the accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or Impairment loss.

losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

Equity-accounted investees

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

2) Non-financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

O- Impairment (Continued)

2) Non-financial assets (Continued)

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed in the subsequent period. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised in previous periods.

P- Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

1) Warranties

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

2) Legal Claims

The recognition of the provision for legal claims when there are legal claims against the Group and after receiving appropriate legal advice.

3) Other Provisions

Provisions are recognized when there are other expected claims from third parties with respect to the activities of the Group and, according to the latest developments and discussions and agreements with those parties.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

Q- Leases

1) Financial lease

For leases within the scope of Law 95 of 1995, lease costs including maintenance expense of leased assets are recognized in income statement in the period incurred. If the Company elects to exercise the purchase option on the leased asset, the option cost is capitalised as property, plant, and equipment and depreciated over their expected remaining useful lives on a basis consistent with similar assets.

Other finance leases that do not fall under the scope of Law 95 for 1995, or fall within the scope of Law 95 of 1995 but do not fall under the scope of EAS No.20 (Accounting Principles and Standards Attributable to Finance Lease). also in case the company will sale property, plant and equipment and leasing it back the asset is capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest charge on the outstanding finance cost balance. The finance lease obligations, net of finance charges, are classified as liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant rate of interest over the remaining balance of the liability for each period. Assets acquired under this type of finance lease are depreciated over the shorter of the useful life of the assets or the lease term.

Gains arising from the excess of the collected payments over the book value of the non-current assets that are being sold and leased back through finance leases are deferred and amortized over the lease term.

2) Operational lease

Lease payments under an operating lease, excluding any incentives received from the lessor over the contract period, shall be recognized as an expense charged to the statement of income for the year on a time pattern basis and accrued base.

R- Segmental Reports

A segment is a group of related assets and operations that are subject to risks and returns that are different from those of other sectors or within a single economic environment subjects to risks and returns that relate to it, other than those relate of segments operating in a different economic environment.

S- Dividends

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

T- Comparative figures

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

35- Significant accounting policies (Continued)

U- New Issues and Amendments issued to the Egyptian Accounting Standards (EAS) and it have been applied from January 01, 2016.

During the year 2015, a modified version of the Egyptian Accounting Standards (EAS) was issued including some of the new accounting standards and the amendments to some existing standards provided that they shall come into force for the financial periods that start after January 1, 2016, while taking into consideration that the early implementation of these standards is not permissible.

In the following table, we shall represent the most significant amendments that have been applied on the financial statements on March, 31 2016 of the company at the beginning of the implementation thereof:

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<u>EAS (1)</u> Presentation of Financial Statements	<p><u>Financial Position Statement</u></p> <ul style="list-style-type: none"> The Standard does not require to present the working capital presentation. The reference financial statements that was included in 2006 Standards was excluded; which presented the working capital presentation. A statement shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the entity. <p><u>Income Statement (Profit or Loss)/ and Statement of Comprehensive Income</u></p> <p>The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (<i>Income Statement</i>) and the other one starts with the profit or loss and presents the other comprehensive income items (<i>Statement of Comprehensive Income</i>).</p>	<ul style="list-style-type: none"> Re-presenting all the presented financial statements, disclosures and their accompanying notes including the comparative figures to be in conformity with the required amendments to the Standard. Adding a new statement, <i>Statement of Comprehensive Income</i>, for the current and comparative period.
<u>EAS (10)</u> Property, Plant and Equipment (PPE) and its depreciations	<ul style="list-style-type: none"> The option of using the revaluation model in the subsequent measurement of PPE has been canceled. 	<p>The amendment does not apply retroactively, and the carrying amounts in the transitional date is the cost and the accumulated depreciation at the beginning of the application of this revised standard.</p>

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016

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

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
	<ul style="list-style-type: none"> • The financial shall disclose a movement of the PPE and its depreciations in the notes accompanying the financial statements at the beginning and the end of the current period and the comparable period. • The strategic (major) spare parts and stand-by equipment can be classified as PPE when the entity expects to use them for more than one period (when the definition of PPE applies thereto). 	<p>It has been re-presenting the comparative figures related to the PPE in the notes accompanying the financial statements to be in conformity with the required amendments on the standard.</p>
<u>EAS (23)</u> Intangible Assets	The option of using the revaluation model in the subsequent measurement of intangible assets has been canceled.	<p>The amendment on the standard has no impact on the figures presented in the financial statements.</p>
<u>Egyptian Standard No. (45)</u> Fair Value Measurement	<p>The new Egyptian Accounting Standard No. (45) “Fair Value Measurement” was issued and shall be applied when another Standard requires or allows measurement or disclosure to be made at fair value.</p> <p>This Standard aims the following:</p> <ol style="list-style-type: none"> (a) Defining the fair value (b) Laying down a framework to measure the fair value in one Standard and (c) Identifying the disclosure required for the fair value measurements. 	<p>The standard has been applied prospectively in the preparation of interim financial statements in March 31, 2016, including the disclosure contained in this standard requirements.</p>
<u>Egyptian Standard No. (29)</u> Business Combination	<p>The purchase method was cancelled and replaced by the acquisition method; as results:</p> <ol style="list-style-type: none"> 1- Changing the acquisition cost to become the cash consideration transferred; and to be measured at fair value at the acquisition date. 2- Contingent consideration: the fair value of the contingent consideration shall be recognized at the acquisition date as a part of consideration transferred. 3- Changing the method of measuring goodwill in case of Step acquisition is made. <ul style="list-style-type: none"> • The transaction cost (the cost related to the acquisition): Shall be charged to the Income Statement as an expense in the period in which the costs incurred it and shall not be added to the cash consideration transferred; except for the costs of issuing equity instrument or debt instruments directly related to the acquisition process. 	<p>This amendment Standard applied for all business combination which its acquisition date on or after the beginning of January 2016, therefore no adjustment made for assets and liabilities which arising from business combination acquired before the beginning of January 2016.</p>

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016

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

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<u>Egyptian - Standard No. (42):</u> The Consolidated Financial Statements	<ul style="list-style-type: none"> • The new Egyptian Accounting Standard No. (42) "<i>The Consolidated Financial Statements</i>" was issued and accordingly Egyptian Accounting Standard No. (17) "<i>The Consolidated and Separate Financial Statements</i>" has changed to become "<i>The Separate Financial Statements</i>". Pursuant to the new Egyptian Accounting Standard No. (42) "<i>The Consolidated Financial Statements</i>" <p>The control model has changed to determine the investee entity that must be consolidated.</p> <ul style="list-style-type: none"> • Accounting for the changes in the equity of the parent company in a subsidiary which don't lead to loss of control are accounted for as transactions of equity. • Any Investment quotes retained in a former subsidiary re-measured at fair value at the date when control is lost and recognize any resulting difference in the Income Statement. • In case of losses applicable to the Non-Controlling Interest "NCI" in a subsidiary are more than its share in equity including all component of Other Comprehensive Income are allocated to the owners of the holding entity and the NCI even if this causes the NCI to have a deficit balances. 	<p>There is no impact to the comparative figures in the financial statements.</p> <p>This amendment doesn't apply retroactively</p>
<u>Egyptian Standard No.(43):</u> Joint Arrangements	<ul style="list-style-type: none"> • The new Egyptian Accounting Standard No. (43) "<i>Joint Arrangements</i>" was issued and accordingly Egyptian Accounting Standard No. (27) "<i>Interests in Joint Ventures</i>" was replaced. • According to the new Egyptian Accounting Standard No. (43) "<i>Joint Arrangements</i>" a new model for the joint arrangements was laid down in order to classifies and determine their kind whether (Joint Venture) or (Joint Operation). <p>As such, action depends on the substance of the arrangement and not only its legal form.</p> <ul style="list-style-type: none"> • In case the arrangement is classified as a joint venture, each party of the arrangement parties shall account for that investment using the equity method only (as the proportionate consolidation method was eliminated) whether in the Consolidated or separate Financial Statements issued thereby. 	<p>There is no impact to the presented financial statements figures upon these amendments.</p>

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016

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

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<u>Egyptian Standard No. (18): Investments in Associates</u>	<p>The accounting treatment of the joint ventures shall be added to this standard, accordingly the Investments in associates and joint ventures shall be accounted for that investments using the equity method in the Consolidated and Individual Financial Statements.</p> <ul style="list-style-type: none"> • The entity shall discontinue to use the Equity method from the date when its investment ceases to be an associate or a joint venture provided that the retained interest shall be re-measured using the fair value and the difference shall be recognized in the Income Statement. • If an investment in an associate becomes an investment in a joint venture or vice versa, the entity continues to apply the Equity Method and does not re-measure the retained Interest. • If an entity's ownership interest in an associate or a joint venture reduced, but the entity continues to apply the Equity Method, the entity shall reclassify to profit or loss the proportions of the gain or loss that previously been recognized in OCI relating to that reduction in Ownership interest. 	<p>There is no impact to the presented financial statements figures upon these amendments.</p> <p>There is no impact to the presented financial statements figures upon these amendments.</p>
<u>Egyptian Standard No. (44): Disclosure of Interests in Other Entities</u>	<ul style="list-style-type: none"> • A new Egyptian Accounting Standard No. (44) "Disclosure of Interests in Other Entities" was issued in order to comprise all the required disclosures pertaining to the investments in subsidiaries, associates, joint arrangements, and the unconsolidated Structured Entities. • The objective of this standard is to comply the entity to disclose the information that enable users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance, and cash flows. 	<p>There is no impact to the presented financial statements figures upon these amendments.</p>

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016

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

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<u>EAS (34)</u> Investment Property	The option of using the fair value model in the measurement after recognition of the Property Investment has been canceled.	The fair value of the investment at the beginning of the application of this standard (the date of transition to cost model) is the cost of that investment, for the purposes of subsequent accounting treatment.
<u>EAS (14)</u> Borrowing Costs	Elimination of the previous benchmark treatment that recognized the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the Income Statement without being capitalized on the asset.	There is no impact to the presented financial statements figures upon these amendments.
<u>EAS (38)</u> Employee Benefits	<u>Actuarial Gains and Losses</u> <ul style="list-style-type: none"> • All the accumulated actuarial gains and losses shall be immediately recognized as part of the defined benefit liabilities and charged to the other Comprehensive Income items. <u>The Cost of Past Service</u> An entity shall recognize past service cost as an expense at the earlier of the following dates: (a) When the plan amendment or curtailment occurs; and (b) When the entity executes a significant restructuring plan; it should recognize the related restructuring costs that include paying the termination benefits (Provisions Standard).	There is no impact to the presented financial statements figures upon these amendments.
<u>EAS (41)</u> Operating Segments	EAS 33 “Segment Reports” has been replaced with EAS (41) “Operating Segments”. Accordingly, the disclosure and the volume of the required disclosures that the Segment Reports must disclose on; mainly depends on the Segments information presented to Chief Operating Decision Maker (CODM) of the entity to make decisions on the resources that must be allocated to the segment and assess its performance.	Re-presenting the information corresponding to the earlier periods including the interim periods.

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2016

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

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<u>EAS (25)</u> Financial Instruments: Presentation	<p>Any financial instrument with a resale right shall be classified as an equity instrument instead of classifying it as a financial liability; if it meets the conditions in accordance with the paragraphs (16 A or 16 b) or paragraphs (16 c and 16 d) of the same Standard, from the date the instrument has all the features and meets all the conditions set out in those paragraphs.</p> <p>An entity shall re-classify the financial instrument from the date the instrument ceases to have all the features or meet all conditions set out in those paragraphs.</p>	There is no impact to the presented financial statements figures upon these amendments.
<u>EAS (40)</u> Financial Instruments: Disclosures	<ul style="list-style-type: none"> • A new Egyptian Accounting Standard No. (40) "<i>Financial Instruments: Disclosures</i>" was issued including all the disclosures required for the financial instruments. • Accordingly, EAS (25) was amended by separating the disclosures from it. The name of the Standard became "<i>Financial Instruments: Presentation</i>" instead of "Financial Instruments: Presentation and Disclosure" 	Retroactive amendment to all the comparative figures of the presented disclosures carried out.