Translation from Arabic

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

Consolidated Interim Financial Statements
For The Financial Period Ended September 30, 2017

And Limited Review Report

kpmg Hazem Hassan
Public Accountants & Consultants

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GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim statement of financial position
as at September 30, 2017

(All amounts in thousand Egyptian Pound)	Note	30 September 2017	31 December 2016
Assets			
Non-current assets			
Property, plant, equipment and projects under construction (Net)	(15)	5 282 023	4 898 939
Intangible assets and goodwill	(16)	436 013	437 208
Payments Under Investments		5 728	5 500
Notes receivables (Net)	(11)	924 561	756 751
Deferred tax assets	(9-B)	330 853	159 355
Investment property	(17)	90 906	91 512
Debit balances		33 389	24 110
Total non-current assets		**7 103 473**	**6 373 375**
Current assets			
Inventories (Net)	(10)	3 807 449	5 820 482
Accounts and notes receivables (Net)	(12)	3 179 094	2 363 801
Debtors and other debit balances (Net)	(13)	1 599 801	1 208 354
Due from related parties	(33)	121 736	105 516
Cash on hand and at banks	(14)	987 055	1 225 300
Total current assets		**9 695 135**	**10 723 453**
Total assets		**16 798 608**	**17 096 828**
Equity			
Issued and paid in capital	(18)	1 094 010	1 094 010
Shares held by the group	(19)	-	(26 506)
Legal reserve	(20)	318 464	311 125
Other reserves	(21)	2 425 027	2 548 975
Retained earnings		(85 312)	759 762
Net (Loss) for the period /year		(444 309)	(865 656)
Equity attributable to owners of the company		**3 307 880**	**3 821 710**
Non-controlling interests	(22)	1 148 485	1 169 638
Total equity		**4 456 365**	**4 991 348**
Liabilities			
Non-current liabilities			
Loans	(24)	2 421 798	1 663 490
Notes payables and creditors	(27)	258	-
Warranty provisions	(26)	45 670	49 174
Deferred revenues		82 430	21 142
Deferred tax liabilities	(9-B)	182 941	164 389
Total non-current liabilities		**2 733 097**	**1 898 195**
Current liabilities			
Provisions	(26)	176 671	161 891
Current tax liabilities	(9-A)	101 094	98 115
Loans, borrowings and overdrafts	(24)	7 116 891	7 068 619
Due to related parties	(33)	77 081	70 710
Trade payables and other credit balances	(25)	2 137 409	2 807 950
Total current liabilities		**9 609 146**	**10 207 285**
Total liabilities		**12 342 243**	**12 105 480**
Total equity and liabilities		**16 798 608**	**17 096 828**

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

Group Finance Director	Chief Financial Officer and Board of Director Member	Chairman and Managing Director
Abbas Elsayed	**Mostafa Ahmed Elmahdi**	**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 September 30, 2017

(All amounts in thousand Egyptian Pound)	Note	The Nine months ended September 30, 2017	The Nine months ended September 30, 2016	The Three months ended September 30, 2017	The Three months ended September 30, 2016
Continuing operations					
Revenue		12 172 915	11 174 866	5 032 249	4 321 440
Cost of revenue		(10 718 008)	(9 620 207)	(4 550 683)	(3 776 438)
Gross profit		**1 454 907**	**1 554 659**	**481 566**	**545 002**
Other income		106 447	28 653	41 666	10 499
Selling and marketing expenses		(440 601)	(315 026)	(145 555)	(110 523)
General and administrative expenses		(512 990)	(397 693)	(196 107)	(141 937)
Provisions and Impairment of Current and Non-Current assets (Net)	(7)	(89 422)	(40 381)	(32 516)	(13 469)
Impairment of Non-Current assets held for sale		12 805	21 229	12 805	25 669
Investment Losses		-	(10 862)	-	(10 862)
Operating results		**531 146**	**840 579**	**161 859**	**304 379**
Finance costs (Net)	(6)	(1 081 715)	(574 027)	(343 080)	(244 761)
Net (Loss) / profit for the period before income tax		**(550 569)**	**266 552**	**(181 221)**	**59 618**
Income tax - benefit \ (expense)	(9-C)	75 103	(81 656)	40 083	(12 598)
Net (Loss) / Profit for the period		**(475 466)**	**184 896**	**(141 138)**	**47 020**
Attributable to:					
Owners of the company		(444 309)	192 355	(138 856)	39 418
Non-controlling interests		(31 157)	(7 459)	(2 282)	7 602
		(475 466)	**184 896**	**(141 138)**	**47 020**
Basic (Loss) / earnings per (share/ EGP)	(8)	**(0.406)**	**0.180**	**(0.127)**	**0.037**

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GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim statement of comprehensive income
for the financial period ended September 30, 2017

(All amounts in thousand Egyptian Pound)	The Nine months ended September 30, 2017	The Nine months ended September 30, 2016	The Three months ended September 30, 2017	The Three months ended September 30, 2016
Net (Loss) / Profit for the period after income tax	(475 466)	184 896	(141 138)	47 020
Other comprehensive income items				
Foreign currency translation difference	22 588	196 718	(75 005)	(882)
Modification surplus of fixed assets result	(107 120)	-	(12 890)	-
Total other comprehensive income for the period before income tax	**(84 532)**	**196 718**	**(87 895)**	**(882)**
Income tax Related to other comprehensive income item	20 570	-	322	-
Other comprehensive income for the period after income tax	**(63 962)**	**196 718**	**(87 573)**	**(882)**
Total other comprehensive income for the period	**(539 428)**	**381 614**	**(228 711)**	**46 138**
Other comprehensive income is attributable to:				
Owners of the company	(519 451)	316 443	(193 685)	40 316
Non-controlling interests	(19 977)	65 171	(35 026)	5 822
	(539 428)	**381 614**	**(228 711)**	**46 138**

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GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim statement of Shareholders Equity
for the financial period ended September 30, 2017

30 September 2017	**Attributed to owners of the company**											
(All amounts in thousand Egyptian Pound)	**Share capital**	**Shares held by the group**	**Legal reserve**	**Foreign currency translation reserve**	**ESOP (Fair value) reserve**	**Surplus Revaluation of fixed assets reserve**	**Share premium (Special reserve)**	**Retained earnings**	**Net losses for the period / year**	**Total**	**Non-Controlling interests**	**Total equity**
Balance at 31 December 2016	**1 094 010**	**(26 506)**	**311 125**	**1 235 511**	**86 440**	**259 585**	**967 439**	**759 762**	**(865 656)**	**3 821 710**	**1 169 638**	**4 991 348**
Transferred to retained earnings	-	-	-	-	-	-	-	(865 656)	865 656	**-**	-	**-**
Total comprehensive income												
Net (loss) for the period	-	-	-	-	-	-	-	-	(444 309)	**(444 309)**	(31 157)	**(475 466)**
Modification surplus of fixed assets after income tax	-	-	-	-	-	(86 550)	-	36 995	-	**(49 555)**	-	**(49 555)**
Other comprehensive income items	-	-	-	11 408	-	-	-	-	-	**11 408**	11 180	**22 588**
Total comprehensive income	**-**	**-**	**-**	**11 408**	**-**	**(86 550)**	**-**	**36 995**	**(444 309)**	**(482 456)**	**(19 977)**	**(502 433)**
Transactions with owners of the company												
Results of sale of shares held by the group	-	26 506	-	-	-	-	(50 638)	-	-	**(24 132)**	-	**(24 132)**
Change of non-controlling interests without changing in control	-	-	-	-	-	-	-	(5 874)	-	**(5 874)**	5 874	**--**
Dividends	-	-	-	-	-	-	-	(3 200)	-	**(3 200)**	(8 800)	**(12 000)**
ESOP fair value	-	-	-	-	1 832	-	-	-	-	**1 832**	-	**1 832**
Capital increase	-	-	-	-	-	-	-	-	-	**-**	1 750	**1 750**
Transferred to Legal reserve	-	-	7 339	-	-	-	-	(7 339)	-	-	-	-
Total Transactions with owners of the company	**-**	**26 506**	**7 339**	**-**	**1 832**	**-**	**(50 638)**	**(16 413)**	**-**	**(31 374)**	**(1 176)**	**(32 550)**
Balance at Sep 30, 2017	**1 094 010**	**-**	**318 464**	**1 246 919**	**88 272**	**173 035**	**916 801**	**(85 312)**	**(444 309)**	**3 307 880**	**1 148 485**	**4 456 365**

* 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 September 30, 2017

30 September 2016

(All amounts in thousand Egyptian Pound)	Attributed to owners of the company											
	Share capital	**Shares held by the group**	**Legal reserve**	**Foreign currency translation reserve**	**ESOP (Fair value) reserve**	**Surplus Revaluation of fixed assets reserve**	**Share premium (Special reserve)**	**Retained earnings**	**Net profit for the period / year**	**Total**	**Non-Controlling interests**	**Total equity**
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 / (Loss) for the period	-	-	-	-	-	-	-	-	192 355	**192 355**	(7 459)	**184 896**
Other comprehensive income items	-	-	-	124 088	-	-	-	-	-	**124 088**	72 630	**196 718**
Total other comprehensive income	-	-	-	**124 088**	-	-	-	-	**192 355**	**316 443**	**65 171**	**381 614**
Transactions with owners of the company												
Dividends	-	-	-	-	-	-	-	(43 066)	-	**(43 066)**	(12 169)	**(55 235)**
Change of non-controlling interests without changing in control											(5 929)	**(5 929)**
ESOP fair value	-	-	-	-	13 997	-	-	-	-	**13 997**	-	**13 997**
Capital increase	-	-	-	-	-	-	-	-	-	-	8 000	**8 000**
Transferred to Legal reserve	-	-	14 555	-	-	-	-	(14 555)	-	-	-	-
Total Transactions with owners of the company	-	-	**14 555**	-	**13 997**	-	-	**(57 621)**	-	**(29 069)**	**(10 098)**	**(39 167)**
Balance at June 30, 2016	**1 094 010**	**(26 506)**	**311 125**	**239 363**	**81 774**	**2 498**	**967 439**	**759 762**	**192 355**	**3 621 820**	**663 733**	**4 285 553**

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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 September 30, 2017

(All amounts in thousand Egyptian Pound)	Note	The Nine months ended 30 September 2017	30 September 2016
Cash flows from operating activities			
Net (loss) / profit for the period before tax		(550 569)	266 552
Adjustments for:			
Interest expense		916 368	402 494
Depreciation and amortization for the period	(16،15)	317 023	231 119
Provisions movements (net)	(26)	47 373	25 430
Impairment losses on current assets (net)		(24 709)	(4 593)
Impairment of Non-Current assets held for sale		-	(21 229)
ESOP fair value		1 832	13 997
Interest income	(6)	(27 230)	(19 257)
Loans capitalized interest		(24 568)	(9 305)
Foreign currency translation losses (Unrealized)		4 115	-
Loss from sales of shares held by the group	(19)	(50 638)	-
Gain from sales of investment properties		(344)	-
Gain from sale of property, plant, equipment and assets held for sale		(39 233)	(2 405)
		569 420	**882 803**
Changes in:			
Inventories		2 069 736	(501 328)
Accounts and notes receivables		(845 749)	(926 721)
Debtors and other debit balances		(392 690)	1 527
Due from related parties		(35 550)	(54 790)
Due to related parties		6 371	(24 203)
Trade payables and other credit balances		(643 102)	(21 383)
Cash generated from \ (used in) operating activities		**728 436**	**(644 095)**
Provisions used		(33 834)	(23 194)
Income tax paid		(54 278)	(62 896)
Dividends paid		(12 000)	(55 235)
Net cash generated from \ (used in) operating activities		**628 324**	**(785 420)**
Cash flows from investing activities			
Acquisition of property, plant, equipment and projects under constructions		(1 011 277)	(1 173 654)
Acquisition of intangible assets		(2 332)	(2 422)
Interest income received		19 194	14 969
Paid under Investment		(229)	
Proceeds from sale of property, plant, equipment and assets held for sale		140 307	189 390
Net cash used in investing activities		**(854 337)**	**(971 717)**
Cash flows from financing activities			
Proceeds from non controlling interest to increase capital of subsidiaries		1 750	2 071
Proceeds from sales of shares held by the group		77 144	-
Proceeds from loans and borrowings		770 345	1 538 182
Long-Term notes payable		258	-
Interest paid		(851 250)	(374 830)
Net cash used in financing activities		**(1 753)**	**1 165 423**
Net decrease in cash and cash equivalents		**(227 766)**	**(591 714)**
Cash and cash equivalents at the beginning of the period		1 225 300	1 188 704
Effect of movements in exchange rates on cash and cash equivalents held		(10 479)	158 590
Cash and cash equivalents at end of the period	(14-B)	**987 055**	**755 580**

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

1- Reporting entity

GB Auto Co. 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 55.51% of the Company's shares as at September 30, 2017.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on November 6, 2017.

2- Basis of preparation of consolidated financial statements

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

The Company's management adopted the special accounting treatment stated in annex (A) of the modified Egyptian Accounting Standard no. (13) as amended in 2015, "The Effects of Changes in Foreign Exchange Rates" issued on 7 February 2017 by the Minister of Investment Decision No. (16) of 2017, whereby both the cost and accumulated depreciation of some fixed assets categories are modified using modification factors which are stated in the above- mentioned annex.

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

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

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:

Reportable segment	Operations
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.

(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.

A- Total Revenue

	September 30, 2017	September 30, 2016
Passenger car	57%	63.1%
Buses and trucks	7.4%	8.2%
2 & 3 Wheels	14.3 %	13.3%
Other Operations	21.3%	15.4%

B- Revenue from foreign operations

	September 30, 2017	September 30, 2016
Passenger car	29.5%	10.9%
2 & 3 Wheels	6.7%	1.1%
Other Operations	4.1%	3.7%

C- Segments results

	September 30, 2017	September 30, 2016
Passenger car	33.19%	51.8%
Buses and trucks	11.26%	9.7%
2 & 3 Wheels	14.86%	14.9%
Other Operations	40.69%	23.6%

D- Assets

	September 30, 2017	September 30, 2016
Passenger car	42.6%	43.9%
Buses and trucks	19.4%	22.3%
2 & 3 Wheels	3.6%	4.3%
Other Operations	34.4%	29.5%

E- Liabilities

	September 30, 2017	September 30, 2016
Passenger car	47.8%	52.6%
Buses and trucks	14.3%	16.7%
2 & 3 Wheels	6.1%	3%
Other Operations	31.7%	27.6%

(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

	September 30, 2017	September 30, 2016
Revenues		
Total revenues for reportable segments	13 406 104	12 876 444
Elimination of inter-segment revenue	(1 233 189)	(1 701 578)
Consolidated Revenue	**12 172 915**	**11 174 866**
Segments result		
Gross profit for reportable segment	1 388 185	1 529 498
Elimination of inter-segment gross profit	66 722	25 161
Consolidated Gross Profit	**1 454 907**	**1 554 659**
Assets		
Total assets for reportable segments	30 812 044	26 386 491
Elimination inter-segment assets	(14 013 436)	(13 166 262)
Total Consolidated Assets	**16 798 608**	**13 220 229**
Liabilities		
Total Liabilities for reportable segments	20 821 076	17 670 760
Elimination inter-segment Liabilities	(8 478 833)	(8 736 084)
Total Consolidated Liabilities	**12 342 243**	**8 934 676**

G- Other martial amounts

	Total reportable segment	Adjustments	Total consolidated September 30, 2017
Finance income	75 508	(48 278)	**27 230**
Interest expense and Bank Charges	(914 625)	(67 157)	**(981 782)**
Capital expenditure	2 098 679	(547 354)	**1 551 325**
Depreciation and amortization	330 152	(13 400)	**316 752**

	Total reportable segment	Adjustment	Total consolidated September 30, 2016
Interest income	33 830	(14 573)	**19 257**
Interest expense and Bank Charges	(436 829)	(8 630)	**(445 459)**
Capital expenditure	1 536 721	-	**1 536 721**
Depreciation and amortization	231 119	-	**231 119**

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

6- Finance Costs

	September 30, 2017	September 30, 2016
Interest income	21 701	16 817
Interest income on installment sales	5 529	2 440
Total Finance Income	**27 230**	**19 257**
Interest expense and bank charges	(981 782)	(445 459)
Foreign exchange differences	(127 163)	(147 825)
Total Finance Cost	**(1 108 945)**	**(593 284)**
Net Finance Cost	**(1 081 715)**	**(574 027)**

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

Provisions no longer required

	September 30, 2017	September 30, 2016
Reversal impairment of accounts and notes receivables, debtors and other debit balances.	12 758	2 247
Litigation provision	-	23
Other Provisions	47	-
Total provisions no longer required	**12 805**	**2 270**

Provisions formed

	September 30, 2017	September 30, 2016
Warranty provision	(14 383)	(12 720)
Impairment of accounts and notes receivable, debtors and other debit balances	(26 076)	(17 201)
Impairment of due from related parties	(16 510)	-
Litigation provision	-	(520)
Other provisions	(32 453)	(12 210)
Total provisions formed	**(89 422)**	**(42 651)**
Net provisions in the income statement	**(76 617)**	**(40 381)**

- The movement of current and non-current assets impairment represented as follow:

	Balance at 1/1/2017	Impairment during the period	Used during the period	Reversal of Impairment during the period	Effect of movements of exchange rates	Balance at 30/9/2017
Impairment of Accounts & Notes receivable	379 729	26 076	(74)	(12 758)	(5 480)	387 493
Impairment of due from related parties	-	16 510	-	-	(320)	16 190
Impairment of Debtors & Other debit balances	7 907	-	-	-	-	7 907
	387 636	**42 586**	**(74)**	**(12 758)**	**(5 800)**	**411 590**
Impairment of Inventory *	127 124	896	-	(55 433)	(2 166)	70 421
	514 760	**43 482**	**(74)**	**(68 191)**	**(7 966)**	**482 011**

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

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

8- Earnings / (Loss) per share

i. Basic

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

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

	September 30, 2017	September 30, 2016
Net (loss)/profit for the period attributable to the shareholders	(444 309)	192 355
Weighted average number of ordinary shares issued	1 094 010	1 067 504
Basic (loss) / earnings per share/ EGP	**(0.406)**	**0.18**

9- Income tax

A- Income tax liabilities

	September 30, 2017	December 31, 2016
Balance at 1 January	98 115	61 555
Taxes paid during the period / year	(54 278)	(64 275)
Current income tax during the period / year (Note 9-C)	57 273	100 835
Effect of movement of exchange rates	(16)	-
Balance at the end of the period / year	**101 094**	**98 115**

(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	Impairment of Inventory	Warranty Provision	Surplus revaluation of fixed assets	Foreign exchange loss	Total September 30, 2017	Total December 31, 2016
Deferred tax assets									
Balance at 1 January		**11**	**9 872**	**7 455**	**20 019**	**-**	**121 998**	**159 355**	**40 640**
Charged to the income statement		-	298 525	(367)	(4 662)	**-**	(121 998)	**171 498**	**118 715**
Balance at the end of the period / year		**11**	**308 397**	**7 088**	**15 357**	**-**	**-**	**330 853**	**159 355**
Deferred tax liabilities									
Balance at 1 January		(103 226)	-	-	-	(61 163)	-	**(164 389)**	**(82 926)**
Charged to the income statement		(39 122)	-	-	-	-	-	**(39 122)**	**(20 300)**
Charged to Statement of comprehensive income		-	-	-	-	20 570	-	**20 570**	**(61 163)**
Balance at the end of the period / year		**(142 348)**	**-**	**-**	**-**	**(40 593)**	**-**	**(182 941)**	**(164 389)**
Net deferred tax liabilities		**(142 337)**	**308 397**	**7 088**	**15 357**	**(40 593)**	**-**	**147 912**	**(5 034)**
Net									
Balance at 1 January		**(103 215)**	**9 872**	**7 455**	**20 019**	**(61 163)**	**121 998**	**(5 034)**	**(42 286)**
Charged to the income statement	(9-C)	(39 122)	298 525	(367)	(4 662)	-	(121 998)	**132 376**	**98 415**
Charged to Statement of comprehensive income		-	-	-	-	20 570	-	**20 570**	**(61 163)**
Balance at the end of the period / year		**(142 337)**	**308 397**	**7 088**	**15 357**	**(40 593)**	-	**147 912**	**(5 034)**

(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.

	September 30, 2017	December 31, 2016
Impairment of accounts and notes receivables	87 186	85 439
Impairment of other debit balances	1 779	1 779

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

C- Income tax expenses

	September 30, 2017	September 30, 2016
Current income tax for the period (Note 9-A)	(57 273)	(68 978)
Deferred tax – benefit \ (expense) (Note 9-B)	132 376	(12 678)
Income tax for the period	**75 103**	**(81 656)**

D- Amounts recognized in OCI

	September 30, 2017			September 30, 2016		
	Before Tax	Taxes	After Tax	Before Tax	Taxes	After Tax
Foreign Currency translation difference	22 588	-	22 588	196 718	-	196 718
Modification surplus of fixed assets result	(107 120)	20 570	(86 550)	-	-	-
	(84 532)	**20 570**	**(63 962)**	**196 718**	-	**196 718**

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 taxable period of the above-mentioned resolution. 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.

9- Income tax (Continued)

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

On April 6, 2015, ministerial decree No. (2/11) was issued for the year 2015 modifying the Executive regulations of the income tax law issued by ministerial 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 imposing the 5 % temporary tax.
3. Amend the tax on dividends.

On June 18, 2017, the presidential decree for law No. 76 for the year 2017 has been issued to amend the provisions of income tax law No. 91 for the year 2005. this decree shall be in effect from the next day of issuance. The most important changes included in the decree are as follows:
Continue to freeze the work on the provisions of Law No. 53 for the year 2014 to amend the provisions of income tax law No. 91 for the year 2005 related to the tax on the profits of activity in the stock market for three years. and it isn't permissible to collect the tax on the profits of activity in the stock market under the provisions of income tax law No. 53 for the year 2014 referred to except from May 17, 2020, and any right of the country to the mentioned tax and collect it before that date.

10- Inventories

	September 30, 2017	December 31, 2016
Goods in transit	282 412	1 267 505
Cars, buses and trucks	1 435 899	2 876 875
Raw material and car components	1 440 910	1 118 781
Spare parts for sale	486 618	461 464
Work in progress	116 973	92 371
Tires	93 256	106 337
Oils	21 802	24 273
Total	**3 877 870**	**5 947 606**
Impairment of inventory *	(70 421)	(127 124)
Net	**3 807 449**	**5 820 482**

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

11- Long term notes receivables

	September 30, 2017	December 31, 2016
Long-term notes receivable (Note 12)	1 266 155	1 015 981
Interest income on installment sales	(337 191)	(256 483)
Net present value for long-term notes receivable	**928 964**	**759 498**
Impairment of long-term notes receivable	(4 403)	(2 747)
Net	**924 561**	**756 751**

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

12- Accounts and notes receivables

	September 30, 2017	December 31, 2016
Total notes receivable	4 104 688	3 017 124
Long-term notes receivable (Note 11)	(1 266 155)	(1 015 981)
Unamortized interest	(440 443)	(264 933)
Net present value for short-term notes receivable	**2 398 090**	**1 736 210**
Trade receivable	1 164 094	1 004 573
Total	**3 562 184**	**2 740 783**
Impairment of accounts and notes receivable balances	(383 090)	(376 982)
Net	**3 179 094**	**2 363 801**

13- Debtors and other debit balances

	September 30, 2017	December 31, 2016
Advance payments to suppliers	1 060 107	607 101
Withholding tax	210 936	185 815
Sales tax receivable	21 691	82 740
Accrued interest	13 083	7 090
Letters of credit	3 666	83 437
Prepaid expenses	75 943	68 930
Deposits with others	34 237	23 804
Letters of guarantee margin	49 108	56 813
Staff loans and custodies	27 718	23 802
Other debit balances	108 147	74 298
Customs duties	3 072	2 431
Total	**1 607 708**	**1 216 261**
Impairment of debtor and other debit balances	(7 907)	(7 907)
Net	**1 599 801**	**1 208 354**

14- Cash on hand and at banks

A- Cash on hand and at banks

	September 30, 2017	December 31, 2016
Cash on hand and cash at banks	987 055	1 225 300
	987 055	**1 225 300**

B- Cash and cash equivalents

	September 30, 2017	September 30, 2016
Cash on hand and cash at banks	987 055	755 580
	987 055	**755 580**

15 - Property, plant, equipments and projects under construction

	Land and Buildings	Machinery & equipment	Vehicles	IT infrastructures & computers	Fixtures & furniture	Leashold improvements	* Projects under constrction	Total
Cost								
Cost at 1 January 2016	2 360 254	729 137	787 823	124 947	204 069	19 365	289 231	**4 514 826**
Reclassification	-	(188)	-	-	188	-	-	-
Additions during the year	1 070 022	144 967	229 071	14 468	19 606	2 193	201 302	**1 681 629**
Transferred from projects under construction to PP&E and intangible assets	195 053	49 376	-	1 048	26 774	-	(274 497)	**(2 246)**
Reclassification from assets held for sale	314 759	-	-	-	-	-	-	**314 759**
Disposals during the year	(210 852)	(28 808)	(117 800)	(133)	(10 993)	-	-	**(368 586)**
Effect of cost modification using modification factor	-	355 861	82 401	57 643	120 330	-	32 538	**648 773**
Effect of movements of exchange rates	236 772	24 088	16 875	4 945	56 483	3 104	4 302	**346 569**
Balance at 31 December 2016	**3 966 008**	**1 274 433**	**998 370**	**202 918**	**416 457**	**24 662**	**252 876**	**7 135 724**
Cost at 1 Januaray 2017	3 966 008	1 274 433	998 370	202 918	416 457	24 662	252 876	**7 135 724**
Reclassification	(530)	4 303	-	161	(405)	(3 529)	-	-
Additions during the period	756 149	301 194	223 960	12 189	21 559	840	233 102	**1 548 993**
Transferred from projects under construction to PP&E and intangible assets	-	712	-	61	37 381	2 524	(45 850)	**(5 172)**
Disposals during the period	(160 531)	(47 403)	(120 693)	(7 660)	(6 308)	-	-	**(342 595)**
Effect of cost modification using modification factor	-	(87 211)	(12 698)	(1 714)	(4 933)	-	-	**(106 556)**
Effect of movements of exchange rates	(17 461)	(1 398)	(889)	(217)	(2 199)	36	-	**(22 128)**
Balance at 30 September 2017	**4 543 635**	**1 444 630**	**1 088 050**	**205 738**	**461 552**	**24 533**	**440 128**	**8 208 266**
Accumulated depreciation and impairment losses								
Accumulated depreciation at 1 Januaray 2016	137 890	262 408	271 912	67 941	102 115	12 071	133	**854 470**
Depreciation during the year	48 847	69 395	149 171	20 791	26 559	3 170	-	**317 933**
Reclassification from assets held for sale	1 615	-	-	-	-	-	-	**1 615**
Disposals during the year	(3 755)	(12 899)	(74 044)	(95)	(5 425)	-	-	**(96 218)**
Effect of accumulated depreciation modification using modification factor	-	164 986	56 359	42 104	67 074	-	-	**330 523**
Impairment during the year	-	-	-	-	-	-	2 788	**2 788**
Effect of movements of exchange rates	13 420	5 401	7 142	3 870	23 410	842	2 895	**56 980**
Accumulated depreciation at 31 December 2016	**198 017**	**489 291**	**410 540**	**134 611**	**213 733**	**16 083**	**5 816**	**1 468 091**
Accumulated depreciation at 1 Januaray 2017	198 017	489 291	410 540	134 611	213 733	16 083	5 816	**1 468 091**
Reclassification	-	1 071	-	40	(774)	(337)	-	-
Depreciation during the period	45 444	80 700	131 197	23 213	30 657	2 716	-	**313 927**
Disposals during the period	(2 108)	(10 410)	(75 008)	(6 378)	(4 640)	-	-	**(98 544)**
Effect of accumulated depreciation modification using modification factor	-	(21 121)	(9 526)	(1 711)	(4 073)	-	-	**(36 431)**
Effect of movements of exchange rates	(929)	(302)	(478)	(190)	(1 006)	(80)	-	**(2 985)**
Accumulated depreciation at 30 September 2017	**240 424**	**539 229**	**456 725**	**149 585**	**233 897**	**18 382**	**5 816**	**1 644 058**
Net carring Amount								
At 1 January 2016	**2 222 364**	**466 729**	**515 911**	**57 006**	**101 954**	**7 294**	**289 098**	**3 660 356**
At 31 December 2016	**3 767 991**	**785 142**	**587 830**	**68 307**	**202 724**	**8 579**	**247 060**	**5 667 633**
At 30 September 2017	**4 303 211**	**905 401**	**631 325**	**56 153**	**227 655**	**6 151**	**434 312**	**6 564 208**

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

Property, plant, equipments and projects under construction (Net)

	Note	30 September 2017	31 December 2016
Property, plant, equipments and projects under construction (Net)		6 564 208	5 667 633
Deduct:-			
Amounts under settlement of financial lease contracts	(28)	1 282 185	768 694
		5 282 023	**4 898 939**

GB Auto (S.A.E.)
Notes to the consolidated interim financial statements for the financial period ended September 30, 2017
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

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

A-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:

	Land and Buildings	Machinery & equipment	Vehicles	IT infrastructures & computers	Fixtures & furniture	Total
Cost						
Cost at 1 January 2016	1 022 887	213 906	589 242	37 687	1 757	**1 865 479**
Additions during the year	1 386 160	124 732	184 190	505	-	**1 695 587**
Disposals during the year	(210 852)	(25 209)	(100 655)	-	-	**(336 716)**
Balance at 31 December 2016	**2 198 195**	**313 429**	**672 777**	**38 192**	**1 757**	**3 224 350**
Cost at 1 Januaray 2016	2 198 195	313 429	672 777	38 192	1 757	**3 224 350**
Additions during the period	1 091 667	479 412	130 940	-	-	**1 702 019**
Disposals during the period	(134 810)	(45 487)	(91 916)	(5 100)	(1 757)	**(279 070)**
Balance at 30 September 2017	**3 155 052**	**747 354**	**711 801**	**33 092**	**-**	**4 647 299**
Accumulated depreciation						
Accumulated depreciation at 1 Januaray 2016	19 324	41 358	179 447	9 081	497	**249 707**
Depreciation during the year	25 027	27 582	127 623	8 369	351	**188 952**
Disposals during the year	(3 755)	(10 111)	(64 176)	-	-	**(78 042)**
Accumulated depreciation at 31 December 2016	**40 596**	**58 829**	**242 894**	**17 450**	**848**	**360 617**
Accumulated depreciation at 1 Januaray 2017	40 596	58 829	242 894	17 450	848	**360 617**
Depreciation during the period	34 891	42 580	100 875	5 786	205	**184 337**
Disposals during the period	(1 207)	(9 036)	(57 152)	(3 825)	(1 053)	**(72 273)**
Accumulated depreciation at 30 September 2017	**74 280**	**92 373**	**286 617**	**19 411**		**472 681**
Carring Amount						
At 1 January 2016	**1 003 563**	**172 548**	**409 795**	**28 606**	**1 260**	**1 615 772**
At 31 December 2016	**2 157 599**	**254 600**	**429 883**	**20 742**	**909**	**2 863 733**
At 30 September 2017	**3 080 772**	**654 981**	**425 184**	**13 681**	**-**	**4 174 618**

Financial leased assets (Net)

	Note	30 September 2017	31 December 2016
Financial leased assets (Net)		4 174 618	2 863 733
Deduct:-			
Amounts under settlement of financial lease contracts	(28)	1 282 185	768 694
		2 892 433	**2 095 039**

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

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

B- 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 (34/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:

	September 30, 2017	December 31, 2016
Total contractual lease payments	26 788	35 393
Total purchase price on termination of leases	20	100
Average contracts life	5	4
lease payments for the period / year	4 599	8 071

16- Intangible assets and goodwill

	Goodwill	Computer software	Knowhow	Total
Cost				
Balance at 1 January	**431 932**	**26 349**	**5 703**	**463 984**
Additions during the period	-	2 333	-	**2 333**
Transferred from projects under construction	-	5 172	-	**5 172**
Effect of movements of exchange rates	(5 603)	-	-	**(5 603)**
Balance at September 30, 2017	**426 329**	**33 854**	**5 703**	**465 886**
Accumulated amortization				
Balance at 1 January	**-**	**21 073**	**5 703**	**26 776**
Amortization charge for the period	-	3 097	-	**3 097**
Balance at September 30, 2017	**-**	**24 170**	**5 703**	**29 873**
Net carrying amount at September 30, 2017	**426 329**	**9 684**	**-**	**436 013**
Net carrying amount at December 31, 2016	**431 932**	**5 276**	**-**	**437 208**

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 at the acquisition date. This goodwill has been allocated for the asset of the operating segment of two and three wheels’ segment.
- On September 8, 2008, GB Auto Company fully acquired the shares of GB for financial lease (S.A.E) which its business is financial leasing with all its fields, and the acquisition resulted in goodwill amounted to EGP 1 million.
- During November 2010, the Group entered into 50% investment as a joint venture agreement in Almajmoa Alalamia Litijaret Alsaiarat (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.

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

16- Intangible assets and goodwill (Continued)

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:

	September 30, 2017	December 31, 2016
Two and three wheels' activities	177 375	177 375
Hyundai Iraq sales	247 954	253 557
Financial leasing activity	1 000	1 000
	426 329	**431 932**

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

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

17- Investments property

	September 30, 2017	December 31, 2016
Balance at 1 January	91 512	91 512
Disposals during the period	(606)	-
Balance at the end of the period / year	**90 906**	**91 512**

18- Issued and paid in capital

	September 30, 2017	December 31, 2016
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)	**1 094 010**	**1 094 010**

- 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.

18- Issued and paid in capital (Continued)

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

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 their share in the company's issued capital , and it is agreed to use the subscription right separately from the original share, with the company's issued capital increase to be paid either cash and/or using due cash debts for the subscriber by the company according to their contribution share.

- The subscription was covered by an amount of EGP 958 672 188 (EGP 473 225 502 in Cash and EGP 485 446 686 covered through the outstanding balances due to shareholders) divided on 958 672 188 shares with a par value of 1 EGP each to be the total capital issued and fully paid after the increase equals to EGP 1 094 009 733, it has been annotated in the commercial register at May 31, 2015.

19- 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 thousand. The share premium which is transferred to special reserve has been reduced by the difference between the acquisition cost and the par value amounted to EGP 99 725 thousand.

At the date of February 23, 2017, the number of 26 506 119 shares was sold. The special reserve was reduced by an amount of EGP 50 638 thousand which represents the differences between treasury shares purchase cost amounted to EGP 126 231 thousand and its reselling price amounted to EGP 75 593 thousand (Note 21).

20- Legal reserve

	September 30, 2017	**December 31, 2016**
Balance at 1 January	**311 125**	**296 570**
Transferred to legal reserve	7 339	14 555
Balance at the end of the period / year	**318 464**	**311 125**

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

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

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

20- Legal reserve (continued)

Share premium

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

	September 30, 2017	December 31, 2016
Share premium	916 801	975 688

21- Other reserves

	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserve	Share premium (special reserves)	Total
Balance as at 1 January 2017	**1 235 511**	**86 440**	**259 585**	**967 439**	**2 548 975**
Foreign currency translation differences	11 408	-	-	-	**11 408**
ESOP fair value	-	1 832	-	-	**1 832**
Modification surplus of fixed assets after income tax	-	-	(86 550)	-	**(86 550)**
Results of sale of shares held by the group	-	-	-	(50 638)	**(50 638)**
Balance at September 30, 2017	**1 246 919**	**88 272**	**173 035**	**916 801**	**2 425 027**

The special reserve represented in the transferred amount from the net share premium in 2007 less the amount transferred to the legal reserve (Note 20).

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

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

At the date of February 23, 2017, was sold the number of 26 506 119 shares and the special reserve was reduced by an amount of EGP 50 638 thousand which represents the differences between treasury shares purchasing cost amounted to EGP 126 231 thousand and its reselling price amounted to EGP 75 593 thousand.

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

22- Non-controlling Interest

	Capital	Reserves	Legal Reserve	Retained earnings	Total September 30, 2017	Total December 31, 2016
Balance at 1 January	459 668	768 160	31 268	(89 458)	**1 169 638**	**608 660**
Net loss for the period / year	-	-	-	(31 157)	**(31 157)**	**(124 154)**
Foreign currency translation results	-	11 180	-	-	**11 180**	**688 409**
Capital increase	1 750	-	-	-	**1 750**	**14 019**
Change in Non-controlling interests	4 000	-	-	1 874	**5 874**	**(5 929)**
Transferred to Legal reserve	-	-	950	(950)	**-**	**-**
Dividends	-	-	-	(8 800)	**(8 800)**	**(11 367)**
Balance at the end of the period / year	**465 418**	**779 340**	**32 218**	**(128 491)**	**1 148 485**	**1 169 638**

23- Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue on a going concern basis in order to provide returns to shareholders and benefits for other stakeholders who use these financial statements and to maintain an optimal capital structure to reducing the cost of capital.
In order to maintain an optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.
The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings and notes payables, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratio at September 30, 2017 and December 31, 2016 were as follows:

Total loans and borrowings and notes payable	**September 30, 2017**	**December 31, 2016**
Loans, borrowings and overdrafts	9 538 689	8 732 109
Short-term notes payable and suppliers	151 865	222 697
Long-term notes payables and creditors	258	-
Total loans and borrowings and notes payables	**9 690 812**	**8 954 806**
Less: Cash and cash equivalent	(987 055)	(1 225 300)
Letters of credit margin	(3 666)	(83 437)
Letters of guarantee margin	(49 108)	(56 813)
Net debt	**8 650 983**	**7 589 256**
Shareholders' equity	3 307 880	3 821 710
Net debt to equity ratio	**2.62**	**1.99**

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

24- Loans, borrowings and overdrafts

	September 30, 2017			December 31, 2016		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks overdraft	6 308 001	41 714	**6 349 715**	6 474 248	-	**6 474 248**
Loans	808 890	2 269 775	**3 078 665**	594 371	1 554 772	**2 149 143**
Related parties' loans	-	110 309	**110 309**	-	108 718	**108 718**
Total	**7 116 891**	**2 421 798**	**9 538 689**	**7 068 619**	**1 663 490**	**8 732 109**

A. Banks overdraft

The average interest rate on the outstanding Egyptian Pounds and the US Dollars bank overdraft are 21.26% and 5.59% respectively.

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 110 309 thousand as at September 30, 2017 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:

	September 30, 2017	December 31, 2016
Less than one year	7 116 891	7 068 619
More than one year and less than five years	2 421 798	1 663 490
	9 538 689	**8 732 109**

25- Trade payables and other credit balances

	September 30, 2017	December 31, 2016
Trade payables	907 943	1 958 888
Other credit balances	59 177	58 254
Advances from customers	343 364	154 685
Tax Authority	249 239	25 973
Accrued expenses	392 399	372 944
Notes payables	151 865	222 697
Dividends payable	585	75
Deferred revenues	32 837	14 434
	2 137 409	**2 807 950**

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

26- Provisions

	Legal Claims	Warranty Provision	Other Provisions	Total
Balance at January 1, 2017	**2 274**	**94 684**	**114 107**	**211 065**
Provisions formed during the period	-	14 383	32 453	**46 836**
Provisions utilized during the period	(114)	(33 646)	-	**(33 760)**
Provisions no longer required	-	-	(47)	**(47)**
Effect of movement of exchange rates	-	-	(1 753)	**(1 753)**
Balance at September 30, 2017	**2 160**	**75 421**	**144 760**	**222 341**

	Legal Claims	Warranty Provision	Other Provisions	Total
Balance at 1 January 2016	**5 147**	**77 752**	**60 312**	**143 211**
Provisions formed during the year	520	48 309	53 860	**102 689**
Provisions utilized during the year	(3 372)	(31 377)	(65)	**(34 814)**
Provisions no longer required	(23)	-	-	**(23)**
Effect of movement of exchange rates	2	-	-	**2**
Balance at December 31, 2016	**2 274**	**94 684**	**114 107**	**211 065**

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 September 30, 2017.

Warranty Provision
The Group provides warranty on its products and guarantees to either fix or replace the products that are not working properly, and the Group has estimated its warranty provisions to be EGP 75 421 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 45 670 (December 31, 2016 EGP 49 174).

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.

27- Trade and notes payables long term

	September 30, 2017		December 31, 2016	
	Present Value	Notes Payable	Present Value	Notes Payable
Total notes payables and creditors	152 123	152 123	222 697	222 697
Notes payable Less than 1 year (Note 25)	(151 865)	(151 865)	(222 697)	(222 697)
Total	**258**	**258**	**-**	**-**

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

28- 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 (34-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.

	September 30, 2017	**December 31, 2016**
Advances from customers	841 996	542 007
Amounts under settlement of financial lease contacts	440 189	226 687
	1 282 185	**768 694**

29- Financial risk management

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange rates risk, price risk, cash flows and fair value interest rate risk), credit risk and liquidity risk.
The Group's efforts are addressed to minimize potential adverse effects of such risks on the Group's financial performance.

(a) Market risk

1. **Foreign currency exchange rate risk**

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

	September 30, 2017			**December 31, 2016**
	Assets	**Liabilities**	**Net**	**Net**
US Dollars	1 323 320	(1 062 044)	**261 276**	**(2 453 531)**
Euros	41 141	(4 985)	**36 156**	**22 019**
Other currencies	164 757	(33 522)	**131 235**	**99 064**

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 9 538 689 as at September 30, 2017 (EGP 8 732 109 as at December 31, 2016).
Financial assets that carry fixed interest rates are amounted to EGP 116 797 as at September 30, 2017 (EGP 144 270 as at December 31, 2016).

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

29- Financial risk management (Continued)

(1) Financial risk factors (Continued)

		September 30, 2017	December 31, 2016
Time deposits	USD	87 426	139 980
Time deposits	EGP	29 371	4 290
		116 797	**144 270**

(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:

	September 30, 2017	December 31, 2016
Notes and accounts receivables	5 268 782	4 021 697
Impairment of accounts and notes receivable balances	(387 493)	(379 729)
The ratio of the allowance to total accounts and notes receivable	**7.35%**	**9.44%**

(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.

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

30- Investment in subsidiary companies

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

Companies	Percentage of ownership 30 September 2017	31 December 2016
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 Alsaiarat (GK)	%50	50%
GB Logistics "S.A.E."	%99.98	99.98%
GB Capital holding for financial investments "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 for used car "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 Egypt Company for Oil "S.A.E."	%100	100%
Tires & more Company for car services "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."	%80	90%
GB for heavy truck and construction equipment trading "S.A.E"	%100	100%
GB for water and environment technology. "S.A.E."	%100	100%
Engineering Co. for transportation maintenance (El Mekaneeky) . "S.A.E."	%65	-

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

31- Capital commitments

The capital contractual expenditure of the Group at the consolidated financial statements date reached EGP 171 998 (EGP 251 480 as at December 31, 2016) represented in the amount to be paid upon the completion of the new production lines under construction and other branches across the country.

32- Contingent liabilities

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

	September 30, 2017	December 31, 2016
USD	883 502	985 725
EGP	173 772	149 748
Japanese Yen	502	516
Euro	-	3 111

33- Related party transactions

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

Balances due from and to related parties are as follows:

Due from related parties	**September 30, 2017**	**December 31, 2016**
GB for Import and Export	6 714	4 684
Al Watania for Vehicles Accessories and spare parts	-	1 027
Egyptian international Co. for manufacturing&maintaining cars (IAC)	2 476	-
Itamco agriculture development	2 016	1 000
El Bostan Holding	64 720	41 246
SARL SIPAC – Algeria	15 882	17 016
Algematco – Algeria	17 205	18 105
Blue Bay Management Company	12 000	12 000
El Qalam Shareholders' Current Account	5 830	-
Kassed Shareholders' Current Account	11 083	10 438
Total	**137 926**	**105 516**
Impairment of due from related parties	(16 190)	**-**
	121 736	**105 516**

Due to related parties	**September 30, 2017**	**December 31, 2016**
Marco Polo Company	70 637	62 699
Board Members	-	152
EQI	2 400	1 477
Al Watania for car accessories and spare parts	1 631	-
Al Watania for tires import	1 122	1 039
Itamco for import and export	1 291	1 259
El-Qalam Shareholders' Current Account	-	4 084
	77 081	**70 710**

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

33- Related party transactions (Continued)

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 September 30, 2017	Transaction amount September 30, 2016
Executive Directors	Board of director members	Cash transfers	152	474
		Top management salaries	27 624	22 087
EQI	Shareholder in one of the subsidiaries	Dividends	(923)	(4 291)
GB for import and export.	Related Party	Cash transfer	2 030	(1 477)
Al Watania for Vehicles Accessories and spare parts	Related Party	Cash transfer	(1 027)	(2 629)
SARL SIPAC – Algeria	Related Party	Cash transfer	(289)	578
Kassed Shareholders' current account	Shareholder in one of the subsidiaries	Cash transfer	(2 013)	35 509
Itamco agriculture	Related Party	Cash transfers	1 016	1 866
El- Qalam Shareholder current account	Shareholder in one of the subsidiaries	Cash transfers	9 914	21 575
El-Nabateen Shareholders' current account	Shareholder in one of the subsidiaries	Cash transfers	-	157
Marco Polo Company	Shareholder in one of the subsidiaries	Cash transfers	(7 938)	(11 141)
Itamco for Import and Export	Related Party	Cash transfers	(32)	(3 479)
Al Watania for Tires Import	Related Party	Cash transfers	(83)	(2 965)
Algematco – Algeria	Shareholder in one of the subsidiaries	Cash transfers	(900)	8 913
Blue pay for management	Shareholder in one of the subsidiaries	Cash transfers	-	6 000
IAC	Shareholder in one of the subsidiaries	Cash transfers	2 476	-

34- 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 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-exiting 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.

34 Significant accounting policies (Continued)

1) Subsidiaries

a. Subsidiaries are entities controlled by the Group.

b. 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.

c. 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.

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.

34- Significant accounting policies (Continued)

B- Foreign currency(Continued)

2) Foreign Operations

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

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

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

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

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

C- Discontinued operation

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

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

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

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.

34- Significant accounting policies (Continued)

D- Revenue (Continued)

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.

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.

34- Significant accounting policies (Continued)

E- Employee benefit (Continued)

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.

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.

34- Significant accounting policies (Continued)

G- Income Tax (Continued)

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:

d. Taxable temporary differences arising on the initial recognition of goodwill.,
e. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not:
   1. A business combination.
   2. And not affects neither accounting nor taxable profit 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.

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.

34- Significant accounting policies (Continued)

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.

The modified cost model was adopted which the cost and accumulated depreciation for some categories of fixed assets (Machinery and equipment, Vehicles, Furniture and office equipment, Tools and supplies) are modified using modification factors stated in annex (A) of EAS no. (13). The increase of net fixed assets which are qualified to modification, were recognized in other comprehensive income items and was presented as a separate item in equity under the name of "modification surplus of fixed assets”. The realized portion of modification surplus of fixed assets is transferred to retained earnings or losses in case of disposal or abandonment of the asset which qualified for modification or usage (depreciation difference resulting from the adoption of the special accounting treatment) , as described in details in note no.(7).

2) Subsequent expenditure

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

3) Depreciation

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

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

Asset	Depreciation rate
Buildings	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.

3) Reclassification to investment property

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

34- Significant accounting policies (Continued)

I- Property, plant and equipment (Continued)

4) 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.

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.

III. 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.

1) 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.

2) 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.

34- Significant accounting policies (Continued)

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.

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 de-recognition

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.

34- 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”.

34- 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.

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.

34- 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.

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.

34- Significant accounting policies (Continued)

O- Impairment (Continued)

2) Non-financial assets (Continued)

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.

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.

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

34- Significant accounting policies (Continued)

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.

U- The impact of special accounting treatment to deal with the effects of liberalization of foreign exchange rates:

The Company's management has applied some of the special accounting treatments listed in Appendix A of Egyptian Accounting Standard No. 13, amended in 2015, "Effects of Changes in Foreign Exchange Rates" issued on 7 February 2017 by the Minister of Investment Decision No. (16) of 2017, Accounting for dealing with the effects of the floatation of foreign exchange rates, these treatments are as follows:

First, Modified cost model is adopted as the cost and accumulated depreciation for some categories of fixed assets (Machinery and equipment, Vehicles, Furniture and office equipment, Tools and supplies) were modified using modification factors stated in the above-mentioned annex. The increase of net fixed assets which are qualified to modification, were recognized as a separate item in other comprehensive income items and was presented as a separate item in equity under the name of "modification surplus of fixed assets". The realized portion of modification surplus of fixed assets was transferred to retained earnings or losses (depreciation difference resulting from the adoption of the special accounting treatment).

The following is the movement of the result of the adjustment of the asset cost during the period ended 30 September 2017:

Balance on January 1	**259 585**
Disposal during the period	(70 125)
The realized part of the cost of the asset cost adjustment (transfer of retained earnings during the period).	(36 995)
Deferred tax	20 570
Balance on September 30, 2017	**173 035**