GB Auto (S.A.E.)
(An Egyptian Joint Stock Company)
Limited review report and
Consolidated Interim Financial Statements

For The Financial period ended September 30, 2015

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Translation of limited review report
Originally issued in Arabic

Limited review report on consolidated interim financial statements
To: The Board of Directors of GB Auto and its subsidiaries (S.A.E)

Introduction

We have performed a limited review for the accompanying consolidated balance sheet of GB Auto and its Subsidiaries (S.A.E) as at September 30, 2015 and the related consolidated statements of income, cash flows and changes in equity for the nine-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements (no. 2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Company as at September 30, 2015 and of its financial performance and its cash flows for the nine-month then ended in accordance with Egyptian Accounting Standards.

KPMG Hazem Hassan
Public Accountants & Consultants

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Cairo November 11, 2015

Translation of financial statements
originally issued in Arabic

GB Auto (S.A.E)

Consolidated interim balance sheet as at 30 September 2015

(All amounts in thousand Egyptian Pounds)	Note	30 September 2015	31 December 2014
Non-current assets			
Property, plant and equipment (Net)	(5)	3 317 739	2 988 844
Intangible assets	(6)	291 157	282 456
Notes receivables (Net)	(7)	365 638	274 897
Deferred tax assets	(8)	32 142	35 517
Investment property	(9)	91 512	606
Debit balances		24 110	24 110
Total non-current assets		**4 122 298**	**3 606 430**
Current assets			
Inventories (Net)	(10)	2 352 856	2 345 709
Non-current assets held-for-sale	(11)	347 894	313 144
Accounts and notes receivables (Net)	(12)	1 587 678	1 308 954
Debtors and other debit balances (Net)	(13)	763 320	803 169
Due from related parties	(14)	67 238	30 147
Treasury bills	(15)	390	736
Cash on hand and at banks	(16)	2 203 191	1 176 841
Total current assets		**7 322 567**	**5 978 700**
Current liabilities			
Provisions	(17)	58 724	48 639
Current tax liabilities	(18)	92 257	76 942
Loans, borrowings and overdrafts	(19)	4 299 004	4 144 838
Due to related parties	(14)	54 245	24 775
Trade payables and other credit balances	(20)	1 772 588	1 298 343
Total current liabilities		**6 276 818**	**5 593 537**
Working capital		**1 045 749**	**385 163**
Total investment		**5 168 047**	**3 991 593**
Represented in:			
Equity			
Paid in capital	(21)	1 094 010	135 338
Shares held by the group	(22)	(26 506)	(3 275)
Legal reserve	(23)	296 577	267 265
Other reserves	(24)	1 156 250	1 066 784
Retained earnings		591 849	496 040
Net Income for the period / year		204 988	173 989
Equity attributable to owners of the company		**3 317 168**	**2 136 141**
Non-Controlling interests	(25)	635 808	637 782
Total equity		**3 952 976**	**2 773 923**
Non-current liabilities			
loans	(19)	678 428	680 853
Warranty provisions	(17)	64 002	64 753
Notes payables and creditors	(26)	1 368	-
Deferred tax liabilities	(8)	80 073	85 464
Amounts under settlement on financial lease contract	(27)	391 200	386 600
Total non-current liabilities		**1 215 071**	**1 217 670**
Total equity and non–current liabilities		**5 168 047**	**3 991 593**

* 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

Abbas ElSayed

Limited review report attached

GB Auto (S.A.E)
Consolidated interim statement of income for the Nine months ended September 30

(All amounts in thousand Egyptian Pounds)	Note	Nine months ended September 30		Three months ended September 30	
		2015	2014	2015	2014
Sales		9 575 412	8 830 545	3 169 849	3 081 314
Cost of sales		(8 390 304)	(7 662 354)	(2 776 278)	(2 672 679)
Gross profit		**1 185 108**	**1 168 191**	**393 571**	**408 635**
Other income		117 288	29 043	99 538	9 425
Administrative expenses		(400 007)	(298 189)	(138 140)	(112 358)
Selling and marketing expenses		(247 074)	(223 431)	(88 383)	(71 479)
Provisions (Net)	(28)	(29 732)	(53 626)	(16 840)	(25 807)
Investment losses		(5 563)	-	(2 929)	-
Operating profit		**620 020**	**621 988**	**246 817**	**208 416**
Net finance costs	(29)	(369 192)	(366 321)	(119 374)	(119 546)
Net profit for the period before tax		**250 828**	**255 667**	**127 443**	**88 870**
Income tax expense	(30)	(41 162)	(48 605)	12 675	(16 932)
Net profit for the period after tax		**209 666**	**207 062**	**140 118**	**71 938**
Profit is attributable to:					
Owners of the parent Company		204 988	141 937	102 613	54 028
Non-controlling interests		4 678	65 125	37 505	17 910
		209 666	**207 062**	**140 118**	**71 938**
Basic earnings per share/ EGP	(31)	0.372	1.13	0.096	0.43
Diluted earnings per share/ EGP	(31)	0.372	1.09	0.096	0.42

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

GB Auto (S.A.E)

Consolidated interim statement of Shareholders Equity for the financial period ended 30 September 2015

(All amounts in thousand Egyptian Pounds)	**Note**	**Attributed to owners of the company**								
		Share capital	**Shares held by the group**	**Legal reserve**	**Other reserves**	**Retained earning**	**Net profit for the year / period**	**Total**	**Non-Controlling interests**	**Total equity**
Balance at 1 January 2015		**135 338**	**(3 275)**	**267 265**	**1 066 784**	**496 040**	**173 989**	**2 136 141**	**637 782**	**2 773 923**
Transferred to retained earning		-	-	-	-	173 989	(173 989)	-	-	-
Net profit for the period		-	-	-	-	-	204 988	**204 988**	4 678	**209 666**
Change of non-controlling interests without changing in control		-	-	-	-	(2 217)	-	**(2 217)**	(9 713)	**(11 930)**
Dividends		-	-	-	-	(46 651)	-	**(46 651)**	(29 061)	**(75 712)**
Currency translation differences from foreign operations		-	-	-	76 144	-	-	**76 144**	21 444	**97 588**
ESOP fair value		-	-	-	13 997	-	-	**13 997**	-	**13 997**
Capital increase issuance costs		-	-	-	(675)	-	-	**(675)**	-	**(675)**
Capital increase		958 672	(23 231)	-	-	-	-	**935 441**	10 678	**946 119**
Transfer to legal reserve		-	-	29 312	-	(29 312)	-	-	-	-
Balance at 30 September 2015		**1 094 010**	**(26 506)**	**296 577**	**1 156 250**	**591 849**	**204 988**	**3 317 168**	**635 808**	**3 952 976**

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

GB Auto (S.A.E)
Consolidated interim statement of Shareholders Equity for the financial period ended 30 September 2015

30 September 2014		Attributed to owners of the company									
(All amounts in thousand Egyptian Pounds)		**Share capital**	**Payments under capital increase**	**Shares held by the group**	**Legal reserve**	**Other reserves**	**Retained earning**	**Net profit for the year / period**	**Total**	**Non-Controlling interests**	**Total equity**
Balance at 1 January 2014		**128 893**	**2 258**	**(3 275)**	**288 739**	**1 089 499**	**393 424**	**116 001**	**2 015 539**	**611 526**	**2 627 065**
Adjustments on beginning balances	**(38)**	**-**	2 256	**-**	**-**	26 766	(26 510)	**-**	**2 512**	**-**	**2 512**
Restated balance as at 1 January 2014		**128 893**	**4 514**	**(3 275)**	**288 739**	**1 116 265**	**366 914**	**116 001**	**2 018 051**	**611 526**	**2 629 577**
Transefered to retained Earning		-	-	-	-	-	116 001	(116 001)	**-**	-	-
Net profit for the period		-	-	-	-	-	-	141 937	**141 937**	65 125	**207 062**
Capital Increase in subsidiries		-	-	-	-	-	-	-	**-**	5 180	**5 180**
Change of non-controlling interests without changing in control		-	-	-	(91)	-	(10 343)	-	**(10 434)**	9 204	**(1 230)**
Dividends		-	-	-	-	-	(28 212)	-	**(28 212)**	(40 546)	**(68 758)**
Currency translation differences from foreign operations		-	-	-	-	17 161	-	-	**17 161**	(4 206)	**12 955**
Transfer to legal reserve		-	-	-	2 813	-	(2 813)	-	-	-	-
Balance at 30 September 2014		**128 893**	**4 514**	**(3 275)**	**291 461**	**1 133 426**	**441 547**	**141 937**	**2 138 503**	**646 283**	**2 784 786**

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

GB Auto (S.A.E)

Consolidated interim statement of cash flows for the financial period ended 30 September 2015

(All amounts in thousand Egyptian Pounds)

	Note	30 September 2015	30 September 2014
Cash flows from operating activities			
Net profit for the period before tax		250 828	255 667
Adjustments			
Interest expense		278 625	286 700
Depreciation and amortization	(5/6)	185 994	142 869
Bond issuance cost amortization		–	2 571
Provisions (net)	(28)	18 237	60 723
Impairment losses on current assets (net)		21 487	–
ESOP fair value		13 997	–
Capital increase issuance costs		(675)	–
Interest income	(29)	(38 529)	(11 782)
Loans capitalized interest		(4 365)	(4 350)
Capital gain - Sale and lease back		(2 676)	(2 677)
Gain from revaluation of investment properties after development		(87 341)	–
Gain on sale of fixed assets		(401)	(1 227)
Net profit before changes in working capital		**635 181**	**728 494**
Changes in working capital			
Inventories		(16 278)	211 218
Accounts and notes receivables		(126 128)	(415 177)
Debtors and other debit balances		55 763	(294 691)
Amounts under settlement on financial lease contract		4 597	132 845
Due from related parties		(37 339)	(60 290)
Due to related parties		(5 856)	(7 953)
Trade payables and other credit balances		469 596	(93 335)
Cash flows generated from operating activities		**979 536**	**201 111**
Provisions used		(11 135)	(6 994)
Income tax paid during the period		(27 863)	(18 157)
Dividends paid		(46 746)	(67 564)
Net cash flows generated from operating activities		**893 792**	**108 396**
Cash flows from investing activities			
Acquisition of property, plant and equipment & projects under constructions		(829 442)	(635 696)
Change of non-controlling interests without changing in control		(11 930)	(1 230)
Acquisition of intangible assets		(847)	(1 121)
Interest received		26 512	11 782
Proceeds from sale of property, plant and equipment		14 037	25 622
Net cash flow used in investing activities		**(801 670)**	**(600 643)**
Cash flows from financing activities			
Paid from minority to increase capital of subsidiaries		10 678	5 180
Proceed from loans and borrowings		637 188	1 360 922
Proceed from capital increase	(21)	449 994	–
Bonds liabilities		–	(307 693)
Long-term notes payables		1 368	634
Interest paid		(271 264)	(286 700)
Net cash flows generated from financing activities		**827 964**	**772 343**
Net increase / (decrease) in cash and cash equivalents		**920 086**	**280 096**
Cash and cash equivalents at the beginning of the period		1 177 577	1 085 105
Effect of exchange rates changes on the the balance of cash and cash equivilants		105 918	12 241
Cash and cash equivalents at end of the period	(16-B)	**2 203 581**	**1 377 442**

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

1- Background

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

Based on the decision of the Extraordinary General Assembly Meeting held on 26 April 2007, it was agreed to changing the Company 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 vehicles tires and equipment. The Group also undertakes import and export activities, selling locally manufactured and imported products for cash, on credit or through finance leasing.

The major shareholders of the company are Dr. Raouf Ghabbour and his family who collectively owns approximately 58.8% of the Company’s shares as at September 30, 2015.

The consolidated interim financial statements were authorized for issue by the Company’s Board of Directors on November 11, 2015.

2- Significant accounting policies

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

A. Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) and applicable laws and regulations. The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities at fair value through profit and loss.

The preparation of consolidated financial statements in conformity with Egyptian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the consolidated financial statements are disclosed in Note (4).

EAS requires the reference to International Financial Reporting Standards (IFRS) when there is no EAS, or legal requirements that explain the treatment of specific balances and transactions.

B. Basis of consolidation

1. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Intra-group balances, transactions and any unrealised income arising from intra – Group transaction are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.
Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Transactions of selling, acquisition and minority interests

The Group recognize transactions with minority interests that do not result in loss of control are accounted for as equity transactions. Gains and losses resulted from selling equity to minority interest are recorded in the equity. Purchases from minority interests recording in equity, being the difference between the consideration paid and carrying value of the share acquired of net assets of the subsidiary.

If the losses applicable to the minority in a consolidated subsidiary exceed the minority interest in the subsidiary's equity, the excess, and any future losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

3. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

Basis of consolidation (continued)

The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.
Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

C. Foreign currency translation

(1) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Egyptian Pounds which is the Group's functional and presentation currency.

(2) Transactions and balances in foreign currencies
Transactions in foreign currencies are translated into the respective functional currencies at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.
Foreign currency differences arising on the retranslation of monetary financial assets and liabilities in foreign currencies designated as hedge of the variability of cash flows or hedge of net investments are presented in the translation reserve within shareholders' equity.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in shareholders' equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

Foreign currency translation (continued)

(3) Group companies

The financial statements of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency (non of which are foreign currencies entities with hyperinflation economy) as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates during the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- And all resulting exchange differences are recognised as a separate component of shareholders' equity.
- The foreign currency exchange results arising from translation of the net investment in entities and loans or financial instruments in foreign currencies allocated to cover these investments are recognized in the equity on the consolidate financial statement. The foreign currencies exchange charged to the equity are recognized as part of gain or loss upon the disposal of these investments.

D. Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 .Land is not depreciated. Estimated depreciation rates for each type of assets are as follows:

Buildings	2% - 4%
Machinery & equipment	10% - 20%
Vehicles	20% - 25%
Fixtures & office furniture	6% - 33%

The assets' residual values and useful lives are reviewed yearly and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains (losses) – net, in the income statement.

Repairs and maintenance are charged to the statement of income during the financial year in which they are incurred. The cost of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset or the estimated useful life of the renovation, whichever is less.

E. Intangible assets

i. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

The management annually assesses whether the carrying amount of goodwill is recoverable. Impairment losses on goodwill are charged to the statement of income and are not reversed.
Gains and losses on the disposal of investments in subsidiaries / associates include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit directly from the business combination in which the goodwill arose.

ii. 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 economic benefits exceeding costs 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, 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.

F. Impairment of non-financial assets – long-term

Property, plant, equipment, and other non-current assets, including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of income for the year for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash flows.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased. Impairment losses are also reversed to release the impairment amount that is equal to the depreciation for the year of the impaired balance. The reversals are recorded in income statement.

G. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount or fair value less costs to sell.

H. Investments available for sale

The investments available for sale are initially recognized at their fair value at the acquisition date. Subsequently, available for sale investments are measured at fair value (market value) and the changes in fair value are recognized as investment available for sale reserve in the shareholders' equity. The reserve related for an available for sale investment is realized in income statement when such investment is disposed.

Unquoted investments in equity instruments (have no market value in active market) are recognized at its acquisition cost, if its fair value could not be accurately determined through acceptable evaluation method. The carrying amount is decreased by any impairment which is charged to the statement of income per each investment.

I. Lease

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.

Operating 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.

J. Investment property

Investment property is represented at the financial statement by the fair value. The fair value is the value of which the property could be traded between knowledgeable and willing parties in an arm's length transaction. Any gain or loss arising from a change in the fair value of investment property is recognized in the income statement in the same year of change. The fair value of the investment property is reviewed at each balance sheet date based on the market value which is determined by independent expert.

Investment property under development is property (Land or a building or both) held for development or redevelopment to future use as investment property.

Investment properties under development are initially measured at cost, including transaction costs, when the development is complete, its transfer to investment property represented at the financial statement by the fair value

K. 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.

L. Financial assets

(i) Classification

The Group classifies its financial assets based on the purpose for which the financial assets were acquired at initial recognition as following.

1. Financial assets at fair value through profit or loss (Investments in securities for trading).
2. Investments held to maturity.
3. Loans and receivables.
4. Available-for-sale financial assets.

A. Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

B. Investments Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the intention and ability to hold it to maturity

Other than

- Those that the company upon initial recognition recognize them as at fair value through profit or loss.
- Those that the company recognize them as available-for-sale.
- Those that meet the definition of loans and receivables.

C. Loans and receivables

Loans and receivables are non-derivative financial assets with specified or determinable value that are not quoted in an active market. They are included in current assets, if their maturities are less than 12 months after the balance sheet date. If not they are classified as non-current assets.

D. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets that are either classified under this category at acquisition date or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose it within 12 months of the balance sheet date.

(ii)Reclassification

The Group may choose to reclassify the financial assets other than non-derivative that are not going to be available-for-sale or repurchased it in the near future out of financial instruments at fair value through profit or loss if this instrument has not been initially recognised by the company as financial assets at fair value through profit or loss.

Financial assets other than loans and receivables are permitted to be reclassified out of the financial assets at fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near future. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the financial assets at fair value through profit or loss or the available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Initial recognition and subsequent measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At the balance sheet date, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held to maturity, loans and receivables are carried at amortised cost using the effective interest rate.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the income statement in the year/period which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group has the right to receive these dividends.

Changes in the fair value of monetary securities debt instruments (bonds, treasury bills) denominated in a foreign currency and classified as available-for-sale investment are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement, while translation differences on non-monetary securities are recognised in shareholders' equity. Changes in

The fair value of monetary and non-monetary securities classified as available-for-sale are recognised in shareholders' equity.

Interest on available-for-sale securities (bonds, treasury bills) calculated using the effective interest method is recognised in the income statement as part of financial income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group has the right to receive these dividends.

The Group assesses at balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets are impaired.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains or losses from investment securities'.

M. Trade receivables and notes receivable

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, and reduced by estimated impairment losses from its value.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than granted credit limits) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate used to determine the amortized cost. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

N. Cash and cash equivalent

In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.
For the purposes of the cash flow statement, cash and cash equivalent include cash on hand, demand deposits at banks, and treasury bills which have maturities in three months or less from the deposit date. Also, the overdrafts that are paid upon request which considered as a completing part of the company's financial management system.

O. Share capital

Ordinary shares are classified as equity. Share premiums, if any, are taken to statutory reserve. The costs of issuing capital and amounts collected from shareholders to recover such costs are taken to the statutory reserve initially, and if it exceeded the share premium for the same shares the excess amount is posted to special reserve in shareholders' equity.

Where the Company or its subsidiaries purchases share capital of the parent company, the consideration paid including any attributable incremental external costs is deducted from total shareholders' equity of the parent company as treasury shares until they are cancelled, sold, or reissued within one year from the date of purchase. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the parent company.

P. Share based payments

The Company has equity settled share based compensation plan. Equity settled share based payments are measured at fair value determined at the grant date of the equity settled share based payments. The fair value of the share based payment is charged over the vesting period based on the Company's estimate of awards that will eventually vest.

Q. Loans and borrowings

Loans are recognised initially at the amount of the proceeds received, net of transaction costs incurred. Loans are subsequently carried at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the borrowings periods.

The fair value of the liability portion of a convertible loan is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability at the initial recognition and subsequently carried at an amortised cost until the nearest of conversion or maturity of the bonds. The difference between the proceeds and the fair value of the liability portion is recognised in shareholders' equity.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after the financial statements date.

R. Employee benefits

(1) Defined contribution plan

The Group pays contributions to the Public Authority for Social Insurance retirement plans on a mandatory basis based on the rules of the social insurance law. Once contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net year costs for the year in which they are due and as such are included in staff costs.

(2) Employees' profit sharing

When the Group pays cash dividends, the employees are entitled to 10% of those dividends as profit sharing. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the Group's shareholders

S. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The provision balances are revised in going basis at the financial statement date to disclose the best estimate.

If the time value effect of money is material provisions are measured at the present value of the expenditures expected to be required to settle the obligation. (Discounted using the discount price per tax rate)

T. Trade payables

Trade payables are recognized initially at the fair value of goods or services received from others either the invoices have been received or not, and subsequently measured at amortized cost using the effective interest rate.

U. Derivative financial instruments

Derivatives are initially recognized at fair value on the date of a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

V. Revenue recognition

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 contingencies relating to the sale have been resolved. 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.

(a) **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.

(b) **Sales – retail and Companies**
The Group operates a chain of showrooms for selling.
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.

(c) **Sales of services – maintenance**
The Group's entities sells a maintenance service. That service is provided on a time and material basis. Revenue from time and spare parts is recognised on delivering the services.

(d) **Financial Lease**
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 year and the difference between the recognized lease revenue and the gross receivable is deferred in the balance sheet in the same financial year 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.

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

(f) **Dividend income**
Dividend income is recognised when the right to receive payment is established.

W. Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

W. Current and deferred income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.
Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

X. Segmental reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segment. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in another economic environment.

Y. Dividends

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

Z. Comparative figures

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

3- <u>Financial risk management</u>

(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.

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

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

	September 30, 2015			December 31, 2014
	Assets	Liabilities	Net	Net
US Dollars	310 378	(2 063 653)	**(1 753 275)**	**(390 980)**
Euros	8 700	(17 080)	**(8 380)**	**(4 016)**
Other currencies	75 127	(264 291)	**(189 164)**	**(24 687)**

2. **Price risk**
The Group has no investments in a quoted equity securities 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 4 977 432 as at September 30, 2015 (EGP 4 825 691 as at December 31, 2014).

Financial assets that carry fixed interest rates are amounted to EGP 307 832 as at September 30, 2015 (EGP 324 375 as at December 31, 2014).

		September 30, 2015	December 31, 2014
Time deposits	USD	126 449	322 032
Time deposits	EGP	180 993	1 607
Treasury bills	EGP	390	736
		307 832	**324 375**

(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 reputation.
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.

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

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

	September 30, 2015	December 31, 2014
Notes and accounts receivables	2 240 319	2 014 749
Impairment of accounts and notes receivable balances	(287 003)	(267 005)
The ratio of the allowance to total debts	**13%**	**13 %**

(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) Capital risk management

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

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

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, 2015 and December 31, 2014 were as follows:

	September 30, 2015	December 31, 2014
Total loans and borrowings and notes payable		
Loans, borrowings and overdrafts	4 977 432	4 825 691
Notes payable (short-term)- suppliers	119 970	143 458
Notes payable (long-term) and creditors	1 368	-
Total loans and borrowings and notes payables	**5 098 770**	**4 969 149**
Less: cash and cash equivalent	(2 203 581)	(1 177 577)
Net debt	**2 895 189**	**3 791 572**
Shareholders' equity	3 317 168	2 136 141
Total Shareholders' equity	**6 212 357**	**5 927 713**
Gearing ratio	**82%**	**64%**

(3) 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 do not significantly differ from their carrying amount, as the interest rates do not significantly differ

4- Critical accounting estimates and judgments

(1) Critical accounting estimates and assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The following represents the most significant assumptions and estimates which are used by the Group:

a. Impairment of accounts and notes receivables

The evaluation of the impairment value in accounts and notes receivables is made through monitoring aging of the receivable. The Group management is studying the credit position and the customers' ability to pay their debts. Impairment is recorded at values of the due amounts on the customers whom the Group management determine that their credit position does not allow them to settle their liabilities.

b. Warranty provision

The Group provides warranty for the manufacturing defaults concerning the local manufactured products.

The warranty provision is estimated based on the expected cost for providing the warranty service. These costs include the value of spare parts, labour cost and a share of indirect costs. This estimation is based on management experience resulting from the actual warranty costs for the previous years, also the inflation rate is not considered for this purpose.

The value of warranty provision is being determined by discounting expected future cash flows using a pre-tax rate in a manner that reflects the time value of money and related liability risks.

c. Impairment of goodwill

The management annually assesses the goodwill to determine the existence of impairment in the carrying amount. If the carrying amount of the goodwill is higher than its recoverable amount, the carrying amount will be reduced and the impairment losses will be charged to the statement of income and cannot be reversed.

(2) Critical Judgements in applying the Group accounting policies

In general, applying the Group accounting policies does not require judgments (apart from those involving estimates refer to in Note 4-1) that may have significant effects on the amounts recognized in the consolidated financial statements.

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

5 - Property, plant and equipments

	Lands & buildings	Machinery & equipments	Vehicles	IT infrastructures & computers	Fixtures & furniture	Leasehold improvements	Projects under construction *	Total
Cost								
Balance at 1 January 2015	1 888 118	657 401	628 880	87 519	174 339	16 155	230 905	**3 683 317**
Reclassification of some fixed assets	–	(1)	–	359	(1 168)	810	–	–
Effect of movements in exchange rates	(8 530)	830	416	241	3 745	(90)	712	**(2 676)**
Additions during the period	424 580	34 008	195 364	27 731	9 329	245	141 791	**833 048**
Transfers to investment under development	(3 565)	–	–	–	–	–	–	**(3 565)**
Transfers from projects under construction	103 179	20 401	–	298	11 777	609	(136 437)	**(173)**
Disposals during the period	(282 208)	(3 098)	(98 045)	(53)	(1 064)	–	(2 901)	**(387 369)**
Balance at 30 September 2015	**2 121 574**	**709 541**	**726 615**	**116 095**	**196 958**	**17 729**	**234 070**	**4 122 582**
Depreciation								
Balance at 1 January 2015	108 007	210 460	234 049	51 836	81 698	8 423	–	**694 473**
Reclassification of some fixed assets	–	(6)	–	123	(545)	428	–	–
Effect of movements in exchange rates	154	183	95	151	1 167	(18)	–	**1 732**
Depreciation charge	25 063	39 534	89 053	11 574	16 947	2 399	–	**184 570**
Disposals during the period	(4 092)	(939)	(70 497)	(36)	(368)	–	–	**(75 932)**
Balance at 30 September 2015	**129 132**	**249 232**	**252 700**	**63 648**	**98 899**	**11 232**	–	**804 843**
Net book value at 30 September 2015	**1 992 442**	**460 309**	**473 915**	**52 447**	**98 059**	**6 497**	**234 070**	**3 317 739**
Net book value at 31 December 2014	**1 780 111**	**446 941**	**394 831**	**35 683**	**92 641**	**7 732**	**230 905**	**2 988 844**

*** Projects under construction represent the cost of buildings, factories expansions and show rooms, which are being prepared and fixed for the Group use.**

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

5- Property, plant and equipment (continued)

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 (2/I) 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. And the leased contracts are as follows:

	September 30, 2015	December 31, 2014
Total contractual lease payments	8 004	8 004
Total purchase price on termination of leases	23	23
Average contracts life	5 Years	5 Years
lease payments for the period / year	1 823	2 870

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:

	September 30, 2015	December 31, 2014
Cost	1 604 331	1 351 070
Accumulated depreciation	(222 093)	(191 382)
Net book value	**1 382 238**	**1 159 688**

6- Intangible assets

	Goodwill	Computer software	Knowhow	Total
Cost				
Balance at January 1, 2015	278 959	19 760	5 703	**304 422**
Effect of movements in exchange rates	9 106	–	–	**9 106**
Additions during the period	–	847	–	**847**
Transferred from projects under constructions	–	173	–	**173**
Balance at September 30, 2015	**288 065**	**20 780**	**5 703**	**314 548**
Accumulated amortization				
Balance at January 1, 2015	–	16 263	5 703	**21 966**
Amortization charge for the period	–	1 425	–	**1 425**
Balance at September 30, 2015	**–**	**17 688**	**5 703**	**23 391**
Net book value at September 30, 2015	**288 065**	**3 092**	**–**	**291 157**
Net book value at December 31, 2014	**278 959**	**3 497**	**–**	**282 456**

GB Auto (S.A.E.)
Notes to the consolidated interim financial statements for the financial period ended September 30, 2015
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

6- Intangible assets (continued)

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 (Note 21-G). The acquisition resulted in a goodwill amounting to EGP 177 million which represents the increase in the acquisition value over the net fair value of the acquired Company's assets in the acquisition date. This goodwill has been allocated as an asset of the business of two and three wheels segment.
- On September 8, 2008, GB Auto Company fully acquired the shares of GB for financial lease (S.A.E) which its business is financial leasing with all its fields, and the acquisition resulted in goodwill amounted to EGP 1 million.
- During November 2010, the Group entered into 50% investment as a joint venture agreement in Almajmoa Alalamia; Litijaret 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.

Impairment test of goodwill

The company assesses annually the impairment of goodwill at December 31, to insure whether the carrying amount of the goodwill is fully recoverable, unless there are indicators required to test the impairment through the period.
Goodwill is allocated to the Group's cash generating units according to operating segments as presented below,

	September 30, 2015	**December 31, 2014**
Two and three wheels	177 375	177 375
Hyundai Iraq sales	109 690	100 584
Financial leasing activity	1 000	1 000
	288 065	**278 959**

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.

7- Notes receivables

	September 30, 2015	**December 31, 2014**
Long-term notes receivable (Note 12)	478 727	359 759
Interest income on installment sales	(110 867)	(82 703)
Net present value for long-term notes receivable	**367 860**	**277 056**
Impairment of long-term notes receivable	(2 222)	(2 159)
Net	**365 638**	**274 897**

GB Auto (S.A.E.)
Notes to the consolidated interim financial statements for the financial period ended September 30, 2015
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

8- Deferred tax assets and liabilities

	Note	Fixed and Intangible Assets	Carried forward losses	Inventory Provision	Warranty Provision	Legal Claims Provision	Total September 30, 2015	Total December 31, 2014
A. Deferred tax assets								
Balance at January 1,		11	7 850	8 656	18 965	35	35 517	21 270
Opening balances reclassification		5 230	(5 195)	-	-	(35)	-	-
Balance at January 1, after classification		5 241	2 655	8 656	18 965	-	**35 517**	**21 270**
Charged to the income statement		(5 230)	2 016	746	(907)	-	(3 375)	14 247
Balance at the end of the period / year		**11**	**4 671**	**9 402**	**18 058**	**-**	**32 142**	**35 517**
B. Deferred tax liabilities								
Balance at January 1,		(85 464)	-	-	-	-	(85 464)	(66 839)
Charged to the income statement		5 391	-	-	-	-	**5 391**	**(18 625)**
Balance at the end of the period /year		**(80 073)**	**-**	**-**	**-**	**-**	**(80 073)**	**(85 464)**
Net deferred tax liabilities		**(80 062)**	**4 671**	**9 402**	**18 058**	**-**	**(47 931)**	**(49 947)**
C. Net Deferred tax								
Balance at January 1,		(80 223)	2 655	8 656	18 965	-	(49 947)	(45 569)
Charged to the income statement	(30)	161	2 016	746	(907)	-	**2 016**	**(4 378)**
Balance at the end of the period /year		**(80 062)**	**4 671**	**9 402**	**18 058**	**-**	**(47 931)**	**(49 974)**

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

8- 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, 2015	December 31, 2014
Impairment of accounts and notes receivables	64 576	67 291
Impairment of other debit balances	1 241	1 628

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

9- Investment property

	September 30, 2015	December 31, 2014
Balance at January 1, 2015	606	3 117
Additions during the period / year	3 565	-
Developed investment property revaluation – Gain	87 341	-
Disposals of the period/year	-	(2 511)
Balance at the end of the period / year (by the fair value)	**91 512**	**606**

10- Inventories

	September 30, 2015	December 31, 2014
Goods in transit	547 738	553 443
Cars, buses and trucks	915 117	789 228
Raw material and car components	585 493	683 671
Spare parts for sale	235 771	231 478
Work in progress	44 175	55 043
Tires	75 141	77 710
Oils	4 471	1 056
Total	**2 407 906**	**2 391 629**
Impairment of inventory	(55 050)	(45 920)
Net	**2 352 856**	**2 345 709**

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11- Non-Current assets held for sale

	September 30, 2015				December 31, 2014
	Land	**Building**	**Investment**	**Total**	**Total**
Cost	300 471	14 288	34 750	**349 509**	**314 759**
Accumulated depreciation	–	(1 615)	–	**(1 615)**	**(1 615)**
Net book value at the end of the period / year	**300 471**	**12 673**	**34 750**	**347 894**	**313 144**

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

12- Accounts and notes receivables

	September 30, 2015	December 31, 2014
Total notes receivable	1 284 463	1 041 198
Long-term notes receivable (Note 7)	(478 727)	(359 759)
Unamortized interest	(104 234)	(79 031)
Net present value for short-term notes receivable	**701 502**	**602 408**
Trade receivable	1 170 957	973 551
Total	**1 872 459**	**1 575 959**
Impairment of accounts and notes receivable balances	(284 781)	(267 005)
Net	**1 587 678**	**1 308 954**

13- Debtors and other debit balance

	September 30, 2015	December 31, 2014
Advance payments to suppliers	263 462	297 140
Withholding tax	180 223	156 521
Accrued interest	12 016	2 349
Letters of credit	15 722	55 166
Prepaid expenses	97 976	63 169
Deposits with others	10 321	17 740
Letters of guarantee margin	35 107	73 099
Staff loans and custodies	33 189	16 021
Other debit balances	95 113	103 201
Sales tax	21 223	22 257
Customs duties	4 482	3 016
Total	**768 834**	**809 679**
Impairment of debtor and other debit balances	(5 514)	(6 510)
Net	**763 320**	**803 169**

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

14- Related party transactions

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

Balances due from and to relate parties are as follows:

Due from related parties	**September 30, 2015**	**December 31, 2014**
GB Trade-In Co.	705	1 451
GB For Import And Export	5 020	-
Al Watania for Vehicles Accessories and spare parts	317	-
Berlin Shareholders' Current Account	–	3
El Bostan Holding	45 020	21 248
SARL SIPAC – Algeria	9 142	-
Kassed Shareholders' Current Account	–	81
El-Qalam Shareholders' Current Account	5 885	6 526
EL-Nabateen Shareholders' Current Account	1 149	838
	67 238	**30 147**

Due to related parties	**September 30, 2015**	**December 31, 2014**
Marco Polo Company	20 406	18 074
Executive directors	748	2 927
Itamco For Import And Export	916	-
Al Watania For Tires Import	910	-
Kassed Shareholders' Current Account	31 265	-
GK Auto Shareholders' Current Account	–	3 774
	54 245	**24 775**

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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, 2015	Transaction amount September 30, 2014
Executive Directors	Board of director members	Cash transfers	2 179	2 369
	Board of director members	Top management salaries	15 833	14 809
El Bostan Holding	Shareholder in one of the subsidiaries	Cash transfers	23 772	27 857
GB Trade-In Co.	Shareholder in one of the subsidiaries	Cash transfers	(746)	21
GB for import and export.	Related Party	Cash transfer	5 020	-
Al Watania for Vehicles Accessories and spare parts	Related Party	Cash transfer	317	-
SARL SIPAC – Algeria	Related Party	Cash transfer	9 142	-
Kassed Shareholders' current account	Shareholder in one of the subsidiaries	Cash transfers	3 979	2 544
	Shareholder in one of the subsidiaries	Dividends	(35 325)	-
Autos Co. For Car Trading	Shareholder in one of the subsidiaries	Cash transfers	-	25
El- Qalam Shareholder current account	Shareholder in one of the subsidiaries	Cash transfers	(641)	43 797
El-Nabateen Shareholders' current account	Shareholder in one of the subsidiaries	Cash transfers	311	186
GK Berline Shareholders' current account	Shareholder in one of the subsidiaries	Cash transfers	(3)	3 491
Marco Polo Company	Shareholder in one of the subsidiaries	Cash transfers	(2 332)	3 207
Itamco for Import and Export	Related Party	Cash transfers	(916)	3 207
Al Watania For Tires Import	Related Party	Cash transfers	(910)	3 207
GK Auto Shareholder current account	Shareholder in one of the subsidiaries	Cash transfers	3 744	3 744

15- Treasury bills

	September 30, 2015	December 31, 2014
Treasury bills (par value)	376	733
Total Interest income	14	3
Total paid for treasury bills	390	736
Balance at the end of the period /year	**390**	**736**

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16- Cash on hand and at banks

A. Cash on hand and at banks

	September 30, 2015	December 31, 2014
Cash on hand and cash at banks	2 203 191	1 176 841
	2 203 191	**1 176 841**

B. Cash and cash equivalents

	September 30, 2015	December 31, 2014
Cash on hand and cash at banks	2 203 191	1 176 841
Treasury bills less than 91 Day	390	736
	2 203 581	**1 177 577**

17- Provisions

	Legal Claims	Warranty Provision	Other Provisions	Total
Balance at January 1, 2015	**5 773**	**77 306**	**30 313**	**113 392**
Provisions formed during the period	-	25 413	4 796	**30 209**
Provisions utilized during the period	(607)	(8 296)	-	**(8 903)**
Provisions no longer required	-	(11 972)	-	**(11 972)**
Balance at September 30, 2015	**5 166**	**82 451**	**35 109**	**122 726**
Balance at 1 January 2014	**8 318**	**34 907**	**22 399**	**65 624**
Effect of movements in exchange rates	-	-	6	**6**
Provisions formed during the year	2 250	51 100	8 144	**61 494**
Provisions utilized during the year	(4 795)	(8 123)	(236)	**(13 154)**
Provisions no longer required	-	(578)	-	**(578)**
Balance at December 31, 2014	**5 773**	**77 306**	**30 313**	**113 392**

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, 2015.

Warranty Provision
The Group provides warranty on its products and guarantees to either fix or replace the products that are not working properly, and the Group has estimated its warranty liability to be EGP 82 451 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 64 002 (December 31, 2014 EGP 64 753).

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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 prejudice 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.

18- Income tax liabilities

	September 30, 2015	December 31, 2014
Balance at 1 January	76 942	13 421
Taxes paid during the period/year	(27 863)	(22 307)
Income tax during the period/year (Note 30)	43 178	85 828
Balance at the end of the period / year	**92 257**	**76 942**

19- Loans, borrowings and overdrafts

	September 30, 2015			December 31, 2014		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks overdraft	3 851 439	–	**3 851 439**	3 246 050	–	**3 246 050**
Loans	395 745	650 362	**1 046 107**	331 567	656 140	**987 707**
Related parties loans	51 820	28 066	**79 886**	567 221	24 713	**591 934**
Total	**4 299 004**	**678 428**	**4 977 432**	**4 144 838**	**680 853**	**4 825 691**

A. Banks overdraft
The average interest rate on the outstanding Egyptian Pounds and the US Dollars bank overdraft are 11.40% and 4% 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 79 886 thousands as at September 30, 2015 and to be settled on an annual installments with the last installment on September 2016.
- On June 2, 2014, the ordinary general assembly meeting agreed unanimously after abstention Dr. Raouf Kamal Hanna Ghabbour (the main shareholder) from voting, upon signing 2 loan contracts from the main shareholder of the Company, and the loans contracts were signed on 3 June 2014, the following is a summary of the important conditions for the contracts.

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

Loans, borrowings and overdrafts (Continued)

Loan	The maximum loan amount	Payment Period	Payment terms	Annual interest rate	Balance as at December 31, 2014 EGP
Loan (A)	Up to 273 m EGP	30 days automatically renewable for the same period unless either party notifies the other party with a written notice to terminate the loan 3 days prior to the thirty days ending (facility period) by three days.	The loan shall be paid on the final maturity date along with interest.	10.5%	289 625 637
Loan (B)	Up to 70 m USD			3.25%	31 488 613 USD (Equivalent to 226 100 684 EGP)

- The short-term loans balance from the main shareholder as at December 31, 2014 includes interest charged to the loans principal from the beginning date of the withdrawals.

- On June 29, 2014 the main shareholder noticed the company his intention not to renew the loans, accordingly the balance becomes due and payable. (Cash payable by the company).

- At December 31, 2014, the main shareholder notifies the company`s management through assignment of rights to transfer part of the principle of the loan with the company as at June 3, 2014, with an amount of 273 million Egyptian Pound and 70 million US$, by amount 30 931 489 USD to other shareholders and the outstanding balances due to each shareholders are shown as follows :

Shareholder	Current due debt				
	Principle debt in US$	Equivalent by EGP	Principle debt in EGP	Accrued Interest	Total in EGP
Dr. Raouf Ghabbour	30 931 489	222 100 470	273 000 000	20 625 851	**515 726 321**
Deduct: transferred to other shareholders					
Mr. Nader Raouf Ghabbour	(17 340 538)	(124 512 000)	-	-	**(124 512 000)**
Mrs. Dina Raouf Ghabbour	(2 066 245)	(14 836 466)	(79 915 534)	-	**(94 752 000)**
Mr. Kamal Raouf Ghabbour	(11 524 706)	(82 752 000)	-	-	**(82 752 000)**
The cash balance due for the shareholder, Dr. Raouf Ghabbour after the due transfers	-	4	193 084 466	20 625 851	**213 710 321**
The total shareholder`s loans balance after the due transfers as at December 31,2014					**515 726 321**

- The Board of Directors in his meeting held at February 15, 2015, has agreed upon the due transfers mentioned above of the current cash due debt for the main shareholder.

- The fair value of the loans is near to its book value.

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Loans, borrowings and overdrafts (Continued)

- On May 25, 2015, the Egyptian Financial Supervisory Authority has agreed to use an amount of EGP 485 446 686 to increase the Capital through the outstanding balances due to shareholders according to the company financial statement on December 31, 2014 which approved on March 30, 2015 from the economic sector of the General Authority For Investment and Free Zones, In addition to the amount of EGP 4 854 466 was used as expenses of shares issuance premium and paid the remaining balance.

- The analysis of the loans and banks overdraft balances according to their maturity dates is as follows:

	September 30, 2015	December 31, 2014
Less than one year	4 299 004	4 144 838
More than one year and less than five years	678 428	680 853
	4 977 432	**4 825 691**

20- Trade payables and other credit balances

	September 30, 2015	December 31, 2014
Trade payables	1 088 999	698 681
Other credit balances	145 244	96 748
Advances from customers	132 521	147 012
Tax Authority	110 183	74 921
Accrued expenses	162 650	120 257
Notes payables	119 970	143 458
Dividends payable	1 148	6 295
Deferred revenues	11 873	10 971
	1 772 588	**1 298 343**

21- Paid in capital

	September 30, 2015	December 31, 2014
Authorized capital (5 000 million shares with par value EGP 1 each)	5 000 000	400 000
Issued and paid capital (1 094 million shares of EGP 1 each)	1 094 117	135 445
Treasury shares write off (107 thousand shares)	(107)	(107)
	1 094 010	**135 338**

Paid in capital (Continued)

Treasury shares write off
A number of 107 100 shares was written off by the Company during 2012 represent the shares that had been purchased at 29 March 2011 with purchasing cost amounted to EGP 3 097 thousands including a par value for the shares amounted to EGP 107 thousands.

Public and private subscription
The Company increased its issued capital with an amount of EGP 33 163 thousand (shares with par value EGP 1 each) through private and public subscription with total amount of EGP 1 208 855 thousand of which EGP 33 163 thousand (par value EGP 1) and EGP 1 175 691 thousand share premium, resulting in the issued and paid in capital becoming EGP 129 000 thousand. The capital increasing shares were allocated on July 9, 2007.

The following is the details of the public subscription and private placement:

a. Public subscription
The public subscription was opened on 2 July 2007 and closed at the end of the working day of 22 September 2007. The shares have 7.5 million shares with total amount of EGP 277 500 000 and the subscription was received in 29 703 533 shares with a total amount of EGP 1 099 030 721 (only one billion ninety-nine million thirty thousand seven hundred twenty one EGP). The percentage of coverage approximately reached 3.96 times from the number of shares offered for subscription.
The first allocation was done by offering each subscriber 150 shares and the second allocation on the basis of the residual amount of shares subscribed by the subscriber (after deducting 150 shares) to the total shares subscribed after deducting the total shares that were allocated through the first allocation.
In the allocation, fractions of the shares were rounded up in the favor of investors with smaller subscription amounts. The second allocation rate reached the value of 20.33%.

b. Private placement
16 712 356 shares (only sixteen million seven hundred twelve thousand three hundred fifty six shares) are subscribed at a total value of EGP 618 357 172 (Only six hundred eighteen millions three hundred fifty seven thousands one hundred seventy two EGP) and at a subscription price of EGP 37 per share. (Thirty seven EGP per share).

c. Private placement (shareholders of Cairo Individual Transport Industries Co. “CITI”)
5 675 306 shares (only five million six hundred seventy five thousand three hundred six) are subscribed at a total of EGP 209 997 468 (only two hundred nine millions nine hundred ninety seven four hundred sixty eight EGP) and at price of EGP 37 per share. (Thirty seven EGP per share).

d. Private placement (Almora Resources)
3 275 040 shares (only three million two hundred seventy five thousand forty shares) are subscribed at a total value of EGP 103 000 000 (only one hundred and three millions EGP) and at a price of EGP 31.45 (only thirty one pound forty five piasters EGP/share).

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.

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Paid in capital (Continued)

e. Private placement (Capital Increase)

At the date of February 4, 2015, the extra ordinary general assembly meeting, has agreed to increase the company's authorized capital from 400 million EGP to 5 billion EGP and to increase the company's issued capital from EGP 135 337 545 to be EGP 1 095 337 545 with an increase of EGP 960 000 000 to be divided on 1 095 337 545 shares with a par value of 1 EGP each.(In additional to issuance cost of 1 pts./share), and that increase to be fully allocated for the favor of old shareholders each according to his share in the company's issued capital , and it is agreed to use the subscription right separately from the original share, with the company's issued capital increase to be paid either cash and/or using due cash debts for the subscriber by the company according to his contribution share.

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

22- Shares of the Company held by the Group

Shares of the Company held by the Group represented in the shares owned by one of the Companies of the Group amounted to 26 506 119 shares at the par value of EGP 26 506 thousand in GB Auto Company capital which is acquired by Almora resources Company one of the Group subsidiaries which is 100% owned.
The acquisition cost amounted to EGP 126 231 thousands. The share premium transferred to special reserve has been reduced by the difference between the acquisition cost and the par value amounted to EGP 99 725 thousands.

23- Legal reserve

	September 30, 2015	**December 31, 2014**
Balance at 1 January	267 265	265 125
Transferred to legal reserve	29 312	2 231
Changing in minority without changing in control	-	(91)
Balance at the end of the period / year	**296 577**	**267 265**

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

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

Legal reserve (Continued)

Share premium
The share premium was transferred to both of legal reserve and special reserve according to Law No. 159 of 1981, based on the authorization of the General Assembly Meeting dated 29 March 2008:

	September 30, 2015	December 31, 2014
Share premium	1 175 691	1 175 691
Less		
Issuance cost	(35 878)	(35 878)
Share premium of the shares of the Company held by the group	(99 725)	(99 725)
Share premium balance	**1 040 088**	**1 040 088**
Transferred to legal reserve	(64 400)	(64 400)
	975 688	**975 688**

The share premium represented in the difference between the amount paid and par value for issued shares, as follows:

	Paid amount	No. of shares (in thousands)	Par value	Issued capital	shares issuance premium
Public subscription	277 500	7 500	EGP 1	7 500	270 000
Private subscription	618 357	16 712	EGP 1	16 712	601 645
Private subscription (for Cairo Individual Transport Industrial shareholders)- ”CITI”	209 997	5 676	EGP 1	5 676	204 321
Private subscription (Almora Resources Company)	126 231	26 506	EGP 1	26 506	99 725
	1 232 085	**56 394**		**56 394**	**1 175 691**

24- Other reserves

	Foreign currency translation reserve	ESOP- Fair value	Payments under capital increase	Fixed asset evaluation surplus	Special reserve	Total
Balance as at 1 January 2015	46 519	53 628	(4 514)	2 498	968 653	**1 066 784**
Foreign currency translation differences	76 144	-	-	-	-	**76 144**
ESOP fair value	-	13 997	-	-	-	**13 997**
Capital increase issuance costs	-	-	-	-	(675)	**(675)**
Balance at September 30, 2015	**122 663**	**67 625**	**(4 514)**	**2 498**	**967 978**	**1 156 250**

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

Other reserves (Continued)

The special reserve represented in the transferred amount from the net share premium on 2007 less the amount transferred to the legal reserve (Note 23).

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

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

25- Non-Controlling interests

					Total	
	Capital	Reserves	Legal Reserve	Retained earnings	September 30, 2015	December 31, 2014
Balance at 1 January	438 820	53 051	23 067	122 844	**637 782**	**618 275**
Net profit for the period/year	-	-	-	4 678	**4 678**	**61 701**
Foreign currency translation differences	-	21 444	-	-	**21 444**	**(1 703)**
Capital increase	10 678	-	-	-	**10 678**	**1 563**
Transferred to legal reserve	-	-	7 527	(7 527)	-	-
Changing in Non-controlling interests without changing in control	(11 640)	-	-	1 927	**(9 713)**	**9 970**
Dividends	-	-	-	(29 061)	**(29 061)**	**(52 024)**
Balance at the end of the period/year	**437 858**	**74 495**	**30 594**	**92 861**	**635 808**	**637 782**

26- Notes payables and creditors (long-term)

	September 30, 2015		December 31, 2014	
	Present Value	Notes Payable	Present Value	Notes Payable
Total notes payables and creditors	121 338	121 338	143 458	143 458
Notes payable Less than 1 year (Note 20)	(119 970)	(119 970)	(143 458)	(143 458)
Total	**1 368**	**1 368**	-	-

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

27- Amounts under settlement of financial lease contracts

This account represents the differences (either positive or negative) between the earned revenue which is recorded according to revenue recognition policy in Note (4-2/d), 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.

28- Provisions

Provisions no longer required	September 30, 2015	September 30, 2014
Warranty provision	11 972	496
Impairment of accounts and notes receivables, debtors and other debit balances.	1 746	586
Other Provisions	-	415
Total provisions no longer required	**13 736**	**1 479**

Provisions formed	September 30, 2015	September 30, 2014
Warranty provision	(25 413)	(36 479)
Impairment of accounts and notes receivable , debtors and other debit balances	(13 259)	(3 747)
Other provisions	(4 796)	(14 879)
Total provisions formed	**(43 468)**	**(55 105)**
Net provisions in the income statement	**(29 732)**	**(53 626)**

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

	Balance at 1/1/2015	Impairment during the period	Reversal of Impairment during the period	Used during the period	Currency Differences	Balance at 30/9/2015
Impairment of Accounts & Notes receivable	269 164	13 259	(768)	(465)	5 813	**278 003**
Impairment of Debtors & Other debit balances	6 510	-	(996)	-	-	**5 514**
	275 674	**13 259**	**(1 764)**	**(465)**	**5 813**	**292 517**
Impairment of Inventory *	45 920	11 230	(1 238)	(1 767)	905	**55 050**
	321 594	**24 489**	**(3 002)**	**(2 232)**	**6 718**	**347 567**

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

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29- Finance costs- net

	September 30, 2015	September 30, 2014
Interest income	37 814	10 876
Installment sales interest	715	906
Total finance income	**38 529**	**11 782**
Interest expenses and bank charges	(292 524)	(275 678)
Bonds Interest expenses	-	(10 932)
Net foreign exchange differences losses	(115 197)	(91 403)
Total finance cost	**(407 721)**	**(378 103)**
Net finance cost	**(369 192)**	**(366 321)**

30- Income tax

	September 30, 2015	September 30, 2014
Current income tax for the period (Note 18)	43 178	44 657
Deferred tax (Note 8)	(2 016)	3 948
Income tax for the period	**41 162**	**48 605**

On June 4, 2014, Law No. (44) for the year 2014 has been issued to impose a temporary three years additional tax amounting to (5%) starting from the current taxable period. This additional tax is imposed on the tax pool 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.

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

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

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

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31- Earnings per share

i. Basic

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

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

	September 30, 2015	**September 30, 2014**
Net profit for the period attributable to shareholders	204 988	141 937
Weighted average number of ordinary shares issued	551 531	125 618
Basic earnings per share/ EGP	**0.372**	**1.13**

ii. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares for all the resulted effects for all dilutive potential ordinary shares.

	September 30, 2015	**September 30, 2014**
Net profit for the period attributable to shareholders	204 988	141 937
Weighted average number of ordinary sharesissued	551 531	125 618
Adjusted		
ESOP	-	4 514
Weighted average number of ordinary shares	**551 531**	**130 132**
Diluted earnings per share/ EGP	**0.372**	**1.09**

GB Auto (S.A.E.)
Notes to the consolidated interim financial statements for the financial period ended September 30, 2015
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

32- Income statement by nature

	September 30, 2015	September 30, 2014
Sales	9 575 412	8 830 545
Direct manufacturing cost	(8 159 608)	(7 438 100)
Employees salaries and benefits	(117 801)	(84 012)
Other costs	(112 895)	(140 242)
Gross Profit	**1 185 108**	**1 168 191**
Interest income	37 814	10 876
Employees' salaries and benefits	(293 444)	(226 106)
Other income	117 288	29 043
Provisions no longer required	13 736	1 480
Interest on installment sales	715	907
Interest expense	(278 625)	(275 768)
Bonds interest expenses	−	(10 932)
Investment losses	(5 563)	−
ESOP Fair value	(13 997)	−
Selling and marketing expenses	(83 329)	(74 119)
Rent expense	(56 699)	(52 416)
Forex (loss)-net	(115 197)	(91 402)
Depreciation and amortization	(34 934)	(30 934)
Transportation	(15 745)	(19 555)
Provisions formed	(43 468)	(55 105)
Consulting and advisory services	(15 198)	(7 732)
Vehicles expenses	(17 024)	(20 449)
IT, network and pc's expenses	(9 294)	(9 519)
Hounability	(5 340)	(4 844)
Governmental fees	(9 618)	(5 703)
Safety and security expenses	(8 872)	(7 982)
Insurance	(6 535)	(7 823)
Telecommunication	(5 488)	(5 033)
Other expenses	(29 652)	(14 947)
Administration supplies	(7 846)	(8 092)
Utilities	(8 112)	(5 435)
Bank charges	(13 899)	(4 125)
Repair and maintenance	(4 974)	(4 283)
Shipping	(2 851)	(1 273)
Gifts	(721)	(725)
Donations	(15 082)	(9 092)
Public relations expenses	(2 326)	(1 436)
Net profit of the period before tax	**250 828**	**255 667**

GB Auto (S.A.E.)
Notes to the consolidated interim financial statements for the financial period ended September 30, 2015
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

33- Segmental reporting

Results of operations	Passenger Cars		Buses and Trailers		Two & Three Wheels		Other Operations		Total	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenues	5 991 165	6 606 307	1 041 108	647 393	1 511 344	787 346	1 031 795	789 499	9 575 412	8 830 545
Segment result	**613 049**	**787 036**	**134 783**	**75 962**	**250 855**	**145 541**	**186 421**	**159 652**	**1 185 108**	**1 168 191**
Selling and Marketing expenses									(247 074)	(223 431)
Administrative expenses									(386 010)	(298 190)
Provisions (net)									(29 732)	(53 626)
ESOP fair value									(13 997)	-
Investment losses									(5 563)	-
Other revenue									117 288	29 043
Operating profit									**620 020**	**621 987**
Finance cost (net)									(369 192)	(366 321)
Net profit before tax									**250 828**	**255 666**
Income tax									(41 162)	(48 604)
Net profit for the period									**209 666**	**207 062**
Profit is attributable to:										
Shareholders of the company									204 988	141 937
Non-Controlling interests									4 678	65 125
									209 666	**207 062**

GB Auto (S.A.E.)
Notes to the consolidated interim financial statements for the financial period ended September 30, 2015
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

	Passenger Car		Buses and Trailers		Two & Three Wheels		Other Operations		Total	
Other information	**September 30, 2015**	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Segment assets	5 440 186	5 439 707	2 057 337	1 537 959	1 362 336	385 475	2 585 006	1 642 598	11 444 865	**9 005 739**
Total distributed assets	**5 440 186**	**5 439 707**	**2 057 337**	**1 537 959**	**1 362 336**	**385 475**	**2 585 006**	**1 642 598**	**11 444 865**	**9 005 739**
Segment liabilities	4 338 140	3 881 575	955 201	643 814	608 822	104 673	1 589 726	1 631 628	**7 491 889**	**6 261 690**
Capital expenditures	119 262	96 962	43 350	23 845	10 861	686	660 422	518 553	**833 895**	**640 046**
Depreciation	48 184	40 966	20 436	22 652	3 298	899	114 076	77 183	**185 994**	**141 700**

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

34- Contingent assets and liabilities

a. Contingent assets
The Group raised a legal claim against Egyptian Development Bank (EDB) with an amount of EGP 76 million which represents the value of the notes receivable of the Group customers deposited in the bank for collection. The bank did not perform due care in collection of these notes receivable nor took a legal action against the Group customers which led to the expiry of these notes and a foregoing of the Group's right in collecting them or taking the required legal action. Based on the advice of legal council of the Group, the Group management believes that judgment in this case will be in its favor.

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

	September 30, 2015	**December 31, 2014**
USD	721 302	251 020
EGP	202 941	115 925
Japanese Yen	208	230
Euro	3 288	59 355

35- Capital commitments

The capital contractual expenditure of the Group at the consolidated interim financial statements date reached EGP 189 293 (EGP 104 217 as at December 31, 2014) represented in the amount to be paid upon the completion of the new production lines under construction and other branches across the country.

GB Auto (S.A.E.)
Notes to the consolidated interim financial statements for the financial period ended September 30, 2015
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

36- Subsidiary companies

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

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

37- Comparative figures

Some comparative figures has been reclassified in the financial statements to be conformed with current financial statement classification.