

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

Consolidated Interim Financial Statements
For The Financial Period Ended March 31, 2018

And Limited Review Report

kpmg Hazem Hassan
Public Accountants & Consultants

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GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim statement of financial position
as at March 31, 2018

(All amounts in thousand Egyptian Pound)	Note	31 March 2018	31 December 2017
Assets			
Non-current assets			
Property, plant, equipment and projects under construction (Net)	(15)	5 746 246	5 602 626
Intangible assets and goodwill	(16)	429 198	430 346
Payments Under Investments		6 478	6 478
Notes receivables (Net)	(11)	1 097 945	1 006 159
Deferred tax assets	(9-B)	292 437	282 653
Investment property	(17)	90 905	90 905
Debit balances		3 911	8 222
Total non-current assets		7 667 120	7 427 389
Current assets			
Inventories (Net)	(10)	3 009 976	3 012 824
Accounts and notes receivables (Net)	(12)	3 507 800	2 972 213
Debtors and other debit balances (Net)	(13)	1 652 874	1 234 882
Due from related parties	(33)	115 526	140 341
Cash on hand and at banks	(14)	1 494 850	1 242 776
Total current assets		9 781 026	8 603 036
Total assets		17 448 146	16 030 425
Equity			
Issued and paid in capital	(18)	1 094 010	1 094 010
Legal reserve	(20)	336 029	320 992
Other reserves	(21)	2 449 657	2 462 968
Retained earnings		(815 912)	(144 564)
Net (Loss) for the period /year		33 496	(666 900)
Equity attributable to owners of the company		3 097 280	3 066 506
Non-controlling interests	(22)	1 187 252	1 163 158
Total equity		4 284 532	4 229 664
Liabilities			
Non-current liabilities			
Loans	(24)	2 753 089	2 573 823
Notes payables and creditors	(27)	996	558
Warranty provisions	(26)	39 301	42 834
Deferred revenues		75 552	78 682
Deferred tax liabilities	(9-B)	152 694	152 501
Total non-current liabilities		3 021 632	2 848 398
Current liabilities			
Provisions	(26)	216 736	240 928
Current tax liabilities	(9-A)	104 159	80 565
Loans, borrowings and overdrafts	(24)	7 526 557	7 040 969
Due to related parties	(33)	69 818	70 067
Trade payables and other credit balances	(25)	2 224 712	1 519 834
Total current liabilities		10 141 982	8 952 363
Total liabilities		13 163 614	11 800 761
Total equity and liabilities		17 448 146	16 030 425

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

Group Finance Director
Abbas Elsayed

Chief Financial Officer
and Board of Director Member
Mostafa Ahmed Elmahdi

Chairman and Managing Director
Dr. Raouf Ghabbour

"Limited review report attached"

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim statement of Income
for the financial period ended March 31, 2018

(All amounts in thousand Egyptian Pound)	Note	The Three months ended March 31,	
		2018	2017
<u>Continuing operations</u>			
Revenue		4 760 774	2 963 245
Cost of revenue		(4 053 189)	(2 463 199)
Gross profit		707 585	500 046
Other income		31 232	16 015
Selling and marketing expenses		(198 068)	(155 136)
General and administrative expenses		(199 867)	(139 641)
Provisions and Impairment of Current and Non-Current assets (Net)	(7)	19 430	(16 621)
Operating results		360 312	204 663
Finance costs (Net)	(6)	(281 503)	(382 245)
Net (Loss) / profit for the period before income tax		78 809	(177 582)
Income tax - benefit \ (expense)	(9-C)	(16 724)	13 830
Net (Loss) / Profit for the period		62 085	(163 752)
Attributable to:			
Owners of the company		33 496	(154 534)
Non-controlling interests		28 589	(9 218)
		62 085	(163 752)
Basic (Loss) / earnings per (share/ EGP)	(8)	0.031	(0.141)

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

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim statement of comprehensive income
for the financial period ended March 31, 2018

(All amounts in thousand Egyptian Pound)	The Three months ended March 31,	
	2018	2017
Net (Loss) / Profit for the period after income tax	62 085	(163 752)
Other comprehensive income items		
Foreign currency translation difference	(9 588)	96 910
Modification surplus of fixed assets result	(10 589)	(79 628)
Total other comprehensive income for the period before income tax	(20 177)	17 282
Income tax Related to other comprehensive income item	2 371	17 772
Other comprehensive income for the period after income tax	(17 806)	35 054
Total other comprehensive income for the period	44 279	(128 698)
Other comprehensive income is attributable to:		
Owners of the company	20 185	(162 257)
Non-controlling interests	24 094	33 559
	44 279	(128 698)

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GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim statement of Shareholders Equity
for the financial period ended March 31, 2018

31 March 2018	Attributed to owners of the company										
	Share capital	Legal reserve	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserve	Share premium (Special reserve)	Retained earnings	Net losses for the period / year	Total	Non-Controlling interests	Total equity
(All amounts in thousand Egyptian Pound)											
Balance at 31 December 2017	1 094 010	320 992	1 291 867	88 882	165 418	916 801	(144 564)	(666 900)	3 066 506	1 163 158	4 229 664
Transferred to retained earnings	-	-	-	-	-	-	(666 900)	666 900	-	-	-
Total comprehensive income											
Net Profit (loss) for the period	-	-	-	-	-	-	-	33 496	33 496	28 589	62 085
Modification surplus of fixed assets after income tax	-	-	-	-	(8 218)	-	10 589	-	2 371	-	2 371
Other comprehensive income items	-	-	(5 093)	-	-	-	-	-	(5 093)	(4 495)	(9 588)
Total comprehensive income	-	-	(5 093)	-	(8 218)	-	10 589	33 496	30 774	24 094	54 868
Transactions with owners of the company											
Results of sale of shares held by the group	-	-	-	-	-	-	-	-	-	-	-
Change of non-controlling interests without changing in control	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-
ESOP fair value	-	-	-	-	-	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-	-	-	-	-	-
Transferred to Legal reserve	-	15 037	-	-	-	-	(15 037)	-	-	-	-
Total Transactions with owners of the company	-	15 037	-	-	-	-	(15 037)	-	-	-	-
Balance at March 31, 2018	1 094 010	336 029	1 286 774	88 882	157 200	916 801	(815 912)	33 496	3 097 280	1 187 252	4 284 532

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

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim statement of Shareholders Equity
for the financial period ended March 31, 2018

31 March 2018

(All amounts in thousand Egyptian Pound)

	Attributed to owners of the company										Total equity	
	Share capital	Shares held by the group	Legal reserve	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserve	Share premium (Special reserve)	Retained earnings	Net losses for the period / year	Total		Non-Controlling interests
Balance at 31 December 2016	1 094 010	(26 506)	311 125	1 235 511	86 440	259 585	967 439	(144 564)	(666 900)	3 116 140	1 169 638	4 285 778
Transferred to retained earnings	-	-	-	-	-	-	-	(666 900)	666 900	-	-	-
Total comprehensive income												
Net Profit (loss) for the period	-	-	-	-	-	-	-	-	(154 534)	(154 534)	(9 218)	(163 752)
Modification surplus of fixed assets after income tax	-	-	-	-	-	(61 856)	-	13 877	-	(47 979)	-	(47 979)
Other comprehensive income items	-	-	-	54 133	-	-	-	-	-	54 133	42 777	96 910
Total comprehensive income	-	-	-	54 133	-	(61 856)	-	13 877	(154 534)	(148 380)	33 559	(114 821)
Transactions with owners of the company												
Results of sale of shares held by the group	-	26 506	-	-	-	-	(50 638)	-	-	(24 132)	-	(24 132)
Dividends	-	-	-	-	-	-	-	(2 473)	-	(2 473)	(6 800)	(9 273)
ESOP fair value	-	-	-	-	611	-	-	-	-	611	-	611
Transferred to Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-
Total Transactions with owners of the company	-	26 506	-	-	611	-	(50 638)	(2 473)	-	(25 994)	(6 800)	(32 794)
Balance at March 31, 2017	1 094 010	-	311 125	1 289 644	87 051	197 729	916 801	(800 060)	(154 534)	2 941 766	1 196 397	4 138 163

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GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated interim statement of cash flows
for the financial period ended March 31, 2018

(All amounts in thousand Egyptian Pound)

	Note	The Three months ended	
		31 March 2018	31 March 2017
<u>Cash flows from operating activities</u>			
Net (loss) / profit for the period before tax		78 809	(177 582)
<u>Adjustments for:</u>			
Interest expense		280 256	263 566
Depreciation and amortization for the period	(16.15)	117 152	104 716
Provisions movements (net)	(26)	(18 843)	9 393
Impairment losses on current assets (net)		(43 684)	(3 057)
ESOP fair value		-	611
Interest income	(6)	(14 224)	(6 274)
Loans capitalized interest		(14 741)	(5 772)
Foreign currency translation losses (Unrealized)		5 569	(4 536)
Loss from sales of shares held by the group	(19)	-	(50 638)
Gain from sales of investment properties		-	(344)
Gain from sale of property, plant, equipment and assets held for sale		(2 003)	(1 109)
		388 291	128 974
Changes in:			
Inventories		46 362	(996 711)
Accounts and notes receivables		(611 916)	84 317
Debtors and other debit balances		(405 609)	(102 751)
Due from related parties		(2 915)	(3 475)
Due to related parties		(248)	28 084
Trade payables and other credit balances		624 380	(613 175)
Cash generated from \ (used in) operating activities		38 345	(1 474 737)
Provisions used		(10 371)	(9 614)
Income tax paid		(347)	(9 273)
Dividends paid		-	(2 029)
Net cash generated from \ (used in) operating activities		27 627	(1 495 653)
<u>Cash flows from investing activities</u>			
Acquisition of property, plant, equipment and projects under constructions		(763 090)	(507 977)
Acquisition of intangible assets		-	(995)
Interest income received		13 832	(3 585)
Proceeds from sale of property, plant, equipment and assets held for sale		518 964	109 369
Net cash used in investing activities		(230 294)	(403 188)
<u>Cash flows from financing activities</u>			
Proceeds from sales of shares held by the group		-	77 144
Proceeds from loans and borrowings		664 854	1 724 630
Long-Term notes payable		438	661
Interest paid		(202 889)	(214 486)
Net cash used in financing activities		462 403	1 587 949
Net decrease in cash and cash equivalents		259 736	(310 892)
Cash and cash equivalents at the beginning of the period		1 242 776	1 225 300
Effect of movements in exchange rates on cash and cash equivalents held		(7 662)	49 833
Cash and cash equivalents at end of the period	(14-B)	1 494 850	964 241

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

15 - Property, plant, equipments and projects under construction

	Land and Buildings	Machinery & equipment	Vehicles	IT infrastructures & computers	Fixtures & furniture	Leashold improvements	* Projects under construction	Total
Cost								
Cost at 1 January 2017	3 966 008	1 274 433	998 370	202 918	416 457	24 662	252 876	7 135 724
Reclassification	(529)	4 303	-	160	(405)	(3 529)	-	
Additions during the year	1 384 350	326 196	331 876	15 043	47 278	3 416	374 462	2 482 621
Transferred from projects under construction to PP&E and intangible assets	6 527	2 986	-	409	45 078	4 485	(82 113)	(22 628)
Disposals during the year	(374 221)	(58 994)	(158 402)	(7 666)	(7 680)	-	-	(606 963)
Effect of cost modification using modification factor	-	(88 641)	(13 074)	(1 713)	(4 599)	-	(405)	(108 432)
Effect of movements of exchange rates	(20 937)	(1 356)	(922)	(197)	(1 837)	4	-	(25 245)
Balance at 31 December 2017	4 961 198	1 458 927	1 157 848	208 954	494 292	29 038	544 820	8 855 077
Cost at 1 January 2018	4 961 198	1 458 927	1 157 848	208 954	494 292	29 038	544 820	8 855 077
Reclassification	770	-	-	-	-	-	(770)	
Additions during the period	629 432	3 463	66 078	1 552	4 143	454	71 602	776 724
Transferred from projects under construction to PP&E and intangible assets	200	-	-	-	421	486	-	1 107
Disposals during the period	(502 637)	(11 539)	(35 120)	(24)	(77)	-	-	(549 397)
Effect of cost modification using modification factor	-	-	-	(6)	-	-	-	(6)
Effect of movements of exchange rates	(1 738)	(164)	(115)	(33)	(328)	(11)	-	(2 389)
Balance at 31 March 2018	5 087 225	1 450 687	1 188 691	210 443	498 451	29 967	615 652	9 081 116
Accumulated depreciation and impairment losses								
Accumulated depreciation at 1 January 2017	198 017	489 291	410 540	134 611	213 733	16 083	5 816	1 468 091
Reclassification	-	1 066	-	41	(769)	(338)	-	-
Depreciation during the year	59 714	113 145	176 922	30 810	41 164	3 262	-	425 017
Disposals during the year	(6 382)	(13 483)	(99 870)	(6 385)	(4 933)	-	-	(131 053)
Effect of accumulated depreciation modification using modification factor	-	(22 286)	(10 736)	(1 710)	(4 095)	-	-	(38 827)
Effect of movements of exchange rates	(1 040)	(275)	(496)	(173)	(837)	(104)	-	(2 925)
Accumulated depreciation at 31 December 2017	250 309	567 458	476 360	157 194	244 263	18 903	5 816	1 720 303
Accumulated depreciation at 1 January 2018	250 309	567 458	476 360	157 194	244 263	18 903	5 816	1 720 303
Depreciation during the period	16 366	32 928	48 162	6 395	11 338	815	-	116 004
Disposals during the period	(4 323)	(6 908)	(25 743)	(17)	(23)	-	-	(37 014)
Effect of accumulated depreciation modification using modification factor	-	-	-	(6)	-	-	-	(6)
Effect of movements of exchange rates	(210)	(50)	(65)	(28)	(221)	(8)	-	(582)
Accumulated depreciation at 31 March 2018	262 142	593 428	498 714	163 538	255 357	19 710	5 816	1 798 705
Net carrying Amount								
At 1 January 2017	3 767 991	785 142	587 830	68 307	202 724	8 579	247 060	5 667 633
At 31 December 2017	4 710 889	891 469	681 488	51 760	250 029	10 135	539 004	7 134 774
At 31 March 2018	4 825 083	857 259	689 977	46 905	243 094	10 257	609 836	7 282 411

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

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

	Note	31 March 2018	31 December 2017
Property, plant, equipments and projects under construction (Net)		7 282 411	7 134 774
Deduct:-			
Amounts under settlement of financial lease contracts	(28)	1 536 165	1 532 148
		5 746 246	5 602 626

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

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

A-Financial leased assets:

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

	Land and Buildings	Machinery & equipment	Vehicles	IT infrastructures & computers	Fixtures & furniture	Total
Cost						
Cost at 1 January 2017	2 198 195	313 429	672 777	38 192	1 757	3 224 350
Additions during the year	1 713 373	500 746	226 487	-	-	2 440 606
Disposals during the year	(348 500)	(51 843)	(125 616)	(5 100)	(1 757)	(532 816)
Balance at 31 December 2017	3 563 068	762 332	773 648	33 092	-	5 132 140
Cost at 1 January 2018	3 563 068	762 332	773 648	33 092	-	5 132 140
Additions during the period	617 034	690	37 666	-	-	655 390
Disposals during the period	(502 637)	(11 539)	(26 413)	-	-	(540 589)
Balance at 31 March 2018	3 677 465	751 483	784 901	33 092	-	5 246 941
Accumulated depreciation						
Accumulated depreciation at 1 January 2017	40 596	58 829	242 894	17 450	848	360 617
Depreciation during the year	49 502	61 383	136 453	7 572	205	255 115
Disposals during the year	(5 481)	(10 448)	(80 144)	(3 825)	(1 053)	(100 951)
Accumulated depreciation at 31 December 2017	84 617	109 764	299 203	21 197	-	514 781
Accumulated depreciation at 1 January 2018	84 617	109 764	299 203	21 197	-	514 781
Depreciation during the period	16 581	18 903	37 543	1 787	-	74 814
Disposals during the period	(4 343)	(6 907)	(18 409)	-	-	(29 659)
Accumulated depreciation at 31 March 2018	96 855	121 760	318 337	22 984	-	559 936
Carring Amount						
At 1 January 2017	2 157 599	254 600	429 883	20 742	909	2 863 733
At 31 December 2017	3 478 451	652 568	474 445	11 895	-	4 617 359
At 31 March 2018	3 580 610	629 723	466 564	10 108	-	4 687 005

Financial leased assets (Net)

	Note	31 March 2018	31 December 2017
Financial leased assets (Net)		4 687 005	4 617 359
Deduct:-			
Amounts under settlement of financial lease contracts	(28)	1 536 165	1 532 148
		3 150 840	3 085 211

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

1- Reporting entity

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

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

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

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

The major shareholders of the company are Dr. Raouf Ghabbour and his family who collectively owns approximately 60.6% of the Company's shares as at March 31, 2018.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on May 10, 2018.

2- Basis of preparation of consolidated financial statements

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

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

3- Functional and presentation currency

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

4- Use of judgement and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

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

A- Measurement of fair value

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

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

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

5- Operating Segments

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

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

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

5- Operating Segments (Continued)

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

A- Total Revenue

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Passenger car	%51	%47,3
Buses and trucks	%7.6	%10,7
2 & 3 Wheels	%19.2	%14,7
Other Operations	%22.2	%27,4

B- Revenue from foreign operations

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Passenger car	%28.7	%25,2
2 & 3 Wheels	%14.4	%5,2
Other Operations	%12.1	%5,2

C- Segments results

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Passenger car	%33.73	% 42,6
Buses and trucks	%8.25	%12,54
2 & 3 Wheels	%22.12	%8,45
Other Operations	%35.9	%36,41

D- Assets

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Passenger car	%38.3	%50,7
Buses and trucks	%18	%19,1
2 & 3 Wheels	%3.5	%3,1
Other Operations	%40.2	%27

E- Liabilities

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Passenger car	%41.6	%60,2
Buses and trucks	%14.4	%13,8
2 & 3 Wheels	%5.7	%2
Other Operations	%38.3	%24

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

5- Operating Segments (Continued)

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

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Revenues		
Total revenues for reportable segments	5 254 690	3 376 704
Elimination of inter-segment revenue	(493 916)	(413 459)
Consolidated Revenue	4 760 774	2 963 245
Segments result		
Gross profit for reportable segment	700 722	475 179
Elimination of inter-segment gross profit	6 863	24 867
Consolidated Gross Profit	707 585	500 046
Assets		
Total assets for reportable segments	31 346 082	32 584 061
Elimination inter-segment assets	(13 897 936)	(14 437 885)
Total Consolidated Assets	17 448 146	18 146 176
Liabilities		
Total Liabilities for reportable segments	21 228 885	23 274 107
Elimination inter-segment Liabilities	(8 065 271)	(9 971 664)
Total Consolidated Liabilities	13 163 614	13 302 443

G-Other martial amounts

	<u>Total reportable segment</u>	<u>Adjustments</u>	<u>Total consolidated March 31, 2018</u>
Finance income	18 140	(3 780)	14 360
Interest expense and Bank Charges	(264 922)	(31 740)	(296 662)
Capital expenditure	777 831	-	777 831
Depreciation and amortization	125 140	(7 988)	117 152
	<u>Total reportable segment</u>	<u>Adjustment</u>	<u>Total consolidated March 31, 2017</u>
Interest income	21 513	(15 239)	6 274
Interest expense and Bank Charges	(266 973)	(17 064)	(284 037)
Capital expenditure	1 080 742	(421 604)	659 138
Depreciation and amortization	110 029	(3 164)	106 865

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

6- Finance Costs

	March 31, 2018	March 31, 2017
Interest income	11 380	٤ ٣٧٩
Interest income on installment sales	2 844	١ ٨٩٥
Total Finance Income	14 224	٦ ٢٧٤
Interest expense and bank charges	(296 691)	(٢٨٤ ٠٣٧)
Foreign exchange differences	964	(١٠٤ ٤٨٢)
Total Finance Cost	(295 727)	(٣٨٨ ٥١٩)
Net Finance Cost	(281 503)	(٣٨٢ ٢٤٥)

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

Provisions no longer required

	March 31, 2018	March 31, 2017
Impairment of accounts and notes receivables.	23 806	870
Impairment of debtors and other debit balances.	520	-
Other Provisions	23 924	-
Litigation provision	5 886	-
Total provisions no longer required	54 136	870

Provisions formed

	March 31, 2018	March 31, 2017
Warranty provision	(4 284)	(3 054)
Impairment of accounts and notes receivable	(4 736)	(8 098)
Impairment of debtors and other debit balances	(3 200)	-
Impairment of due from related parties	(15 803)	-
Litigation provision	(550)	-
Other provisions	(6 133)	(6 339)
Total provisions formed	(34 706)	(17 491)
Net provisions in the income statement	19 430	(16 621)

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

	Balance at 1/1/2018	Impairment during the period	Used during the period	Reversal of Impairment during the period	Effect of movements of exchange rates	Balance at 31/3/2018
Impairment of Accounts & Notes receivable	421 092	4 736	-	(23 806)	105	402 127
Impairment of due from related parties	16 254	15 803	-	-	(55)	32 002
Impairment of Debtors & Other debit balances	6 968	3 200	-	(520)	378	10 026
	444 313	23 739	-	(24 326)	218	443 944
Impairment of Inventory *	125 367	-	(241)	(43 097)	(175)	81 854
	569 680	23 739	(241)	(67 423)	43	525 798

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

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

8- Earnings / (Loss) per share

i. Basic

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

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

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Net (loss)/profit for the period attributable to the shareholders	33 497	(154 534)
Weighted average number of ordinary shares issued	<u>1 094 010</u>	<u>1 094 010</u>
Basic (loss) / earnings per share/ EGP	<u>0.031</u>	<u>(0,141)</u>

9- Income tax

A- Income tax liabilities

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Balance at 1 January	80 565	98 115
Taxes paid during the year/ period	(347)	(102 ٧٩٥)
Effect of movement of exchange rates	(4)	٢٦٨
Current income tax during the year/ period (Note 9-C)	<u>23 945</u>	<u>84 977</u>
Balance at the end of the year/ period	<u>104 159</u>	<u>80 565</u>

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

9- Income tax (Continued)

B- Deferred tax assets and liabilities

Note	Fixed and Intangible Assets	Carried forward losses	Impairment of Inventory	Warranty Provision	Legal Provision	Surplus revaluation of fixed assets	Total	
							March 31, 2018	December 31, 2017
Deferred tax assets								
Balance at 1 January	11	233 765	15 891	31 749	1 236	-	282 652	159 357
Charged to the income statement	-	9 785	-	-	-	-	9 785	123 296
Balance at the end of the year	11	243 550	15 891	31 749	1 236	-	292 437	282 653
Deferred tax liabilities								
Balance at 1 January	(113 471)	-	-	-	-	(39 030)	(152 501)	(164 289)
Charged to the income statement	(2 564)	-	-	-	-	-	(2 564)	(10 245)
Charged to Statement of comprehensive income	-	-	-	-	-	2 371	2 371	22 133
Balance at the end of the year/ period	(116 035)	-	-	-	-	(36 659)	(152 694)	(152 501)
Net deferred tax liabilities	(116 024)	243 550	15 891	31 749	1 236	(36 659)	139 743	130 152
Net								
Balance at 1 January	(113 460)	233 765	15 891	31 749	1 236	(39 030)	130 151	(5 032)
Charged to the income statement	(2 564)	9 785	-	-	-	-	7 221	113 051
Charged to Statement of comprehensive income	-	-	-	-	-	2 371	2 371	22 133
Balance at the end of the year/ period	(116 024)	243 550	15 891	31 749	1 236	(36 659)	139 743	130 152

GB Auto (S.A.E.)

Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

9- Income tax (Continued)

B- Deferred tax assets and liabilities (Continued)

Unrecognised deferred tax assets

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

	March 31, 2018	December 31, 2017
Impairment of accounts and notes receivables	90 479	94 746
Impairment of other debit balances	2 256	1 568

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

C- Income tax expenses

	March 31, 2018	March 31, 2017
Current income tax for the period (Note 9-A)	(23 945)	13 102
Deferred tax – benefit \ (expense) (Note 9-B)	7 221	26 932
Income tax for the period	(16 724)	13 830

D- Amounts recognized in OCI

	March 31, 2018			March 31, 2017		
	Before Tax	Taxes	After Tax	Before Tax	Taxes	After Tax
Foreign Currency translation difference	(9 588)	-	(9 588)	96 910	-	96 910
Modification surplus of fixed assets result	(10 589)	2 371	(8 218)	(79 628)	17 772	(61 856)
	(20 177)	2 371	(17 806)	17 282	17 772	35 054

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

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

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

9- Income tax (Continued)

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

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

1. The income tax rate will decrease to be 22.5 % from the annual net profit.
2. Amend the period of imposing the 5 % temporary tax.
3. Amend the tax on dividends.

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

10- Inventories

	March 31, 2018	December 31, 2017
Goods in transit	608 039	340 488
Cars, buses and trucks	1 096 327	1 322 738
Raw material and car components	738 794	752 357
Spare parts for sale	495 693	512 032
Work in progress	39 415	71 059
Tires	69 625	107 654
Oils	43 937	31 863
Total	3 091 830	3 138 191
Impairment of inventory *	(81 854)	(125 367)
Net	3 009 976	3 012 824

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

11- Long term notes receivables

	March 31, 2018	December 31, 2017
Long-term notes receivable (Note 12)	1 515 499	1 390 856
Interest income on installment sales	(411 45£)	(379 413)
Net present value for long-term notes receivable	1 104 04•	1 011 443
Impairment of long-term notes receivable	(6 100)	(5 284)
Net	1 097 945	1 006 159

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

12- Accounts and notes receivables

	March 31, 2018	December 31, 2017
Total notes receivable	9 164 127	8 526 478
Long-term notes receivable (Note 11)	(1 515 499)	(1 390 856)
Unamortized interest	(5 059 102)	(4 899 287)
Net present value for short-term notes receivable	2 589 526	2 236 335
Trade receivable	1 314 301	1 151 686
Total	3 903 827	3 388 021
Impairment of accounts and notes receivable balances	(396 027)	(415 808)
Net	3 507 800	2 972 213

13- Debtors and other debit balances

	March 31, 2018	December 31, 2017
Advance payments to suppliers	769 805	686 767
Withholding tax	227 653	216 745
Sales tax receivable	20 970	24 182
Accrued interest	392	446
Letters of credit	325 498	11 418
Prepaid expenses	110 986	93 886
Deposits with others	32 107	33 125
Letters of guarantee margin	53 148	84 892
Staff loans and custodies	28 365	24 660
Other debit balances	90 504	61 159
Customs duties	3 472	4 570
Total	1 662 900	1 241 850
Impairment of debtor and other debit balances	(10 026)	(6 968)
Net	1 652 874	1 234 882

14- Cash on hand and at banks

A- Cash on hand and at banks

	March 31, 2018	December 31, 2017
Cash on hand and cash at banks	1 494 850	1 242 776
	1 494 850	1 242 776

B- Cash and cash equivalents

	March 31, 2018	December 31, 2017
Cash on hand and cash at banks	1 494 850	1 242 776
	1 494 850	1 242 776

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

15- Property, plant, equipment and Projects under constructions

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

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

B- Leased Assets:

The Group has financial leased assets (trailers and buses) according to contracts under Law No. 95 for 1995, that is not considered as property, plant and equipment according to the accounting policy (34/Q) and according to the requirement of the Egyptian Accounting Standard (No.20), according to, the annual lease payments are recognized as an expense in the income statement for the year. And the leased contracts are as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Total contractual lease payments	87 522	63 941
Total purchase price on termination of leases	100	100
Average contracts life	4 years	4 years
lease payments for the year/ period	2 017	23 581

16- Intangible assets and goodwill

	<u>Goodwill</u>	<u>Computer software</u>	<u>Knowhow</u>	<u>Total</u>
Cost				
Balance at 1 January	427 309	33 853	5 703	466 865
Balance at March 31, 2018	427 309	33 853	5 703	466 865
Accumulated amortization				
Balance at 1 January	-	30 816	5 703	36 519
Amortization charge for the period	-	1 148	-	1 148
Balance at March 31, 2018	-	31 964	5 703	37 667
Net carrying amount at March 31, 2018	427 309	1 889	-	429 198
Net carrying amount at December 31, 2017	427 309	3 037	-	430 346

Goodwill

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

16- Intangible assets and goodwill (Continued)

Impairment test of cash generating units including goodwill

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

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

	March 31, 2018	December 31, 2017
Two and three wheels' activities	177 375	177 375
Hyundai Iraq sales	248 934	248 934
Financial leasing activity	1 000	1 000
	427 309	427 309

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

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

17- Investments property

	March 31, 2018	December 31, 2017
Balance at 1 January	90 905	91 512
Disposals during the year	-	(607)
Balance at the end of the year/ period	90 905	90 905

18- Issued and paid in capital

	March 31, 2018	December 31, 2017
Authorized capital (5 000 000 000 shares with par value EGP 1 each)	0	0
Issued and paid capital (1 094 009 733 shares of EGP 1 each)	1 . 9 4 . 1 .	1 . 9 4 . 1 .

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

18- Issued and paid in capital (Continued)

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

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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of EGP 960 000 000 to be divided on 1 095 337 545 shares with a par value of 1 EGP each.(In additional to issuance cost of 1 pts./share), and that increase to be fully allocated for the favor of old shareholders each according to their share in the company's issued capital , and it is agreed to use the subscription right separately from the original share, with the company's issued capital increase to be paid either cash and/or using due cash debts for the subscriber by the company according to their contribution share.

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

19- Shares of the Company held by the Group

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

At the date of February 23, 2017, the number of 26 506 119 shares was sold. The special reserve was reduced by an amount of EGP 50 638 thousand which represents the differences between treasury shares purchase cost amounted to EGP 126 231 thousand and its reselling price amounted to EGP 75 593 thousand (Note 20).

20- Legal reserve

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Balance at 1 January	320 992	٣١١ ١٢٥
Transferred to legal reserve	15 037	9 867
Balance at the end of the year	<u>336 029</u>	<u>320 992</u>

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

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

20- Legal reserve (continued)

Share premium

The share premium represented in the difference between the amount paid and par value for issued shares and issuance cost is deducted from it. The share premium was transferred to both legal

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reserve and special reserve according to Law No. 159 of 1981, based on the authorization of the General Assembly Meeting dated 29 March 2008:

	March 31, 2018	December 31, 2017			
Share premium	916 801	916 801			
 21- Other reserves					
	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserve	Share premium (special reserves)	Total
Balance as at 1 January 2018	1 291 867	88 882	165 418	916 801	2 462 968
Foreign currency translation differences	(5 093)	-	-	-	(5 093)
Modification surplus of fixed assets after income tax	-	-	(8 218)	-	(8 218)
Balance at March 31, 2018	1 286 774	88 882	157 200	916 801	2 449 657

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

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

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

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

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

22- Non-controlling Interest

	Capital	Reserves	Legal Reserve	Retained earnings	Total	
					March 31, 2018	December 31, 2017
Balance at 1 January	465 418	780 783	32 219	(115 262)	1 163 158	1 169 638
Net loss for the year / period	-	-	-	28 589	28 589	(56 755)
Transferred to Legal reserve	-	-	1 297	(1 297)	-	950
Foreign currency translation results	-	(4 495)	-	-	(4 495)	12 623
Capital increase	-	-	-	-	-	1 750
Change in Non-controlling interests	-	-	-	-	-	44 702
Dividends	-	-	-	-	-	(9 750)
Balance at the end of the year / period	465 418	776 288	33 516	(87 970)	1 187 252	1 163 158

23- Capital Management

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

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

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

The gearing ratio at March 31, 2018 and December 31, 2017 were as follows:

	March 31, 2018	December 31, 2017
Total loans and borrowings and notes payable		
Loans, borrowings and overdrafts	10 279 646	9 614 792
Short-term notes payable and suppliers	148 936	119 784
Long-term notes payables and creditors	996	٥٥٨
Total loans and borrowings and notes payables	10 429 578	9 735 134
Less: Cash and cash equivalent	(1 494 850)	(1 242 776)
Letters of credit margin	(325 498)	(11 418)
Letters of guarantee margin	(53 148)	(84 892)
Net debt	8 556 082	8 396 048
Shareholders' equity	4 284 532	4 229 664
Net debt to equity ratio	1.99	1.98

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Notes to the consolidated interim financial statements for the financial period ended March 31, 2018

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

24- Loans, borrowings and overdrafts

	March 31, 2018			December 31, 2017		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks overdraft	6 530 396	177 000	6 707 396	6 099 761	-	6 099 761
Loans	996 161	2 507 008	3 503 169	941 208	2 486 127	3 427 335
Related parties' loans	-	69 081	69 081	-	87 696	87 696
Total	7 526 557	2 753 089	10 279 646	7 040 969	2 573 823	9 614 792

A. Banks overdraft

The average interest rate on the outstanding Egyptian Pounds and the US Dollars bank overdraft are 20.17% and 6.31% 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 69 081 thousand as at March 31, 2018 and to be settled on an annual installment.
- The analysis of the loans and banks overdraft balances according to their maturity dates is as follows:

	March 31, 2018	December 31, 2017
Less than one year	7 526 557	7 040 969
More than one year and less than five years	2 753 089	2 573 823
	10 279 646	9 614 792

25- Trade payables and other credit balances

	March 31, 2018	December 31, 2017
Trade payables	1 116 995	٦١٠ ٨١٨
Other credit balances	81 722	64 530
Advances from customers	358 885	223 000
Tax Authority	116 439	148 068
Accrued expenses	335 338	٢٨٥ ٢٢٣
Notes payables	148 936	١١٩ ٧٨٤
Dividends payable	2 644	٧ ٩٢٨
Deferred revenues	63 753	60 483
	2 224 712	1 519 834

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26- Provisions

	Legal Claims	Warranty Provision	Other Provisions	Total
Balance at January 1, 2017	7 084	108 844	168 330	284 258
Provisions formed during the period	550	4 284	6 133	10 967
Provisions utilized during the period	(57)	(8 517)	(1 556)	(10 130)
Provisions no longer required	(5 886)	-	(23 924)	(29 810)
Effect of movement of exchange rates	377	-	375	752
Balance at March 31, 2018	2 068	104 611	149 358	256 037
Balance at 1 January 2017	2 274	94 684	114 107	211 065
Provisions formed during the year	6 081	65 160	88 700	159 941
Provisions utilized during the year	(996)	(51 000)	(33 209)	(85 209)
Provisions no longer required	(275)	-	(80)	(355)
Effect of movement of exchange rates	-	-	(1 684)	(1 684)
Balance at December 31, 2017	7 084	108 844	167 834	283 762

Legal claims

The amounts shown comprises of gross provisions in respect of legal claims brought against the Group, and management opinion, after taking appropriate legal advice, that the outcome of these legal claims will not exceed significantly the provision formed as at March 31, 2018.

Warranty Provision

The Group provides warranty on its products and guarantees to either fix or replace the products that are not working properly, and the Group has estimated its warranty provisions to be EGP 108 844 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 39 301 (December 31, 2017 EGP 42 834).

Other provisions

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

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27- Trade and notes payables long term

	<u>March 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Present Value</u>	<u>Notes Payable</u>	<u>Present Value</u>	<u>Notes Payable</u>
Total notes payables and creditors	149 932	149 932	120 342	120 342
Notes payable Less than 1 year (Note 25)	<u>(148 936)</u>	<u>(148 936)</u>	<u>(119 784)</u>	<u>(119 784)</u>
Total	<u>996</u>	<u>996</u>	<u>558</u>	<u>558</u>

28- Amounts under settlement of financial lease contacts

This account represents the differences (either positive or negative) between the earned revenue which is recorded according to revenue recognition policy in Note (34-D/4), and the due lease receivable.

The balance of such account is settled against the net book value of the leased asset at the termination date of the leasing contract.

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Advances from customers	1 094 955	1 156 550
Amounts under settlement of financial lease contacts	441 210	375 598
	<u>1 536 165</u>	<u>1 532 148</u>

29- Financial risk management

(1) Financial risk factors

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

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

(a) Market risk

1. Foreign currency exchange rate risk

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

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

	<u>March 31, 2018</u>			<u>December 31, 2017</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>	<u>Net</u>
US Dollars	1 160 726	(1 163 104)	(2 378)	417 197
Euros	13 528	(10 188)	3 340	19 343
Other currencies	171 674	(19 300)	152 374	91 473

2. Price risk

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

3. Cash flows and fair value interest rate risk

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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 10 279 646 as at March 31, 2018 (EGP 9 614 792 as at December 31, 2017).

Financial assets that carry fixed interest rates are amounted to EGP 102 822 as at March 31, 2018 (EGP 100 670 as at December 31, 2017).

29- Financial risk management (Continued)

(1) Financial risk factors (Continued)

		<u>March 31, 2018</u>	<u>December 31, 2017</u>
Time deposits	USD	88 762	64 628
Time deposits	EGP	14 060	36 042
		<u>102 822</u>	<u>100 670</u>

(b) Credit risk

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

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

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

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

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Notes and accounts receivables	10 478 428	9 678 164
Impairment of accounts and notes receivable balances	(402 127)	(421 092)
The ratio of the allowance to total accounts and notes receivable	<u>% 3.84</u>	<u>% 4.35</u>

(c) Liquidity risk

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

(2) Fair value estimation

The fair value of financial assets or liabilities with maturity dates less than one year is assumed to approximate their carrying value less any estimated credit adjustments. The fair value of financial liabilities – for disclosure purposes – is estimated by discounting the future contractual

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cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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

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

30- Investment in subsidiary companies

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

Companies	Percentage of ownership	
	31 March 2018	31 December 2017
RG Investment "S.A.E."	100%	100%
International Trade Agencies and Marketing Co. (ITAMCO) "S.A.E."	99.449%	99.449%
Egyptian Vehicles Manufacturing Co. (Ghabbour Egypt) "S.A.E."	99.528%	99.528%
Ghabbour Continental Trading Co. (GCT) –Alex "S.A.E."	100%	100%
GB Polo Buses Manufacturing "S.A.E."	80%	80%
Almora Recourses Co. "B.V.I."	100%	100%
Haram Transportation Co. "S.A.E."	99%	99%
GB Company for financial lease "S.A.E."	100%	100%
Haram for transpiration Tourism "S.A.E."	100%	100%
GB Allab Company	66.20%	66.20%
Masters Automotive Company "S.A.E."	%٧٥	75%
Microfinance consultancy Services (Mashro'ey) "S.A.E."	%٨٠	80%
Almajmoa Alalamia; Litijaret Alsaierat (GK)	%٥٠	50%
GB Logistics "S.A.E."	%٩٩,٩٨	99.98%
GB Capital holding for financial investments "S.A.E."	%٩٩	99%
Gulf Company	100%	100%
Drive Automotive "S.A.E."	90%	%٩٠
Drive Finance "S.A.E."	76%	76%
Ghabbour Al Qalam	68%	%٦٨
GB Global Company	100%	%١٠٠
GBR Company	54%	%٥٤
GBR Services Company	48.80%	%٤٨,٨٠
Egypt Auto Mall Company for used car "S.A.E."	99%	%٩٩
GB El Bostan	60%	%٦٠
Ghabbour general trade	25%	%٢٥

GB Auto (S.A.E.)

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Egypt Tires Market “S.A.E.”	90%	%٩٠
Pan African Egypt Company for Oil “S.A.E.”	100%	%١٠٠
Tires & more Company for car services “S.A.E.”	100%	%١٠٠
Suez Canal logistic services Co. “S.A.E.”	100%	%١٠٠
GB Automotive Manufacturing Co. “S.A.E.”	100%	%١٠٠
Ready Parts for automotive spare parts “S.A.E.”	100%	%١٠٠
GB Light transport manufacturing company (GB LTMC) “S.A.E.”	100%	%١٠٠
Tasaheel Microfinance company ((Tasaheel)) “S.A.E.”	80%	80%
GB for heavy truck and construction equipment trading “S.A.E.”	100%	%١٠٠
GB for water and environment technology. “S.A.E.”	100%	%١٠٠

31- Capital commitments

The capital contractual expenditure of the Group at the consolidated financial statements date reached EGP 270 382 (EGP 251 480 as at December 31, 2017) represented in the amount to be paid upon the completion of the new production lines under construction and other branches across the country.

32- Contingent liabilities

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
USD	1 271 102	1 038 322
EGP	151 108	150 642
Japanese Yen	2 129	603
Euro	4 206	2 717

33- Related party transactions

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

Balances due from and to related parties are as follows:

Due from related parties	<u>March 31, 2018</u>	<u>December 31, 2017</u>
GB for Import and Export	6 943	6 963
Itamco agriculture development	2 000	2 047
El Bostan Holding	75 138	75 392
SARL SIPAC – Algeria	15 649	15 649
Algematco – Algeria	16 874	16 953
Blue Bay Management Company	12 000	12 000

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Kassed Shareholders' Current Account	10 559	10 666
El Qalam Shareholders' Current Account	-	16 925
EIAC	970	-
Ghabbour Development	350	-
Aff.Co.-Cur.Acc.-GB Produce	7 045	-
Total	147 528	156 595
Impairment of due from related parties	(32 002)	(16 254)
	115 526	140 341
	March 31, 2018	December 31, 2017
Due to related parties		
Marco Polo Company	61 068	61 300
EQI	800	800
Al Watania for car accessories and spare parts	5 517	5 534
Al Watania for tires import	1 122	1 142
Itamco for import and export	1 290	1 291
Wahdan Company	21	-
	69 818	70 067

33- Related party transactions (Continued)

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

Related party name	Relation type	Transaction nature	Transaction amount	
			March 31, 2018	December 31, 2017
GB El Bostan	Shareholder in one of the subsidiaries	Cash transfers	(254)	-
EQI	Shareholder in one of the subsidiaries	Dividends	-	4 705
GB for import and export.	Related Party	Cash transfer	(20)	1 164
Al Watania for Vehicles Accessories and spare parts	Related Party	Cash transfer	17	161
SARL SIPAC – Algeria	Related Party	Cash transfer	-	(195)
Kassed Shareholders' current account	Shareholder in one of the subsidiaries	Cash transfer	(107)	1 410
Itamco agriculture	Related Party	Cash transfers	(47)	1 000
El- Qalam Shareholder current account	Shareholder in one of the subsidiaries	Cash transfers	16 925	(23 546)
El-Nabateen Shareholders' current account	Shareholder in one of the subsidiaries	Cash transfers	-	-

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Marco Polo Company	Shareholder in one of the subsidiaries	Cash transfers	(232)	3
Itamco for Import and Export	Related Party	Cash transfers	21	12
Algematco – Algeria	Shareholder in one of the subsidiaries	Cash transfers	(79)	(117)
Wahdan Company	Shareholder in one of the subsidiaries	Cash transfers	21	-
EIAC	Shareholder in one of the subsidiaries	Cash transfers	970	-
Ghabbour Development	Shareholder in one of the subsidiaries	Cash transfers	350	-
Aff. Co.-Cur.Acc.-GB Produce	Shareholder in one of the subsidiaries	Cash transfers	7 045	-

34- Significant accounting policies

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

A- Business combination

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

34 Significant accounting policies

1) Subsidiaries

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

2) Non-controlling interests

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

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

3) Loss of control

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

4) Transaction elimination on consolidation

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

B- Foreign currency

1) Foreign currency transactions

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

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

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

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

Foreign currency differences are generally recognised in profit or loss.

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

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

34- Significant accounting policies

B- Foreign currency

2) Foreign Operations

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

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

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

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

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

C- Discontinued operation

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

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

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

D- Revenue

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

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

1) Sales – wholesale and showrooms

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

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

34- Significant accounting policies

D- Revenue

2) Sales – retail and Companies

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

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

3) Sales of services – maintenance

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

4) Financial Lease Contracts

Lease income is recognized on the basis of the rate of return on the lease contract plus an amount equal to the depreciation charge for the period and the difference between the

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recognized lease revenue and the gross receivable is deferred in the balance sheet in the same financial period in a separate account either debit or credit and is offset against the net book value of the leased asset on termination of the lease contract.

5) Interest income

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

6) Dividend income

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

E- Employee benefit

1) Short – term employee benefits

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

2) Share – based payment arrangements

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

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

34- Significant accounting policies

E- Employee benefit

3) Define contribution plans

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

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

4) Termination benefits

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

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F- Finance income and finance costs

The Group's finance income and finance costs include:

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

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

G- Income Tax

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

1) Current income tax

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

34- Significant accounting policies

G- Income Tax

2) Deferred tax

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

Deferred tax is not recognised for:

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on

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business plans for individual subsidiaries in the Group. deferred tax assets are reassessed at each reporting date, and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

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

H- Inventories

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

34- Significant accounting policies

I- Property, plant and equipment

1) Recognition and measurement

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

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

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

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

2) Subsequent expenditure

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

3) Depreciation

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

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

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

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

3) Reclassification to investment property

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

34- Significant accounting policies

I- Property, plant and equipment

4) Project under construction

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

J- Intangible assets and goodwill

1) Recognition and measurement

I. Goodwill:

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

II. Other intangible assets:

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

III. Computer software

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

Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Expenditure to acquire computer software is capitalized and included as an intangible asset.

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Computer software costs recognised as assets are amortised using the straight-line method over their useful lives and not exceeding a year of 3 years.

III. Knowhow

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

2) Subsequent expenditure

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

3) Amortization

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

Goodwill is not amortised.

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

34- Significant accounting policies

K- Investment property

Investment property is property held by the Group for rental or rise in value, or both and initially measured at cost and subsequently at cost less accumulated depreciation and impairment, and recognize in profit and loss the depreciation expenses and impairment losses. The depreciation of investment property calculated using (straight-line method) over their estimated useful lives for each type of investment property, land is not depreciated.

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

L- Assets held for sale

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

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

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

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

M- Financial instruments

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

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

1) Non-derivative financial assets and financial liabilities – Recognition and de-recognition

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

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

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

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

34- Significant accounting policies

M- Financial instruments

2) Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instrument are recognised in

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OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

3) Non-derivative financial liabilities – Measurement

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

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

N- Share capital

1) Ordinary Shares

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

34- Significant accounting policies

N- Share Capital

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

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

O- Impairment

1) Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost

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

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

O- Impairment

1) Non-derivative financial assets

Financial assets measured at amortised cost (Continued)

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

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

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

Available-for-sale financial assets

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

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

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

Equity-accounted investees

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

2) Non-financial Assets

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

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

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

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

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

O- Impairment (Continued)

2) Non-financial assets (Continued)

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

P- Provisions

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

1) Warranties

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

2) Legal Claims

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

3) Other Provisions

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

Q- Leases

1) Financial lease

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

Other finance leases that do not fall under the scope of Law 95 for 1995, or fall within the scope of Law 95 of 1995 but do not fall under the scope of EAS No.20 (Accounting Principles and Standards Attributable to Finance Lease). also in case the company will sale

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property, plant and equipment and leasing it back the asset is capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest charge on the outstanding finance cost balance. The finance lease obligations, net of finance charges, are classified as liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant rate of interest over the remaining balance of the liability for each period. Assets acquired under this type of finance lease are depreciated over the shorter of the useful life of the assets or the lease term.

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

2) Operational lease

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

R- Segmental Reports

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

S- Dividends

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

T- Comparative figures

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