

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

Consolidated Financial Statements
For The Financial year Ended December 31, 2020

And Auditor's Report

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GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Statement of Financial Position
as at December 31, 2020

(All amounts in thousand Egyptian Pound)	Note No.	31 December 2020	31 December 2019
<u>Assets</u>			
<u>Non-current assets</u>			
Property, plant, equipment and projects under construction (Net)	(16)	4 167 572	4 043 219
Intangible assets and goodwill	(17)	453 238	433 945
Payments under investment		72	72
Investment in associate	(33)	100 584	58 034
Notes receivables (Net)	(12)	4 779 240	3 233 203
Deferred tax assets	(B-10)	540 627	618 310
Investment property	(18)	90 905	90 905
Debtors and other debit balances	(14-A)	153 379	131 779
Total non-current assets		10 285 617	8 609 467
<u>Current assets</u>			
Inventories (Net)	(11)	3 367 987	3 788 210
Accounts and notes receivables (Net)	(13)	7 106 385	6 435 527
Debtors and other debit balances (Net)	(14-B)	1 697 179	2 095 178
Due from related parties	(32)	337 332	272 202
Cash on hand and at banks	(15)	1 797 830	1 408 948
Total current assets		14 306 713	14 000 065
Total assets		24 592 330	22 609 532
<u>Equity</u>			
Issued and paid in capital	(19)	1 094 010	1 094 010
Treasury bills	(20)	(8 000)	-
Legal reserve	(21)	451 064	381 508
Other reserves	(22)	2 156 417	2 242 046
Retained Earning		20 333	22 596
Net Profit for the year		916 955	42 674
Equity attributable to owners of the company		4 630 779	3 782 834
Non-controlling interests	(23)	1 485 969	1 364 896
Total equity		6 116 748	5 147 730
<u>Liabilities</u>			
<u>Non-current liabilities</u>			
Loans	(25)	3 582 377	3 002 093
Long term notes payables and creditors		325 082	163 504
Warranty provisions	(27)	3 697	4 168
Deferred tax liabilities	(10-B)	359 105	345 055
Total non-current liabilities		4 270 261	3 514 820
<u>Current liabilities</u>			
Provisions	(27)	185 011	225 629
Current tax liabilities	(10-A)	296 730	234 505
Loans, borrowings and overdrafts	(25)	10 459 290	10 661 022
Due to related parties	(32)	120 198	73 643
Trade payables and other credit balances	(26)	3 144 092	2 752 183
Total current liabilities		14 205 321	13 946 982
Total liabilities		18 475 582	17 461 802
Total equity and liabilities		24 592 330	22 609 532

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

Chief Financial Officer
Executive Board Member
Abbas Elsayed

Executive Board Member
Nader Ghabbour

Chairman and Managing Director
Dr. Raouf Ghabbour

**Auditor's report "attached"

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Statement of Income
for the financial year ended

(All amounts in thousand Egyptian Pound)	Note No.	31 December 2020	31 December 2019
Operating revenue		23 310 764	25 398 046
Operating cost		(18 546 406)	(21 582 070)
Gross profit		4 764 358	3 815 976
Other income	(6)	425 605	157 544
Selling and marketing expenses		(1 369 201)	(1 018 504)
General and administrative expenses		(1 243 943)	(1 165 702)
Provisions and Impairment of Current and Non-Current assets (Net)	(8)	(272 871)	(306 360)
Operating results		2 303 948	1 482 954
Finance costs (Net)	(7)	(779 114)	(1 167 018)
Net profit for the year before income tax		1 524 834	315 936
Income tax (expense)	(10-C)	(408 773)	(92 380)
Net profit for the year		1 116 061	223 556
Attributable to:			
Shareholder's of the parent company		916 955	42 674
Non-controlling interests		199 106	180 882
		1 116 061	223 556
Basic earnings(losses)(EGP/Share)	(9)	0.844	0.039

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

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Statement of Comprehensive Income
for the financial year ended

(All amounts in thousand Egyptian Pound)	Note No.	31 December 2020	31 December 2019
Net profit for the year after income tax		1 116 061	223 556
Other comprehensive income items			
Foreign currency translation difference		(108 194)	(365 746)
Modification surplus of fixed assets result		30 467	36 221
Total other comprehensive income for the year before income tax		(77 727)	(329 525)
Income tax related to other comprehensive income item		(9 716)	(6 316)
Other comprehensive income for the year after income tax		(68 011)	(323 209)
Total other comprehensive income for the year		1 048 050	(99 653)
Other comprehensive income is attributable to:			
Shareholder's of the parent company		897 650	(133 571)
Non-controlling interests		150 400	33 918
		1 048 050	(99 653)

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GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Statement of Shareholders Equity
for the financial year ended

31 December 2020

(All amounts in thousand Egyptian Pound)

<u>31 December 2020</u>	Shareholder's equity of the parent company											
(All amounts in thousand Egyptian Pound)	Share capital	Legal reserve	Treasury Bills	Foreign currency translation reserve	ESOP (Fair value) reserve	Revaluation surplus of fixed assets reserve	Share premium (Special reserve)	Retained Earning	Net profit for the year	Total	Non-Controlling interests	Total equity
Balance at December 31, 2019	1 094 010	381 508	-	1 117 779	88 882	118 584	916 801	22 596	42 674	3 782 834	1 364 896	5 147 730
Transferred to retained earnings	-	-	-	-	-	-	-	42 674	(42 674)	-	-	-
Total comprehensive income												
Net profit for the year	-	-	-	-	-	-	-	-	916 955	916 955	199 106	1 116 061
Modification surplus of fixed assets after income tax (Net)	-	-	-	-	-	(20 751)	-	30 469	-	9 718	-	9 718
Other Comprehensive income items	-	-	-	(60 058)	-	-	-	-	-	(60 058)	(48 706)	(108 764)
Total comprehensive income	-	-	-	(60 058)	-	(20 751)	-	30 469	916 955	866 615	150 400	1 017 015
Transactions with owners of the Company												
Change in non-controlling interests without changing in control	-	-	-	-	-	-	-	(5 850)	-	(5 850)	(6 410)	(12 260)
Dividends Distribution	-	-	-	-	-	-	-	-	-	-	(65 504)	(65 504)
Purchase of Treasury Bills	-	-	(10 000)	-	-	-	(9 570)	-	-	(19 570)	-	(19 570)
Selling Treasury Bills	-	-	2 000	-	-	-	4 750	-	-	6 750	-	6 750
Capital increase	-	-	-	-	-	-	-	-	-	-	42 587	42 587
Transferred to legal reserve	-	69 556	-	-	-	-	-	(69 556)	-	-	-	-
Total Transactions with owners of the company	-	69 556	(8 000)	-	-	-	(4 820)	(75 406)	-	(18 670)	(29 327)	(47 997)
Balance at December 31, 2020	1 094 010	451 064	(8 000)	1 057 721	88 882	97 833	911 981	20 333	916 955	4 630 779	1 485 969	6 116 748

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GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Statement of Shareholders Equity
for the financial year ended

31 December 2019

(All amounts in thousand Egyptian Pound)

Shareholdr's equity of the parent Company										
Share capital	Legal reserve	Foreign currency translation reserve	ESOP (Fair value) reserve	Revaluation surplus of fixed assets reserve	Share premium (Special reserve)	Retained Earning/Carry forward (Losses)	Net profit for the year	Total	Non-Controlling interests	Total equity
1 094 010	331 529	1 336 561	88 882	148 489	916 801	(477 260)	544 833	3 983 845	1 303 362	5 287 207
-	-	-	-	-	-	544 833	(544 833)	-	-	-
-	-	-	-	-	-	-	42 674	42 674	180 882	223 556
-	-	-	-	(29 905)	-	36 221	-	6 316	-	6 316
-	-	(218 782)	-	-	-	-	-	(218 782)	(146 964)	(365 746)
-	-	(218 782)	-	(29 905)	-	36 221	42 674	(169 792)	33 918	(135 874)
-	-	-	-	-	-	(31 219)	-	(31 219)	(1 942)	(33 161)
-	-	-	-	-	-	-	-	-	(700)	(700)
-	-	-	-	-	-	-	-	-	6 167	6 167
-	49 979	-	-	-	-	(49 979)	-	-	-	-
-	-	-	-	-	-	-	-	-	24 091	24 091
-	49 979	-	-	-	-	(81 198)	-	(31 219)	27 616	(3 603)
1 094 010	381 508	1 117 779	88 882	118 584	916 801	22 596	42 674	3 782 834	1 364 896	5 147 730

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

GB Auto (S.A.E)
(An Egyptian Joint Stock Company)
Consolidated Statement of Cash Flows
for the financial year ended

(All amounts in thousand Egyptian Pound)

	Note No.	31 December 2020	31 December 2019
Net profit for the year before tax		1 524 834	315 936
<u>Adjustments for:</u>			
Interest expense	(7)	918 196	1 461 955
Depreciation and amortization for the year	(16-17)	310 190	654 742
Provisions movements (net)	(27)	53 884	109 566
Impairment losses on current assets (net)		212 268	124 354
Interest income	(7)	(152 421)	(112 796)
Gain from sale of property, plant, equipment and assets held for sale	(6)	(295 049)	(12 292)
		2 571 902	2 541 465
Changes in:			
Inventories		435 028	1 028 494
Accounts and notes receivables		(2 412 847)	(828 763)
Debtors and other debit balances		377 273	(604 846)
Due from related parties		(63 213)	(68 780)
Due to related parties		46 555	(19 263)
Proceeds from loans and borrowings		1 155 212	1 504 433
Trade payables and other credit balances		391 910	80 430
Cash provided from operating activities		2 501 820	3 633 170
Provisions used		(93 852)	(226 980)
Income tax paid		(245 099)	(140 606)
Dividends paid		(65 504)	(33 161)
Net cash provided from operating activities		2 097 366	3 232 423
<u>Cash flows from investing activities</u>			
Acquisition of property, plant, equipment and projects under constructions		(707 765)	(1 736 040)
Acquisition of intangible assets		(2 964)	(4 877)
Interest income received		152 421	112 796
Payment under investment		-	(72)
Proceeds from sale of property, plant, equipment and assets held for sale		514 278	831 252
Net cash (used in) investing activities		(44 030)	(796 941)
<u>Cash flows from financing activities</u>			
Proceeds from non controlling interest to increase capital of subsidiaries		42 587	6 167
Proceeds from non controlling interest to increase paid under capital increase of subsidiaries		-	24 091
Shares of non controlling interest in liquidated companies		-	(700)
Payment to purchase Treasury bills		(19 570)	-
Gain From selling Treasury bills		6 750	-
Proceeds from loans and borrowings		(776 660)	(263 989)
payment under investment in associate companies		(42 550)	(50 000)
Long-Term notes payable		161 578	(137 647)
Interest paid		(924 860)	(1 460 926)
Net cash(used in) financing activities		(1 552 725)	(1 883 004)
Net Increase/Decrease in cash and cash equivalents		500 611	552 478
Cash and cash equivalents at the beginning of the year		1 408 948	1 179 275
Effect of movements in exchange rates on cash and cash equivalents		(111 729)	(322 805)
Cash and cash equivalents at end of the year	(15)	1 797 830	1 408 948

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

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

1- Background of the Group

GB Auto Co. is an Egyptian joint stock Company incorporated on July 15, 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 April 26, 2007, it has been agreed to change the Company's name to be GB Auto. This amendment was registered in the commercial register on May 23, 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 shareholder's of the Company are Dr. Raouf Ghabbour and his family who collectively owns approximately 62.89% of the Company's shares as at December 31, 2020.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on February 25, 2021.

2- Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards (EAS) 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, 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.

On August 14, 2018, Law No. 176 of 2018 was issued, regulating the activities of financial leasing and factoring. And article 1 of this law stipulates the abolition of Law No. 95 of 1995 on financial leasing.

The Ministry of Investment and International Cooperation issued Resolution No. 69 of 2019 on April 7, 2019, amending some provisions of the Egyptian accounting standards, including the abolition of the Egyptian Accounting Standard No. (20) rules and accounting standards related to financial leasing and replaced it with the Egyptian Accounting Standard No. (49) leasing contracts.

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

The Egyptian standard is applied to financial periods beginning on or after January 2020. Early application is permitted if Egyptian Accounting Standard (48) " Revenue from Contracts with Customers 2019 " is applied at the same time. As an exception, the first date of application shall be the beginning of the annual report period in which the Financial Leasing Law No. 95 of 1995 -and its amendments - was abolished, The issuance of the Financial Leasing and Factoring Activities Law No. 176 of 2018 (January 1, 2018) for financial leasing contracts that were subject to Law 95 of 1995 as well as contracts that are subject to Law 176 of 2018 and were to be processed in accordance with the Egyptian Accounting Standard No. (20) "Accounting Rules and Standards" Related to finance lease "

3- Functional and presentation currency

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

4- Use of judgement and estimates

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

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

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 summary describes the operations for each reportable segment:

<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.
Financial Services non-Banking	Providing services of factoring and financial services non-banking. The factoring services intended to buy existing and future rights of sellers of goods and services and provide related services and selling the locally and imported goods and products by cash or post-paid financial leasing, small financing entities in all kinds of goods and trading such as light transportation and selling it by installments.
Other Operations	Trading spare parts, and its accessories whether locally manufactured or imported, tires for vehicles and equipment whether locally manufactured or imported and exported.

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

5-Operating Segments(Continued)

A-Total Revenue

	December 31, 2020	December 31, 2019
Passenger car	44.94%	56.70%
Buses and trucks	4.10%	6.60%
2 & 3 Wheels	20.11%	13.20%
Financial Services non-Banking	23.00%	17.10%
Other Operations	7.85%	6.40%

B-Revenue from foreign operations

	December 31, 2020	December 31, 2019
Passenger car	19.68%	42.10%
2 & 3 Wheels	33.30%	32.50%
Other Operations	0.00%	0.10%

C- Segments results

	December 31, 2020	December 31, 2019
Passenger car	22.23%	27.64%
Buses and trucks	1.70%	6.78%
2 & 3 Wheels	20.01%	14.34%
Financial Services non-Banking	48.56%	43.70%
Other Operations	7.50%	7.55%

D-Assets

	December 31, 2020	December 31, 2019
Passenger car	12.0%	18.3%
Buses and trucks	7.9%	8.1%
2 & 3 Wheels	11.1%	10.5%
Financial Services non-Banking	49.5%	42.8%
Other Operations	19.5%	20.3%

E- Liabilities

	December 31, 2020	December 31, 2019
Passenger car	30.6%	32.8%
Buses and trucks	13.0%	16.6%
2 & 3 Wheels	1.8%	2.6%
Financial Services non-Banking	50.4%	43.7%
Other Operations	4.2%	4.3%

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

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

	December 31, 2020	December 31, 2019
Revenues		
Total revenues for operating segments	25 851 536	27 562 160
Elimination of inter-segment revenue	(2 540 772)	(2 164 114)
Consolidated Revenue	23 310 764	25 398 046
Segments result		
Gross profit for operating segment	4 792 215	3 797 558
Elimination of inter-segment gross profit	(27 857)	18 418
Consolidated Gross Profit	4 764 358	3 815 976
Assets		
Total assets for operating segments	42 368 159	39 610 873
Elimination inter-segment assets	(17 775 829)	(17 001 341)
Total Consolidated Assets	24 592 330	22 609 532
Liabilities		
Total Liabilities for operating segments	26 940 324	26 057 638
Elimination inter-segment Liabilities	(8 464 743)	(8 595 836)
Total Consolidated Liabilities	18 475 581	17 461 802

G-Other martial amounts

	Total reportable segment	Adjustments	Total consolidated December 31, 2020
Finance income	152 421	-	152 421
Interest expense and Bank Charges	(924 906)	6 710	(918 196)
Capital expenditure	(710 729)	-	(710 729)
Depreciation and amortization	310 190	-	310 190
	Total reportable segment	Adjustments	Total consolidated December 31, 2019
Finance income	112 796	-	112 796
Interest expense and Bank Charges	(1 438 711)	(23 244)	(1 461 955)
Capital expenditure	1 740 917	-	1 740 917
Depreciation and amortization	654 742	-	654 742

GB Auto (S.A.E.)**Notes to the consolidated financial statements for the financial year ended December 31, 2020****(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)**

Translation of financial statements

Originally issued in Arabic

5- Operating segments (continued)**H- Operations results**

	Passenger cars		Commercial vehicles		Two and three Wheelers		Financial Services Non Banking		Other operations		Total	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Operating revenue	10 487 743	14 399 207	957 959	1 664 080	4 694 114	3 341 240	5 337 844	4 349 306	1 833 105	1 644 213	23 310 764	25 398 046
Gross profit	1 058 559	1 053 826	81 169	258 374	988 761	546 791	2 314 409	1 668 915	321 460	288 070	4 764 358	3 815 976
General and administrative expenses											(1 369 201)	(1 018 504)
Marketing and Selling expenses											(1 243 943)	(1 165 702)
Provisions and Impairment of Current and Non-Current assets (Net)											(272 871)	(306 360)
Other income											425 605	157 544
Operating results											2 303 948	1 482 954
Finance cost(Net)											(779 114)	(1 167 018)
Net profit for the year before income tax											1 524 834	315 936
Income tax expense											(408 773)	(92 380)
Net profit for the year											1 116 061	223 556
Attributable to:												
Equity holders of the Company											916 955	42 674
Non-controlling interests											199 106	180 882
											1 116 061	223 556

6- Other Income

	December 31, 2020	December 31, 2019
Gain on sale of fixed asset	295 049	12 292
Scrap Sales	36 989	39 875
Commission for reissuance loans	36 915	32 721
Other revenues	19 518	23 826
Cash incentive revenue	19 466	37 425
Gain on transfer of ownership	6 663	-
Rental Revenue	11 005	11 406
	425 605	157 544

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

7-Finance Costs

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Interest income	122 933	105 047
Interest income on installment sales	29 488	7 749
Foreign exchange gain / (Loss)	(13 339)	182 141
Total Finance Income	139 082	294 937
Interest expense and bank charges	(918 196)	(1 461 955)
Total Finance Cost	(918 196)	(1 461 955)
Net Finance Cost	(779 114)	(1 167 018)

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

Provisions no longer required

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Warranty provision	30 437	32 290
Impairment in value of accounts and notes receivables	14 711	45 509
Impairment in value of debtors and other debit balance	2 645	-
Other Provisions	20 152	111 980
Total provisions no longer required	67 945	189 779

Provisions formed

Warranty provision	(51 092)	(73 213)
Impairment in value of accounts and notes receivable	(214 248)	(140 884)
Impairment in value of debtors and other debit balance	(2 099)	(24 855)
Legal Claims	(1 038)	(829)
Impairment in value of Fixed assets	(13 277)	(69 625)
Other provisions	(59 062)	(186 733)
Total provisions formed	(340 816)	(496 139)
Net provisions in the income statement	(272 871)	(306 360)

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

	Balance at 1/1/2020	Form during the year	Used during the year	Reversal of Impairment during the year	Effect of movements of exchange rates	Balance at 31/12/2020
Impairment in value of Accounts & Notes receivable	442 829	214 248	-	(14 711)	(3 585)	638 781
Impairment in value of due from related parties	28 565	-	-	-	(1 917)	26 648
Impairment in value of Debtors & Other debit balances	32 864	2 099	-	(2 645)	(328)	31 990
	504 258	216 347	-	(17 356)	(5 830)	697 419
Impairment in value of Inventory *	67 285	5 301	-	(20 106)	-	52 480
	571 543	221 648	-	(37 462)	(5 830)	749 899

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

9-Earnings per share

i.Basic

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

	December 31, 2020	December 31, 2019
Net profit for the year attributable to the shareholders	916 955	42 674
Weighted average number of ordinary shares issued	1 086 298	1 094 010
Basic profit earnings per share/ EGP	0.844	0.039

10-Income tax

A-Income tax liabilities

	December 31, 2020	December 31, 2019
Balance at 1 January	234 505	139 185
Income tax paid during the year	(245 099)	(140 743)
Current income tax during the year (Note 10-C)	307 324	236 063
Balance at the end of the year	296 730	234 505

GB Auto (S.A.E.)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

10-Income tax (Continued)								Total	
B-Deferred Tax	Fixed Assets	Carried forward losses	Impairment in value of Inventory	Warranty Provision	Revaluation surplus of fixed assets	Notes payable	Capital Gains	31-Dec-20	31-Dec-19
Deferred tax assets									
Balance at 1 January	11	424 098	10 342	31 276	–	152 583	–	618 310	455 682
Charged to the income statement	–	(68 535)	(6 169)	13 029	–	(16 009)	–	(77 683)	162 628
Balance at the end of the year	11	355 563	4 173	44 305	-	136 574	–	540 627	618 310
Deferred tax liabilities									
Balance at 1 January	(258 666)	–	–	–	(23 959)	–	(62 430)	(345 055)	(332 426)
Charged to the income statement	(38 558)	–	–	–	–	–	14 792	(23 766)	(18 945)
Charged to Statement of comprehensive income	–	–	–	–	9 716	–	–	9 716	6 316
Balance at the end of the year	(297 224)	–	–	–	(14 243)	–	(47 638)	(359 105)	(345 055)
Net Balance at the end of the year	(297 213)	355 563	4 173	44 305	(14 243)	136 574	(47 638)	181 522	273 255
Net									
Balance at 1 January	(258 655)	424 098	10 342	31 276	(23 959)	152 583	(62 430)	273 255	123 256
Charged to the income statement (10-B)	(38 558)	(68 535)	(6 169)	13 029	–	(16 009)	14 792	(101 449)	143 683
Charged to Statement of comprehensive income	–	–	–	–	9 716	–	–	9 716	6 316
Balance at the end of the year	(297 213)	355 563	4 173	44 305	(14 243)	136 574	(47 638)	181 522	273 255

. The deferred tax charge for revaluation surplus of fixed assets has been deducted in the consolidated statement of comprehensive income

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

10-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.

	December 31, 2020	December 31, 2019
Impairment in value of accounts and notes receivables	143 726	99 637
Impairment in value of other debit balances	7 198	7 394

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)

	December 31, 2020	December 31, 2019
Current income tax (Note 10-A)	(307 324)	(236 063)
Deferred tax – (Note 10-B)	(101 449)	143 683
Income tax for the year	(408 773)	(92 380)

D-Amounts recognized in OCI

	December 31, 2020			December 31, 2019		
	<u>Before Tax</u>	<u>Taxes</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>Taxes</u>	<u>After Tax</u>
Foreign Currency translation difference	(108 194)	-	(108 194)	(365 746)	-	(365 746)
Modification surplus of fixed assets cost	30 467	(9 716)	20 751	(36 221)	6 316	(29 905)
	(77 727)	(9 716)	(87 443)	(401 967)	6 316	(395 651)

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

11-Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Goods in transit	558 181	795 657
Cars, buses and trucks	1 338 961	1 378 068
Raw material and car components	767 392	871 336
Spare parts for sale	416 255	488 284
Work in progress	200 295	154 613
Tires	111 741	113 434
Oils	27 642	54 103
Total	3 420 467	3 855 495
Impairment in value of inventory *	(52 480)	(67 285)
Net	3 367 987	3 788 210

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

12-Long term notes receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Long-term notes receivables	5 351 017	3 932 299
Interest income on installment sales	(497 081)	(641 866)
Net present value for long-term notes receivable	4 853 936	3 290 433
Impairment in value of long-term notes receivable	(74 696)	(57 230)
Net	4 779 240	3 233 203

13-Accounts and notes receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total notes receivable	12 897 419	11 750 129
Long-term notes receivable (Note 12)	(5 351 017)	(3 932 299)
Unamortized interest	(556 472)	(1 818 583)
Net present value for short-term notes receivable	6 989 930	5 999 247
Trade receivable	680 540	821 879
Total	7 670 470	6 821 126
Impairment in value of accounts and notes receivable balances	(564 085)	(385 599)
Net	7 106 385	6 435 527

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

14-Debtors and other debit balances

A-Long term debtors and other debit balance

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Debt securitization Companies	153 379	131 779
	<u>153 379</u>	<u>131 779</u>

B-Debtors and other debit balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Advances to suppliers	410 225	463 388
Withholding tax	302 681	261 755
Value added tax	172 679	95 724
Accrued interest	3 493	134 417
Accrued revenue	95 593	347
Letters of credit	345 557	201 104
Due from securitizaion operaions	-	573 797
Prepaid expenses	125 238	113 466
Deposits with others	37 464	32 710
Letters of guarantee margin	134 797	136 440
Staff loans and custodies	33 113	27 269
Other debit balances	65 039	83 899
Customs duties	3 290	3 726
Total	1 729 169	2 128 042
Impairmen in valuet of debtor and other debit balances	(31 990)	(32 864)
Net	1 697 179	2 095 178

15-Cash on hand and at banks

A-Cash on hand and at banks

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Time deposits	353 258	92 289
Current accounts	1 132 586	1 173 867
Checks under collections	90 448	133 164
Treasury bills	221 538	9 628
	<u>1 797 830</u>	<u>1 408 948</u>

B-Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and cash at banks	1 797 830	1 408 948
	<u>1 797 830</u>	<u>1 408 948</u>

Notes to the consolidated financial statements for the financial year ended December 31, 2020

Originally issued in Arabic

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

16 - Property, plant, equipments and projects under construction

	Land and Buildings	Machinery & equipment	Vehicles	Computers	Fixtures & furniture	Leasehold improvements	* Projects under construction	Total
Cost								
Cost at 1 January 2019	2 238 785	963 962	532 080	196 148	617 572	32 365	619 415	5 200 327
Additions during the year	1 020 068	139 647	223 588	27 870	58 093	6 908	259 866	1 736 040
Transferred from projects under construction to PP&E and intangible assets	191 300	55 589	-	-	256 998	3 095	(510 712)	(3 730)
Disposals during the year	(897 743)	(114 454)	(236 465)	(230)	(28 123)	(209)	(1 176)	(1 278 400)
Effect of cost modification using modification factor	-	-	(3 587)	-	(1 089)	-	-	(4 676)
Effect of movements of exchange rates	1 417	(249)	(362)	(74)	(1 230)	(256)	-	(754)
Balance at 31 December 2019	2 553 827	1 044 495	515 254	223 714	902 221	41 903	367 393	5 648 807
Cost at 1 January 2020	2 553 827	1 044 495	515 254	223 714	902 221	41 903	367 393	5 648 807
Additions during the year	82 526	16 020	224 515	32 358	44 844	32 681	274 822	707 765
Transferred from projects under construction to PP&E and intangible assets	7 506	74 541	-	742	56 131	1 504	(160 867)	(20 443)
Disposals during the year	(175 974)	(77 326)	(76 019)	(4 650)	(6 994)	(2 793)	(1 693)	(345 448)
Effect of cost modification using modification factor	-	-	(4 028)	(2 928)	(2 396)	-	-	(9 352)
Effect of movements of exchange rates	(32 731)	(1 396)	(727)	(270)	(1 978)	(386)	-	(37 488)
Balance at 31 December 2020	2 435 155	1 056 333	658 994	248 966	991 829	72 909	479 655	5 943 840
Accumulated depreciation and impairment losses								
Accumulated depreciation at 1 January 2019	209 067	530 899	153 373	153 453	292 793	21 577	-	1 361 162
Depreciation during the year	206 710	168 131	190 772	22 054	61 775	4 213	-	653 655
Disposals during the year	(173 943)	(125 566)	(156 395)	(1 431)	(2 007)	(97)	-	(459 439)
Effect of accumulated depreciation modification using modification factor	-	-	(6 816)	(1)	(1 088)	-	-	(7 905)
Impairment in value of fixed asset	59 093	5 807	-	71	4 653	-	-	69 624
Effect of movements of exchange rates	(1 024)	(1 768)	(2 063)	(934)	(5 523)	(198)	-	(11 510)
Accumulated depreciation at 31 December 2019	299 904	577 503	178 871	173 212	350 603	25 495	-	1 605 588
Accumulated depreciation at 1 January 2020	299 904	577 503	178 871	173 212	350 603	25 495	-	1 605 588
Depreciation during the year	30 910	80 219	86 116	22 157	77 356	9 318	-	306 076
Disposals during the year	(14 111)	(69 269)	(33 073)	(3 645)	(5 800)	(322)	-	(126 219)
Effect of accumulated depreciation modification using modification factor	-	(5 147)	(10 290)	(2 928)	(2 255)	-	-	(20 620)
Impairment in value of fixed assets	-	-	-	-	-	-	13 278	13 278
Effect of movements of exchange rates	(1 703)	(27)	(16)	(3)	(32)	(54)	-	(1 835)
Accumulated depreciation at 31 December 2020	315 000	583 278	221 609	188 793	419 872	34 437	13 278	1 776 268
Net carrying Amount								
At 1 January 2019	2 029 718	433 063	378 707	42 695	324 779	10 788	619 415	3 839 165
At 31 December 2019	2 253 923	466 992	336 383	50 502	551 618	16 408	367 393	4 043 219
At 31 December 2020	2 120 154	473 055	437 385	60 173	571 957	38 472	466 376	4 167 572

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

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

17- Intangible assets and goodwill

	<u>Goodwill</u>	<u>Computer software</u>	<u>Knowhow</u>	<u>Total</u>
Cost				
Balance at 1 January	430 155	38 772	5 703	474 630
Additions during the year	–	2 964	–	2 964
Transfer from PUC	–	20 443	–	20 443
Balance at December 31, 2020	430 155	62 179	5 703	498 037
Accumulated amortization				
Balance at 1 January	–	34 982	5 703	40 685
Amortization during the year	–	4 114	–	4 114
Balance at December 31, 2020	–	39 096	5 703	44 799
Net carrying amount at December 31, 2020	430 155	23 083	–	453 238
Net carrying amount at December 31, 2019	430 155	3 790	–	433 945

Goodwill

On June 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 210 EGP million pound, in return of acquiring shares of GB Auto share capital increase. The acquisition resulted in a goodwill amounting to EGP177 million which represents the increase in the acquisition value over the net fair value of the acquired Company's assets at the acquisition date. This goodwill has been allocated for the asset of the operating segment of two and three wheels' segment.

On September 8, 2008, GB Auto Company fully acquired the shares of GB for financial lease (S.A.E) which its business is financial leasing with all its fields, and the acquisition resulted in goodwill amounted to EGP 1 million.

During November 2010, the Group entered into 50% investment as a joint venture agreement in Almajmoa Alalamia Litijaret 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 with an Amount 249 EGP million pound.

On October 26, 2017 GB Auto Company fully acquired the shares of Egyptian International Maintenance and cars Manufacturing Company EIAC (SAE), and the acquisition resulted in goodwill amounted EGP 2.8 million

Impairment test of cash generating units including goodwill

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Two and three wheels' activities	177 375	177 375
Iraq sales	248 910	248 910
Financial leasing activity	1 000	1 000
After Sale service- PC	2 870	2 870
	430 155	430 155

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

17-Intangible assets and goodwill (Continued)

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.

18-Investments property

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Balance at 1 January	90 905	90 905
Balance at the end of the year	90 905	90 905

19-Issued and paid in capital

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized capital (5 000 000 000 shares with par value EGP 1 each)	5 000 000	5 000 000
Issued and paid capital (1 094 009 733 shares with par value of EGP 1 each)	1 094 010	1 094 010

On August 31, 2014, the Board of Directors according to the delegation of the extra ordinary assembly meeting held on June 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.

Private placement (Capital Increase)

At the date of February 4, 2015, the extra ordinary general assembly meeting, has agreed to increase the Company's authorized capital from 400 million EGP to 5 billion EGP and to increase the Company's issued capital from EGP 135 337 545 to be EGP 1 095 337 545 with an increase of EGP 960 000 000 to be divided on 1 095 337 545 shares with a par value of 1 EGP each. (In addition 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.

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

20-Treasury Bills

On March 1, 2020, the Board of Directors of the company decided to purchase treasury shares with an amount of 10 000 000 shares of the company, which represents 0.914% of the total shares of the company, through the open market, and that implementation be carried out from the session of March 2, 2020 and Until April 2, 2020, or until the full amount is executed, with the same price of the security during trading sessions in the execution period in light of the amendment issued in Article (51) bis of the registration rules issued by the Board of Directors of the Financial Supervisory Authority No. 27 of 2020 on February 29, 2020 And that works in it as of the date of its issuance, as well as the statement posted on the announcement screens on the Egyptian Stock Exchange on March 1, 2020 regarding the exceptional procedures for companies whose securities are listed on the stock exchange wishing to purchase treasury shares.

On March 3, 2020 to March 18, 2020 The company has purchased 10 million shares with a total value of 19.570 million Egyptian pounds. The amount of 10 million pounds has been recorded as treasury shares representing the nominal value of the share. The difference between the purchase cost and the nominal value of the amount of 9.570 million Egyptian pounds has been recorded in the other reserves (Note 22).

During the year, the company sold 2 million shares with a total value of 6 750 million Egyptian pounds, resulting in a reduction of 2 million Egyptian pounds. This represents the nominal value of the share, and the difference between the sale value and the nominal value of 4 750 million Egyptian pounds was recorded within the other reserves (note 22).

21-Legal reserve

	December 31, 2020	December 31, 2019
Balance at 1 January	381 508	331 529
Transferred to legal reserve	69 556	49 979
Balance at the end of the year	451 064	381 508

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

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Notes to the consolidated financial statements for the financial year ended December 31, 2020
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

22-Other reserves

	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus Revaluation of fixed assets reserve	Share premium (special reserves)	Total
Balance as at January 1, 2020	1 117 779	88 882	118 584	916 801	2 242 046
Foreign currency translation	(60 058)	-	-	-	(60 058)
Purchase of Treasury Bills	-	-	-	(9 570)	(9 570)
Selling Treasury Bills	-	-	-	4 750	4 750
Modification surplus of fixed assets cost	-	-	(20 751)	-	(20 751)
Balance at December 31, 2020	1 057 721	88 882	97 833	911 981	2 156 417

Share premium

The share premium represented in the difference between the amount paid and par value for issued shares and issuance cost is deducted from it. The share premium was transferred to both legal reserve and special reserve according to Law No. 159 of 1981.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Share premium	911 981	916 801

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

During 2011, the special reserve was reduced by an amount of EGP 2 990 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.

The share premium was reduced by an amount of 9 570 thousand EGP ,which represent the difference between cost of purchasing treasury shares during the year 2020 with an amount of 19 570 thousand EGP and the par value of shares of 10 million EGP.

The share premium has also been increased by an amount of 4,750,000 Egyptian pounds, representing the difference between the sale price of treasury shares during the year 2020 by an amount of 6,750,000 Egyptian pounds and the nominal value of the shares of 2 million Egyptian pounds.

23-Non-controlling Interest

	Capital	Payment Under capital increase	Reserves	Legal reserve	Retained earnings	<u>Total</u>	
						December 31, 2020	December 31, 2019
Balance at 1 January	523 659	24 090	642 238	43 527	131 382	1 364 896	1 303 362
Net profit for the year	-	-	-	-	199 106	199 106	180 882
Foreign currency translation results	-	-	(48 706)	-	-	(48 706)	(147 395)
Capital increase	56 644	(14 057)	-	-	-	42 587	6 167
Change in Non-controlling interests	-	-	-	-	(6 410)	(6 410)	(700)
Transfer to legal reserve	-	-	-	17 279	(17 279)	-	-
Dividends	-	-	-	-	(65 504)	(65 504)	(1 509)
Payment under capital increase	-	-	-	-	-	-	24 090
Balance at the end of the year	580 303	10 033	593 532	60 806	241 295	1 485 969	1 364 896

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Notes to the consolidated financial statements for the financial year ended December 31, 2020
(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

24-Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue 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 December 31, 2020 and December 31, 2019 restated were as follows:

	December 31, 2020	December 31, 2019
Loans, borrowings and overdrafts	14 041 667	13 663 115
Short-term notes payable - suppliers	413 762	375 694
Total loans and notes payables	14 455 429	14 038 809
Less: Cash and cash equivalent	(1 797 830)	(1 408 948)
Letters of credit margin	(345 557)	(201 103)
Letters of guarantee margin	(134 797)	(136 440)
Net debt	12 177 245	12 292 318
Shareholders' equity	4 630 779	3 782 834
Net debt to equity ratio	2.63	3.25

25-Loans, borrowings and overdrafts

	December 31, 2020			December 31, 2019		
	Short term	Long-term portion	Total	Short term	Long-term portion	Total
Banks overdraft	9 005 209	35 064	9 040 273	8 910 667	27 737	8 938 404
Loans	1 454 081	3 547 313	5 001 394	1 750 355	2 974 356	4 724 711
Total	10 459 290	3 582 377	14 041 667	10 661 022	3 002 093	13 663 115

A.Banks overdraft

The average interest rate on the outstanding Egyptian Pounds and the US Dollars bank overdraft are 9.12% and 3.24% respectively.

	December 31, 2020	December 31, 2019
Less than one year	9 005 209	8 910 667
More than one year and less than five years	35 064	27 737
	9 040 273	8 938 404

B.Loans

The group (the non-banking financial services sector) obtained medium and long-term bank loans for the purpose of financing car sales contracts and operational and financial lease contracts. The repayment period for these loans reached 5 years for each operation financed by guaranteeing the financial rights of the contracts concluded and arising from those contracts towards the clients of the group companies

	December 31, 2020	December 31, 2019
Less than one year	1 454 081	1 750 355
More than one year and less than five years	3 547 313	2 974 356
	5 001 394	4 724 711

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

26-Trade payables and other credit balances

	December 31, 2020	December 31, 2019
Trade payables	1 397 145	1 291 729
Other credit balances	109 252	75 318
Advances from customers	338 300	360 840
Tax Authority	48 544	30 798
Value added tax	102 384	93 188
Accrued expenses	559 262	335 253
Accrued interest expense	85 977	81 972
Deposits from others	35 886	29 968
Notes payables	464 374	375 694
Dividends payable	2 500	37 440
Deferred revenues	469	39 983
	3 144 093	2 752 183

27-Provisions

	Legal Claims	Warranty Provision	Other Provisions	Total
Balance at January 1, 2020				
Provisions formed during the year	6 112	98 469	125 216	229 797
Provisions used during the year	1 038	51 092	144 330	196 460
Provisions no longer required	-	(39 828)	(54 024)	(93 852)
Effect of movement of exchange rates	-	(30 437)	(112 139)	(142 576)
Balance at December 31, 2020	(10)	-	(1 111)	(1 121)
	7 140	79 296	102 272	188 708
Balance at January 1, 2019	5 387	77 115	186 197	268 699
Provisions formed during the year	828	73 213	186 732	260 773
Provisions utilized during the year	(40)	(19 568)	(128 326)	(147 934)
Provisions no longer required	-	(32 291)	(118 917)	(151 208)
Effect of movement of exchange rates	(63)	-	(470)	(533)
Balance at December 31, 2019	6 112	98 469	125 216	229 797

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 December 31, 2020.

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 79 297 at the end of the year 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 as at December 31 ,2020 EGP 3 697 (December 31, 2019 EGP 4 168).

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

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.

A portion of the value of the formed and (no longer required) of the other provisions is included in the sales revenue. The value of the formed provisions on December 31, 2020 amounted to 85 268 thousand Egyptian pounds and the value of the no longer required provisions is 91 987 thousand Egyptian pounds EGP.

28-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:

	December 31, 2020			December 31, 2019
	Assets	Liabilities	Net	Net
USD	445 634	(1 097 851)	(652 217)	(714 352)
Euro	4 775	(24 879)	(20 104)	(544 443)
Other currencies	6 891	(45 177)	(38 286)	(126 425)

2.Price risk

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

3.Cash flows and fair value interest rate risk

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

Loans, borrowings and overdrafts at the balance sheet date with variable interest rates are amounted to EGP 14 041 668 as at December 31,2020 (EGP 13 663 115 as at December 31, 2019).

Financial assets that carry fixed interest rates are amounted to EGP 353 258 as at December 31, 2020 (EGP 92 289 as at December 31, 2019).

		December 31, 2020	December 31, 2019
Time deposits	USD	57 474	69 612
Time deposits	EGP	295 784	22 677
		353 258	92 289

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

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>December 31, 2020</u>	<u>December 31, 2019</u>
Notes and accounts receivables	13 577 959	12 572 008
Impairment in value of accounts and notes receivable balances	638 781	442 829
The ratio of the allowance to total accounts and notes receivable	4.70%	3.52%

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.

D- Fair value estimation

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

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

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

GB Auto (S.A.E)

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

29-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	
	December 31, 2020	December 31, 2019
RG Investment "S.A.E."	99.99%	99.99%
International Trade Agencies and Marketing Co. (ITAMCO) "S.A.E."	99.45%	99.45%
Egyptian Vehicles Manufacturing Co. (Ghabbour Egypt) "S.A.E."	99.53%	99.53%
Ghabbour Continental Trading Co. (GCT) –Alex "S.A.E."	100.00%	100.00%
GB Polo Buses Manufacturing "S.A.E."	80.00%	80.00%
Haram Transportation Co. "S.A.E."	99.00%	99.00%
GB Company for financial lease "S.A.E."	100.00%	100.00%
Haram for transpiration Tourism "S.A.E."	100.00%	100.00%
GB Allab Company	66.20%	66.20%
Masters Automotive Company "S.A.E."	75.00%	75.00%
Microfinance consultancy Services (Mashro'ey) "S.A.E."	65.00%	65.00%
Almajmoa Alalamia; Litijaret Alsaiaarat (GK)	50.00%	50.00%
GB Logistics "S.A.E."	99.98%	99.98%
GB Capital holding for financial investments "S.A.E."	99.00%	99.00%
Gulf Company	100.00%	100.00%
Drive Automotive "S.A.E."	100.00%	100.00%
Drive Finance "S.A.E."	100.00%	100.00%
Ghabbour Al Qalam	68.00%	68.00%
GB Global Company	100.00%	100.00%
GBR Company	54.00%	54.00%
GBR Services Company	48.80%	48.80%
Egypt Auto Mall Company for used car "S.A.E."	99.00%	99.00%
GB El Bostan	60.00%	60.00%
Ghabbour general trade	25.00%	25.00%
Egypt Tires Market "S.A.E."	90.00%	90.00%
Pan African Egypt Company for Oil "S.A.E."	100.00%	100.00%
Tires & more Company for car services "S.A.E."	100.00%	100.00%
Suez Canal logistic services Co. "S.A.E."	100.00%	100.00%
GB Automotive Manufacturing Co. "S.A.E."	100.00%	100.00%
Ready Parts for automotive spare parts "S.A.E."	100.00%	100.00%
GB Light transport manufacturing Company (GB LTMC) "S.A.E."	100.00%	100.00%
GB for Import & export	100.00%	–
Tasaheel Microfinance Company ((Tasaheel)) "S.A.E."	65.00%	65.00%
GB for heavy truck and construction equipment trading "S.A.E"	100.00%	100.00%
GB for water and environment technology. "S.A.E."	100.00%	100.00%
Engineering Company for transportation maintenance El Mikaneeky	65.00%	65.00%
Egyptian International Maintenance and cars Manufacturing Company EIAC "S.A.E."	100.00%	100.00%
GB Finance S.A.R.L.	100.00%	100.00%

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

MNT for SME Development "S.A.E."	53.33%	53.33%
BBAL Blue Bay Auto Loan Investments Cyprus LTD	100.00%	100.00%
Salexia L.T.D. Trading (Cyprus)	100.00%	100.00%
MNT Investment B.V. (Netherland)	53.33%	53.33%
GB Capital Securitization S.A.E.	100.00%	100.00%
Rassedy S.A.E.	47.70%	57.00%
GB Real Estate Mortgage Finance B.V.	100.00%	100.00%
GB for Import &Export	100.00%	100.00%
GB Real Estate BV	100.00%	100.00%
Transport Vehicle Distribution TVD S.A.E.	51.00%	51.00%
Automobilk S.A.E	65.00%	65.00%
GB Finance Lease BV	100.00%	100.00%
GB Microcredit BV	100.00%	100.00%
GB Operational Lease BV	100.00%	100.00%
GB Consumer Finance BV	100.00%	100.00%
Rassedy For Collection S.A.E	41.25%	41.25%
GB Factoring BV	100.00%	-
GB Global BV	100.00%	-
GB Clean Label Foods	90.00%	-

30-Capital Commitments

The capital contractual expenditure of the Group at the consolidated financial statements date reached EGP 97 974 (EGP 205 680 as at December 31, 2019) represented in the amount to be paid upon the completion of the new production lines under construction and other branches across the country.

31-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>December 31, 2020</u>	<u>December 31, 2019</u>
USD	908 966	2 455 842
EGP	139 657	180 672
Yen	47 108	22 821
Euro	14 396	24 744
Cny	12 179	-

GB Auto (S.A.E)

Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

32-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:

<u>Due from related parties</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
El Bostan Holding	66 992	68 307
SARL SIPAC – Algeria	11 978	13 627
Algematco – Algeria	25 270	28 608
Halan for Information technology	178 150	70 144
Kassed Shareholders' Current Account	7 746	11 153
El Qalam Shareholders' Current Account	73 844	108 928
Total	363 980	300 767
Impairment of due from related parties	(26 648)	(28 565)
	337 332	272 202
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Due to related parties</u>		
Marco Polo Company	59 659	61 227
EQI	761	761
Al Watania for car accessories and spare parts	6 146	6 135
Gaya	11 119	5 090
Wahdan Company	2 534	68
EL Ghalban Company	39 979	362
	120 198	73 643

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

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

Related party name	Relation type	Transaction nature	Transaction amount	
			December 31, 2020	December 31, 2019
Executive BOD	Board of Directors	Management Salaries	32 093	78 637
Al Watania for Vehicles Accessories and spare parts	Assossiate	Purchases	11	(1 955)
SARL SIPAC – Algeria	Assossiate	Cash transfer	1 649	(1 656)
Kassed Shareholders' current account	Shareholder in one of the subsidiaries	Sales	-	(1 650)
		Cash transfer	3 407	(69 997)
El- Qalam Shareholder current account	Shareholder in one of the subsidiaries	Sales	(108 271)	(81 806)
		Services	143 355	6 472
Marco Polo Company	Shareholder in one of the subsidiaries	Services	1 568	4 442
Itamco for Import and Export	Assossiate	Cash transfers	-	(1 286)
Watania Company for Tires Import	Assossiate	Cash transfers	-	(1 111)
Algematco – Algeria	Shareholder in one of the subsidiaries	Cash transfers	3 338	(12 005)
Bostan Holding	Assossiate	Foreign Currency translation difference	1 315	(7 891)
GB produce	Assossiate	Cash transfers	-	(4 000)
Halan for Information technology	Related party	Cash transfers	(108 006)	(70 144)
Gaya	Shareholder in one of the subsidiaries	Cash transfers	6 029	6 785
El Ghalban	Shareholder in one of the subsidiaries	Cash transfers	39 617	362

33-Investment in associates

	Contribution percentage	December 31, 2020	December 31, 2019
Halan for Information technology	2.28%	8 034	8 034
Bedaia for Real estate Financing	33.33%	50 000	50 000
Tokyo Marine Insurance	37.50%	42 550	-
		100 584	58 034

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Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

34- Income Statement According expenses nature

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Operating Revenue	23 310 764	25 398 046
Operating Cost	(18 546 406)	(21 582 070)
Gross Profit	4 764 358	3 815 976
Other income	425 605	157 544
Provisions no longer required	113 338	189 779
Interest income	122 933	105 047
Installment sales interest	29 488	7 749
Bank charge	(91 660)	(103 811)
Interest expense	(826 536)	(1 358 144)
Salaries & Benefits	(1 529 451)	(1 135 518)
Advertising & Marketing	(198 518)	(221 903)
Rents	(121 619)	(147 548)
Net Gain/losses foreign exchange transaction	(13 339)	182 141
Provisions formed	(386 209)	(496 139)
Depreciation and Amortization	(146 287)	(124 358)
Consultation expenses	(112 672)	(35 806)
Transportation	(60 014)	(66 275)
vehicles expense	(38 646)	(42 616)
Governmental Fees & stamps	(47 444)	(47 312)
IT, Network & PCs	(59 916)	(55 532)
Other Expenses	(60 584)	(77 995)
Insurance	(17 987)	(17 483)
Security Expense	(22 904)	(21 218)
Repair/Maintenance Expenses	(1 101)	(1 569)
Administration Supplies	(42 021)	(36 992)
Utilities	(22 356)	(26 024)
Donations&Puplic relation	(70 603)	(68 216)
Medical Fund	(51 362)	(49 950)
Freight	(9 659)	(7 891)
Net profit for the period before income tax	1 524 834	315 936

35- Securitized Operations

During the year the group (the non-banking financial services sector) signing into money transfer contracts and the data on securitization operations are as follows:

The securitization portfolio consists of financial rights and deferred dues secured by various guarantees in favor of the assignor, which have been transferred to the assignee. The assignor has transferred financial rights and deferred payment dues for the purpose of issuing securitized bonds.

<u>December 31, 2020</u>		<u>December 31, 2019</u>	
Total Value	Current Value	Total Value	Current Value
3 769 976	2 988 824	2 591 657	2 040 697

The Group issued 29 330,000 securitization bonds for the year 2020 (19 256 500 securitization bonds in 2019) in exchange for a securitization portfolio of EGP 2.93 billion for the year 2020 (EGP 1.93 billion for 2019).

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Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

36- Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated 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 is expensed as incurred, except if related to the issue of debt or equity securities.
- The consideration transferred does not include amounts related to the settlement of pre-existing relationship. Such amounts are generally recognised in profit or loss.
- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that met the definition of financial instrument is classified as equity, then it is not re-measured, and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

1) Subsidiaries

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

2) Non-controlling interests

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

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

3) Loss of control

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

4) Transaction elimination on consolidation

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

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

36-Significant accounting policies (Continued)

B- Foreign currency

1) Foreign currency transactions

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

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

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

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

Foreign currency differences are generally recognised in profit or loss.

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

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

2) Foreign Operations

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

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

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

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

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

C- Discontinued operation

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

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

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.

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36 -Significant accounting policies (Continued)

D- Revenue

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

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

1) Sales – wholesale and showrooms

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

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

2) Sales – retail and Companies

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

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

3) Sales of services – maintenance

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

4) Revenue from finance lease contracts

Finance income is recognized over the period of the lease contract, based on a pattern that reflects a constant periodic rate of return on the lessor's net investment in the lease contract. The lessor must distribute the finance income over the period of the lease contract on a regular and reasonable basis. The lessor must apply the lease payments for the period against the total investment in the lease contract to reduce both the principal amount and the unrealized finance income.

5) Revenue from operating lease

Lease payments from operating leases are recognized as income either on a straight-line basis or on any other regular basis. The lessor must apply another regular basis if the basis more expresses the pattern in which the use of the underlying asset decreases.

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

36 -Significant accounting policies (Continued)

6) 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.

7) Dividend income

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

E- Employee benefit

1) Short – term employee benefits

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

2) Share – based payment arrangements

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

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

3) Define contribution plans

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

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

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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Notes to the consolidated financial statements for the financial year ended December 31, 2020

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

36 -Significant accounting policies (Continued)

F- Finance income and finance costs

The Group's finance income and finance costs include:

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

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

G- Income Tax

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

1) Current income tax

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

2) Deferred tax

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

Deferred tax is not recognised for:

- a. Taxable temporary differences arising on the initial recognition of goodwill.,
- b. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not:
 - 1) business combination
 - 2) And not affects neither accounting nor taxable profit or loss.
- c. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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36 -Significant accounting policies (Continued)

at each reporting date, and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

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

H- Inventories

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

I- Property, plant and equipment

1) Recognition and measurement

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

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

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

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).

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.

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36 -Significant accounting policies (Continued)

3) Depreciation

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

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

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

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

4) Reclassification to investment property

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

5) Project under construction

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

J- Intangible assets and goodwill

1) Recognition and measurement

I. Goodwill:

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

II. Other intangible assets:

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

III. Computer software

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

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

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36-Significant accounting policies (Continued)

acquire computer software is capitalized and included as an intangible asset. Computer software costs recognised as assets are amortised using the straight-line method over their useful lives and not exceeding a year of 3 years.

IV.Knowhow

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

2) Subsequent expenditure

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

3) Amortization

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

Goodwill is not amortised.

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

K- Investment property

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

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

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

L- Assets held for sale

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

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.

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36 -Significant accounting policies (Continued)

M- Financial instruments

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

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

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

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

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

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

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

2) Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

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36 -Significant accounting policies (Continued)

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".

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

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

O- Impairment

1) Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

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36 -Significant accounting policies (Continued)

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.

1) Non-derivative financial assets

Financial assets measured at amortised cost

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.

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36 -Significant accounting policies (Continued)

2) Non-financial Assets

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

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

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

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

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

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.

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36 -Significant accounting policies (Continued)

Q- Leases

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

An entity shall determine the lease term as the non-cancellable period of a lease, together with both:

- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option.
- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

As a lessor:

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

Examples of situations that individually or in combination would normally lead to lease being classified as a finance lease are:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised.
- The lease term is for the major part of the economic life of the underlying asset even if title is not transferred.
- At the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset.
- The underlying asset is of such a specialised nature that only the lessee can use it without major modifications.

Recognition and measurement

Initial measurement

At the commencement date, a lessor shall recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease.

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At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- Fixed payments (including in-substance fixed payments as described in paragraph B42), less any lease incentives payable.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- Any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee. The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Assessed considering the factors described in paragraph B37 (payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option).
- Terminate the lease.

Operating leases

Recognition and measurement

Recognition of the lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Sale and leaseback transactions

If an entity (the seller-lessee) transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor, both the seller-lessee and the buyer-lessor shall account for the transfer contract and the lease applying:

1) Assessing whether the transfer of the asset is a sale

The Company shall apply the requirements for determining when a performance obligation is satisfied in EAS (48) to determine whether the transfer of an asset is accounted for as a sale of that asset.

2) Transfer of the asset is a sale

- a) If the transfer of an asset by the seller-lessee satisfies the requirements of EAS (48) to be accounted for as a sale of the asset:
 - The seller-lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.
 - The buyer-lessor shall account for the purchase of the asset applying applicable Standards, and for the lease applying the lessor accounting requirements in this Standard.
- b) If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, an entity shall make the following adjustments to measure the sale proceeds at fair value:
 - Any below-market terms shall be accounted for as a prepayment of lease payments.

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- Any above-market terms shall be accounted for as additional financing provided by the buyer lessor to the seller-lessee.
- c) The entity shall measure any potential adjustment required on the basis of the more readily determinable of:
 - The difference between the fair value of the consideration for the sale and the fair value of the asset.
 - The difference between the present value of the contractual payments for the lease and the present value of payments for the lease at market rates.

3) Transfer of the asset is not a sale

If the transfer of an asset by the seller-lessee does not satisfy the requirements of EAS (48) "Revenue from Contracts with Customers" to be accounted for as a sale of the asset:

- The seller-lessee shall continue to recognise the transferred asset and shall recognise a financial liability equal to the transfer proceeds. It shall account for the financial liability applying EAS (47) "Financial Instruments".
- The buyer-lessor shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. It shall account for the financial asset applying EAS (47) "Financial Instruments".

As a lessee:

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability. The Company may elect not to apply that for the short-term leases and leases for which the underlying asset is of low value, the lessee shall recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The lessee shall apply another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

Measurement

1) Initial measurement of the right-of-use asset

The cost of the right-of-use asset shall comprise:

- a) The amount of the initial measurement of the lease liability shall measure at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.
- b) Any lease payments made at or before the commencement date, less any lease incentives received.
- c) Any initial direct costs incurred by the lessee.
- d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

2) Subsequent measurement of the right-of-use asset

After the commencement date, a lessee shall measure the right-of-use asset applying a cost model:

- a) Less any accumulated depreciation and any accumulated impairment losses.
- b) Adjusted for any re-measurement of the lease liability.

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3) Initial measurement of the lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

4) Subsequent measurement of the lease liability

After the commencement date, a lessee shall measure the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability.
 - b) Reducing the carrying amount to reflect the lease payments.
 - c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.
- Right-of-use asset and lease liabilities shall present in the statement of financial position separately from other assets and other liabilities.
 - Lease contracts includes lessee performing maintenance and insurance for the leased asset, the lease contract does not include any arrangements to transfer of ownership by the end of the lease period.
 - For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

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.

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On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015, which include some new accounting standards as well as introducing amendments to certain existing standards. Given the current circumstances that the country is going through due to the outbreak of the new Corona virus and its Economic and financial effects related to it, in addition implementing prevention measures and countering its spread from imposing restrictions on the presence of human resources in companies at their full capacity on a regular basis. The Higher Committee for the Review of Egyptian Accounting Standards, Limited review, and Other Verification Tasks Formulated by Prime Minister Decision No. 909 of 2011 which states that the application of the New Egyptian Accounting standards can be postponed and the amendments related to this issued by decision No. 69 on the annual financial statements of these companies at the end of 2020 and include the combined effect for the whole year. By the end of 2020 the laws have been postponed again on January 1, 2021, based on the Prime Minister's Decision No. 1871 of 2020. The most prominent amendments are as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
1- The new Egyptian Accounting Standard No. (47) "Financial Instruments"	<p>1-The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.</p> <p>2- Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos.(1), (25), (26) and (40) are to be simultaneously applied.

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	<p>enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3- When measuring the impairment of financial assets, the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</p> <p>4- based on the requirements of this standard the following standards were amended:</p> <p>1-Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019]</p> <p>2-Egyptian Accounting Standard No. (4) - "Statement of Cash Flows".</p> <p>3-Egyptian Accounting Standard No. (25) - "Financial Instruments: Presentation.</p> <p>4-Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement".</p> <p>5-Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures "</p>		<p>-These amendments are effective as of the date of implementing Standard No. (47) the date of a doubting this standard has been postpone until January 1, 2021 according to the head of minister decision no.1871,2020</p>
<p>The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers"</p>	<p>1.The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void:</p> <p>2.Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015.</p> <p>3.Egyptian Accounting Standard No. (11) – "Revenue" as amended in 2015.</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>Standard No (48) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted the date of a doubting this standard has been postpone until January 1, 2021 according to the head of</p>

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	<p>4. For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p> <p>5. incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met</p> <p>6. the standard requires that contract must have a commercial substance in order for revenue to be recognized</p> <p>7. Expanding in the presentation and disclosure requirements</p>		minister decision no. 1871, 2020
The new Egyptian Accounting Standard No. (49) "Lease Contracts"	<p>1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015</p> <p>2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the Company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the Company's liabilities, taking into account that the lease contracts are not classified in respect of the lease as operating or finance lease contracts.</p> <p>3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</p> <p>4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	<p>This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied.</p> <p>Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and</p>

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	<p>amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</p> <p>5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</p>		<p>standards related to financial leasing ” as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued. the date of a doubting this standard has been postpone until January 1, 2021 according to the head of minister decision no.1871,2020</p>
Egyptian Accounting Standard No. (38)) as ammended " Employees Benefits "	A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.
Egyptian Accounting Standard No. (42)) as ammended " Consolidated	<p>Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were ammended are as follows:</p> <p>- (ESA 15) Related Party Disclosures</p>	The Management is currently assessing the potential impact of implementing the amendment of the applying the standard	<p>This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.</p> <p>-The new or amended</p>

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Financial Statements"	<ul style="list-style-type: none"> - (ESA 17) Consolidated and Separate Financial Statements - (ESA 18) Investments in Associates - (ESA 24) Income Taxes - (ESA 29) Business Combinations - ESA(30) Periodical Financial Statements - EAS (44) Disclosure of Interests in Other Entities. 	on the financial statements.	paragraphs pertaining to the amended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019
Issuance of Egyptian Accounting Interpretation No. (1) "Public Service Privileges Arrangements" ...	<p>This interpretation provides guidance on the accounting by operators of public service privileges arrangements from a public entity to a private entity for the construction, operation and maintenance of the infrastructure for public utilities such as roads, bridges, tunnels, hospitals, airports, water supply facilities, power supplies and communications networks. ..., etc</p> <p>This interpretation gives the option of continuing to apply the prior treatment of public service privileges arrangements that prevailed prior to January 1st, 2019 on entities that used to recognize and measure the assets of these arrangements as fixed assets in accordance with Egyptian Accounting Standard No. 10 "Fixed Assets and Depreciation" until their useful lives are expired .</p>	There is no effect From applying the standard on the financial statements .	Interpretation No. (1) applies to financial periods beginning on or after January 1st, 2019,
Egyptian Accounting Standard No. (22)) as amended " Earnings per Share	The scope of implementation of the Standard was amended to be applied to the separate, or consolidated financial statements issued to all enterprises.	The company take the impact of this standard on the Prior year.	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.

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Egyptian Accounting Standard No. (34)) as ammended " Real Estate Investment	<p>The Fair Value Model option for all enterprises is no longer used when the subsequent measurement of their real estate investments is made and compliance shall apply only to the Cost Model.</p> <p>while only real estate investment funds are obliged to use the Fair Value Model, upon the subsequent measurement of all their real estate assets.</p> <p>Based on this amendment, the following standards were ammended :</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (32) Non-current Assets Held for Sale and Discontinued Operation - Egyptian Accounting Standard No. (31) Impairment of Assets 	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (4) as ammended " Statemnet of Cash Flows"	This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows .	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.

37-Other Events

GB Auto Group announced the suspension of its representation of Hyundai brand in Iraq, this comes after the parent company's decision to change its strategy in the Iraqi market to adopt the multi-distributor model.

Based on the above, the management will continue its operations until it sells all the stocks in full, which may continue until the third quarter of 2020.

GB Auto Group has announced an agreement to market, distribute and provide aftermarket and warranty services for vehicles produced by MG International. Operations are expected to start late in the third quarter, early in the fourth quarter of 2020.

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38- Important events

Most of the world countries, including Egypt, were exposed during the first quarter of 2020 to a state of slowdown and economic contraction as a result of the outbreak of the new Corona Pandemic (Covid-19), and the governments of the world, including the Egyptian government, made packages of precautionary measures to prevent the spread of the Pandemic, and these measures led to a situation From the economic slowdown at the global and local levels, whose impact appeared on all activities in different forms and on the trade, distribution and marketing of all types of transportation of all kinds, locally manufactured and imported, exporting and selling products and goods, imported and local, in cash or on time, financial leasing and microfinance in Egypt in particular.

Regarding the group's activities outside the Egyptian market, the vehicle sectors have witnessed a noticeable decline, as the Iraqi market has been affected by the closure and curfews, in addition to the travel restrictions. While two- and three-wheeled scooters showed less damage.

On the other hand, **the non-bank financial sectors**, and based on the recent decisions issued by the Financial Supervision Authority and the Central Bank of Egypt, which allow debtors to extend a period of up to six months to repay the loan instalments of banks and other financial institution, the company have not been witnessed fluctuations in collections and the demands and reservations are increasing which is considered exceptional advantage of the company in comparison to other companies at the market.

39- Subsequent events

During the period from January 3, 2021 to February 11, 2021 , the company sold 6 262 585 treasury shares for value of 23 258 297 Egyptian pounds .