

**RAYA CONTACT CENTER COMPANY (S.A.E)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
TOGETHER WITH AUDIT REPORT**

Raya Contact Center Company (S.A.E.)

**Interim Consolidated Financial Statements
For the year ended 30 December 2018**

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF RAYA CONTACT CENTER (S.A.E)

Report on the financial statements

We have audited the accompanying consolidated financial statements of **Raya Contact Center (S.A.E) and its subsidiaries ("the Company")** represented in consolidated statement of financial position as of 31 December 2018 and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and applicable Egyptian laws. Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above, give a true and fair view in all material respects of the consolidated financial position of Raya Contact Center (S.A.E) and its subsidiaries ("the Company") as of 31 December 2018 and of its consolidated financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Cairo: 12 March 2019


Amr El Shaabini
FESAA - FESI
(R.A.A 9365)
(EFSAR. 103)



RAYA CONTACT CENTER (S.A.E)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2018

	Note	2018 EGP	2017 EGP
ASSETS			
Non-current assets			
Fixed assets	(5)	96,373,132	57,538,373
Intangible assets	(6)	349,917	160,446
Deferred tax assets	(26)	2,818,185	1,696,128
Goodwill	(7)	26,582,777	26,582,777
Total non-current assets		126,124,011	85,977,724
Current assets			
Accounts and notes receivable and accrued revenue	(8)	212,198,346	167,988,981
Prepayments and other debit balances	(9)	48,763,648	34,300,958
Due from related parties	(10a)	6,162	6,162
Cash at banks	(11)	254,513,240	243,841,269
Total current assets		515,481,396	446,137,370
TOTAL ASSETS		641,605,407	532,115,094
EQUITY AND LIABILITIES			
EQUITY			
Capital	(17)	53,030,303	53,030,303
Share Premium	(17)	75,306,925	75,306,925
Legal reserve	(18)	31,060,282	31,060,282
Merger reserve	(19)	(2,834,374)	(2,834,374)
Foreign currency translation reserve		10,634,932	10,031,639
Retained earnings		100,534,016	29,596,331
Profits for year of parent company		178,957,499	157,312,669
Total equity of shareholders of parent company		446,689,583	353,503,775
Non-controlling interest		1,957,835	1,532,869
Total equity		448,647,418	355,036,644
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	(26)	7,022,702	2,923,846
Other long term liabilities	(16)	6,730,992	3,697,237
Total non-current liabilities		13,753,694	6,621,083
Current Liabilities			
Credit facilities	(12)	4,121,156	8,070,284
Accounts payable	(13)	62,363,947	52,070,098
Accrued expenses and other credit balances	(14)	64,680,789	67,016,330
Provisions	(15)	1,925,377	1,908,977
Due to related parties	(10a)	8,740,911	6,890,228
Income tax payable	(20)	28,899,457	32,459,513
Dividends payable		8,472,658	2,041,937
Total current liabilities		179,204,295	170,457,367
TOTAL LIABILITIES		192,957,989	177,078,450
TOTAL LIABILITIES AND EQUITY		641,605,407	532,115,094

Chief Executive Officer
Reem Asaad

Finance Director
Mostafa Hasab Allah

- The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.
- Audit report "attached"

RAYA CONTACT CENTER (S.A.E)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AS OF 31 DECEMBER 2018

	Note	2018 EGP	2017 EGP
Revenue	(21)	908,584,874	759,095,759
Export subsidy revenue		2,069,995	1,506,063
Cost of revenue	(22)	<u>(554,657,449)</u>	<u>(436,786,039)</u>
GROSS PROFIT		355,997,420	323,815,783
General and administrative expenses	(23)	(77,759,617)	(73,487,032)
Selling and marketing expenses	(24)	(4,519,715)	(4,996,908)
Rent expense		(80,162,235)	(63,918,643)
Provisions	(15)	(16,400)	-
Provisions no longer required	(15)	-	6,000
Impairment of accounts receivable	(8)	(5,243,672)	(2,534,886)
Reversal of impairment of accounts receivable	(8)	<u>3,230,252</u>	<u>3,393,64</u>
OPERATING PROFITS		191,526,033	182,277,956
Net finance income	(25)	29,842,042	16,907,944
Gain from sale of fixed assets	(5)	-	44,850
Foreign exchange differences		<u>(666,829)</u>	<u>(9,033)</u>
PROFITS BEFORE INCOME TAXES		220,701,246	199,221,717
Income tax expenses	(26)	<u>(40,161,530)</u>	<u>(40,696,790)</u>
NET PROFITS FOR THE YEAR		180,539,716	158,524,927
Attributable to :			
Parent company		178,957,499	157,312,669
Non-controlling interest		<u>1,582,217</u>	<u>1,212,258</u>
PROFITS FOR THE YEAR		180,539,716	158,524,927
Basic and diluted earnings per share	(28)	<u>1.45</u>	<u>1.32</u>

-The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.

RAYA CONTACT CENTER (S.A.E)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS OF 31 DECEMBER 2018

	2018 <i>EGP</i>	2017 <i>EGP</i>
Profits for the year	180,539,716	158,524,927
Foreign currency translation differences	<u>603,293</u>	<u>(1,135,356)</u>
TOTAL COMPREHENSIVE INCOME	<u>181,143,009</u>	<u>157,389,571</u>
Attributable to:		
Parent Company	179,560,792	156,177,313
Non-Controlling Interest	<u>1,582,217</u>	<u>1,212,258</u>
TOTAL COMPERHENSIVE INCOME	<u>181,143,009</u>	<u>157,389,571</u>

-The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.

RAYA CONTACT CENTER (S.A.E)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Capital	Share Premium	Legal Reserve	Merger reserve	Foreign Currency Translation reserve	Retained earnings	Profits for the Year	Total equity of parent company	Non-controlling interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of 1 January 2018	53,030,303	75,306,925	31,060,282	(2,834,374)	10,031,639	29,596,331	157,312,669	353,503,775	1,532,869	355,036,644
Transferred to retained earnings	-	-	-	-	-	157,312,669	(157,312,669)	-	-	-
Dividends	-	-	-	-	-	(86,374,984)	-	(86,374,984)	(1,157,251)	(87,532,235)
Total comprehensive income	-	-	-	-	603,293	-	178,957,499	179,560,792	1,582,217	181,143,009
Balance as of 31 December 2018	53,030,303	75,306,925	31,060,282	(2,834,374)	10,634,932	100,534,016	178,957,499	446,689,583	1,957,835	448,647,418
Balance as of 1 January 2017	50,000,000	-	4,545,130	(2,834,374)	11,166,995	(2,042,322)	117,847,635	178,683,064	899,901	179,582,965
Capital increase and Share Premium	3,030,303	75,306,925	21,662,772	-	-	-	-	100,000,000	-	100,000,000
Transferred to retained earnings and legal reserve	-	-	4,852,380	-	-	112,995,255	(117,847,635)	-	-	-
Dividends	-	-	-	-	-	(81,356,602)	-	(81,356,602)	(579,290)	(81,935,892)
Total comprehensive income	-	-	-	-	(1,135,356)	-	157,312,669	156,177,313	1,212,258	157,389,571
Balance as of 31 December 2017	53,030,303	75,306,925	31,060,282	(2,834,374)	10,031,639	29,596,331	157,312,669	353,503,775	1,532,869	355,036,644

- The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.

RAYA CONTACT CENTER (S.A.E)
CONSOLIDATED STATEMENT OF CASH FLOWS
AS OF 31 DECEMBER 2018

	Note	2018 EGP	2017 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the year before income tax		220,701,246	199,221,717
Depreciation expense of fixed assets	(5)	25,801,380	22,371,124
Amortization expense of intangible assets	(6)	47,286	67,305
Provisions	(15)	10,000	-
Impairment of accounts receivable	(8)	5,243,672	2,534,886
Reversal of impairment of accounts receivable	(8)	(3,230,252)	(3,393,642)
Gain from sale of fixed assets	(5)	-	(44,850)
End of service benefits		3,033,755	2,311,523
Net finance (income)	(25)	(29,842,042)	(16,907,944)
		<u>221,765,045</u>	<u>206,154,119</u>
Change in accounts and notes receivable and accrued revenue		(46,222,785)	(31,238,251)
Change in prepayments and other debit balances		(15,205,421)	(7,471,496)
Change in due from related parties		-	62,805,774
Change in accounts payable		10,293,849	8,667,542
Change in due to related parties		1,850,683	6,890,228
Change in accrued expenses and other credit balances		(2,335,541)	26,359,243
CASH FLOWS FROM OPERATING ACTIVITIES		<u>170,145,830</u>	<u>272,167,159</u>
Income tax paid	(20)	(40,744,787)	(40,579,505)
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>129,401,043</u>	<u>231,587,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received		32,438,550	11,170,491
Payments to acquire fixed assets	(5)	(64,711,684)	(49,260,452)
Payments to acquire intangible assets	(6)	(246,206)	(77,655)
Proceeds from sale of fixed assets	(5)	-	44,850
Restricted time deposits as a margin of letter of guarantee (more than 3 months)	(11)	-	(2,314,000)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(32,519,340)</u>	<u>(40,436,766)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from credit facilities		42,085,477	67,443,301
Payments in credit facilities		(46,034,605)	(60,672,548)
Finance cost paid		(1,853,777)	(1,004,235)
Capital increase	(17)	-	3,030,303
Proceeds from share premium	(17)	-	96,969,697
Dividends paid		(81,101,514)	(80,206,223)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(86,904,419)</u>	<u>25,560,295</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents - beginning of the year		9,977,284	216,711,183
Net foreign exchange differences		241,527,269	25,997,450
Foreign currency translation reserve		(14,400)	(6,000)
CASH AND CASH EQUIVALENTS - END OF THE YEAR	(11)	<u>688,287</u>	<u>(1,181,364)</u>
		<u>252,178,440</u>	<u>241,527,269</u>

- The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

1. BACKGROUND

Raya Contact Center (S.A.E) (the Company or the Parent) was founded on 14 February 2001 under the name of Sera net for Software and Content Development in Egypt, under law no. 8 of 1997 and its executive regulations. The Company was registered in the Commercial Register under No. 139696.

The Company started its activity on April 2001 upon the approval of the General Authority of Investment.

On 22 April 2003, an Extraordinary General Assembly meeting decided to change the Company's name to be Raya Contact Center S.A.E and modified the second article in the Company's article of incorporation, which was approved by the General Authority of Investment and Free Zone Areas on 8 June 2003 according to the General Authority of Investment decision no.1994 of 2003.

In February 2015, Raya Contact Center became a listed company on the Egyptian Stock Exchange ("EGX").

The Consolidated financial statements of Raya Contact Center (S.A.E) and its subsidiaries (collectively, the Group) includes the financial statements of the Parent and the following subsidiaries:

Company name	% of ownership
1- Call Center Company - C3	99.54%
2- Raya for Contact Center Building Management Company – RCCBM	97%
3- Raya Contact Center Gulf	100%
4- Raya Contact Center Europe	100%

Raya Contact Center acquired both Call Center Company – C3 and Raya for Contact Center Building Management Company during April 2014, and established both Raya Contact Center Gulf during June 2014 and Raya Contact Center Europe on January 2015.

The Company's Ultimate Parent is Raya Holding Company for Financial Investments S.A.E.

These consolidated financial statements for the year ended 31 December 2018 were authorized for issuance in accordance with the resolution of board of directors on 12 March 2019.

Group activities

The Group is principally engaged in the provision of the following services:

- Contact Center Services including: Customer Service, Technical Support, Inbound Sales and Tele-marketing.
- Inside Sales Channel Management services including: Account Profiling, Campaign Management, Lead Management and Account Management.
- Back Office Services including: Data Management, Finance & Accounting, Payroll Processing and Supply chain Management & temporary customer management.
- Professional Services including: Call Center Hosting, Contact Center Training, Social Media, Contact Center and Start-up Consultancy.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated financial statements of the Group are prepared under the going concern assumption on a historical cost basis.

The Consolidated financial statements of the Group are prepared and presented in Egyptian pound, which is the Company's functional currency.

Statement of compliance

The Consolidated financial statements of the Group are prepared in accordance with the Egyptian Accounting Standards and the applicable laws and regulations

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During April 2014, "Raya Contact Center S.A.E" acquired 99.54% of the shares of "Call Center Company- C3". The Company also acquired 1 % of the shares of "Raya for Contact Center Building Management Company" and subscribed in the capital increase of the same company to increase its ownership to 97%. As a result, the Company obtained the majority of the voting rights of these two subsidiaries and the ability to govern their financial and operating policies.

Since these two subsidiaries were under the control of "Raya Holding Company for Financial Investments S.A.E" (Ultimate Parent), before the acquisition by "Raya Contact Center", this transaction is considered a common control transaction, which is scoped out from EAS 29 "Business combination".

The Company applies the Pooling of interest method with retrospective presentation as if the subsidiaries had always been combined in accounting for common control transactions. Under the policy adopted by the Company the following is applied:

- The assets and liabilities of the combining entities are reflected at their carrying amounts and no adjustments are made to reflect fair values, or recognize any new assets or liabilities.
- No 'new' goodwill is recognized as a result of the combination, the only goodwill that is recognized is the existing goodwill relating the combining entities.
- Any difference between the consideration and the equity 'acquired' is reflected within equity as merger reserve.

Basis of consolidation

A. Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with this entity and has the ability to affect those returns through its power over it. When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has power.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Accounting for business combination under EAS 29 only applies if it is considered that a business has been acquired. For acquisitions meeting the definition of a business, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of profit or loss.

B. Transactions with Non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests that do not result in the Parent losing control as transactions with equity owners of the Group. When the proportion of the equity held by non-controlling interests changes, the Group adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The Group recognises directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the Parent.

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- The following steps are followed when preparing the Consolidated financial statements:
 - a- Eliminate the carrying amount of the Parent investment in each subsidiary and the Parent share of equity of each subsidiary.
 - b- Identify the non-controlling interest in the profit or loss of the consolidated subsidiaries for the reporting period.
 - c- Identify the non-controlling interests in the net assets of consolidated subsidiaries and presented in the financial statement separately from the Parent ownership interests. Non-controlling interests in the net assets consist of:
 - (1) The amount of non-controlling interests as of the original date of combination.
 - (2) The non-controlling interests' share of changes in equity since the date of the combination.
 - d- Intergroup balances and transactions, revenues and expenses are eliminated.
- The financial statements of the Parent and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same date.
- The financial statements of the Parent and its subsidiaries used in the preparation of the consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events with similar circumstances.
- Non-controlling interests are presented in the consolidated financial position within equity, separately from the equity of the owners of the Parent, and the non-controlling interests share in the group profit or loss is presented separately.

Non-controlling interests presented in the consolidated financial statements are as follows:

Company name	% of non-controlling interest
Call Center Company - C3	0.46%
Raya for Contact Center Building Management Company	3%

Changes in accounting policies

The accounting policies adopted are consistent across the periods presented herein.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgements and estimates that have a significant impact on the financial statements of the Company are discussed below:

3.1 Judgments

Revenue Recognition

The management considered the detailed criteria for the recognition of revenue from rendering services as set out in EAS 11 *Revenue* and the contracts between the Company and customers.

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 Estimates

Impairment of goodwill

The Company carries out impairment testing annually in respect of the goodwill on acquisition of subsidiaries. In carrying out the impairment analysis, the Company makes an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

In calculating the future cash flows expected to arise from the cash-generating unit, management estimates the growth rate keeping in view the historical growth rates over the last five years.

In calculating the discount rate, management estimates the return on capital employed using weighted average cost of capital.

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful lives of fixed assets

The Company's management determines the estimated useful lives of its fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

During the period, the management of the company changed the estimated useful life of some fixed assets included in computers and software and furniture and office equipment. The resulting effect of the change in the estimate of the useful life of the fixed assets is clarified in note (5).

Taxes

The Group is subject to income taxes in Egypt and Poland. Significant judgment is required to determine the total provision for current and deferred taxes. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt and Poland. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the prevailing conditions in Egypt & Poland.

Deferred tax assets are recognised for unused accumulated tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

Transactions in foreign currencies are initially recorded using the prevailing exchange rate at date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the financial position date; all differences are recognized in the statement of profit or loss as follows:

- To reflect the substance of the revenue transactions of the Group, unrealized and realized foreign currency exchange differences related to accounts and notes receivable, as well as realized exchange differences resulting from sale of foreign currency cash balances are recognized within revenues.
- All other foreign exchange differences are recognized as a separate line item on the face of the statement of profit or loss.

Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition.

Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value was determined.

The financial statements of the subsidiaries denominated in foreign currency are translated to the Parent company's functional currency which is the Egyptian pound as follows:

- A) Assets and liabilities for each Financial position presented are translated at the closing rate at the date of that Financial position.
- B) Income and expenses for each statement of profit or loss presented are translated at exchange rates at the dates of the transactions, or using average rate for the period when more practical.
- C) All resulting exchange differences are included in the owner's equity as a separate line item as foreign currency translation differences.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in consolidated statement of other comprehensive income ("OCI") or profit or loss are also recognized in consolidated statement of OCI or consolidated statement of profit or loss, respectively).

Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when major inspections and improvements are performed, their cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are met. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition where it is capable of operating in the manner intended by management, and it is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Computers and software	2-4
Furniture and office equipment	3-8
Tools and equipment	1-5
Leasehold improvements	Useful life or lease period whichever is less
Electrical Equipment	3-5
Communication networks and devices	3-5
Vehicles	4

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognizing of the asset is included in the statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year-end.

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed assets – Continued

The Company assesses at each financial position date whether there is an indication that a fixed assets may be impaired. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years, such reversal is recognized in the statement of profit or loss.

Projects under construction

Projects under construction represent the amounts that are incurred for constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets. Projects under construction are carried at cost less impairment (if any).

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally generated intangible assets are not capitalized and expenditure is reflected in the statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Useful lives and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets represent the computer programs and the related licenses and are amortized using the straight-line method over their estimated useful lives (1-3 years).

Goodwill

Goodwill is recognized as an asset at the acquisition date of a business combination. Goodwill is initially measured at cost, which represents the excess of the consideration transferred in the business combination over the Company's interest in the fair value of the assets, liabilities and contingent liabilities recognized. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Accounts and notes receivable and accrued revenue and other debit balances

Accounts and notes receivable and accrued revenue and other debit balances are stated at original invoice amount net of impairment losses.

Impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows. The impairment is recognized in the statement of profit or loss. Reversal of impairment is recognized in the statement of profit or loss in the period in which it occurs.

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation.

Legal reserve

According to the Company's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50% of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the Board of Directors.

Borrowings

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the financial position date, then the loan balance should be classified as long term liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate, the effective interest rate amortization is included in finance cost in the statement of profit or loss.

Income taxes

Income tax is calculated in accordance with the applicable tax law.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date.

The current income tax charge is calculated on the basis of the tax laws enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax – Continued

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received, or receivable excluding discounts, rebates, and sales taxes or duties.

- Service revenue

Revenue is recognized when service is rendered to the client according to the contract terms.

- Finance income

Finance income is recognized as it accrues using the effective interest rate (EIR) method and recognized in the statement of profit or loss. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

- Government Grants

Government grants are recognized when there is reasonable assurance that the company will comply with the conditions attaching to them; and the grants will be received. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognized in profit or loss of the period in which it becomes receivable.

Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of profit or loss of the period in which these expenses were incurred.

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the boards of directors.

Social insurance

The Company makes contributions to the General Authority for Social Insurance calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Accounting estimates

The preparation of financial statements in accordance with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial years. Actual results could differ from these estimates.

Impairment of assets

Impairment of financial assets

The Company assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs to sell, an appropriate valuation model is used.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Statement of cash flows

The statement of cash flows is prepared using the indirect method.

Cash and cash equivalent

For the purpose of preparing the cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts with banks, time deposits with original maturity within three months, reduced by bank overdraft, if any.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

5 FIXED ASSETS

	Computers and Software		Furniture & Office equipment		Tools & Equipment		Leasehold Improvement		Electrical Equipment		Communication Devices		Communication Networks		Vehicles		Total		
	EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP		
Cost																			
As of 1 January 2018	73,337,747	25,904,883	221,857	32,533,909	7,161,848	42,008,247	8,766,643	340,084	190,275,218										
Additions	12,165,912	7,109,179	52,180	34,086,252	3,263,810	5,344,920	2,689,431	-	64,711,684										
Foreign currency translation differences	(113,744)	(116,606)	-	(12,195)	(9,695)	(169,509)	1,210	-	(420,539)										
As of 31 December 2018	85,623,125	32,898,795	274,038	66,608,543	10,416,122	47,185,389	11,457,354	340,084	254,803,451										
Accumulated depreciation																			
As of 1 January 2018	(44,675,462)	(17,317,127)	(22,456)	(24,790,200)	(5,040,738)	(33,737,020)	(7,082,991)	(70,851)	(132,736,845)										
Depreciation for the year	(12,416,155)	(2,871,257)	(5,720)	(3,827,163)	(1,291,680)	(4,461,627)	(842,757)	(85,021)	(25,801,380)										
Foreign currency translation differences	81,643	75,508	-	15,630	11,469	156,797	3,947	-	344,994										
As of 31 December 2018	(57,009,974)	(20,112,876)	(28,176)	(28,601,733)	(6,320,949)	(38,041,850)	(7,921,801)	(155,872)	(158,193,231)										
Net book value as of 31 December 2018	28,379,941	12,784,580	245,861	38,006,233	4,095,014	9,141,808	3,535,483	184,212	96,373,132										
Net book value as of 31 December 2017	28,662,285	8,587,756	199,401	7,743,709	2,121,110	8,271,227	1,683,652	269,233	57,538,373										

* There is no pledge or restriction on the fixed assets.

* Depreciation expense charged to cost of revenues during the year ended 31 December 2018 amounted to EGP 25,801,380 (Note 22)

* Fully depreciated assets and still used in operations are as follows:

	EGP
Computers and Software	32,718,564
Furniture and office Equipment	13,301,466
Tools & Equipment	22,456
Leasehold Improvements	19,517,537
Electrical Equipment	4,261,641
Communications Devices	28,148,620
Communication Networks	6,762,374
	104,732,658

RAYA CONTACT CENTER (S.A.E.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018
5 FIXED ASSETS (CONTINUED)

Cost	Computers and Software	Furniture & Office equipment	Tools & Equipment	Leasehold Improvement	Electrical Equipment	Communication Devices	Communication Networks	Vehicles	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
As of 1 January 2017	44,934,276	19,285,786	22,458	26,422,572	5,589,452	38,045,746	7,248,349	-	141,548,639
Addition	28,663,484	6,569,174	199,399	6,274,585	1,584,003	4,093,756	1,535,967	340,084	49,260,452
Disposals for the year	(409,312)	(23,850)	-	(37,840)	-	(286,025)	-	-	(757,027)
Foreign currency translation differences	149,299	73,773	-	(125,408)	(11,607)	154,770	(17,673)	-	223,154
As of 31 December 2017	73,337,747	25,904,883	221,857	32,533,909	7,161,848	42,008,247	8,766,643	340,084	190,275,218
Accumulated depreciation									
As of 1 January 2017	(34,295,797)	(14,344,750)	(22,456)	(22,724,300)	(4,141,374)	(28,898,889)	(6,500,021)	-	(110,927,587)
Depreciation for the year	(10,726,814)	(2,954,185)	-	(2,150,327)	(900,972)	(4,984,293)	(583,682)	(70,851)	(22,371,124)
Disposals for the year	409,312	23,850	-	37,840	-	286,025	-	-	757,027
Foreign currency translation differences	(62,163)	(42,042)	-	46,587	1,608	(139,863)	712	-	(195,161)
As of 31 December 2017	(44,675,462)	(17,317,127)	(22,456)	(24,790,200)	(5,040,738)	(33,737,020)	(7,082,991)	(70,851)	(132,736,845)
Net book value as of 31 December 2017	28,662,285	8,587,756	199,401	7,743,709	2,121,110	8,271,227	1,683,652	269,233	57,538,373

* There is no pledge or restriction on the fixed assets.

* Depreciation expense charged to cost of revenues during the year ended 31 December 2017 amounted to EGP 22,371,124 (Note 22)

* Fully depreciated assets and still used in operations are as follows:

* Gain from sale of fixed assets is as follows:

Computers and Software	32,458,431	EGP	EGP
Furniture and office Equipment	12,658,190		
Tools & Equipment	22,456		
Leasehold Improvements	19,466,709		
Electrical Equipment	3,269,475		
Communications Devices	22,262,960		
Communication Networks	6,181,014		
	96,319,235		
Proceeds from sale of fixed assets	44,850	EGP	EGP
Cost of disposed assets	(757,027)		
Accumulated depreciation of disposed assets	757,027		
Gain from sale of fixed assets	44,850		

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

5 FIXED ASSETS (CONTINUED)

The group decided to change the estimated useful life of computers and software to 2-4 years and furniture and office equipment to 3-8 years effective 1 January 2018, which resulted in depreciating the assets over its remaining useful life.

	<i>Before change</i> EGP	<i>After change</i> EGP
Accumulated depreciation as of 1 January 2018	132,736,845	132,736,845
Depreciation for the year	43,047,396	25,801,380
Foreign currency translation difference	(344,994)	(344,994)
Accumulated depreciation as of 31 December 2018	<u>175,439,247</u>	<u>158,193,231</u>

6 INTANGIBLE ASSETS

	2018 EGP	2017 EGP
Cost		
As of 1 January	325,306	227,910
Additions for the year	246,206	77,655
Foreign currency translation differences	(16,037)	19,741
As of 31 December	<u>555,475</u>	<u>325,306</u>
Accumulated amortization		
As of 1 January	(164,860)	(92,261)
Amortization for the year	(47,286)	(67,305)
Foreign currency translation differences	6,588	(5,294)
As of 31 December	<u>(205,558)</u>	<u>(164,860)</u>
Net book value as of 31 December	<u>349,917</u>	<u>160,446</u>

Amortization expense charged to general and administrative expenses (Note 23).

7 GOODWILL

During 2014, Raya Contact Center S.A.E (Parent) acquired 99.54% of the shares of Call Center Company- C3 (Subsidiary) and recognized goodwill amounting to EGP 26,582,777 which represents the original value of goodwill previously recognized in the books of the Ultimate parent "Raya Holding Company for Financial Investments S.A.E" when it originally acquired "Call Center Company – C3" before the acquisition of the company by "Raya Contact Center" (Parent).

8 ACCOUNTS AND NOTES RECEIVABLE AND ACCRUED REVENUE

	2018 EGP	2017 EGP
Accounts receivable*	162,461,795	128,769,869
Due from related parties (Note 10a)	4,174,285	1,446,005
Accrued Revenue	49,131,052	39,998,311
Notes receivable	1,169,838	500,000
	<u>216,936,970</u>	<u>170,714,185</u>
Impairment of accounts receivable	(4,738,624)	(2,725,204)
	<u>212,198,346</u>	<u>167,988,981</u>

* Accounts receivable balances amounted to EGP 9,581,525 and EGP 7,726,735 as of 31 December 2018 and 2017, respectively. This resulted from a service agreement between "Raya Technology Company Ltd.-Saudi Arabia" (Subsidiary to ultimate parent) and "Raya Contact Center S.A.E.". The actual services are rendered to a customer located in Saudi Arabia. However, the invoices are issued and collected through "Raya Technology Company Ltd.-Saudi Arabia".

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

8 ACCOUNTS AND NOTES RECEIVABLE AND ACCRUED REVENUE (CONTINUED)

The movements of impairment of accounts and notes receivables is as follows:

	2018	2017
	EGP	EGP
Balance as of 1 January	(2,725,204)	(3,587,528)
Charged during the year	(5,243,672)	(2,534,886)
Reversal of impairment of accounts receivable	3,230,252	3,393,642
Foreign currency translation differences	-	3,568
Balance as of 31 December	<u>(4,738,624)</u>	<u>(2,725,204)</u>

At 31 December 2018 and 2017, the ageing analysis of net accounts, notes receivables and accrued revenue is as follows:

	Total	Neither Past Due nor Impaired	Past due but not impaired			
			Less than 30 days	Between 30 to 60 days	Between 60 to 90 days	More than 90 days
	EGP	EGP	EGP	EGP	EGP	EGP
2018	<u>212,198,346</u>	<u>151,176,945</u>	<u>17,112,568</u>	<u>22,005,367</u>	<u>15,318,979</u>	<u>6,584,487</u>
2017	<u>167,988,981</u>	<u>127,019,825</u>	<u>28,721,722</u>	<u>4,568,432</u>	<u>5,582,484</u>	<u>2,096,518</u>

- As at 31 December 2018, impaired accounts, notes receivables and accrued revenue amounted to EGP 4,738,624 (31 December 2017: EGP 2,725,204).

- Refer to Note (31a) on credit risks of accounts and note receivable and accrued revenue, which discusses how the company manages and measures credit quality of accounts and note receivable and accrued revenue that are past due not impaired.

9 PREPAYMENTS AND OTHER DEBIT BALANCES

	2018	2017
	EGP	EGP
Prepayments	18,621,607	16,917,601
Deposits with others	6,406,831	2,168,485
Margin of letters of guarantee (Note 30)	174,962	224,551
Advance to suppliers	6,430,106	1,643,947
Social insurance authority	-	267,057
Tax authority – sales tax / value added tax	7,986,787	4,184,940
Accrued interest income	5,998,957	6,741,688
Advance Dividends *	1,387,428	1,075,047
Other debit balances	1,927,193	1,247,865
	<u>48,933,871</u>	<u>34,471,181</u>
Impairment on other debit balances	<u>(170,223)</u>	<u>(170,223)</u>
	<u>48,763,648</u>	<u>34,300,958</u>

The movements of impairment of other debit balances is as follows:

	2018	2017
	EGP	EGP
Balance as of 1 January	170,223	170,223
Charged during the year	-	-
Balance as of 31 December	<u>170,223</u>	<u>170,223</u>

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

9 PREPAYMENTS AND OTHER DEBIT BALANCES (CONTINUED)

* Advance dividends balance represents advance benefits paid to the Chairman.

According to the Ordinary General Assembly meeting held on 23 September 2017, 1% of the Company's annual profits is to be allocated and paid monthly to the Chairman, which will be settled at the end of the financial year after the issuance of the financial statements and its approval from the General Assembly meeting.

10 RELATED PARTY

Related parties represented in Ultimate Parent Company, associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly or significantly influenced by such parties, pricing policies and term of these transactions are approved by the Company's management.

The related parties' transactions resulted in the following balances:

a) *Related party balances*

Significant related party balances are as follows:

	31 December 2018			
	<i>Due from related parties</i>	<i>Due to related parties</i>	<i>Trade payables</i>	<i>Trade receivables</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>
Raya Distribution Company	-	-	196,964	815,198
Raya Integration Company	-	-	480,032	194,683
Raya Holding Company for Financial Investments	-	8,740,911	-	147,920
Raya for Data Center Company	-	-	447,529	-
Raya Restaurants Company	6,162	-	159,265	477,940
Raya Finance Lease Company	-	-	59,126	-
Aman for Electronic Payment Company	-	-	-	1,550,323
Aman for Financial Services Company	-	-	-	350,551
Raya Electronics Company	-	-	126,698	131,034
Raya for Social Media Company	-	-	28,953	-
Ostool for Land Transport Company	-	-	-	506,636
	<u>6,162</u>	<u>8,740,911</u>	<u>1,498,567</u>	<u>4,174,285</u>

a) *Related party balances*

Significant related party balances are as follows:

	31 December 2017			
	<i>Due from related parties</i>	<i>Due to related parties</i>	<i>Trade payables</i>	<i>Trade receivables</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>
Raya Distribution Company	-	-	56,945	-
Raya Tech - Distribution Company	-	-	13,648	-
Raya Integration Company	-	-	789,156	38,882
Raya Holding Company for Financial Investments	-	6,890,228	-	205,305
Raya for Data Center Company	-	-	488,786	-
Raya Restaurants Company	6,162	-	31,140	338,983
Aman for Electronic Payment Company	-	-	-	517,060
Aman for Financial Services Company	-	-	-	133,312
Raya Electronics Company	-	-	88,860	-
Raya Network Power	-	-	596,097	-
Raya for Social Media Company	-	-	729,423	-
Ostool for Land Transport Company	-	-	-	212,463
	<u>6,162</u>	<u>6,890,228</u>	<u>2,794,055</u>	<u>1,446,005</u>

- The due from related parties' balances above include interest-bearing balances that generated finance income as indicated in related party transactions (b) below.

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

10 RELATED PARTY DISCLOSURES (CONTINUED)

b) *Related party transactions*

Transactions with related parties included in the financial statements are as follows:

Company	Nature of relationship	31 December 2018									
		Services to	Services from	Purchases from	Rent expense	Allocated expense	Finance income	Net financing	Dividends to		
		EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	
Raya Holding Company for Financial Investments	Ultimate Parent	1,364,276	-	-	19,071,876	-	-	-	-	33,382,898	
Raya Integration Company	Subsidiary of ultimate Parent	477,105	-	8,323,172	-	-	-	-	-	56,870	
Raya Distribution Company	Subsidiary of ultimate Parent	2,301,250	-	7,497,213	-	-	-	-	-	47,934	
Ostool for Land Transport Company	Subsidiary of ultimate Parent	337,861	-	-	-	-	-	-	-	-	
Raya for Data Center Company	Subsidiary of ultimate Parent	-	-	3,901,936	-	-	-	-	-	-	
Raya Social Media Company	Subsidiary of ultimate Parent	-	-	1,241,112	-	-	-	-	-	-	
Raya for International Services Company	Subsidiary of ultimate Parent	-	-	31,536	-	-	-	-	-	-	
Raya Network Power Company	Subsidiary of ultimate Parent	-	-	3,108,225	-	-	-	-	-	-	
Raya Finance Lease Company	Subsidiary of ultimate Parent	-	-	59,126	-	-	-	-	-	-	
Raya Electronics Company	Subsidiary of ultimate Parent	134,942	-	860,083	-	-	-	-	-	-	
Raya Restaurants Company	Subsidiary of ultimate Parent	411,392	-	128,125	-	-	-	-	-	-	
Aman for Electronic Payment Company	Subsidiary of ultimate Parent	2,731,498	-	-	-	-	-	-	-	-	
Aman for Financial Services Company	Subsidiary of ultimate Parent	599,902	-	-	-	-	-	-	-	-	

RAYA CONTACT CENTER (S.A.E)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018
10 RELATED PARTY DISCLOSURES (CONTINUED)

b) Related party transactions

Company	Nature of relationship	31 December 2017					
		Services to EGP	Services from EGP	Purchases EGP	Rent expense EGP	Allocated expense EGP	Dividends EGP
Raya Holding Company for Financial Investments	Ultimate Parent	1,091,008	-	-	11,739,030	880,048	67,007,947
Raya Integration Company	Subsidiary of ultimate Parent	395,910	-	734,223	-	-	120,856
Raya Distribution Company	Subsidiary of ultimate Parent	2,081,454	-	6,524,921	-	-	6,714
Ostool for Land Transport Company	Subsidiary of ultimate Parent	310,325	-	-	-	-	-
Raya For Social Media Company	Subsidiary of ultimate Parent	-	477,029	-	-	-	-
Raya for Data Center Company	Subsidiary of ultimate Parent	-	2,523,964	-	-	-	-
Raya Restaurants Company	Subsidiary of ultimate Parent	298,431	40,814	-	-	-	-
Raya Network Company	Subsidiary of ultimate Parent	-	-	596,097	-	-	-
Raya Electronics Company	Subsidiary of ultimate Parent	-	-	296,538	-	-	-
Aman for Financial Services Company	Subsidiary of ultimate Parent	116,940	-	-	-	-	-
Aman for Electronic Payment Company	Subsidiary of ultimate Parent	2,719,772	-	-	-	-	-

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

10 RELATED PARTY DISCLOSURES (CONTINUED)

c) Salaries and benefits of key management personnel

The remuneration of key management personnel during the years ended 31 December 2018 and 2017 was as follows:

	2018	2017
	EGP	EGP
Salaries and benefits	9,441,523	8,937,258
	<u>9,441,523</u>	<u>8,937,258</u>

11 CASH AT BANKS

	2018	2017
	EGP	EGP
Local currency		
Current accounts	2,372,483	2,987,558
Time deposits	187,000,000	217,000,000
Checks under collection	1,633,449	930,012
	<u>191,005,932</u>	<u>220,917,570</u>
Foreign currency		
Current accounts	25,252,508	20,609,699
Time deposits	38,254,800	2,314,000
	<u>63,507,308</u>	<u>22,923,699</u>
	<u>254,513,240</u>	<u>243,841,269</u>

For purposes of statement of cash flows:

	2018	2017
	EGP	EGP
Cash at banks	252,178,440	243,841,269
Restricted time deposit as a letter of guarantee cover* (More than 3 months)	<u>(2,334,800)</u>	<u>(2,314,000)</u>
Cash and cash equivalents	<u>252,178,440</u>	<u>241,527,269</u>

* Cash at banks at 31 December 2018 amounted to EGP 2,334,800 (equivalent to USD 130,000) while at 31 December 2017 the amount was EGP 2,314,000 (equivalent to USD 130,000) represented in restricted time deposit as letter of guarantee cover (Note 30).

- Cash at banks earn interest based on prevailing bank deposit rates.

- Time deposits in EGP earn interest with an average effective interest rate of 13.79% (31 December 2017: 16.43%).

12 CREDIT FACILITIES

	2018	2017
	EGP	EGP
Credit facilities – local currency		-
Credit facilities – foreign currency	4,121,156	8,070,284
	<u>4,121,156</u>	<u>8,070,284</u>

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

12 CREDIT FACILITIES (CONTINUED)

All credit facilities are renewed annually and are payable upon demand.

All credit facilities are secured by a corporate guarantee from "Raya Holding Company for Financial Investments S.A.E" (Ultimate Parent). In addition to the following:

- One of the facilities of "Raya Contact Center S.A.E" (Parent) is secured by a corporate guarantee from "Raya for Contact Center Building Management Company" and "Call Center Company – C3" (subsidiaries).
- One of the facilities of "Raya Contact Center S.A.E" (Parent) is secured by a time deposit at the granted bank.
- One of the facilities of "Call Center Company – C3" (Subsidiary) is secured by a corporate guarantee from "Raya Contact Center S.A.E" (Parent), and "Raya for Contact Center Building Management Company" (Subsidiary).
- One of the facilities of "Raya for Contact Center Building Management Company" (Subsidiary) is secured by a corporate guarantee from "Raya Contact Center S.A.E" (Parent), "Call Center Company – C3" (Subsidiary).

13 ACCOUNTS PAYABLE

	2018	2017
	EGP	EGP
Accounts payable	60,865,380	49,276,043
Due to related parties (Note 10a)	<u>1,498,567</u>	<u>2,794,055</u>
	<u>62,363,947</u>	<u>52,070,098</u>

14 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2018	2017
	EGP	EGP
Accrued expenses	47,355,202	57,144,715
Social insurance authority	6,704,470	4,229,953
Tax authority – payroll tax	1,223,255	1,180,252
Tax authority – value added tax	4,825,920	2,140,534
Tax authority – withholding tax	510,840	461,210
Tax authority – stamp tax	18,100	-
Deferred revenue	-	5,626
Advances from customers	2,883,518	398,399
Other credit balances	<u>1,159,484</u>	<u>1,455,641</u>
	<u>64,680,789</u>	<u>67,016,330</u>

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

15 PROVISIONS

	Balance as of 1 January 2018	Charged during the year	No longer required during the year	Used during the year	Balance as of 31 December 2018
	EGP	EGP	EGP	EGP	EGP
Provision for expected claims	808,977	6,400	-	-	815,377
Provision for claims	1,100,000	-	-	-	1,100,000
Legal claims	-	10,000	-	-	10,000
	<u>1,908,977</u>	<u>16,400</u>	<u>-</u>	<u>-</u>	<u>1,925,377</u>

	Balance as of 1 January 2017	Charged during the period	No longer required during the period	Used during the period	Balance as of 31 December 2017
	EGP	EGP	EGP	EGP	EGP
Provision for expected claims	814,977	-	(6,000)	-	808,977
Provision for claims	1,100,000	-	-	-	1,100,000
	<u>1,914,977</u>	<u>-</u>	<u>(6,000)</u>	<u>-</u>	<u>1,908,977</u>

Provisions represent the amounts of actual and expected claims from certain Governmental bodies and others.

The information usually required by accounting standards is not disclosed because the management believes that to do so would seriously prejudice the outcome of the negotiation with those parties. These provisions are reviewed by management on an annual basis and they are adjusted based on latest developments, discussions and agreements with those parties.

16 OTHER LONG TERM LIABILITY

Other long-term liability represents the end of service benefits required by law for the Group's employees in UAE. The Group does not have end of service benefits to employees except only the end of service of UAE required by law.

17 CAPITAL

At incorporation, the Company had authorized capital of EGP 150 million and issued capital of amount EGP 15 million divided over 1.5 million shares with par value EGP 10 per share. The Company's paid up Capital amounted to EGP 6 million. On 17 October 2001, the General Assembly meeting decided to increase the paid up capital to be EGP 9 million.

On 24 December 2011, an Extraordinary General Assembly meeting decided to decrease the issued capital to be EGP 9 Million divided over 900000 shares with par value EGP 10 per share, which is fully paid. This change was registered in the commercial register on 23 May 2012.

On 7 of April 2014, the Company's Board of Directors approved the increase of the issued capital of the Company to EGP 50 million divided over 5 million share with par value EGP 10 per share. This change was registered in the commercial register on 28 April 2014.

On 28 April 2014, an Extraordinary General Assembly meeting decided to decrease the par value per share from EGP 10 to EGP 0.50 to be divided over 100 million shares instead of 5 million shares. This change was registered in the commercial register on 20 November 2014; the Company's current capital structure is as follows:

	% of ownership	Number of shares	Paid up capital EGP
Raya Holding Company for Financial Investments (S.A.E)	99.8%	99802000	49,901,000
Raya Integration Company (S.A.E)	0.18%	180000	90,000
Raya Distribution Company (S.A.E)	0.01%	12000	6,000
Citibank Oversees Investment Corporation Company (S.A.E)	0.01%	6000	3,000
	<u>100%</u>	<u>100000000</u>	<u>50,000,000</u>

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

17 CAPITAL (CONTINUED)

On 8 January 2017, an Extraordinary General Assembly meeting decided to offer 49% of the Company's share capital on Egyptian stock market by maximum limit of 49 million share. Also, approved the increase of the Company's authorized capital to be EGP 500 million, and increase the Company's issued capital within the authorized capital through the issuance of number of shares not exceeding 10 million share and specializing those shares to Raya Holding Company for Financial Investments (S.A.E) (Principal shareholder) against shares offered on public offering and/or special offering by the same final price at offering.

This increase is financed from the proceeds of the secondary offering after the completion of the offering process and settling the stabilization account of shares price; this increase is approved only by the decision of the principal shareholder.

On 29 March 2017, Raya Contact Center S.A.E. issued Offering memorandum in the Egyptian Stock Exchange where Raya Holding Company for Financial Investments S.A.E. (the main shareholder - seller) sold 48994000 share representing 48.99%.

Prior to the completion of the offering period, 1430288 share were returned to Raya Holding Company for Financial Investments S.A.E. (the main shareholder - seller).

On 30 April 2017, Raya Holding Company for Financial Investments S.A.E. transferred EGP 100 million to Raya Contact Center S.A.E. under capital increase in accordance with the extraordinary general assembly resolution held on 8 January 2017.

On 20 June 2017, according to board of directors meeting held on this date, the company decided to increase the issued capital by issuing 6060606 shares at amount EGP 16.5 per share (offering price) , which represent the par value per share of amount EGP 0.5 and issuance share premium of amount EGP 16 per share. This difference (issuance share premium) amounted to EGP 96,969,697, will be recorded in the reserve account. It was determined that the authorized capital is EGP 500 Million and the issued capital is EGP 53,030,303 divided over 106060606 shares each of par value EGP 0.5 and all are cash shares. Registered on commercial register on 10 September 2017.

On 9 January 2019, the General Assembly Meeting approved increasing the company's issued capital from EGP 53,030,303 to EGP 111,363,636 amounting to an increase of EGP 58,333,333 divided by 116666666 shares with par value of EGP 0.5 per share and distributing one free share for each share equivalent to 106060606 shares, and allocate the remaining shares amounting to 106060606 shares to employee stock option plan "ESOP" which was approved on 20 February, 2018 by EFSA, financed from retained earnings which amounted to EGP 13,666,278 from profits of the year which amounted to EGP 94,820,992 and share premium of EGP 75,306,925 for the year ended 31 December 2017 according to this, the capital increase was approved.

18 LEGAL RESERVE

On June 20, 2017, the Company increased its issued share capital by issuing 6060606 shares with a par value of EGP 3,030,303 and a total premium of LE 96,969,697 (note 17). In accordance with Article 94 of Law 159 of 1981, transfer share premium is transferred to the legal reserve until this reserve reaches 50% of the issued capital. The extra amounts shall constitute a special reserve., Upon the proposal of the Board of Directors, The General Assembly shall decide whether to distribute as profits or keep as special reserve. Accordingly, the legal reserve and share premium amounted to EGP 31,060,282 and EGP 75,306,925 respectively.

19 MERGER RESERVE

Until the date of the common control transaction (acquisition of Raya Contact Center Building Management Company and Call Center Company, the merger reserve represents the Company's share in the nominal value of the shares of the subsidiaries owned by the Ultimate Parent and its subsidiaries in addition to goodwill previously recognized in the books of the Ultimate Parent when it originally acquired "Call Center Company - C3" (Note 7). Consideration paid by the Company to acquire the subsidiaries shares during April 2014 has been reflected as a distribution.

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

20 INCOME TAX PAYABLE

	Balance as of 1 January 2018 EGP	Current income tax EGP	Income tax paid and deducted EGP	Balance as of 31 December 2018 EGP
Income tax payable (Note 26)	32,459,513	37,184,731	(40,744,787)	28,899,457
	<u>32,459,513</u>	<u>37,184,731</u>	<u>(40,744,787)</u>	<u>28,899,457</u>
	Balance as of 1 January 2017 EGP	Current income tax EGP	Income tax paid and deducted EGP	Balance as of 31 December 2017 EGP
Income tax payable (Note 26)	36,365,628	36,673,390	(40,579,505)	32,459,513
	<u>36,365,628</u>	<u>36,673,390</u>	<u>(40,579,505)</u>	<u>32,459,513</u>

21 REVENUE

	2018 EGP	2017 EGP
Revenue based on type of service		
Back Office Services	31,815,377	27,164,428
Contact Service Center	609,689,855	521,114,971
Inside Sales services	2,771,717	6,409,077
Professional Services	264,307,925	204,407,283
	<u>908,584,874</u>	<u>759,095,759</u>
Revenue based on the geographical location of the group		
Egypt	668,607,522	576,757,801
Dubai	218,619,471	153,714,877
Poland	21,357,881	28,623,081
	<u>908,584,874</u>	<u>759,095,759</u>
Revenue based on the source model		
Hosting	141,091,191	104,489,812
Insourcing	133,054,764	85,574,253
Outsourcing	634,438,919	569,031,694
	<u>908,584,874</u>	<u>759,095,759</u>
Revenue based on currency		
Local (EGP)	227,344,668	173,171,094
Offshore (foreign currencies)	681,240,206	585,924,665
	<u>908,584,874</u>	<u>759,095,759</u>

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

21 REVENUE (CONTINUED)

* Revenues include foreign exchange differences losses amounted to EGP 581,857 and EGP 6,471,015 during the year ended 31 December 2018 and 2017, respectively. Foreign exchange differences were allocated between different revenue types based on the weight of the foreign currency revenues percentage of each type.

** Revenues include an amount of EGP 15,648,383 and EGP 10,752,085 for the year ended 31 December 2018 and 2017, respectively which represents revenues from a service agreement between "Raya Technology Company Ltd.-Saudi Arabia" (Subsidiary to ultimate parent) and "Raya Contact Center-S.A.E." Revenues and Cost of revenues are recognized in "Raya Contact Center-S.A.E." The actual services are rendered to a customer located in Saudi Arabia. However, the invoices are issued and collected through "Raya Technology Company Ltd.-Saudi Arabia".

22 COST OF REVENUE

	2018 EGP	2017 EGP
Salaries and employee benefits	459,982,552	356,530,126
Depreciation expense (Note 5)	25,801,380	22,371,124
IT Expense Utilities	20,380,033	21,329,905
Service cost	27,925,235	22,926,232
Maintenance and repair expenses	6,061,180	4,836,095
Utilities expenses	14,507,069	8,792,557
	<u>554,657,449</u>	<u>436,786,039</u>

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2018 EGP	2017 EGP
Salaries and employee benefits	53,620,159	53,078,792
Amortization expense of intangible assets (Note 6)	47,286	67,305
Professional fees	3,497,258	3,120,111
Bank charges	1,265,994	1,684,145
Business travel	1,505,666	3,282,808
Internal training expenses	3,681,542	3,893,691
Cleaning and Security expenses	5,400,300	3,664,493
Takafol charges	888,473	-
Other expenses	7,852,939	4,695,687
	<u>77,759,617</u>	<u>73,487,032</u>

24 SELLING AND MARKETING EXPENSES

	2018 EGP	2017 EGP
Salaries and employee benefits	2,822,151	2,670,663
Other marketing expenses	1,697,564	2,326,245
	<u>4,519,715</u>	<u>4,996,908</u>

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

25 NET FINANCE INCOME

	2018 EGP	2017 EGP
Finance income		
Finance income from time deposits	31,695,819	17,912,179
	<u>31,695,819</u>	<u>17,912,179</u>
Finance cost		
Bank interest and expenses	(1,853,777)	(1,004,235)
	<u>(1,853,777)</u>	<u>(1,004,235)</u>
Net finance income	<u>29,842,042</u>	<u>16,907,944</u>

26 INCOME TAX

Raya Contact Center S.A.E and its Egyptian subsidiaries are subject to Egyptian tax law; the subsidiary in Poland is subject to tax law in Poland. The income tax was calculated for each company individually, and the income tax balance shown in the consolidated statement of profit or loss represents the total income tax for the Parent and its subsidiaries in addition to income tax applicable on consolidation level.

	2018 EGP	2017 EGP
Current income tax (Note 20)	(37,184,731)	(36,673,390)
Deferred income tax	(2,976,799)	(4,023,400)
Income tax expense	<u>(40,161,530)</u>	<u>(40,696,790)</u>

DEFERRED INCOME TAX

	Statement of financial position		Statement of profit or loss	
	2018 EGP	2017 EGP	2018 EGP	2017 EGP
Depreciation of fixed assets	(3,575,196)	(236,681)	(3,338,515)	(1,743,930)
Provisions, impairment and accruals	705,706	509,035	196,671	(57,839)
Foreign currency translation differences	(12,462)	742,958	(755,420)	(66,782)
Accumulated losses of Raya Contact Center Europe Company *	2,753,662	1,904,041	849,621	(30,219)
Undistributed dividends from subsidiaries	(4,076,227)	(4,147,071)	70,844	(2,124,630)
	<u>(4,204,517)</u>	<u>(1,227,718)</u>	<u>(2,976,799)</u>	<u>(4,023,400)</u>

Reflected in the statement of financial position as follows:

	2018 EGP	2017 EGP
Deferred tax assets	2,818,185	1,696,128
Deferred tax liabilities	(7,022,702)	(2,923,846)
Net deferred tax asset / (liability)	<u>(4,204,517)</u>	<u>(1,227,718)</u>

* Deferred tax assets recognized for the accumulated tax losses of Raya Contact Center Europe can be used to offset taxable income in the five coming years.

26 INCOME TAX (CONTINUED)

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	Rate	2018 EGP	Rate	2017 EGP
Profits before income taxes		220,701,246		199,221,715
Income taxes at the applicable tax rate	22.5%	49,657,780	22.5%	44,824,886
Effect of foreign operations tax rates		390,451		78,285
Undistributed dividends		(70,759)		2,124,630
Taxable dividends		1,175,625		572,539
Permanent differences related to tax exempted entities		(11,191,468)		(6,903,550)
Effective Tax expense	20.43%	40,161,530	18.20%	40,696,790

27 TAX SITUATION

• RAYA CONTACT CENTER (PARENT)

Corporate Tax

- The Company is committed to submit tax returns in accordance with the Law No. 91 of 2005 and its amendments in legal due dates.
- The Company's records were inspected since inception till 31 December 2004.
- The Company was not notified for inspection for the years from 2005 till 2009.
- The Company's records were inspected on estimated basis for the years from 2010 till 2012. The Company appealed and is currently preparing for actual basis inspection.
- The Company's records were not inspected for the period from 2013 till 31 December 2018.

Salary Tax

- The Company's records were inspected since inception till 2010 and all tax forms are received.
- The Company's records were inspected for the years 2011 and 2012 and all tax differences were paid.
- The Company's records were inspected for the period from 2013 till 31 December 2016 and all the tax differences were paid
- The company's records were not inspected for the years 2017 and 2018.

Stamp duty Tax

- The Company's records were inspected since inception till 2009 and all tax differences were paid.
- The Company's records were not inspected for the period from 2010 till 31 December 2018.

Value added Tax

- The Company was registered for the Value Added Tax in accordance with the Law No. 67 of 2016.

Sales Tax

- The company's records were inspected and certificate of tax exemption is issued.

• RAYA FOR CONTACT CENTER BUILDING MANAGEMENT (Subsidiary)

Corporate Tax

- The Company's records were inspected since inception till 2010 and tax forms are received and the Company appealed and the differences were paid.
- The Company is committed to submit tax returns in accordance with the Law No. 91 of 2005 and its amendments in legal due dates.
- The Company's records were inspected on estimated basis for the years 2011 and 2012. The Company appealed and is currently preparing for actual basis inspection.
- The Company's records were not inspected for the period from 2013 till 31 December 2018.

Salary Tax

- The Company's records were inspected on estimated basis for the period since inception till 2012. The Company appealed and is currently preparing for actual basis inspection.
- The Company's records were not inspected for the period from 2013 till 31 December 2018.

Stamp duty Tax

- The Company's records were inspected since inception till 2011 and all tax forms are received.
- The Company's records were not inspected for the period from 2012 till 31 December 2018.

27 TAX SITUATION (CONTINUED)

RAYA FOR CONTACT CENTER BUILDING MANAGEMENT (Subsidiary) (CONTINUED)

RAYA CONTACT CENTER (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Value added Tax

- The Company was registered for the Value Added Tax in accordance with the Law No. 67 of 2016.

Sales Tax

- The company is exempted from sales tax.

• **CALL CENTER COMPANY – C3 (Subsidiary)**

Corporate Tax

- The Company is committed to submit tax returns in accordance with the Law No. 91 of 2005 and its amendments in legal due dates.
- The Company's records were inspected since inception till 2004 and all tax differences were paid.
- The Company's records were not inspected for the period from 2005 till 31 December 2018.

Salary Tax

- The Company's records were inspected since inception till 2008 and all tax differences were paid.
- The Company's records were inspected for the years from 2009 till 2012 and all tax differences were paid.
- The Company's records were not inspected for the period from 2013 till 31 December 2018.

Stamp duty Tax

- The Company's records were inspected since inception till 2006 and all tax differences were paid.
- The Company's records were not inspected for the period from 2007 till 31 December 2018.

Value added Tax

- The Company was registered for the Value Added Tax in accordance with the Law No. 67 of 2016.

Sales Tax

- The company is exempted from sales tax.

• **RAYA CONTACT CENTER EUROPE COMPANY (Subsidiary)**

- The Company has fulfilled their tax obligations to the Polish ministry of finance till 31 December 2018.

• **RAYA CONTACT CENTER GULF COMPANY (Subsidiary)**

- The Company is not subjected to taxes till 31 December 2018.

28 EARNING PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year applicable to attribute to the Parent by the weighted average number of ordinary shares outstanding during the year. The Company has no dilutive shares. The information necessary to calculate basic and diluted earnings per share is as follows:

	2018 EGP	2017 EGP
Profit for the year attributable to the Parent	178,957,499	157,312,669
Employees' and board of directors share (estimated)*	<u>(25,387,277)</u>	<u>(22,673,053)</u>
Net profit applicable to attribute to the ordinary equity holders of the Parent	153,570,222	134,639,616
Weighted average number of ordinary shares for basic and diluted earnings	<u>106,060,606</u>	<u>101,859,693</u>
EPS – basic and diluted	<u>1.45</u>	<u>1.32</u>

* According to the Egyptian law, employees and Board of Directors members are entitled to a percentage of the company's profit as a profit sharing when dividends are declared.

According to the Ordinary General Assembly meeting held on 23 September 2017, 1% of the Company's annual profits is to be allocated and paid monthly to the Chairman, which will be settled at the end of the financial year after the issuance of the financial statements and its approval from the General Assembly meeting.

29 SEGEMENT REPORTING

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The Group identifies two sets of segments information that management uses to make decisions about operating matters: Business segments, which are based on related types of services provided, and geographic segments, which are based on geographical areas in which the Group have locations.

Business segments: For management purposes, the Group activities are organized into four main business segments:

- Contact Center Services including: Customer Service, Technical Support, Inbound Sales and Tele-marketing.
- Inside Sales Channel Management services including: Account Profiling, Campaign Management, Lead Management and Account Management.
- Back Office Services including: Data Management, Finance & Accounting, Payroll Processing and Supply chain Management.
- Professional Services including Call Center Hosting, Contact Center Training, Social Media, Contact Center and Start-up Consultancy.

Geographical segments: the Group currently operates in 3 main locations, Egypt, Dubai and Poland, all geographic locations can and intended to provide all of the four activities which the Group provide.

Operating segments that did not meet any of the quantitative thresholds were considered reportable, and were separately disclosed, since management believes that information about these segments are regularly monitored by the executive management and would be useful to users of the financial information.

Geographical segments Reporting

For the year ended 31 December 2018:

	Egypt EGP	Dubai EGP	Poland EGP	Eliminations EGP	Unallocated EGP	Total EGP
Revenue	668,607,522	218,619,471	21,357,881	-	-	908,584,874
Cost of revenue	(387,824,580)	(149,904,927)	(16,927,942)	-	-	(554,657,449)
Export subsidy revenue	2,069,995	-	-	-	-	2,069,995
Gross Profit	282,852,937	68,714,544	4,429,939	-	-	355,997,420
Operating expenses	(135,004,942)	(18,939,973)	(10,526,472)	-	-	(164,471,387)
Net finance income	30,028,390	8,662	(195,010)	-	-	29,842,042
Foreign currency translation differences	58,799	(43,371)	(682,257)	-	-	(666,829)
Operating profits	177,935,184	49,739,862	(6,973,800)	-	-	220,701,246
Income tax expenses	(41,340,185)	-	1,178,655	-	-	(40,161,530)
Net profits	136,594,999	49,739,862	(5,795,145)	-	-	180,539,716
Other information						
Fixed assets additions	64,454,458	126,685	130,541	-	-	64,711,684
Depreciation expenses	(18,625,264)	(5,236,861)	(1,939,255)	-	-	(25,801,380)
Total assets	548,090,820	115,328,108	9,452,840	(31,266,361)	-	641,605,407
Total liabilities	(204,241,992)	(13,627,483)	(6,354,875)	31,266,361	-	(192,957,989)

29 SEGEMENT REPORTING (CONTINUED)

For the year ended 31 December 2017:

	Egypt EGP	Dubai EGP	Poland EGP	Eliminations EGP	Unallocated EGP	Total EGP
Revenue	576,757,801	153,714,877	28,623,081	-	-	759,095,759

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Export subsidy revenue		(102,667.88	3)	(20,308,416)	-	-	(436,786,039)
Cost of revenue	(313,809,740)						1,506,063
Gross Profit	1,506,063						1,506,063
Operating expenses	264,454,124	51,046,994		8,314,665		(141,537,827)	323,815,783
Net finance income						16,907,944	(141,537,827)
Gain from sale of fixed assets						44,850	16,907,944
Foreign currency translation differences						(9,033)	44,850
Operating profits							(9,033)
Income tax expenses						(40,696,790)	199,221,717
Net profits							(40,696,790)
Other information							158,524,927
Fixed assets additions	39,008,009	10,216,136		36,307			49,260,452
Depreciation expenses	(16,588,859)	(3,632,289)		(2,149,976)			(22,371,124)
Total assets	459,143,967	79,927,803		11,881,579	(20,534,383)		530,418,966
Total liabilities	(159,434,803)	(28,622,531)		(7,859,371)	20,534,383		(175,382,322)

Business Segment Reporting

For the year ended 31 December 2018:

	Back Office Services EGP	Contact Center Services EGP	Inside Sales Services EGP	Professional Services EGP	Unallocated EGP	Total EGP
Revenue	31,815,377	609,689,855	2,771,717	264,307,925	-	908,584,874
Cost of revenue	-	-	-	-	(554,657,449)	(554,657,449)
Total assets	-	-	-	-	641,605,407	641,605,407

For the year ended 31 December 2017:

	Back Office Services EGP	Contact Center Services EGP	Inside Sales Services EGP	Professional Services EGP	Unallocated EGP	Total EGP
Revenue	27,164,428	521,114,971	6,409,077	204,407,283	-	759,095,759
Cost of revenue	-	-	-	-	(436,786,039)	(436,786,039)
Total assets	-	-	-	-	532,115,094	532,115,094

30 CONTINGENT LIABILITIES

A. Letters of guarantee issued by the Group in favour of others are as follows:

Original Currency	Currency	2018	2017
	EGP	4,838,179	4,256,152
	USD	1,936,295	1,936,295
	EUR	100,559	100,559

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	SAR	100,000	-
EGP Equivalent	Currency		
	EGP	4,838,179	4,256,152
	USD	34,775,857	34,466,049
	EUR	2,070,512	2,148,948
	SAR	479,000	-

The paid margin of letters of guarantee amounted to EGP 174,962 as at 31 December 2018 (31 December 2017: EGP 224,551).

B. Legal cases

The Group has some employment legal cases with some former employees'; based on the management assessment the probability of winning these cases is possible; the total exposure is not expected to be material.

31 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk,
- Market risk, and
- Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally from its accounts and notes receivable and accrued revenues, due from related parties, other receivables and from its financing activities, including bank balances.

Accounts and notes receivables and accrued revenue

Credit risk is represented in the inability of customers to pay the amounts due from them; the Group controls this risk through dealing with customers with credit worthiness that have the ability to pay their debts.

Other financial assets

With respect to credit risk arising from the other financial assets of the Company at amortised cost, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Bank Balances

The Company reduces the credit risk related to bank balances by dealing with reputable banks. Credit risk from balances with banks and financial institutions is managed by Company's treasury. The Company limits its exposure to credit risk by only placing balances with international banks and local banks of good repute. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

Due from related parties

Due from related parties are with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Company's income. Financial instruments affected by market risk include credit facilities and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

31 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (CONTINUED)

b) Market risk (Continued)

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations with floating interest rates.

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Interest on financial instruments having floating rates is re-priced at intervals of less than one year.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Company's profit before tax:

	2018		2017	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
Financial asset	+1%	266,115	+1%	357,597
	-1%	(266,115)	-1%	(357,597)
Financial liability	+1%	(2,096)	+1%	(3,186)
	-1%	2,096	-1%	3,186

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR, AED, PLN and SAR exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	2018			2017		
	Change in rate	Effect on profit before tax EGP	Effect on Equity EGP	Change in rate	Effect on profit before tax EGP	Effect on Equity EGP
USD	+10%	13,044,115	-	+10%	7,431,513	-
	-10%	(13,044,115)	-	-10%	(7,431,513)	-
AED	+10%	-	10,170,062	+10%	(2,227,306)	5,130,527
	-10%	-	(10,170,062)	-10%	2,227,306	(5,130,527)
EUR	+10%	71,182	-	+10%	51,974	-
	-10%	(71,182)	-	-10%	(51,974)	-
PLN	+10%	-	309,797	+10%	-	402,221
	-10%	-	(309,797)	-10%	-	(402,221)
SAR	+10%	958,152	-	+10%	53,814	-
	-10%	(958,152)	-	-10%	(53,814)	-
GBP	+10%	109,344	-	+10%	772,674	-
	-10%	(109,344)	-	-10%	(772,674)	-

31 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

The cash flows, funding requirements and liquidity of the Company are monitored by Company's management. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities.

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The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Financial liabilities	Less than 3 Months EGP	3 to 12 months EGP	1 to 5 Years EGP	Over 5 years EGP	Total EGP
<i>As at 31 December 2018</i>					
Credit facilities	4,121,156	-	-	-	4,121,156
Accounts payable	62,363,947	-	-	-	62,363,947
Accrued expenses and other credit balances	61,797,271	-	-	-	61,797,271
Due to related parties	8,740,911	-	-	-	8,740,911
Dividends payable	28,899,457	-	-	-	28,899,457
Total undiscounted financial liabilities	165,922,742	-	-	-	165,922,742

31 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (Continued)

Financial liabilities	Less than 3 Months EGP	3 to 12 Months EGP	1 to 5 years EGP	Over 5 years EGP	Total EGP
<i>As at 31 December 2017</i>					
Credit facilities	8,070,284	-	-	-	8,070,284
Accounts payable	52,070,098	-	-	-	52,070,098
Accrued expenses and other credit balances	66,612,305	-	-	-	66,612,305
Due to related parties	6,890,228	-	-	-	6,890,228
Dividends payable	2,041,937	-	-	-	2,041,937
Total undiscounted financial liabilities	135,684,852	-	-	-	135,684,852

32 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include cash at banks, accounts, notes receivable and accrued revenues, other debit balances, and due from related parties. Financial liabilities of the Group include accounts payable, credit facilities, other credit balances, due to related parties and dividends payable.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

33 EMPLOYEE STOCK OPTION PLAN

On 27 January 2018, An Extraordinary General Assembly approved the adoption of "Employee Stock Option Plan – ESOP" in favour of eligible shares entitlements to executive directors, general managers or managers, employees of the Company or its subsidiaries in accordance with the decision of the Management and supervision Committee on adoption of "Employee Stock Option Plan – ESOP" through a plan granting dividend shares whereby the shares will be granted as an incentive, reward and determine their number according to the annual assessment of the employees not exceeding 5% of the total issued capital of the company within five years provided that these shares are granted

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financing either through purchase of treasury shares or capital increase and allocate this increase in favour of executive directors, general managers or managers, employees of the Company or its subsidiaries in accordance with the decision of the Management and supervision Committee on adoption of "Employee Stock Option Plan – ESOP", as well as the adoption of the disclosure statement in accordance with the provisions of Article 50 Of the Listing Rules and Article 61 of its executive procedures.

34 COMPARATIVE FIGURES

Certain comparative figures for the year 2017 have been reclassified to conform to the current year's presentation.