RAYA INTEGRATION (S.A.E)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
TOGETHER WITH AUDITOR'S REPORT

Raya Integration (S.A.E.)

Financial Statements
For the year ended 31 December 2018

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Allied for Accounting & Auditing
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Translation of Review Report
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF RAYA INTEGRATION (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of **RAYA INTEGRATION (S.A.E)** represented in the statement of financial position as of 31 December 2018, and the related 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 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 financial statements referred to above, give a true and fair view, in all material respects, the statement of financial position of **RAYA INTEGRATION (S.A.E)** as of 31 December 2018, and of its 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.

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Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records. The physical inventory count was undertaken by the Company's management in accordance with the proper norms.

The financial information included in the Board of Directors' Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.

Cairo: 19 May 2019

Allied for Accounting & Auditing
A Member of
Ernst & Young Global
المتضامنون للمحاسبة والمراجعة

Amr El Shaabini

FESAA – FEST
(RAA. 9365)
(EFSAR .103)

RAYA INTEGRATION (S.A.E)

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Note	**31 December 2018 EGP**	31 December 2017 EGP
ASSETS			
Non-current assets			
Fixed assets	(3)	**52,272,721**	56,728,658
Projects under construction		**246,581**	384,798
Available for sale investments	(4)	**1,421,550**	1,116,550
Deferred tax assets	(17-2)	**2,491,440**	1,840,354
Total non-current assets		**56,432,292**	60,070,360
Current assets			
Inventory	(5)	**17,359,154**	41,972,860
Work in progress	(6)	**29,230,635**	41,340,559
Accounts and notes receivable	(7)	**283,629,403**	173,856,137
Due from related parties	(13-3)	**293,964,425**	213,252,362
Prepayments and other debit balances	(8)	**303,878,966**	233,376,477
Tax assets	(9)	-	3,022,332
Cash at banks	(10)	**61,183,364**	8,860,451
Total current assets		**989,245,947**	715,681,178
TOTAL ASSETS		**1,045,678,239**	775,751,538
EQUITY AND LIABILITIES			
EQUITY			
Capital	(16)	**100,000,000**	63,182,600
Legal reserve		**7,661,674**	5,032,389
Profit for the year		**88,895,715**	52,585,703
Total equity		**196,557,389**	120,800,692
LIABILITIES			
Non-current liabilities			
Other long term liabilities	(26)	**14,255,568**	8,697,328
Total non-current liabilities		**14,255,568**	8,697,328
Current Liabilities			
Credit facilities	(11)	**334,974,108**	196,467,992
Accounts and notes payable	(12)	**249,066,328**	239,834,263
Due to related parties	(13-3)	**617,769**	-
Tax liabilities	(9)	**6,446,129**	-
Accrued expenses and other credit balances	(14)	**231,382,817**	196,092,851
Provisions	(15)	**12,378,131**	13,858,412
Total current liabilities		**834,865,282**	646,253,518
TOTAL LIABILITIES		**849,120,850**	654,950,846
TOTAL LIABILITIES AND EQUITY		**1,045,678,239**	775,751,538

Financial Manager
Mohamed Abd El Mohsen

Managing Director
Hisham Abdel Rasoul

- The accompanying notes from (1) to (29) are an integral part of these financial statements.
- Auditor’s report attached.

RAYA INTEGRATION (S.A.E)

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**31 December 2018 EGP**	31 December 2017 EGP
Operating Revenue	(18)	**1,388,040,849**	1,178,215,434
Operating Cost	(19)	**(1,186,389,942)**	(1,029,387,575)
GROSS PROFIT		**201,650,907**	148,827,859
Selling and marketing expenses		**(20,699,598)**	(18,440,647)
General and administrative expenses		**(69,094,787)**	(62,228,725)
Impairment of accounts receivable	(7)	**(504,339)**	-
Reversal of impairment of accounts receivable	(7)	**-**	3,464,032
Impairment of other debit balances	(8)	**(1,634,879)**	(957,340)
Reversal of impairment of other debit balances	(8)	**-**	524,117
Provisions	(15)	**(900,000)**	(3,100,000)
Provisions no longer required	(15)	**1,543,940**	-
OPERATING PROFIT		**110,361,244**	68,089,296
Other income	(22)	**6,896,856**	6,896,856
Gain on sale of fixed assets		-	6,975
Dividends income		**1,108,581**	163,189
Foreign exchange differences		**(5,077)**	318,824
Finance income	(20)	**661,855**	221,789
Finance cost	(21)	**(3,777,518)**	(7,889,193)
PROFIT BEFORE INCOME TAX		**115,245,941**	67,807,736
Income tax	(17-1)	**(26,350,226)**	(15,222,033)
NET PROFITS FOR THE YEAR		**88,895,715**	52,585,703

-The accompanying notes from (1) to (29) are an integral part of these financial statements.

RAYA INTEGRATION (S.A.E)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018 EGP	31 December 2017 EGP
Profit for the year	**88,895,715**	52,585,703
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	**88,895,715**	52,585,703

-The accompanying notes from (1) to (29) are an integral part of these financial statements.

RAYA INTEGRATION (S.A.E)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Capital	Legal Reserve	Retained earnings	Profits for the year	**Total**
	EGP	EGP	EGP	EGP	**EGP**
Balance as of 1 January 2018	63,182,600	5,032,389	-	52,585,703	120,800,692
Capital increase	36,817,400	-	-	-	36,817,400
Transferred to legal reserve and retained earnings	-	2,629,285	49,956,418	(52,585,703)	-
Dividends	-	-	(49,956,418)	-	(49,956,418)
Profit for the year	-	-	-	88,895,715	88,895,715
Balance as of 31 December 2018	**100,000,000**	**7,661,674**	-	**88,895,715**	**196,557,389**
Balance as of 1 January 2017	63,182,600	3,298,524	-	34,677,299	101,158,423
Transferred to legal reserve and retained earnings	-	1,733,865	32,943,434	(34,677,299)	-
Dividends	-	-	(32,943,434)	-	(32,943,434)
Profit for the year	-	-	-	52,585,703	52,585,703
Balance as of 31 December 2017	63,182,600	5,032,389	-	52,585,703	120,800,692

- The accompanying notes from (1) to (29) are an integral part of these financial statements.

RAYA INTEGRATION (S.A.E)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

		31 December 2018 EGP	31 December 2017 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the year before income tax		**115,245,941**	67,807,736
Depreciation expense of fixed assets	(3)	**7,740,858**	7,526,625
Gain on sale of fixed assets		**-**	(6,975)
Write down of inventory	(5)	**88,967**	(276,327)
Reversal of inventory write down	(5)	**(37,567)**	
Charge of non-current liabilities	(26)	**6,500,000**	5,000,004
Provisions charged	(15)	**2,473,597**	4,202,421
Provisions no longer required	(15)	**(2,454,192)**	(479,928)
Impairment of other debit balances	(8)	**1,634,879**	957,340
Reversal of impairment of other debit balances	(8)	**-**	(524,117)
Impairment of accounts receivables	(7)	**504,339**	-
Reversal of impairment of accounts receivables	(7)	**-**	(3,464,032)
		131,696,822	80,742,747
Change in inventory		**24,562,307**	(32,737,455)
Change in work in progress		**12,109,924**	13,508,869
Change in accounts and notes receivable		**(110,277,605)**	44,440,074
Change in due from related parties		**(80,712,063)**	32,965,870
Change in prepayments and other debit balances		**(72,137,368)**	(97,989,875)
Change in trade and notes payable		**9,232,065**	(36,985,949)
Change in due to related parties		**617,769**	(553)
Change in accrued expenses and other credit balances		**35,289,967**	48,268,136
Change in due to holding company		**-**	(962,451)
NET CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES		**(49,618,182)**	51,249,413
Income tax paid		**(17,532,753)**	(12,675,927)
Provisions used		**(1,499,686)**	-
Payments of long term liabilities	(26)	**(941,760)**	(2,177,430)
NET CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES		**(69,592,381)**	36,396,056
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		**-**	6,975
Payments to acquire available for sale investments	(4)	**(305,000)**	(76,000)
Payments to acquire fixed assets and projects under construction		**(3,146,704)**	(1,468,943)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(3,451,704)**	(1,537,968)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital increase		**36,817,400**	-
Payments in credit facilities		**-**	(3,110,258)
Proceeds from credit facilities		**138,506,116**	-
Dividends paid		**(49,956,418)**	(62,567,304)
NET CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES		**125,367,098**	(65,677,562)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**52,323,013**	(30,819,474)
Cash and cash equivalents - beginning of the year		**8,860,451**	39,679,925
CASH AND CASH EQUIVALENTS - END OF THE YEAR	(10)	**61,183,464**	8,860,451

- The accompanying notes from (1) to (29) are an integral part of these financial statements.

1. BACKGROUND

Raya Integration Company (S.A.E) was established under the name of Tritech for Information technology and Communication in Egypt on 17 July 1996, according to law No. 159 for 1981 and law No, 95 for 1992. The company started its activities on 1 August 1996.

On 28 April 2002, the company's general assembly decided in its meeting to change the company's name from Tritech for Information technology and Communication (S.A.E) to be Raya Integration (S.A.E) and this modification was approved in the commercial register of the company on 4th July 2002.

Company's purpose

- Trading in all kinds of wired and wireless telecommunication equipment, computers and other electronic devices as well as its spare parts and supplies.
- Establishing service centers, maintenance, and importing, exporting and commercial agents.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Statement of compliance

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

2.2 Changes in accounting policies

The accounting policies adopted this year are consistent with those of the previous year.

2.3 ACCOUNTING ESTIMATES AND JUDGMENTS

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:

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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.

Taxes
The Company is subject to income taxes in Egypt. 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. 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.
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.

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 is impaired. A financial asset or a group of financial assets is 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 financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit's (CGU) 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 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.

2.4 Foreign currency translation
The financial statements are prepared and presented in Egyptian pound, which is the company's functional currency.

- Transactions in foreign currencies are initially recorded using a fixed exchange rate changing monthly.

- 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.

- Nonmonetary assets and liabilities 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 are translated using the exchange rates prevailing at the date when the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 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
Buildings	15-50
Installations and fixtures	19
Furniture and office equipment	8
Computers and software	2-4
Electrical Equipment	2-4
Leasehold improvements	3
Tools and equipment	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.

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).

2.6 Available for sale investments

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or investments at fair value through profit or loss.

Available for sale investments are initially recognized at fair value inclusive directly attributable expenses.

After initial measurement, available for sale investments are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the statement of profit or loss. If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Available for sale investments (continued)

a) Equity investments: where there is an evidence of impairment, the cumulative loss is removed from the equity and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of income; increases in the fair value after impairment are recognized directly in equity.

b) Debt investments: where there is an evidence of impairment, loss is removed from the equity and recognized in the statement of profit or loss and interest continues to be accrued at original rate on the reduced carrying amount of the asset. If the fair value of the debt investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

2.7 Inventory

The inventory items are valued as follows:

a) Equipment and supplies: Cost is stated at the lower of cost (using the weighted average method) or net realizable value.

b) Spare parts: Cost is stated at the lower of cost (using the weighted average method) or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in cost of sales in the statement of profit or loss in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the statement of income in the period in which the reversal occurs

2.8 Accounts receivable and other debit balances

Accounts receivable 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.

2.9 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. Where discounting is used, the increase in the provision due to the passage of time is included in a finance cost.

2.10 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.

2.11 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Borrowings (Continued)

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.

2.12 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.

Deferred income tax

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the balance sheet (accounting base) using the applicable tax rate.
Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.
Current and deferred tax shall be recognized as income or an expense and included in the statement of income for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

2.13 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, excluding discounts, rebates, and sales taxes or duty.
The following specific recognition criteria must also be met before revenue is recognized.

- **Sale of services (Supplying and Installation)**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.
Revenue from sale of goods in addition to its installation and operation or training the staff is recognized on two stages:
First stage: When the goods are delivered to the clients.
Second stage: When goods are installed and operating or training the staff is complete

- **Service revenue**

Revenue is recognized when the company perform the service directly to the clients

- **Construction revenue**

Revenue is recognized using percentage of completion method.
Percentage of completion is determined by calculating the cost incurred up to date to the total estimated cost of the transaction.
If the transaction outcome cannot be estimated, the revenue is not recognized to the extent that match with the incurred costs that are expected to recover.

- **Interest income**

Interest income is recognized using the effective interest method. Interest income is included in finance revenue in the statement of profit or loss.

- **Rental income**

Rental income is accounted for using straight-line basis over the contract term.

- **Dividends income**

Dividend income is recognized when the right to receive payment is established

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 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.

2.15 Dividends
Dividends are recorded as a liability in the financial period in which they are declared.

2.16 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.

2.17 Work in progress
Work in progress represents the cost of works and services for which the performance has not been completed and its related revenue is not yet recognized, those costs are chargeable to the statement of profit or loss in the period in which the related revenue is recognized.

2.18 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.

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

2.20 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.

2.21 Trade payables and accrued expenses
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the suppliers and contractors or not.

2.22 Social insurance and end of service benefits
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.

End of Service benefits: The Company provides end-of-service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The costs of these benefits are accrued over the period of employment.

2. A SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2.24 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.

3 FIXED ASSETS

	Land	Buildings	Installations & Fixtures	Furniture & Office equipment	Computers and Software	Electrical Equipment	Leasehold Improvement	Tools & Equipment	Vehicles	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost										
As of 1 January 2018	4,150,000	48,716,354	74,898,654	730,074	9,088,156	1,026,749	2,726,305	293,842	151,982	141,782,116
Additions for the year	-	2,350,000	-	-	528,944	12,379	-	8,800	-	2,900,123
Transferred from projects under construction	-	-	-	-	384,798	-	-	-	-	384,798
As of 31 December 2018	**4,150,000**	**51,066,354**	**74,898,654**	**730,074**	**10,001,898**	**1,039,128**	**2,726,305**	**302,642**	**151,982**	**145,067,037**
Accumulated depreciation										
As of 1 January 2018	-	(21,954,548)	(50,498,346)	(667,133)	(7,932,492)	(983,955)	(2,641,164)	(223,840)	(151,980)	(85,053,458)
Depreciation for the year	-	(2,093,501)	(4,815,328)	(13,059)	(739,543)	(33,402)	(31,878)	(14,147)	-	(7,740,858)
As of 31 December 2018	**-**	**(24,048,049)**	**(55,313,674)**	**(680,192)**	**(8,672,035)**	**(1,017,357)**	**(2,673,042)**	**(237,987)**	**(151,980)**	**(92,794,316)**
Net book value as of										
31 December 2018	**4,150,000**	**27,018,305**	**19,584,980**	**49,882**	**1,329,863**	**21,771**	**53,263**	**64,655**	**2**	**52,272,721**
31 December 2017	**4,150,000**	**26,761,806**	**24,400,308**	**62,941**	**1,155,664**	**42,794**	**85,141**	**70,002**	**2**	**56,728,658**

- There is a mortgage on the land on which the building is constructed which works as a guarantee for a bank loan taken by Raya Holding.
- The book value of the fully depreciated assets that are still in use is as follows:

	31 December 2018 EGP
Furniture	658,968
Computer Software	8,005,669
Electrical Equipment	986,179
Leasehold Improvements	2,630,667
Tools and equipment	223,840
Vehicles	151,980
	12,657,303

- Depreciation for the year allocated as follows:

	31 December 2018 EGP
Operating cost	297,970
General and administrative expenses	7,386,212
Selling and marketing expenses	56,676
	7,740,858

RAYA INTEGRATION (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

3 FIXED ASSETS (Continued)

	Land	Buildings	Installations & Fixtures	Furniture & Office equipment	Computers and Software	Electrical Equipment	Leasehold Improvement	Tools & Equipment	Vehicles	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost										
As of 1 January 2017	4,150,000	48,716,354	74,898,654	685,074	8,020,382	1,013,438	2,654,370	223,842	151,982	140,514,096
Additions for the year	-	-	-	45,000	1,078,974	13,311	77,635	70,000	-	1,284,920
Disposals	-	-	-	-	(11,200)	-	(5,700)	-	-	(16,900)
As of 31 December 2017	**4,150,000**	**48,716,354**	**74,898,654**	**730,074**	**9,088,156**	**1,026,749**	**2,726,305**	**293,842**	**151,982**	**141,782,116**
Accumulated depreciation										
As of 1 January 2017	-	(19,861,047)	(45,683,018)	(661,102)	(7,425,662)	(955,777)	(2,581,307)	(223,840)	(151,980)	(77,543,733)
Depreciation for the year	-	(2,093,501)	(4,815,328)	(6,031)	(518,030)	(28,178)	(65,557)	-	-	(7,526,625)
Depreciation of disposals	-	-	-	-	11,200	-	5,700	-	-	16,900
As of 31 December 2017	-	(21,954,548)	(50,498,346)	(667,133)	(7,932,492)	(983,955)	(2,641,164)	(223,840)	(151,980)	(85,053,458)
Net book value as of 31 December 2017	**4,150,000**	**26,761,806**	**24,400,308**	**62,941**	**1,155,664**	**42,794**	**85,141**	**70,002**	**2**	**56,728,658**

- There is a mortgage on the land on which the building is constructed which works as a guarantee for a bank loan taken by Raya Holding.
- The book value of the fully depreciated assets that are still in use is as follows:

	31 December 2017
	EGP
Furniture	655,584
Computers & Software	7,165,841
Electrical Equipment	942,562
Leasehold Improvements	2,660,667
Tools and equipment	223,840
Vehicles	151,980
	11,800,474

- Depreciation for the year allocated as follows:

	31 December 2017
	EGP
Operating cost	293,929
General and administrative expenses	7,170,463
Selling and marketing expenses	62,233
	7,526,625

4 AVAILABLE FOR SALE INVESTMENTS

	Ownership Percentage	**31 December 2018**	31 December 2017
		EGP	EGP
Raya Contact Center Company	1%	**164,047**	164,047
Raya Networks Company	0.25%	**1,250**	1,250
Raya for Information Technology and Management Company	1.25%	**5,000**	5,000
Raya Contact Center for Building Management Company	1%	**2,500**	2,500
Raya for finance lease Company	1%	**145,000**	145,000
Raya Software Company	0.05%	**565**	565
Raya Distribution Company	0.16%	**18,000**	18,000
Raya East Africa Company	1%	**18,250**	18,250
RDC Investment Company	1.5%	**8,438**	8,438
Raya for Social Media Company	1%	**150,000**	150,000
Bariq for Advance Technologies Company	0.73%	**400,000**	400,000
Raya for Food and Beverage Company	1%	**12,500**	12,500
Raya for Investments and Consulting Company	1%	**125,000**	125,000
Eden for Imports and Exports Company	1%	**50,000**	50,000
Aman for Financial Services Company	1%	**312,500**	15,000
Tadweer for Advanced Technologies Company	0.4%	**1,000**	1,000
Raya for electronics distributions Company	1%	**7,500**	-
		1,421,550	1,116,550

All available for sale investments are carried at cost, since the fair value of these investments cannot be reliably measured.

5 INVENTORY

	31 December 2018	31 December 2017
	EGP	EGP
Equipment and supplies	**8,723,593**	38,430,075
Spare parts	**12,340,015**	7,203,704
Consignment Goods	**164,343**	156,478
	21,227,951	45,790,257
Less:		
Inventory write down	**(3,868,797)**	(3,817,397)
	17,359,154	41,972,860

The amount of write down of inventory is recognized in the operating cost.

The movement of write down of inventory is represented as follows:

	2018	2017
	EGP	EGP
Balance as of 1 January	**(3,817,397)**	(4,093,724)
Charged during the year	**(88,967)**	-
Reversal during the year	**37,567**	276,327
Balance as of 31 December	**(3,868,797)**	(3,817,397)

6 WORK IN PROGRESS

Work in progress recognized in the statement of financial position as of 31 December 2018 amounted to EGP 29,230,635 represents all amounts paid for work not completed yet till 31 December 2018 (31 December 2017 amounted to EGP 41,340,559) for supplying and installation contracts for which the percentage of completion does not apply.

7 ACCOUNTS AND NOTES RECEIVABLE

	31 December 2018	31 December 2017
	EGP	EGP
Accounts receivable	**221,265,576**	162,952,638
Accounts Receivable from related parties (13-1)	**1,907,852**	16,520,592
Notes receivable	**72,543,957**	6,322,332
	295,717,385	185,795,562
Impairment of accounts receivable	**(12,087,982)**	(11,939,425)
	283,629,403	173,856,137

	31 December 2018	31 December 2017
	EGP	EGP
Accounts and notes receivables balances due within 12 months	**261,516,553**	182,015,064
Accounts and notes receivables balances due within more than 12 months	**34,200,832**	3,780,498
	295,717,385	185,795,562

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

	2018	2017
	EGP	EGP
Balance as of 1 January	**(11,939,425)**	(15,403,457)
Formed during the year	**(504,339)**	-
Used during the year	**355,782**	-
Reversal of impairment of accounts receivable	**-**	3,464,032
Balance as of 31 December	**(12,087,982)**	(11,939,425)

The ageing analysis of accounts and notes receivables as of 31 December 2018 and 2017 is as follows:

			Past due but not impaired			
	Total	***Neither Past Due nor 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	**283,629,403**	**72,543,956**	**88,352,357**	**48,435,413**	**16,965,424**	**57,332,253**
2017	173,856,137	6,322,332	119,625,972	21,103,821	9,097,390	17,706,622

Refer to Note 27-a on credit risks of trade and notes receivables, which discuss how the management manages the credit risk of trade and notes receivables that are past due not impaired.

8 PREPAYMENTS AND OTHER DEBIT BALANCES

	31 December 2018 EGP	31 December 2017 EGP
Advance to suppliers	**41,852,719**	86,203,573
Accrued revenue	**173,247,856**	106,687,500
Retentions	**7,581,519**	6,835,270
Prepaid expenses	**2,010,167**	1,412,444
Advance dividends	**74,857,478**	29,623,870
Margin of letters of guarantee (Note 23)	**5,866,258**	3,521,411
Customs authority	**261,944**	849,809
Deposits with others	**307,000**	369,400
Other debit balances	**1,585,473**	982,692
	307,570,414	236,485,969
Impairment on other debit balances	**(3,691,448)**	(3,109,492)
	303,878,966	233,376,477

	31 December 2018 EGP	31 December 2017 EGP
Balances due within 12 months	**255,084,192**	**182,772,819**
Balances due within more than 12 months	**52,486,222**	**53,713,150**
	307,570,414	**236,485,969**

The movement of impairment of debit balances is as follows:

	2018 EGP	2017 EGP
Balance as of 1 January	**(3,109,492)**	(2,758,039)
Charged during the year	**(1,634,879)**	(957,340)
Used during the year	**1,052,923**	81,770
Reversal during the year	**-**	524,117
Balance as of 31 December	**(3,691,448)**	(3,109,492)

9 TAX ASSETS/LIABILITIES

	31 December 2018 EGP	31 December 2017 EGP
Withholding tax (accounts receivables and customs)	**38,951,238**	21,418,387
Income tax payable	**(45,397,367)**	(18,396,055)
	(6,446,129)	3,022,332

10 CASH AT BANKS

	31 December 2018 EGP	31 December 2017 EGP
a) Local currency		
Current accounts	**31,112,839**	171,855
Checks under collection	**16,104,921**	6,820,707
	47,217,760	6,992,562
b) Foreign currency		
Current accounts	**13,784,477**	1,867,889
Checks under collection	**181,127**	-
	13,965,604	1,867,889
	61,183,364	8,860,451

10 CASH AT BANKS (CONTINUED)

Bank balances and cash denominated in currencies are as follows:

	31 December 2018 EGP	31 December 2017 EGP
USD	**13,965,188**	1,763,555
Euro	**416**	104,334
EGP	**47,217,760**	6,992,562
	61,183,364	8,860,451

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

11 CREDIT FACILITIES

The movements of credit facilities during the year ended 31 December 2018 and 2017 is as follows:

	31 December 2018 EGP	31 December 2017 EGP
Balance at the beginning of the year	**196,467,992**	199,578,250
Proceeds during the year	**138,506,116**	-
Paid during the year	**-**	(3,110,258)
	334,974,108	196,467,992

	31 December 2018 EGP	31 December 2017 EGP
Credit facilities due within 12 months	**334,974,108**	196,467,992
Credit facilities due within more than 12 months	**-**	-
	334,974,108	196,467,992

	Interest Rate	Date of credit facility renewal	**31 December 2018 EGP**	31 December 2017 EGP
Current portion of credit facilities				
Credit facility (1)*	1% + CBE Corridor	6/2018	**66,830,714**	27,712,597
Credit facility (2)*	1.5% + CBE Corridor	6/2018	**15,177,613**	241,722
Credit facility (3)*	1.25% + CBE Corridor	8/2018	**40,217,553**	40,778,299
Credit facility (4)*	1.2% + CBE Corridor	12/2018	**19,632,197**	2,899,843
Credit facility (5)*	1.25% + CBE Corridor	6/2018	**48,188,943**	35,932,706
Credit facility (6)*	1% + CBE Corridor	11/2018	**18,355,141**	10,197,547
Credit facility (7)*	1.25% + CBE Corridor	6/2018	**7,743,805**	14,008,602
Credit facility (8)*	0.75% + CBE Corridor	11/2018	**47,775,589**	18,974,797
Credit facility (9)*	1%+ CBE Corridor	2/2018	**4,904,974**	8,951,640
Credit facility (10)*	1%+ CBE Corridor	10/2018	**19,054,613**	-
Credit facility (11)*	1.5% + CBE Corridor	5/2018	**20,499,140**	6,954,824
Credit facility (12)*	1% + CBE Corridor	7/2018	**26,593,826**	29,815,414
Total current portion			**334,974,108**	196,467,991

* All credit facilities obtained by the company are guaranteed by Raya Holding Company for Technology and Communication Company.

12 ACCOUNTS AND NOTES PAYABLE

	31 December 2018	31 December 2017
	EGP	EGP
Accounts payable	**230,538,756**	196,523,148
Accounts payable to related parties (Notes 13-2)	**18,000,793**	20,878,195
Notes payable	**526,779**	22,432,920
	249,066,328	239,834,263

There is no interest on accounts and notes payable balances. For more clarification about how to manage liquidity risks (Note 27 c)

13 RELATED PARTY DISCLOSURES

For the purpose of financial statements preparation, The entity is a considered as a related party when the company has the ability to control or has significant influence directly or indirectly in making financial and operational decisions or If the entities parties under common control by individuals or other companies.

A) Transactions with related parties that occurred during the year and are included in the statement of profit or loss are as follows:

Company	**Nature of relationship**	**Nature of transaction**	**31 December 2018**	31 December 2017
			EGP	EGP
Raya Holding for Technology and Telecommunication	Holding company	Sales	**12,581,345**	12,985,034
Raya Distribution Company	Subsidiary of the holding company	Purchases	**2,070,626**	3,093,177
Raya Contact Center Company	Subsidiary of the holding company	Sales	**8,248,172**	7,754,767
Raya Contact Center for Building Management Company	Subsidiary of the holding company	Sales	**-**	446,473
Raya Data Center Company	Subsidiary of the holding company	Purchases	**2,193,493**	1,758,535
		Sales	**1,457,607**	9,445,643
Raya Networks Company	Subsidiary of the holding company	Purchases	**378,105,956**	473,338,597
		Sales	**52,563,905**	93,009,561
Raya for International Services Company	Subsidiary of the holding company	Sales	**-**	732,331
		Purchases	**979,090**	2,494,361
Call Center Company – C3	Subsidiary of the holding company	Purchases	**540,015**	449,979
Raya Restaurants Company	Subsidiary of the holding company	Purchases	**255,888**	3,334
Raya Network Power Company	Subsidiary of the holding company	Purchases	**570,840**	2,409,549
Raya for Limited Technology	Subsidiary of the holding company	Sales	**50,000**	-
International union for integrated foods industries Company	Subsidiary of the holding company	Sales	**317,353**	2,085,776
Raya Electronics Company	Subsidiary of the holding company	Purchases	**-**	185,587
Raya Social Media Company	Subsidiary of the holding company	Purchases	**411,186**	182,969
Aman for online payments technology	Subsidiary of the holding company	Sales	**44,013,528**	-
Raya for financial lease	Subsidiary of the holding company	Sales	**1,427,820**	-

13-1 ACCOUNTS RECEIVABLE (NOTE 7)

	31 December 2018	31 December 2017
	EGP	EGP
Raya Contact Center Company	**480,032**	720,301
Raya Contact Center for Building Management Company	**-**	68,855
Raya Holding for Technology and Telecommunications Company	**-**	11,698,031
Raya fir Financial lease	**1,427,820**	
Raya for Networks Company	**-**	-
Raya Data Center Company	**-**	1,967,707
Raya for Network services	**-**	-
International union for integrated foods industries Company		2,065,699
	1,907,852	16,520,593

13-2 ACCOUNTS PAYABLE (NOTE 12)

	31 December 2018 **EGP**	31 December 2017 EGP
Raya for Distribution Company	**-**	69,934
Raya for Networks Company	**17,436,253**	20,725,287
Raya for International Services Company	**-**	-
Raya Restaurants	**222,931**	2,444
Call Center Company – C3	**194,683**	38,882
Raya Data Center Company	**146,926**	-
Raya for Social Media Company	**-**	41,648
	18,000,793	20,878,195

13-3 DUE FROM/TO RELATED PARTIES- CURRENT BALANCES

	31 December 2018		31 December 2017	
	Due from **EGP**	**Due to** **EGP**	Due from EGP	Due to EGP
Raya Distribution Company	-	-	15,003,415	-
Raya Networks Company	**-**	**516,052**	1,786,940	-
Raya for International Services Company	**5,734,702**	**-**	10,172,366	-
Bariq Holding Company for Advanced technologies techniques	**6,911**	**-**	-	-
Raya Holding Company for Technology and Telecommunications	**272,250,638**	**-**	131,418,973	-
Aman for E-payments	**17,202**	**-**	1,353,309	-
Aman for Financial Services	**-**	**7,119**	-	-
Raya for Land Transport Company - Ostool	**-**	**-**	4,205,752	-
Raya Network Power	**6,037,997**	**-**	39,519,768	-
Raya for Modern Buildings Company	**-**	**-**	1,159,151	-
Raya Contact Center Company	**-**	**-**	-	-
Raya for Data Center Company	**5,953,291**	**-**	6,431,157	-
Raya East Africa Company	**-**	**-**	478,014	-
Raya Gulf Company	**3,601,839**	**-**	1,634,100	-
Raya Restaurants Company	**57,472**	**-**	89,417	-
Raya Foods - International union for integrated foods industries Company	**199,984**	**-**	**-**	-
Raya for Financial Lease	**-**	**94,598**	**-**	-
Raya for advanced industries	**104,389**	**-**	**-**	-
	293,964,425	**617,769**	213,252,362	-

14 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31 December 2018 **EGP**	31 December 2017 EGP
Advances from customers *	**93,419,567**	45,374,575
Unearned Revenue	**96,559,059**	111,214,486
Accrued Expenses	**20,480,509**	20,681,819
Tax authority- Payroll tax	**477,409**	397,436
Tax authority- value added tax	**10,383,737**	7,051,041
Tax authority -	**1,953,927**	1,953,927
Withholding Tax	**698,247**	843,056
Social insurance	**1,061,771**	586,868
Takaful fees	**1,356,941**	-
Other credit balances	**4,991,650**	7,989,643
	231,382,817	196,092,851

* Customer advance payments balance represents the collection from clients upon signing the contract based on a percentage agreed in the contract, against a letter of guarantee issued by the company in favor of the client with the exact amount received.

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**
Warranty provision	1,079,675	-	(910,252)	-	**169,423**
Letter of guarantee provision	7,756,056	-	-	-	**7,756,056**
Other provisions	5,022,681	2,473,597	(1,543,940)	(1,499,686)	**4,452,652**
	13,858,412	2,473,597	(2,454,192)	(1,499,686)	**12,378,131**

- Warranty provision that is no longer required amounted to EGP 910,252 charged in the operating cost.
- The other provisions formed during the year amounted to EGP 1,573,597 charged in the operating cost.

	Balance as of 1 January 2017	Charged during the year	No longer required during the year	Used during the year	Balance as of 31 December 2017
	EGP	EGP	EGP	EGP	EGP
Warranty provision	1,559,603	-	(479,928)	-	1,079,675
Letter of guarantee provision	5,256,056	2,500,000	-	-	7,756,056
Other provision	3,320,260	1,702,421	-	-	5,022,681
	10,135,919	4,202,421	(479,928)	-	13,858,412

16 CAPITAL

The Company's authorized capital is EGP 100,000,000 (a hundred million Egyptian pounds) and the issued capital is EGP 63,182,600 (sixty-three million, one hundred eighty two thousand, six hundred Egyptian pounds) divided over 631,826 shares (six hundred thirty-one thousand, eight hundred twenty-six shares) with par value EGP 100 (one hundred Egyptian pound) per share as follows:

	Number of shares	Paid up capital	Ownership
		EGP	%
Raya Holding Company for Technology and Telecommunications (S.A.E)	631,169	63,116,900	99.90
Raya Distribution Company (S.A.E)	201	20,100	0.03
Raya Contact Center Company (S.A.E)	50	5,000	0.01
Others	406	40,600	0.06
	631,826	63,182,600	100

On 15 April 2018, an increase in the Company's paid up capital to become 100,000,000 EGP (one hundred million Egyptian pounds) was approved in the commercial register. The paid up capital represents 100% of the issued capital.

The Company's authorized capital is EGP 100,000,000 (One hundred million Egyptian pound only) and the paid up capital is EGP 100,000,000 (One hundred million Egyptian pound only) divided over 1,000,000 shares (One million shares) with par value EGP 100 (One hundred Egyptian pound only) per share as follows :

	Number of shares	Paid up capital	Ownership
		EGP	%
Raya Holding Company for Technology and Telecommunications (S.A.E)	999,000	99,900,000	99.90
Raya Distribution Company (S.A.E)	300	30,000	0.03
Raya Contact Center Company (S.A.E)	100	10,000	0.01
Others	600	60,000	0.06
	1,000,000	100,000,000	100

17 INCOME TAX

17-1 INCOME TAX

	31 December 2018 EGP	31 December 2017 EGP
Current income tax	**(27,001,312)**	(18,396,154)
Deferred income tax	**651,086**	3,174,121
	(26,350,226)	(15,222,033)

17-2 DEFERRED INCOME TAX

	Statement of financial position		Statement of profit or loss	
	31 December 2018 EGP	31 December 2017 EGP	**31 December 2018 EGP**	31 December 2017 EGP
Depreciation of fixed assets	**(4,714,490)**	(5,522,710)	**808,220**	713,412
Provisions	**7,205,930**	7,363,064	**(157,133)**	75,057
Foreign currency translation differences	**-**	-	**-**	2,385,652
Net deferred income tax	**2,491,440**	1,840,354	**651,086**	3,174,121

18 REVENUE

	31 December 2018 EGP	31 December 2017 EGP
Installation and equipment supplies revenue	**728,358,003**	719,232,713
Construction revenue	**519,009,799**	338,350,894
Maintenance revenue	**140,673,047**	120,631,827
	1,388,040,849	1,178,215,434

19 COST OF REVENUE

	31 December 2018 EGP	31 December 2017 EGP
Installation and equipment supplies cost	**652,865,151**	647,318,333
Construction cost	**458,965,249**	312,837,366
Maintenance cost	**74,559,542**	69,231,876
	1,186,389,942	1,029,387,575

20 FINANCE INCOME

	31 December 2018 EGP	31 December 2017 EGP
Interest from banks	**661,855**	**221,789**
	661,855	**221,789**

21 FINANCE COST

	31 December 2018 EGP	31 December 2017 EGP
Bank Interest from credit facilities (Net)	**3,777,518**	7,889,193
	3,777,518	7,889,193

22 OTHER INCOME

	31 December 2018 EGP	31 December 2019 EGP
Leasing revenue of main building	**6,896,856**	6,896,856
	6,896,856	6,896,856

- Raya Integration charge depreciation of main building as other revenue charged on Raya Holding Company for Technology and Telecommunications

23 CONTINGENT LIABILITIES

The letters of guarantee amounted to EGP 854,352,936 (31 December 2017: EGP 719,047,350) and margins of letters of guarantee amounted to EGP 5,866,258 (31 December 2017: 3,521,411) which presented in statement of financial position and included prepaid expenses and other debit balances (Note 8)

24 CAPITAL COMMITMENTS

Capital commitments of the company amounted EGP 79,608,260 which represent the letters of credit to import goods (31 December 2017 EGP 76,832,836)

25 TAX SITUATION

1. **Sales Tax**

- The Company's records were inspected since inception to 2015 and all tax differences were paid.

2. **Corporate Tax**

- The Company's records were inspected since inception to 2014 and all tax differences were paid.

3. **Salary Tax**

- The Company's records were inspected since inception to 2014 and all tax differences were paid.

4. **Stamp duty Tax**

- The Company's records were inspected from 2006 to 2014 and all tax differences were paid.

5. **Value added Tax**

- The Company was registered for the Value Added Tax in accordance with the Law No. 67 of 2016.
- Value added tax returns is being submitted monthly on legal timely manners

26 OTHER LONG TERM LIABILITIES

The movements in the end of services liabilities is as follows:

	31 December 2018 EGP	31 December 2017 EGP
Balance at the beginning of the year	**8,697,328**	5,874,754
Charged during the year	**6,500,000**	5,000,004
Used during the year	**(941,760)**	(2,177,430)
Balance at year end	**14,255,568**	8,697,328

The other long-term liabilities represented in end of service remuneration granted for some of company's employees.

27 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

Overview

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

a) Credit risk,
b) Market risk, and
c) 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.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management are responsible for developing and monitoring the risk management policies and provide reports for its activities for the parent company on a regular basis.

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas**.**

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 receivables from customers, due from related parties, other receivables and from its financing activities, including deposits with banks and financial institutions.

Trade and notes receivables

The Company has entered into contracts with customers. The Company is exposed to credit risk in respect of due balances. In addition, due balances are monitored on an ongoing basis with the result that the Company’s exposure to bad debts is not significant.

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company’s customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk. The Company earns its revenues from a large number of customers

Other financial assets and cash deposits

With respect to credit risk arising from the other financial assets of the Company which comprise of cash at banks, financial assets 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.

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. The company does not retain or issue derivative financial instruments.

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.

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

27 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (CONTINUED)

b) Market risk – Continued

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 (through the impact on floating rate borrowings),
There is no impact on the Company's equity other than the profit impact stated below,

	31 December 2018		*31 December 2017*	
	Change in rate	***Effect on profit before tax EGP***	*Change in rate*	*Effect on profit before tax EGP*
Financial liability	**+1%**	**(625,773)**	+1%	(481,536)
	-1%	**625,773**	- 1%	481,536

Interest rates on credit facilities from financial institutions are disclosed in Note 11 to the separate financial statements,

Exposure to foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in currency rates of USD, EURO, AED and SAR prices with all other variables held constant. The impact on the Company'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 currencies is not material.

	31 December 2018		*31 December 2017*	
	Change in rate	***Effect on profit before tax EGP***	*Change in rate*	*Effect on profit before tax EGP*
USD	**+10%**	**1,736,432**	+10%	176,355
	-10%	**(1,736,432)**	-10%	(176,355)
EURO	**+10%**	**(6,546)**	+10%	10,433
	-10%	**6,546**	-10%	(10,433)

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, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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***
As of 31 December 2018					
Other Long term liabilities	-	-	-	14,255,568	14,255,568
Credit facilities	-	334,974,108	-	-	334,974,108
Accounts and notes payable	84,458,251	130,242,306	33,668,280	697,491	249,066,328
Due to related parties	-	617,769	-	-	617,769
Accrued expenses and other credit balances	39,216,731	81,181,626	110,642,635	341,825	231,382,817
Total undiscounted financial liabilities	**123,674,982**	**547,015,809**	**144,310,915**	**15,294,884**	**830,296,590**

27 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*
As of 31 December 2017					
Other Long term liabilities	-	-	-	8,697,328	8,697,328
Credit facilities	9,455,022	224,833,057	-	-	234,288,079
Accounts and notes payable	59,986,022	150,028,283	29,819,958	-	239,834,263
Accrued expenses and other credit balances	30,311,782	65,125,173	100,655,891	-	196,092,846
Total undiscounted financial liabilities	**99,752,826**	**439,986,513**	**130,475,849**	**8,697,328**	**678,912,516**

28 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.
Financial assets of the Company include cash at banks, accounts and notes receivable, other debit balances, held to maturity investments and due from related parties. Financial liabilities of the Company include credit facilities, accounts payable and other credit balances, land purchase creditors, due to related parties and retentions.

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

29 Comparative figures

Some comparative figures for the year ended 2017 has been reclassified to conform with the current year’s presentation