RAYA INTEGRATION COMPANY (S.A.E)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
ALL TOGETHER WITH AUDITOR'S REPORT

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Translation of Auditor's Report
Originally issued in Arabic

AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **RAYA INTEGRATION COMPANY (S.A.E)** represented in the balance sheet as of 31 December 2016, and the related statements of income, other 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.

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Opinion

In our opinion, the financial statements referred to above presented fairly, in all material respects, the financial position of **RAYA INTEGRATION COMPANY (S.A.E)** as of 31 December 2016, and the results of its operations and its cash flows for the year then ended in conformity with the Egyptian Accounting Standards and the related applicable laws and regulations.

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 record. The Company's Management in accordance with the proper norms undertook the physical inventory counts.

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 so far as such information is recorded therein.

Cairo:10 April 2017.

M. Kassim

Mohamed Ahmed Abu Elkassim
FESAA - FEST
(RAA 17553)
(EFSAR. 359)

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RAYA INTEGRATION COMPANY (S.A.E)

FINANCIAL POSITION
As of 31 December 2016

	Note	31 December 2016 LE	31 December 2015 LE
Non-current assets			
Fixed assets	(3)	62.970.363	69.750.004
Projects under construction		200.775	82.455
Available for sale investments	(4)	1.040.550	1.022.300
Total non-current assets		64.211.688	70.854.759
Current assets			
Inventory	(5)	8.959.078	15.566.338
Work in progress	(6)	54.849.428	40.503.312
Accounts and notes receivable	(7)	214.832.179	83.925.117
Due from related parties	(13-3)	246.218.232	56.001.427
Prepayments and other debit balances	(8)	106.195.955	103.077.390
Income tax - debit balances	(9)	8.742.559	14.589.386
Cash at banks	(10)	39.679.925	12.184.668
Total current assets		679.477.356	325.847.638
Total assets		743.689.044	396.702.397
Equity			
Paid up capital	(16)	63,182,600	63,182,600
Legal reserve		3.298.524	2,657,585
Profits for the year		34.677.299	12,818,787
Total equity		101.158.423	78,658,972
Noncurrent liabilities			
Due to parent company	(13-4)	962.451	7.534.188
Other long term liabilities	(25)	5.874.754	3.854.413
Deferred tax liabilities	(17-2)	1.333.767	891.946
Total noncurrent liabilities		8.170.972	12.280.547
Current liabilities			
Credit facilities	(11)	199.578.250	55.004.150
Accounts and notes payable	(12)	276.820.212	131.286.502
Due to related parties	(13-3)	553	39.302.616
Accrued expenses and other credit balances	(14)	147.824.715	71.750.132
Provisions	(15)	10.135.919	8.419.478
Total current liabilities		634.359.649	305.762.878
Total liabilities		642.530.621	318.043.425
Total equity and liabilities		743.689.044	396.702.397

Financial manager
Mohamed Abd El-Mohsen

Managing director
Hisham Abdel Rasoul

RAYA
Integration

-The accompanying notes from (1) to (28) are an integral part of these consolidated financial statements.
- Review report is attached.

RAYA INTEGARTION COMPANY (S.A.E)

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	2016 LE	2015 LE
Revenues	(18)	**770.802.025**	572.638.816
Cost of revenues	(19)	**(661.800.974)**	(500.302.569)
GROSS PROFIT		**109.001.051**	72.336.247
Marketing expenses		**(12.062.948)**	(11.894.266)
General and administrative expenses		**(58.271.249)**	(42.747.555)
Impairment of accounts receivable	(7)	**(7.186.711)**	-
Reversal of impairment of accounts receivable	(7)	-	103.986
Impairment of other debit balances	(8)	-	(3.584.300)
Reversal of impairment of other debit balances	(8)	**3.489.683**	599.833
Provisions	(15)	**(3.940.280)**	(1.382.718)
Provisions no longer required	(15)	**2.395.280**	-
OPERATING PROFIT		**33.424.826**	13.431.227
Other income	(22)	**6.896.856**	6.896.856
Loss from sale of fixed assets		-	(1.940)
Dividends		**60.344**	15.451
Foreign exchange differences		**10.602.898**	(312.740)
Finance income	(20)	**373.539**	75.876
Finance cost	(21)	**(6.683.023)**	(3.771.754)
PROFITS FOR THE YEAR BEFORE INCOME TAXES		**44.675.440**	16.332.976
Income taxes expense	(17-1)	**(9.998.141)**	(3.514.189)
PROFITS FOR THE YEAR		**34.677.299**	12.818.787

Financial manager
Mohamed Abd El-Mohsen

Managing director
Hisham Abdel Rasoul

-The accompanying notes from (1) to (28) are an integral part of these consolidated financial statements

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RAYA INTEGRATION COMPANY (S.A.E)

STATEMENT OF COMPREHENSIVE PROFIT OR LOSS

For the year ended 31 December 2016

	2016 LE	2015 LE
PROFIT FOR THE YEAR	34.677.299	12.818.787
OTHER COMPERHENCSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	34.677.299	12.818.787

-The accompanying notes from (1) to (28) are an integral part of these consolidated financial statements

RAYA INTEGRATION COMPANY (S.A.E)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Paid up capital	Legal reserve	Retained earnings	Profits for the year	Total
	LE	LE	LE	LE	LE
Balance as of 1 January 2016	**63.182.600**	**2.657.585**	**-**	**12.818.787**	**78.658.972**
Transferred to retained earnings and legal reserve	**-**	**640.939**	**12.177.848**	**(12.818.787)**	**-**
Dividends	**-**	**-**	**(12.177.848)**	**-**	**(12.177.848)**
Profits for the year	**-**	**-**	**-**	**34.677.299**	**34.677.299**
Balance as of 31 December 2016	**63.182.600**	**3.298.524**	**-**	**34.677.299**	**101.158.423**
Balance as of 1 January 2015	63,182,600	2,301,899	-	7,113,718	72,598,217
Transferred to retained earnings and legal reserve	-	355,686	6,758,032	(7,113,718)	-
Dividends	-	-	(6.758.032)	-	(6.758.032)
Profits for the year	-	-	-	12.818.787	12.818.787
Balance as of 31 December 2015	63,182,600	2,657,585	-	12.818.787	78.658.972

-The accompanying notes from (1) to (28) are an integral part of these consolidated financial statements

RAYA INTEGRATION COMPANY (S.A.E)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Notes	2016 LE	2015 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the year before income tax		44.675.440	16.332.976
Depreciation of fixed assets	(3)	7.326.580	7.345.244
Loss from disposal of fixed assets		-	1.940
Write-down of inventory	(5)	54.877	1.062.897
Provisions	(15)	4.111.721	2.240.157
Provisions no longer required	(15)	(2.395.280)	-
Impairment of other debit balances	(8)	-	3.584.300
Reversal of impairment of other debit balances	(8)	(3.489.683)	(599.834)
Impairment of accounts receivable	(7)	7.186.711	-
Reversal of impairment of accounts receivables	(7)	-	(103.986)
		57.470.366	29.863.694
Change in inventory		6.552.383	(6.484.543)
Change in work in progress		(14.346.116)	(7.818.444)
Change in accounts and notes receivable		(138.093.873)	(1.409.161)
Change in due from related parties		(190.216.805)	(35.841.174)
Change in prepayments and other debit balances		(3.338.276)	(23.158.641)
Change in accounts and notes payable		145.533.710	40.884.636
Change in due to related parties		(39.302.063)	37.625.463
Change in accrued expenses and other credit balances		76.074.584	(9.239.852)
Change in other long term liabilities		3.000.000	1.470.000
Change in due to parent company		(6.571.737)	(5.136.947)
CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES		(103.237.827)	20.755.031
Impairment of other debit balances used	(8)	-	(471.198)
Other long term liabilities used		(979.659)	(988.363)
Provisions used	(15)	-	(579.282)
NET CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES		(104.217.486)	18.716.188
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		-	8.250
Payments in acquire investment available for sale	(4)	(18.250)	(400.000)
Payments to acquire fixed assets	(3)	(665.259)	(438.446)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(683.509)	(836.186)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of credit facilities		-	(3.674.170)
Proceeds from credit facilities		144.574.100	-
Dividends paid		(12.177.848)	(6.758.032)
NET CASH FLOW PROVIDED FROM (USED IN) FINANCING ACTIVITIES		132.396.252	(10.432.202)
Net increase in cash and cash equivalent during the year		27.495.257	7.447.800
Cash and cash equivalent - beginning of the year		12.184.668	4.736.868
CASH AND CASH EQUIVALENT - END OF THE YEAR		39.679.925	12.184.668

- The accompanying notes from (1) to (28) are an integral part of these consolidated 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 equipments, computers and other electronic devices as well as its spare parts and supplies.
- Establishing service centres, maintenance, and importing, exporting and commercial agents.

2. SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The financial statements have been prepared under the going concern assumption and on historical cost basis.

Statement of compliance

The financial statements of the company have been 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 except for the amendments required by the new Egyptian Accounting Standards issued during the year 2015 which is effective for the years starting on or after 1 January 2016, disclosed below the most prominent amendments which is applicable to the company and the effects of this new amendments on Financial statements, if any.

EAS (1) revised Presentation of Financial Statements:

The revised standard requires the company to disclose all items of income and expenses that were recognized during the year in two separate statements, statement of profit or loss (statement of profit or loss) which disclose all items of income and expenses and statement of Comprehensive income which starts with profit or loss and presents items of other Comprehensive income (Statement of Comprehensive income).

It also requires an additional statement to the Statement of Financial Position disclosing balances as of the beginning of the first presented comparative year in case of retrospective implementation or change in an accounting policy or reclassification carried out by the company. The amended standard does not require the presentation of working capital.

The company has prepared the Statement of Comprehensive income and presentation of financial statements according to revised standard and there is no retrospective adjustments that requires presenting Statement of Financial position which include beginning balances of the first presented comparative year.

EAS (10) revised Fixed Assets and depreciation:

The revised standard has eliminated the option of using the revaluation model in the subsequent measurement of fixed assets.

The strategic (major) spare parts and stand-by equipment can be classified as fixed assets when the entity expects to use them for more than one year (when the definition of fixed assets applies thereto).

There is no impact for this amendment on company's financial statements.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2-2 Changes in accounting policies (continued)

EAS (14) revised Borrowing Costs:
The revised standard has eliminated previous benchmark treatment that recognised the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the Statement of Profit or Loss. The revised standard requires capitalisation of this cost on qualifying assets.
There is no impact for this amendment on company's financial statements.

EAS (23) revised Intangible Assets:
The revised standard has eliminated the option of using the revaluation model in the subsequent measurement of intangible assets.
There is no impact for this amendment on company's financial statements.

EAS (38) revised Employee Benefits:
Defined benefit plans
The revised standard requires immediate recognition for accumulated actuarial gains and losses in statement comprehensive income. Also, recognition of past service cost as expense at earlier of:
A) When plan amended or curtailed or,
B) When entity execute substantial restructure for its activities, hence the entity recognise related restructuring costs which comprise paying end of service benefits.

New EAS (40) financial instruments "Disclosures":
A new EAS (40) financial instruments: "Disclosures" has been issued to include all required disclosures for financial instruments. The company has disclosed required disclosures in the financial statement.

New EAS (45) Fair Value Measurement:
The new EAS (45) Fair Value measurement has been issued; this standard is applied when other standard requires or permits to measure or disclose the fair value. This standard defines fair value and set the frame to measure fair value in one standard and determine the required disclosure for measurements of fair value. The company disclosed all required discourses according to standards.

2-3 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 the exchange rate prevailing on the date of the transaction.
- Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date, all differences are recognized in 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.

2-4 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:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-4 Fixed assets (continued)

	Years
Buildings	15-50
Fixtures	19
Furniture and office equipment	8
Computers and software	2-4
Electrical equipment	2-4
Leasehold improvements	3
Tools	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 on derecognizing of the asset is included in the statement of income 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 balance sheet date whether there is an indication that fixed assets may be impaired. Where 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 income

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 income.

Projects under construction

Projects under construction represent the amounts that are incurred for the purpose of 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 valued at cost less impairment (if any).

2-5 Available for sale investments

- Available for sale investments are those non-derivative financial assets that are designated as available for sale when acquired 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 includes the direct attributable expenses that are related to them.

-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, upon which the cumulative gain or loss recorded in equity is recognized in the statement of profit or loss, if the asset is considered impaired, in this case the cumulative loss recorded in equity is recognized in the statement of profit or loss.

-In case the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

-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 cannot be reversed through the statement of profit or loss; increases in the fair value after impairment are recognized directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-6 Inventory

The inventory items are valued as follows:

a) **Equipment and its accessories**
Valued at the lower of cost (using the weighted average method) or net realizable value.

b) **Spare parts**
Valued 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 income 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.

2-7 Accounts receivable and other debit balances

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

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

2-8 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.

- **Warranty provision**
A 1% warranty provision is charged based on the total amount of each sales invoice except for programs and solutions, maintenance, and license invoices, this provision is accumulated to settle any expected future obligations.

2-9 Employees' pension plan

The company contributes in the social insurance system in favor of the employees according to Law No. 79 for year 1975 and its amendments. This cost is charged to the income statement according to the accrual basis; accordingly. the company's liability is limited to its contribution only.

2-10 Legal reserve

According to the company's articles of association, 5% of the net profits of the year are 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 balance sheet 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 income statement 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 income statement.

2-12 Income taxes

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

Current income tax

Current income tax assets and liabilities for the current and prior year periods are measured at the amount expected to be recovered from or paid to the tax authority.

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 goods**

Revenue from 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 operating it and 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 is operating or training the client's employees is complete.

- **Service income**

Revenue is recognized when the company's perform the service directly to the clients.

- **Interest income**

Interest income is recognized as interest accrues using the effective interest method. Interest income is included in finance income in the statement of income.

- **Rental income**

Rental income arising from operating lease is accounted for on a straight line basis over the lease terms.

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 income in the financial year in which these expenses were incurred.

2-15 Dividends

Dividends revenue is recognized when the company's right to receive the payment is established.

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 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 income statement in the period in which the related revenue is recognized.

2-18 Related parties 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 Accounting 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 reviewed on an ongoing basis. Revisions to accounting estimates recognized in the period in which the estimates 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.

Useful lives of fixed assets and investment properties

The Company's management determines the estimated useful lives of its fixed assets and investment properties 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-19 Accounting estimates (continued)

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 established 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 conditions prevailing 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.

2-20 Impairment of assets

Impairment of financial assets

The company assesses at each balance sheet 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 balance sheet date whether there is an indication that an asset may be impaired, Where the carrying amount of an asset or cash-generating unit (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 income.

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 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 income.

2-21 Statement of cash flows

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

2-22 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, checks under collection and time deposits maturing within three months less bank credit balance.

2-23 Trade Payables and accrued expenses

Liabilities are recognized in the amounts to be paid in the future for the goods and services received, whether or not the company received invoices from suppliers

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-24 Social insurance and Employees' End-of-services

a- **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.

b- **Employees' End-of-services:** 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.

2-25 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

2-26 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 three levels in the hierarchy by re-assessing categorisation at the end of each reporting year.

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	Fixtures	Furniture and office equipment	Computers and software	Electrical equipment	Leasehold improvements	Tools and equipment	Vehicles	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Cost										
1 January 2016	4.150.000	48.716.354	74.898.654	675.644	7.543.267	971.044	2.636.370	223.842	151.982	139.967.157
Additions during the year	-	-	-	9.430	477.115	42.394	18.000	-	-	546.939
31 December 2016	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
Accumulated depreciation										
1 January 2016	-	(17.767.546)	(40.867.689)	(656.124)	(7.085.727)	(947.351)	(2.516.896)	(223.840)	(151.980)	(70.217.153)
Depreciation for the year	-	(2,093,501)	(4.815.329)	(4.978)	(339.935)	(8.426)	(64.411)	-	-	(7.326.580)
31 December 2016	-	(19.861.047)	(45.683.018)	(661.102)	(7.425.662)	(955.777)	(2.581.307)	(223.840)	(151.980)	(77.543.733)
Net book value as of										
31 December 2016	4.150.000	28.855.307	29.215.636	23.972	594.720	57.661	73.063	2	2	62.970.363
31 December 2015	4.150.000	30.948.808	34.030.965	19.520	457.540	23.693	119.474	2	2	69.750.004

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

	31 Dec 2016
	LE
Furniture	**643.704**
Software	**932.401**
Electrical equipment	**938.562**
Leasehold improvements	**2.491.966**
Tools and equipment	**223.840**
Vehicles	**151.980**
Computers	**5.812.293**
	11.164.746

Depreciation expenses is allocated as follows:

	2016
	LE
Operating cost	**210.075**
General and administrative expenses	**7.041.693**
Marketing and selling expenses	**74.812**
	7.326.580

3 FIXED ASSETS (CONTINUED)

	Land	Buildings	Fixtures	Furniture and office equipment	Computers and software	Electrical equipment	Leasehold improvements	Tools and equipment	Vehicles	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Cost										
1 January 2015	4,150,000	48,660,883	74,898,664	675,644	7,234,267	943,786	2,630,670	223,842	151,982	139,569,738
Addition	-	55,471	-	-	332,394	27,258	5,700	-	-	420,823
Disposals	-	-	-	-	(23,404)	-	-	-	-	(23,404)
31 December 2015	4,150,000	48,716,354	74,898,664	675,644	7,543,257	971,044	2,636,370	223,842	151,982	139,967,157
Accumulated depreciation										
1 January 2015	-	(15,674,605)	(36,053,649)	(648,202)	(6,771,728)	(940,396)	(2,420,723)	(223,840)	(151,980)	(62,885,123)
Depreciation for the year	-	(2,092,941)	(4,814,040)	(7,922)	(327,210)	(6,955)	(96,176)	-	-	(7,345,244)
Disposals	-	-	-	-	13,214	-	-	-	-	13,214
31 December 2015	-	(17,767,546)	(40,867,689)	(656,124)	(7,085,724)	(947,351)	(2,516,899)	(223,840)	(151,980)	(70,217,153)
Net book value										
31 December 2015	**4,150,000**	**30,948,808**	**34,030,975**	**19,520**	**457,533**	**23,693**	**119,471**	**2**	**2**	**69,750,004**
31 December 2014	4,150,000	32,986,278	38,845,015	27,442	462,539	3,390	209,947	2	2	76,684,615

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

	31 Dec 2015
	LE
Furniture	624,170
Software	758,977
Electrical equipment	938,562
Leasehold improvements	2,438,970
Tools and equipment	223,840
Vehicles	151,980
Computers	5,624,664
	10,761,163

Depreciation expenses is allocated as follows:

	2015
	LE
Operating cost	198,279
General and administrative expenses	7,078,765
Marketing and selling expenses	68,200
	7,345,244

4 AVAILABLE FOR SALE INVESTMENTS

	Ownership percentage	31 December 2016 LE	31 December 2015 LE
Raya Contact Centre Company	0.23 %	**164,048**	164,048
Raya Networks Company	0.25 %	**1,250**	1,250
Raya for Information Technology and Management Company	0.25 %	**5,000**	5,000
Raya for contact centre Buildings 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 Social Media Company (RSM)	10%	**150,000**	150,000
Raya Data Centre Company	1%	**8,437**	8,437
Raya for Foods and Beverages Company	1%	**2,500**	2,500
Bariq Company	0.73%	**400,000**	400,000
Raya For Venture and Investment Company	1%	**125,000**	125,000
Raya East Africa for Technology & Communications company	1%	**18,250**	-
		1,040,550	1,022,300

All available for sale investments are not listed in the stock market and are carried at cost, since the fair value of these investments cannot be reliably measured.

5 INVENTORY

	31 December 2016 LE	31 December 2015 LE
Equipment and supplies	**7,708,455**	11,352,571
Spare parts	**4,910,287**	5,639,787
Goods in transit	**434,060**	2,612,827
	13,052,802	19,605,185
Write down of Inventory	**(4,093,724)**	(4,038,847)
	8,959,078	15,566,338

- The amount of impairment and reversal of write down of inventory are included in the cost of revenue.
- The movement of write down of inventory is as follows:

	2016 LE	2015 LE
Balance as of 1 January	**(4,038,847)**	(2,975,950)
Charged during the year	**(54,877)**	(1,062,897)
Balance as of 31 December	**(4,093,724)**	(4,038,847)

6 WORK IN PROGRESS

Work in progress as of 31 December 2016 amounted to LE 54.849.428 which represents amounts incurred for jobs not completed as of 31 December 2016 (31 December 2015 amounted to LE 40.503.312).

7 ACCOUNTS AND NOTES RECEIVABLE

	31 December 2016	31 December 2015
	LE	LE
Accounts receivable	**208.244.369**	87.284.355
Accounts receivable - related parties (note 13-1)	**17.796.168**	1.695.856
Notes receivable	**4.195.099**	3.161.652
	230.235.636	92.141.863
Impairment of accounts receivable	**(15.403.457)**	(8.216.746)
	214.832.179	83.925.117

	31 December 2016	31 December 2015
	LE	LE
Balances due within 12 months	**225.550.888**	86.143.795
Balances due in more than 12 months	**4.684.747**	5.998.068
	230.235.636	92.141.863

The movement of the impairment of receivables is as follows::

	2016	2015
	LE	LE
Balance as of 1 January	**(8.216.746)**	(8.320.732)
Formed during the year	**(7.186.711)**	-
Reversal during the year	**-**	103.986
Balance as 31 December 2016	**(15.403.457)**	(8.216.746)

At 31 December 2016 and 31 December 2015, the ageing analysis of net accounts and notes receivables is as follows:

	Total	Neither Past Due nor Impaired	Less than 30 days	Past due but not impaired Between 30 to 60 days	Between 60 to 90 days	More than 90 days
	EGP	EGP	EGP	EGP	EGP	EGP
2016	**230.235.636**	**132.095.927**	**18.028.248**	**28.403.495**	**20.396.931**	**31.311.035**
2015	92.141.863	68.582.766	14.720.100	2.880.385	1.000.712	4.957.900

8 PREPAYMENTS AND OTHER DEBIT BALANCES

	31 December 2016	31 December 2015
	LE	LE
Advances to suppliers	**45.140.030**	28.125.565
Accrued revenue	**50.083.215**	68.370.205
Retentions	**6.803.263**	4.443.721
Prepaid expenses	**1.128.421**	1.057.485
Margin of letters of guarantee (note 23)	**4.113.759**	3.427.527
Letter of credit cover	**-**	2.031.350
Customs authority	**65.660**	973.408
Deposits with others	**74.400**	74.400
Other debit balances	**1.545.246**	821.451
	108.953.994	109.325.112
Impairment of other debit balance	**(2.758.039)**	(6.247.722)
	106.195.955	103.077.390

	31 December 2016	31 December 2015
	LE	LE
Balances due within 12 months	**83.019.518**	101.779.286
Balances due in more than 12 months	**25.934.476**	7.545.826
	108.953.994	109.325.112

8 PREPAYMENTS AND OTHER DEBIT BALANCES (CONTINUED)

The movement of impairment of other debit balance is as follows:

	2016	2015
	LE	LE
Balance as of 1 January	**(6.247.722)**	(3.734.454)
Charged during the year	**-**	(3.584.300)
Used during the year	**-**	471.199
Reversal during the year	**3.489.683**	599.833
Balance as of 31 December	**(2.758.039)**	(6.247.722)

9 TAX ASSETS

	31 December 2016	31 December 2015
	LE	LE
Withholding Tax (customers and custom Authority)	**18.089.612**	19.887.125
Tax authority – tax added (Suppliers)	**209.169**	209.169
Accrued income tax	**(9.556.222)**	(5.506.908)
	8.742.559	14.589.386

10 CASH AT BANKS

	31 December 2016	31 December 2015
	LE	LE
LOCAL CURRENCY		
Banks – current accounts	**47.104**	251,940
Checks under collection	**30.491.799**	8.122.569
	30.538.903	8.374.509
FOREIGN CURRENCY		
Banks – current accounts	**9.141.022**	3.810.159
	39.679.925	12.184.668

Banks at foreign currency revaluated as follow:

	31 December 2016	31 December 2015
	LE	LE
USD	**9.128.927**	2.760.823
EURO	**9.879**	1.049.336
Sterling pound	**2.218**	-
	9.141.023	3.810.159

*Time deposits average interest rate during the year 1.2% for USD time deposits

11 CREDIT FACILITIES

The movement of credit facilities is as follows:

	2016	2015
	LE	LE
Balance as of 1 January	**55.004.150**	58.678.320
Proceeds during the year	**144.574.100**	-
Payments during the year	**-**	(3.674.170)
Balance as of 31 December	**199.578.250**	55.004.150

	31 December 2016	31 December 2015
	LE	LE
Balances due within 12 months	**199.578.250**	55.004.150
Balances due in more than 12 months		
	199.578.250	55.004.150

11 CREDIT FACILITIES (CONTINUED)

Credit Facilities due within 12 months			31 December 2016	31 December 2015
Type	*Interest rate %*	*Latest maturity (renewal)*	EGP	EGP
Credit facility No 1	1%+CBE Deposit Corridor rate	Jun 2016	**47.232.227**	31.017.015
Credit facility No 2	1.5%+CBE Deposit Corridor rate	Aug 2016	**4.038460**	4.922.300
Credit facility No 3	1.25%+CBE Deposit Corridor rate	Jun 2016	**48.272.892**	16.538.379
Credit facility No 4	1.5%+CBE Deposit Corridor rate	Jun 2016	**9.588.675**	2.233.136
Credit facility No 5	1.2%+CBE Deposit Corridor rate	Sep 2016	**47.208.979**	-
Credit facility No 6	1.5%+CBE Deposit Corridor rate	Mar 2016	**8.932.954**	285.845
Credit facility No 7	.75%+CBE Deposit Corridor rate	Jun 2016	**15.015.412**	-
Credit facility No 8	1%+CBE Deposit Corridor rate	Jun 2016	**8.435.813**	-
Credit facility No 9	1.5%+CBE Deposit Corridor rate	Jun 2016	**10.841.295**	917
Credit facility No 10	1%+CBE Deposit Corridor rate	Jun 2016	**11.543**	6.558
Total interest-bearing loans and borrowings			**199.578.250**	55.004.150

All Credit facility are granted by Raya Holding for Technology and Communications

12 ACCOUNTS AND NOTES PAYABLE

	31 December 2016 LE	31 December 2015 LE
Trade payable	**274.391.973**	95.026.785
Trade payable - related party	**1.519.835**	29.616.682
Notes payable	**908.404**	6.643.035
	276.820.212	131.286.502

13 RELATED PARTIES TRANSACTION

Related parties comprise associated companies, major Quota holders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

Company	Relation	Nature of transaction	Amount 2016 LE	Amount 2015 LE
Raya Holding for Technology and Communication	Holding Company	Sales	**419.928**	2.017.158
Raya Distribution	Subsidiary of the Holding company	Purchases	**1.251.709**	1.598.490
Raya for Information Technology and Management	Subsidiary of the Holding company	Sales	-	-
Call Centre - C3	Subsidiary of the Holding company	Purchases	**364.963**	300.148
Raya Contact Center	Subsidiary of the Holding company	Sales	**3.254.865**	2.072.064
		Purchases	-	105.305
Raya Data Center	Subsidiary of the Holding company	Purchases	**1.290.593**	1.479.098
		Sales	**5.002.200**	-
Raya Network service	Subsidiary of the Holding company	Purchases	**171.037.928**	63.068.998
		Sales	**57.382.960**	20.204.853
Raya Electronics	Subsidiary of the Holding company	Purchases	-	84.648

13 RELATED PARTIES TRANSACTION (CONTINUED)

Raya International Services	Subsidiary of the Holding company	Purchases	**7.361.947**	645.101
		Sales	**703.046**	-
Raya Finance Lease	Subsidiary of the Holding company	Sales	-	270.880
Raya Restaurants	Subsidiary of the Holding company	Purchases	**6.077**	28.322
Raya social media	Subsidiary of the Holding company	Purchases	-	25.500
Raya Network power	Subsidiary of the Holding company	Purchases	259.506	-
Raya Technology Ltd.	Subsidiary of the Holding company	Sales	437.500	-

These transactions resulted in the following balances:

13-1 Accounts and Notes receivable (note 7)

	31 Dec 2016 LE	31 Dec 2015 LE
Raya Contact Centre	**504.141**	138.528
Raya Holding for Technology and Communication Company	**421.730**	1.557.328
Raya Network	**14.169.575**	-
Raya Data Center	**1.853.917**	-
Raya Technology Ltd.	**456.250**	-
Raya International Services	**390.555**	-
	17.796.168	1.695.856

13-2 Accounts and notes payable (note 12)

	31 Dec 2016 LE	31 Dec 2015 LE
Raya Distribution	**435.673**	358.052
Raya Network Services	-	28.527.597
Raya for International Services	**670.175**	202.900
Raya Contact Centre	-	-
Raya Restaurants	**764**	-
Call Center - C3	**161.626**	55.881
Raya Data Center	**251.597**	472.252
	1.519.835	29.616.682

13 RELATED PARTIES TRANSACTION (CONTINUED)

13-3 Due from / to related parties

	31 Dec 2016		31 Dec 2015	
	Due from	**Due to**	Due from	Due to
	LE	**LE**	LE	LE
Raya Distribution	**114.614.477**	-	-	1.034.823
Raya Network services	**21.320.996**	-	-	38.267.793
Raya International Services	**8.391.349**	-	-	-
Bariq	-	-	2.621.799	-
Raya Holding for Technology and Communication	**83.788.243**	-	53.379.628	-
Aman for Electronic Payment	**16.800**	-	-	-
Ostool for Land Transport	**20.638**	-	-	-
Raya Network power	**16.457460**	-	-	-
Raya modern building	**61.754**	-	-	-
Raya contact centre	-	**553**	-	-
Raya for Data Centres	**41.907**	-	-	-
Raya East Africa for Technology & Communications	**1.504.608**			
	246.218.232	**553**	56.001.427	39.302.616

13-4 Due to Holding Company

	2016	2015
	LE	LE
Balance as of 1 January	**7.534.188**	12.671.135
Net transactions during the year	**(6.571.737)**	(5.136.947)
	962.451	7.534.188

14 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31 Dec 2016	31 Dec 2015
	LE	LE
Advances from customers*	**73.320.651**	24.554.153
Deferred revenues	**47.203.163**	25.589.500
Accrued expenses	**12.804.825**	11.858.723
Tax authority – salary tax	**412.758**	188.509
Tax authority – sales tax	**3.978.721**	1.509.524
Other credit balances	**10.104.597**	8.049.723
Balance as of 31 December 2015	**147.824.715**	71.750.132

* Advances from customers are collected amounts upon signing the contract based on the agreed percentage against a letter of guarantee issued by the company in favour of the client with the same amount received.

*** Advances from customers**

	31 Dec 2016	31 Dec 2015
	LE	LE
Central Bank of Egypt	**10.568.774**	-
National Bank of Egypt	**19.696.551**	5.364.263
Telecom Company	**8.140.623**	-
Alexandria Bank	**6.474.217**	-
Faisal Bank	**1.507.287**	1.1600.021
Credit Agricole	**8.498.352**	2.305.114
El Soyde for cables	**1.940.280**	-
Ahly united Bank	**4.587.518**	-
Banque de Caire	-	1.825.165
Raya Data Center	-	1.885.585
Telecom Egypt	-	1.340.150
Petro jet	**3.978.721**	1.326.327
Other	**10.154.962**	8.907.527
Balance as of 31 December 2015	**73.320.651**	24.554.132152

15 PROVISIONS

	Balance as of 1/1/2016 LE	Charged during the year LE	No longer Required LE	Used during the year LE	**Balances as of 31/12/2016 LE**
Warranty provision	1.495.563	64.040	-	-	**1.559.603**
Provisions letter of Guarantees	4.361.056	3.290.280	(2.395.280)	-	**5.256.056**
Other provisions	2.562.859	757.401		-	**3.320.260**
	8.419.478	4.111.721	(2.395.280)	-	**10.135.919**

	Balance as of 1/1/2015 LE	Charged during the year LE	No longer Required LE	Used during the year LE	**Balances as of 31/12/2015 LE**
Warranty provision	1.128.674	366.889	-	-	**1.495.563**
Provisions letter of Guarantees	3.478.338	882.718	-	-	**4.361.056**
Other provisions	2.151.591	990.550	-	(579.282)	**2.562.859**
	6.758.603	2.240.157	-	(579.282)	**8.419.478**

- Warranty provision amounted to LE 64.040 was charged to cost of revenue.
- Other provisions amounted to LE 107.401 was charged to cost of revenue.

16 CAPITAL

The authorized capital amounted to LE 100,000,000 (One Hundred Million Egyptian Pounds) while the company's issued of paid up capital amounted to LE 63,182,600 (Sixty three Million hundred eighty two six hundred Egyptian pound) divided over 631826 shares (Six hundred thirty one eight hundred twenty six shares)of par value L E 100 each:

	Ownership %	No. of Shares	Amount LE
Raya Holding Company for Technology and Communication (S.A.E)	99.90	631169	63,116,900
Raya Distribution Company (S.A.E)	0.03	201	20,100
Raya Contact Center Company (S.A.E)	0.01	50	5,000
Other shareholders	0.06	406	40,600
	100	631826	63,182,600

17 INCOME TAXES

17 -1 INCOME TAXES

	31 Dec 2016 LE	31 Dec 2015 LE
Current income tax	**9.556.320**	5.507.007
Deferred income tax (Revenue)	**441.821**	(1.992.818)
Income tax expense	**9.998.141**	3.514.189

17-2 DEFERRED INCOME TAX

	Balance sheet		**Income statement**	
	31 Dec 2016 LE	31 Dec 2015 LE	**2016 LE**	2015 LE
Depreciation of fixed assets	**(6.236.122)**	(6.908.373)	**672.251**	1.419.977
Provisions	**7.288.007**	6.016.427	**1.271.580**	572.841
	(2.385.652)	-	**(2.385.652)**	-
Net deferred income tax	**(1.333.767)**	(891.946)	**(441.821)**	1.992.818

18 REVENUES

	2016	2015
	LE	LE
Sales and installation	682.478.043	492.283.543
Maintenance revenue	88.323.982	80.355.273
	770.802.025	572.638.816

19 COST

	2016	2015
	LE	LE
Cost of sales and installation	(612.112.094)	(452.997.851)
Cost of maintenance revenue	(49.688.880)	(47.304.718)
	(661.800.974)	(500.302.569)

20 FINANCE INCOME

	2016	2015
	LE	LE
Time deposit income	373.539	75.876
	373.539	75.876

21 FINANCE COST

	2016	2015
	LE	LE
Bank and credit facility interest – Net -	(6.683.023)	(3.771.754)
	(6.683.023)	(3.771.754)

22 OTHER INCOME

	2016	2015
	LE	LE
Rent of the head office building	6.896.856	6.896.856
	6.896.856	6.896.856

- Raya integration charges the depreciation of the main building as other revenues to Raya Holding

23 CONTINGENT LIABILITIES

Letters of guarantee issued by the company's banks in favour of third parties amounted to LE 561.015.860 (LE 491.553.872 as of 31 December 2015), the margin of letters of guarantee amounted to 4.113.759LE (LE 3.427.527 as of 31 December 2015) which is included in prepayments and other debit balances (note 8) while the amount of the uncovered letters of guarantee amounted to 556.902.101LE (LE 488.126.345 as of 31 December 2015).

24 TAX SITUATION

1- **Sales taxes**
- The company's records were inspected since inception to 2013.
- The Company records are under inspection for the years 2014 till 2015.
- The company is committed to provide the monthly sales tax return.

2- **Corporate taxes**
- The company's records were inspected since inception to 2004 and the tax differences were settled,
- The company's records for years 2005 to 2011 were inspected.
- The Company records are under inspection for the years 2012 till 2014.

24 TAX SITUATION (CONTINUED)

3- Salary taxes

- The company's records were inspected since inception to year 2009 and the difference will be deducted from the credit balance of withholding tax.
- The company's records are being prepared for inspection for the years 2010 to 2011.

4- Stamp duty taxes

- The company's records were since inspected to 2011 and all tax differences will be deducted from the credit balance of withholding tax.

5- Value added taxes

- The Company is registered in the General Value Added Tax in accordance with the law No.67 for year 2016

25 END OF SERVISES PROVISION

The movement of end of services is as follows:

	2016	2015
	LE	LE
Balance as of 1 January	3.854.413	3.372.776
Charged during the year	3.000.000	1.104.000
Used during the year	(979.659)	(622.363)
Balance as of 31 December	5.874.754	3.854.413

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Foreign Currency Risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates. And value of monetary assets and liabilities denominated in foreign currencies which are translated using the current exchange rate.

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR, UAE and SAR exchange rates, 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 other currencies is not material.

	31 December 2016		31 December 2015	
Currency	Change Ratio	The effect in profit before Tax	Change Ratio	The effect in profit before Tax
	%	L.E	%	L.E
USD	%10+	14.225.401	%10+	
USD	%10-	(14.225.401)	%10-	
EUR	%10+	988	%10+	
EUR	%10-	(988)	%10-	

b) Credit risk

The group does business with financial institutions with high credit solvency which limiting credit risk.

For the group customers, the Group legal arrangements and documents made at the transaction date reduces credit risk to a minimum, and allowances are necessary to mitigate the risk of default in payment by the customer for each individual case.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Credit risk (continued)

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 customers and notes receivables, prepayments, due from related parties, other receivables and from its financial 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 customers due amounts. 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 bank balances and cash on hand, 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.

Credit risk from balances with banks and financial institutions is managed by local Company's treasury supported by the Parent Company. 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 relates to transactions arising in the normal course of business with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

c) Interest rate risk

Interest rate risk is the risk that the fair value of 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 and interest bearing time deposits.

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

d) Liquidity risk

Liquidity risk is the inability of the company to repay its obligations under the contractual terms with others.

The company's management on a regular basis to make sure of the availability of the necessary liquidity to pay obligations when due without incurring losses or risk the reputation of the company.

The company has sufficient cash to repay Batch projected expenditures include financial liabilities expenses.

The table below summarizes the maturity profile of the financial liabilities the company dates based on the contractual undiscounted payments

Financial liabilities **31 December 2016**	**Less than 3 Months** **LE**	**From 3 to12 Months** **LE**	**From 1 to 5 years** **LE**	**More Than 5 years** **LE**	**Total** **LE**
Due to Holding Company	-	-	962.451	-	962.451
Other long term liability	-	-	-	5.874.754	5.874.754
Credit facility	-	199.578.250	-	-	199.578.250
Trade and notes payables	64.009.734	107.343.284	105.467.194	-	276.820.212
Due to related party	553	-	-	-	553
Accrued expense and other credit balances	19.107.741	74.065.205	54.651.769	-	147.824.715
Provisions	-	10.135.919	-	-	10.135.919
Total undiscounted financial liabilities	83.118.028	391.122.658	161.081.414	5.874.754	641.196.854

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Liquidity risk (continued)

Financial liabilities **31 December 2015**	**Less than 3 Months** **LE**	**From 3 to12 Months** **LE**	**From 1 to 5 years** **LE**	**More Than 5 years** **LE**	**Total** **LE**
Due to Holding Company	-	-	7.534.188	-	7.534.188
Other long term liability	-	-	-	3.854.413	3.854.413
Deferred tax liability	-	891.946	-	-	891.946
Credit facility	-	55.004.150	-	-	55.004.150
Trade and notes payables	54.734.241	51.584.054	24.968.208	-	131.286.502
Due to related party	-	39.302.616	-	-	39.302.616
Accrued expense and other credit balances	11.331.096	28.295.664	32.123.372	-	71.750.132
Provisions	-	8.419.878	-	-	8.419.878
Total undiscounted financial liabilities	66.065.336	183.498.308	64.625.768	3.854.413	318.043.825

27 SUBSEQUENT EVENTS

On 3 November 2016, the Central Bank stated that foreign exchange rate is to be determined by supply and demand, adding that the move will be accompanied by 3% rise in interest rates.

The interbank market will be reviewed and banks will be free to set bid/ask for the USD:EGP based on the forces of supply and demand. When the interbank market dynamics do not allow for a clearing price, the central bank will intervene to facilitate "price discovery".

28 COMPARTIVE FIGURES

Some comparative figures have been reclassified to conform to the current year financial statements' presentation.