

**BPE Holding for Financial Investments  
"S.A.E."**

**Consolidated Financial Statements  
For the Year Ended December 31, 2017  
Together with Auditor's Report**

*Translation of Independent Auditor's  
Report Originally Issued in Arabic*

**INDEPENDENT AUDITOR'S REPORT**

**To: The Shareholders' of BPE Holding for Financial Investments "S.A.E."**

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of BPE Holding for Financial Investments "S.A.E.", which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of income, 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 Consolidated Financial Statements**

These consolidated financial statements are the responsibility of the Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and the prevailing Egyptian laws. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

## Basis for Qualified Opinion

As referred to in the notes to the consolidated financial statements note no. (2), one of the Company's jointly controlled entities, which is accounted for in the attached consolidated financial statements using the equity method, has applied the International Accounting Standard no. 17 – Leases, to account for its financially leased administrative building, which constitutes a departure from the Egyptian Accounting Standard no. 20 – Accounting for finance lease agreements.

The effect of this departure is overstating the investments in jointly controlled entities, consolidated net profit for the year and consolidated opening retained earnings by EGP 39 741 096, EGP 8 678 542 and EGP 31 062 554 respectively.

## Qualified Opinion

In our opinion, except for the effect of the matter described in the basis of qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BPE Holding for Financial Investments "S.A.E.". as of December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the related Egyptian laws and regulations.

Cairo, March 27, 2018.

  
Samy Habib Deif ACCA,  
FESAA (R.A.A. 13485)  
EFSA Register No. "3737"



**BPE Holding for Financial Investments "S.A.E"**  
**Consolidated Statement of Financial Position as at December 31, 2017**

|  | Note    | December 31, 2017<br>EGP | December 31, 2016<br>EGP |
|--|---------|--------------------------|--------------------------|
| <b>Assets</b>  |         |                          |                          |
| <b>Non-current assets</b>  |         |                          |                          |
| Intangible assets (net)  | (6)     | 2 723 159                | 5 318 894                |
| Investments in associates (net)  | (7)     | 314 580 875              | 258 130 958              |
| Available for sale investments   | (8)     | 141 262 077              | 141 262 077              |
| Investments in joint venture (net)   | (9)     | 190 849 155              | 146 825 864              |
| Investment properties  | (10)    | 113 468 487              | 113 786 799              |
| Loans for related parties  | (12)    | 94 717 354               | -                        |
| <b>Total-non current assets</b>  |         | <b>857 601 107</b>       | <b>665 324 592</b>       |
| <b>Current assets</b>  |         |                          |                          |
| Treasury bills   | (11)    | 105 464 030              | -                        |
| Due from related parties   | (13)    | 1 176 069                | 12 198 968               |
| Inventory (net)  | (14)    | -                        | -                        |
| Accounts and notes receivable (net)  | (15)    | -                        | 60 623 232               |
| Other debit balances   | (16)    | 8 203 724                | 6 929 566                |
| Cash and time deposits at banks  | (17)    | 94 963 954               | 202 929 314              |
| <b>Total current assets</b>  |         | <b>209 807 777</b>       | <b>282 681 080</b>       |
| <b>Total assets</b>  |         | <b>1067 408 884</b>      | <b>948 005 672</b>       |
| <b>Equity and liabilities</b>  |         |                          |                          |
| <b>Equity</b>  |         |                          |                          |
| Issued and paid-up capital   | (22)    | 584 464 310              | 584 464 310              |
| Legal reserve  | (23)    | 10 577 468               | 6 997 113                |
| Other reserves   |         | 28 238 547               | 43 754 921               |
| Company's share in the change of the associates' equity accounts           |         | -                        | (5 033 645)              |
| Retained earnings  |         | 257 564 834              | 109 613 935              |
| Net profit for the year attributable to shareholders of the Parent Company |         | 133 177 110              | 152 636 257              |
| <b>Equity attributable to shareholders of the parent company</b>           |         | <b>1014 022 269</b>      | <b>892 432 891</b>       |
| Non-controlling interests  |         | 4 444 603                | 9 079 711                |
| <b>Total equity</b>  |         | <b>1018 466 872</b>      | <b>901 512 602</b>       |
| <b>Non-Current liabilities</b>   |         |                          |                          |
| Deferred tax liability   | (24)    | 8 922 951                | 22 367 308               |
| <b>Total non- current liabilities</b>                                      |         | <b>8 922 951</b>         | <b>22 367 308</b>        |
| <b>Current liabilities</b>   |         |                          |                          |
| Due to related parties   | (18,26) | 2 951 630                | 2 912 965                |
| Accounts payable and other credit balances                                 | (19)    | 8 314 359                | 7 514 926                |
| Income tax   |         | 18 355 176               | -                        |
| Other financial liabilities  |         | -                        | 5 799 975                |
| Provisions   | (20)    | 10 397 896               | 7 897 896                |
| <b>Total current liabilities</b>   |         | <b>40 019 061</b>        | <b>24 125 762</b>        |
| <b>Total equity and liabilities</b>  |         | <b>1067 408 884</b>      | <b>948 005 672</b>       |

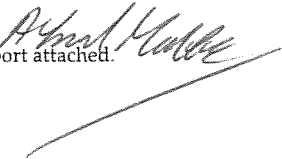
-The attached notes form an integral part of these consolidated financial statements, and to be read therewith.

Chief Financial Officer  
 Ahmed Abdel Monem Madbouly

Chief Executive Officer  
 Dr. Mohamed Abdel Monem Omran

Chairman  
 Mohamed Hazem Adel Barakat

- Auditor's report attached.



**BPE Holding for Financial Investments "S.A.E"**  
**Consolidated statement of income for the year ended December 31, 2017**

|  | <u>Note</u> | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|--|-------------|--------------------------|--------------------------|
|  |             | <u>EGP</u>               | <u>EGP</u>               |
| <b><u>Revenues &amp; profits</u></b>                             |             |                          |                          |
| Dividend distribution income from available for sale investments |             | 22 592 863               | 20 517 951               |
| Gains on sale of investments in jointly venture entities         |             | -                        | 31 075                   |
| Group's share of profits of associates & joint venture entities  | (27)        | 104 089 913              | 82 047 755               |
| Foreign exchange difference                                      |             | -                        | 99 757 812               |
| Finance income   | (28)        | 34 251 093               | 3 769 876                |
| Reversal of impairment in note receivable                        | (21)        | 3 209 132                | -                        |
| Other income   |             | 7 436 927                | 2 271 782                |
|  |             | <u>171 579 928</u>       | <u>208 396 252</u>       |
| <b><u>Expenses &amp; losses</u></b>                              |             |                          |                          |
| Management fees  |             | (11 651 349)             | (11 651 349)             |
| Consulting fees and other expenses                               |             | (10 749 562)             | (6 390 403)              |
| Investment Properties depreciation                               | (10)        | ( 318 312)               | ( 318 312)               |
| Foreign exchange difference                                      |             | (3 951 673)              | -                        |
| Provisions formed  | (20)        | (2 500 000)              | (7 697 896)              |
| Impairment in due from related parties                           | (21)        | (3 133 699)              | -                        |
| Impairment of investments in joint venture                       | (21)        | -                        | (5 727 150)              |
| Impairment of intangible assets                                  | (21)        | (2 709 191)              | -                        |
| <b>Net profit for the year before tax</b>                        |             | <u>136 566 142</u>       | <u>176 611 142</u>       |
| Current income tax   |             | (18 355 176)             | -                        |
| Deferred tax   | (24)        | 13 444 356               | (23 180 107)             |
| <b>Net profit for the Year</b>                                   |             | <u>131 655 322</u>       | <u>153 431 035</u>       |
| <b><u>Attributable as follow:</u></b>                            |             |                          |                          |
| Attributable to the shareholders' of the Parent Company          |             | 133 177 110              | 152 636 257              |
| Non-controlling interests  |             | (1 521 788)              | 794 778                  |
| <b>Net profit for the year</b>                                   |             | <u>131 655 322</u>       | <u>153 431 035</u>       |
| Basic and diluted earnings per share                             | (25)        | <u>1.14</u>              | <u>1.31</u>              |

-The attached notes form an integral part of these consolidated financial statements, and to be read therewith.

Chief Financial Officer  
Ahmed Abdel Monem Madbouly



Chief Executive Officer  
Dr. Mohamed Abdel Monem Omran

Chairman  
Mohamed Hazem Adel Barakat

**BPE Holding for Financial Investments "S.A.E"**

**Consolidated statement of comprehensive income for the year ended on December 31,2017**

|  | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|--|--------------------------|--------------------------|
|  | <u>EGP</u>               | <u>EGP</u>               |
| Net profit for the year  | 131 655 322              | 153 431 035              |
| <b><u>Other comprehensive income</u></b>   |                          |                          |
| Translation reserve difference of subsidiaries' financial statements                             | (7 783 301)              | 7 755 774                |
| Company's shares in foreign currency translation in joint venture entities' financial statements | (10 539 958)             | 31 841 759               |
| <b>Total other comprehensive income for the year</b>   | <b>(18 323 259)</b>      | <b>39 597 533</b>        |
| <b>Total comprehensive income for the year</b>   | <b>113 332 063</b>       | <b>193 028 568</b>       |
| <b>Distrebuted as follows:</b>   |                          |                          |
| Interests attributable to shareholders of the parent company                                     | 117 967 171              | 189 131 481              |
| Non-controlling interests  | (4 635 108)              | 3 897 087                |
| <b>Total comprehensive income for the year</b>   | <b>113 332 063</b>       | <b>193 028 568</b>       |

-The attached notes form an integral part of these consolidated financial statements, and to be read therewith.

BPE Holding for Financial Investments "S.A.E"  
Consolidated Statement of Changes in Equity for the year ended December 31, 2017

|   | Issued and paid-up capital | Legal reserve | Company's share in Equity change of associates | Company's share in reserve combination of joint venture | Translation reserve of subsidiaries' financial statements | Company's shares in foreign currency translation in the joint venture | Retained earnings | Equity attributable to shareholders of the Parent Company in net profit of the year | Total Equity attributable to shareholders of the Parent Company | Non-controlling interests | Total equity |
|---|----------------------------|---------------|--|---|---|---|-------------------|---|---|---------------------------|--------------|
|   | EGP                        | EGP           | EGP  | EGP   | EGP   | EGP   | EGP               | EGP   | EGP   | EGP                       | EGP          |
| <b>Balance as of January 1, 2016</b>                                  | 584 464 310                | 6 997 113     | -  | -   | 8 240 913   | 3 234 648   | 92 844 700        | 16 769 235  | 712 550 919   | 5 182 625                 | 717 733 544  |
| Net profit of the year  | -                          | -             | -  | -   | -   | -   | -                 | 152,636,257   | 152 636 257   | 794,778                   | 153 431 035  |
| <b>Other Comprehensive Income</b>                                     |                            |               |  |   |   |   |                   |   |   |                           |              |
| Translation reserve of subsidiaries' financial statements             | -                          | -             | -  | -   | 4 653 466   | -   | -                 | -   | 4 653 466   | 3 102 308                 | 7 755 774    |
| Company's shares in foreign currency translation in the joint venture | -                          | -             | -  | -   | -   | 31 841 759  | -                 | -   | 31 841 759  | -                         | 31 841 759   |
| <b>Total Other Comprehensive Income</b>                               | -                          | -             | -  | -   | 4 653 466   | 31 841 759  | -                 | 152 636 257   | 189 131 482   | 3 897 086                 | 193 028 568  |
| <b>Other Comprehensive Income</b>                                     |                            |               |  |   |   |   |                   |   |   |                           |              |
| <b>Transaction with the company shareholders</b>                      |                            |               |  |   |   |   |                   |   |   |                           |              |
| Transferred to retained earnings                                      | -                          | -             | -  | -   | -   | -   | 16 769 235        | (16 769 235)  | -   | -                         | -            |
| Company's share in Equity change of associates                        | -                          | -             | (5 033 645)                                    | -   | -   | -   | -                 | -   | (5 033,645)   | -                         | (5 033 645)  |
| Company's share in reserve combination of joint venture               | -                          | -             | -  | (4 215 865)   | -   | -   | -                 | -   | (4,215,865)   | -                         | (4 215 865)  |
| <b>Total transaction with the company shareholders</b>                | -                          | -             | (5 033 645)                                    | (4 215 865)   | -   | -   | 16 769 235        | (16 769 235)  | (9 249 510)   | -                         | (9 249 510)  |
| <b>Balance as of December 31, 2016</b>                                | 584 464 310                | 6 997 113     | (5 033 645)                                    | (4 215 865)   | 12 894 379  | 35 076 407  | 109 613 935       | 152 636 257   | 892 432 891   | 9 079 711                 | 901 512 602  |
| <b>Balance as of January 1, 2017</b>                                  | 584 464 310                | 6 997 113     | (5 033 645)                                    | (4 215 865)   | 12 894 379  | 35 076 407  | 109 613 935       | 152 636 257   | 892 432 891   | 9 079 711                 | 901 512 602  |
| Net profit of the year  | -                          | -             | -  | -   | -   | -   | -                 | 133 177 110   | 133 177 110   | (1 521 788)               | 131 655 322  |
| <b>Other Comprehensive Income</b>                                     |                            |               |  |   |   |   |                   |   |   |                           |              |
| Translation reserve of subsidiaries' financial statements             | -                          | -             | -  | -   | (4 669 981)   | -   | -                 | -   | (4 669 981)   | (3 113 320)               | (7 783 301)  |
| Company's shares in foreign currency translation in the joint venture | -                          | -             | -  | -   | -   | (10 539 958)  | -                 | -   | (10 539 958)  | -                         | (10 539 958) |
| <b>Total Other Comprehensive Income</b>                               | -                          | -             | -  | -   | (4 669 981)   | (10 539 958)  | -                 | 133 177 110   | 117 967 171   | (4 635 108)               | 113 332 063  |
| <b>Transaction with the company shareholders</b>                      |                            |               |  |   |   |   |                   |   |   |                           |              |
| Transferred to legal reserve  | -                          | 3 580 355     | -  | -   | -   | -   | (3 580 355)       | -   | -   | -                         | -            |
| Transferred to retained earnings                                      | -                          | -             | -  | -   | -   | -   | 152 636 257       | (152 636 257)   | -   | -                         | -            |
| Company's share in Equity change of associates and joint venture      | -                          | -             | 5 033 645                                      | (306 435)   | -   | -   | (1 105 003)       | -   | 3 622 207   | -                         | 3 622 207    |
| <b>Total transaction with the company shareholders</b>                | -                          | 3 580 355     | 5 033 645                                      | (306 435)   | -   | -   | 147 950 899       | (152 636 257)   | 3 622 207   | -                         | 3 622 207    |
| <b>Balance as of December 31, 2017</b>                                | 584 464 310                | 10 577 468    | -  | (4 522 300)   | 8 224 398   | 24 536 449  | 257 564 834       | 133 177 110   | 1014 022 269  | 4 444 603                 | 1018 466 872 |

-The attached notes form an integral part of these consolidated financial statements, and to be read therewith.

BPE Holding for Financial Investments "S.A.E"  
Consolidated Statement of Cash Flows for the year ended December 31, 2017

|   | <u>Note</u> | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|---|-------------|--------------------------|--------------------------|
|   |             | <u>EGP</u>               | <u>EGP</u>               |
| <b><u>Cash flows from operating activities</u></b>  |             |                          |                          |
| Net profit for the year before tax  |             | 136 566 142              | 176 611 142              |
| <b><u>Adjustments to reconcile net profit to cash flows from operating activities</u></b> |             |                          |                          |
| Formed provision  | (20)        | 2 500 000                | 7 697 896                |
| Group's share of profits of associates & joint venture entities                           | (27)        | (104 089 913)            | (82 047 755)             |
| Depreciation of investment properties   | (10)        | 318 312                  | 318 312                  |
| Impairment of investments in joint venture entities                                       |             | -                        | 5 727 150                |
| Foreign exchange differences  |             | 3 951 673                | (101 012 947)            |
| Impairment in due from related parties  | (21)        | 3 133 699                | -                        |
| Impairment of intangible assets   | (21)        | 2 709 191                | -                        |
| Credit interest - treasury bills  | (11)        | (6 421 384)              | -                        |
| Credit Interest   |             | (27 829 709)             | (3,605,412.00)           |
| Reversal of impairment in note receivable   | (21)        | (3 209 132)              | -                        |
| <b>Operating profit before changes in working capital</b>                                 |             | <b>7 628 879</b>         | <b>3 688 386</b>         |
| Increase in due from related parties  |             | 12 941 196               | ( 39 779)                |
| Decrease in notes receivable  |             | 63 832 364               | 4 621 707                |
| Increase (decrease) in other debit balances   |             | (2 775 461)              | (3 795 091)              |
| Decrease in due to related parties  |             | 38 665                   | 10 995                   |
| Increase in other financial liabilities   |             | (5 799 975)              | 5 799 975                |
| Decrease in accounts payable and other credit balances                                    |             | 799 433                  | 4 784 071                |
| <b>Net cash flows generated by operating activities</b>                                   |             | <b>76 665 101</b>        | <b>15 070 264</b>        |
| <b><u>Cash flows from investing activities</u></b>  |             |                          |                          |
| Payments for the acquisition of associates and joint venture entities                     |             | -                        | 3 395 350                |
| Payments for the acquisition of joint venture entities                                    |             | (16 249 800)             | -                        |
| Redemption of investments in joint venture  |             | -                        | (3 735 600)              |
| Payments to related party loan  | (12)        | (94 717 354)             | -                        |
| Change in long term deposits  |             | 24 162 709               | -                        |
|   |             | 29 331 012               | 3 605 412                |
| Payments to acquire treasury bills  | (11)        | (99 042 646)             | -                        |
| <b>Net cash flows (used in) investing activities</b>                                      |             | <b>(156 516 079)</b>     | <b>3 265 162</b>         |
| Net change in cash and cash equivalents during the year                                   |             | (79 850 978)             | 18 335 426               |
| <b>Cash and cash equivalents at the beginning of the year</b>                             | (17)        | <b>110 396 427</b>       | <b>51 727 013</b>        |
| Effects of exchange rate changes on balances of cash held in foreign currencies           |             | (3 951 673)              | 40 333 988               |
| <b>Cash and cash equivalents at the end of the year</b>                                   | (17)        | <b>26 593 776</b>        | <b>110 396 427</b>       |

-The attached notes form an integral part of these consolidated financial statements, and to be read therewith.



**BPE Holding for Financial Investments "S.A.E"**

**Subject to the provisions of Law No. 95 for year 1992 and its executive regulations**

**Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2017**

**1. General information**

BPE holding for financial investments "S.A.E." "The Company" was established under the provisions of Law No 95 for 1992 and its executive regulations. The Company was registered on December 31, 2005 under No 52455 at South Cairo Commercial Register pursuant to the Capital Market Authority license No. 348 dated April 11, 2006. Then The Company registered on October 24, 2012 under No 63264 at South Cairo Commercial Register.

The Company's purpose is to participate in incorporation of other entities, which issue securities, or increase their capital. The Company may have interest or participate in any form with corporate companies pursuing similar activities, or which may assist it in realizing its purpose in Egypt or abroad. The Company may also merge, purchase or become a subsidiary to companies according to the provisions of law and its executive regulation. The Company's duration is 20 years commencing from the Commercial Register date.

The Company's principle business activity is investment in other entities, in accordance with its established investment policy. The Company aims to identify, research, negotiate, make and monitor the progress of and sell, realize and exchange investments and distribute proceeds of such investments with the principle objective of providing shareholders with a high relative overall rate of return by means of both income, capital growth and exit.

On January 11, 2016 the company's extraordinary general assemble meeting decided to change the company name to be BPE Holding for Financial Investments, the change was registered in the Company's commercial register on February 24th, 2016.

- The Company's fiscal year commences on January 1st and ends on December 31st each year.
- The Board of Directors authorized the consolidated financial statements as of on December 31, 2017 for issue at March 27, 2018.

## **2. Statement of compliance**

With the exception of the accounting treatment applied by Giza Systems owned by Inergia (a jointly controlled entity) for its financially leased administrative building as described below, the consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards issued by the Minister of Investment's decree No. 110 of 2016 and applicable Egyptian laws and regulations. The Egyptian Accounting Standards require referral to International Financial Reporting Standards "IFRS" for certain types of transactions or events when no Egyptian Accounting Standard or legal requirement exists to address treatment for these transactions or events.

In its financial statements, Giza Systems applied the International Accounting Standard (IAS) 17 – Leases as issued by the International Accounting Standard Board to account for its financially leased administrative building. Giza systems recognized the building as a fixed asset at the present value of minimum lease payments, and recognized a liability to the finance lease company. Lease payments are apportioned between finance cost and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The building is depreciated based on its estimated useful life.

In contrast, Egyptian Accounting Standard EAS (20) - Accounting for finance leases requires the lessor to recognize all payments under finance leases in the period they are incurred, and the lessor is not allowed to recognize the leased asset as fixed asset. The Company accounts for its investment in Inergia and Giza Systems using the equity method. Had Giza Systems applied the EAS 20 instead of IAS 17, that would lead to reduction in the value of investment in joint venture entities, and consolidated net profit, and opening retained earnings is EGP 39 741 096, EGP 8 678 542 and EGP 31 062 554 respectively.

## **3. Basis for preparation of consolidated financial statements**

The consolidated financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities that are measured at fair value, and financial assets and financial liabilities that are designated at initial recognition as at fair value through profit or loss.

## **4. Critical accounting judgments and key sources of estimation uncertainty**

In the application of the company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Those estimates and associated assumptions are based on management historical experience and other factors that are considered to be relevant. Actual results may

differ from these estimates, therefore those estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and estimates that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

#### **Assessing and determining basis of preparation**

Management reviews its assumptions and judgments including those used to conclude on the extent of the Company's ability to control, jointly control, or exercise significant influence on its investees whenever a significant event or amendment to the conditions prevailing in its contractual agreements or changes in conditions associated with the preparation process of the financial statements.

#### **Impairment of non-current assets**

Non-current assets are reviewed to determine whether there are any indications that the net carrying amount of these assets may not be recoverable and that they have suffered an impairment loss that needs to be recognized. In order to determine whether any such elements exists it is necessary to make subjective measurements, based on information obtained within the Company and in the market considering the past experience.

When indicators exist that an asset may have become impaired, the Company estimates the impairment loss using suitable valuation techniques. The identification of elements indicating that a potential impairment exists and estimates of the amount of the impairment, depend on factors that may vary in time, affecting management's assessments and estimates.

#### **Recognition and measurement of current tax liabilities**

The Company's profit is subject to income tax, which requires using of significant estimates to determine the total income tax liability. As determining the final tax liability for certain transactions could be difficult during the reporting period, the Company records current tax liabilities using its best estimate about the taxable treatment of these transactions and the possibility of incurring of additional tax charges that may result from tax inspections. When a difference arises between the final tax assessment and what has been recorded, such difference is recorded as an income tax expense and current tax liability in the current period and is considered as a change in accounting estimates.

Significant accounting policies are set out below:

## **5. Significant accounting policies**

### **a. Basis of consolidation**

The consolidated financial statements of the Group incorporate the financial statements of the Company (Parent) and entities controlled by the company (its Subsidiaries) as of the balance sheet date. Control is achieved when the Group has the right into variable returns through its contribution in the investee when exposed or entitled to variable returns and have the ability to effect that returns through its power on investee, the company control the investee when the company has the following:

- i. Power on the investee, when the company has an outstanding rights that give the company the current ability to direct the activities that affect the returns of the investee, the power may result from the equity instruments (like shares) or the company own the power even if it doesn't practice its rights in direction yet. the company have the power on the investee even the other entities have a current outstanding rights give them the current ability to participate in directing activities.
- ii. Expose to or the right in variable returns through contribution in investee when it is probable that the company's returns result from its participating as a result from the investee performance.
- iii. The ability to use its power on the investee to affect the return amount that company got from the investee.

When the parent company lose the control over the subsidiary, the company perform the following:

1. Cancel the admission of private assets and liabilities of the company that was subsidiary from the consolidated financial statements.
2. Admit any remaining investments in the company that was subsidiary at fair value when losing control and account for it later and any other accrued amounts on or to the subsidiary company according ti the Egyptian Accounting standards (EAS).
3. Admit the revenue or losses related to losing controls related to the previous controlling shares.

The consolidated income statements include the business results of the subsidiaries the one that have been acquired or disposed of during the year and that from the acquire actual date or to the disposal actual date.

Proportional settlements are done over the financial statements to any of the group's companies whenever necessary and that make its accounting policies agree with the the applicable accounting policies of the group. Transactions, balances, reciprocal revenues and expense are fully disposed of among the group's companies.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. And the company proportion the profits and losses and both of other comprehensive income to the shareholders of the company and non-controlling interests. And the company proportion the total other comprehensive income to the shareholder's and non-controlling interests even that would lead to a shortage in it.

Change in equity in the parent company in the subsidiary which not lead to that the parent company lose control over subsidiary is considered to be an equity transactions.

#### **Potential voting rights**

The parent shall consider the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity when assessing whether an entity has the power to govern the financial and operating policies of another entity. Potential voting rights are not currently exercisable or convertible when they cannot be exercised or converted until a future date or until the occurrence of a future event.

Investments in subsidiary companies are carried at cost, unless classified as non-current investments held-for-sale in which case, they are measured at the lower of the carrying amount or fair value less cost to sell. In case of objective evidence that an impairment loss has been incurred on investments in subsidiary companies at the date of the financial statements, the carrying amount of the investment is reduced to the recoverable amount with impairment losses recognized immediately in the profit or loss.

#### **b. Business combination**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method unless the transaction does not constitute an acquisition in form or substance. Application of the purchase method involves the following steps:

- Identifying an acquirer,
- Measuring the cost of the business combination; and
- Allocating, at the acquisition date, the cost of the combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of the business combination is measured as the aggregate of the fair values, at the (date of exchange), of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquirer recognizes the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under EAS (29) "Business Combination" at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with EAS (32) "Non-current Assets Held for Sale and Discontinued Operations", that are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition date is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in income statement.

The non-controlling interest in an acquiree is initially measured at the non-controlling interest proportionate share in the fair value of the assets, liabilities and contingent liabilities recognized.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

A business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events. The Group usually estimates the amount of any such adjustment at the time of initially accounting for the combination, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the business combination is adjusted accordingly.

However, when a business combination agreement provides for such an adjustment, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.

The Company currently holds the following direct and indirect interests in its subsidiaries:

| <u><b>Subsidiary</b></u> | <u><b>Country of<br/>Domicile</b></u> | <u><b>Ownership<br/>%</b></u> |
|--------------------------|---------------------------------------|-------------------------------|
| Beard AG Company "Beard" | Switzerland                           | 60.00                         |

#### **c. Interests in associates and joint venture entities**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Investments classified as held for sale, are accounted for in accordance with EAS (32) "Non-current Assets Held for Sale and Discontinued Operations", where they are stated at the lower of their carrying amount or fair value (less costs to sell).

Under the equity method, investments in associates and jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate / jointly controlled entity, less any impairment in the value of individual investments. Losses of an associate / jointly controlled entity in excess of the Group's interest in that associate / jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate / jointly controlled entity) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment, any difference between the cost of the investment and the investor's share of the net fair value of the associate's / jointly controlled entity's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with EAS (29) Business Combination, Therefore:

- Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investment recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.
- Any excess of the group's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is excluded from the carrying amount of the investment and is instead recognized immediately in profit or loss in the determination of the group's share of the investee's profit or loss in the period in which the investment was acquired.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment for that asset.

The following table provides a list of the Group's associates and jointly controlled entities:

|   | <u>Country of</u><br><u>Domicile</u> | <u>Ownership</u><br><u>%</u> |
|---|--------------------------------------|------------------------------|
| <u>Associates</u>                                     |                                      |                              |
| Belton Retail for Trade and Investment                | Egypt                                | 22.79                        |
| Madinet Nasr for Housing and Development S.A.E "MNHD" | Egypt                                | 7.5                          |
| Metal Art   | Egypt                                | 51.92                        |
| Infinity Solar 1 B.V                                  | Holland                              | 24.6                         |
| Infinity Solar 2 B.V                                  | Holland                              | 17.5                         |
| Infinity Solar 3 B.V                                  | Holland                              | 17.5                         |
| <u>Jointly controlled entities</u>                    |                                      |                              |
| Inergia Technologies for Information S.A.E. "Inergia" | Egypt                                | 68.04                        |
| Red Sea venture for solar energy                      | Egypt                                | 49.50                        |
| Giza Systems Company S.A.E "Giza Systems"             | Egypt                                | 44.71                        |
| Ebtikar for Financial Investment                      | Egypt                                | 24.99                        |

Giza Systems is indirectly owned through the Company's investment in Inergia (Inergia owns 65.7% of Giza Systems' shares).

Metal Art is indirectly owned through the Company's investment in Beard, (subsidiary).

**d. Investments at fair value through profit or loss**

Are comprised of held for trading investments initially recognized, at acquisition, at fair value. Held for trading investments are subsequently measured at fair value at the balance sheet date with any resultant gain or loss recognized in income statement

Realized gains or losses on sale of held for trading investments are recognized in profit or loss on the trade date, as the difference between selling price, net of commissions and expenses, and the carrying amount of sold investments.

**e. Available for sale investments**

Available for sale investments are initially recognized, at acquisition, at fair value plus transaction costs which include fees and commissions paid to agents, advisors, brokers and dealers, taxes levied by regulatory agencies and securities exchanges, and transfer taxes and duties.

After initial recognition, AFS investments are subsequently measured at fair value with gains or losses resulting from fair value measurement recognized directly in equity, until the investment is derecognized, at which time the cumulative gain or loss previously recognized in equity are then recognized in the profit or loss.

In case there is objective evidence that an impairment loss has been incurred on AFS investments at the date of the financial statements, the cumulative loss that



had been previously recognized in equity are removed from equity and recognized in profit or loss even though the investments have not been derecognized.

Unlisted equity securities classified as AFS, for which no quoted market price is available in an active market and whose fair value cannot be measured reliably are stated at cost.

**f. Goodwill**

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. This applies as well on investments in associates, where goodwill is included within the carrying amount of the investment.

The Group's policy for goodwill arising on the acquisition of an associate / jointly controlled entity is described above at "Investments in associates and jointly controlled entities".

**g. Investment properties**

Investment properties are properties held to earn rentals and or for capital appreciation. Investment properties are measured initially at cost including transaction costs, and are subsequent to the initial recognition reported in the balance sheet at historical cost, less any accumulated depreciation and impairment losses.

Gain or loss on de-recognition is calculated as the difference between the net disposal proceeds and the carrying amount of the asset.

Investment property, except for land, is depreciated using the straight line method, depreciation is charged to the income statement over the useful life of each investment property.

The following are estimated useful lives for investment properties that are used to calculate depreciation:

| <u>Description</u> | <u>Life time by years</u> | <u>Depreciation Rate</u> |
|--------------------|---------------------------|--------------------------|
| Buildings          | 50                        | 2%                       |

#### **h. Intangible assets**

Non-monetary assets that don't have physical substance, but can be identified separately, acquired for operating purpose, and expected to generate future economic benefits are treated as intangible assets. Intangible assets (excluding goodwill) include "Beard" related trademarks. Intangible assets are measured at cost, which represents the cash price at the initial recognition. In case of deferral of payments for periods exceed the normal credit terms, difference between cash price and total amount is recognized as interest.

Intangible assets are with indefinite useful lives and are tested for impairment annually.

#### **i. Cash and cash equivalents**

Cash and cash equivalents are comprised of cash on hand, and at banks, short-term demand deposits that are readily convertible to specified amounts of cash.

#### **j. Cash flows statement**

The cash flows statement is prepared applying the indirect method.

#### **k. Foreign currency translation**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Egyptian pounds; which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than Egyptian pounds are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated to Egyptian pounds at the rates prevailing at the balance sheet date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair

value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for exchange differences arising on non-monetary assets and liabilities carried at fair value, where translation differences are recognized as part of changes in fair value.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign and local subsidiaries whose reporting currencies are different from the presentation currency of the Group (EGP), are expressed in Egyptian Pounds using exchange rates prevailing at the balance sheet date, equity items are expressed in Egyptian Pounds using the historical exchange rates at the date of acquisition or incorporation. Income and expense items are translated at the average exchange rates for the year.

Exchange differences arising, if any, are classified as equity and recognized in the Group's foreign currency translation reserve.

#### **I. Revenue recognition and measurement**

Revenue is measured at the fair value of the consideration received or receivable net of tax and discounts. Generally revenue is recognized when it is highly probable that the economic benefits associated with the transaction will flow to the company; and the revenue amount can be measured reliably if the following conditions are available:

- 1) Revenue is measured reliably.
- 2) It is highly expected the flow of economic benefits related to the entity.
- 3) Accurate measurement possibility to complete the operation at the balance sheet date.
- 4) Accurate measure to the costs of the operation and the relevant costs.

The company's revenue represented below:

- Dividend income from investments is recognized when the shareholder's right to receive payment has been established and is measured at the fair value of the consideration received or receivable.
- Interest income is accrued on a timely basis, by reference to the principal outstanding and at the interest rate applicable until maturity.

#### **m. Inventory**

Inventory is stated at the lower of cost and net realizable value. Costs are being determined using the weighted average method to price goods sold. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### **n. Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and that it is probable that an outflow of economic resources will be required to settle the obligation, the costs to settle related obligations are probable and a reliable estimate is made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized in the profit or loss as finance costs.

#### **o. Taxation**

A provision for potential tax claims is generally recognized based on management comprehensive study for prior years' tax assessments and disputes.

Deferred tax assets and liabilities are recognized on temporary differences between the assets and liabilities tax basis set by the Egyptian Tax Law and its executive regulations, and their reported amounts per the accounting principles used in the preparation of the consolidated financial statements.

Accordingly, during each reporting period, an estimated income tax expense is recognized in the profit or loss that represents the sum of the tax currently payable and deferred tax with actual income tax expense recognized at year-end.

Current tax payable is calculated based on taxable profit of the year as determined in accordance with applicable local laws and regulations using tax rates enacted by the balance sheet date. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted by the balance sheet date.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity unless those related items recognized in equity have affected taxable profit and calculation of current tax expense for the year, then the related deferred tax is recognized in the income statement.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits

will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are accounted for using the balance sheet liability method and are reported in the balance sheet as non-current assets and liabilities.

**p. Dividends**

Dividends declared to the shareholders and Board of Directors are recognized as a liability in the financial statements in the year in which these dividends have been approved by the Company's shareholders.

**q. Earnings per Share**

Basic and diluted earnings per share are calculated based on dividing the profit or loss, according to the financial statements (net of employees statutory profit share and Board of Directors profit share, if any), attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

**r. Impairment of assets**

**Impairment of non-financial assets**

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The company considers each investment, whether a jointly controlled entity, or associate, as a single cash generating unit.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and those not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating

unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent the revised estimate does not exceed what the carrying amount would have been determined had the impairment loss not been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

### **Impairment of financial assets**

Financial assets other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after an impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses previously recognized in profit or loss for an investment in an AFS equity investment is not subsequently reversed through profit or loss. Any subsequent appreciation in the value of an AFS equity investment, for which an impairment loss had been previously recognized in profit or loss, is reversed directly through equity.

## **s. Financial instruments**

### **Financial assets**

Financial assets are recognized and derecognized on the "trade date" where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: investment in money market funds, cash at banks, due from related parties, credit facilities to related parties, notes receivable and certain items within other debit balances. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

### **Financial derivatives**

Derivatives (including separable embedded derivatives) are initially recognized at fair value, while attributable transaction costs are recognized in profit or loss when incurred.

Changes in fair value of derivatives during each financial period are charged to the income statement.

Embedded derivatives resulting from contractual terms contained in agreements in which the company may enter as a party with respect of both financial and non-financial instruments. Embedded derivatives that meet recognition criteria are recognized separately from the host contract and are measured at fair value through profit or loss in accordance with the accounting requirements.

### **Effective interest method**

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

### **Financial liabilities and equity instruments issued by the Company**

#### **Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the

Company are recorded at the proceeds received or net value of the transferred assets, net of direct issue costs.

Pursuant to the shareholders agreement, the Company's shareholders are entitled to redeem certain number of shares within one year over five calendar years for cash at a value proportionate to the shareholder's share in the fair value of the Company's net assets at the exercise date.

A puttable financial instrument that includes a contractual obligation for the Company to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- It entitles the holders to pro-rata share of the Company's net assets on the event of the Company's liquidation;
- It is in the class of instruments that is subordinate to all other classes of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligations for the Company to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other feature that would require classification as a liability; and
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Company over the life of the instrument.

The Company's shares meet these conditions and are classified as equity and are measured at the value of proceeds received net of issue costs, if any. If shareholders elected to exercise their rights under the agreement, shares subject to the exercised rights, if any, will be reported as a financial liability on the date of exercise.

#### Financial liabilities

Financial liabilities are classified into the following specified categories: accounts payable, due to related parties and other credit balances and they are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.



## 6. Intangible assets

|                                   | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|-----------------------------------|--------------------------|--------------------------|
|                                   | <u>EGP</u>               | <u>EGP</u>               |
| Balance at beginning of the year  | 5 318 894                | 2 360 115                |
| Retranslation differences         | 113 456                  | 2 958 779                |
| Impairment                        | (2 709 191)              | --                       |
| <b>Balance at end of the year</b> | <b>2 723 159</b>         | <b>5 318 894</b>         |

Intangible assets balance comprises cost of acquired trademarks by Beard AG (subsidiary) including the related registration fees.

## 7. Investments in associates (net)

|   | <u>No. of<br/>Shares</u> | <u>Ownersh<br/>p interest</u> | <u>December 31,<br/>2017</u> | <u>December 31,<br/>2016</u> |
|---|--------------------------|-------------------------------|------------------------------|------------------------------|
|   |                          |                               | <u>EGP</u>                   | <u>EGP</u>                   |
| Beltone Retail for Trade and Investment                       | 727 526                  | 22,79%                        | 324 723                      | 295 140                      |
| Madinet Nasr for Housing and Development "MNHD"               | 74 836 136               | %7,50                         | 302 032 670                  | 246 582 568                  |
| Metalart  |                          | %51,92                        | 65 292 521                   | 63 080 660                   |
| Infinity Solar 1 B.V  | 246                      | %24.6                         | --                           | --                           |
| Infinity Solar 2 B.V  | 175                      | 17.5%                         | --                           | --                           |
| Infinity Solar 3 B.V  | 175                      | 17.5%                         | --                           | --                           |
| <b>Less: Impairment in investments (Metalart) – (Note 21)</b> |                          |                               | <b>(53 069 039)</b>          | <b>(51 827 410)</b>          |
|   |                          |                               | <b>314 580 875</b>           | <b>258 130 958</b>           |

### Beltone Retail for Trade and Investment

The recognized share of profit for the current period amounted to EGP 29 582 (December 31, 2016: EGP 77 665), Note-(27).

### MNHD

Investment in Madinet Nasr for Housing and Development (MNHD) was classified as investments in associates as the Company has significant influence over MNHD through its direct stake and the stake owned by BIG Investments Group B.V.I Co. (related party) which holds a stake of 19.9% of the total shares of MNHD, therefore both companies own collectively 27.35% of MNHD's shares, and that have been done after taking into considerations that both BIG for Investment B-V-I and BPE Holding for Financial Investments are managed by a management contract (solo) between both companies and BPE Partners.

The recognized share of profit for the current year in the profits of associate company in the consolidated Income Statements amounted to EGP 61 642 225 (December 31, 2016: EGP 51 944 192), Note-(27).

#### Metalar

The recognized share of profit for the current period amounted to EGP 1 076 729 (December 31, 2016: EGP 2 210 765), Note-(27). In addition to the gains resulted from currency translated amounted by EGP 1 135 132 .

#### Infinity Solar B.V (1,2&3)

In partnership with Infinity Solar Energy SAE and Ib Vogt, the Company invested in three solar power generation plants located in Ben Ban, Egypt with a total capacity of 130 MW. The investment is financed through equity and debt from international development finance institutions including the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) and the shareholders of the solar energy companies. Additionally, these solar projects are part of the second round of the Ministry of Electricity's Feed-in Tariff (FiT) program to encourage the development of renewable energy resources in the country as well as private sector involvement in energy generation.

The shareholders' agreements signed by the Company and other shareholders regulate the operation and management of the solar companies and the relationship between shareholders. The terms of shareholders' agreements entitle the company to exercise significant influence over the solar entities' through participation in the financial and operating policy decisions of the investees and accordingly are accounted for as investments in associates.

The shareholders' agreements provide that the planned investment period will be four years starting from the commercial operation date of the solar plants where the company will exit the investments through sale, otherwise the company will have the option to put all of its shares in the solar entities after the elapse of the mentioned four years' period, the option will be excisable at any time during a period of 2.5 years. The company subscribed for shares in the capital of the solar entities, each share capital has par value of USD 1. The issued shares are not paid and are only payable on the call of each investee. Each solar entity is a private company with limited liability incorporated under the laws of the Netherlands, and each solar entity ultimately invests in a joint stock company that undertake the solar power generation related activities in Egypt. The finance made by the Company to the solar entities, which takes the form of shareholders loans, reached EGPM 94.7 at December 31, 2017 (note 12).

## 8. Available for sale investments

| <u>Name of Company</u>  | <u>No. of<br/>Shares</u> | <u>Ownership</u> | <u>December<br/>31, 2017<br/>EGP</u> | <u>December 31,<br/>2016<br/>EGP</u> |
|-------------------------|--------------------------|------------------|--------------------------------------|--------------------------------------|
| Total Egypt LLC "Total" | 412 809                  | 7.97%            | 141 262 077                          | 141 262 077                          |
|                         |                          |                  | <b>141 262 077</b>                   | <b>141 262 077</b>                   |

\*Pursuant to the shareholders' agreement signed in 2013 with Total OM "parent company of Total Egypt", the Company invested EGP 141 262 077 in Total, and accounts for its investment as an available for sale investment. The Company's share in Total was 13.01% as at December 31, 2013. During 2014, Total called for a capital increase and the Company did not subscribe in this capital increase, which diluted the Company's interest from 13.01% to 7.97%. The commercial register of Total has been amended to reflect the capital increase on September 24, 2014.

The shareholders' agreement signed between the Company and Total O M "parent company of Total Egypt" stipulates that the Company has a put option to sell all or part of the shares owned to Total O M, the put option is exercisable starting from the sixth year until the thirteenth year from the date of signing the shareholders' agreement. In contrast, Total O M has the option to call all of the shares owned by the Company starting from the sixth year until the thirteenth year from the date of signing the shareholders' agreement.

## 9. Investments in joint Venture

|   | <u>Ownership<br/>interest</u> | <u>No. of<br/>Shares</u> | <u>December<br/>31, 2017<br/>EGP</u> | <u>December<br/>31, 2016<br/>EGP</u> |
|---|-------------------------------|--------------------------|--------------------------------------|--------------------------------------|
| Inergia Technologies for Information Systems "Inergia"                | 68.04 %                       | 5 532 124                | 174 599 355                          | 146 825 864                          |
| Red Sea Venture for Solar Energy                                      | 49.5%                         | 7 425                    | 5 727 150                            | 5 727 150                            |
| Ebtikar for Financial investment                                      | 24.99                         | 162 498                  | 16 249 800                           | --                                   |
| <b>Less:</b> Impairment in joint venture investment (Red Sea Venture) |                               |                          | (5 727 150)                          | (5 727 150)                          |
|   |                               |                          | <b>190 849 155</b>                   | <b>146 825 864</b>                   |

### Inergia Technologies for Information Systems "Inergia"

Pursuant to the shareholders' agreement, Inergia an SPV created late 2006 by the Company and the management team of Giza Systems Company "S.A.E" "Giza Systems" for the purpose of owning a controlling stake in Giza Systems. Currently, Inergia owns a stake of 65.7% in Giza Systems' shares.

Despite of owning 68.04% of the share capital and voting rights in Inergia Technologies for information Systems Company, but according to the contractual terms contained in shareholders' agreement for Inergia Company referred to above with the parties managing Giza Systems, both contracting parties have joint control over Inergia and Giza Systems.

The recognized share of profit for the current year amounted to EGP 41 341 376 (December 31, 2016: EGP 27 815 133), Note-(27) and the impact resulted from the company's share in the retranslation reserve related to foreign operations in the investee's equity amounted to EGP 10 539 958, and also decrease it by the reserve of business combinations by an amount of 306 435 EGP.

#### Red sea venture for solar energy

On May 19, 2015 the Company established Red Sea Venture for Solar Energy "S.A.E" for the purpose of design, construction and management, operation and maintenance of electricity production plants from renewable energy (solar energy). The investee's authorized capital amounted to EGP 150 million, and the issued capital amounted to EGP 15 million. The Company's share is 49.5% of the investee's capital. The initial investment amount of EGP 5 727 150 was paid and represents 77.13% of the investee's share capital, and was recorded in its commercial register on October 7, 2015.

Investment in Red Sea Venture for Solar Energy "S.A.E" is initially recognized as a jointly controlled entity based on the preliminary agreement between the company and the other shareholders which provide that the decision making process will be jointly made by the parties to the agreement.

During third quarter of 2016 the company sold around 25% of the investee's capital pursuant to executed shares selling order, the shares selling price was USD 319,439 and sale transaction was conditional on the investee obtaining the necessary approval to get into solar power agreement with governmental entities before the end of the financial year 2016. During the fourth quarter of 2016, the investee could not obtain the required approval and the buyer of the shares mentioned above exercised its right and requested the company to buy back the sold shares at the same value. The company recognized the value of shares as part of the investment cost and as financial liability payable to the buyer, the liability was paid during 2017.

#### Ibtekar for Investment Finance

On June 12, 2017 the Company subscribed in the capital of a new investment, Ibtekar for Investment Finance. The company and the management company BPE Partners SAE collectively hold 50% of the investee's capital, the investment was classified as investment in joint venture. The remaining 50% of the investment is owned by MM Group for Industrial and International Trade S.A.E.

#### 10. Investment properties (net)

|                                 | <u>Mohandseen</u>              |             | <u>Maadi</u>                   |             | <u>Total</u> |
|---------------------------------|--------------------------------|-------------|--------------------------------|-------------|--------------|
|                                 | <u>Administration Building</u> |             | <u>Administration Building</u> |             |              |
|                                 | <u>EGP</u>                     |             | <u>EGP</u>                     |             | <u>EGP</u>   |
| <u>Cost</u>                     | <u>Building</u>                | <u>Land</u> | <u>Building</u>                | <u>Land</u> |              |
| On January 1, 2017              | 6 410 639                      | 40 585 000  | 9 504 959                      | 57 922 825  | 114 423 423  |
| On December 31, 2017            | 6 410 639                      | 40 585 000  | 9 504 959                      | 57 922 825  | 114 423 423  |
| <u>Accumulated depreciation</u> |                                |             |                                |             |              |
| On January 1, 2017              | 256 426                        | --          | 380 198                        | --          | 636 624      |
| Depreciation during the year    | 128 213                        | --          | 190 099                        | --          | 318 312      |
| On December 31, 2017            | 384 639                        | --          | 570 297                        | --          | 954 936      |
| <u>Netbook value as of</u>      |                                |             |                                |             |              |
| December 31, 2017               | 6 026 000                      | 40 585 000  | 8 934 662                      | 57 922 825  | 113 468 487  |
| December 31, 2016               | 6 154 213                      | 40 585 000  | 9 124 761                      | 57 922 825  | 113 786 799  |

The Investment properties are represented in 2 administrative buildings the 1st at the Mohandseen & the other one in Maadi. Both are registered in the name of the company.

The Company leased the Mohandseen's building to Nile Engineering & Trading Co. (Shams & Co.) pursuant to an operating lease starting July 1, 2017 and for a period of 2 years. With a monthly rental payments of EGP 430 000 till June 30, 2019.

The fair value of the Investment Properties reached EGP 119 795 800 according to the most recent real state valuation report prepared by an independent valuator at December 31, 2017.

#### 11. Treasury bills

During the year, the company invested in treasury bills by an amount of EGP 99 042 646, interest income recognized during the period amounted to EGP 6 421 383. The maturities of the treasury bills are due within a range of periods from 6-12 months.

|                                  | <u>December 31,</u> | <u>December 31,</u> |
|----------------------------------|---------------------|---------------------|
|                                  | <u>2017</u>         | <u>2016</u>         |
|                                  | <u>EGP</u>          | <u>EGP</u>          |
| Treasury bills                   | 112 250 000         | --                  |
| <b>Less:</b> unrealized interest | (6 785 970)         | --                  |
|                                  | <u>105 464 030</u>  | <u>--</u>           |

## 12. Loans to associates

|                     | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> | <u>December</u><br><u>31, 2016</u><br><u>EGP</u> |
|---------------------|--|--|
| Infinity Solar B.V1 | 28 261 580                                       | --   |
| Infinity Solar B.V2 | 47 415 014                                       | --   |
| Infinity Solar B.V3 | 19 040 760                                       | --   |
|                     | <u>94 717 354</u>                                | <u>--</u>  |

On December 31, 2017, the Company signed shareholder loan agreements with its investees, the solar entities as disclosed in note 8. The loans were made pursuant to the shareholders' agreements governing the company's investments in the solar entities. The company's funding to its investees is in the form of shareholder loans that will be repaid, from the operation of the solar plants projects undertaken in Egypt by the investee's of the solar entities, during the investment period and on the company's exit from the investments in if sale or exercise of the put option occur before full repayment.

Total loan amount at December 31, 2017 reached EGPM 94.7, the loans are denominated in USD, and earn interest rate of 10 % per annum.

## 13. Due from related parties

|  | <u>Relationship</u><br><u>nature</u> | <u>Account</u><br><u>nature</u> | <u>December</u><br><u>31, 2017</u><br><u>EGP</u> | <u>December</u><br><u>31, 2016</u><br><u>EGP</u> |
|--|--------------------------------------|---------------------------------|--|--|
| Metal Art  | Associate                            | Current account                 | 3 176 069  | 11 118 436                                       |
| Red Sea venture for solar energy                           | Joint venture                        | Current account                 | 1 143 958  | 1 080 532  |
| <b><u>Less:</u></b> Impairment in due from related parties |                                      |                                 | (3 143 958)                                      | --   |
|  |                                      |                                 | <u>1 176 069</u>                                 | <u>12 198 968</u>                                |

## 14. Inventory (net)

|  | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> | <u>December 31,</u><br><u>2016</u><br><u>EGP</u> |
|--|--|--|
| Goods for sale   | 3 305 281  | 3 305 281  |
| <b><u>Less:</u></b> Write down to net realizable value | ( 3 305 281)                                     | ( 3 305 281)                                     |
|  | <u>--</u>  | <u>--</u>  |

15. **Accounts and notes receivable, net**

a. **Accounts receivable**

|   | <b><u>December<br/>31, 2017</u></b> | <b><u>December 31,<br/>2016</u></b> |
|---|-------------------------------------|-------------------------------------|
|   | <b><u>EGP</u></b>                   | <b><u>EGP</u></b>                   |
| Account receivables                                   | 1 672 955                           | 1 672 955                           |
| <b><u>Less:</u></b> Impairment of accounts receivable | (1 672 955)                         | (1 672 955)                         |
|   | <b><u>--</u></b>                    | <b><u>--</u></b>                    |

b. **Notes receivable**

|  | <b><u>December 31,<br/>2017</u></b> | <b><u>December 31,<br/>2016</u></b> |
|--|-------------------------------------|-------------------------------------|
|  | <b><u>EGP</u></b>                   | <b><u>EGP</u></b>                   |
| BIG Investment Group B.V.I *                     | --                                  | 59 400 000                          |
| Shams Industry Company**                         | --                                  | 8 273 935                           |
| <b><u>Less:</u></b> Provision for doubtful debts | --                                  | (7 050 703)                         |
|  | <b><u>--</u></b>                    | <b><u>60 623 232</u></b>            |

\*During the year, the Company collected the full amount due from BIG Investment Group, additionally, the Company signed a settlement agreement with BIG during 2017, pursuant to the agreement the Company collected interest on the receivable balance outstanding since 2014 and until full settlement, the interest amount reached EGP 12.9 and was collected in the fourth quarter and recognized in the statement of income.

\*\*During the year the company written-off an amount of EGP 3 841 571 from the notes receivable due from Shams Industry Company, the impairment amount was previously recognized in prior year, and the write off was against the impairment balance.

#### 16. Other debit balances

|                                   | <u>December</u><br><u>31, 2017</u> | <u>December</u><br><u>31, 2016</u> |
|-----------------------------------|------------------------------------|------------------------------------|
|                                   | <u>EGP</u>                         | <u>EGP</u>                         |
| Deposits held with others         | 46 795                             | 46 795                             |
| Accrued interest on time deposits | 2 456 585                          | 3 957 888                          |
| Accrued rental income             | 2 250 000                          | 1 385 443                          |
| Accrued dividends income          | 2 585 420                          | --                                 |
| Prepaid expenses                  | 113 353                            | 62 957                             |
| Income tax receivable             | 47 852                             | 47 852                             |
| Withholding tax receivable        | 9 000                              | 9 000                              |
| Hazem Ahmed Hazem Meharm          | --                                 | 659 770                            |
| Mohamed Shehab Eldin Alnwawy      | --                                 | 652 610                            |
| Advance payment to suppliers      | 694 719                            | 107 251                            |
|                                   | <u><b>8 203 724</b></u>            | <u><b>6 929 566</b></u>            |

#### 17. Cash at banks

|   | <u>December 31,</u><br><u>2017</u> | <u>December 31,</u><br><u>2016</u> |
|---|------------------------------------|------------------------------------|
|   | <u>EGP</u>                         | <u>EGP</u>                         |
| Bank current accounts - local currency      | 4 934 405                          | 1 608 796                          |
| Bank current accounts - foreign currencies  | 883 888                            | 364 802                            |
| Time deposits at banks (local currency)     | 20 775 483                         | 16 990 809                         |
| Time deposits at banks (foreign currencies) | 68 370 178                         | 183 964 907                        |
|   | <u><b>94 963 954</b></u>           | <u><b>202 929 314</b></u>          |

For the purpose of preparing consolidated cash flows statement, the cash and cash equivalents are comprised of the following:

|                                      | <u>December 31,</u><br><u>2017</u> | <u>December 31,</u><br><u>2016</u> |
|--------------------------------------|------------------------------------|------------------------------------|
|                                      | <u>EGP</u>                         | <u>EGP</u>                         |
| Cash at banks                        | 94 963 954                         | 202 929 314                        |
| Less: Deposit more than three months | (68 370 178)                       | (92 532 887)                       |
|                                      | <u><b>26 593 776</b></u>           | <u><b>110 396 427</b></u>          |



**18. Due to related parties**

|               | <u>Relationship<br/>nature</u> | <u>Account<br/>nature</u> | <u>December 31,<br/>2017<br/>EGP</u> | <u>December 31,<br/>2016<br/>EGP</u> |
|---------------|--------------------------------|---------------------------|--------------------------------------|--------------------------------------|
| BPE Partners. | Management<br>company          | Management<br>fees        | 2 951 630                            | 2 912 965                            |
|               |                                |                           | <u>2 951 630</u>                     | <u>2 912 965</u>                     |

**19. Accounts payable and other credit balances**

|                       | <u>December 31,<br/>2017<br/>EGP</u> | <u>December 31,<br/>2016<br/>EGP</u> |
|-----------------------|--------------------------------------|--------------------------------------|
| Accounts payable      | 248 429                              | 5 203 181                            |
| Accrued expenses      | 8 003 459                            | 2 093 807                            |
| Withholding tax       | 62 471                               | 180 841                              |
| Other credit balances | --                                   | 37 097                               |
|                       | <u>8 314 359</u>                     | <u>7 514 926</u>                     |

**20. Provisions**

|                     | <u>December 31,<br/>2016<br/>EGP</u> | <u>Formed<br/>during the year</u> | <u>December 31,<br/>2017<br/>EGP</u> |
|---------------------|--------------------------------------|-----------------------------------|--------------------------------------|
| Provision of claims | 7 897 896                            | 2 500 000                         | 10 397 896                           |
|                     | <u>7 897 896</u>                     | <u>2 500 000</u>                  | <u>10 397 896</u>                    |

## 21. Impairment movement in financial and non-financial assets

|  | <u>December</u><br><u>31, 2016</u> | <u>Formed</u>    | <u>No longer</u><br><u>required</u> | <u>Write off</u>   | <u>FORX</u><br><u>translation</u> | <u>December</u><br><u>31, 2017</u> |
|--|------------------------------------|------------------|-------------------------------------|--------------------|-----------------------------------|------------------------------------|
|  | <u>EGP</u>                         | <u>EGP</u>       | <u>EGP</u>                          | <u>EGP</u>         | <u>EGP</u>                        | <u>EGP</u>                         |
| Impairment in associate Investment     | 51 827 410                         | --               | --                                  | --                 | 1 241 629                         | 53 069 039                         |
| Impairment in Joint Venture Investment | 5 727 150                          | --               | --                                  | --                 | --                                | 5 727 150                          |
| Impairment Intangible asset            | --                                 | 2 709 191        | --                                  | --                 | --                                | 2 709 191                          |
| Impairment in Notes Receivables        | 7 050 703                          | --               | (3 209 132)                         | (3 841 571)        | --                                | --                                 |
| Impairment in inventory                | 3 305 281                          | --               | --                                  | --                 | --                                | 3 305 281                          |
| Impairment in accounts receivable      | 1 672 955                          | --               | --                                  | --                 | --                                | 1 672 955                          |
| Impairment in related parties          | --                                 | 3 133 699        | --                                  | --                 | 10 259                            | 3 143 958                          |
| <b>Total movement during the year</b>  |                                    | <u>5 842 890</u> | <u>(3 209 132)</u>                  | <u>(3 841 571)</u> | <u>1 251 888</u>                  |                                    |

\* The translation reserve of subsidiary company financial statements represented in retranslation of foreign currency operations balance in subsidiary company by the closing price of the financial position items to those companies.

## 22. Capital

The Company's authorized capital amounted to EGP 2.4 billion, and the issued and paid-up capital amounted to EGP 584 464 310 divided into 58 446 431 shares of EGP 10 par value each.

On September 14, 2017, the extra ordinary generally assemble meeting approved the splitting of the company's shares into two shares for each share, the stock split was registered in the commercial register on December 21, 2017. The revised capital structure became issued and paid-up capital amounted to EGP 584 464 310 divided into 116 892 862 shares of EGP 5 par value each after the stock split.

on December 20, 2017, the extra ordinary generally assembly approved the increase of the company's issued capital with a maximum amount of EGP 375 million, the increase will be effected through an initial public offering and private subscription provided that the subscription of such increase shall be offered based on the fair value of the new shares as determined by an independent financial advisor. It has been also approved to delegate the company's board of directors to determine the dates of the subscription in the capital increase within the limits provided for above, as well as to delegate the Board of Directors (BOD) to take all required procedures towards listing

capital increase shares on the EGX. the public offering and private subscription of the company's shares started on March 6, 2018 and will continue until March 25, 2018, at EGP 10.75 per share.

Shareholders of the Company, pursuant to the shareholders' agreements, have the option to put back to the company certain number of shares per year over predetermined period.

During 2017, the company, the management company and the shareholders signed a new shareholders' agreement to cancel the rights and obligations under the original shareholders' agreements including the put option rights which were granted in the old shareholders' agreements, the cancelation of these rights are conditional upon completion of the listing process by March 31, 2018 and that no delisting of the Company's during a period of six months following the listing as disclosed in more details in note (29.a).

### **23. Legal reserve**

In accordance with the Companies Law No. 159 for 1981 and articles of association, 5% of the annual net income is required to be transferred to a legal reserve until its balance reaches 50% of issued capital. The Company is required to resume transfer of net profit to the legal reserve once its balance falls below this percentage. This reserve can be used for covering incurred losses and for the increase of the Company capital subject to the approval of the shareholders in a general assembly.

## 24. Deferred tax liabilities

Deferred tax liabilities for the year ended December 31, 2017 as follows:

|   | <u>Temporary<br/>difference</u><br><u>EGP</u> | <u>Deferred tax<br/>liability</u><br><u>EGP</u> |
|---|---|---|
| <b><u>Deferred tax liability form the depreciation of<br/>properties investment</u></b> |   |   |
| Balance at December 31, 2016  | (954 934)                                     | (214 860)                                       |
| Movement during the year ( on income statement)   | (477 467)                                     | (107 430)                                       |
| <b>Balance at December 31, 2017.</b>  | <b><u>(1 432 401)</u></b>                     | <b><u>(322 290)</u></b>                         |
| <b><u>Deferred tax liability on unrealized foreign<br/>exchange difference.</u></b>     |   |   |
| Balance at December 31, 2016  | (109 609 454)                                 | ( 24 662 127)                                   |
| Movement during the year ( on income statement)   | 71 384 290                                    | 16 061 465                                      |
| <b>Balance at December 31, 2017.</b>  | <b><u>(38 225 164)</u></b>                    | <b><u>(8 600 662)</u></b>                       |
| <b><u>Deferred tax assets are carried forward losses</u></b>                            |   |   |
| Balance at December 31, 2016  | 11 154 155                                    | 2 509 679                                       |
| Movement during the year ( on income statement)   | (11 154 155)                                  | (2 509 679)                                     |
| <b>Balance at December 31, 2017.</b>  | <b><u>--</u></b>                              | <b><u>--</u></b>                                |
| <b>Net deferred tax</b>   | <b><u>(39 657 565)</u></b>                    | <b><u>(8 922 952)</u></b>                       |
| <b>Total movement in profit and losses</b>  |   | <b><u>(13 444 356)</u></b>                      |

The deferred tax assets were not recognized on the following items due to insufficient assurance to realize them in the future.

|  | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> | <u>December 31,</u><br><u>2016</u><br><u>EGP</u> |
|--|--|--|
| Impairment in Joint Venture Investment | 5 727 150  | 5 727 150  |
| Impairment in associate Investment     | 7 273 507  | 7 273 507  |
| Impairment in subsidiary Investment    | 27 412 102                                       | 27 412 102                                       |
| Provision                              | 10 397 896                                       | 7 897 896  |
| Impairment in related parties          | 1 143 957  | --   |
| Impairment in Notes Receivables        | --   | 7 050 703  |
| <b>Total movement during the year</b>  | <b><u>51 954 612</u></b>                         | <b><u>55 361 358</u></b>                         |

## 25. Basic and diluted earnings per share

**Basic:** Basic earnings per share is calculated by dividing the net profit attributable to shareholders' of the Company by the weighted average number of ordinary shares outstanding during the year.

**Diluted:** Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all convertible financial instruments and share options. The net profit is adjusted by omission of the cost of convertible debt instruments taking tax effect into consideration. As there are no debt instruments that are convertible to shares, so diluted and basic earnings per share are equal.

|   | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> | <u>December 31,</u><br><u>2016</u><br><u>EGP</u> |
|---|--|--|
| Net profit for the year attributable to the shareholders' of the Parent Company | 133 177 110                                      | 152 636 257                                      |
| Weighted average number of shares   | 116 892 862                                      | 116 892 862                                      |
| <b>Basic and diluted earnings per share</b>                                     | <b>1.14</b>                                      | <b>1.31</b>                                      |

On September 14, 2017 the extra ordinary generally assemble meeting approved the split of the company's shares into two shares for each share, the stock split was registered in the commercial register on December 21, 2017. the number of shares after the stock split is 116 892 862 shares of EGP 5 par value each.

## 26. Significant related parties transactions

| <u>Company name</u> | <u>Nature of relation</u> | <u>Type of transaction \</u><br><u>balance</u> | <u>Value of transaction (cost)</u><br><u>revenue</u> |
|---------------------|---------------------------|--|--|
| BPE Partners        | Management company        | Management fees                                | (11 651 349)   |

## 27. Group's share of profits of investment in associates and joint venture entities

|  | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> | <u>December 31,</u><br><u>2016</u><br><u>EGP</u> |
|--|--|--|
| MNHD   | 61 642 225                                       | 51 944 192                                       |
| Inergia Technologies for information systems | 41 341 376                                       | 27 815 132                                       |
| Metalar co.                                  | 1 076 729  | 2 210 765  |
| Beltone retail for trade and investment      | 29 583   | 77 665   |
|  | <b>104 089 913</b>                               | <b>82 047 755</b>                                |

## 28. Finance income

|   | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> | <u>December</u><br><u>31, 2016</u><br><u>EGP</u> |
|---|--|--|
| Return on investments in money market funds | --   | 164 464  |
| Interest income on time deposits            | 14 889 487                                       | 3 605 412  |
| Interest income on notes receivable         | 12 940 222                                       | --   |
| Return on treasury bills                    | 6 421 384  | --   |
|   | <u>34 251 093</u>                                | <u>3 769 876</u>                                 |

## 29. Shareholders and management agreements

### a. Shareholders agreement

During 2006, the Company has entered into a shareholders' agreement with its shareholders and the management company "BPE Partners", which governs the following:

- Formation of the Board of Directors, and its responsibilities.
- The relationship with the management company.
- Determination of the investing, operating, environmental, and anti-money laundry policies.
- Expenses incurred by the Company and those borne by the management company.
- Performance fees earned by the investment manager directly from the shareholders, in case of exit by sale or in any other form, on the condition that the recognized returns exceeding a hurdle rate according to the agreement.
- Shareholders have the right to put, over 5 calendar years, 20% per annum of their shares to the Company. The exercise price will be at an aggregate consideration equal to the shareholders' pro-rata share of the Company's net assets fair value. 46.7 million Shares are puttable from and including years 2011 to and including 2015, while 11.7 million shares (representing the capital increase shares completed in 2012) are puttable from and including years 2014 to and including 2018.
- During 2013, a shareholder exercised its right pursuant to the shareholders' agreement and requested the Company to buy-back 823 984 shares. Management estimated the fair value of these shares as of December 31, 2013 in the amount of EGP 9.9 million which was recorded as other current liabilities in the statement of financial position with a corresponding decrease to shareholders' equity by the same amount recorded in the statement of changes in equity. The shareholders' agreement provides that the exercise price is determined at end of the financial during which the exercise took place, further, it provides that upon shareholder

exercise of the put option, the Board of Directors of the Company – due to insufficient liquidity resulting from realized profits – has the right to postpone settlement of all or part of the shareholder's due amount for a period that could extend up to 31 December 2017.

During 2014 the same shareholder has exercised its right to put additional 823 984 shares back to the Company. Management has estimated the fair value of these shares as of December 31, 2014 in the amount of EGP 13 million. Thus total liability amounted to EGP 22.9 million.

On June 25, 2015 the same shareholder sent a request to exercise the right of selling additional number of shares he owns in the company's capital, the value will be determined by the end of year 2015. On May 13, 2015 the shareholder withdrawn and irrevocably cancelled the first buy back exercise letter issued on June 28, 2013 and that was recognized at value of EGP 9.9 million. Additionally on July 16, 2015 the shareholder irrevocably cancelled the second and third buy back exercise letters issued on June 17, 2014 and June 25, 2015 respectively.

As a result of the withdrawal and irrevocable cancellation of the exercise letters took place during 2015, the Company cancelled the recorded liability with total amount of EGP 22.9 million.

During 2017, the company, the management company and the shareholders signed a shareholders' agreement as a part of the offering of the company's shares to cancel the rights and obligations under the original shareholders' agreements including the put option rights which were granted in the old shareholders' agreements, the cancellation of these rights are conditional upon completion of the listing process of the Company's shares by March 31, 2018 and that no delisting of the Company's shares occur during a period of six months following the listing.

#### **b. Management agreement**

During 2006, The Company has signed a management agreement with BPE Partners SAE, whereby the management company will manage the Company for an annual management fees of 2% calculated based on the paid up capital, which will be settled on quarterly basis.

The management company is entitled to contingent success fees of 20% of realized profits exceeding cumulative hurdle rate specified in the management agreement. No success fees were recognized during the current and prior years as the achieved results did not exceed the cumulative hurdle rate.

On 19/7/2017, The Company has signed a new management agreement with BPE Partners SAE, the signed new management agreement will take effect once the listing of the company's shares take effect on the EGX.

Pursuant to the terms of the new management agreement, the management company is entitled to a management fees of 2% of the company's capital up to EGP 600 million and 1.5% of any capital increase of more than EGP 600 million Up to EGP 1.2 billion and 1% on any capital increase of more than EGP 1.2 billion.

Additionally, the management company is entitled to a performance fee, the performance fee will be due to the management company only on the exit of investments entered into by the Company.

Performance fees for existing investments at the date the new management agreement takes effect will be 15% of the gains on any existing investment calculated as the difference between cash proceeds net of taxes and fees received from the disposal and distribution (dividend, interest, or rent) of the investment and the adjusted cost of the existing investment. The adjusted cost is the historical cost of the investment accumulated at an acceptable rate of return on investment (10% per annum) for each year following the acquisition date of the investment until the date on which the new management agreement takes effect.

Performance fees on new investments entered into by the Company starting from the date on which the new management agreement takes effect will be 15% of the gain on the investment calculated as the difference between the cash proceeds net of taxes and fees received from the disposal and distribution (dividend, interest, or rent) of the investment and the aggregate cost of such investment.

### **30. Financial instruments and risk management**

The company's financial instruments comprise financial assets and liabilities. Financial assets comprise cash at banks and on hand, due from related parties, financial investments at fair value through profits or losses, AFS investments, accounts receivable, settlement accounts at clearance banks, balances due on others or related parties. Financial liabilities comprise credit facilities, creditors, certain creditor's clients, and amounts due to related parties.

The company is exposed to several financial risks arising from its ongoing activities that may affect the carrying amounts of its financial assets and liabilities as well as the relevant revenues and expenses. The significant risks related to financial instruments and significant policies and procedures adopted by management to minimize the effect of those risks, are summarized below.

#### **Capital management**

The company manages its capital to ensure that it will be able to continue as going concerns, in order to generate returns for shareholders, benefits for other stakeholders and to provide an adequate return for shareholders.

The company's risk management committee reviews the capital structure of the company on a regular basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.



## **Categories of financial instruments**

|   | <b><u>December 31,</u></b><br><b><u>2017</u></b> | <b><u>December 31,</u></b><br><b><u>2016</u></b> |
|---|--|--|
| <b><u>Financial assets</u></b>          |  |  |
| Cash and cash equivalents               | 94 831 788                                       | 202 929 314                                      |
| Loans and receivable                    | 102 921 078                                      | 79 751 766                                       |
| Financial assets available for sale     | 246 726 107                                      | 141 262 077                                      |
| <b><u>Financial liabilities</u></b>     |  |  |
| Financial liabilities at amortized cost | 21 221 295                                       | 24 125 753                                       |

## **Financial Risk Management Objectives**

The company monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The use of financial instruments are governed by the appropriate monetary and credit policies to be approved by the Board of Directors.

The company's management reviews these risks through preparing reports to be sent to the audit committee quarterly.

### **Foreign currency risk**

Foreign currency risk represents fluctuations in exchange rates of foreign currencies, which affects receipts and disbursements in foreign currencies as well as the evaluation of assets and liabilities denominated in foreign currencies. Management monitors the company's foreign currencies position and the exchange rates declared by banks, and reduces overdrafts in foreign currencies, on an ongoing-basis, since most of those assets represent cash at bank, documents for investment fund with a relatively cash nature, which reduces this risk to a minimum level.

### **Interest rate risk**

Interest rate risk represents the fluctuations in interest rates which may have an impact on the company's results of operations and cash flows. All financial assets and liabilities are not subject to variable interest rates, thus the cash flows interest rate risk is considered limited.

### **Liquidity risk**

Liquidity risk is represented in inability of the company to meet its financial liabilities when they become due, which are paid in cash or another financial asset. The company manages financial liquidity to ensure - as much as possible - its possession of sufficient amount of liquidity to meet its liabilities when due in the normal and exceptional circumstances without incurring unacceptable losses, or impact on the company's reputation.

The remaining contractual dues of the financial liabilities, which include the payment of estimated interest and does not the impact of the liquidation contract.

### **Credit risk**

The credit risk is represented in the inability of clients, related parties or other parties, who are granted credit, to pay their dues. The company studies the credit position before the granting credit, and the company reviews its due balances, and loans granted to related parties on a regular basis.

The company reviews this risk, and submits quarterly reports to the audit committee for this risk, and the means of facing its impact on the interim financial statements.

The maximum credit risk is represented as follows:

|                              | <b><u>December 31,</u></b> | <b><u>December 31,</u></b> |
|------------------------------|----------------------------|----------------------------|
|                              | <b><u>2017</u></b>         | <b><u>2016</u></b>         |
| Cash at banks                | 94 963 954                 | 202 929 314                |
| Notes receivables-short term | --                         | 60 623 232                 |
| Due from related party       | 1 176 069                  | 12 198 967                 |
| Other debit balances         | 8 203 724                  | 6 929 565                  |
| Treasury bills               | 105 464 030                | --                         |
| Loans for related parties    | 94 717 354                 | --                         |
|                              | <b><u>304 525 131</u></b>  | <b><u>282 681 079</u></b>  |

### **31. Tax position**

#### **Corporate Tax**

The Company submitted its corporate tax for each period according to the provisions of the Income Tax Law and its amendments since inception date until December 31, 2016 on its due date.

The years 2006/2008: The company was not selected in the inspection sample and therefore the submitted tax returns by the company for these years were approved by the tax authority in accordance with the provisions of Law No. 91 of 2005.

The year 2009: The Company received a tax form "19" with a "number 5060" dated 26/4/2015 (deemed tax) amounting to LE 8.234.540 for the year 2009. The company Appealed on the tax form 19 on in the legal deadline to terminate the deemed tax effect and actual re-inspection of books and documents.

The years 2010/2016: The preparation of the inspection minutes are completed of these years as well as the year 2009 in accordance with the books and supporting documents by the electronic systems inspection unit at the tax authority and the tax form 19 company will be sent to the company during the coming period.

#### **payroll taxes:**

The years 2005/2010: The Company was notified with a deemed tax with an amount of EGP 13 580 305 under payroll tax Form No. 38 for the years 2005/2010 with the number 6919 dated 29/9/2015. The company appealed on the tax form 38 on the legal deadline to avoid the tax effect of the deemed tax and re-inspect the books and documents on actual basis, noting that the company has no employees and supporting documents were provided.

The years 2011/2016: supporting documents were prepared that there are no employees on the company that are subject to the payroll tax in addition to the years 2005/2010 and submitted for inspection.

#### **Stamp Tax**

The period from the inception date until 2015: The company has not received any notices of stamp duty inspection.

#### **Withholding Tax**

The Company deducts the due withholding tax according to the provisions of the Income Tax Law and submits this tax to the Tax Authority regularly and on its due date, taking into consideration that the Company's books have been inspected and no differences were identified.

#### **• Beard A.G**

The profits of the subsidiary are subject to the provisions of the Swiss tax law since the company is considered a non-resident company according to the Egyptian tax laws.

### **32. Subsequent events**

During the year 2018, 5 million shares were offered through a public offering in addition to a private placement of 38.1 million shares during the period from 6 March 2018 to 25 March 2018 at a price of LE 10.75 per share including issuance expenses representing 2.5% of the nominal value of the share. As of the date of issuing the financial statements, trading in the company's shares has not started on the Egyptian Stock Exchange.