

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

**Separate 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 Separate Financial Statements**

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

These separate financial statements are the responsibility of the Company's management, Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Egyptian Accounting Standards and the prevailing Egyptian laws and regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the separate 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 separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and applicable Egyptian Laws. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate financial statements.

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

## **Opinion**


In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of BPE Holding for Financial Investments "S.A.E." as of December 31, 2017, and of its separate financial performance and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

## **Report on the Legal and Other Organizational Requirements**

The Company maintains proper books of accounts, which include all that is required by the law and the statutes of the Company and the financial statements agree thereto.

The financial information referred to in the Board of Directors Report is prepared in compliance with Law No. 159 for 1981 and its executive regulation thereto and is in agreement with the Company's books of accounts.

Cairo, March 27 2018

  
**Samy Habib Deif ACCA**

**FESAA (R.A.A 13485)**

**EFSA Register No. "373"**



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

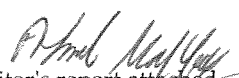
	Note	December 31, 2017 EGP	December 31, 2016 EGP
<b><u>Assets</u></b>			
<b><u>Non-current assets</u></b>			
Investments in subsidiaries (net)	(6)	9 453 732	9 453 732
Investments in joint ventures (net)	(7)	71 571 040	55 321 240
Investments in associates (net)	(8)	153 856 436	153 856 436
Available for sale investments	(9)	141 262 077	141 262 077
Investment properties (net)	(10)	113 468 487	113 786 799
Loans for related parties	(12)	94 717 354	-
<b>Total-non current assets</b>		<b>584 329 126</b>	<b>473 680 284</b>
<b><u>Current assets</u></b>			
Treasury bills	(11)	105 464 030	-
Due from related parties	(13)	-	1 080 532
Other debit balances	(14)	8 203 724	6 929 566
Notes receivable	(15)	-	60 623 232
Cash at banks	(16)	94 831 788	202 783 160
<b>Total current assets</b>		<b>208 499 542</b>	<b>271 416 490</b>
<b>Total assets</b>		<b>792 828 668</b>	<b>745 096 774</b>
<b><u>Equity and liabilities</u></b>			
<b><u>Equity</u></b>			
Issued and paid-up capital	(21)	584 464 310	584 464 310
Legal reserve	(22)	10 577 468	6 997 113
Retained earnings		104 004 637	35 977 893
Net profit for the year		45 289 276	71 607 099
<b>Total equity</b>		<b>744 335 691</b>	<b>699 046 415</b>
<b><u>Non-Current liabilities</u></b>			
Deferred tax liabilities	(23)	8 922 951	22 367 308
<b>Total-non current liabilities</b>		<b>8 922 951</b>	<b>22 367 308</b>
<b><u>Current liabilities</u></b>			
Due to related parties	(25,17)	2 951 376	2 912 837
Accounts payable and other credit balances	(18)	7 865 578	7 072 343
Income tax		18 355 176	-
Other financial liabilities		-	5 799 975
Provisions	(19)	10 397 896	7 897 896
<b>Total current liabilities</b>		<b>39 570 026</b>	<b>23 683 051</b>
<b>Total equity and liabilities</b>		<b>792 828 668</b>	<b>745 096 774</b>

- The attached notes form an integral part of the separate 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"**  
**Separate 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>Income and profits</u></b>			
Dividends income from available for sale investments		22 592 864	20 517 951
Dividends income from investments in associates and joint ventures		12 706 183	-
Company's remuneration for membership in the BOD of the investees		3 746 058	1 165 013
Gain on sale of investments in joint venture		-	31 075
Rental income		3 150 000	900 000
Foreign exchange differences		-	99 757 812
Finance income	(26)	34 251 093	3 769 876
Reversal of impairment in notes receivable	(20)	3 209 132	-
		<b>79 655 330</b>	<b>126 141 727</b>
<b><u>Expenses and losses</u></b>			
Depreciation of investment properties		(318 312)	(318 312)
Management fees		(11 651 349)	(11 651 349)
Consulting fees and other expenses	(27)	(9 889 942)	(5 959 814)
Foreign exchange differences		(3 951 673)	-
Formed provisions	(19)	(2 500 000)	(7 697 896)
Impairment in due from related parties	(20)	(1 143 958)	-
Impairment of investments in joint venture	(8)	-	(5 727 150)
<b>Net profit for the year before income tax</b>		<b>50 200 096</b>	<b>94 787 206</b>
Income tax		(18 355 176)	-
Deferred tax	(23)	13 444 356	(23 180 107)
<b>Net profit for the year</b>		<b>45 289 276</b>	<b>71 607 099</b>
<b>Basic and diluted earnings per share from the net profit for the year</b>	(24)	<b>0.39</b>	<b>0.61</b>

- The attached notes form an integral part of the separate 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"

Separate Statement of Other Comprehensive Income for the year ended December 31, 2017

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the year	45 289 276	71 607 099
Other comprehensive income	-	-
Total other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>45 289 276</u>	<u>71 607 099</u>

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

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

Separate Statement of Changes in Equity for the year ended December 31, 2017

	<u>Issued and paid-up capital</u>		<u>Legal reserve</u>		<u>Retained earnings</u>		<u>Net profit (loss) for the year</u>		<u>Total equity</u>	
	EGP		EGP		EGP		EGP		EGP	
Balance as of January 1, 2016	584 464 310		6 997 113		45 960 695		(9 982 802)		627 439 316	
Net profit for the year	-		-		-		71 607 099		71 607 099	
Other comprehensive income										
Total other comprehensive income	-		-		-		71 607 099		71 607 099	
<b>Transactions with the shareholders</b>										
Transferred to retained earnings	-		-		(9 982 802)		9 982 802		-	
<b>Total transactions with the shareholders</b>					(9 982 802)		9 982 802		-	
Balance as of December 31, 2016	584 464 310		6 997 113		35 977 893		71 607 099		699 046 415	
Balance as of January 1, 2017	584 464 310		6 997 113		35 977 893		71 607 099		699 046 415	
Net profit of the year	-		-		-		45 289 276		45 289 276	
Other comprehensive income										
Total Other Comprehensive income	-		-		-		45 289 276		45 289 276	
<b>Transactions with the shareholders</b>										
Transferred to legal reserve	-		3 580 355		(3 580 355)		-		-	
Transferred to retained earnings	-		-		71 607 099		(71 607 099)		-	
<b>Total transactions with the shareholders</b>			3 580 355		68 026 744		(71 607 099)		-	
Balance as of December 31, 2017	584 464 310		10 577 468		104 004 637		45 289 276		744 335 691	

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

**BPE Holding for Financial Investments "S.A.E."**  
**Separate 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 income tax		50 200 096	94 787 206
<b><u>Adjusted by :</u></b>			
Foreign exchange differences		3 951 673	(101 012 947)
Reversal of impairment in notes receivable	(20)	(3 209 132)	-
Credit interest - treasury bills	(11)	(6 421 384)	-
Credit interest		(27 829 709)	(3 605 412)
Formed provisions	(19)	2 500 000	7 697 896
Impairment in due to related parties	(20)	1 143 958	-
Impairment of investments in joint venture		-	5 727 150
Depreciation of investment properties	(10)	318 312	318 312
<b>Operating gain before changes in working capital</b>		<b>20 653 814</b>	<b>3 912 205</b>
Decrease in notes receivable		63 832 364	4 621 707
Increase in due from related parties		( 63 427)	( 45 910)
Increase in other debit balances		(2 775 461)	(2 012 161)
(Decrease) increase in due to related parties		38 539	(5 237 240)
Increase in accounts payable and other credit balances		793 235	4 597 153
(Decrease) increase in other liabilities		(5 799 975)	5 799 975
<b>Net Cash flows generated by operation</b>		<b>76 679 089</b>	<b>11 635 729</b>
<b><u>Cash flows from investment activities</u></b>			
Net payments to acquire investments in joint ventures		(16 249 800)	(3 753 600)
Proceeds from credit interest		29 331 012	3 605 412
Proceeds from sale of investments in associates		-	3 395 350
Payments to related party loan	(12)	(94 717 354)	-
Change in long term deposits		24 162 709	-
Payments to acquire treasury bills	(11)	(99 042 646)	-
<b>Net cash flows used in investment activities</b>		<b>(156 516 079)</b>	<b>3 247 162</b>
Net change in cash and cash equivalents during the year		(79 836 990)	14 882 891
<b>Cash and cash equivalents at the beginning of the year</b>	(16)	<b>110 250 273</b>	<b>51 635 761</b>
Effects of foreign exchange rate changes		(3 951 673)	43 731 621
<b>Cash and cash equivalents at the end of the year</b>	(16)	<b>26 461 610</b>	<b>110 250 273</b>

- The attached notes form an integral part of these separate 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 Separate 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 assembly meeting decided to change the company name to be BPE Holding for Financial Investments " S.A.E", the change was registered in the Company's commercial register on February 24th, 2016.

-The Company's fiscal year commences on January 1<sup>st</sup> and ends on December 31<sup>st</sup> each year.

- The Board of Directors authorized these separate financial statements for the year ended December 31, 2017 issue on March 27, 2018.

## **2. Statement of compliance**

The separate financial statements have been prepared in accordance with the Egyptian Accounting Standards issued by the Minister of Investment's Decree No. 110 of 2015 and applicable laws and regulations. The Egyptian Accounting Standards require referral to International Financial Reporting Standards "IFRS", when no Egyptian Accounting Standard or legal requirement exists to address certain types of transactions and treatments.

## **3. Separate financial statements' basis of preparation**

The separate 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. The Company's investments in subsidiaries, jointly venture and associates are accounted for using the cost method (less impairments, if existed), and they are presented in the accompanying separate financial statements based on the company's direct equity interest rather than on its interest in reported results and the investees companies' net assets. For a better understanding of the financial position, business results and cash flows of the company and its subsidiaries, jointly venture and associates, reference should be made to the Company's consolidated financial statements.

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

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 separate financial statements:

### **Provisions and contingent liabilities**

Management assess events and circumstances that might led to a commitment on the company's side resulting from performing its normal economic activities, management uses estimates and assumptions to assess whether the provision's recognition conditions have been met at the financial statement date, and analyze information to assess whether past events led to current liability against the company and estimates the future cash outflows and timing to settle this obligation in addition to selecting the method which enable the management to measure the value of the commitment reliably.

### **Impairment of financial assets**

At the end of each reporting period, the management reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The management assesses whether there is an objective evidence that, as a result of one or more events (a "loss event") that occurred after the initial recognition of a financial asset or a group of financial assets, the estimated future cash flows of an asset or a group of assets have been affected.

The management monitors impairment losses recognized, and where an impairment loss subsequently reverses, the carrying amount of a financial asset or a group of financial assets is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

### **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.

### **5. Significant accounting policies**

The following is a presentation for the most important implemented policies for preparing financial statements:

#### **a. Investments in subsidiaries**

A subsidiary company is an entity including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

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. Exposed 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.

#### **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. Investments in associates**

An associate company is an entity over which the company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

Investments in associate 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. And the company don't follow the Equity method to account for its investments in associates and attached separate financial statements applicable of phrase (17) of the EAS (18).

In case of an objective evidence that an impairment loss has been incurred on investments in associate 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.

**c. Investments in joint venture**

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

Investments in jointly controlled entities 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 an objective evidence that an impairment loss has been incurred on investments in jointly controlled entities 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 income statement.

**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. 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.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property is included in the income statement in the period in which the property is derecognized. 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%

**g. 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.

**h. Cash flows statement**

The cash flows statement is prepared applying the indirect method.

**i. Foreign currency translation**

The financial statements are presented in Egyptian pounds, being the currency of the primary economic environment in which the entity operates (its functional currency). 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 that are 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 translated 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.

**j. 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:

- Revenue is measured reliably.
- It is highly expected the flow of economic benefits related to the entity.

- Accurate measurement possibility to complete the operation at the financial position date.
- Accurate measure to the costs of the operation and the relevant costs.

The company's revenue represented below:

- 1) 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.
- 2) Interest income is accrued on a timely basis, by reference to the principal outstanding and at the interest rate applicable until maturity.

#### **k. 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 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.

**l. Provisions**

Provisions are recognized when the company 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.

**m. Dividends**

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

**n. 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.

**o. 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 subsidiary, 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.

**p. 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 period 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. **Investments in subsidiaries (net)**

	<b><u>No. of</u></b>	<b><u>Ownership</u></b>	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
	<b><u>Shares</u></b>	<b><u>interest</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
			<b><u>EGP</u></b>	<b><u>EGP</u></b>
Beard A.G. Company "Beard"	39 000	60 %	18 703 076	18 703 076
Payments under capital increase of Beard A.G *			18 162 758	18 162 758
<b><u>Less:</u></b> Impairment in Beard A.G.**			(27 412 102)	(27 412 102)
			<b><u>9 453 732</u></b>	<b><u>9 453 732</u></b>

\* The Company paid these amounts to Beard A.G., and will be used in increasing the subsidiary's capital when other shareholders of the subsidiary Company pay their stakes. The necessary legal procedures will be undertaken to execute the capital increase and amend the commercial register of the subsidiary company.

\*\* Impairment in Beard which was formed during prior years. The management reviews the impairment in investment at the end of each year.

7. **Investments in joint ventures (net)**

	<b><u>No. of</u></b>	<b><u>Ownership</u></b>	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
	<b><u>Shares</u></b>	<b><u>%</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
			<b><u>EGP</u></b>	<b><u>EGP</u></b>
Inergia Technologies for Information Systems S.A.E "Inergia *	5 532 124	68.04%	55 321 240	55 321 240
Red Sea Venture for Solar Energy **	7 425	49.5%	5 727 150	5 727 150
Ebtikar for Financial Investment ***	162 498	24.99%	16 249 800	--
<b><u>Less:</u></b> Impairment in investments (Red Sea Venture )			(5 727 150)	(5 727 150)
			<b><u>71 571 040</u></b>	<b><u>55 321 240</u></b>

\* 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 as of 31 December 2017.

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.

**\*\*** 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.

**\*\*\*** On June 12, 2017 the Company subscribed in the capital of a new investment, Ebtikar for Financial Investment. 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 Industry and International Trade S.A.E.

8. **Investments in associates (net)**

<b><u>Name of Company</u></b>	<b><u>No. of Shares</u></b>	<b><u>Ownership</u></b>	<b><u>December 31, 2017</u></b>	<b><u>December 31, 2016</u></b>
			<b><u>EGP</u></b>	<b><u>EGP</u></b>
Belton Retail for Trade and Investment	727 526	22.79%	7 275 258	7 275 258
Madinet Nasr for Housing and Development S.A.E *	74 836 136	7.50%	153 854 685	153 854 685
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><u>Less:</u></b> Impairment in (Belton Retail for Trade and Investment)			(7 273 507)	(7 273 507)
			<b><u>153 856 436</u></b>	<b><u>153 856 436</u></b>

\*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.

\*\* 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 company will have the option to put only all of its shares in the solar entities after the elapse of four years from the commercial operation date of the solar plants, 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 three solar entities, which takes the form of shareholders loans, reached EGPM 94.7 at December 31, 2017 (note 12).

#### 9. Available for sale investments

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

\* 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 in 2013 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.

10. **Investment properties (Net)**

	<b><u>Mohandseen</u></b>		<b><u>Maadi</u></b>		<b><u>Total</u></b>
	<b><u>Administration Building</u></b>		<b><u>Administration Building</u></b>		
	<b><u>EGP</u></b>		<b><u>EGP</u></b>		<b><u>EGP</u></b>
<b><u>Cost</u></b>	<b><u>Building</u></b>	<b><u>Land</u></b>	<b><u>Building</u></b>	<b><u>Land</u></b>	
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
<b><u>Accumulated</u></b>					
<b><u>depreciation</u></b>					
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
<b><u>Net book value as of</u></b>					
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 1<sup>st</sup> in Maadi & the other one at the Mohandseen . Both are registered in the name of the company.

The Company leased the Mohandseen's building to a company owned by the shareholders of Shams 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 6 421 384. The maturities of the treasury bills are due within a range of periods from 6 – 12 months.

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

#### 12. Loans to related parties

	<u>December 31,</u> <u>2017</u> <u>EGP</u>	<u>December 31,</u> <u>2016</u> <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><b>94 717 354</b></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 investees of the solar entities, during the investment period and on the company's exit from the investments if sale or exercise of the put options 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>	<u>Account</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>nature</u>	<u>nature</u>	<u>2017</u>	<u>2016</u>
			<u>EGP</u>	<u>EGP</u>
Red Sea Venture for Solar Energy	Joint venture	Current account	1 143 957	1 080 532
<b>Less:</b> Impairment			( 1 143 957)	--
			<u>--</u>	<u>1 080 532</u>

### 14. Other debit balances

	<u>December</u>	<u>December 31,</u>
	<u>31,2017</u>	<u>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 debit	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>8 203 724</u>	<u>6 929 566</u>

### 15. Notes receivable

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

\* 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. Cash at banks

	<u>December 31,</u> <u>2017</u> <u>EGP</u>	<u>December 31,</u> <u>2016</u> <u>EGP</u>
Current accounts - local currencies	4 934 409	1 608 796
Current accounts - foreign currencies	751 718	218 648
Time-deposits - local currencies	20 775 483	16 990 809
Time deposits - foreign currencies	68 370 178	183 964 907
	<u>94 831 788</u>	<u>202 783 160</u>

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

	<u>December 31,</u> <u>2017</u> <u>EGP</u>	<u>December 31,</u> <u>2016</u> <u>EGP</u>
Cash at banks	94 831 788	202 783 160
Less: Deposit with maturities of more than three months	(68 370 178)	(92 532 887)
	<u>26 461 610</u>	<u>110 250 273</u>

**17. Due to related parties**

	<u>Relationship</u>	<u>Account</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>nature</u>	<u>nature</u>	<u>2017</u>	<u>2016</u>
			<u>EGP</u>	<u>EGP</u>
BPE Partners S.A.E	Management	Current	2 951 376	2 912 837
	company	account		
			<u>2 951 376</u>	<u>2 912 837</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Accounts payable	97 875	5 002 145
Accrued expenses	7 705 232	1 852 194
Withholding tax	62 471	180 841
Others	--	37 163
	<u>7 865 578</u>	<u>7 072 343</u>

**19. Provisions**

	<u>December 31,</u>	<u>Formed</u>	<u>December 31,</u>
	<u>2016</u>	<u>during the year</u>	<u>2017</u>
	<u>EGP</u>		<u>EGP</u>
Provision for 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>

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

	<u>December</u> <u>31, 2016</u>	<u>Formed</u>	<u>No longer</u> <u>required</u>	<u>Write off</u>	<u>December</u> <u>31, 2017</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Impairment in joint venture	5 727 150	--	--	--	5 727 150
Impairment in subsidiary Investment	27 412 102	--	--	--	27 412 102
Impairment in associate Investment	7 273 507	--	--	--	7 273 507
Impairment in related parties	--	1 143 957	--		1 143 957
Impairment in Notes Receivables	7 050 703	--	(3 209 132)	(3 841 571)	--
Total Movement		<u>1 143 957</u>	<u>(3 209 132)</u>	<u>(3 841 571)</u>	

## 21. 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 at or before 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 (28.a).

## **22. 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.

23. **Deferred tax liabilities**

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

	<b><u>Temporary difference EGP</u></b>	<b><u>Deferred tax (liability) asset EGP</u></b>
<b><u>Deferred tax liability form the depreciation of 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 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	16 061 466
<b>Balance at December 31, 2017.</b>	<b><u>(38 225 164)</u></b>	<b><u>(8 600 661)</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>(8 922 951)</u></b>
<b>Total movement in profit and losses at December 31,2017</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.

	<b><u>December 31, 2017 EGP</u></b>	<b><u>December 31, 2016 EGP</u></b>
Impairment in joint venture investment	5 727 150	5 727 150
Impairment in Investment in associate	7 273 507	7 273 507
Impairment in Investment in subsidiaries	27 412 102	27 412 102
Provisions	10 397 896	7 897 896
Impairment in due from related parties	1 143 957	--
Provision for doubtful debts	--	7 050 703
	<b><u>51 954 612</u></b>	<b><u>55 361 358</u></b>

#### 24. Basic and diluted profits 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> <u>2017</u> <u>EGP</u>	<u>December 31,</u> <u>2016</u> <u>EGP</u>
Net profit for the year	45 289 276	71 607 099
Weighted average number of shares	116 892 862	116 892 862
<b>Basic and diluted earnings per share</b>	<b>0.39</b>	<b>0.61</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 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.

#### 25. Significant related parties' transactions

<u>Company name</u>	<u>Type of relation</u>	<u>Type of transaction</u>	<u>Value of transaction (Cost)</u>
BPE Partners	Management company	Management fees	(11 651 349)

**26. Finance income**

	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
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	--
	<b><u>34 251 093</u></b>	<b><u>3 769 876</u></b>

**27. Consulting fees and other expenses**

	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Bank charges	47 256	15 692
Consulting fees	7 807 494	4 955 519
Travelling expenses	42 361	79 664
Insurance expenses	231 848	129 962
Other expenses	1 760 983	778 977
	<b><u>9 889 942</u></b>	<b><u>5 959 814</u></b>

**28. 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 cancelation 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 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 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 performance fees were recognized during the current and prior years as the achieved results did not exceed the cumulative hurdle rate.

on July 19,2017, 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 (profit 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 (profit dividend, interest or rent) of the investment and the aggregate cost of such investment.

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

The company's financial instruments comprise financial assets and liabilities. Financial assets comprise cash at banks and treasury bills, due from related parties, loans to related parties, receivables, financial liabilities and creditors.

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 semi-annual 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> <b><u>2017</u></b>	<b><u>December 31,</u></b> <b><u>2016</u></b>
<b><u>Financial assets</u></b>		
Cash and cash equivalents	94 831 788	202 783 160
Loans and receivable	102 921 078	68 633 330
Financial assets available for sale	246 726 107	141 262 077
<b><u>Financial liabilities</u></b>		
Financial liabilities at amortized cost	21 214 850	23 683 051

### **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 is 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 disbursements and receipts 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, 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.

### **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>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Cash at banks	94 831 788	202 783 160
Treasury bills	105 464 030	--
Notes receivables-short term	--	60 623 232
Due from related party	--	1 080 532
Loans to related parties and other debit balances	102 921 078	6 929 566
	<b><u>303 216 896</u></b>	<b><u>271 416 490</u></b>

### 30. **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.

### 31. 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.