

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

**Consolidated Financial Statements
For the Year Ended December 31, 2016
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, 2016, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the 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 Group'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 in 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 31 062 974, EGP 10 949 487 and EGP 20 113 487 respectively.

Qualified Opinion

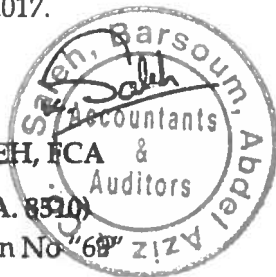
In our opinion, except for the effect of the matter described in the basis of qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BPE holding for financial investments "S.A.E." as of December 31, 2016, and 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, April 13, 2017.

KAMEL M SALEH, FCA

F.E.S.A.A. (R.A.A. 8510)

CMA Registration No. 68



BPE Holding for Financial Investments "S.A.E"
Consolidated Statement of Financial Position as at December 31, 2016

| | Note | December 31, 2016 EGP | December 31, 2015 EGP |
|--|---------|--------------------------|--------------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets (net) | (6) | 5 318 894 | 2 360 115 |
| Investments in associates (net) | (7) | 258 130 958 | 214 821 812 |
| Available for sale investments | (8) | 141 262 077 | 141 262 077 |
| Investments in joint venture | (9) | 146 825 864 | 93 358 387 |
| Investment properties | (10) | 113 786 799 | 114 105 111 |
| notes receivables-long term | (13) | - | 5 844 939 |
| Deffered tax assets | (22) | - | 812 799 |
| Total-non current assets | | 665 324 592 | 572 565 240 |
| Current assets | | | |
| Due from related parties | (11,24) | 12 198 968 | 4 344 919 |
| Inventory (net) | (12) | - | - |
| Accounts and notes receivable (net) | (13) | 60 623 232 | 59 400 000 |
| Other debit balances | (14) | 6 929 566 | 3 134 476 |
| Cash at banks | (15) | 202 929 314 | 84 121 735 |
| Total current assets | | 282 681 080 | 151 001 130 |
| Total assets | | 948 005 672 | 723 566 370 |
| Equity and liabilities | | | |
| Equity | | | |
| Issued and paid-up capital | (20) | 584 464 310 | 584 464 310 |
| Legal reserve | (21) | 6 997 113 | 6 997 113 |
| Other reserves | | 43 754 921 | 11 475 561 |
| Company share in the change of the associate equity | | (5 033 645) | - |
| Retained earnings | | 109 613 935 | 92 844 700 |
| Net profit for the year attributable to shareholders of the Parent Company | | 152 636 257 | 16 769 235 |
| Equity attributable to shareholders of the parent company | | 892 432 891 | 712 550 919 |
| Non-controlling interests | | 9 079 711 | 5 182 625 |
| Total equity | | 901 512 602 | 717 733 544 |
| Non-Current liabilities | | | |
| Deferred tax liability | (22) | 22 367 308 | - |
| Total non- current liabilities | | 22 367 308 | - |
| Current liabilities | | | |
| Due to related parties | (16,24) | 2 912 965 | 2 901 971 |
| Accounts payable and other credit balances | (17) | 7 514 926 | 2 730 855 |
| Other financial liabilities | (9) | 5 799 975 | - |
| Provisions | (18) | 7 897 896 | 200 000 |
| Total current liabilities | | 24 125 762 | 5 832 826 |
| Total equity and liabilities | | 948 005 672 | 723 566 370 |

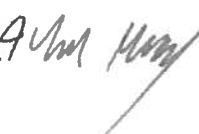
-The attached notes form an integral part of these consolidated financial statements, and to be read therewith.

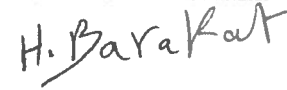
Chief Financial Officer
Ahmed Abdel Monem Madbouly

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 Income Statement for the year ended December 31, 2016

| | Note | December 31, 2016 EGP | December 31, 2015 EGP |
|--|------|--------------------------|--------------------------|
| <u>Revenues & Profits</u> | | | |
| Dividend distribution income from available for sale investments | | 20 517 951 | 5 164 083 |
| Gains on sale of investments in jointly venture entities | | 31 075 | - |
| Group's share of profits of joint venture entities | (25) | 82 047 756 | 27 047 599 |
| foreign exchange difference | | 99 757 812 | 8 665 487 |
| Finance income | (26) | 3 769 876 | 2 942 109 |
| Other income | | 2 271 782 | 2 149 470 |
| | | <u>208 396 252</u> | <u>45 968 748</u> |
| <u>Expenses & Losses</u> | | | |
| Management fees | | (11 651 349) | (11 651 349) |
| Consulting fees | | (4 783 369) | (7 793 568) |
| Other expenses | | (1 607 034) | (2 702 690) |
| Investment Properties depreciation | (10) | (318 312) | (318,312.00) |
| Provisions formed | (18) | (7 697 896) | (200 000) |
| Doubtful debts | | - | (7 050 703) |
| Impairment of investments in joint venture | (19) | (5 727 150) | - |
| Net profit for the year before tax | | <u>176 611 142</u> | <u>16 252 126</u> |
| Current income tax | | - | - |
| deferred tax | (22) | (23 180 107) | 812 799 |
| Net profit for the Year | | <u>153 431 035</u> | <u>17 064 925</u> |
| <u>Attributable as follow:</u> | | | |
| Attributable to the shareholders' of the Parent Company | | 152 636 257 | 16 769 235 |
| Non-controlling interests | | 794 778 | 295 690 |
| Net profit for the year | | <u>153 431 035</u> | <u>17 064 925</u> |
| Basic and diluted earnings per share | (23) | <u>2.61</u> | <u>0.29</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 Other Comprehensive Income Statement for the year ended on December 31, 2016

| | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|--|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Net profit for the year after income tax | 153 431 035 | 17 064 925 |
| <u>Other comprehensive income</u> | | |
| Translation reserve difference of subsidiaries' financial statements | 7 755 774 | 318 509 |
| company's shares in foreign currency translation and other reserves in the joint venture company financial statements | 31 841 759 | 673 271 |
| Total other comprehensive income for the year | <u>39 597 533</u> | <u>991 780</u> |
| Total comprehensive income for the year before tax | <u>193 028 568</u> | <u>18 056 705</u> |
| Income tax | - | - |
| Total comprehensive income for the year after tax | <u>193 028 568</u> | <u>18 056 705</u> |
| Distributed as follows: | | |
| Equity attributable to shareholders of the parent company | 189 131 482 | 17 633 613 |
| Non-controlling interests | 3 897 086 | 423 092 |
| <u>Total other comprehensive income</u> | <u>193 028 568</u> | <u>18 056 705</u> |

- The attached notes form an integral part of these separate condensed interim 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 Changes in Equity for the year ended December 31, 2016

| | 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 share in reserve combination of joint venture | Balance from commitment of buying shares | 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 | EGP |
| Balance as of January 1, 2015 | 584 464 310 | 5 259 364 | - | - | 8 049 806 | 2 561 377 | (22 900 000) | 31 078 063 | 62 704 386 | 672 017 306 | 4 759 533 | 676 776 1 |
| Other Comprehensive Income | | | | | | | | | | | | |
| Net profit of the year | - | - | - | - | - | - | - | - | 16 769 235 | 16 769 235 | 295 690 | 17 064 5 |
| Translation reserve of subsidiaries' financial statements | - | - | - | - | 191 107 | - | - | - | - | 191 107 | 122 402 | 318 5 |
| Company's shares in foreign currency translation in the joint venture | - | - | - | - | - | 673 271 | - | - | - | 673 271 | - | 673 2 |
| Total Other Comprehensive Income | - | - | - | - | 191 107 | 673 271 | - | - | 16 769 235 | 17 633 613 | 423 092 | 18 056 7 |
| Other Comprehensive Income | | | | | | | | | | | | |
| Transaction with the company shareholders | | | | | | | | | | | | |
| Transferred to retained earnings | - | - | - | - | - | - | - | 62 704 386 | (62 704 386) | - | - | - |
| Transferred to legal reserve | - | 1 737 749 | - | - | - | - | - | (1 737 749) | - | - | - | - |
| Cancellation part of the commitment of buying shares | - | - | - | - | - | - | 22 900 000 | - | - | 22 900 000 | - | 22 900 0 |
| Total transaction with the company shareholders | - | 1 737 749 | - | - | - | - | 22 900 000 | 60 966 637 | (62 704 386) | 22 900 000 | - | 22 900 0 |
| Balance as of December 31, 2015 | 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 5 |
| Balance as of January 1, 2016 | 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 5 |
| Other Comprehensive Income | | | | | | | | | | | | |
| Translation reserve of subsidiaries' financial statements | - | - | - | - | 4 653 466 | - | - | - | - | 4 653 466 | 3 102 308 | 7 755 7 |
| Company's shares in foreign currency translation in the joint venture | - | - | - | - | - | 31 841 759 | - | - | - | 31 841 759 | - | 31 841 7 |
| Net profit of the year | - | - | - | - | - | - | - | - | 152 636 257 | 152 636 257 | 794 778 | 153 431 0 |
| Total Other Comprehensive Income | - | - | - | - | 4 653 466 | 31 841 759 | - | - | 152 636 257 | 189 131 482 | 3 897 086 | 193 028 5 |
| Transaction with the company shareholders | | | | | | | | | | | | |
| 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 64) |
| Company's share in reserve combination of joint venture | - | - | - | (4 215 865) | - | - | - | - | - | (4 215 865) | - | (4 215 86) |
| Total transaction with the company shareholders | - | - | (5 033 645) | (4 215 865) | - | - | - | 16 769 235 | (16 769 235) | (9 249 510) | - | (9 249 51) |
| Balance as of December 31, 2016 | 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 | 991 512 6 |

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

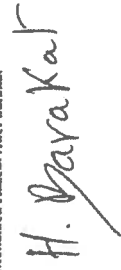
Chief Financial Officer
Ahmed Abdel Monem Madbouly

Chief Executive Officer
Dr. Mohamed Abdel Monem Omran

Chairman
Mohamed Hazzem Adel Barakat







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

Consolidated Statement of Cash Flows for the year ended December 31, 2016

| | Note | December 31, 2016 EGP | December 31, 2015 EGP |
|---|------|--------------------------|--------------------------|
| <u>Cash flows from operating activities</u> | | | |
| Net profit for the period before tax | | 176 611 142 | 16 252 126 |
| <u>Adjustments to reconcile net profit to cash flows from operating activities</u> | | | |
| Formed provision | (18) | 7 697 896 | 200 000 |
| Group's share of profits of joint venture entities | (25) | (82 047 755) | (27 047 599) |
| Doubtful debts | | - | 7 050 703 |
| Depreciation of investment properties | (10) | 318 312 | 318 312 |
| Impairment of investments in joint venture entities | (19) | 5 727 150 | - |
| Foreign exchange differences | | (101 012 947) | (8 665 487) |
| Operating profit (loss) before changes in working capital | | 7 293 798 | (11 891 945) |
| Increase in due from related parties | | (39 779) | (750 588) |
| Change in accounts and notes receivable | | 4 621 707 | 1 455 764 |
| Increase in other debit balances | | (3 795 091) | (860 529) |
| Increase (decrease) in due to related parties | | 10 995 | (48 370) |
| Increase in Other financial liabilities | | 5 799 975 | - |
| Increase in accounts payable and other credit balances | | 4 784 071 | 750 682 |
| Net cash flows generated by (used in) operating activities | | 18 675 676 | (11 344 986) |
| <u>Cash flows from investing activities</u> | | | |
| Payments for investments in associates | | - | (21 093 011) |
| Payments for the acquisition of investments in associates | | 3 395 350 | - |
| Redemption of investments in joint venture | | (3 735 600) | (1 856 250) |
| Change in long term deposits with banks | | - | 58 279 946 |
| Net cash flows (used in) generated by investing activities | | (340 250) | 35 330 685 |
| Net change in cash and cash equivalents during the year | | 18 335 426 | 23 985 699 |
| Cash and cash equivalents at the beginning of the year | | 51 727 013 | 18 785 297 |
| Effects of exchange rate changes on balances of cash held in foreign currencies | | 40 333 988 | 8 956 017 |
| Cash and cash equivalents at the end of the year | | 110 396 427 | 51 727 013 |

-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"
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, 2016

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 these consolidated financial statements for issue on December 31, 2016 at April 10, 2017.

2. Statement of compliance

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 31 062 974, EGP 10 949 487 and EGP 20 113 487 respectively.

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 2015 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.

On July 9, 2015, the Minister of Investment issued decree No. 110 of 2015, replacing the Egyptian Accounting Standards issued by the Ministerial Decree No. 243 of 2006. This Decree was published and it's effective as of January 2016. The new Egyptian Accounting Standards are applied on entities whose financial year starts on or after January 1, 2016.

And as follows the most important amendments and its effect on the consolidated financial statements if exists:

- ESA (1) presentation of financial statements

The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (Income Statement) and the other one starts with the profit or loss and presents the other comprehensive income items (Statement of Comprehensive Income). A statement shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective application or change in an accounting policy or reclassification carried out by the entity. The standard doesn't require to present the change in working capital. There is no impact on the consolidated condensed financial statements from the application of the changes.

- ESA (10) Property, Plant & Equipment (PPE)

The option of using the revaluation model in the subsequent measurement of PPE has been cancelled. The movement of the fixed assets and its depreciation should be disclosed in the notes to the financial statements for the two financial periods presented (current and comparative period). There is no impact on the consolidated condensed financial statements.

- ESA (14) Borrowing Costs

Elimination of the previous benchmark treatment that recognized the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset in the income statement without being capitalized on asset. There is no impact on the consolidated condensed financial statements.

- ESA (18) Investments in associates

The accounting treatment of the joint venture shall be added to this standard accordingly, the investments in associates and joint venture entities shall be accounted using the equity method in the consolidated and individual Financial Statements. The entity shall discontinue to use the equity method from the date when the investment ceases to be an associate or a joint venture provided that the retained interest shall be re-measured using the fair value and difference shall be recognized in the income statement. If the entity's equity share in an associate company or a joint venture has declined however, the entity continued to use the equity method, then the entity, which has previously recognized a gain or loss within other comprehensive income, should reclassify this portion of gain or loss related to the decline of equity share, to the profits or losses (income statement) on the basis of the decline percentage, if such gain or loss is required to be reclassified to profits or losses on the disposal of the related assets or liabilities. With respect to the cease of using the equity method, in this case, an entity should not amend the carrying value of its investment in the associate company or the joint venture and any amounts related to these investments previously recognized in equity, if the date of ceasing the use of the equity method occurred in a period prior to the application of this amended standard. With respect to changes in the entity's equity share in the associate company or the joint venture while continuing to use the equity method. There is no impact on the consolidated condensed financial statements.

- ESA (23) Intangible Assets

The option of using the revaluation model in the subsequent measurement of intangible assets has been cancelled. There is no impact on the consolidated condensed financial statements.

- ESA (25) Financial Instruments Presentation

Any Puttable instrument is classified as an equity instrument rather than a financial liability if it has all the features and meets the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of the same standard, from the date the instrument possessed these features and met the conditions stated in these paragraphs. An entity should reclassify the financial instrument from the date the instrument has ceased possessing these features, or meeting the conditions stated in these paragraphs. There is no impact on the consolidated condensed financial statements.

- ESA (29) Business Combination

The purchase method was cancelled and replaced by the acquisition method;

- 1- Changing the acquisition cost to become cash consideration transferred; and to be measured at the acquisition date fair value.
- 2- Contingent consideration: the fair value of the consideration shall be recognized at the
- 3- acquisition date as part of consideration transferred.

Changing the method of measuring goodwill in case of step acquisition made.

The transaction cost (the cost related to the acquisition): shall be charged to the income statement as an expense in which the costs incurred it shall not be added to the cash consideration transferred; except for the costs of issuing equity or debt instruments directly related to acquisition process. The amended standard should be applied prospectively on the transactions of business combination, in which the acquisition date is on or after the first of January 2016.

The assets and liabilities, arising from the transactions of business combination in which the acquisition date is prior to the first of January 2016, are not amended. There is no impact on the consolidated condensed financial statements.

- ESA (34) Investment Properties

The option of using the fair value model in the subsequent measurement of investment properties has been cancelled and using fair value for disclosures only. There is no impact on the consolidated condensed financial

- ESA (40) Financial Instruments Disclosures

The notes of the interim financial statements were amended to conform to the requirements of the new Egyptian Standard No. (40), and the comparative figures for these notes were recorded.

- ESA (41) Operating Segments

EAS 33 "Segments Reports" has been replaced with EAS 41 "Operating Segments" Accordingly, the disclosures and the volume of the required disclosures that the Segment Reports must disclose: mainly depends on the segments information presented to Chief Operating Decision Maker "CODM" of the entity to make decisions on the resources that must be allocated to the segments and assess its performance.. There is no impact on the consolidated condensed financial statements.

- ESA (42) The Consolidated Financial Statements

The new Egyptian Accounting Standard No. (42) "The consolidated Financial Statements" was issued accordingly Egyptian Accounting Standard No. (17) "The consolidated and separate Financial Statements" has changed to become "The separate Financial Statements" pursuant to the new Egyptian Accounting Standards No. (42) "The consolidated Financial Statements". The Control Model has changed to determine the investee entity that must be consolidated. Accounting for the changes in the equity of the parent company in a subsidiary are accounted for as transactions with equity holders in their capacity as equity holders. Any investment retained in a former subsidiary re-measured at fair value at the date when control is lost and recognize any resulting difference in the income statement. Loses applicable to the non- controlling interest "NCI" in a subsidiary including component of other comprehensive Income are allocated to the owners of the holding entity and the NCI even if this causes the NCI to have a deficit balances. EAS 42 does not apply to Post-employment benefit plans or other long-term employee benefit plans and Investment funds excluded by regulators. With respect to the allocation of the total comprehensive income to the owners of the parent entity and the non-controlling interests, even if it led to a deficit in the balance of non-controlling interests, and therefore, the parent entity should not amend any profits or losses for periods prior to the application of this standard. With respect to changes in the parent entity's equity share in the subsidiary entity, which does not lead to loss of control. With respect to the loss of the parent entity's control over the subsidiary entity, in this case the parent entity should not amend the carrying value of its investments in the former subsidiary entity, if the date of loss of control occurred in a period prior to the application of this standard. In addition, the parent entity should not recalculate any profits or losses, arising from the loss of control over the subsidiary entity, if its occurrence date was prior to the application of this standard. There is no impact on the consolidated condensed financial statements.

- ESA (43) Joint Arrangements

The new Egyptian Accounting Standard No. (43) "Joint Arrangements" establishes principles for financial reporting by parties to a joint arrangement. The EAS 43 supersedes EAS 27 Interests in Joint Ventures. The EAS 43 classifies joint arrangements into two types—joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (ie joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (ie joint ventures) have rights to the net assets of the arrangement. There is no impact on the consolidated condensed financial statements.

- ESA (44) Disclosure of interests in other entities

A new Egyptian accounting standard no. (44) "Disclosure of interests in other entities" was issued in order to comprise all the required disclosures pertaining to all the investments in subsidiaries, associates, joint arrangements, and the unconsolidated structured entities. The objective of this standard is to comply the entity to disclose the information that enables the users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effect of those interests on its financial position, financial performance and cash flow. There is no impact on the consolidated condensed financial statements.

- ESA (45) Fair value Measurement

The new Egyptian Accounting Standard No. (45) "Fair Value Measurement" was issued and shall be applied when another standard requires or allows measurement or disclosure to be made at fair value.

This standard aims to define the fair value, laying down a framework to measure the fair value in one standard and Identifying the disclosure required for the fair value measurement. There is no impact on the consolidated condensed financial statements.

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>Subsidiary</u> | <u>Country of Domicile</u> | <u>Ownership %</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 Domicile</u> | <u>Ownership %</u> |
|---|--------------------------------|------------------------|
| <u>Associates</u> | | |
| Beltone Retail for Trade and Investment | Egypt | 22.79 |
| Madinet Nasr for Housing and Development S.A.E "MNHD" | Egypt | 7.46 |
| Metal Art | Egypt | 51.92 |
| <u>Jointly controlled entities</u> | | |
| Inergia Technologies for Information S.A.E. "Inergia" | Egypt | 68.04 |
| Beltone Capital Red Sea venture for solar energy | Egypt | 49.50 |
| Giza Systems Company S.A.E "Giza Systems" | Egypt | 47.04 |

Giza Systems is indirectly owned through the Company's investment in Inergia (Inergia owns 69% 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.

1. 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, 2016</u> | <u>December 31, 2015</u> |
|-----------------------------------|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Balance at beginning of the year | 2 360 115 | 2 177 472 |
| Retranslation differences | 2 958 779 | 182 643 |
| Balance at end of the year | 5 318 894 | 2 360 115 |

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

7. Investments in associates (net)

| | <u>No. of</u> | <u>Ownership</u> | <u>December 31,</u> | <u>December 31,</u> |
|--|---------------|------------------|---------------------|---------------------|
| | <u>Shares</u> | <u>interest</u> | <u>2016</u> | <u>2015</u> |
| | | | <u>EGP</u> | <u>EGP</u> |
| Beltone Retail for Trade and Investment | 727 526 | %22,79 | 295 140 | 3 612 826 |
| Madinet Nasr for Housing and Development "MNHD" | 37 309 255 | %7,46 | 246 582 568 | 199 672 019 |
| Metalart | | %51,92 | 63 080 660 | 34 533 972 |
| <u>Less: Impairment in investments</u> (Metalart) - Note no. 19 | | | (51 827 410) | (22 997 005) |
| | | | <u>258 130 958</u> | <u>214 821 812</u> |

Beltone Retail for Trade and Investments

The recognized share of profit for the current period amounted to EGP 77 665 (December 31, 2015: EGP 234 869), Note-(25).

On October 6, 2015, shareholders of Beltone Retail, at the ordinary general assembly meeting, approved buying a treasury shares up to 1 489 583 share , par value of EGP 10 each from the shareholders as part of the investee's plan to decrease its capital, On March 20, 2016 the company sold 339 535 share with total amount of EGP 3 395 350 form its investment at Beltone Retail for Trade and Investments.

On Dec 25, 2016 the extraordinary General Assembly of Beltone Retail approved to decrease the capital by writing off treasury stocks by 1 489 583 shares.

MNHD

*Investment in MNHD was classified as investments in associates as the Company has significant influence over MNHD through its stake and the stake owned by BIG Investments Group B.V.I Co. (related party) which holds a stake of 24.15% of the total shares of MNHD, therefore both companies own collectively 31.59% of MNHD's shares, and are represented by 3 out of 9 board members of MNHD , and that have been done after taking into considerations that both BIG for Investment B-V-I and BPE Holding for Financial Investments is managed by a management contract (solo) between both companies and BPE Partners for Direct Investment.

On April 5, 2016, the ordinary general assemble meeting of MNHD approved a stock dividends to increase the issued capital through retained earnings at December 31, 2015, Accordingly, the number of shares owned by the company increased from 27 906 721 shares to 37 309 255 shares of MNHD's shares. The free shares were issued on June 5, 2016.

The recognized share of profit for the current year in the profits of associate company in the consolidated Income Statements amounted to EGP 51 944 192 (December 31, 2015: EGP 14 855 673), Note-(25).

Metalar

The recognized share of profit for the current period amounted to EGP 2 210 765 (December 31, 2015: EGP 739 098), Note-(25). In addition to the gains resulted from currency translated amounted by EGP 43 293 831 and it has been recognized within translating currency differences in the statement of consolidated change in equity, and the company shares in the losses of Metalar co. is 19 786 828 EGP.

8. Available for sale investments

| <u>Name of Company</u> | <u>No. of Shares</u> | <u>Ownership</u> | <u>December 31, 2016 EGP</u> | <u>December 31, 2015 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, 2014. 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 "parent company of Total Egypt", 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 "parent company of Total Egypt" 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 interest</u> | <u>No. of Shares</u> | <u>December 31, 2016 EGP</u> | <u>December 31, 2015 EGP</u> |
|--|-------------------------------|--------------------------|--------------------------------------|--------------------------------------|
| Inergia Technologies for Information Systems "Inergia" | 68.04 % | 5 532 124 | 146 825 864 | 91 502 137 |
| Beltone Capital Red Sea Venture for Solar Power ** | 49.5% | 7 425 | 5 727 150 | 1 856 250 |
| <u>Less: Impairment in joint venture investment</u> | | | (5 727 150) | -- |
| | | | <u>146 825 864</u> | <u>93 358 387</u> |

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. And now Inergia owns a stake of 69% in Giza Systems' shares.

During 2013, and as part of a capital increase at Inergia level, the Company granted the management team of Giza Systems the right to purchase 462 051 shares owned by the Company (representing 5.68% of Inergia's capital) the call option is exercisable during the period from July 2013 throughout July 2016, on March 15, 2015 the original agreements have been amended through cancellation of the agreement on 2013 and make a new agreement with the shareholders of Inergia Technologies for Information Systems and number of Giza Systems employees that give through the Call option of the same number of shares of the total 462 051 share and with the same terms and ends on March 2016.

And that's, one of the shareholders of Inergia for Information Systems used the call option to a 11 730 share which represent a 0.14% of the shares of the company with a total amount 148 375 EGP, and the purchase process have been done on February 22, 2016 and till the end of this agreement no one of the others shareholders have used the call option.

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 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 27 815 133 (December 31, 2015: EGP 11 217 959), Note-(25) 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 31 339 482, and also decrease it by the reserve of business combinations by a 4 215 865 EGP.

Beltone capital Red sea venture for solar energy

*On May 19, 2015 the Company established Beltone Capital 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 company'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 company's share in the issued share capital. It was recorded in the company's commercial register on October 7, 2015.

Investment in Beltone Capital 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 3 675 shares representing 25% of the investees capital in " Beltone Capital Red Sea Venture for Solar Energy "S.A.E" pursuant to executed shares sell order, the shares selling price was US\$ 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 with total amount of EGP 5,799,975 equivalent to USD 321,439.

10. Investment properties (net)

| | <u>Mohandseen</u> | | <u>Maadi</u> | | |
|--|-----------------------|-------------|--------------------------------|-------------|--------------|
| | <u>Administration</u> | | <u>Administration Building</u> | | <u>Total</u> |
| | <u>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, 2016 | 6 410 639 | 40 585 000 | 9 504 959 | 57 922 825 | 114 423 423 |
| On December 31, 2016 | 6 410 639 | 40 585 000 | 9 504 959 | 57 922 825 | 114 423 423 |
| <u>Accumulated depreciation</u> | | | | | |
| On January 1, 2016 | 128 213 | -- | 190 099 | -- | 318 312 |
| Depreciation during the year | 128 213 | -- | 190 099 | -- | 318 312 |
| On December 31, 2016 | 256 426 | -- | 380 198 | -- | 636 624 |
| Net book value as of December 31, 2016 | 6 154 213 | 40 585 000 | 9 124 761 | 57 922 825 | 113 786 799 |
| Net book value as of December 31, 2015 | 6 282 426 | 40 585 000 | 9 314 860 | 57 922 825 | 114 105 111 |

The Investment properties represented in 2 administrative buildings the 1st at the Mohandseen & the other one in Maadi the necessary legal procedure to register the investment property in the name of the company still in progress.

The Company leased the Mohandseen's building to a company owned by the shareholders of Shams pursuant to an operating lease starting January 1, 2015 and for a period of 5 years. With a monthly rental payments of EGP 75 000 till June 30, 2017, and for monthly rental payments of USD 60 000 from June 30, 2017 to, be increased by 5 % annually till the end of the lease term.

Pursuant to the lease agreement, the lessee will have the option to acquire either the Mohandseen building or a space of 130 SQM of the building's ground floor, the option will expire by June. 30, 2017. The exercise price is based on all payments made by the Company to acquire the building and any subsequent payments accreting at 12% annually.

On the other hand, the company will have the option to terminate the lease agreement after the lapse of a period of one year from the date of the agreement.

The fair value of the Investment Properties at December 31, 2016 is EGP 114 292 045 according to the areal state valuation report prepared by an independent valuer at December 2016.

11. Due from related parties

| | <u>Relationship nature</u> | <u>Account nature</u> | <u>December 31, 2016 EGP</u> | <u>December 31, 2015 EGP</u> |
|---|--------------------------------|-----------------------|--------------------------------------|--------------------------------------|
| BIG Investment Group BVI | -- | -- | -- | 600 |
| Inergia Technologies for Information Systems | -- | -- | -- | 20 204 |
| Metal Art | Associate | Current account | 11 118 436 | 3 918 712 |
| Beltone Capital Red Sea venture for solar energy | Joint venture | Current account | 1 080 532 | 405 403 |
| | | | <u>12 198 968</u> | <u>4 344 919</u> |

12. Inventory (net)

| | <u>December 31, 2016 EGP</u> | <u>December 31, 2015 EGP</u> |
|---|----------------------------------|--------------------------------------|
| Goods for sale | 3 305 281 | 1 466 628 |
| <u>Less: Write down to net realizable value</u> | <u>(3 305 281)</u> | <u>(1 466 628)</u> |
| | <u>--</u> | <u>--</u> |

13. Accounts and notes receivable, net

a. Accounts receivable

| | <u>December 31, 2016 EGP</u> | <u>December 31, 2015 EGP</u> |
|--|----------------------------------|----------------------------------|
| Account receivables | 1 672 955 | 742 728 |
| <u>Less: Impairment of accounts receivable</u> | <u>(1 672 955)</u> | <u>(742 728)</u> |
| | <u>--</u> | <u>--</u> |

b. Notes receivable

| | <u>December 31, 2016 EGP</u> | <u>December 31, 2015 EGP</u> |
|---|----------------------------------|----------------------------------|
| BIG Investment Group B.V.I * | 59 400 000 | 59 400 000 |
| Shams Industry Company** | 8 273 935 | 12 895 642 |
| Others | -- | -- |
| <u>Less: Provision for doubtful debts</u> | <u>(7 050 703)</u> | <u>(7 050 703)</u> |
| | <u>60 623 232</u> | <u>65 244 939</u> |
| Current portion | <u>60 623 232</u> | <u>59 400 000</u> |
| Non-Current Portion | <u>--</u> | <u>5 844 939</u> |

* On December 28, 2014, the Company sold 12.5 % of its investment in Madiant Nasr for Housing and Development Co. - associate (Note 14) in exchange of a promissory note from BIG Investment Group B.V.I (a related party) amounting to EGP 59.4 million due on December 31, 2016. During the fourth quarter of 2016 the term of the promissory note is extended till December 31, 2017.

** Notes receivable from Shams Industry Company comprise post-dated checks received on December 21, 2014 in settlement of outstanding debts on Shams as part of the shares sale and settlement agreement. The post-dated checks are payable from April 2015 till November 2016, over 40 monthly equal installments EGP 401 888 each, installment amount includes principle and interest. The future value of post-dated checks amounted to EGP 16 075 534, and are discounted at a rate of 12%.

During the prior year, Shams did not pay some due amounts according to the agreed upon payment schedule, the company entered into a negotiation process with Shams over the checks due and not paid. In October 2015, the company initiated the legal procedures to enforce Shams paying the value of checks due but not paid. Management recognized an impairment charge in the income statement amounting to EGPM 7 050 703 in the separate financial statements for the year ended December 31, 2015. The impairment in post-dated checks balance was made based on management's best estimate. No impairment is recognized during 2016.

14. Other debit balances

| | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|-----------------------------------|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Deposits held with others | 46 795 | 46 795 |
| Accrued interest on time deposits | 3 957 888 | 469 755 |
| Accrued rents | 1 385 443 | 454 500 |
| Prepaid expenses | 62 957 | 545 821 |
| Income tax receivable | 47 852 | 47 852 |
| Withholding tax receivable | 9 000 | 9 000 |
| Hazem Ahmed Hazem Meharm* | 659 770 | 659 770 |
| Mohamed Shehab Eldin Alnwawy* | 652 610 | 652 610 |
| Mohamed Seddik Hussein Elwakil | -- | 86 660 |
| Mohamed Shelbaia* | -- | 31 650 |
| Ahmed Kamal* | -- | 44 310 |
| Advance payment to suppliers | 107 251 | 85 753 |
| | <u>6 929 566</u> | <u>3 134 476</u> |

* These balances represent amounts paid by the Company to finance the full contribution of the above mentioned individuals (the management team of Giza Systems and the other shareholders of Inergia) in the capital increase of Inergia Technologies for Information Systems (jointly venture), the above mentioned shareholders will have to repay these amounts to the Company at a date no later than a period of three years from the issuance date of the capital increase decision on July 14, 2013. on March 1, 2016 The shares subject to the capital increase were pledged to the Company as a guarantee for their due balances which will become due by March 31, 2017. And this amount was collected at April 6, 2017.

15. Cash at banks

| | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|---|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Bank current accounts - local currency | 1 608 796 | 504 413 |
| Bank current accounts - foreign currencies | 364 802 | 2 401 941 |
| Time deposits at banks (local currency) | 16 990 809 | -- |
| Time deposits at banks (foreign currencies) | 183 964 907 | 81 215 381 |
| | <u>202 929 314</u> | <u>84 121 735</u> |

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

| | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|--------------------------------------|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Cash at banks | 202 929 314 | 84 121 735 |
| Less: Deposit more than three months | (92 532 887) | (32 394 722) |
| | <u>110 396 427</u> | <u>51 727 013</u> |

16. Due to related parties

| | <u>Account nature</u> | <u>Relationship nature</u> | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|-------------------------------------|-----------------------|----------------------------|--------------------------|--------------------------|
| | | | <u>EGP</u> | <u>EGP</u> |
| BPE Partners for Direct Investment. | Current account | Management company | 2 912 965 | 2 901 971 |
| | | | <u>2 912 965</u> | <u>2 901 971</u> |

17. Accounts payable and other credit balances

| | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|-----------------------|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Accounts payable | 5 203 181 | 1 511 117 |
| Accrued expenses | 2 093 807 | 583 530 |
| Withholding tax | 180 841 | 168 080 |
| Other credit balances | 37 097 | 468 128 |
| | <u>7 514 926</u> | <u>2 730 855</u> |

18. Provisions

| | <u>December 31, 2015</u> | <u>Formed during the year</u> | <u>December 31, 2016</u> |
|---------------------|--------------------------|-------------------------------|--------------------------|
| | <u>EGP</u> | | <u>EGP</u> |
| Provision of claims | 200 000 | 7 697 896 | 7 897 896 |
| | <u>200 000</u> | <u>7 697 896</u> | <u>7 897 896</u> |

19. Impairment movement in financial and non-financial assets

| | <u>Balance at December 31, 2015</u> | <u>Translation reserve of investment in associate</u> | <u>Impairment losses during the year</u> | <u>Balance at December 31, 2016</u> |
|---|---|---|--|---|
| Impairment in associate Investment | 22 997 005 | 28 830 405 | -- | 51 827 410 |
| Impairment in Joint Venture Investment | -- | -- | 5 727 150 | 5 727 150 |
| Impairment in subsidiary Investment | 27 412 102 | -- | -- | 27 412 102 |
| Impairment in Notes Receivables | 7 050 703 | -- | -- | 7 050 703 |
| Impairment in inventory | 3 305 281 | -- | -- | 3 305 281 |
| Impairment in suppliers | 1 672 955 | -- | -- | 1 672 955 |
| Total movement during the year | | 28 830 405 | 5 727 150 | |

* 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.

20. 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.

Shareholders of the Company, pursuant to the shareholders agreement, have the option to put back to the company certain number of shares per year over predetermined period as disclosed in more details in note (25.a).

And on January 12, 2017 the extra ordinary generally assemble meeting approved the increase the issued capital of the company with a maximum amount to 400 Million pound.

21. 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.

22. Deferred tax liabilities

Deferred tax liabilities for the year ended December 31, 2016 as follows:

| | <u>Temporary difference</u> <u>EGP</u> | <u>Deferred tax asset (liability)</u> <u>EGP</u> |
|--|---|---|
| <u>Deferred tax liability form the depreciation of properties investment</u> | | |
| Balance at December 31, 2015 | (477 467) | (107 430) |
| Movement during the year (on income statement) | (477 467) | (107 430) |
| Balance at December 31, 2016. | (954 934) | (214 860) |
| <u>Deferred tax liability from unrealized foreign exchange difference.</u> | | |
| Balance at December 31, 2015 | (8 596 507) | (1 934 214) |
| Movement during the year (on income statement) | (101 012 947) | (22 727 913) |
| Balance at December 31, 2016. | (109 609 454) | (24 662 127) |
| <u>Deferred tax asset from accumulated tax losses</u> | | |
| Balance at December 31, 2015 | 12 686 413 | 2 854 443 |
| Movement during the year (on income statement) | (1 532 258) | (344 764) |
| Balance at December 31, 2016. | 11 154 155 | 2 509 679 |
| Net deferred tax | (99 410 233) | (22 367 308) |
| Total movement on the Income Statement | | (23 180 107) |

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

| | <u>December 31, 2016</u> <u>EGP</u> | <u>December 31, 2015</u> <u>EGP</u> |
|--|--|--|
| Impairment in joint venture investment | 5 727 150 | -- |
| Probable formed provisions | 7 697 896 | 200 000 |
| | 13 425 046 | 200 000 |

23. 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, 2016</u> | <u>December 31, 2015</u> |
|---|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Net profit for the year attributable to the shareholders' of the Parent Company | 152 636 257 | 16 769 235 |
| Weighted average number of shares | 58 446 431 | 58 446 431 |
| Basic and diluted earnings per share | <u>2.61</u> | <u>0.29</u> |

24. Significant related parties transactions

| <u>Company name</u> | <u>Nature of relation</u> | <u>Type of transaction/ Balance</u> | <u>Value of transaction during the year Income (Cost)</u> | <u>Balance debit (credit) December 31, 2016</u> |
|---|---------------------------|---|---|---|
| BPE Partners for Private Equity | Management company | Management fees | (11 651 349) | (2 912 965) |
| Metalar co. | Associate | Current account | -- | 11 118 436 |
| Beltone Capital Red Sea venture for solar power | Joint venture | Current account | -- | 1 080 532 |

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

| | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|--|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| MNHD | 51 944 193 | 14 855 673 |
| Inergia Technologies for information systems | 27 815 132 | 11 217 959 |
| Metalar co. | 2 210 765 | 739 098 |
| Beltone retail for trade and investment | 77 665 | 234 869 |
| | <u>82 047 755</u> | <u>27 047 599</u> |

26. Finance income

| | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|---|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Return on investments in money market funds | 164 464 | 880 137 |
| Credit interest on time deposits | 3 605 412 | 2 061 972 |
| | <u>3 769 876</u> | <u>2 942 109</u> |

27. Shareholders and management agreements

a. Shareholders agreement

During 2006, the Company has entered into a shareholders' agreement with its shareholders and the management company "Beltone Private Equity", 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 at the date of the financial statements 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 the prior year, the Company cancelled the recorded liability with total amount of EGP 22.9 million.

The company's management is currently negotiating with its shareholders on cancelling the provisions of shareholders agreements that entitle shareholders to request the company buying back their shares.

b. Management agreement

The Company has signed a management agreement with Beltone Private Equity, 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.

28. 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.

28.1. 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 capital structure of the company consists of the capital paid by shareholders less retained losses. 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.

28.2.Categories of financial instruments

| | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Cash and cash equivalents | 202 929 314 | 84 121 735 |
| Loans and receivable | 79 751 766 | 66 879 395 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortized cost | 24 125 753 | 5 832 826 |

28.3.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.

28.4. 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.

The following statement illustrates the company's exposure to the risk of foreign exchange currencies in basic currencies.

| | Assets | | Liabilities | |
|----------------|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| Currency – USD | 10 473 347 | 10 727 436 | 554 290 | -- |

Foreign currency sensitivity analysis

Management uses a sensitivity analysis of 10% increase/decrease in the EGP against the relevant USD (assuming that the carrying amounts have been outstanding for the full year): If the exchange rate were to increase/decrease in the future by 10%, a net foreign exchange gain/loss of EGP 991 906 would arise on the US Dollars outstanding balances (December 31, 2015 EGP 1 072 743).

28.5. 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.

28.6. 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.

28.7. 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:

| | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|------------------------------|--------------------------|--------------------------|
| Cash at banks | 202 929 314 | 84 121 735 |
| Notes receivables–short term | 60 623 232 | 59 400 000 |
| Due from related party | 12 198 967 | 4 344 919 |
| Other debit balances | 6 929 565 | 3 134 476 |
| | <u>282 681 080</u> | <u>151 001 130</u> |

29. Tax position

- **BPE holding for financial investments (Formerly- Beltone capital holding for financial investments)**

Corporate Tax

The Company is subject to the provisions of the Income Tax Law No. 91 of 2005 and its executive regulation. 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, 2015 on its due date.

During 2013, the Company was notified from the Tax Authority of inspection of the fiscal years from 2009 to 2010 noting that the actual inspection did not occur until issuance date of the financial statements, however it was notified to the company a Tax Claim for 2009, the company has been appealed in the legal deadlines, as there is no decision took place at the date of periodic financial statements.

On August 20, 2015 the President of Arab Republic of Egypt has issued Law No. 96 of 2015 for modification of provisions of the income tax law that has been issued by Law No. 91 for the

Year 2005, and it involved modifications that change the legal tax price on citizens income to be 22, 5 % of the annual net profit.

Stamp Tax

The Company is subject to Stamp Tax Law No. 111 of 1980, amended by Law No. 143 for 2006, taking into consideration that the Company's books have not been inspected yet.

Value Added Tax

The Company is not subject to provisions of the Value Added Tax Law.

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 Company**

The subsidiary company is subject to the Swiss tax laws as it is not a resident company under the Egyptian tax laws.

30. Significant events during the year

On November 3, 2016 the Central Bank of Egypt decided to float the local currency against the foreign currency, so the USD average reached on December 31, 2016 to 18,13 EGP, also the central bank decided to raise the discount rate by 300 point.

31. Subsequent events

On January 12, 2017 the extraordinary general assembly convened and concluded on the following:

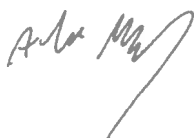
- A. Approving the increase of company's issued capital with a maximum of EGP 400 million, through an initial public offering provided that the subscription of such increase shall be offered based on the fair value of the share as determined by an independent financial advisor. It has been also approved to delegate the company's board of directors to determine the dates of the subscription in the capital increase in 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 main market of EGX. It has also been agreed to offer all the capital increase shares through a public offering while waiving the existing shareholders preemption rights to subscribe in the capital increase shares.
- B. Approving to delegate BOD or whomever it delegates to undertake all required procedures for the implementation of the initial public offering.
- C. Approving to delegate the BOD or whomever it delegates to undertake all required procedures for the implementation of the subscription notice and obtaining the approval from EFSA and to introduce any amendments thereto if requested by EFSA.

32. Amendments to Egyptian Accounting Standards

At a later date, the ministry of investment issued article (16) for the year 2017 on February 7, 2017 for the amendments to the EAS (13) "Change Effects of the Foreign Currency Exchange" Contains special accounting processes to deal with the effects of foreign currency exchange rate liberalization, applied only once, and the company choose not to apply these amendments Contained in the appendix, and the company management decided not to apply this appendix.

Chief Financial Officer

Ahmed Abdel Monem Madbouly



Chief Executive Officer

Dr. Mohamed Abdel Monem Omran



Chairman

Mohamed Hazem Adel Barakat

