

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

**Separate 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 Separate Financial Statements**

We have audited the accompanying separate financial statements of BPE Holding for Financial Investments "S.A.E." which comprise the separate statement of financial position as of December 31, 2016, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Separate Financial Statements**

These separate financial statements are the responsibility of the Company's management, Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Egyptian Accounting Standards and the prevailing Egyptian laws and regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the separate financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and applicable Egyptian Laws. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

## Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of BPE Holding for Financial Investments "S.A.E." as of December 31, 2016, and of its separate financial performance and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

## Report on the Legal and Other Organizational Requirements

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

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

Cairo, 13 April 2017

KAMEL M. SALEH, FCA  
F.E.S.A.A. (R.A.A. 8510)ors  
CMA Registration No "69"



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

	<u>Note</u>	<u>December 31, 2016</u> <u>EGP</u>	<u>December 31, 2015</u> <u>EGP</u>
<b><u>Assets</u></b>			
<b><u>Non-current assets</u></b>			
Investments in subsidiaries (net)	(6)	9 453 732	9 453 732
Investments in joint venture	(7)	55 321 240	57 294 790
Investments in associates (net)	(8)	153 856 436	157 251 786
Available for sale investments	(9)	141 262 077	141 262 077
Investment properties (net)	(10)	113 786 799	114 105 111
Notes receivable - non current	(11)	-	5 844 939
Deferred tax assets	(21)	-	812 799
<b>Total-non current assets</b>		<b>473 680 284</b>	<b>486 025 234</b>
<b><u>Current assets</u></b>			
Due from related parties	(23,12)	1 080 532	426 207
Other debit balances	(13)	6 929 566	3 134 443
Notes receivable - current	(11)	60 623 232	59 400 000
Cash at banks and time deposit	(14)	202 783 160	84 030 483
<b>Total current assets</b>		<b>271 416 490</b>	<b>146 991 133</b>
<b>Total Assets</b>		<b>745 096 774</b>	<b>633 016 367</b>
<b><u>Equity and liabilities</u></b>			
<b><u>Equity</u></b>			
Issued and paid-up capital	(19)	584 464 310	584 464 310
Legal reserve	(20)	6 997 113	6 997 113
Retained earnings		35 977 893	45 960 695
Net profit (loss) for the year		71 607 099	(9 982 802)
<b>Total equity</b>		<b>699 046 415</b>	<b>627 439 316</b>
<b><u>Non-current liabilities</u></b>			
Deferred tax liabilities	(21)	22 367 308	-
<b>Total Non-current liabilities</b>		<b>22 367 308</b>	<b>-</b>
<b><u>Current liabilities</u></b>			
Due to related parties	(23,15)	2 912 837	2 901 861
Accounts payable and other credit balances	(16)	7 072 343	2 475 190
Other financial liabilities	(7)	5 799 975	-
Provisions	(17)	7 897 896	200 000
<b>Total current liabilities</b>		<b>23 683 051</b>	<b>5 577 051</b>
<b>Total Equity and liabilities</b>		<b>745 096 774</b>	<b>633 016 367</b>

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

**Chief Financial Officer**  
**Ahmed Abdel Monem Madbouly**

- Auditor's report attached.

**Chief Executive Officer**  
**Dr. Mohamed Abdel Monem Omran**

**Chairman**  
**Mohamed Hazem Adel Barakat**

*H. Barakat*

**BPE Holding for Financial Investments "S.A.E"**  
**Separate Income Statement for the year ended December 31, 2016**

	<u>Note</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
		<u>EGP</u>	<u>EGP</u>
<b><u>Revenues &amp; Profits</u></b>			
Dividends revenue from available for sale investments		20 517 951	5 164 083
Company's remuneration for membership in the BOD of the investees		1 165 013	933 783
Gain on sale of investments in joint venture		31 075	-
Rental revenue		900 000	900 000
Foreign exchange difference		99 757 812	8 665 487
Finance income	(24)	3 769 876	2 942 109
		<u>126 141 727</u>	<u>18 605 462</u>
<b><u>Expenses &amp; Losses</u></b>			
Investment Properties depreciation		( 318 312)	( 318 312)
Management fees		(11 651 349)	(11 651 349)
Consulting fees and other expenses	(25)	(5 959 814)	(10 180 699)
Doubtful debts		-	(7 050 703)
Formed provisions	(17)	(7 697 896)	( 200 000)
Impairment of investments in joint venture	(7)	(5 727 150)	-
<b>Net profit( Loss) for the year before income tax</b>		<u>94 787 206</u>	<u>(10 795 601)</u>
Income tax		-	-
Deferred tax	(21)	(23 180 107)	812 799
<b>Net profit (Loss)for the year after income tax</b>		<u>71 607 099</u>	<u>(9 982 802)</u>
<b>Basic and diluted earnings per share from the net profit (Loss) for the year</b>	(22)	<u>1.23</u>	<u>(0.17)</u>

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

Chief Financial Officer  
Ahmed Abdel Monem Madbouly

Chief Executive Officer  
Dr. Mohamed Abdel Monem Omran

Chairman  
Mohamed Hazem Adel Barakat





**BPE Holding for Financial Investments "S.A.E"**  
**Separate Other Comprehensive Income Statement for the Year ended on December 31,2016**

<u>Note</u>	<u>December 31,2016</u>	<u>December 31,2015</u>
	<u>EGP</u>	<u>EGP</u>
Net profit (losses) for the year after income tax	71 607 099	(9 982 802)
Other Comprehensive Income	-	-
Total Other Comprehensive Income for the year	-	-
Total Comprehensive Income for the year	71 607 099	(9 982 802)

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

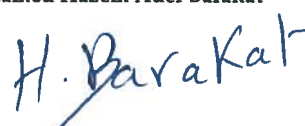
Chief Financial Officer  
Ahmed Abdel Monem Madbouly



Chief Executive Officer  
Dr. Mohamed Abdel Monem Omran



Chairman  
Mohamed Hazem Adel Barakat



**BPE holding for financial investments "S.A.E"**  
**Separate Statement of Changes in Equity for the year ended December 31, 2016**

	Issued and paid-up capital	Legal reserve	Balance from liability to acquire shares	Retained earnings	Net profit for the year	Total equity
	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of January 1, 2015	584 464 310	5 259 364	(22 900 000)	12 943 469	34 754 975	614 522 118
<u>Other Comprehensive income</u>						
Net losses of the year	-	-	-	-	(9 982 802)	(9 982 802)
Total Other Comprehensive income	-	-	-	-	(9 982 802)	(9 982 802)
<u>Transaction with the parent company</u>						
Transferred to legal reserve	-	1 737 749	-	(1 737 749)	-	-
Transferred to retained earnings	-	-	-	34 754 975	(34 754 975)	-
Cancellation part of the commitment of buying shares	-	-	22 900 000	-	-	22 900 000
Total transaction with the parent company	-	1 737 749	22 900 000	33 017 226	(34 754 975)	22 900 000
Balance as of December 31, 2015	584 464 310	6 997 113	-	45 960 695	(9 982 802)	627 439 316
Balance as of January 1, 2016	584 464 310	6 997 113	-	45 960 695	(9 982 802)	627 439 316
<u>Other Comprehensive income</u>						
Net profit of the year	-	-	-	-	71 607 099	71 607 099
Total Other Comprehensive income	-	-	-	-	71 607 099	71 607 099
<u>Transaction with the parent company</u>						
Transferred to retained earnings	-	-	-	(9 982 802)	9 982 802	-
Total transaction with the parent company	-	-	-	(9 982 802)	9 982 802	-
Balance as of December 31, 2016	584 464 310	6 997 113	-	35 977 893	71 607 099	699 046 415

-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"**  
**Separate Statement of Cash Flows for the year ended December 31, 2016**

	<u>Note</u>	<u>December 31, 2016</u> <u>EGP</u>	<u>December 31, 2015</u> <u>EGP</u>
<b><u>Cash flows from operating activities</u></b>			
Net profit(Loss) for the year before tax		94 787 206	(10 795 601)
<b><u>Adjusted by:</u></b>			
Impairment loss on investments in joint venture	(7)	5 727 150	-
Doubtful debts		-	7 050 703
Foreign exchange differences		(101 012 947)	(8 665 487)
Formed provisions	(17)	7 697 896	200 000
Investment properties depreciation	(10)	318 312	318 312
<b>Operating profit ( loss) before changes in working capital</b>		<b>7 517 617</b>	<b>(11 892 073)</b>
Change in notes receivable		4 621 707	1 455 764
Increase in due from related parties		( 45 910)	( 414 580)
Increase in other debit balances		(2 012 161)	( 868 932)
Increase in other financial liabilities		5 799 975	-
Increase (decrease) in due to related parties		(5 237 240)	24 309
Increase in accounts payable and other credit balances		4 597 153	781 792
<b>Cash flows generated by (used in) operation activities</b>		<b>15 241 141</b>	<b>(10 913 720)</b>
<b>Net cash flows generated by (used in) operating activities</b>		<b>15 241 141</b>	<b>(10 913 720)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for investments in joint venture		(3 753 600)	(1 856 250)
Payments for investments in associates		-	(21 093 011)
Payments for the acquisition of investments in associates		3 395 350	-
Change in long term deposits with banks		-	58 279 946
<b>Net cash flows (used in) generated by investing activities</b>		<b>( 358 250)</b>	<b>35 330 685</b>
<b><u>Cash flows from financing activities</u></b>			
Net change in cash and cash equivalents during the year		14 882 891	24 416 965
<b>Cash and cash equivalents at the beginning of the year</b>		<b>51 635 761</b>	<b>18 553 309</b>
Effects of foreign exchange rate changes on balances of cash held in foreign currencies		43 731 621	8 665 487
<b>Cash and cash equivalents at the end of the year</b>	(14)	<b>110 250 273</b>	<b>51 635 761</b>

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 Separate 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 assembly meeting decided to change the company name to be BPE Holding for Financial Investments " S.A.E", the change was registered in the Company's commercial register on February 24th, 2016.

- The Company's fiscal year commences on January 1<sup>st</sup> and ends on December 31<sup>st</sup> each year.
- The Board of Directors authorized these separate financial statements for the year ended December 31, 2016 issue on April 10, 2017.

**2. Statement of compliance**

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

The separate financial statements have been prepared following the same accounting policies that have been applied prior year, except for the changes which resulted from applying the new Egyptian Standards for 2015, 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 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 separate 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 separate 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 separate 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 cost method in the separate 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 separate 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 separate 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 separate 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 acquisition date as part of consideration transferred.
- 3- 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 separate 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 separate 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 separate 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 separate 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 separate 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 separate 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 separate financial statements.

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

The separate financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities that are measured at fair value, and financial assets and financial liabilities that are designated at initial recognition as at fair value through profit or loss. The Company's investments in subsidiaries, jointly venture and associates are accounted for using the cost method (less impairments, if existed), and they are presented in the accompanying separate financial statements based on the company's direct equity interest rather than on its interest in reported results and the investees companies' net assets. For a better understanding of the financial position, business results and cash flows of the company and its subsidiaries, jointly venture and associates, reference should be made to the Company's financial statements.

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

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

Those estimates and associated assumptions are based on management historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates, therefore those estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods. The following are the critical judgments and estimates that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the separate financial statements:

##### **Provisions and contingent liabilities**

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

##### **Impairment of financial assets**

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

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

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

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

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

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

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

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

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

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

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

Control is achieved when the Group has the right into variable returns through its contribution in the investee when exposed or entitled to variable returns and have the ability to effect that returns through its power on investee, the company control the investee when the company has the following:

- i. Power on the investee, when the company has an outstanding rights that give the company the current ability to direct the activities that affect the returns of the investee, the power may result from the equity instruments (like shares) or the company own the power even if it doesn't practice its rights in direction yet. the company have the power on the investee even the other entities have a current outstanding rights give them the current ability to participate in directing activities.
- ii. 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.

### **Potential voting rights**

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

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

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

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

Investments in associate companies are carried at cost, unless classified as non-current investments held-for-sale in which case, they are measured at the lower of the carrying amount or fair value less cost to sell. And the company don't follow the Equity method to account for its investments in associates and attached separate financial statements applicable of phrase (17) of the EAS (18).

In case of an objective evidence that an impairment loss has been incurred on investments in associate companies at the date of the financial statements, the carrying amount of the investment is reduced to the recoverable amount with impairment losses recognized immediately in the profit or loss.

### **c. Investments in joint venture**

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

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

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

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

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



e. **Available for sale investments**

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

After initial recognition, AFS investments are subsequently measured at fair value with gains or losses resulting from fair value measurement recognized directly in equity, until the investment is derecognized, at which time the cumulative gain or loss previously recognized in equity are then recognized in the profit or loss. In case there is objective evidence that an impairment loss has been incurred on AFS investments at the date of the financial statements, the cumulative loss that had been previously recognized in equity are removed from equity and recognized in profit or loss even though the investments have not been derecognized.

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

f. **Investment properties**

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

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property is included in the income statement in the period in which the property is derecognized. Gain or loss on de-recognition is calculated as the difference between the net disposal proceeds and the carrying amount of the asset.

Investment property, except for land, is depreciated using the straight line method, depreciation is charged to the income statement over the useful life of each investment property. The following are estimated useful lives for investment properties that are used to calculate depreciation:

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

g. **Cash and cash equivalents**

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

h. **Cash flows statement**

The cash flows statement is prepared applying the indirect method.

i. **Foreign currency translation**

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

Transactions in currencies other than Egyptian pounds are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to Egyptian pounds at the rates prevailing at the balance sheet date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

**j. Revenue recognition and measurement**

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

- A. Revenue is measured reliably.
- B. It is highly expected the flow of economic benefits related to the entity.
- C. Accurate measurement possibility to complete the operation at the financial position date.
- D. 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.

**k. Taxation**

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are accounted for using the balance sheet liability method and are reported in the balance sheet as non-current assets and liabilities.

**l. Provisions**

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of past events and that it is probable that an outflow of economic resources will be required to settle the obligation, the costs to settle related obligations are probable and a reliable estimate is made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized in the profit or loss as finance costs.

**m. Dividends**

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

**n. Earnings per Share**

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

**o. Impairment of assets**

**Impairment of non-financial assets**

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the

recoverable amount of the cash-generating unit to which the asset belongs. The company considers each investment, whether a subsidiary, jointly controlled entity, or associate, as a single cash generating unit.

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

#### **Impairment of financial assets**

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

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

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

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

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

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after an impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the

impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

**p. Financial instruments**

**Financial assets**

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

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

**Financial derivatives**

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

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

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

**Effective interest method**

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

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

**Classification as debt or equity**

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

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received or net value of the transferred assets, net of direct issue

costs.

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

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

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

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

#### **Financial liabilities**

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

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

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

## 6. Investments in subsidiaries (net)

	<u>No. of Shares</u>	<u>Ownership interest</u>	<u>December 31, 2016 EGP</u>	<u>December 31, 2015 EGP</u>
Beard A.G. Company "Beard"	39 000	60 %	18 703 076	18 703 076
Payments under capital increase of Beard *			18 162 758	18 162 758
<b>Less: Impairment in Beard A.G.**</b>			<u>(27 412 102)</u>	<u>(27 412 102)</u>
			<b>9 453 732</b>	<b>9 453 732</b>

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

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

## 7. Investments in joint venture

	<u>No. of Shares</u>	<u>Share Rate</u>	<u>December 31, 2016 EGP</u>	<u>December 31, 2015 EGP</u>
Inergia Technologies for Information Systems S.A.E "Inergia *	5 532 124	68.04%	55 321 240	55 438 540
Beltone Capital Red Sea Venture for Solar Energy **	7 425	49.5%	5 727 150	1 856 250
<b>Less: Impairment in investments ( Red Sea Venture )</b>			<u>(5 727 150)</u>	
			<b>55 321 240</b>	<b>57 294 790</b>

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

**\*\*** 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 investee's authorized capital amounted to EGP 150 million, and the issued capital amounted to EGP 15 million. The company's share is 49.5% of the investee's capital. The initial investment amount of EGP 5 727 150 was paid and represents 77.13% of the 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 2016, the company impaired the total value of its investment, the investee was not able to obtain the necessary approvals to execute solar power agreements and it is not viable that it will be able to pursue its business purpose accordingly.

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.



# 8. Investments in associates (net)

<u>Name of Company</u>	<u>No. of</u>	<u>Ownership</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>Shares</u>		<u>2016</u>	<u>2015</u>
			<u>EGP</u>	<u>EGP</u>
Beltone Retail for Trade and Investment *	727 526	22.79%	7 275 258	10 670 608
Madinet Nasr for Housing and Development S.A.E **	37 309 255	7.46%	153 854 685	153 854 685
<b>Less:</b> Impairment in (Beltone Retail for Trade and Investment)			(7 273 507)	(7 273 507)
			<u>153 856 436</u>	<u>157 251 786</u>

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.

\*\*Investment in Madinet Nasr for Housing and Development (MNHD) was classified as investments in associates as the Company has significant influence over MNHD through its direct stake and the stake owned by BIG Investments Group B.V.I Co. (related party) which holds a stake of 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 are 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 outstanding 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.

**9. Available for sale investments**

	<u>No. of</u>	<u>Ownership</u>	<u>December 31,</u>	<u>December 31,</u>
			<u>2016</u>	<u>2015</u>
<u>Name of Company</u>	<u>Shares</u>		<u>EGP</u>	<u>EGP</u>
Total Egypt LLC "Total"	412 809	7.97%	141 262 077	141 262 077
			<u>141 262 077</u>	<u>141 262 077</u>

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

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

**10. Investment properties (Net)**

	<u>Mohandseen</u>		<u>Maadi</u>		<u>Total</u>
	<u>Administration Building</u>		<u>Administration Building</u>		
	<u>EGP</u>		<u>EGP</u>		<u>EGP</u>
<u>Cost</u>	<u>Building</u>	<u>Land</u>	<u>Building</u>	<u>Land</u>	
On January 1, 2016	6 410 639	40 585 000	9 504 959	57 922 825	114 423 423
On December 31, 2016	<u>6 410 639</u>	<u>40 585 000</u>	<u>9 504 959</u>	<u>57 922 825</u>	<u>114 423 423</u>
<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	<u>256 426</u>	<u>--</u>	<u>380 198</u>	<u>--</u>	<u>636 624</u>
Netbook value as of December 31, 2016	<u>6 154 213</u>	<u>40 585 000</u>	<u>9 124 761</u>	<u>57 922 825</u>	<u>113 786 799</u>
Net book value as of December 31, 2015	<u>6 282 426</u>	<u>40 585 000</u>	<u>9 314 860</u>	<u>57 922 825</u>	<u>114 105 111</u>

The Investment properties represented in 2 administrative buildings the 1<sup>st</sup> 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 accruing 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. Notes receivable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<u>EGP</u>	<u>EGP</u>
BIG Investment Group - B.V.I *	59 400 000	59 400 000
Shams Industry Company **	8 273 935	12 895 642
Others	--	--
Less: Provision for doubtful debts	(7 050 703)	(7 050 703)
	<u>60 623 232</u>	<u>65 244 939</u>
The current part	<u>60 623 232</u>	<u>59 400 000</u>
Non-current part	<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 which are extended to end of 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.

## 12. Due from related parties

	<u>Account</u> <u>nature</u>	<u>Relationship</u> <u>nature</u>	<u>December 31,</u> <u>2016</u> <u>EGP</u>	<u>December 31,</u> <u>2015</u> <u>EGP</u>
BIG Investment Group - B.V.I	--	--	--	600
Inergia Technologies for Information Systems	--	--	--	20 204
Beltone Capital Red Sea Venture for Solar Energy	Current account	Joint venture	1 080 532	405 403
			<u>1080532</u>	<u>426 207</u>

## 13. Other debit balances

	<u>December 31,2016</u> <u>EGP</u>	<u>December 31, 2015</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	85 720
	<u>6 929 566</u>	<u>3 134 443</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 March31,2017 and on March 1,2016 the shares subject to capital increase pledge have been renewed for a new period ended on March 31,2017 and this amount have been collected on April 6,2017.

#### 14. Cash at banks

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<u>EGP</u>	<u>EGP</u>
Current accounts - local currency	1 608 796	504 413
Current accounts - foreign currencies	218 648	2 310 689
Time-deposits - local currency	16 990 809	--
Time deposits - foreign currencies	183 964 907	81 215 381
	<u>202 783 160</u>	<u>84 030 483</u>

For the purpose of preparing cash flow 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	202 783 160	84 030 483
Less: Deposit more than three months	(92 532 887)	(32 394 722)
	<u>110 250 273</u>	<u>51 635 761</u>

#### 15. 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 investments	Current account	Management company	2 912 837	2 901 861
			<u>2 912 837</u>	<u>2 901 861</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<u>EGP</u>	<u>EGP</u>
Accounts payable	5 002 145	1 428 820
Accrued expenses	1 852 194	654 850
Withholding tax	180 841	168 080
Others	37 163	223 440
	<u>7 072 343</u>	<u>2 475 190</u>

**17. 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>

**18. Impairment movement in financial and non-financial assets**

	<u>December 31, 2015</u>	<u>Impairment losses during the year</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Impairment in joint venture Investment	--	5 727 150	5 727 150
Impairment in subsidiary Investment	27 412 102	--	27 412 102
Impairment in associate Investment	7 273 507	--	7 273 507
Impairment in Notes Receivables	7 050 703	--	7 050 703
Total Movement		<u>5 727 150</u>	

**19. 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 (26.a).

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

**20. 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.

## 21. Deferred tax liabilities

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

	<u>Temporary difference EGP</u>	<u>Deferred tax liability 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.	<u>(954 934)</u>	<u>(214 860)</u>
<u>Deferred tax liability on 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.	<u>(109 609 454)</u>	<u>(24 662 127)</u>
<u>Deferred tax assets are carried forward 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.	<u>11 154 155</u>	<u>2 509 679</u>
Net deferred tax	<u>99 410 233</u>	<u>22 367 308</u>
Total movement in profit and losses		<u>23 180 107</u>

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

## 22. Basic and diluted (losses) profits per share

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

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<u>EGP</u>	<u>EGP</u>
Net profit (loss) for the year	71 607 099	(9 982 702)
Weighted average number of shares	58 446 431	58 446 431
Basic and diluted earnings per share	<u>1.23</u>	<u>(0.17)</u>

## 23. Significant related parties transactions

<u>Company name</u>	<u>Type of relation</u>	<u>Type of transaction</u>	<u>Value of transaction during the year income (Cost)</u>	<u>Outstanding Balance Receivable (Payable)</u>
BPE Partners for direct investment	Management company	Management fees	(11 651 349)	(2 912 837)
Beltone Capital red sea venture for solar energy	Joint venture	Current account	--	1 080 532

## 24. 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
Interest income on time deposits	3 605 412	2 061 972
	<u>3 769 876</u>	<u>2 942 109</u>



## 25. Consulting fees and other expenses

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<u>EGP</u>	<u>EGP</u>
Bank charges	15 692	23 726
Consulting fees	4 955 519	7 936 417
Travelling expenses	79 664	1 087 591
Insurance expenses	129 962	107 096
Other expenses	778 977	1 025 869
	<u>5 959 814</u>	<u>10 180 699</u>

## 26. 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 cancellation of the exercise letters took place during 2015, 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.

**27. 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.

### **27.1. 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 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.

### **27.2. Categories of financial instruments**

	<b><u>December 31, 2016</u></b>	<b><u>December 31, 2015</u></b>
<b><u>Financial assets</u></b>		
Cash and cash equivalents	202 783 160	84 030 483
Loans and receivable	68 633 330	62960650
<b><u>Financial liabilities</u></b>		
Financial liabilities at amortized cost	23 683 051	5 577 051

### **27.3. 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.

### **27.4. 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.

	<b>Assets</b>		<b>Liabilities</b>	
	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
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 991 905 would arise on the US Dollars outstanding balances (December 31, 2015 EGP 1 072 743).

### **27.5. 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.

### **27.6. 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.

### **27.7. 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:

	<b><u>December 31, 2016</u></b>	<b><u>December 31, 2015</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Cash at banks	202 783 160	84 030 483
Notes receivables-short term	60 623 232	59 400 000
Due from related party	1 080 532	426 207
Other debit balances	6 929 566	3 134 443
	<b><u>271 416 490</u></b>	<b><u>146 991 133</u></b>

## **28. Tax position**

### **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, 2014 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.

## **29. 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.

### **30. 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.

### **31. 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**

