NAEEM HOLDING COMPANY
FOR INVESTMENTS (S,A,E – FREE ZONE)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017
TOGETHER WITH REVIEW REPORT

NAEEM HOLDING COMPANY FOR INVESTMENTS (S.A.E-FREE ZONE)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017

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Building a better
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Translation of review report
originally issued in Arabic

REPORT ON REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

TO THE MEMBERS OF THE BOARD OF DIRECTORS OF NAEEM HOLDING COMPANY (S,A,E – FREE ZONE)

Introduction

We have reviewed the accompanying consolidated financial position of **NAEEM HOLDING COMPANY FOR INVESTMENTS (S,A,E FREE ZONE)** as of 31 March 2017 and the related consolidated statements of income (profit or loss), comprehensive income, changes in equity and consolidated cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes, Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Egyptian Standards and applicable Egyptian laws, Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Egyptian Standard on Review Engagements (2410), "Review of Financial Information Performed by the Independent Auditor of the Entity," A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures, A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit, Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements are not give a true and fair view of the financial position of the entity as of 31 March 2017, and of its financial performance and cash flows for the three months period then ended in accordance with Egyptian Standards and applicable Egyptian laws.

Emphasis of matter

On 27 March 2013, according to the Extraordinary General Assembly Meeting decision of Bedaya for Real Estate Investment Company (Subsidiary), it was accepted to freeze the company's activities as of 31 March 2013, and the tax card has been retained by the company note (29).

As per the decision from the board of directors of the Egyptian Financial Supervisory Authority (EFSA) session held on 27 July 2011, Naeem For Real Estate Financing (Subsidiary) has been prevented from performing its operations according to the article no, 42 of the real estate financing law no, 148 of 2001 for not completing its issued capital note (29).

Cairo: 9 May 2017

Allied for Accounting & Auditing
A Member of
Ernst & Young Global

Auditor

Amr M. Alshaabini
FESAA – FEST
(RAA. 9365)
(CMAR. 103)

NAEEM HOLDING COMPANY FOR INVESTMENTS (S.A.E – FREE ZONE)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2017

	Note	31 March 2017 USD	31 December 2016 USD
Noncurrent assets			
Fixed assets	(5)	3,577,527	4,093,593
Projects under construction	(6)	4,903,027	4,903,027
Available for sale investments	(7)	90,061,060	90,079,700
Long-term investments	(8)	624,948	654,981
Investments in associates	(24)	2,556,179	2,622,131
Real Estate Investment	(28)	14,885,540	14,904,868
Due from sale-leaseback		179,517	191,020
Deferred tax assets		9,132	7,140
Employees rewarding system	(9)	12,545,871	14,236,192
Goodwill	(10)	56,908,567	56,908,567
Total Noncurrent Assets		186,251,368	188,601,219
Current assets			
Cash on hand and at banks	(11)	15,724,894	15,222,370
Investments at fair value through profits or losses	(13)	3,142,456	1,616,182
Available for sale financial investments	(27)	18,899,545	18,899,545
Accounts receivable	(12)	15,649,971	12,264,023
Work in process	(26)	12,484,080	12,334,154
Prepaid expenses and other debit balances	(14)	34,768,191	28,169,238
Finished units	(22)	8,021,285	14,795,563
Total current assets		108,690,422	103,301,075
Total Assets		294,941,790	291,902,294
Equity			
Issued and paid up capital	(18)	198,722,630	198,722,630
Legal reserve		8,149,099	8,149,099
General reserve		85,166,841	85,166,841
Treasury stock reserve	(19)	7,233,894	7,233,894
Employees' rewarding system revaluation differences	(9)	(8,084,751)	(6,394,430)
Unrealized gain from available for sale investments		26	123
Foreign Currency Translation		(28,166,136)	(31,057,556)
(Accumulated losses)		(42,095,061)	(42,059,239)
Profit for the period / year		39,567	2,122,597
Total Equity		220,966,109	221,883,959
Minority interest		27,088,990	26,989,483
Total Equity		248,055,099	248,873,442
Current liabilities			
Provisions	(15)	79,669	87,757
Banks overdraft	(16)	16,960,762	15,731,041
Accounts receivables – credit balances		11,431,378	12,563,063
Accrued expenses and other credit balances	(17)	10,897,009	11,086,253
Total current liabilities		39,368,818	39,468,114
Noncurrent liabilities			
Long-term liabilities	(20)	7,475,118	3,499,635
Deferred tax liabilities		42,755	61,103
Total noncurrent liabilities		7,517,873	3,560,738
Total Liabilities		46,886,691	43,028,852
Total Equity & Liabilities		294,941,790	291,902,294

CFO	Managing Director	Chairman
Ahmed Mahmoud	Youssef Elfar	Hussein Shubokshy

- The accompanying notes from (1) to (30) are an integral part of these consolidated financial statements.
- Review report attached.

NAEEM HOLDING COMPANY FOR INVESTMENTS (S.A.E – FREE ZONE)

CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)
AS OF 31 MARCH 2017

	Note	31 March 2017 USD	31 March 2016 USD
Fees, commissions and investments managing revenues		1,648,059	1,765,433
Units sales revenue		742,637	2,103,575
Cost of units sold		(352,432)	(1,492,495)
(Loss) from investment sale		(798,697)	(992,028)
Gain from investment sale		42,627	2,060,876
Credit interests		20,815	71,129
Unrealized Gain from revaluation of investments at fair value through profit or loss		168,495	-
Foreign exchange differences		(101,529)	726,596
Company's share of (losses) in associates		(65,952)	(84,013)
Other income		2,170,087	104,827
Total Revenues		3,474,110	4,263,900
General and administrative expenses		(2,288,732)	(3,249,291)
Marketing and managing expenses		(207,282)	(176,884)
Finance lease expenses		(209,398)	-
Debit interests		(468,019)	(378,410)
Real estate depreciation		(19,328)	(39,263)
Fixed assets depreciation	(5)	(154,923)	(115,830)
Total Expenses		(3,347,682)	(3,959,678)
Profits for the Period before taxes		126,428	304,222
Levied income tax		-	(11,158)
Deferred income taxes		12,646	556
Profits for the Period		139,074	293,620
Represented in:			
Shareholders' equity of the Holding Company		39,567	146,960
Minority interest		99,507	146,660
Profits for the Period		139,074	293,620

CFO
Ahmed Mahmoud

Managing Director
Youssef Elfar

Chairman
Hussein Shubokshy

- The accompanying notes from (1) to (30) are an integral part of these consolidated financial statements.

NAEEM HOLDING COMPANY FOR INVESTMENTS (S.A.E – FREE ZONE)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS OF 31 MARCH 2017

	31 March 2017 USD	31 March 2016 USD
Profits for the Period	39,567	146,960
Other comprehensive income		
Revaluation from available for sale investments	(97)	(9,467,118)
Consolidated translation differences	2,891,420	(29,217,462)
Total other comprehensive income of the period	2,891,323	(38,684,580)
Total comprehensive income	2,930,890	(38,537,620)

- The accompanying notes from (1) to (30) are an integral part of these consolidated financial statements.

NAEEM HOLDING COMPANY FOR INVESTMENTS (S.A.E – FREE ZONE)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS OF 31 March 2017

	Issued & paid up capital	Legal Reserve	General reserve	Treasury stock Reserve	Employees rewarding system revaluation differences	Unrealized gain on revaluation of available for sale investments	Consolidated translation differences	(Accumulated Losses)	Profits for the period	Total	Minority Interest	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Balance as of 1 January 2017	198,722,630	8,149,099	85,166,841	7,233,894	(6,394,430)	123	(31,057,556)	(42,059,239)	2,122,597	221,883,959	26,989,483	248,873,442
Transferred to (accumulated losses)	-	-	-	-	-	-	-	2,122,597	(2,122,597)	-	-	-
Gain from revaluation of investments available for sale	-	-	-	-	-	(97)	-	-	-	(97)	-	(97)
Adjustment in retained earnings	-	-	-	-	-	-	-	(2,158,419)	-	(2,158,419)	-	(2,158,419)
Consolidated translation differences	-	-	-	-	-	-	2,891,420	-	-	2,891,420	-	2,891,420
Revaluation of employees' rewarding system shares	-	-	-	-	(1,690,321)	-	-	-	-	(1,690,321)	-	(1,690,321)
Minority interest	-	-	-	-	-	-	-	-	-	-	99,507	99,507
Profit for the period	-	-	-	-	-	-	-	-	39,567	39,569	-	39,567
Balance as of 31 March 2017	**198,722,630**	**8,149,099**	**85,166,841**	**7,233,894**	**(8,084,751)**	**26**	**(28,166,136)**	**(42,095,061)**	**39,567**	**220,966,109**	**27,088,990**	**248,055,099**

- The accompanying notes from (1) to (30) are an integral part of these consolidated financial statements.

NAEEM HOLDING COMPANY FOR INVESTMENTS (S.A.E – FREE ZONE)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS OF 31 March 2017

	Issued & paid up capital	Legal Reserve	Treasury Stocks	Treasury stock Reserve	Employees rewarding system revaluation differences	Unrealized (Losses) on revaluation of available for sale investments	Consolidated translation differences	(Accumulated Losses)	Profit for the period	Total	Minority Interest	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Balance as of 1 January 2016	283,889,471	8,149,099	(1,492,537)	6,671,109	(11,465,392)	(9,510,935)	(19,436,808)	(36,129,274)	(5,929,965)	214,744,768	51,109,630	265,854,398
Transferred to legal reserve & retained earnings (accumulated losses)	-	-	-	-	-	-	-	(5,929,965)	5,929,965	-	-	-
Revaluation of investments available for sale	-	-	-	-	-	43,817	-	-	-	43,817	-	43,817
Consolidated translation differences	-	-	-	-	-	-	(9,780,654)	-	-	(9,780,654)	-	(9,780,654)
Revaluation of employees' rewarding system shares	-	-	-	-	751,254	-	-	-	-	751,254	-	751,254
Minority interest	-	-	-	-	-	-	-	-	-	-	146,960	146,960
Profit for the period	-	-	-	-	-	-	-	-	146,960	146,960	-	146,960
Balance as of 31 March 2016	283,889,471	8,149,099	(1,492,537)	6,671,109	(10,714,138)	(9,467,118)	(29,217,462)	(42,059,239)	146,960	205,906,145	51,256,590	257,162,735

- The accompanying notes from (1) to (30) are an integral part of these consolidated financial statements.

NAEEM HOLDING COMPANY FOR INVESTMENTS (S.A.E – FREE ZONE)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017

	Note	31 March 2017	31 March 2016
		USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the period before taxes		126,428	304,222
Adjustments for:			
Depreciation of Fixed assets	(5)	154,923	115,830
Reversal) of impairment of Accounts receivable value		-	(46,203)
Provisions charged during the period		-	(31,842)
Gain from sale of Investments at fair value		-	(2,060,876)
Loss from sale of Investments at fair value		-	992,028
Real estate depreciation		19,328	39,263
Credit interest		(20,815)	(71,129)
Debit interest		468,019	378,410
Foreign currency difference		101,529	(726,596)
Unrealized losses (gain) on revaluation of Investments at fair value through profit or loss		(168,495)	(43,817)
Cash from operations before changes in working capital		680,917	(1,150,710)
Change in accounts receivable	(12)	(3,385,948)	(6,285,360)
Provisions		(8,088)	-
Change in prepayments and other debit balances	(14)	(6,598,953)	(9,033,198)
Change in accounts receivable – credit balances		(1,131,685)	17,173,708
Change in accrued expenses and other credit balances	(17)	(189,244)	(3,298,396)
Change in work in progress		(149,926)	3,112,594
Change in finished units		6,774,278	4,622,295
NET CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES		(4,008,649)	5,140,933
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payments) to acquire fixed assets	(5)	(152,885)	(66,211)
Proceeds from sale of fixed assets	(5)	514,028	-
Proceeds from Projects under construction		-	580,404
Change in investments available for sale	(7)	18,543	(2,595,057)
Change in due from sale contract		11,503	325,811
Change in investments at fair value through profit or loss		(1,357,779)	(1,848,829)
Change in real estate investments		-	1,767,285
Change in employee's rewarding system		-	1,102,329
Change in long-term investments	(8)	30,033	37,126
Change in investments in associates		65,952	84,013
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(870,605)	(613,129)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from banks overdraft	(16)	1,229,721	2,391,965
Proceeds of long term liabilities		3,975,483	2,913,461
Deferred tax liabilities		(20,340)	-
Debit interest		(468,019)	(378,410)
Credit interest		20,815	71,129
Consolidated translation differences		2,891,420	(9,780,654)
Minority interest		12,646	-
Accumulated Losses		(2,158,419)	-
NET CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES		5,483,307	(4,782,509)
Impact of change in exchange rates		(101,529)	726,596
NET CASH FLOWS DURING THE PERIOD		502,524	471,891
Cash and cash equivalents – beginning of the period	(11)	15,222,370	22,079,030
CASH AND CASH EQUIVALENTS - END OF THE PERIOD	(11)	15,724,894	22,550,921

- The accompanying notes from (1) to (30) are an integral part of these consolidated financial statements.

1 BACKGROUND

Naeem Holding Company for Investments "S,A,E - Free Zone" was incorporated according to the provisions of law 8 of 1997 and its executive regulations and law 95 of 1992 and its special executive regulations related to the capital market, The Company was registered in the commercial registry under number 881- Ismailia on the 14 May 2006, The Company's activities are as follows:

1. Participate, either fully or partially, in establishing companies.
2. Factoring
3. Risk capital
4. Finance lease.
5. Guarantee and covering public offering.
6. Margin trading and custodian function.

The Company has the following investments in subsidiaries as of 31 March 2017:

Company	Activity	Share %
NAEEM Brokerage Company	Financial Securities Brokerage	99.96%
NAEEM For Shares and Bonds Company*	Financial Securities Brokerage	100%
NAEEM Financial Investments Company	Financial services	99.99%
NAEEM Mortgage for Real Estate	Real estate financing	98.4%
NAEEM for Consulting Services Company	Consulting services	98%
NAEEM Capital Limited Company	Financial Securities investments	100%
NAEEM Development Projects Limited Company	Financial Securities investments	100%
NAEEM for Real Estate Management Limited Company	Real Estate Investment Management	100%
Al Tawfik for Financial Investments	Financial services	%99.98
Al Tawfik for Brokerage	Financial Securities Brokerage	99.96%
NAEEM Misr Investment Fund Company	Investment Fund	100%
NAEEM Real Estate Investment Fund Company	Investment Fund	%99
Mina Mac Fund Company	Investment Fund	%99
Mina Growth Fund Company	Investment Fund	%99
NAEEM for Investment Funds Company	Investment Fund	99%
Gold Capital for trading Company	Commodities Trading	98.80%
Recap For Financial investments (Recap holding previously)**	Financial services	46.87%
Arab Sweeteners Company	Manufacturing	99.98%

* These investments include direct and indirect investments.
** RECAP for Financial Investments owns the following ownerships in its Subsidiaries:

Company	Activity	Share %
SVREICO for Real Estate Investment Company	Real Estate Investments	68.35%
Naeem For Real Estate Investments	Real Estate Investments	99.98%
Bedaya For Real Estate Investments (Subsidiary of Naeem for Real Estate Investments)	Real Estate Investments	99%
Belady For Tourist Development and Hotels (Subsidiary of Naeem for Real Estate Investments)	Tourism Investments	99%
Naeem Development Projects Limited Company Financial Securities investments	Financial Securities investments	100%

- The financial statements for the year ended 31 March 2017 has been approved in accordance with the board of directors held in 9 May 2017.

2 PURPOSE OF PREPARATION

The consolidated financial statements and the accompanying notes were prepared to be provided to Egyptian Security Exchange Commission as required by the Egyptian laws and applicable local regulations.

3 BASIS OF CONSOLIDATION

- The financial statements of the Holding Company and its subsidiaries are prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations,
- Similar accounts for assets, liabilities, revenues and expenses of Holding Company and its subsidiaries have been grouped, after excluding the following:

a- The equity of subsidiary is reduced against the cost of the investment cost of Holding Company in its subsidiary.

b- Intercompany accounts between Holding Company and subsidiaries:
  - Current accounts between group companies
  - Notes receivables / payables between group companies

c- Revenues, expenses and dividends paid between Holding Company and subsidiaries during the year.

d- Unrealized gains on the date of consolidated financial statements that resulted from transactions between Holding Company and subsidiaries which may appear in some assets at the date of consolidated financial statements,

e- Any differences between debit and credit balances through settlements, which arose as a result of operation between Holding Company and subsidiaries which recorded in the books of one of the companies and have not been recorded in the books of other Company.

f- Show minority interest in a separate line item in the consolidated financial statements attributed to equity share in subsidiaries.

4 SIGNIFICANT ACCOUNTING POLICIES

4-1 Basis of preparation

The consolidated financial statements have been prepared under the going concern assumption and on a historical cost basis, except for investment property and available for sale financial assets that have been measured at fair value.

Subsidiaries companies

Subsidiaries are the companies that under the control of the group, In Which the group has the ability to control their financial and operating policies to obtain benefits from its activities taking into consideration the current and probable voting rights at the date of preparation of consolidated financial statements, When measuring the extent of control, The financial statements of subsidiaries are included in the consolidated financial statements since the date of acquisition till the date losing control of Holding Company on subsidiaries.

Consolidation elimination transactions

When preparing consolidated financial statements all balances, transactions and unrealized gains and losses between group companies are eliminated.

Conformity with accounting standards

The financial statements of the Holding Company and its subsidiaries are prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

4-2 Changes in accounting policies

The accounting policies adopted this year are consistent with those of the previous year

4-3 Foreign currency translation

The Holding Company maintains its accounts in US Dollar as it operates in a free zone, Transactions denominated in foreign currencies are recorded at the prevailing exchange rate at the date of the transaction, Monetary assets and liabilities denominated in foreign currencies other than US Dollar are retranslated using the prevailing exchange rate currencies other than US Dollar at the balance sheet date, All differences are recognized in the statement of income.

For the subsidiaries that maintains its accounts with a different currencies other than used by the Holding Company (US Dollars), balances of assets and liabilities of the financial statements for these companies are translated using the exchange rates prevailing at the balance sheet date, equity translated on the basis of historical exchange rates, Revenues and expenses on the bases of average exchange rates during the year, Foreign exchange translation differences recorded in special reserve item "Consolidated Translation differences due to consolidation" in equity consolidated balance sheet.

4-4 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, Corresponding cost for this process and cost to complete, if available, are measured:

- Profit or loss resulted from sale of financial investments are recognized on transaction date based on the difference between the cost and selling price less selling commission and expenses,

- Dividends income is recognized when collected,

- Interest income is recognized on accrual basis,

- Brokerage commissions resulting from purchase and sale of securities for clients are recorded after implementation of buy or selling order and issuing client's invoice,

- Management fees are calculated on a monthly basis based on agreed upon contract of the total customer's investment portfolio and total market value shares of the client according to contract terms,

- Purchase with margin revenue is recognized on accrual basis and according to agreed upon interest rate,

- Custody revenues are recognized on accrual basis based on the agreed upon percentages with the customers,

- Performance revenue are calculated annually on the net profit of the investment portfolio of the client under the terms of the contract,

4-5 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses, Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met, Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied, All other repair and maintenance costs are recognized in consolidated statement of income as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management , and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings	20
Furniture and office utilities	10 – 16
Office equipment and tools	3 – 8
Vehicles	3 – 5

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal, Any gain or loss arising on derecognizing of the asset is included in the consolidated statement of income when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end.

The Company assesses at each balance sheet date whether there is an indication that fixed assets may be impaired, Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, Impairment losses are recognized in the statement of income.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized, The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years, Such reversal is recognized in the statement of income.

4-6 Investments

Investments at fair value through profit or loss

Investments at fair value through profit or loss are financial assets classified as either held for trading acquired for the purpose of selling in the near term or financial assets designated upon initial recognition at fair value through profit or loss.

Investments at fair value through profit or loss are initially recognized at fair value inclusive direct attributable expenses.

Investments at fair value through profit or loss are carried in the consolidated balance sheet at fair value with gains or losses recognized in the consolidated statement of income.

A gain or loss arising from sale of an investment at fair value through profit or loss shall be recognized in the consolidated statement of income.

4-6 Investments (Cont'd)

Investments in subsidiaries
Investments in subsidiaries are investments in entities which the Company has control, Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the investee, unless, in exceptional circumstances, it can be clearly demonstrated that this is not the case.

Investments in subsidiaries are accounted for in separate financial statements at cost acquisition including transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the separate statement of income for each investment separately, Impairment loss shall not be reversed.

Available for sale investments
Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or investments at fair value through profit or loss.

Available for sale investments are initially recognized at fair value inclusive directly attributable expenses.

After initial measurement, available for sale investments are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the statement of income,
If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

Equity investments: where there is an evidence of impairment, the cumulative loss is removed from the equity and recognized in the statement of income, Impairment losses on equity investments are not reversed through the statement of income; increases in the fair value after impairment are recognized directly in equity.

Investments in associates
Investments in associates are investments in entities which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture, Significant influence is presumed to exist when the Company holds, directly or indirectly through subsidiaries 20 percent or more of the voting power of the investee, unless it can be clearly demonstrated that this is not the case.

Investments in associates are accounted for in the consolidated financial statements at cost inclusive acquisition cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the consolidated statement of income for each investment separately, Impairment loss shall not be reversed.

Current assets held for sale
Current assets held for sale is the non-current assets that is expected to regain its book value basically from sale agreement not from the use of those assets those assets are measured by the lower of the book value or the fair value after deducting the sales cost.

Current assets held for sale in case of impairment, the carrying amount to be adjusted by the value of this impairment and are charged to the statement of income Impairment losses to be reversed in the year when occurred, and to the extent to the amount of book value that previously reduced unless the impairment loss was recognized in the previous years.

4-7 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made, Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate, Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation, Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4-8 Legal reserve

According to the Company's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50% of the issued capital, The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

4-9 Income taxes

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

Current income tax

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

Deferred income tax

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the balance sheet (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

Current and deferred tax shall be recognized as income or an expense and included in the statement of income for the year, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different year, directly in equity.

4-10 Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the consolidated statement of income in the financial year in which these expenses were incurred.

4-11 Treasury shares

Treasury shares are recognized at cost and deducted from equity at the balance sheet, taking into consideration for the company not to hold these stocks less than three months but not to exceed one year holding year, The company is authorized to sell the stocks during the year in case that their fair value exceeds their cost after general authority for financial supervisory approval, The company's board of directors should disclose in the extraordinary general assembly meeting the reasons for the company holding these stocks for more than six months to agree on the action to be taken towards them.

4-12 Employees' rewarding system

Securities held for employees' rewarding system are measured by reference to the fair value (market price) at the date of establishing the system and allocation and are revaluated to the fair value (market price) at each reporting date, together with a corresponding revaluation differences in equity at the balance sheet.

4-13 Related party transactions

Related parties represent associate companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties, pricing policies and terms of these transactions are approved by the boards of directors.

4-14 Accounting estimates

The preparation of financial statements in accordance with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial years, Actual results could differ from these estimates.

4-15 Impairment

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired, A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment of non-financial assets

The Company assesses at each consolidated balance sheet date whether there is an indication that an asset may be impaired, Where the carrying amount of an asset or cash-generating units (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, Impairment losses are recognized in the consolidated statement of income.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized, The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years, Such reversal is recognized in the consolidated statement of income.

4-16 Statement of cash flows

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

4-17 Cash and cash equivalent

For the purpose of preparing the cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts with banks and time deposits maturing within three months.

4-18 Projects under construction

Projects under construction represent the amounts that are incurred for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets, Projects under construction are valued at cost less impairment.

4-19 Work in Process

Properties acquired, constructed or in the course of construction for future sale are classified as work in process at their cost.

Work in process is subsequently carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less estimated cost to complete development and selling activities.

4-20 Long term Investments

Long term investments is represented in the company's share in Misr for Central Clearing Depository Registry (MCDR), the long term investments should be recorded at the acquisition cost less any permanent impairment in its value for each investment separately.

4-21 Finance lease

Finance lease is classified as operating lease according to Egyptian laws and regulations, the value of lease installments is recorded as expenses by the straight line basis all over the lease period,

4-22 Finished Units

Revenue from finished units is recorded at fair value for the amount received or due by the net after deducting any commercial discounts, quantities, sales tax or any other fees.

4-23 Investment property

Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost including transaction costs. The investments property are measured after initial recognition at fair value and the gains or losses arising from change in fair value are recognized in the statement of income.

4-24 Fair Value Measurement

The fair value represents the price which would be received by the company in return for selling an asset or transferring a liability under an orderly transaction between market participants on the date of measurement.

Fair value measurement is based on the assumption that the asset sale or liability transfer transaction will take place in the principal market of the asset or liability or the most advantageous market for the asset or liability.

The fair value of the asset or liability is measured by means of the assumptions likely to be used by the market participants upon pricing the asset or liability, assuming that the market participants will work on achieving their economic interests.

Fair value measurement for the non-financial asset or liability takes into account the market participant's ability to generate economic benefits by making the most acceptable use of the asset or by selling the asset to another market partner capable of using the asset in its utmost capacity.

As for the current assets in an active market, the fair value is determined by referring to the declared market purchase prices.

Fair value of the interest-bearing items is estimated based on the discounted cash flows,by using the interest rates applicable to identical items having the same conditions and risk properties.

As for unlisted assets, their fair value is determined by referring to the market value of identical assets or based on the expected discounted cash flows.

The company uses valuation techniques appropriate for the surrounding circumstances, in respect of which adequate data is available for the purpose of fair value measurement. Consequently, the company maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

4-23 Fair Value Measurement (Cont'd)

All assets and liabilities the fair value of which is measured or disclosed in the financial statements are classified into three main levels in terms of fair value measurement, as follows:

- First level: by using unadjusted quoted prices of identical assets or liabilities in active markets.
- Second level: by using inputs other than the quoted prices mentioned in the first level, which are observable for the asset or liability whether directly (i.e. prices) or indirectly (i.e. price-derived inputs).
- Third level: by using valuation techniques which include inputs for the asset or liability non based on observable market data.

As for the assets and liabilities frequently recognized in the financial statements, the company determines whether the three levels of fair value hierarchy were alternatively used or not, by way of revaluating the foregoing classification at the end of the reporting year.

For fair value disclosure purposes, the company has specified some categories for assets and liabilities based on their nature, properties and relevant risks, as well as their levels of classification in the fair value hierarchy indicated above.

4-25 Changes in Accounting Policies and Disclosures

The accounting policies applied for the year in question are the same as those applied in the previous year, with the exception of the changes resultant from applying the new Egyptian standards issued in the year 2015 and used for the financial periods beginning on or after 1 January 2016. Hereunder is a description of the most significant amendments applicable to the company and their impact (if any) on the financial statements:

- **Amended Egyptian accounting standard no. (1): presentation of financial statements**

The standard requires that the establishment shall disclose all the items of income and expenses recognized during the year, in two separate statements; one of which presents the elements of profits or losses (statement of income) and the other starts with profits or losses and presents the elements of other comprehensive income (statement of comprehensive income). The standard also requires that a statement shall be added to the statement of financial position, including the balances at the beginning of the first comparative period being presented, in case it is affected due to retrospective application of an accounting policy by the establishment or due to retrospective adjustment or reclassification. The standard does not require the presentation of the working capital.

The company has drawn up the statement of comprehensive income and presented the financial statements according to the amended presentation rules. There are no retrospective adjustments requiring the presentation of the statement of financial position which includes the balances at the beginning of the first comparative period being presented.

- **Amended Egyptian accounting standard no. (10): fixed assets and depreciations thereof**

The amended standard has removed the option of revaluation upon subsequent measurement of fixed assets, and it requires that the strategic (major) spare parts as well as the reserve equipment, which are conformable with the definition of fixed assets and are expected to be used by the establishment during more than one period, shall be treated as fixed assets (i.e. whenever the definition of fixed assets is applicable to them). This amendment has no impact on the company's financial statements.

- **Amended Egyptian accounting standard no. (14): borrowing costs**

The amended standard has cancelled the previous standard treatment which recognized the borrowing cost directly attributable to the acquisition, creation or production of a qualifying asset on the statement of profits or losers. The amended standard requires the capitalization of that cost as part of qualifying assets, and it has no impact on the company's financial statements.

- **Amended Egyptian accounting standard no. (23): intangible assets**

The amended standard has ruled out the option of revaluation upon subsequent measurement of intangible assets, and it has no impact on the company's financial statements.

- **Amended Egyptian accounting standard no. (34): real estate investment**

The amended standard has removed the option of the fair value model for real estate investments, and has dictated the use of fair value for disclosure purposes only. This amendment has no impact on the company's financial statements.

- **Amended Egyptian accounting standard no. (38): employees benefits**

As for the defined benefit plans, the amended standard requires that the accumulated actuarial profits and losses shall be immediately recognized and be charged to the items of other comprehensive income. The standard also stipulates that the previous service cost shall be recognized as an item of expenses at the latest of the following dates: a) when the plan is amended or cut down, or b) when the establishment implements a substantial plan for restructuring its activities, and recognizes the relevant restructuring costs including payment of the end-of-service benefits.

- **New Egyptian accounting standard no. (40): financial instruments "disclosures"**

A new Egyptian accounting standard sub no. (40): financial instruments "disclosures" was issued to cover all the required disclosures of financial instruments. The company has presented all the required disclosures in the financial statements.

- **New Egyptian accounting standard no. (41): operational sectors**

The Egyptian accounting standard no, (33): sectoral reports has been cancelled and substituted with standard no. (41); operational sectors. Accordingly, the sectoral reporting system required to be disclosed and the required volume of disclosures has basically become dependent on the information available about sectors in the manner used by the operational decision maker. As indicated in note no (5), the company is still working through one operational sector.

- **New Egyptian accounting standard no. (45): fair value measurement**

A new Egyptian accounting standard sub no. (45): fair value measurement was issued. This standard shall apply when another standard requires or allows for fair value measurement or fair value disclosure. This standard aims at defining the fair value, setting a framework for fair value measurement via a single standard, and determining the required disclosure of fair value measurements. The company has made the required disclosures according to the standards.

5 FIXED ASSETS

	Buildings	Furniture and office utilities	Office equipment and tools	Vehicles	Total
	USD	USD	USD	USD	USD
Cost					
1 January 2017	2,012,233	5,454,147	2,437,282	292,288	10,195,950
Additions for the Period	-	63,088	89,797	-	152,885
Disposals for the Period	(546,525)	(67,412)	-	-	(613,937)
31 March 2017	**1,465,708**	**5,449,823**	**2,527,079**	**292,288**	**9,734,898**
Accumulated depreciation					
1 January 2017	(162,826)	(3,355,413)	(2,437,281)	(146,837)	(6,102,357)
Depreciation for the Period	(7,027)	(67,265)	(54,174)	(26,457)	(154,923)
Disposals' depreciation for the Period	99,909	-	-	-	99,909
31 March 2017	**(69,944)**	**(3,422,678)**	**(2,491,455)**	**(173,294)**	**(6,157,371)**
Net Book Value 31 March 2017	**1,395,764**	**2,027,145**	**35,624**	**118,994**	**3,577,527**

	Buildings	Furniture and office utilities	Office equipment and tools	Vehicles	Total
	USD	USD	USD	USD	USD
Cost					
1 January 2016	1,483,232	5,401,119	2,281,080	294,380	9,459,811
Additions for the Year	529,001	112,552	157,652	17,734	816,939
Disposals for the Year	-	(59,524)	(1,450)	(19,826)	(80,800)
31 December 2016	2,012,233	5,454,147	2,437,282	292,288	10,195,950
Accumulated depreciation					
1 January 2016	(108,465)	(3,187,544)	(2,271,814)	(121,638)	(5,689,461)
Depreciation for the Year	(54,361)	(221,902)	(167,123)	(45,025)	(488,411)
Disposals' depreciation for the Year	-	54,033	1,656	19,826	75,515
31 December 2016	(162,826)	(3,355,413)	(2,437,281)	(146,837)	(6,102,357)
Net Book Value 31 December 2016	1,849,407	2,098,734	1	145,451	4,093,593

6 PROJECTS UNDER CONSTRUCTION

	31 March 2017	31 December 2016
	USD	USD
Beginning balance	4,903,027	4,903,027
Additions	-	-
Ending balance	4,903,027	4,903,027

- The projects under construction are represented in the studies and preparations made for an industrial project (Arab Sweeteners Company).

7 AVAILABLE FOR SALE INVESTMENTS

	31 March 2017	31 December 2016
	USD	USD
Quoted shares in the stock market *	62,834,488	62,880,749
Unquoted shares	27,226,572	27,198,951
	90,061,060	90,079,700

*The value of Quoted shares in the Egyptian stock exchange commission amounted to 28413105 shares at fair market value USD 50,575,327 from Investments in Egyptian Gulf Bank shares mortgaged by a letter of guarantee issued from the Arab African bank in favor of NAEEM for Stock and Bonds Company as a guarantee of brokerage activities.

8 LONG-TERM INVESTMENTS

	Share %	31 March 2017	31 December 2016
		USD	USD
Misr Company for central Clearing and Depository *	% 1.5	184,498	183,185
Guarantee settlement fund **	-	433,559	464,954
Dealers insurance fund	-	6,891	6,842
		624,948	654,981

*The change is due to the increase in owned investments in Misr for Clearing and Depository due to the re-distribution of Misr for Clearing and Depository capital on its members every three years, taking into consideration the volume of transactions for all of them with the company during the same period and the ownership of shares will be transferred among members and in accordance with its nominal value and re- distribution at the entry of new members.

**The change in investment is due to the re- distribution of ratio in accordance with the volume of transactions in the market and be re- evaluated every three months by the Settlement Guarantee Fund.

9 EMPLOYEES' REWARDING SYSTEM

The balance of employees' rewarding system as of 31 March 2017 amounted to USD 12,545,871 represented in the fair market value of the system shares amounted to USD 11,080,990 in addition to cash portion amount to USD 1,464,881.

On 30 April 2008, the Company has transferred all treasury shares to employees' stock rewarding system and the stocks were revalued at the fair (market) value at date of transfer.

On 24 May 2013 5000000 shares has been transferred to employees rewarding system previously purchased on 13 November 2012 as per the extraordinary general assembly meeting decision for financing the employees rewarding system.

As of 31 March 2017 the employees' rewarding system is amounted of USD 12,454,871 represented in the market value of system's shares amounted of USD 11,080,990 in addition to a cash amount of USD 1,464,881 and the shares were re-evaluated using the fair (market) value that amounted to USD 11,080,990 ,with a net negative valuation differences of those shares amounted to USD 8,084,751 at 31 March 2017 included in Employees' rewarding system revaluation differences in equity in the separate financial statements (USD 6.394,430 as of 31 December 2016).

Movement Summary is as follows:

	Shares	Shares
Total shares transferred to the system		11372754
Donated shares distribution		3790919
Shares transferred to the system		5000000
Total system shares		20163673
Shares designated and sold:		
Shares sold	(20000)	
Holding Company's employees	(390000)	
Subsidiaries' employees	(972334)	
Total designated shares		(1382334)
Total non-designated shares		18781339

10 GOODWILL

	31 March 2017 USD	31 December 2016 USD
Goodwill arising from acquisition of:		
Naeem Brokerage	**40,330,093**	40,330,093
RECAP for financial investments (Recap holding previously)	**10,251,294**	10,251,294
Naeem for Shares and Bonds	**2,750,059**	2,750,059
Naeem for Financial Investments	**3,103,794**	3,103,794
Etihad Capital (Unifund Capital company previously)	**473,327**	473,327
	56,908,567	56,908,567

11 CASH ON HAND AND AT BANKS

	31 March 2017 USD	31 December 2016 USD
US Dollars		
Cash on hand	**38,309**	62,870
Banks- Current accounts	**11,242,973**	10,272,202
Time deposits	**2,311,913**	1,555,542
	13,593,195	11,890,614
Other Currencies		
Cash on hand	**16,752**	27,999
Banks- Current accounts	**2,009,809**	3,303,757
Time deposits	**105,138**	-
	2,131,699	3,331,756
Total cash on hand and at banks	**15,724,894**	15,222,370

12 ACCOUNTS RECEIVABLE

	31 March 2017 USD	31 December 2016 USD
Accounts receivables	**16,023,042**	12,638,496
Deduct:		
Impairment of accounts receivables	**(373,071)**	(374,473)
	15,649,971	12,264,023

-The accounts receivables balance at 31 March 2017 includes USD 1,859,361 which represents the value of purchased shares in favor of purchasing with margin trading customers (31 December 2016 amounted to USD 1,826,398).

13 INVESTMENTS AT FAIR VALUE THROUGH PROFITSOR LOSSES

	31 March 2017 USD	31 December 2016 USD
Quoted shares in the stock market	**3,097,980**	1,572,022
Unquoted shares	**44,476**	44,160
	3,142,456	1,616,182

14 PREPAID EXPENSES AND OTHER DEBIT BALANCES

	31 March 2017 USD	31 December 2016 USD
Prepaid expenses	**568,262**	371,901
Employees' loans and advances	**196,998**	143,446
Deposit with others	**325,925**	371,257
Tamweel For Leasing Company	**1,217,771**	-
Tamweel For Mortgage Company	**3,514,636**	-
Leasing contracts settlements	**2,790,919**	-
Advances to suppliers	**-**	7,153
Elite for Furniture trading	**2,487,066**	-
Unifund	**18.168.061**	18,104,252
Accrued revenue	**11,930**	11,012
Etihad capital	**17.519**	24,860
Purchasing and selling clearing	**35,516**	3,642,285
Tax Authority	**60,144**	59,584
Notes receivables and cheques under collection	**1,978,409**	2,025,849
Other debit balances	**3,395,035**	3,407,639
	34,768,191	28,169,238

15 PROVISIONS

	31 March 2017 USD	31 December 2016 USD
Balance at beginning of period / year	87,757	291,464
Used during the period / year	(8,088)	(203,707)
Balance at end of the period / year	79,669	87,757

16 BANKS OVERDRAFT

	31 March 2017 USD	31 December 2016 USD
El Baraka bank	1,775,083	2,140,120
Misr Bank	1,292,359	-
Export Development Bank of Egypt*	4,568,273	4,518,913
Arab African International Bank **	9,325,047	9,072,008
	16,960,762	15,731,041

- * The company obtained credit facility amounted to 50,000,000 EGP from Export Development Bank of Egypt to finance the margin purchase transaction and has been reduced to 35,000,000, margin trading customers balance as of 31 March 2017 amounted to 1,859,361 USD.

- ** The company obtained credit facility amounted to 80,000,000 EGP from Arab African International Bank under guarantee of Recap for financial investments shares to finance investments of stocks portfolio. The aforesaid amount was reduced to 50,000,000 EGP.

- ** The company obtained credit facilities at the amount of 11,100,000 AED from the Arab African International Bank, with the aim of financing the purchase of investments.

The interest rate applicable to the item "banks – credit facilities" reached 18.75%.

17 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31 March 2017 USD	31 December 2016 USD
Notes payables	892,076	1,056,880
Deposits with others	-	50,125
Employees rewarding loan	1,459,830	-
Accrued expenses	-	848,691
Central depository custody	33,488	42,531
Social insurance authority	18,910	20,104
Advances from customers	1,161,125	1,207,335
Risk guarantee fund	1,179	2,022
Tax Authority	970,283	857,530
Nile palm company	2,687,696	2,668,572
General authority for tourism development	999,793	897,473
Accrued Revenue	56,940	65,340
Accrued coupons	16,099	16,090
Etihad Capital	-	1,814
Other credit balances	2,599,590	3,351,746
	10,897,009	11,086,253

18 CAPITAL

The Company's authorized capital amounts to USD 600 million and the initial issued and paid up capital at the date of incorporation amounted to USD 120 million divided over 120 million shares each with a par value of USD 1.

On 18 July 2006, the board of directors approved an increase in the issued and paid up capital from USD 120 million to USD 240 million and increase the shares from 120 million shares to 240 million shares each with a par value of USD 1 and the increase was fully subscribed in.

On 30 March 2008 the general assembly meeting agreed on board of directors' proposal to declare 1 stock dividend for every 3 shares with total amount of USD 80 million, On 16 July 2008 the capital increase was registered at Misr for Central Clearing, Depository and Registry Company, Accordingly, issued and paid up capital amounted to USD 320 million divided over 320 million shares each with a par value of USD 1.

On 11 November 2009 the board of directors decided to redeem 10660529 shares from treasury shares at their par value (Note 19), Accordingly the Company issued and paid up capital amounted to USD 309,339,471.

On 14 April 2011 extra ordinary general assembly meeting decided to redeem 5017471 shares of treasury shares with their par value (Note 19) accordingly issued and paid up capital becomes USD 304,322,000.

On 21 May 2012, according to the decree of the Extraordinary General Assemble Meeting, 10432529 shares of treasury shares have been redeemed with their par value (Note 19), accordingly issued and paid up capital becomes USD 293,889,471.

On 6 August2013, according to the decree of the Extraordinary General Assemble Meeting, 10000000 shares of treasury shares have been redeemed with their par value (Note 19), accordingly issued and paid up capital becomes USD 283,889,471.

On 16 January 2014 the articles no, 6 & 7 of the company's article of association has been changed and the changes were highlighted in the commercial register on that date.

Pursuant to the decisions of the extraordinary general assembly held on 25 July 2016, which stipulated for reducing the issued and paid-up capital from US$ 283,889,471 to US$ 198,722,629.70, by way of reducing the nominal value per share from 1 US$ to US$ 0.70 while keeping the number of shares as it is, i.e. 283,889,471 shares. The aforesaid decisions further stipulated for transferring the reduced portion of capital, amounting to US$ 85,166,841.30, to the company's reserves (general reserve), and for amending articles nos. (6 and 7) of the company's articles of association to render it conformable with the requirements of the UAE Securities and Commodities Authority, in preparation for listing the company's shares on Abu Dhabi Stock Exchange.

19 TREASURY SHARES

According to the Company's board of directors meeting held on 25 August 2008, the Company decided to purchase 4.9% from Company's shares. The Company had purchased 11115493 shares during 2008 and 2009 with amount of USD 7,428,235.

On 11 November 2009 the board of directors agreed to redeem 10660529 shares from treasury shares at par value (Note 18), The Company completed the appropriate procedures to redeem these shares of an amount of 7,219,991 USD as at 30 March 2010 according to the decision of the extraordinary general assembly meeting held, The difference between the acquisition cost and the par value amounted to USD 3,440,538 is recognized in reserve available for distribution in equity at the balance sheet as of 31 December 2009.

According to the decree of Company's Extraordinary General Assembly Meeting held on 14 April 2011, 5017471 treasury shares and their acquisition cost is amounted to 2,654,357 and their par value is amounted to USD 5,017,471 has been redeemed (Note 18), and the difference between the share's par value and their acquisition cost has been charged to reserve available for distribution in the equity in the Consolidated balance sheet, as of 31 December 2011 with the addition to the amount of USD 2,363,114, so that, for the reserve available for distribution as of 31 December 2011 amounted to USD 5,803,652.

On 21 May 2012, according to the Extraordinary General Assembly Meeting decision, 10432529 shares from treasury shares have been redeemed at par value (note 18) that had acquisition cost amount to USD 5,605,525 with par value amount to USD 10,432,529, The difference between the par value and acquisition cost amount to USD 4,827,004, so that the dividends available to distribution becomes USD 10,630,656 as of 31 December 2012.

On 13 November 2012, according to the Extraordinary General Assembly Meeting decision, 5000000 shares from treasury share have been purchased with the amount of USD 1,608,173 for the purpose of financing rewarding system.

On 6 August 2013, according to the Extraordinary General Assembly Meeting decision, 10000000 shares from treasury shares have been redeemed at par value (note 18) that had acquisition cost amount to USD 2,814,142 with par value amount to USD 10,000,000,The difference between the par value and acquisition cost amount to USD 6,671,109, so that the dividends available to distribution becomes USD 6,671,109 as of 31 December 2013.

On 31 December 2015 the treasury stocks outstanding were zero with total value of USD zero (there is no existing balance for treasury stocks as of 31 December 2014).

According to Board of Directors meetings of Recap for financial investments company (subsidiary company) held on 9 November 2015 it has been decided to purchase 2.75% from company's shares and it has been purchase 3 million share amounted to 9,000,000 EGP during 2015 which equivalent to 1,492,537 USD.

20 LONG TERM LIABILITIES

	31 March 2017	31 December 2016
	USD	USD
Notes payables	**4,093,658**	6,938
End of service reward	**357,098**	377,808
Credit accounts and other credit balances	**3,024,362**	3,114,889
	7,475,118	3,499,635

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are represented in financial assets and liabilities, The financial assets include cash on hand and at banks, account receivables, other debit balances and financial investments, The financial liabilities include bank overdraft, dividends payable and other credit balances.

The significant accounting policies applied for the recognizing of income and expenses are included in note (4) of the notes to the financial statements.

As indicated in note (30), the exchange rate was liberalized on 3 November 2016. Accordingly, currency difference losses would result by applying the rate declared on that date.

a-The foreign currency risk other than US dollar
The foreign currency risk is the risk that the value of the financial assets and liabilities and their related cash inflows and outflows in foreign currencies other than the US Dollar will fluctuate due to changes in foreign currency exchange rates.

b- Fair value
According to the followed bases in the evaluation of the financial assets and liabilities of the Company, the fair value of the financial instruments is not materially different from their fair values at the financial statements date.

c- Credit risk
The company settles its banking liabilities periodically to avoid unexpected financial losses.

d- Liquidity risk
The company is constantly examining financial situation of liquidity for all items of the statements as well as Taking all necessary precautionary measures to face any expected risks that may arise from the dealings of the company and lead to a problem in liquidity.

e- Risks of financial flows related to interest rate
Usually, future cash flows of financial instruments is prepared, in order to anticipate any changes that may occur in the future interest rate changes and this may lead to a change in the effective interest rate of the tool without any change in fair value.

22 FINISHED UNITS

	31 March 2017 USD	31 December 2016 USD
18 apartments at Royal & Rakin projects *	**2,540,553**	4,165,620
Building B16- ground floor-Smart Village	**-**	5,188,209
First phase Buildings – Smart village**	**5,480,732**	5,441,734
	8,021,285	14,795,563

*The company owns 4 units within Casa Project at El-Sheikh Zayed – 6th of October City, of which 1 unit is fully finished and 3 units are half finished.
* The company also owns 14 units within Palm Parks Project at 6th of October City.
**This amount represents the covered costs related to the unsold portion of buildings no B109 & B16 at the first phase, as included in the balances of Severico For Real Estate Investment Company. The change in the balance of the ready units represents an amount of 44,041,711 EGP, which was deducted from that balance as the value of the cost of sold units. An amount of 1,022,333 EGP was added to represent the value of adjustments made regarding the ready units due to increasing the contribution of the holding company to the capital of Severico Company.

23 CONTINGENT LIABILITIES

- The company warrants a letter of guarantee at the amount of 50,000,000 AED or the equivalent amount in US dollars, as issued by the Arab African International Bank to Naeem for Stocks and Bonds Company in favor of the stock exchanges in Dubai and Abu Dhabi, with the aim of guaranteeing the brokerage activity. The letter of guarantee was issued in return for the company undertaking to maintain at all times a minimum limit of coverage at the rate 350% of its value. Accordingly, the company pledged the shares owned thereby with the Egyptian Gulf Bank – head branch, the fair value of which amounted to USD 50,016,329 on 31 March 2017.
- The accounts receivable balance reached 1,859,361 USD on 31 March 2017. This amount represents the value of margin purchase of shares for customers, and stood at 1,826,398 USD on 31 December 2016.

24- INVESTMENTS IN ASSOCIATES

	Ownership%	31 March 2017	31 December 2016
		USD	**USD**
Etihad Capital	31.20%	**2,556,179**	2,622,131
		2,556,179	2,622,131

25 GOALS AND METHODS OF CAPITAL MANAGEMENT

The Company aims to achieve the maximum return on its capital through capital management in accordance with its related investments activities through its operations department that has a sufficient experience to manage company's capital and to achieve the required return.

Capital finance of the group is made through shareholder's equity, and borrowings through financial institutions are very limited.

26 WORK IN PROGRESS

	31 March 2017	31 December 2016
	USD	USD
Marsa alam land	1,468,100	1,457,654
First phase lands – smart village' buildings and constructions	11,015,980	10,876,500
	12,484,080	12,334,154

27 AVAILABLE FOR SALE FINANCIAL INVESTMENTS

	Country	Share percentage	31 March 2017	31 December 2016
			USD	USD
Nile Palm EL Naeem for Real Estate Development *	Egypt	49%	18,899,545	18,899,545
			18,899,545	18,899,545

* Financial Investments held for trading represents the 49% ownership of Naeem for Real Estate Investment Company in Nile Palm EL Naeem for Real Estate Development, the total investment cost reached L,E 120,031,013 after revaluation on the date of purchase as per the study made by Baker Telly, accordingly RECAP company has purchased a share in Naeem for Real Estate Investment company, during the year 2009 the company has reclassified the Investments in Nile Palm EL Naeem for Real Estate Development stated in the Investments in related parties as of 31 December 2008 to Investments held for trading as per the Egyptian accounting standards no (32) which requires to be presented separately from other investments. In February 2016, Professionals Financial Consulting Firm (licensed by the Egyptian Financial Supervisory Authority sub no. 448) was assigned to draw up a report on determining the fair value of the company's shares. Where upon, it was found out that the estimated value of the company's capital is 248,000,000 EGP, distributed to 991,000 shares.

28 REAL ESTATE INVESTMENTS

	31 March 2017	31 December 2016
	USD	USD
Cost	**14,904,868**	14,929,348
Depreciation	**(19,328)**	(142,272)
Additions related to the acquisition of 2.46% of Severico Company	-	117,792
	14,885,540	14,904,868

With indicate to the board of directors decision that had been held on 11 November 2015 which it was decided to cancel the finance lease contract with the **International Company for Leasing** which was contracted during 2011 related to the finance lease of building F4& B143,that resulted in acquisition of building B143 & F4 by **Severico For Real Estate Investment Company** amounted to 2,946,959 EGP with the purpose of maintaining building B14 and building F4 to be offered for leasing according to one or more operating lease contract.

As a result and according to item number (8) standard (34) of Egyptians accounting standards that related to investment properties, **Severico For Real Estate Investment Company** recognized building F4 and B134 in the real estate investment.

Referring to the decision of the Minister of Investment No. 110 for the year 2015 to issue the accounting standards, which resulted in a change in Standard No. 34 of the Egyptian Accounting Standards for Real Estate Investment and the derecognition of the fair value method. Accordingly, they were reclassified in accordance with transitional provisions from the fair value method to the cost method, It was taken into consideration that the productive life of the original 50 years

29 GOING CONCERN

On 27 March 2013, according to the Extraordinary General Assembly Meeting decision of Bedaya for Real Estate Investment Company (Subsidiary), it was accepted to freeze the company's activities as of 31 March 2013, and the tax card has been retained by the company.

As per the decision from the board of directors of the Egyptian Financial Supervisory Authority (EFSA) session held on 23 July 2011, Naeem For Real Estate Financing (Subsidiary) has been prevented from performing its operations according to the article no, 42 of the real estate financing law no 148 of 2001 for not completing its issued capital.

30 Tax position of the companies of Naeem Holding Group for Investments

- <u>Naeem Holding Company</u>
  - **Income tax:** The Company was established at the free zone in Ismailia, and was exempted from the income tax in accordance with the Investment Guarantees and Incentives Law No. 8 of the year 1997.
  - **Earnings tax:** Examination took place up to 31 December 2012.
  - **Stamp duty:** the company fulfills its tax obligations as per the due dates.

- <u>Naeem Financial Investments Company</u>

- **Associations of capital tax:** the company's records are currently being examined for the years from 2010 to 2012, and no tax has yet fallen due on the company. The payable tax is delivered as per the tax return on due dates.
- **Earnings tax:** the company's records are currently being examined for the years from 2005 to 2011, and the payable tax is delivered on due dates.
- **Stamp duty:** the company's records were examined as of 2005 up to 2014, and the due tax was paid.

- <u>Naeem for Investment Funds Company</u>

-**Corporate tax:** the company regularly draws up tax returns according to the provisions of law no. 91 of the year 2005 and its executive regulations. The company wasn't subjected to tax examination since the commencement of its activity till now.

- **Earnings tax:** the company wasn't subjected to tax examination since the commencement of its activity till now.
- **Stamp duty;** the company wasn't subjected to tax examination since the commencement of its activity till now.
- **Withholding tax:** the company wasn't subjected to tax examination since the commencement of its activity till now.

- <u>Naeem Brokerage Company</u>

- **Associations of capital tax:** the company's records were examined till the year 2009, and the due tax was paid. The payable tax is delivered as per the tax return on due dates.
- **Earnings tax:** the company's records were examined till the year 2014, and the due tax was paid.
- **Stamp duty:** the company's records were examined till the year 2013, and the due tax was paid.

- <u>RECAP for Financial Investments</u>

- **Associations of capital tax:** the company was subjected to tax examination as of the commencement of its activity till the year 2004. The tax differences attributable to the examination years were adjusted, and no disputes have arisen in this regard.

As for the years from 2005 through 2016:

- The company's tax returns were approved according to law no. 91 of the year 2005, for the years from 2005 to 2009. The company's records were not examined for the subsequent years from 2010 to 2016.
- The due tax is delivered on the basis of the tax return.

- **Earnings tax:** the company's records were examined till the year 2012, and the due tax was paid.
- **Stamp duty:** the company's records were examined up to 31 December 2013. The tax differences attributable to the examination years were adjusted, and no disputes have arisen in this regard. The due tax is delivered on the basis of the tax return.