

**NAEEM HOLDING COMPANY
FOR INVESTMENTS (S.A.E – FREE ZONE)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018
TOGETHER WITH REVIEW REPORT**

NAEEM HOLDING COMPANY FOR INVESTMENTS (S.A.E-FREE ZONE)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018

CONTENTS

	Page
Review Report of Consolidated Financial Statements	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Profit or Loss	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Equity	6-7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9-30

Translation of Review
report originally issued
in Arabic

REVIEW REPORT

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying consolidated financial position of **NAEEM HOLDING COMPANY (S,A,E)** as of 31 March 2018 and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months ended on that date, and summary of the main accounting policies and other explanatory notes, Management is responsible for the preparation and presentation of these consolidated financial statements in accordance with the Egyptian accounting standards, our responsibility is to express a conclusion on these separate financial statements based on our review.

Scope of review

We conducted our review in accordance with the Egyptian Standard on review engagement no, (2410) "Review of interim 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, Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit, Consequently; we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim consolidated financial statements are not prepared, in all material respects for the financial position of the company as of 31 March 2018, and its consolidated financial performance and cash flows for the three months ended in that date in accordance with Egyptian accounting standards,

Cairo: 14 May 2018

Auditor


Amr M. Al-Shaabini
FESAA – FESAT A Member of
(RAA 9365) Ernst & Young Global
(CMAR 103) 

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2018**

	Notes	31 March 2018 USD	31 December 2017 USD
Assets			
Noncurrent assets			
Fixed assets	(5)	3,581,640	3,577,474
Projects under construction	(6)	6,209,596	6,126,549
Available for sale investments	(7)	94,859,037	94,860,573
Long-term investments	(8)	579,418	615,868
Investments in associates	(24)	2,673,482	2,824,677
Real Estate Investment	(28)	8,321,559	14,826,500
Notes receivables- Long Term		7,863,929	5,032,193
Deferred tax assets		15,044	14,860
Employees rewarding system	(9)	13,653,970	9,935,265
Goodwill	(10)	54,158,508	54,158,508
Total Noncurrent Assets		191,916,183	191,972,467
Current assets			
Cash on hand and at banks	(11)	10,737,669	4,798,770
Investments at fair value through profits or losses	(13)	9,045,289	5,165,900
Current investments held for sale	(27)	18,899,545	18,899,545
Accounts receivable	(12)	14,548,280	10,170,354
Work in process	(26)	14,082,964	13,474,195
Prepaid expenses and other debit balances	(14)	44,827,007	36,438,177
Due from related parties		10,544,551	9,793,899
Finished units	(22)	6,830,118	6,930,143
Total current assets		129,515,423	105,670,983
Total Assets		321,431,606	297,643,450
Equity & Liabilities			
Equity			
Issued and paid up capital	(18)	218,594,893	218,594,893
Legal reserve		8,506,431	8,409,230
General reserve		65,294,578	65,294,578
Treasury stock reserve	(19)	7,233,894	7,233,894
Employees' rewarding system revaluation differences	(9)	(6,976,652)	(10,695,357)
Unrealized gain from available for sale investments		2,706,891	2,699,766
Foreign Currency Translation Differences (Accumulated losses)		(30,087,350) (33,093,727)	(26,648,753) (34,052,705)
Profit for the period / year		720,756	1,056,179
Majority interest		232,899,714	231,891,725
Minority interest		28,701,487	27,180,778
Total Equity		261,601,201	259,072,503
Current liabilities			
Provisions	(15)	54,032	54,032
Banks overdraft	(16)	20,158,472	14,379,351
Accounts receivables – credit balances		7,545,869	3,019,728
Accrued expenses and other credit balances	(17)	23,216,070	14,504,460
Total current liabilities		50,974,443	31,957,571
Noncurrent liabilities			
Long-term liabilities	(20)	8,770,161	6,522,535
Deferred tax liabilities		85,801	90,841
Total noncurrent liabilities		8,855,962	6,613,376
Total Liabilities		59,830,405	38,570,947
Total Equity & Liabilities		321,431,606	297,643,450


CFO
Ahmed Mahmoud


Managing Director
Youssef Elfar



The accompanying notes from (1) to (31) 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 PROFIT OR LOSS
FOR THE PERIOD ENDED 31 MARCH 2018**

	Note	31 March 2018 USD	31 March 2017 USD
Fees, commissions and investments managing revenues		1,387,695	1,648,059
Units sales revenue		-	742,637
Coupon revenue		12,183	-
Cost of units sold		-	(352,432)
(Loss) from sale of Investments at Fair Value through profits or losses		(176,992)	(798,697)
Gain from sale of current assets held for sale		1,737,297	42,627
Gain from selling real estate investments		2,775,367	-
Credit interests		68,892	20,815
Unrealized gain from revaluation of investments at fair value through profit or loss		35,252	168,495
Gain from revaluation real estate investments		298,738	-
Foreign exchange differences		(96,053)	(101,529)
Company's share of (losses) in associates		(151,195)	(65,952)
Other income		22,665	2,170,087
Total Revenues		5,913,849	3,474,110
General and administrative expenses		(2,392,868)	(2,288,732)
Marketing and managing expenses		(62,104)	(207,282)
Finance lease expenses		(277,979)	(209,398)
Debit interests		(832,170)	(468,019)
Real estate depreciation	(28)	(14,078)	(19,328)
Fixed assets depreciation	(5)	(95,894)	(154,923)
Total expenses		(3,675,093)	(3,347,682)
Profits for the period before taxes		2,238,756	126,428
Income tax		(2,515)	-
Deferred income taxes		5,224	12,646
Profits for the Period		2,241,465	139,074
Represented in:			
Shareholders' equity of the Holding Company		720,756	39,567
Minority interest		1,520,709	99,507
Profits for the Period		2,241,465	139,074


CEO
Ahmed Mahmoud


Managing Director
Rousset Elia

Chairman
Hussein Shobokshy

- The accompanying notes from (1) to (31) are an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2018**

	31 March 2018	31 March 2017
	USD	USD
Profits for the Period	2,241,465	139,074
Other comprehensive income		
Revaluation from available for sale investments	7,125	(97)
Consolidated translation differences	<u>(3,632,999)</u>	<u>2,891,365</u>
Total other comprehensive income	<u>(3,625,874)</u>	<u>2,891,268</u>
Total comprehensive income	<u>(1,384,409)</u>	<u>3,030,342</u>

- The accompanying notes from (1) to (31) 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
FOR THE PERIOD ENDED 31 MARCH 2018

	Issued & paid up capital	Legal Reserve	General reserve	Treasury stock Reserve	Employees rewarding system valuation differences	Gain on revaluation of available for sale investments	Foreign Currency 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 2018	218,594,893	8,409,230	65,294,578	7,233,894	(10,695,357)	2,699,766	(26,648,753)	(34,052,705)	1,056,179	231,891,725	27,180,778	259,072,503
Transferred to retained earnings	-	-	-	-	-	-	-	1,056,179	(1,056,179)	-	-	-
Transferred to Legal reserve	-	97,201	-	-	-	-	-	-	-	97,201	-	97,201
Adjustment in retained earnings or (accumulated losses)	-	-	-	-	-	-	-	(97,201)	-	(97,201)	-	(97,201)
Revaluation of employees' rewarding system shares	-	-	-	-	3,718,705	-	-	-	-	3,718,705	-	3,718,705
Revaluation of available for sale investments	-	-	-	-	-	7,125	-	-	-	7,125	-	7,125
Change in Minority interest	-	-	-	-	-	-	-	-	-	-	1,520,709	1,520,709
Consolidated translation differences	-	-	-	-	-	-	(3,438,597)	-	-	(3,438,597)	-	(3,438,597)
Profit for the period	-	-	-	-	-	-	-	-	720,756	720,756	-	720,756
Balance as of 31 March 2018	218,594,893	8,506,431	65,294,578	7,233,894	(6,976,652)	2,706,891	(30,087,350)	(33,093,727)	720,756	232,899,714	28,701,487	261,601,201

- The accompanying notes from (1) to (31) 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
FOR THE PERIOD ENDED 31 MARCH 2018

	Issued & paid up capital	Legal Reserve	General reserve	Treasury stock Reserve	Employees rewarding system revaluation differences	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 or (accumulated losses)	-	-	-	-	-	-	-	(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)
Change in minority interest	-	-	-	-	-	-	-	-	-	-	99,507	99,507
Profit for the period	-	-	-	-	-	-	-	-	39,569	39,569	-	39,569
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)	39,569	220,966,111	27,088,990	248,055,101

- The accompanying notes from (1) to (31) 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 2018

	Notes	31 March 2018 USD	31 March 2017 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the period before taxes		2,238,756	126,428
Depreciation of Fixed assets	(5)	95,894	154,923
Real estate depreciation	(28)	14,078	19,328
Credit interest		832,170	(26,922)
Debit interest		(68,892)	475,608
Foreign currency difference		96,053	101,679
Unrealized (gain) on revaluation of Investments at fair value through profit or loss		(35,252)	-
Gain before changes in working capital		3,172,807	851,044
Change in accounts receivable	(12)	(4,377,926)	(3,385,948)
Provisions		-	(8,088)
Change in prepaid expenses and other debit balances	(14)	(8,388,830)	(6,598,953)
Change in accounts receivable – credit balances		4,526,141	(1,131,685)
Change in accrued expenses and other credit balances	(17)	8,709,095	(176,598)
Change in due from related parties		(750,652)	-
Change in work in progress		(608,769)	(149,926)
Change in notes receivable – long term		(2,831,736)	11,503
Change in finished units		100,025	6,774,278
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		(449,845)	(3,814,373)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payments) to acquire fixed assets	(5)	(108,238)	(152,885)
Proceeds from selling fixed assets	(5)	8,178	514,028
(Payments) to Projects under construction	(6)	(83,047)	-
Change in investments available for sale	(7)	8,661	18,543
Change in investments at fair value through profit or loss		(3,844,137)	(1,526,274)
Change in real estate investments		6,490,863	-
Change in long-term investments	(8)	36,450	30,033
Change in investments in associates		151,195	65,952
NET CASH FLOWS PROVIDED FROM (USED IN) INVESTING ACTIVITIES		2,659,925	(1,050,603)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from banks overdraft	(16)	5,779,121	1,229,721
Change in long term liabilities		2,247,626	3,975,483
Deferred tax liabilities		-	(20,340)
Debit interest		(832,170)	(475,608)
Credit Interest		68,892	26,922
Consolidated translation differences		(3,438,597)	2,891,420
Retained loss		-	(2,158,419)
NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES		3,824,872	5,469,179
Impact of change in exchange rates		(96,053)	(101,679)
NET CASH FLOWS DURING THE PERIOD		5,938,899	502,524
Cash and cash equivalents – beginning of the period		4,798,770	15,222,370
CASH AND CASH EQUIVALENTS - END OF THE PERIOD	(11)	10,737,669	15,724,894

- The accompanying notes from (1) to (31) are an integral part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of 31 March 2018

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 2018:

Company	Activity	Share %
NAEEM Brokerage Company	Financial Securities Brokerage	99.96%
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 for Investment Fund Management	Investment Fund	99.80%
NAEEM for Real Estate Management Limited Company	Real Estate Investment Management	100%
NAEEM Capital for Investment (Al Tawfik for Financial Investments)	Financial services	99.98%
Al Tawfik for Brokerage	Financial Securities Brokerage	99.96%
NAEEM Real Estate Investment Fund Company	Investment Fund	%99
Mina Mac Fund Company	Investment Fund	%99
Mina Growth Fund Company	Investment Fund	%99
NAEEM Real Estate Investment Fund (NAEEM for Investment Funds Company previously)	Investment Fund	99.50%
Gold Capital for trading Company	Commodities Trading	98.80%
Recap For Financial investments (Recap holding previously)*	Financial services	47.61%
Arab Sweeteners Company	Manufacturing	99.98%

* 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 period ended 31 March 2018 has been approved in accordance with the board of directors held in 14 May 2018.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of 31 March 2018

2 PURPOSE OF PREPARATION

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

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.
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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

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 financial position 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.
- **Operating Revenue from the Sale of Real Estates and Lands**
Revenue is achieved upon the delivery of units to the Company's customers and the passing of all risks and economic benefits related to the unit.
Revenue is recognized when there is sufficient certainty that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably. Revenue shall be measured at the fair value of the due or the received consideration. Any trade discounts, volume rebates, sales taxes or charges shall be deducted and revenue is measured net of these items.
- **Interest Revenue**
Interest revenue is recognized by using the effective yield method. Interest revenue is recorded in the Profit or Loss statement under the financing income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

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 consolidated 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of 31 March 2018

4-6 Investments (Continued)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of 31 March 2018

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of 31 March 2018

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.

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 none 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

5 FIXED ASSETS

	Buildings	Furniture and office utilities	Office equipment and tools	Vehicles	Total
	USD	USD	USD	USD	USD
Cost					
1 January 2018	2,012,233	4,709,955	1,539,853	388,426	8,650,467
Additions for the Period	-	6,757	101,481	-	108,238
Disposals for the Period	-	(11,141)	(23,355)	-	(34,496)
31 March 2018	<u>2,012,233</u>	<u>4,705,571</u>	<u>1,617,979</u>	<u>388,426</u>	<u>8,724,209</u>
Accumulated depreciation					
1 January 2018	(191,320)	(3,127,457)	(1,539,852)	(214,364)	(5,072,993)
Depreciation for the Period	(7,043)	(38,796)	(35,009)	(15,046)	(95,894)
Depreciation of Disposals	-	6,227	20,091	-	26,318
31 March 2018	<u>(198,363)</u>	<u>(3,160,026)</u>	<u>(1,554,770)</u>	<u>(229,410)</u>	<u>(5,142,569)</u>
Net Book Value 31 March 2018	<u>1,813,870</u>	<u>1,545,545</u>	<u>63,209</u>	<u>159,016</u>	<u>3,581,640</u>

	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 Year	-	230,395	191,428	184,423	606,246
Disposals for the Year	-	(974,587)	(1,088,857)	(88,285)	(2,151,729)
31 December 2017	<u>2,012,233</u>	<u>4,709,955</u>	<u>1,539,853</u>	<u>388,426</u>	<u>8,650,467</u>
Accumulated depreciation					
1 January 2017	(162,826)	(3,355,413)	(2,437,281)	(146,837)	(6,102,357)
Depreciation for the Year	(28,494)	(180,361)	(70,075)	(98,502)	(377,432)
Depreciation of Disposals	-	408,317	967,504	30,975	1,406,796
31 December 2017	<u>(191,320)</u>	<u>(3,127,457)</u>	<u>(1,539,852)</u>	<u>(214,364)</u>	<u>(5,072,993)</u>
Net Book Value 31 December 2017	<u>1,820,913</u>	<u>1,582,498</u>	<u>1</u>	<u>174,062</u>	<u>3,577,474</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

6 PROJECTS UNDER CONSTRUCTION

	31 March 2018	31 December 2017
	USD	USD
Beginning balance for the period / year	6,126,549	6,103,015
Additions	83,047	23,534
Ending balance for the period/ year	<u>6,209,596</u>	<u>6,126,549</u>

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

7 AVAILABLE FOR SALE INVESTMENTS

	31 March 2018	31 December 2017
	USD	USD
Quoted shares in the stock market *	68,040,039	67,736,702
Unquoted shares	<u>26,818,998</u>	<u>27,123,871</u>
	<u>94,859,037</u>	<u>94,860,573</u>

*The value of Quoted shares in the Egyptian stock exchange commission amounted to 31,146,031 shares at fair market value USD 55,439,935 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 and Etihad Capital Company with the aim of financing a securities portfolio investment (Note 23).

8 LONG-TERM INVESTMENTS

	31 March 2018	31 December 2017
	USD	USD
Misr Company for central Clearing and Depository	188,175	187,219
Guarantee settlement fund*	<u>384,157</u>	<u>421,599</u>
Dealers insurance fund	7,086	7,050
	<u>579,418</u>	<u>615,868</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

9 EMPLOYEES' REWARDING SYSTEM

The balance of employees rewarding system as of 31 March 2018 amounted to USD 13,653,970 represented in the market value of the system shares with amount of USD 12,189,089 in addition to cash portion amounting to USD 1,464,881

On 30 April 2008, all treasury stocks had been transferred to employees' rewarding system with total number of 11,372,754 share and the stocks were revaluated using the fair (market) value at the date of transfer.

On 30 March 2008 the ordinary general assembly meeting agreed on board of directors' proposal to declare 1 stock dividend for every 3 shares, the employee rewarding system portion is 3,790,919 shares.

On 16 July 2008 the transaction was registered at Misr for Central Clearing, Depository and Registry.

On 24 May 2013, 5,000,000 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.

On 22 June 2017 the ordinary general assembly meeting agreed on board of directors' proposal to declare 1 stock dividend for every 10 shares, the employee rewarding system portion is 1,878,133 shares.

On 9 October 2017 the transaction was registered at Misr for Central Clearing, Depository and Registry.

On 31 March 2018 The employees rewarding system shares has been revaluated by the market value by USD 13,653,970 (USD 9,935,265 at 31 December 2017) so the negative net valuation differences of these shares become USD 6,976,552 in 31 March 2018 which classified in Employees rewarding system revaluation differences in the shareholder equity section in the consolidated financial statement (USD 10,695,357 at 31 December 2017)

Movement Summary is as follows:

	Shares	Shares
Total shares transferred to the system		11,372,754
Free Stock dividends		5,669,052
Shares transferred to the system		5,000,000
Total shares of the system		22,041,806
Shares designated and sold:		
Shares sold	(20,000)	
Holding company's employees	(390,000)	
Subsidiaries employees	(972,334)	
Total designated shares		(1,382,334)
Total undesignated shares		20,659,472

10 GOODWILL

	31 March 2018 USD	31 December 2017 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 Financial Investments	3,103,794	3,103,794
Etihad Capital (Unifund Capital for financial investments company)	473,327	473,327
	54,158,508	54,158,508

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of 31 March 2018

11 CASH ON HAND AND AT BANKS

	31 March 2018 USD	31 December 2017 USD
US Dollars		
Cash on hand	23,517	16,700
Banks- Current accounts	2,536,902	1,596,200
Time deposits	100,000	100,000
	<u>2,660,419</u>	<u>1,712,900</u>
Other Currencies		
Cash on hand	33,561	121,861
Banks- Current accounts	7,644,577	2,849,020
Time deposits	399,112	114,989
	<u>8,077,250</u>	<u>3,085,870</u>
	<u>10,737,669</u>	<u>4,798,770</u>

12 ACCOUNTS RECEIVABLE

	31 March 2018 USD	31 December 2017 USD
Accounts receivables	14,890,206	10,510,545
Impairment of accounts receivables	(341,926)	(340,191)
	<u>14,548,280</u>	<u>10,170,354</u>

- The accounts receivables balance at 31 March 2018 includes USD 1,804,087 which represents the value of purchased shares in favor of purchasing with margin trading customers (31 December 2017 amounted to USD 1,826,398).

13 INVESTMENTS AT FAIR VALUE THROUGH PROFITS OR LOSSES

	31 March 2018 USD	31 December 2017 USD
Quoted shares in the stock market	9,041,314	4,497,663
Unquoted shares	3,975	668,237
	<u>9,045,289</u>	<u>5,165,900</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

14 PREPAID EXPENSES AND OTHER DEBIT BALANCES

	31 March 2018	31 December 2017
	USD	USD
Prepaid expenses	289,836	270,361
Employees' loans and advances	41,153	31,629
Deposit with others	413,400	330,532
Unifund	20,669,551	20,639,936
Tamweel For Mortgage Company *	3,187,022	3,294,593
Tamweel For Leasing Company **	1,024,882	1,074,929
Leasing contracts settlements***	3,364,582	3,301,922
Advances to suppliers	1,611	14,536
Naeem shares & bonds	6,580	17,775
Purchasing and selling clearing	1,479,463	668,594
Tax Authority	66,229	65,797
Notes receivables and cheques under collection	9,251,139	3,004,275
Other debit balances	5,031,559	3,723,298
	<u>44,827,007</u>	<u>36,438,177</u>

* The company has made a sale and lease back contract for the first and third floor - building B-16 in Smart village that the company owns it with Tamweel for Mortgage.

** The company has made a sale and lease back contract for the second floor - building B-16 in Smart village that the company owns it with Tamweel for Leasing.

***This balance consists of the unamortized amounts occurred from sale and lease back contract loss for the first, second and third floors - building B-16 in Smart village.

15 PROVISIONS

	31 March 2018	31 December 2017
	USD	USD
Balance at beginning of period / year	54,032	87,757
Used during the period / year	-	(33,725)
Balance at end of the period / year	<u>54,032</u>	<u>54,032</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

16 BANKS OVERDRAFT

	31 March 2018	31 December 2017
	USD	USD
United Bank	1,919,337	945,021
Misr Bank	2,651,349	174,800
Export Development Bank of Egypt*	4,692,479	4,170,468
Arab African International Bank **	10,895,307	9,089,062
	<u>20,158,472</u>	<u>14,379,351</u>

*The company obtained an unsecured credit facility from the Export Development Bank of Egypt amounting to LE 35 million to finance margin trade purchase operation and the customers balance amounted to USD 1,804,087 as of 31 March 2018 .

**The company obtained a secured credit from the Arab African International Bank –Egypt amounting to LE 200 million, Ensuring securities. and guaranteed by the shares of Recap for Financial Investments Company and Egyptian Gulf Bank, with the aim of financing a securities portfolio investment.

- The company obtained credit facilities at the amount of 7,400,000 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 18.25%.

17 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31 March 2018	31 December 2017
	USD	USD
Retentions	54,076	31,024
Employees rewarding loan	1,459,830	1,459,830
Accrued expenses	795,255	889,819
Central depository custody	61,703	42,219
Social insurance authority	22,159	15,681
Advances from customers	78,734	5,765,706
Risk guarantee fund	2,668	1,304
Tax Authority	392,855	334,681
Nile palm company	2,763,878	2,749,848
General authority for tourism development	1,140,152	1,260,305
Notes payable – short term	5,095,828	932,254
Accrued Revenue	10,364,481	17,528
Accrued coupons	16,161	16,129
Other credit balances	968,290	988,132
	<u>23,216,070</u>	<u>14,504,460</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

18 Issued and paid up 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 August 2013, 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.

On 22 June 2017 the ordinary general assembly meeting agreed on board of directors' proposal to declare 1 stock dividend for every 10 shares outstanding with total amount of USD 19,872,263. On 9 October 2017 the capital increase was registered at Misr for Central Clearing. Depository and Registry, Accordingly, issued and paid up capital amounted to USD 218,594,893 divided over 312,278,418 shares each with a par value of USD 0.70 and it was modified in the commercial register dated 14 September 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of 31 March 2018

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.

According to Board of Directors meeting of Recap for Investments Company (subsidiary company) held on 9 November 2015 it has been decided to purchase 2.75% from company's shares and 3 million shares has been purchased with the amount of 9,000,000 EGP and on 19 June 2016 according to general assembly meeting 3 million shares has been executed with its par value that had acquisition cost amounted EGP 9,000,000 and the difference between the share's par value and their acquisition cost has been charged to reserve available for distribution in the equity with the amount of 6,000,000 EGP Equivalent 562,785 USD so that the dividends available to distribution becomes USD 7,233,894.

20 LONG TERM LIABILITIES

	31 March 2018	31 December 2017
	USD	USD
Notes payable – long term	5,955,433	3,717,891
Credit accounts and other credit balances	2,814,728	2,804,644
	<u>8,770,161</u>	<u>6,522,535</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of 31 March 2018

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.

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 cash 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 2018 USD	31 December 2017 USD
Apartments at Royal & Rakin projects *	5,896	5,866
Building B16- ground, first & second floor-Smart Village	782,158	782,158
First phase Buildings – Smart village**	4,615,572	4,592,143
apartments in Palm Parks	1,426,492	1,549,976
	<u>6,830,118</u>	<u>6,930,143</u>

*The company owns 2 garages in Casa Project at El-Sheikh Zayed – 6th of October City, which represents the stock of finished units represented for sale, The company also owns 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

23 CONTINGENT LIABILITIES

- The company warrants a letter of guarantee at the amount of AED 20,000,000 or the equivalent amount in US dollars, as issued by the Arab African International Bank to Naccm for Stocks and Bonds Company in favor of the stock exchanges in Dubai and Abu Dhabi, with the aim of guaranteeing the brokerage activity also the company warrants a letter of guarantee with the amount of AED 26,000,000 or the equivalent amount in USD issued by Arab African International Bank in favour of Etihad Capital Company.

The accounts receivable balance as of 31 March 2018 includes USD 1,804,087 representing purchased stocks for margin trading customers (amounted to USD 1,913,105 as of 31 December 2017)

24 INVESTMENTS IN ASSOCIATES

	Ownership %	31 March 2018	31 December 2017
		USD	USD
Naeem Shares & Bonds	1.00 %	117,876	121,900
Naeem Misr Investment Fund	35.72 %	664,707	608,918
Etihad Capital	31.20%	1,890,899	2,093,859
		<u>2,673,482</u>	<u>2,824,677</u>

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 2018	31 December 2017
	USD	USD
Marsa alam land	1,511,625	1,502,049
First phase lands – smart village' buildings and constructions	12,571,339	11,972,146
	<u>14,082,964</u>	<u>13,474,195</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of 31 March 2018

27 AVAILABLE FOR SALE FINANCIAL INVESTMENTS

	Country	Share %	31 March 2018 USD	31 December 2017 USD
Nile Palm EL Naeem for Real Estate Development *	Egypt	49%	18,899,545 18,899,545	18,899,545 18,899,545

* Available for sale investments 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 2018 USD	31 December 2017 USD
Cost	14,826,500	14,904,868
Depreciation	(14,078)	(78368)
Disposal	(6,490,863)	-
	8,321,559	14,826,500

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

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.

On 16 October 2016, according to the Extraordinary General Assembly Meeting decision of Naeem for Consulting Services Company (Subsidiary), it was accepted to freeze the company's activities as of 16 March 2016, and the tax card has been retained by the company.

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

- **Naeem Holding Company**
 - **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.
 - **Salaries tax:** Examination took place up to 31 December 2012, all taxes due were paid. The company pays all taxes obligation amounts on a regular basis. The Company's books are in inspection for the years from 2013 till 2016.
 - **Stamp duty:** The company was exempted from stamp duty tax till 13 May 2011 and starting that date it is affected by the stamp tax. the company fulfills its tax obligations as per the due dates.
- **Naeem Financial Investments Company**
 - **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.
 - **Salaries 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.
- **NAEEM Real Estate Fund (NAEEM for Investment Funds Company previously)**
 - **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.
 - **Salaries tax:** the company records was examined until 31 December 2012 and the due tax was paid, the company fulfills its tax obligations as per the due dates.
 - **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.
- **Naeem Brokerage Company**
 - **Associations of capital tax:** the company's records were examined till the year 2010, and the due tax was paid. The payable tax is delivered as per the tax return on due dates. The company is not examined from 2011 till 2017. The company pays all taxes obligation amounts on a regular basis.
 - **Salaries tax:** the company's records were examined till the year 2014, The company is not examined from 2015 till 2017
 - **Stamp duty:** the company's records were examined till the year 2013, and the due tax was paid.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 March 2018

30 Tax position of the companies of Naeem Holding Group for Investments (Cont'd)

- **RECAP for Financial Investments**

- **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 2017:

- 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 2017.
- The due tax is delivered on the basis of the tax return.
- **Salaries 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.

31 COMPARATIVE NUMBERS

Comparative numbers has been adjusted for the year 2017 to be suitable for this period financial statements presentation.