

**NAEEM Holding for investments
(S.A.E – free zone)**

**Consolidated Interim financial statements
For the period ended 30 June 2019
Together with Review Report**

NAEEM Holding for investments (S.A.E– free zone)
For the period ended June 30, 2019

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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 30 June 2019 and the related consolidated income statements, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the Six 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 consolidated financial statements based on our review.

The financial statements for the financial year ended 31 December 2018 have been reviewed by another auditor who issued his report at 28 February 2019 in an unqualified opinion on the financial statements

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 30 June 2019, and its consolidated financial performance and cash flows for the Six months ended in that date in accordance with Egyptian accounting standards.

Attention-getting paragraph

Based on the minutes of the extraordinary general assembly of Bedaya Company For Real Estate Investments (subsidiary), as held on 27 March 2013, it was approved to freeze the company's activity via suspending that activity completely, as of 31 March 2013. Whereupon, the company's tax card was submitted to the taxation authorities (note no. 27).

According to the resolution issued by the board of directors of the Egyptian Financial Supervisory Authority, at the session held on 23 July 2011, Naeem Company for Real Estate Finance (subsidiary) was prevented from practicing the activity of real estate finance, pursuant to article (42) of the Real Estate Finance Law No. 148 of the year 2001, due to the company failure to complete the amount of its issued capital (note no. 27).

Based on the minutes of the general assembly of Smart for securities (Etihad Capital for Securities) (subsidiary), as held on 16 July 2019, it was voluntary approved to freeze the company's activity (note no. 27).

Cairo: 7 August 2019

Auditor


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NAEEM Holding for investments (S.A.E- free zone)

Consolidated Statement of Financial Position

as of June 30, 2019

(All amounts in US Dollar)

	Note	30/6/2019	31/12/2018
Assets			
Non -current assets			
Fixed assets	(3)	8 053 854	3 520 069
Projects under construction	(4)	1 620 325	5 131 673
Available for sale investments	(5)	95 519 984	93 094 717
Long-term investments	(6)	646 051	583 253
Investments in associates	(7)	1 653 394	1 960 055
Real Estate Investments	(8)	6 465 356	7 713 090
Notes receivables- Long Term		9 306 553	7 406 598
Deferred tax assets		25 607	20 883
Employees rewarding system	(9)	6 728 166	7 591 974
Goodwill	(10)	55 227 019	55 227 019
Total non - current Assets		185 246 309	182 249 331
Current assets			
Cash on hand and at banks	(11)	6 168 588	9 150 987
Investments at fair value through profits or losses	(12)	11 783 187	12 531 275
Assets held for sale	(13)	15 767 165	15 767 165
Accounts receivables	(14)	6 812 428	5 679 444
Work in progress	(15)	20 590 667	17 074 969
Debitors and other debit balances	(16)	19 048 912	20 757 454
Due from related parties		26 013 053	38 771 315
Finished units	(17)	3 751 182	5 064 057
Total current assets		109 935 182	124 796 666
Total assets		295 181 491	307 045 997
Equity			
Issued and paid up capital	(18)	264 499 820	240 454 382
Legal reserve		8 506 431	8 506 431
General reserve		19 389 651	43 435 089
Treasury stock reserve	(19)	7 233 894	7 233 894
Employees' rewarding system revaluation differences		(13 723 771)	(12 859 963)
Unrealized gain from available for sale investments		4 202 937	4 207 322
Foreign Currency Translation Differences		(29 004 647)	(22 133 340)
Accumulated losses		(42 123 413)	(37 118 484)
Loss for the period/year		(807 785)	(2 052 876)
The shareholders' equity		218 173 117	229 672 455
Non- controlling interest		29 145 659	29 528 079
Total The shareholders' equity and non - controlling interest		247 318 776	259 200 534
Non - current liabilities			
Long-term liabilities	(20)	5 239 060	4 759 530
Deferred tax liabilities		77 784	100 955
Total non - current liabilities		5 316 844	4 860 485
Current liabilities			
Provisions	(21)	66 099	66 099
Banks overdraft	(22)	12 228 279	10 690 103
Accounts receivables – credit balances		2 630 148	6 669 713
Creditors and other credit balances	(23)	27 621 345	25 559 063
Total current liabilities		42 545 871	42 984 978
Total liabilities		47 862 715	47 845 463
Total equity and liabilities		295 181 491	307 045 997

-The accompanying notes is an integral part of these consolidated financial statements.

- Review report - attached.

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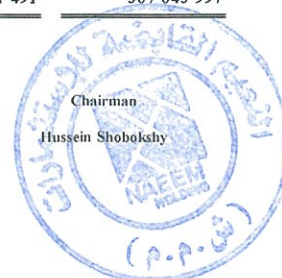
Ahmed Mahmoud ElGammal

Managing Director

Youssef Medhat El Far

Chairman

Hussein Shobokshy



NAEEM Holding for investments (S.A.E- free zone)

Consolidated Income Statement

For the period ended June 30 2019

(All amounts in US Dollar)

	Note	For the Six months ended		For the three months ended	
		30/6/2019	30/6/2018	30/6/2019	30/6/2018
Revenues					
Fees, commissions and investments managing revenues		1 095 096	2 617 577	132 001	1 229 882
Units sales revenue		259 988	1 887 556	131 942	1 887 556
Coupon revenue		2 874 125	2 054 620	333 071	2 042 437
Cost of selling units		--	(934 430)	--	(934 430)
(Loss) from sale of Investments at Fair Value through profits or losses		(25 887)	(159 812)	19 564	(18 072)
Gain from selling real estate investments		--	2 669 517	--	(105 850)
Credit interests		596 874	156 706	475 056	87 814
Unrealized Loss from revaluation of investments at fair value through profit or loss		(61 115)	(205 974)	(195 120)	(504 712)
Loss from Assets held for sale		(4 368)	1 511 953	(4 368)	(225 344)
Foreign exchange differences		(938 097)	189 261	(487 668)	285 314
Company's share of (losses) in associates		(306 661)	(386 530)	(213 075)	(235 335)
Other income		2 016 446	614 786	1 221 343	592 121
Total Revenues		5 506 401	10 015 230	1 412 746	4 101 381
General and administrative expenses		(3 202 510)	(4 541 160)	(1 634 060)	(2 148 292)
Marketing and managing expenses		(72 159)	(135 536)	(5 244)	(73 433)
Finance lease expenses		(652 731)	(310 091)	(367 430)	(32 112)
Loss on finance lease and lease back		--	(337 048)	--	(337 048)
Debit interests		(1 106 236)	(1 689 139)	(515 341)	(856 969)
Real estate depreciation		(20 324)	(25 305)	(9 680)	(11 227)
Fixed assets depreciation	(3)	(196 878)	(196 110)	(102 488)	(100 215)
Total expenses		(5 250 838)	(7 234 389)	(2 634 243)	(3 559 296)
Profits for the period before taxes		255 563	2 780 841	(1 221 497)	542 085
Income tax		(520 416)	(351 956)	(377 079)	(349 441)
Deferred income taxes		27 895	4 595	33 016	(629)
Loss for the Period		(236 958)	2 433 480	(1 565 560)	192 015
Represented in:					
Shareholders' equity of the Holding Company		(807 785)	800 885	(1 894 091)	80 129
Minority interest		570 827	1 632 595	328 531	111 886
		(236 958)	2 433 480	(1 565 560)	192 015

-The accompanying notes is an integral part of these consolidated financial statements.

NAEEM Holding for investments (S.A.E– free zone)
Consolidated Statement of Comprehensive Income
For the period ended June 30 2019

(All amounts in US Dollar)

	For the Six months ended		For the three months ended	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
Profits for the Period	(236 958)	2 433 480	(1 565 560)	192 015
Other comprehensive income				
Revaluation of available for sale investments	(4 385)	103	--	(7 022)
Consolidated translation differences	(6 871 307)	(3 774 237)	125 591	(335 640)
Total other comprehensive income	(6 875 692)	(3 774 134)	125 591	(342 662)
Total comprehensive income	(7 112 650)	(1 340 654)	(1 439 969)	(150 647)

-The accompanying notes is an integral part of these consolidated financial statements.

NAEEM Holding for investments (S.A.E- free zone)
Consolidated Statement of changes in equity
For the period ended 30 June 2019

(All amounts in US Dollar)

	Issued and paid up capital	Legal reserve	General reserve	Treasury stock reserve	Employees rewarding system revaluation differences	Unrealized gain from available for sale investments	Foreign Currency Translation Differences	Accumulated losses	(loss)Profit/ for the period	The shareholders equity	-Non controlling interest	Total
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 accumulated losses	--	--	--	--	--	--	--	1 056 179	(1 056 179)	--	--	--
Adjustment in accumulated losses	--	97 201	--	--	--	--	--	--	--	97 201	--	97 201
Revaluation of employees' rewarding system shares	--	--	--	--	--	--	--	(97 201)	--	(97 201)	--	(97 201)
Revaluation of available for sale investments	--	--	--	--	937 932	--	--	--	--	937 932	--	937 932
Consolidated translation differences	--	--	--	--	--	103	--	--	--	103	--	103
Profit for the period	--	--	--	--	--	--	(3 794 237)	--	--	(3 794 237)	--	(3 794 237)
Balance as of 30 June 2018	218 594 893	8 506 431	65 294 578	7 233 894	(9 757 425)	2 699 869	(30 442 990)	(33 093 727)	800 885	229 836 408	1 632 595	243 438 003
Balance as of 1 January 2019	240 454 382	8 506 431	43 435 089	7 233 894	(12 859 963)	4 207 322	(22 133 340)	(37 118 484)	(2 052 876)	229 672 455	29 528 079	259 200 534
Transferred to accumulated losses	--	--	--	--	--	--	--	(2 052 876)	2 052 876	--	--	--
Adjustment in accumulated losses	--	--	--	--	--	--	--	(1 534 467)	--	(1 534 467)	--	(1 534 467)
Increased Capital	24 045 438	--	(24 045 438)	--	--	--	--	--	--	--	--	--
Dividends	--	--	--	--	--	--	--	--	--	--	--	--
Revaluation of employees' rewarding system shares	--	--	--	--	--	--	--	(1 417 586)	--	(1 417 586)	--	(1 417 586)
Revaluation of available for sale investments	--	--	--	--	(863 808)	--	--	--	--	(863 808)	--	(863 808)
Change in non- controlling interest	--	--	--	--	--	(4 385)	--	--	--	(4 385)	--	(4 385)
Consolidated translation differences	--	--	--	--	--	--	--	--	--	--	(953 247)	(953 247)
Loss for the period	--	--	--	--	--	--	(6 871 307)	--	--	(6 871 307)	--	(6 871 307)
Balance as of 30 June 2019	264 499 820	8 506 431	19 389 651	7 233 894	(13 723 771)	4 202 937	(29 004 647)	(42 123 413)	(807 785)	218 173 117	29 145 659	247 318 776

-The accompanying notes is an integral part of these consolidated financial statements.

NAEEM Holding for investments (S.A.E- free zone)

Consolidated Statement of cash flows

For the period ended June 30 2019

(All amounts in US Dollar)

	Notes	For the Six months ended	
		30/6/2019	30/6/2018
Cash flows from operating activities			
Profits for the period before taxes		255 563	2 780 841
Adjustments as Follow :			
Adjustment in accumulated losses		(1 534 467)	--
Adjustment in non controlling		(953 247)	--
Depreciation of Fixed assets	(3)	196 878	170 159
Real estate depreciation	(8)	20 324	--
Provision		--	(3 576)
Debit interest		1 106 236	(156 706)
Credit interest		(596 874)	1 689 139
Foreign currency difference		938 097	(189 261)
Change in investments in associates		306 661	386 530
Unrealized loss on revaluation of Investments at fair value through profit or loss		25 887	205 974
Gain before changes in working capital		(234 942)	4 883 100
Change In :			
Accounts receivable		(1 132 984)	(244 299)
Prepaid expenses and other debit balances		1 708 542	(7 544 097)
Accounts receivable – credit balances		(4 039 565)	3 765 888
Creditors and other credit balances		124 280	10 254 641
Due from related parties		12 758 262	(471 101)
Work in progress		(3 515 698)	(872 403)
Notes receivable		(1 899 955)	--
Finished units		1 312 875	1 213 035
Income Tax		--	(351 956)
Net cash flows provided from operating activities		5 080 815	10 632 808
Cash flows from investing activities			
(Payments) to acquire fixed assets		(4 730 923)	(202 507)
Proceeds from selling fixed assets		--	34 015
(Payments) to Projects under construction		3 511 348	(318 290)
Change in investments available for sale		(2 429 652)	(1 979 944)
Change in Sales and lease back contract		--	(3 887 387)
Change in investments at fair value through profit or loss		722 201	(3 314 666)
Change in real estate investments		1 227 670	6 515 911
Change in Employees rewarding system		--	178 685
Change in long-term investments		(62 798)	80 763
Change in Goodwill		--	(1 068 511)
Net cash flows provided from (used in) investing activities		(1 762 154)	(3 961 931)
Cash flows from financing activities			
Proceeds from banks overdraft		1 538 176	1 928 503
Change in long term liabilities		479 530	320 737
Debit interest		(1 106 236)	(1 689 139)
Credit interest		596 874	156 706
Consolidated translation differences		(6 871 307)	(3 794 237)
Net cash flows (used in) financing activities		(5 362 963)	(3 077 430)
Impact of change in exchange rates		(938 097)	189 261
Net cash flows during the period		(2 982 399)	3 782 708
Cash and cash equivalents – beginning of the period		9 150 987	4 798 770
Cash and cash equivalents - end of the period		6 168 588	8 581 478

-The accompanying notes is an integral part of these consolidated financial statements.

NAEEM Holding for Investment "S.A.E"
Notes to Consolidated financial statements
For the period ended June 30, 2019

(In the notes all amounts are shown in US Dollar unless otherwise stated)

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 30 June 2019:

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 Real Estate Management Limited Company	Real Estate Investment Management	100%
Naeem Capital for Investment (Al Tawfik for Financial Investments)	Financial Securities Brokerage	99.98%
Smart for securities (Etihad Capital for Securities)	Financial services	99.98%
Naeem For Real Estate Management Limited	Investment Fund	%99
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
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%

NAEEM Holding for Investment "S.A.E"
Notes to Consolidated financial statements
For the period ended June 30, 2019

(In the notes all amounts are shown in US Dollar unless otherwise stated)

* 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%
Smart Gardens for real estate investment	Real Estate Investments	66%

2- 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.

NAEEM Holding for investments (S.A.E-- free zone)

Notes to consolidated financial statements

For the period ended June 30 2019

(In the notes all amounts are shown in US Dollar unless otherwise stated)

(3) Fixed assets					
	Buildings	Vehicles	Furniture and office utilities	Office equipment and tools	Total
Cost					
Cost as of 1-1-2018	2 012 233	388 426	4 709 955	1 539 853	8 650 467
Additions for the year	--	--	138 823	207 454	346 277
	--	--	(41 935)	(29 441)	(71 376)
Cost as of 31-12-2018	2 012 233	388 426	4 806 843	1 717 866	8 925 368
Additions for the period	4 628 728	70 551	4 816	26 828	4 730 923
Disposals for the Period	--	--	(260)	(1 700)	(1 960)
Cost as of 30-6-2019	6 640 961	458 977	4 811 399	1 742 994	13 654 331
Accumulated depreciation					
Accumulated depreciation as of 1-1-2018	(191 320)	(214 364)	(3 127 457)	(1 539 852)	(5 072 993)
Depreciation for the year	(28 109)	(59 252)	(156 992)	(148 351)	(392 704)
Depreciation of disposals	--	--	34 171	26 227	60 398
Accumulated depreciation as of 31-12-2018	(219 429)	(273 616)	(3 250 278)	(1 661 976)	(5 405 299)
Depreciation for the Period	(14 103)	(30 002)	(88 844)	(63 929)	(196 878)
Depreciation of disposals	--	--	65	1 635	1 700
Accumulated depreciation as of 30-6-2019	(233 532)	(303 618)	(3 339 057)	(1 724 270)	(5 600 477)
Net Book Value					
Net Book Value 30 June 2019	6 407 429	155 359	1 472 342	18 724	8 053 854
Net Book Value 31 December 2018	1 792 804	114 810	1 556 565	55 890	3 520 069

NAEEM Holding for Investment "S.A.E"
Notes to Consolidated financial statements
For the period ended June 30, 2019

(In the notes all amounts are shown in US Dollar unless otherwise stated)

4- Projects under construction

	30/6/2019	31/12/2018
Beginning balance for the period / year	5 131 673	4 926 561
Additions	334 983	205 112
Transferred to fixed assets	<u>(3 846 331)</u>	<u>--</u>
Ending balance for the period/ year	<u>1 620 325</u>	<u>5 131 673</u>

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

5- Available for sale investments

	30/6/2019	31/12/2018
Quoted shares in the stock market *	68 799 612	65 970 936
Unquoted shares	<u>26 720 372</u>	<u>27 123 781</u>
	<u>95 519 984</u>	<u>93 094 717</u>

*The value of Quoted shares in the Egyptian stock exchange commission amounted to 30 154 292 shares at fair market value USD 56 215 605 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 .

6- Long-term investments

	30/6/2019	31/12/2018
Misr Company for central Clearing and Depository	308 019	287 381
Guarantee settlement fund*	330 551	288 893
Dealers insurance fund	<u>7 481</u>	<u>6 979</u>
	<u>646 051</u>	<u>583 253</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 for Investment "S.A.E"
Notes to Consolidated financial statements
For the period ended June 30, 2019

(In the notes all amounts are shown in US Dollar unless otherwise stated)

7- Investments in associates

	Ownership %	30/6/2019	31/12/2018
Naeem Shares & Bonds	1.00 %	102 888	106 856
Naeem Misr Investment Fund	35.72 %	540 893	585 680
Etihad Capital	31.20%	1 009 613	1 267 519
		<u>1 653 394</u>	<u>1 960 055</u>

8- Real estate investments

	30/6/2019	31/12/2018
Cost	7 713 090	14 826 500
Depreciation of the period / year	(20 324)	(47 549)
Disposals	(1 227 410)	(7 065 861)
	<u>6 465 356</u>	<u>7 713 090</u>

According 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 Sverico 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, Sverico 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 for Investment "S.A.E"
Notes to Consolidated financial statements
For the period ended June 30, 2019

(In the notes all amounts are shown in US Dollar unless otherwise stated)

9- Employees' rewarding system

The balance of employees rewarding system as of 30 June 2019 amounted to USD 6 728 166 represented in the market value of the system shares with amount of USD 6 700 753 in addition to cash portion amounting to USD 27,412

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 April 2018 the company purchases 2 416 666 shares by (USD 1 437 469) financed from the employee rewarding system Loans

On 15 April 2018 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 2 269 595 shares. On 11 October 2018 the transaction was registered at Misr for Central Clearing, Depository and Registry.

On 2 April 2019 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 2 496 555 shares. On 9 June 2019 the transaction was registered at Misr for Central Clearing, Depository and Registry.

On 30 June 2019 The employees rewarding system shares has been revaluated by the market value by USD 6 728 166 (USD 7 591 974 at 31 December 2018) so the negative net valuation differences of these shares become USD 13 723 771 in 30 June 2019 which classified in Employees rewarding system revaluation differences in the shareholder equity section in the consolidated financial statement (USD 12,859,963 at 31 December 2018)

Movement Summary is as follows:

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	Shares	Shares
Total shares transferred to the system		11 372 754
Free Stock dividends		10 435 202
Shares transferred to the system		5 000 000
shares purchased		2 416 666
Total shares of the system		29 224 622
Shares designated and sold:		
Shares sold	(20 000)	
Holding company's employees	(657 662)	
Subsidiaries employees	(1 084 854)	
Total designated shares		(1 762 516)
Total undesignated shares		27 462 106

10-Goodwill

	30/6/2019	31/12/2018
Goodwill arising from acquisition of:		
Naeem Brokerage in financial securities	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
Smart for securities (Etihad Capital for Securities)	731 551	731 551
Naeem Capital for Investments (Al Tawfik Financial Investments- previously)	336 960	336 960
	55 227 019	55 227 019

11-Cash on hand and at banks

	30/6/2019	31/12/2018
US Dollars		
Cash on hand	30 961	10 114
Banks- Current accounts	2 209 961	5 851 091
Time deposits	2 240 922	5 861 205
Other Currencies		
Cash on hand	50 885	47 636
Banks- Current accounts	3 853 329	3 106 201
Time deposits	23 452	135 945
	3 927 666	3 289 782
	6 168 588	9 150 987

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12-Investments at fair value through profits or losses

	30/6/2019	31/12/2018
Quoted shares in the stock market	11 375 024	11 440 022
Treasury stocks	408 163	1 091 253
	<u>11 783 187</u>	<u>12 531 275</u>

13-Assets held for sale

	Country	Share%	30/6/2019	31/12/2018
Nile Palm EL Naeem for Real Estate Development *	Egypt	49%	15 767 165	15 767 165
			<u>15 767 165</u>	<u>15 767 165</u>

* 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 Tilly, 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 2018, 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 206 000 000 EGP, distributed to 991,000 shares.

14-Accounts receivables

	30/6/2019	31/12/2018
Accounts receivables	7 142 593	5 987 487
Impairment of accounts receivables	(330 165)	(308 043)
	<u>6 812 428</u>	<u>5 679 444</u>

- The accounts receivables balance at 30 June 2019 includes USD 383 782 which represents the value of purchased shares in favor of purchasing with margin trading customers (31 December 2018 amounted to USD 854 380).

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15-Work in progress

	30/6/2019	31/12/2018
Marsa alam land	2 244 277	2 066 385
First phase lands – smart village' buildings and constructions	18 346 390	15 008 584
	<u>20 590 667</u>	<u>17 074 969</u>

16-Debitors and other debit balances

	30/6/2019	31/12/2018
Prepaid expenses	387 048	194 160
Employees' loans and advances	15 400	26 931
Deposit with others	533 572	545 869
Tamweel For Mortgage Company *	2 199 468	2 892 812
Tamweel For Leasing Company **	2 752 595	817 314
Leasing contracts settlements***	2 749 401	2 984 360
Advances to suppliers	1 775 349	1 342 474
Naeem shares & bonds	--	31 584
Purchasing and selling clearing	--	207 047
Tax Authority	84 110	68 621
Notes receivables	5 389 213	8 758 310
Other debit balances	3 162 756	2 887 972
	<u>19 048 912</u>	<u>20 757 454</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,

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17-Finished units

	30/6/2019	31/12/2018
Building B16- ground, first & second floor- Smart Village	--	782 158
First phase Buildings – Smart village*	3 046 685	3 577 402
Apartments in Palm Parks	704 497	704 497
	<u>3 751 182</u>	<u>5 064 057</u>

* 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 Sverico For Real Estate Investment Company,

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

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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.

On 15 April 2018 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 21 859 489. On 10 October 2018 the capital increase was registered at Misr for Central Clearing. Depository and Registry, Accordingly, issued and paid up capital amounted to USD 240 454 382 divided over 343 506 260 shares each with a par value of USD 0.70 and it was modified in the commercial register dated 12 September 2018.

On 28 March 2019 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 24 045 438. On 9 June 2019 the capital increase was registered at Misr for Central Clearing. Depository and Registry, Accordingly, issued and paid up capital amounted to USD 264 499 820 divided over 377 856 886 shares each with a par value of USD 0.70 and it was modified in the commercial register dated 28 May 2019.

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19-Treasury stock reserve

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

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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

	30/6/2019	31/12/2018
Notes payable – long term	4 382 318	3 214 822
Credit accounts and other credit balances	856 742	1 544 708
	<u>5 239 060</u>	<u>4 759 530</u>

21-Provisions

	30/6/2019	31/12/2018
Balance at beginning of period/year	66 099	54 032
Formed during the period/year	--	16 851
Used during the period/year	--	(4 784)
Balance at end of the period/year	<u>66 099</u>	<u>66 099</u>

22-Banks overdraft

	30/6/2019	31/12/2018
United Bank	992 231	56 316
Banque Due Cairo	1 005 698	--
Misr Bank	505 720	940
Export Development Bank of Egypt*	905 564	2 301 286
Attjariwafa Bank	1 075 572	8 887
Arab African International Bank **	7 743 494	8 322 674
	<u>12 228 279</u>	<u>10 690 103</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 383 782 as of 30 June 2019 .

**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.

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23-Credit and other creditor balances

	30/6/2019	31/12/2018
Insurance for others	375 674	202 317
Employees rewarding loan	21 824	21 824
Accrued expenses	219 880	735 355
Central depository custody	29 992	38 796
Social insurance authority	23 742	19 464
Advances from customers	18 938 466	12 878 189
Risk guarantee fund	880	586
Tax Authority	509 139	1 259 705
General authority for tourism development	1 762 101	1 488 594
Notes payable – short term	825 433	5 381 910
Advanced Revenue	2 311	27 354
Purchasing and selling clearing	3 205	--
Dividends	883 416	--
Other credit balances	4 025 282	3 504 969
	<u>27 621 345</u>	<u>25 559 063</u>

24-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 (30) 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.

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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.

25-Contingent liabilities

- The company warrants a letter of guarantee at the amount of AED 1,000,000 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

26-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.

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27-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 October 2016, and the tax card has been retained by the company.

On 16 July 2019, according to the General Assembly Meeting decision of Smart for securities (Etihad Capital for Securities) (Subsidiary), it was accepted to freeze the company's activities for one year.

28-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.

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- **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.

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.

29-COMPARATIVE NUMBERS

Comparative numbers has been adjusted for the period 2018 to be suitable for this period financial statements presentation.

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30-SIGNIFICANT ACCOUNTING POLICIES

30-1 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.

30-2 Changes in accounting policies

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

30-3 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

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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.

30-4 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.

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- **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.

30-5 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.

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30-6 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.

30-7 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.

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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.

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30-8 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.

30-9 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.

30-10 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.

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30-11 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.

30-12 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.

30-13 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.

30-14 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.

30-15 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.

30-16 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

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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.

30-17 Statement of cash flows

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

30-18 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.

30-19 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.

30-20 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.

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30-21 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.

30-22 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.

30-23 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.

30-24 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.

30-25 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.

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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.

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31. New Accounting Standards & Restated

On 18 March 2019 , the minister of investment and international cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. (110) , which included some new accounting standards as well as introducing amendments to certain existing standards . the most prominent amendments are as follows :

New or amended standards	A summary of the most significant amendments	The possible impact on the financial statements	Date of implementation
The new Egyptian Accounting Standard No. (47) "Financial Instruments"	1- The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise. 2- Pursuant to the requirements of the Standard, financial assets are classified based on their measurement whether at amortized cost, or fair value through other comprehensive income or at fair value profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset. 3- When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event. 4- Based on the requirements of this standard the following standards were amended: Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019 Egyptian Accounting Standard No. (4) – "Statement of Cash Flows". Egyptian Accounting Standard No. (25) – "Financial Instruments: presentation.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards (1), (25), (26) and(40) are simultaneously applied. - These amendments are effective as of the date of implementing Standard No. (47).

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	Egyptian Accounting Standard No. (26) – "Financial Instruments: Recognition and Measurement". Egyptian Accounting Standard – EAS No. (40) – "Financial Instruments: Disclosures".		
The new Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers"	1- The new Egyptian Accounting Standard No. (48) – "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void. 2- Egyptian Accounting Standards No. (8) – "Construction Contracts" as amended in 2015. Egyptian Accounting Standard No. (11) – "Revenue" as amended in 2015. For revenue recognition, Control Model is used instead of Risk and Rewards Model. 3- Incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met. 4- The standard requires that contract must have a commercial substance in order for revenue to be recognized. 5- Expanding presentation and disclosure requirements.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	Standard No. (48) applies to financial periods beginning on or after January 1 st , 2020, and the early implementation thereof is permitted
The new Egyptian Accounting Standard No. (49) "Lease Contracts"	1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015. 2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating one or finance lease contracts. 3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract. 4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as receivable with an amount equivalent to the amount of the net investment in the lease contract. 5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.	The management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements. The disclosure No. (32) represent the adjustments to applying the new accounting standard No. (49).	This standard No. (49) applies to financial periods beginning on or after January 1 st , 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied. Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subject to Finance Lease Law No. 95 of

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			1995 and its amendments and were treated according to Egyptian Accounting Standard No. (20), "Accounting rules and standards related to financial leasing" as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was cancelled and Law No. (176) of 2018 was issued.
Egyptian Accounting Standard No. (38) as "amended employees Benefits"	A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (38) applies to financial periods beginning on or after January 1 st , 2020, and the early implementation thereof is permitted.
Egyptian Accounting Standard No. (42) as amended "Consolidated Financial Statements"	Some paragraphs related to the exclusion of the Investment Entities from the Consolidation process were added. This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were amended are as follows: (EAS 15) Related Party Disclosures (ESA 17) Consolidated and Separate Financial Statements. (EAS 18) Investment in Associates (EAS 24) Income Taxes.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1 st , 2020, and the early adoption is permitted. - The new or amended paragraph

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	(EAS 29) Business Combinations. (EAS 30) Periodical Financial Statements. (EAS 44) Disclosure of Interests in Other Entities.		pertaining to the amended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019.
Egyptian Accounting Standard No. (22) as amended "Earnings per share"	The scope of implementation of the Standard was amended to be applied to the separate, or consolidated financial statements issued to all enterprises.	The amendment of the standard on the financial statements is implemented.	This amendment is introduced and shall apply to financial periods beginning on or after January 1 st , 2019.
Egyptian accounting Standard No. (4) as amended "Statement of Cash Flows"	This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows.	The amendment of the standard on the financial statements is implemented.	This amendment is introduced and shall apply to financial periods beginning on or after January 1 st , 2019.