NAEEM Holding for investments
(S.A.E – free zone)
Consolidated Interim financial statements
For the period ended 31 march 2019
Together with Review Report

NAEEM Holding for investments (S.A.E– free zone)
Notes to Consolidated financial statements
For the period ended March 31, 2019

Contents	**Page**

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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 31 march 2019 and the related consolidated statements of profit or loss, consolidated comprehensive income, consolidated changes in equity and consolidated 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 consolidated 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 2019, and its consolidated financial performance and cash flows for the three months ended in that date in accordance with Egyptian accounting standards,

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

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. 28).

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. 28).

Cairo: 14 may 2019

Auditor
WAHID ABDEL GHAFFAR
F.E.S.S.A - F.E.S.T
Baker Tilly Wahid Abdel Ghaffar & Co.
Accountants and Consultants

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

Consolidated Statement of Financial Position

as at March 31, 2019

(All amounts in US Dollar)

	Note	31/3/2019	31/12/2018
Assets			
Non -current assets			
Fixed assets	(3)	7 285 613	3 520 069
Projects under construction	(4)	1 589 429	5 131 673
Available for sale investments	(5)	95 597 415	93 094 717
Long-term investments	(6)	563 323	583 253
Investments in associates	(7)	1 866 469	1 960 055
Real Estate Investments	(8)	7 151 862	7 713 090
Notes receivables- Long Term		8 721 033	7 406 598
Deferred tax assets		26 124	20 883
Employees rewarding system	(9)	7 517 077	7 591 974
Goodwill	(10)	55 227 019	55 227 019
Total non - current Assets		**185 545 364**	**182 249 331**
Current assets			
Cash on hand and at banks	(11)	7 659 468	9 150 987
Investments at fair value through profits or losses	(12)	11 148 584	12 531 275
Assets held for sale	(13)	15 767 165	15 767 165
Accounts receivables	(14)	8 677 587	5 679 444
Work in progress	(15)	19 264 498	17 074 969
Debitors and other debit balances	(16)	17 965 290	20 757 454
Due from related parties		27 403 021	38 771 315
Finished units	(17)	5 180 878	5 064 057
Total current assets		**113 066 491**	**124 796 666**
Total assets		**298 611 855**	**307 045 997**
Equity			
Issued and paid up capital	(18)	240 454 382	240 454 382
Legal reserve		8 506 431	8 506 431
General reserve		43 435 089	43 435 089
Treasury stock reserve	(19)	7 233 894	7 233 894
Employees' rewarding system revaluation differences		(12 934 859)	(12 859 963)
Unrealized gain from available for sale investments		4 202 937	4 207 322
Foreign Currency Translation Differences		(29 130 238)	(22 133 340)
Accumulated losses		(42 123 413)	(37 118 484)
Profit (Loss) for the period year		1 086 305	(2 052 876)
The shareholders' equity		**220 730 528**	**229 672 455**
Non- controlling interest		28 617 170	29 528 079
Total The shareholders' equity and non - controlling interest		**249 347 698**	**259 200 534**
Non - current liabilities			
Long-term liabilities	(20)	4 578 430	4 759 530
Deferred tax liabilities		111 317	100 955
Total non - current liabilities		**4 689 747**	**4 860 485**
Current liabilities			
Provisions	(21)	66 099	66 099
Banks overdraft	(22)	13 356 184	10 690 103
Accounts receivables – credit balances		3 100 730	6 669 713
Creditors and other credit balances	(23)	28 051 397	25 559 063
Total current liabilities		**44 574 410**	**42 984 978**
Total liabilities		**49 264 157**	**47 845 463**
Total equity and liabilities		**298 611 855**	**307 045 997**

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

- Review report attached.

CFO	Managing Director	Chairman
Ahmed Mahmoud ElGammal	Youssef Medhat El Far	Hussein Shoboksh

Translation of Financial Statements
originally issued in Arabic

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

Consolidated Income Statement

For the period ended March 31, 2019

(All amounts in US Dollar)

	Note	For the three months ended 31/3/2019	31/3/2018
Revenues			
Fees. commissions and investments managing revenues		963 095	1 387 695
Units sales revenue		128 046	--
Coupon revenue		2 541 054	12 183
(Loss) from sale of Investments at Fair Value through profits or losses		--	(176 992)
(Loss) / Gain from sale of assets held for sale		(45 451)	1 737 297
Gain from selling real estate investments		--	2 775 367
Credit interests		121 818	68 892
Unrealized gain from revaluation of investments at fair value through profit or loss		--	35 252
Gain from revaluation real estate investments		134 005	298 738
Foreign exchange differences		(450 429)	(96 053)
Company's share of (losses) in associates		(93 586)	(151 195)
Other income		795 103	22 665
Total Revenues		**4 093 655**	**5 913 849**
General and administrative expenses		(1 568 450)	(2 392 868)
Marketing and managing expenses		(66 915)	(62 103)
Finance lease expenses		(285 301)	(277 979)
Debit interests		(590 895)	(832 170)
Real estate depreciation		(10 644)	(14 078)
Fixed assets depreciation	(3)	(94 390)	(95 895)
Total expenses		**(2 616 595)**	**(3 675 093)**
Profits for the period before taxes		1 477 060	2 238 756
Income tax		(143 337)	(2 515)
Deferred income taxes		(5 121)	5 224
Profits for the Period		**1 328 602**	**2 241 465**
Represented in:			
Shareholders' equity of the Holding Company		1 086 306	720 756
Minority interest		242 296	1 520 709
Profits for the Period		**1 328 602**	**2 241 465**

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

Translation of Financial Statements

originally issued in Arabic

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

Consolidated Statement of Comprehensive Income

For the period ended March 31, 2019

(All amounts in US Dollar)

	For the three months ended	
	31/3/2019	31/3/2018
Profits for the Period	1 328 602	2 241 465
Other comprehensive income		
Revaluation of available for sale investments	(4 385)	7 125
Consolidated translation differences	(6 996 898)	(3 438 597)
Total other comprehensive income	(7 001 283)	(3 431 472)
Total comprehensive income	(5 672 681)	(1 190 007)

-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 March 31, 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	Profit (Loss) for the period/year	The shareholders equity	Non controlling interest	Total
	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
Balance as of 1 January 2018								1 056 179	(1 056 179)	--	--	--
Transferred to accumulated losses		97 201								97 201		97 201
Adjustment in 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
Consolidated translation differences							(3 438 597)			(3 438 597)		(3 438 597)
Profit for the period									720 756	720 756	1 520 709	2 241 465
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**
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 retained earnings								(2 052 876)	2 052 876	--		--
Adjustment in accumulated losses								(1 534 467)		(1 534 467)		(1 534 467)
Dividends								(1 417 586)		(1 417 586)		(1 417 586)
Revaluation of employees' rewarding system shares					(74 896)					(74 896)		(74 896)
Revaluation of available for sale investments						(4 385)				(4 385)		(4 385)
Change in non controlling interest										--	(1 153 205)	(1 153 205)
Consolidated translation differences							(6 996 898)			(6 996 898)		(6 996 898)
Profit for the period									1 086 305	1 086 305	242 296	1 328 601
Balance as of 31 March 2019	**240 454 382**	**8 506 431**	**43 435 089**	**7 233 894**	**(12 934 859)**	**4 202 937**	**(29 130 238)**	**(42 123 413)**	**1 086 305**	**220 730 528**	**28 617 170**	**249 347 698**

-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 March 31, 2019

)All amounts in US Dollar(

	Notes	For the three months ended 31/3/2019	31/3/2018
Cash flows from operating activities			
Profits for the period before taxes		1 477 060	2 238 756
Adjustments as Follow :			
Adjustment in accumulated losses		(1 534 467)	--
Adjustment in non controlling		(1 153 205)	--
Depreciation of Fixed assets	(3)	94 390	95 894
Real estate depreciation	(8)	10 644	14 078
Credit interest		590 895	832 170
Debit interest		(121 818)	(68 892)
Foreign currency difference		450 429	96 053
Unrealized (gain) on revaluation of Investments at fair value through profit or loss		(134 005)	(35 252)
Gain before changes in working capital		**(320 077)**	**3 172 807**
Change In :			
Accounts receivable		(2 998 143)	(4 377 926)
Prepaid expenses and other debit balances		2 792 164	(8 388 830)
Accounts receivable – credit balances		(3 568 983)	4 526 141
Accrued expenses and other credit balances		931 411	8 709 095
Due from related parties		11 368 294	(750 652)
Work in progress		(2 189 529)	(608 769)
Notes receivable		(1 314 435)	(2 831 736)
Finished units		(116 821)	100 025
Net cash flows (used in) operating activities		**4 583 881**	**(449 845)**
Cash flows from investing activities			
(Payments) to acquire fixed assets		(13 603)	(108 238)
Proceeds from selling fixed assets		---	8 178
(Payments) to Projects under construction		(304 087)	(83 047)
Change in investments available for sale		(2 507 083)	8 661
Change in investments at fair value through profit or loss		1 516 696	(3 844 137)
Change in real estate investments		550 584	6 490 863
Change in long-term investments		19 930	36 450
Change in investments in associates		93 586	151 195
Net cash flows provided from (used in) investing activities		**(643 977)**	**2 659 925**
Cash flows from financing activities			
Proceeds from banks overdraft		2 666 081	5 779 121
Change in long term liabilities		(181 100)	2 247 626
Debit interest		121 818	(832 170)
Credit interest		(590 895)	68 892
Consolidated translation differences		(6 996 898)	(3 438 597)
Net cash flows provided from financing activities		**(4 980 994)**	**3 824 872**
Impact of change in exchange rates		**(450 429)**	**(96 053)**
Net cash flows during the period		(1 491 519)	5 938 899
Cash and cash equivalents – beginning of the period		9 150 987	4 798 770
Cash and cash equivalents - end of the period		**7 659 468**	**10 737 669**

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

(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 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
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 2019 has been approved in accordance with the board of directors held in 14 May 2019.

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.

(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**
Disposals for the year	---	---	(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	3 846 331	---	2 152	11 451	**3 859 934**
Cost as of 31–3–2019	**5 858 564**	**388 426**	**4 808 995**	**1 729 317**	**12 785 302**
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	(6 948)	(14 088)	(41 737)	(31 617)	**(94 390)**
Accumulated depreciation as of 31-3-2019	**(226 377)**	**(287 704)**	**(3 292 015)**	**(1 693 593)**	**(5 499 689)**
Net Book Value					
Net Book Value 31 March 2019	**5 632 187**	**100 722**	**1 516 980**	**35 724**	**7 285 613**
Net Book Value 31 December 2018	**1 792 804**	**114 810**	**1 556 565**	**55 890**	**3 520 069**

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

4- Projects under construction

	31/3/2019	31/12/2018
Beginning balance for the period / year	5 131 673	4 926 561
Additions	304 087	205 112
Transferred to fixed assets	(3 846 331)	--
Ending balance for the period/ year	**1 589 429**	**5 131 673**

- 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

	31/3/2019	31/12/2018
Quoted shares in the stock market *	68 808 643	65 970 936
Unquoted shares	26 788 772	27 123 781
	95 597 415	**93 094 717**

*The value of Quoted shares in the Egyptian stock exchange commission amounted to 30,154,292 shares at fair market value USD 53 674 640 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

	31/3/2019	31/12/2018
Misr Company for central Clearing and Depository	297 171	287 381
Guarantee settlement fund*	258 935	288 893
Dealers insurance fund	7 217	6 979
	563 323	**583 253**

*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.

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

7- Investments in associates

	Ownership%	31/3/2019	31/12/2018
Naeem Shares & Bonds	1.00 %	105 417	106 856
Naeem Misr Investment Fund	35.72 %	593 972	585 680
Etihad Capital	31.20%	1 167 080	1 267 519
		1 866 469	**1 960 055**

8- Real estate investments

	31/3/2019	31/12/2018
Cost	7 713 090	14 826 500
Depreciation of the period	(10 644)	(47 549)
Disposals	(550 584)	(7 065 861)
	7 151 862	**7 713 090**

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

(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 31 March 2019 amounted to USD 7,517,077 represented in the market value of the system shares with amount of USD 7,489,665 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 31 March 2019 The employees rewarding system shares has been revaluated by the market value by USD 7,591,974 (USD 12,934,974 at 31 December 2018) so the negative net valuation differences of these shares become USD 12,934,859 in 31 March 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:

	Shares	Shares
Total shares transferred to the system		11 372 754
Free Stock dividends		7 938 647
Shares transferred to the system		5 000 000
shares purchased		2 416 666
Total shares of the system		26 728 067
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		**24 965 551**

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

10- Goodwill

	31/3/2019	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
Etihad Capital for Securities (Al Tawfik for Brokerage -Previously)	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

	31/3/2019	31/12/2018
US Dollars		
Cash on hand	35 884	10 114
Banks- Current accounts	3 117 160	5 851 091
Time deposits	**3 153 044**	**5 861 205**
Other Currencies		
Cash on hand	47 834	47 636
Banks- Current accounts	4 435 543	3 106 201
Time deposits	23 047	135 945
	4 506 424	**3 289 782**
	7 659 468	**9 150 987**

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

12- Investments at fair value through profits or losses

	31/3/2019	**31/12/2018**
Quoted shares in the stock market	11 148 584	11 440 022
Treasury stocks	--	1 091 253
	11 148 584	12 531 275

13- Assets held for sale

	Country	**Share%**	**31/3/2019**	**31/12/2018**
Nile Palm EL Naeem for Real Estate Development *	Egypt	49%	15 767 165	15 767 165
			15 767 165	**15 767 165**

* 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 Tillly, 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

	31/3/2019	**31/12/2018**
Accounts receivables	8 996 122	5 987 487
Impairment of accounts receivables	(318 535)	(308 043)
	8 677 587	**5 679 444**

- The accounts receivables balance at 31 March 2019 includes USD 662 774 which represents the value of purchased shares in favor of purchasing with margin trading customers (31 December 2018 amounted to USD 854 380).

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

15- Work in progress

	31/3/2019	31/12/2018
Marsa alam land	2 163 311	2 066 385
First phase lands – smart village' buildings and constructions	17 101 187	15 008 584
	19 264 498	**17 074 969**

16- Debitors and other debit balances

	31/3/2019	31/12/2018
Prepaid expenses	397 032	194 160
Employees' loans and advances	14 208	26 931
Deposit with others	557 352	545 869
Unifund	2 846 504	2 892 812
Tamweel For Mortgage Company *	779 562	817 314
Tamweel For Leasing Company **	2 863 871	2 984 360
Leasing contracts settlements***	1 667 584	1 342 474
Advances to suppliers	---	31 584
Naeem shares & bonds	176 479	--
Purchasing and selling clearing	--	207 047
Tax Authority	71 082	68 621
Notes receivables	5 301 390	8 758 310
Other debit balances	3 290 226	2 887 972
	17 965 290	**20 757 454**

* 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.

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

17- Finished units

	31/3/2019	31/12/2018
Building B16- ground, first & second floor-Smart Village	782 158	782 158
First phase Buildings – Smart village*	3 694 223	3 577 402
Apartments in Palm Parks	704 497	704 497
	5 180 878	**5 064 057**

* 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 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.

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

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

21- Provisions

	31/3/2019	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	**66 099**	**66 099**

22- Banks overdraft

	31/3/2019	31/12/2018
United Bank	286	56 316
Banque Due Cairo	368 674	--
Misr Bank	2 005 636	940
Export Development Bank of Egypt*	1 732 282	2 301 286
Attjariwafa Bank	1 751 978	8 887
Arab African International Bank **	7 497 328	8 322 674
	13 356 184	**10 690 103**

*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 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.

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

23- Accrued expenses and other credit balances

	31/3/2019	31/12/2018
Insurance for others	298 798	202 317
Employees rewarding loan	--	21 824
Accrued expenses	778 862	735 355
Central depository custody	39 448	38 796
Social insurance authority	26 936	19 464
Advances from customers	---	12 878 189
Takafwl	230	--
Risk guarantee fund	711	586
Tax Authority	1 393 737	1 259 705
Nile palm company	2 814 943	--
General authority for tourism development	1 488 594	1 488 594
Notes payable – short term	794 409	5 381 910
Advanced Revenue	17 151 541	27 354
Purchasing and selling clearing	751 118	--
Dividends	1 417 586	--
Other credit balances	1 094 484	3 504 969
	28 051 397	**25 559 063**

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.

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 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.

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.

- <u>NAEEM Real Estate Fund (NAEEM for Investment Funds Company previously)</u>

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

- **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.

- <u>Naeem Brokerage Company</u>

- **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)

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

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

As for the years from 2005 through 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.

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 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.

- **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.

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.
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.

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.

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 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.

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.

30-25Fair 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.