

**NAEEM HOLDING COMPANY  
FOR INVESTMENTS (S,A,E – FREE ZONE)  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016  
TOGETHER WITH AUDITOR’S REPORT**

**NAEEM HOLDING COMPANY FOR INVESTMENTS (S.A.E-FREE ZONE)  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**CONTENTS**

---

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

## **AUDITOR'S REPORT**

### **TO THE SHAREHOLDERS OF NAEEM HOLDING COMPANY FOR INVESTMENTS (S,A,E – FREE ZONE)**

#### **Report on the consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of **NAEEM HOLDING COMPANY FOR INVESTMENTS (S,A,E – FREE ZONE)**, represented in the consolidated balance sheet as of 31 December 2016, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

#### **Auditor's Responsibility**

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

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

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

Translation of auditor's  
report  
originally issued in  
Arabic

**Opinion**

In our opinion, the consolidated financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **NAEEM HOLDING COMPANY FOR INVESTMENTS (S,A,E – FREE ZONE)**, as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

**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. 29).

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. 29).

**Cairo: 28 February 2017**

**Amr El Shaabini**

**FESAA – FEST**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2016

|                                                               | Note | 31 December 2016<br>USD | 31 December 2015<br>USD |
|---------------------------------------------------------------|------|-------------------------|-------------------------|
| <b>Noncurrent assets</b>                                      |      |                         |                         |
| Fixed assets                                                  | (5)  | 4,093,593               | 3,770,350               |
| Projects under construction                                   | (6)  | 4,903,027               | 4,903,027               |
| Available for sale investments                                | (7)  | 90,079,700              | 73,263,972              |
| Long-term investments                                         | (8)  | 654,981                 | 737,081                 |
| Investments in associates                                     | (24) | 2,622,131               | 2,995,628               |
| Real Estate Investment                                        | (28) | 14,904,868              | 14,929,348              |
| Due from sale-leaseback                                       |      | 191,020                 | 1,105,464               |
| Deferred tax assets                                           |      | 7,140                   | 499                     |
| Employees rewarding system                                    | (9)  | 14,236,192              | 10,267,559              |
| Goodwill                                                      | (10) | 56,908,567              | 56,908,567              |
| <b>Total Noncurrent Assets</b>                                |      | <b>188,601,219</b>      | <b>168,881,495</b>      |
| <b>Current assets</b>                                         |      |                         |                         |
| Cash on hand and at banks                                     | (11) | 15,222,370              | 22,079,030              |
| Investments at fair value through profits or losses           | (13) | 1,616,182               | 8,652,152               |
| Available for sale financial investments                      | (27) | 18,899,545              | 18,899,545              |
| Accounts receivable                                           | (12) | 12,264,023              | 17,396,677              |
| Work in process                                               | (26) | 12,334,154              | 26,958,862              |
| Prepaid expenses and other debit balances                     | (14) | 28,169,238              | 24,227,267              |
| Finished units                                                | (22) | 14,795,563              | 29,086,236              |
| <b>Total current assets</b>                                   |      | <b>103,301,075</b>      | <b>147,299,769</b>      |
| <b>Total Assets</b>                                           |      | <b>291,902,294</b>      | <b>316,181,264</b>      |
| <b>Equity</b>                                                 |      |                         |                         |
| Issued and paid up capital                                    | (18) | 198,722,630             | 283,889,471             |
| Legal reserve                                                 |      | 8,149,099               | 8,149,099               |
| Treasury stocks                                               | (19) | -                       | (1,492,537)             |
| General reserve                                               |      | 85,166,841              | -                       |
| Treasury stock reserve                                        | (19) | 7,233,894               | 6,671,109               |
| Employees' rewarding system revaluation differences           | (9)  | (6,394,430)             | (11,465,392)            |
| Unrealized gain/ (losses) from available for sale investments |      | 123                     | (9,510,935)             |
| Foreign Currency Translation                                  |      | (31,057,556)            | (19,436,808)            |
| (Accumulated losses) Retained earnings                        |      | (42,059,239)            | (36,129,274)            |
| Profit (Losses) for the year                                  |      | 2,122,597               | (5,929,965)             |
| <b>Total Equity</b>                                           |      | <b>221,883,959</b>      | <b>214,744,768</b>      |
| Minority interest                                             |      | 26,989,483              | 51,109,630              |
| <b>Total Equity</b>                                           |      | <b>248,873,442</b>      | <b>265,854,398</b>      |
| <b>Current liabilities</b>                                    |      |                         |                         |
| Provisions                                                    | (15) | 87,757                  | 291,464                 |
| Banks overdraft                                               | (16) | 15,731,041              | 18,754,590              |
| Accounts receivables – credit balances                        |      | 12,563,063              | 10,168,051              |
| Accrued expenses and other credit balances                    | (17) | 11,086,253              | 17,502,454              |
| <b>Total current liabilities</b>                              |      | <b>39,468,114</b>       | <b>46,716,559</b>       |
| <b>Noncurrent liabilities</b>                                 |      |                         |                         |
| Long-term liabilities                                         | (20) | 3,499,635               | 3,549,581               |
| Deferred tax liabilities                                      |      | 61,103                  | 60,726                  |
| <b>Total noncurrent liabilities</b>                           |      | <b>3,560,738</b>        | <b>3,610,307</b>        |
| <b>Total Liabilities</b>                                      |      | <b>43,028,852</b>       | <b>50,326,866</b>       |
| <b>Total finance of working capital and noncurrent assets</b> |      | <b>291,902,294</b>      | <b>316,181,264</b>      |

CFO  
Ahmed Mahmoud

Managing Director  
Youssef Elfir

Chairman  
Hussein Shubokshy

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AS OF 31 DECEMBER 2016

|                                                                                        | Note | 31 December 2016<br>USD    | 31 December 2015<br>USD |
|----------------------------------------------------------------------------------------|------|----------------------------|-------------------------|
| Fees, commissions and investments managing revenues                                    |      | <b>7,855,451</b>           | 4,183,871               |
| Units sales revenue                                                                    |      | <b>15,614,341</b>          | 9,650,624               |
| Cost of units sold                                                                     |      | <b>(10,075,226)</b>        | (6,928,336)             |
| Gain(Loss) of investment sale                                                          |      | <b>1,871,896</b>           | (1,736,501)             |
| Capital gain (loss)                                                                    |      | <b>(7,417)</b>             | 11,516                  |
| Credit interests                                                                       |      | <b>307,414</b>             | 261,159                 |
| Unrealized (Loss) from revaluation of investments at fair value through profit or loss |      | <b>(363,795)</b>           | (783,006)               |
| Revaluation gain from real estate investments                                          |      | <b>39,372</b>              | 14,733,369              |
| Foreign exchange differences                                                           |      | <b>5,104,127</b>           | (1,499,150)             |
| Company's share of (losses) in associates                                              |      | -                          | (800,145)               |
| Other income                                                                           |      | <b>1,046,987</b>           | 6,597,856               |
| <b>Total Revenues</b>                                                                  |      | <b><u>21,393,150</u></b>   | <u>23,691,257</u>       |
| General and administrative expenses                                                    |      | <b>(12,597,928)</b>        | (13,778,291)            |
| Marketing and managing expenses                                                        |      | <b>(937,715)</b>           | (956,308)               |
| Finance lease expenses                                                                 |      | <b>(240,236)</b>           | (4,958,236)             |
| Provisions                                                                             | (15) | <b>(21,406)</b>            | 165,183                 |
| Debit interests                                                                        |      | <b>(2,986,460)</b>         | (1,980,521)             |
| Real estate depreciation                                                               |      | <b>(142,272)</b>           | -                       |
| Fixed assets depreciation                                                              | (5)  | <b>(488,411)</b>           | (589,480)               |
| <b>Total Expenses</b>                                                                  |      | <b><u>(17,414,428)</u></b> | <u>(22,097,653)</u>     |
| <b>Profits for the year before taxes</b>                                               |      | <b><u>3,978,722</u></b>    | <u>1,593,604</u>        |
| Levied income tax                                                                      |      | <b>(1,326,615)</b>         | (52,226)                |
| Deferred income taxes                                                                  |      | <b>(60,042)</b>            | (42,092)                |
| <b>Profits for the Year</b>                                                            |      | <b><u>2,592,065</u></b>    | <u>1,499,286</u>        |
| <b>Represented in:</b>                                                                 |      |                            |                         |
| Shareholders' equity of the Holding Company                                            |      | <b>2,122,597</b>           | (5,929,965)             |
| Minority interest                                                                      |      | <b>469,468</b>             | 7,429,251               |
| <b>Profits for the Year</b>                                                            |      | <b><u>2,592,065</u></b>    | <u>1,499,286</u>        |

**CFO**  
**Ahmed Mahmoud**

**Managing Director**  
**Youssef Elfar**

**Chairman**  
**Hussein Shubokshy**

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

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

---

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
AS OF 31 DECEMBER 2016

|                                                     | <b>31 December 2016</b> | 31 December 2015 |
|-----------------------------------------------------|-------------------------|------------------|
|                                                     | <b>USD</b>              | USD              |
| <b>Profits for the Year</b>                         | <b>2,592,065</b>        | 1,499,286        |
| <b>Other comprehensive income</b>                   |                         |                  |
| Revaluation from available for sale investments     | <b>9,511,058</b>        | 823,532          |
| Consolidated translation differences                | <b>(11,620,748)</b>     | (4,263,014)      |
| <b>Total other comprehensive income of the year</b> | <b>(2,109,690)</b>      | (3,439,482)      |
| <b>Total comprehensive income</b>                   | <b>482,375</b>          | (1,940,196)      |

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AS OF 31 DECEMBER 2016

|                                                                       | Issued &<br>paid up capital | Legal<br>Reserve | General<br>reserve | Treasury<br>Stocks | Treasury<br>stock<br>Reserve | Employees<br>rewarding system<br>revaluation<br>differences | Unrealized<br>(Losses) on<br>revaluation of<br>available for sale<br>investments | Consolidated<br>translation<br>differences | (Accumulated Losses) | Profits (Losses)<br>for the year | Total              | Minority<br>Interest | Total              |
|-----------------------------------------------------------------------|-----------------------------|------------------|--------------------|--------------------|------------------------------|-------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------|----------------------|----------------------------------|--------------------|----------------------|--------------------|
|                                                                       | USD                         | USD              | USD                | USD                | USD                          | USD                                                         | USD                                                                              | USD                                        | USD                  | USD                              | USD                | USD                  | USD                |
| Balance as of 1 January 2016                                          | 283,889,471                 | 8,149,099        | -                  | (1,492,537)        | 6,671,109                    | (11,465,392)                                                | (9,510,935)                                                                      | (19,436,808)                               | (36,129,274)         | (5,929,965)                      | 214,744,768        | 51,109,630           | 265,854,398        |
| Transferred to legal reserve & retained earnings (accumulated losses) | -                           | -                | -                  | -                  | -                            | -                                                           | -                                                                                | -                                          | (5,929,965)          | 5,929,965                        | -                  | -                    | -                  |
| Transferred to general reserve                                        | (85,166,841)                | -                | 85,166,841         | -                  | -                            | -                                                           | -                                                                                | -                                          | -                    | -                                | -                  | -                    | -                  |
| Gain from revaluation of investments available for sale               | -                           | -                | -                  | -                  | -                            | -                                                           | 9,511,058                                                                        | -                                          | -                    | -                                | 9,511,058          | -                    | 9,511,058          |
| Subsidiaries treasury stocks                                          | -                           | -                | -                  | -                  | 562,785                      | -                                                           | -                                                                                | -                                          | -                    | -                                | 562,785            | -                    | 562,785            |
| Treasury stocks                                                       | -                           | -                | -                  | 1,492,537          | -                            | -                                                           | -                                                                                | -                                          | -                    | -                                | 1,492,537          | -                    | 1,492,537          |
| Consolidated translation differences                                  | -                           | -                | -                  | -                  | -                            | -                                                           | -                                                                                | (11,620,748)                               | -                    | -                                | (11,620,748)       | -                    | (11,620,748)       |
| Revaluation of employees' rewarding system shares                     | -                           | -                | -                  | -                  | -                            | 5,070,962                                                   | -                                                                                | -                                          | -                    | -                                | 5,070,962          | -                    | 5,070,962          |
| Minority interest                                                     | -                           | -                | -                  | -                  | -                            | -                                                           | -                                                                                | -                                          | -                    | -                                | -                  | (24,120,147)         | (24,120,147)       |
| Profit for the year                                                   | -                           | -                | -                  | -                  | -                            | -                                                           | -                                                                                | -                                          | -                    | 2,122,597                        | 2,122,597          | -                    | 2,122,597          |
| <b>Balance as of 31 December 2016</b>                                 | <b>198,722,630</b>          | <b>8,149,099</b> | <b>85,166,841</b>  | <b>-</b>           | <b>7,233,894</b>             | <b>(6,394,430)</b>                                          | <b>123</b>                                                                       | <b>(31,057,556)</b>                        | <b>(42,059,239)</b>  | <b>2,122,597</b>                 | <b>221,883,959</b> | <b>26,989,483</b>    | <b>248,873,442</b> |
| Balance as of 1 January 2015                                          | 283,889,471                 | 8,149,099        | -                  | -                  | 6,671,109                    | (8,189,667)                                                 | (10,334,467)                                                                     | (15,173,794)                               | (35,754,205)         | (375,069)                        | 228,882,477        | 43,680,379           | 272,562,856        |
| Transferred to legal reserve & retained earnings (accumulated losses) | -                           | -                | -                  | -                  | -                            | -                                                           | -                                                                                | -                                          | (375,069)            | 375,069                          | -                  | -                    | -                  |
| Revaluation differences on investments available for sale             | -                           | -                | -                  | -                  | -                            | -                                                           | 823,532                                                                          | -                                          | -                    | -                                | 823,532            | -                    | 823,532            |
| Consolidated translation differences                                  | -                           | -                | -                  | -                  | -                            | -                                                           | -                                                                                | (4,263,014)                                | -                    | -                                | (4,263,014)        | -                    | (4,263,014)        |
| Revaluation of employees' rewarding system shares                     | -                           | -                | -                  | -                  | -                            | (3,275,725)                                                 | -                                                                                | -                                          | -                    | -                                | (3,275,725)        | -                    | (3,275,725)        |
| Subsidiaries treasury stocks                                          | -                           | -                | -                  | (1,492,537)        | -                            | -                                                           | -                                                                                | -                                          | -                    | -                                | (1,492,537)        | -                    | (1,492,537)        |
| Minority interest                                                     | -                           | -                | -                  | -                  | -                            | -                                                           | -                                                                                | -                                          | -                    | -                                | -                  | 7,429,251            | 7,429,251          |
| (Losses) for the year                                                 | -                           | -                | -                  | -                  | -                            | -                                                           | -                                                                                | -                                          | -                    | (5,929,965)                      | (5,929,965)        | -                    | (5,929,965)        |
| <b>Balance as of 31 December 2015</b>                                 | <b>283,889,471</b>          | <b>8,149,099</b> | <b>-</b>           | <b>(1,492,537)</b> | <b>6,671,109</b>             | <b>(11,465,392)</b>                                         | <b>(9,510,935)</b>                                                               | <b>(19,436,808)</b>                        | <b>(36,129,274)</b>  | <b>(5,929,965)</b>               | <b>214,744,768</b> | <b>51,109,630</b>    | <b>265,854,398</b> |

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



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

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2016

|                                                                                                       | Note | 31 December 2016    | 31 December 2015   |
|-------------------------------------------------------------------------------------------------------|------|---------------------|--------------------|
|                                                                                                       |      | USD                 | USD                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                           |      |                     |                    |
| Profits for the year before taxes                                                                     |      | 3,978,722           | 1,593,604          |
| <b>Adjustments to reconcile (losses) profits for the year to cash flows from operating activities</b> |      |                     |                    |
| Depreciation of Fixed assets                                                                          | (5)  | 488,411             | 589,480            |
| Income tax and deferred income tax                                                                    |      | -                   | (94,318)           |
| Provisions charged during the year                                                                    |      | -                   | 48,545             |
| Provision no longer required                                                                          |      | -                   | (266,948)          |
| Provision used during the year                                                                        |      | -                   | (58,731)           |
| Credit interest                                                                                       |      | (307,414)           | (261,159)          |
| Debit interest                                                                                        |      | 2,986,460           | 1,980,521          |
| Foreign currency difference                                                                           |      | (5,104,127)         | 1,499,150          |
| Gain from revaluations of real estate investments                                                     |      | -                   | (14,733,369)       |
| Unrealized losses on revaluation of Investments at fair value through profit or loss                  |      | 363,795             | 783,006            |
| <b>Gain (losses) before changes in working capital</b>                                                |      | <b>2,405,847</b>    | <b>(8,920,219)</b> |
| Change in accounts receivable                                                                         | (12) | 5,132,654           | (2,520,143)        |
| Provisions                                                                                            |      | (203,707)           |                    |
| Change in prepayments and other debit balances                                                        | (14) | (3,941,971)         | 9,869,694          |
| Change in accounts receivable – credit balances                                                       |      | 2,395,012           | (14,868,540)       |
| Change in accrued expenses and other credit balances                                                  | (17) | (8,278,590)         | (1,197,246)        |
| Change in work in progress                                                                            |      | 14,624,708          | 2,546,649          |
| Change in finished units                                                                              |      | 14,290,673          | 10,002,953         |
| <b>NET CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES</b>                                    |      | <b>26,424,626</b>   | <b>(5,086,852)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                           |      |                     |                    |
| (Payments) to acquire fixed assets                                                                    | (5)  | (816,939)           | (2,080,451)        |
| Proceeds from selling fixed assets                                                                    |      | 5,285               | -                  |
| Change in Projects under construction                                                                 |      | -                   | 881,719            |
| Deferred tax assets                                                                                   |      | -                   | (499)              |
| Change in investments available for sale                                                              | (7)  | (7,304,670)         | 465,696            |
| Change in due from sale contract                                                                      |      | 914,444             | 3,027,560          |
| Change in investments at fair value through profit or loss                                            |      | 6,672,175           | 11,041,906         |
| Change in real estate investments                                                                     |      | 24,480              | (14,929,348)       |
| Change in employee's rewarding system                                                                 |      | 1,102,329           | (11)               |
| Change in long-term investments                                                                       | (8)  | 82,100              | 109,987            |
| Change in investments in associates                                                                   |      | 373,497             | 1,123,035          |
| <b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>                                                  |      | <b>1,052,701</b>    | <b>(360,406)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                           |      |                     |                    |
| (Payments) Proceeds from banks overdraft                                                              | (16) | (3,023,549)         | 12,875,889         |
| (Payments) of long term liabilities                                                                   |      | (49,946)            | (4,304,879)        |
| Deferred tax liabilities                                                                              |      | -                   | 36,806             |
| Debit interest                                                                                        |      | (2,986,460)         | (1,980,521)        |
| Purchase of treasury stocks                                                                           |      | -                   | (1,492,537)        |
| Minority interest                                                                                     |      | (24,120,147)        | -                  |
| Treasury stocks reserve                                                                               |      | 562,785             | -                  |
| Purchase of treasury stocks                                                                           |      | 1,492,537           | -                  |
| Credit Interest                                                                                       |      | 307,414             | 261,159            |
| Consolidated translation differences                                                                  |      | (11,620,748)        | (4,263,014)        |
| <b>NET CASH FLOWS (USED IN) PROVIDED FROM FINANCING ACTIVITIES</b>                                    |      | <b>(39,438,114)</b> | <b>1,132,903</b>   |
| Impact of change in exchange rates                                                                    |      | 5,104,127           | (1,499,150)        |
| <b>NET CASH FLOWS DURING THE YEAR</b>                                                                 |      | <b>(6,856,660)</b>  | <b>(5,813,505)</b> |
| Cash and cash equivalents – beginning of the year                                                     | (11) | 22,079,030          | 27,892,535         |
| <b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>                                                    | (11) | <b>15,222,370</b>   | <b>22,079,030</b>  |

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2016

## 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 December 2016:

| Company                                                      | Activity                          | Country | Share % |
|--------------------------------------------------------------|-----------------------------------|---------|---------|
| NAEEM Brokerage Company                                      | Financial Securities Brokerage    | Egypt   | 99,96%  |
| NAEEM For Shares and Bonds Company*                          | Financial Securities Brokerage    | UAE     | 100%    |
| NAEEM Financial Investments Company                          | Financial services                | Egypt   | 99,99%  |
| NAEEM Mortgage for Real Estate                               | Real estate financing             | Egypt   | 98,4%   |
| NAEEM for Consulting Services Company                        | Consulting services               | Egypt   | 98%     |
| NAEEM Capital Limited Company                                | Financial Securities investments  | BVI     | 100%    |
| NAEEM Development Projects Limited Company                   | Financial Securities investments  | BVI     | 100%    |
| NAEEM for Real Estate Management Limited Company             | Real Estate Investment Management | UAE     | 100%    |
| Al Tawfik for Financial Investments                          | Financial services                | Egypt   | %99,98  |
| Al Tawfik for Brokerage                                      | Financial Securities Brokerage    | Egypt   | 99,96%  |
| NAEEM Misr Investment Fund Company                           | Investment Fund                   | Egypt   | 100%    |
| NAEEM Real Estate Investment Fund Company                    | Investment Fund                   | Egypt   | %99     |
| Mina Mac Fund Company                                        | Investment Fund                   | Egypt   | %99     |
| Mina Growth Fund Company                                     | Investment Fund                   | Egypt   | %99     |
| NAEEM for Investment Funds Company                           | Investment Fund                   | Egypt   | 99%     |
| Gold Capital for trading Company                             | Commodities Trading               | Egypt   | 98,80%  |
| Recap For Financial investments (Recap holding previously)** | Financial services                | Egypt   | 46.87%  |
| Arab Sweeteners Company                                      | Manufacturing                     | Egypt   | 99.98%  |

\* These investments include direct and indirect investments.

\*\* RECAP for Financial Investments owns the following ownerships in its Subsidiaries:

| Company                                                                                     | Activity                | Country | Share % |
|---------------------------------------------------------------------------------------------|-------------------------|---------|---------|
| SVREICO for Real Estate Investment Company                                                  | Real Estate Investments | Egypt   | 68,35%  |
| Naeem For Real Estate Investments                                                           | Real Estate Investments | Egypt   | 99,98%  |
| Bedaya For Real Estate Investments (Subsidiary of Naeem for Real Estate Investments)        | Real Estate Investments | Egypt   | 99%     |
| Belady For Tourist Development and Hotels (Subsidiary of Naeem for Real Estate Investments) | Tourism Investments     | Egypt   | 99%     |

Naeem Development Projects Limited Company Financial Securities investments 100%

- The financial statements for the year ended 31 December 2016 has been approved in accordance with the board of directors held in 28 February 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2016

## 2 PURPOSE OF PREPARATION

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

## 3 BASIS OF CONSOLIDATION

- The financial statements of the Holding Company and its subsidiaries are prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations,
- Similar accounts for assets, liabilities, revenues and expenses of Holding Company and its subsidiaries have been grouped, after excluding the following:
  - a- The equity of subsidiary is reduced against the cost of the investment cost of Holding Company in its subsidiary.
  - b- Intercompany accounts between Holding Company and subsidiaries:
    - Current accounts between group companies
    - Notes receivables / payables between group companies
  - c- Revenues, expenses and dividends paid between Holding Company and subsidiaries during the year.
  - d- Unrealized gains on the date of consolidated financial statements that resulted from transactions between Holding Company and subsidiaries which may appear in some assets at the date of consolidated financial statements,
  - e- Any differences between debit and credit balances through settlements, which arose as a result of operation between Holding Company and subsidiaries which recorded in the books of one of the companies and have not been recorded in the books of other Company.
  - f- Show minority interest in a separate line item in the consolidated financial statements attributed to equity share in subsidiaries.

## 4 SIGNIFICANT ACCOUNTING POLICIES

### 4-1 Basis of preparation

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

### Subsidiaries companies

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

### Consolidation elimination transactions

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

### Conformity with accounting standards

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

### 4-2 Changes in accounting policies

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

### 4-3 Foreign currency translation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2016

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

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

#### **4-4 Revenue recognition**

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

- Profit or loss resulted from sale of financial investments are recognized on transaction date based on the difference between the cost and selling price less selling commission and expenses,
- Dividends income is recognized when collected,
- Interest income is recognized on accrual basis,
- Brokerage commissions resulting from purchase and sale of securities for clients are recorded after implementation of buy or selling order and issuing client’s invoice,
- Management fees are calculated on a monthly basis based on agreed upon contract of the total customer’s investment portfolio and total market value shares of the client according to contract terms,
- Purchase with margin revenue is recognized on accrual basis and according to agreed upon interest rate,
- Custody revenues are recognized on accrual basis based on the agreed upon percentages with the customers,
- Performance revenue are calculated annually on the net profit of the investment portfolio of the client under the terms of the contract,

#### **4-5 Fixed assets**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2016

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:

|                                | <b>Years</b> |
|--------------------------------|--------------|
| Buildings                      | 20           |
| Furniture and office utilities | 10 – 16      |
| Office equipment and tools     | 3 – 8        |
| Vehicles                       | 3 – 5        |

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

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

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

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

#### **4-6 Investments**

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

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

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

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

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

#### **4-6 Investments (Cont'd)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2016

**Investments in subsidiaries**

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

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

**Available for sale investments**

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

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

After initial measurement, available for sale investments are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the statement of income,

If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

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

**Investments in associates**

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

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

**Current assets held for sale**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2016

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

#### **4-8 Legal reserve**

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

#### **4-9 Income taxes**

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

##### **Current income tax**

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

##### **Deferred income tax**

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

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

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

#### **4-10 Expenses**

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

#### **4-11 Treasury shares**

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

#### **4-12 Employees' rewarding system**

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

#### **4-13 Related party transactions**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2016

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

#### **4-14 Accounting estimates**

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

#### **4-15 Impairment**

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

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

##### **Impairment of non-financial assets**

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

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

#### **4-16 Statement of cash flows**

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

#### **4-17 Cash and cash equivalent**

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

#### **4-18 Projects under construction**

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

#### **4-19 Work in Process**

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

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

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

#### **4-20 Long term Investments**



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2016

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

**4-21 Finished Units**

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

**4-22 Investment property**

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

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

**4-23 Fair Value Measurement**

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

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

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

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

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

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

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

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

**4-23 Fair Value Measurement (Cont'd)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2016

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

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

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

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

#### **4-24 Changes in Accounting Policies and Disclosures**

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2016

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2016

**5 FIXED ASSETS**

|                                        | Buildings        | Furniture and<br>office utilities | Office<br>equipment and<br>tools | Vehicles         | Total              |
|----------------------------------------|------------------|-----------------------------------|----------------------------------|------------------|--------------------|
|                                        | USD              | USD                               | USD                              | USD              | USD                |
| <b>Cost</b>                            |                  |                                   |                                  |                  |                    |
| 1 January 2016                         | 1,483,232        | 5,401,119                         | 2,281,080                        | 294,380          | 9,459,811          |
| Additions for the Year                 | 529,001          | 112,552                           | 157,652                          | 17,734           | 816,939            |
| Disposals for the Year                 | -                | (59,524)                          | (1,450)                          | (19,826)         | (80,800)           |
| <b>31 December 2016</b>                | <b>2,012,233</b> | <b>5,454,147</b>                  | <b>2,437,282</b>                 | <b>292,288</b>   | <b>10,195,950</b>  |
| <b>Accumulated depreciation</b>        |                  |                                   |                                  |                  |                    |
| 1 January 2016                         | (108,465)        | (3,187,544)                       | (2,271,814)                      | (121,638)        | (5,689,461)        |
| Depreciation for the Year              | (54,361)         | (221,902)                         | (167,123)                        | (45,025)         | (488,411)          |
| Disposals' depreciation for the Year   | -                | 54,033                            | 1,656                            | 19,826           | 75,515             |
| <b>31 December 2016</b>                | <b>(162,826)</b> | <b>(3,355,413)</b>                | <b>(2,437,281)</b>               | <b>(146,837)</b> | <b>(6,102,357)</b> |
| <b>Net Book Value 31 December 2016</b> | <b>1,849,407</b> | <b>2,098,734</b>                  | <b>1</b>                         | <b>145,451</b>   | <b>4,093,593</b>   |
| <b>Cost</b>                            |                  |                                   |                                  |                  |                    |
| 1 January 2015                         | 673,715          | 4,482,447                         | 2,086,434                        | 235,990          | 7,478,586          |
| Additions for the year                 | 809,517          | 1,075,025                         | 281,157                          | 71,689           | 2,237,388          |
| Disposals for the Year                 | -                | (156,353)                         | (86,511)                         | (13,299)         | (256,163)          |
| <b>31 December 2015</b>                | <b>1,483,232</b> | <b>5,401,119</b>                  | <b>2,281,080</b>                 | <b>294,380</b>   | <b>9,459,811</b>   |
| <b>Accumulated depreciation</b>        |                  |                                   |                                  |                  |                    |
| 1 January 2015                         | (58,578)         | (2,915,694)                       | (2,118,712)                      | (106,223)        | (5,199,207)        |
| Depreciation for the Year              | (49,887)         | (275,375)                         | (235,504)                        | (28,714)         | (589,480)          |
| Disposals' depreciation for the Year   | -                | 3,525                             | 82,402                           | 13,299           | 99,226             |
| <b>31 December 2015</b>                | <b>(108,465)</b> | <b>(3,187,544)</b>                | <b>(2,271,814)</b>               | <b>(121,638)</b> | <b>(5,689,461)</b> |
| <b>Net Book Value 31 December 2015</b> | <b>1,374,767</b> | <b>2,213,575</b>                  | <b>9,266</b>                     | <b>172,742</b>   | <b>3,770,350</b>   |

**6 PROJECTS UNDER CONSTRUCTION**

|                                | <b>31 December 2016</b> | 31 December 2015 |
|--------------------------------|-------------------------|------------------|
|                                | USD                     | USD              |
| Beginning balance              | <b>4,903,027</b>        | 881,719          |
| Additions                      | -                       | 4,903,027        |
| Transferred to fixed assets    | -                       | (89,680)         |
| Transferred to subsidiaries    | -                       | (784,784)        |
| Foreign exchange and expense * | -                       | (7,255)          |
| Ending balance                 | <b>4,903,027</b>        | 4,903,027        |

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

## 7 AVAILABLE FOR SALE INVESTMENTS

|                                     | <b>31 December 2016</b>  | 31 December 2015  |
|-------------------------------------|--------------------------|-------------------|
|                                     | <b>USD</b>               | USD               |
| Quoted shares in the stock market * | <b>62,880,749</b>        | 53,861,195        |
| Unquoted shares                     | <b>27,198,951</b>        | 19,402,777        |
|                                     | <b><u>90,079,700</u></b> | <u>73,263,972</u> |

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

## 8 LONG-TERM INVESTMENTS

|                                                    | Share<br>% | <b>31 December 2016</b> | 31 December 2015 |
|----------------------------------------------------|------------|-------------------------|------------------|
|                                                    |            | <b>USD</b>              | USD              |
| Misr Company for central Clearing and Depository * | %1,5       | <b>183,185</b>          | 237,148          |
| Guarantee settlement fund **                       | -          | <b>464,954</b>          | 483,948          |
| Dealers insurance fund                             | -          | <b>6,842</b>            | 15,985           |
|                                                    |            | <b><u>654,981</u></b>   | <u>737,081</u>   |

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2016

## 9 EMPLOYEES' REWARDING SYSTEM

The balance of employees' rewarding system as of 31 December 2016 amounted to USD 14,236,192 represented in the fair market value of the system shares amounted to USD 12,771,311 in addition to cash portion amount to USD 1,464,881.

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

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

As of 31 December 2016 the employees' rewarding system is amounted of USD 14,236,192 represented in the market value of system's shares amounted of USD 12,771,311 in addition to a cash amount of USD 1,464,881 and the shares were re-evaluated using the fair (market) value that amounted to USD 12,771,311 (31 December 2015 amounted to USD 7,700,349), With a net negative valuation differences of those shares amounted to USD 6,394,430 at 31 December 2015 included in Employees' rewarding system revaluation differences in equity in the separate financial statements (USD 10,267,559 as of 31 December 2015).

Movement Summary is as follows:

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

## 10 GOODWILL

|                                                            | 31 December 2016<br>USD | 31 December 2015<br>USD |
|------------------------------------------------------------|-------------------------|-------------------------|
| <b>Goodwill arising from acquisition of:</b>               |                         |                         |
| Naeem Brokerage                                            | 40,330,093              | 40,330,093              |
| RECAP for financial investments (Recap holding previously) | 10,251,294              | 10,251,294              |
| Naeem for Shares and Bonds                                 | 2,750,059               | 2,750,059               |
| Naeem for Financial Investments                            | 3,103,794               | 3,103,794               |
| Etihad Capital                                             | 473,327                 | 473,327                 |
|                                                            | <u>56,908,567</u>       | <u>56,908,567</u>       |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2016

**11 CASH ON HAND AND AT BANKS**

|                                        | <b>31 December 2016</b> | 31 December 2015 |
|----------------------------------------|-------------------------|------------------|
|                                        | <b>USD</b>              | USD              |
| <b>US Dollars</b>                      |                         |                  |
| Cash on hand                           | <b>62,870</b>           | 54,605           |
| Banks- Current accounts                | <b>10,272,202</b>       | 15,283,104       |
| Time deposits                          | <b>1,555,542</b>        | 3,950,301        |
|                                        | <b>11,890,614</b>       | 19,288,010       |
| <b>Other Currencies</b>                |                         |                  |
| Cash on hand                           | <b>27,999</b>           | 16,520           |
| Banks- Current accounts                | <b>3,303,757</b>        | 2,774,500        |
| <b>Total cash on hand and at banks</b> | <b>3,331,756</b>        | 2,791,020        |
| <b>Cash and cash equivalents</b>       | <b>15,222,370</b>       | 22,079,030       |

**12 ACCOUNTS RECEIVABLE**

|                                    | <b>31 December 2016</b> | 31 December 2015 |
|------------------------------------|-------------------------|------------------|
|                                    | <b>USD</b>              | USD              |
| Accounts receivables               | <b>12,638,496</b>       | 17,806,022       |
| <b>Deduct:</b>                     |                         |                  |
| Impairment of accounts receivables | <b>(374,473)</b>        | (409,345)        |
|                                    | <b>12,264,023</b>       | 17,396,677       |

-The accounts receivables balance at 31 December 2016 includes USD 1,826,398 which represents the value of purchased shares in favor of purchasing with margin trading customers (31 December 2015 amounted to USD 3,501,749).

**13 INVESTMENTS AT FAIR VALUE THROUGH PROFITS OR LOSSES**

|                                   | <b>31 December 2016</b> | 31 December 2015 |
|-----------------------------------|-------------------------|------------------|
|                                   | <b>USD</b>              | USD              |
| Quoted shares in the stock market | <b>1,572,022</b>        | 7,480,261        |
| Unquoted shares                   | <b>44,160</b>           | 1,171,891        |
|                                   | <b>1,616,182</b>        | 8,652,152        |

**14 PREPAID EXPENSES AND OTHER DEBIT BALANCES**

|                                               | <b>31 December 2016</b> | 31 December 2015 |
|-----------------------------------------------|-------------------------|------------------|
|                                               | <b>USD</b>              | USD              |
| Funds' customs                                | -                       | 6,394            |
| Prepaid expenses                              | <b>371,901</b>          | 783,724          |
| Employees' loans and advances                 | <b>143,446</b>          | 179,285          |
| Advances to suppliers                         | <b>371,257</b>          | 867,986          |
| Accrued revenue                               | <b>7,153</b>            | 375,023          |
| Etihad Capital                                | <b>18,104,252</b>       | -                |
| Selling and purchasing clearance              | <b>11,012</b>           | 25,575           |
| Advance payments to purchase investments      | -                       | 31,250           |
| Smart Village Company                         | <b>24,860</b>           | 8,894,017        |
| Employees dividends down payment              | <b>3,642,285</b>        | 279,570          |
| Tax authority                                 | <b>59,584</b>           | 90,030           |
| Checks under collections and notes receivable | <b>2,025,849</b>        | 2,912,876        |
| Other debit balances                          | <b>3,407,639</b>        | 9,781,537        |
|                                               | <b>28,169,238</b>       | 24,227,267       |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2016

**15 PROVISIONS**

|                                          | <b>31 December 2016</b> | 31 December 2015 |
|------------------------------------------|-------------------------|------------------|
|                                          | <b>USD</b>              | USD              |
| Balance at beginning of year             | <b>291,464</b>          | 568,598          |
| Formed during the year                   | -                       | 48,545           |
| Used during the year                     | <b>(203,707)</b>        | (58,731)         |
| Provision no longer required during year | -                       | (266,948)        |
| Balance at end of the year               | <b>87,757</b>           | 291,464          |

**16 BANKS OVERDRAFT**

|                                    | <b>31 December 2016</b> | 31 December 2015 |
|------------------------------------|-------------------------|------------------|
|                                    | <b>USD</b>              | USD              |
| EL BARAKA bank                     | <b>2,140,120</b>        | -                |
| Misr Bank                          | -                       | 1,129,680        |
| Export Development Bank of Egypt*  | <b>4,518,913</b>        | 8,256,850        |
| Arab African International Bank ** | <b>9,072,008</b>        | 9,368,060        |
|                                    | <b>15,731,041</b>       | 18,754,590       |

- \* The company obtained credit facility amounted to 50,000,000 EGP from Export Development Bank of Egypt to finance the margin purchase transactions, margin trading customers balance as of 31 December 2016 amounted to 1,826,398 USD.

- \*\* The company obtained credit facility amounted to 80,000,000 EGP from Arab African International Bank under guarantee of Recap for financial investments shares to finance investments of stocks portfolio. The aforesaid amount was reduced to 50,000,000 EGP, guaranteed by the shares of Recap for Financial Investments Company, with the aim of financing securities portfolio investment.

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

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

**17 ACCRUED EXPENSES AND OTHER CREDIT BALANCES**

|                                           | <b>31 December 2016</b> | 31 December 2015 |
|-------------------------------------------|-------------------------|------------------|
|                                           | <b>USD</b>              | USD              |
| Notes payables                            | <b>1,056,880</b>        | 1,322,330        |
| Deposits with others                      | <b>50,125</b>           | 86,749           |
| Employees rewarding loan                  | -                       | 2,563,838        |
| Accrued expenses                          | <b>848,691</b>          | 944,483          |
| Central depository custody                | <b>42,531</b>           | 46,191           |
| Social insurance authority                | <b>20,104</b>           | 36,232           |
| Advances from customers                   | <b>1,207,335</b>        | 4,389,911        |
| Risk guarantee fund                       | <b>2,022</b>            | 1,334            |
| Tax Authority                             | <b>857,530</b>          | 185,012          |
| Nile palm company                         | <b>2,668,572</b>        | 6,234,630        |
| General authority for tourism development | <b>897,473</b>          | 457,375          |
| Accrued Revenue                           | <b>65,340</b>           | 279,351          |
| Accrued coupons                           | <b>16,090</b>           | 17,802           |
| Etihad Capital                            | <b>1,814</b>            | 1,819            |
| Other credit balances                     | <b>3,351,746</b>        | 935,397          |
|                                           | <b>11,086,253</b>       | 17,502,454       |



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

## 18 CAPITAL

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

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

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

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

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

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

On 6 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 to render it conformable with the requirements of the UAE Securities and Commodities Authority, in preparation for listing the company's shares on Abu Dhabi Stock Exchange.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

## 19 TREASURY SHARES

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

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

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

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

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

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

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

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

## 20 LONG TERM LIABILITIES

|                                            | <b>31 December 2016</b> | 31 December 2015 |
|--------------------------------------------|-------------------------|------------------|
|                                            | <b>USD</b>              | USD              |
| Notes payables                             | <b>6,938</b>            | 413,906          |
| End of service reward                      | <b>377,808</b>          | 322,376          |
| Credit accounts and other credit balances* | <b>3,114,889</b>        | 2,813,299        |
|                                            | <b><u>3,499,635</u></b> | <u>3,549,581</u> |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

## **21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

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

### **a-The foreign currency risk other than US dollar**

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

### **b- Fair value**

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

### **c- Credit risk**

The company settles its banking liabilities periodically to avoid unexpected financial losses.

### **d- Liquidity risk**

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

### **e- Risks of financial flows related to interest rate**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

**22 FINISHED UNITS**

|                                           | <b>31 December 2016</b>  | <b>31 December 2015</b> |
|-------------------------------------------|--------------------------|-------------------------|
|                                           | <b>USD</b>               | <b>USD</b>              |
| 17 apartments at Royal & Rakin projects * | <b>4,165,620</b>         | 9,219,535               |
| Building B16- ground floor-Smart Village  | <b>5,188,209</b>         | 1,651,885               |
| First phase Buildings – Smart village**   | <b>5,441,734</b>         | 18,214,816              |
|                                           | <b><u>14,795,563</u></b> | <u>29,086,236</u>       |

\*The company owns 4 units within Casa Project at El-Sheikh Zayed – 6<sup>th</sup> of October City, of which one unit is fully finished and three units are half finished.

\* The company also owns 12 units within Palm Parks Project at 6<sup>th</sup> of October City.

\*\*This amount represents the covered costs related to the unsold portion of buildings no B109 & B16 at the first phase, as included in the balances of Severico For Real Estate Investment Company. The change in the balance of the ready units represents an amount of 44,041,711 EGP, which was deducted from that balance as the value of the cost of sold units. An amount of 1,022,333 EGP was added to represent the value of adjustments made regarding the ready units due to increasing the contribution of the holding company to the capital of Severico Company.

**23 CONTINGENT LIABILITIES**

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

- The customers balance reached 1,826,398 USD on 31 December 2016. This amount represents the value of margin purchase of shares for customers, and stood at 3,501,749 USD on 31 December 2015.

**24- INVESTMENTS IN ASSOCIATES**

|                | Ownership% | Number of<br>shares | <b>31 December 2016</b> | <b>31 December 2015</b> |
|----------------|------------|---------------------|-------------------------|-------------------------|
|                |            |                     | <b>USD</b>              | <b>USD</b>              |
| Etihad Capital | 31.20%     |                     | <b><u>2,622,131</u></b> | <u>2,995,628</u>        |
|                |            |                     | <b><u>2,622,131</u></b> | <u>2,995,628</u>        |

**25 GOALS AND METHODS OF CAPITAL MANAGEMENT**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

**26 WORK IN PROGRESS**

|                                                                | <b>31 December 2016</b>  | 31 December 2015  |
|----------------------------------------------------------------|--------------------------|-------------------|
|                                                                | <b>USD</b>               | USD               |
| Marsa alam land                                                | <b>1,457,654</b>         | 3,405,541         |
| First phase lands – smart village’ buildings and constructions | <b>10,876,500</b>        | 23,553,321        |
|                                                                | <b><u>12,334,154</u></b> | <u>31,861,889</u> |

**27 AVAILABLE FOR SALE FINANCIAL INVESTMENTS**

|                                                     | Country | Share<br>percentage | <b>31 December 2016</b>  | 31 December 2015  |
|-----------------------------------------------------|---------|---------------------|--------------------------|-------------------|
|                                                     |         |                     | <b>USD</b>               | USD               |
| Nile Palm EL Naeem for Real Estate<br>Development * | Egypt   | 49%                 | <b>18,899,545</b>        | 18,899,545        |
|                                                     |         |                     | <b><u>18,899,545</u></b> | <u>18,899,545</u> |

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2016

## 28-REAL ESTATE INVESTMENTS

|                                                                   | <b>31 December 2016</b> | <b>31 December 2015</b> |
|-------------------------------------------------------------------|-------------------------|-------------------------|
|                                                                   | <b>USD</b>              | <b>USD</b>              |
| Cost                                                              | <b>14,929,348</b>       | 14,929,348              |
| Accumulated depreciation                                          | <b>(142,272)</b>        | -                       |
| Additions related to the acquisition of 2.46% of Severico Company | <b>117,792</b>          | -                       |
| Balance on 31 December 2016                                       | <b>14,904,868</b>       | <b>14,929,348</b>       |

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

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

And according to the fair value model the company revaluated building F4 and building B143 and recognized the gain resulted from changing in fair value for investment properties in profits and losses for the year amounted to 113,800,541 EGP on 31 December 2015 which equivalent to 14,733, 369 USD.

## 29- GOING CONCERN

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

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 (Note 29).

## 30- Significant Events

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 USD 283,889,471 to USD 198,722,629.70, by way of reducing the nominal value per share from 1 USD to USD 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 USD 85,166,841.30, to the company's reserves (general reserve), and for amending articles no.(6 and 7) of the company's articles of association to render it conformable with the requirements of the UAE Securities and Commodities Authority, in preparation for listing the company's shares on Abu Dhabi Stock Exchange.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2016

### 31- 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.
  - **Earnings tax:** Examination took place up to 31 December 2012.
  - **Stamp duty:** 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.
  - **Earnings tax:** the company's records are currently being examined for the years from 2005 to 2011, and the payable tax is delivered on due dates.
  - **Stamp duty:** the company's records were examined as of 2005 up to 2014, and the due tax was paid.
  
- **Naeem for Investment Funds Company**
  - **Corporate tax:** the company regularly draws up tax returns according to the provisions of law no. 91 of the year 2005 and its executive regulations. The company wasn't subjected to tax examination since the commencement of its activity till now.
  - **Earnings tax:** the company wasn't subjected to tax examination since the commencement of its activity till now.
  - **Stamp duty:** the company wasn't subjected to tax examination since the commencement of its activity till now.
  - **Withholding tax:** the company wasn't subjected to tax examination since the commencement of its activity till now.
  
- **Naeem Brokerage Company**
  - **Associations of capital tax:** the company's records were examined till the year 2009, and the due tax was paid. The payable tax is delivered as per the tax return on due dates.
  - **Earnings tax:** the company's records were examined till the year 2014, and the due tax was paid.
  - **Stamp duty:** the company's records were examined till the year 2013, and the due tax was paid.
  
- **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 2016:**

  - The company's tax returns were approved according to law no. 91 of the year 2005, for the years from 2005 to 2009. The company's records were not examined for the subsequent years from 2010 to 2016.
  - The due tax is delivered on the basis of the tax return.
  - **Earnings tax:** the company's records were examined till the year 2012, and the due tax was paid.
  - **Stamp duty:** the company's records were examined up to 31 December 2013. The tax differences attributable to the examination years were adjusted, and no disputes have arisen in this regard. The due tax is delivered on the basis of the tax return.

# Naeem Holding Company For Investment

## Annual Report of the Board of Directors attached to the financial statements

(Prepared pursuant to the provisions of article 40 of Listing Rules)

|                             |                                       |
|-----------------------------|---------------------------------------|
| <b>Name of the Company:</b> | Naeem Holding for Investment (S.A.E.) |
| <b>Details:</b>             |                                       |

|                                 |                                                                                                                                                                   |                                                          |                                    |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|------------------------------------|
| <b>Purpose of the company</b>   | Contributing in establishing companies or increasing their capital, Financial lease, factoring, risk capital, guaranteeing and covering subscriptions, Custodian. |                                                          |                                    |
| <b>Term of the company:</b>     | Ten years starting from 15/5/2016 till 13/5/2026                                                                                                                  | <b>Date of entry in the Exchange:</b>                    | 16/11/2006                         |
| <b>Applicable law:</b>          | Law No. 8 of the year 1997, under the Public Free Zones System at Ismailia,                                                                                       | <b>Nominal value per share:</b>                          | 0.7 US Dollars                     |
| <b>Last authorized capital:</b> | 600 million US Dollars                                                                                                                                            | <b>Last issued capital:</b>                              | 198,722,629,7 US Dollars           |
| <b>Last paid capital</b>        | 198,722,629,7 US Dollars                                                                                                                                          | <b>No. and date of entry in the commercial register:</b> | No. of entry: 881, date: 15/5/2006 |

### Investors' relation:

|                                    |                                                                              |
|------------------------------------|------------------------------------------------------------------------------|
| <b>Investor relations manager:</b> | Iman Ayman Sadek                                                             |
| <b>E-mail address:</b>             | <a href="mailto:iman.ayman@naeemholding.com">iman.ayman@naeemholding.com</a> |
| <b>Head office address:</b>        | The Smart Village, Building No. B16                                          |
| <b>Fax No.:</b> 35316101           | <b>Phone No.:</b> 35316113                                                   |
| <b>Website:</b>                    | <a href="http://www.naeemholding.com">www.naeemholding.com</a>               |

Auditor:

|                                       |                                                                     |                                        |            |
|---------------------------------------|---------------------------------------------------------------------|----------------------------------------|------------|
| <b>Auditor:</b>                       | Amr El Sheiby, Ernest and Young                                     |                                        |            |
| <b>Date of Appointment:</b>           | 2/6/2006                                                            |                                        |            |
| <b>No. of Entry in the Authority:</b> | Registered in the Auditor's Register in the Authority under no. 103 | <b>Date of Entry in the Authority:</b> | 13/11/2006 |



### **Shareholders' Structure and the ownership percentage of the board members:**

According to the company Shareholders' Structure issued by Misr for Central Clearing, Depository and Registry Company on 29/12/2017:

| <b>Shareholders owning 5% or more of the company's shares</b>                                       | <b>No. of shares from the date of the financial statements</b> | <b>Percentage thereof</b> |
|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------|---------------------------|
| Mr. Youssef Mohamed Medhat Youssef El Far                                                           | 61,927,061                                                     | 21.81%                    |
| Regional Investment Holding                                                                         | 47,533,372                                                     | 16.74%                    |
| Nasser Bin Abdullah Bin Nasser AlMahous                                                             | 24,357,934                                                     | 8.58%                     |
| The motivation and reward system of the personnel of Naeem Holding Company for Investments (S.A.E.) | 18,781,339                                                     | 6.61%                     |
| Istithmar for Security brokerage (limited Liability Company)                                        | 16,411,379                                                     | 5.78%                     |
| Emirates NBD (S.A.O.)                                                                               | 15,337,076                                                     | 5.40%                     |
| Mohamed bin Ibrahim bin Mohamed Abaal Ghoneim                                                       | 14,274,419                                                     | 5.02%                     |
| <b>Total</b>                                                                                        | <b>198,622,580</b>                                             | <b>69.94%</b>             |

| <b>Ownership of the board members in the company's shares</b> | <b>No. of shares from the date of the financial statements ending on 31/12/2016</b> | <b>Percentage thereof</b> |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------|
| Mr. Youssef Mohamed Medhat Youssef El Far                     | 61,927,061                                                                          | 21.81%                    |
| Nasser Bin Abdullah Bin Nasser AlMahous                       | 24,357,934                                                                          | 8.58%                     |
| Mr. Hussein bin Aly bin Hussein Shobokshy                     | 1,000,000                                                                           | 0.35%                     |
| Sahar Mohamed Aly El Sallab                                   | 500,000                                                                             | 0.18%                     |
| Mohamed Aly El Sayed                                          | 400,000                                                                             | 0.14%                     |
| <b>Total Ownership of the board members</b>                   | <b>88,184,995</b>                                                                   | <b>31.06%</b>             |

| <b>Treasury shares pursuant to the date of purchase</b> | <b>No. of shares pursuant to the latest disclosure statement</b> | <b>percentage</b> |
|---------------------------------------------------------|------------------------------------------------------------------|-------------------|
| Null                                                    |                                                                  |                   |

| <b>Formation of the Board of Directors pursuant to the commercial register of the company issued on 31/1/2017</b> |                                       |                              |                 |
|-------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------------|-----------------|
| <b>Name</b>                                                                                                       | <b>Position</b>                       | <b>Representation Entity</b> | <b>capacity</b> |
| Mr. Hussein bin Aly bin Hussein Shobokshy                                                                         | Board chairman                        | For himself                  | Non-executive   |
| Mr. Youssef Mohamed Medhat Youssef El Far                                                                         | Deputy chairman and managing director | For himself                  | Non-executive   |
| Nasser Bin Abdullah Bin Nasser AlMahous                                                                           | Board member                          | For himself                  | Non-executive   |
| Regional Investment, represented by Dr. Ahmed Saad Abd El Latif                                                   | Board member                          | Regional Investment          | Non-executive   |
| Regional Investment, represented by Mr. Mohamed Ali El Sayed                                                      | Board member                          | Regional Investment          | Non-executive   |
| Mr. Khamis Mohamed Ebeid Bouharoun El Shamasy                                                                     | Board member                          | For himself                  | Non-executive   |
| Sahar Mohamed Aly El Sallab                                                                                       | Board member                          | For herself                  | Non-executive   |

### **Meetings of the Board of directors:**

(Numbers of times of convening the board of directors during the year 2016)

| <b>Serial no.</b> | <b>Date of the meeting</b> |
|-------------------|----------------------------|
| 1                 | 6/3/2016                   |
| 2                 | 10/5/2016                  |
| 3                 | 29/5/2016                  |
| 4                 | 30/6/2016                  |
| 5                 | 11/8/2016                  |
| 6                 | 23/10/2016                 |
| 7                 | 9/11/2016                  |

### **Auditing Committee:**

The last formation of the Auditing Committee:

| <b>Name</b>                 | <b>Representation<br/>Entity</b> | <b>Position</b>       |
|-----------------------------|----------------------------------|-----------------------|
| Dr. Ahmed Saad Abd El Latif | For himself                      | Head of the Committee |
| Mr. Talal Mohamed Okail     | For himself                      | Member                |
| Mr. Nasr Abouel Abbas Ahmed | For himself                      | Member                |

### **Competences of the committee and the tasks assigned thereto:**

- 1- Inspecting and reviewing the internal control procedures of the company and the extent of being complied thereto.
- 2- Studying the applicable accounting policies and the changes resulting from applying new accounting standards.
- 3- Inspecting and reviewing the internal auditing tools, mechanisms, its procedures, plans, results and studying internal audit reports and following up the implementation of its recommendations.
- 4- Examining the draft initial financial statements before being displayed to the board of directors to send it to the auditor.
- 5- Proposing appointment of auditors and determining their fees and considering the matters related to their resignation or removal without prejudice to the provisions of the laws.
- 6- Expressing opinion regarding authorizing the auditors to perform services in favor of the company other than auditing the financial statements and regarding the estimated fees therefor, and without prejudice to the requirements of their independence.
- 7- Studying the auditor's report on the financial statements and discussing the observations and reservations and tracking the changes, in addition to resolving differences in views between the management of the company and the auditor.
- 8- Making sure to submit a report to the board of directors from an unrelated expert about the nature of transactions concluded with related parties and the extent of its violation or damage to the company or the shareholders' interests.

|                                                                                     |                  |
|-------------------------------------------------------------------------------------|------------------|
| Number of meetings of the Committee                                                 | 4 times per year |
| Were the committee reports presented to the board of directors?                     | Yes              |
| Did the committee reports contain substantive observations that should be remedied? | Yes              |
| Did the board of directors remedy the substantive observations?                     | yes              |

**The works of the committee during the year:**

**Particulars of the company employees:**

|                                                         |                |
|---------------------------------------------------------|----------------|
| Average number of the company employees during the year | 27 Employee    |
| Average income of the Employee per year                 | L.E. 13,301.44 |

Motivation and reward system of the personnel of the Company: (If Any)

|                                                                                                                                                       |                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Total no. of available shares pursuant to the motivation and reward system of the employees and the managers                                          | L.E. 18,781,339 |
| Total no. of motivation and reward shares distributed on the employees and the managers during the year                                               | Nil             |
| No. of beneficiaries of the motivation and reward system of the employees and the managers                                                            | 78 Employee     |
| Total amounts granted of motivation and reward shares to the employees and the managers since the application of the system                           | L.E. 1,382,334  |
| Names and capacity of those who obtained 5% or more of the total no. of available shares (or 1% of the capital of the company) pursuant to the system | -----           |

Violations or procedures pertaining to the capital market law and the listing rules:  
(Nil)

Details of the transactions concluded with related parties: (Nil)

The contribution of the company during the year in developing the community and preserving the environment:

The company donated L.E. 202,500 to buy a diathermy to the hospital

1- The general state of the company, turn over and future:

The company continued to attract cadres specialized in the company's activities to benefit from growth opportunities in various sectors.

2- The profits proposed to be distributed over the shareholders: (Nil)

3- Suggestions regarding transfer to the reserve: (Nil)

**The main activity of the company:**

Contributing in establishing companies or increasing their capital, Financial lease, factoring, risk capital, guaranteeing and covering subscriptions, Custodian.

| <b>Name of the company</b>                                         | <b>Activity</b>                 | <b>Contribution percentage</b> |
|--------------------------------------------------------------------|---------------------------------|--------------------------------|
| Naeem Securities brokerage                                         | Securities brokerage            | 99.96%                         |
| Naeem for Shares and bonds                                         | Securities brokerage            | 100%                           |
| Naeem for Financial Investment                                     | Financial services              | 99.99%                         |
| Naeem Mortgage Co.                                                 | Mortgage                        | 98.40%                         |
| Naeem for Mutual funds                                             | Mutual funds                    | 99.8%                          |
| Naeem for Consulting services                                      | Consulting services             | 98%                            |
| Naeem Capital Limited                                              | Securities investment           | 100%                           |
| Naeem Development Projects Limited                                 | Securities investment           | 100%                           |
| Naeem Real Estate Management Ltd.                                  | Managing real estate investment | 100%                           |
| Naeem for Mutual funds                                             | Mutual funds                    | 99%                            |
| Ethad Capital (Formerly Unifund Capital for Financial Investments) | Financial services              | 31.20%                         |
| Gold Capital for Trade                                             | Trading in commodities          | 98.80%                         |
| RECAP for Financial Investment                                     | Financial services              | 46.61%                         |
| Arabiya                                                            | Industrial                      | 99.98%                         |
| AT Financial Investments                                           | Financial services              | 99.98%                         |
| AT Securities brokerage                                            | Securities brokerage            | 99.96%                         |
| Mina Mac Fund                                                      | Mutual funds                    | 99%                            |

|                              |              |     |
|------------------------------|--------------|-----|
| Mina Growth Fund             | Mutual funds | 99% |
| Naeem Egypt for Investment   | Mutual funds | 99% |
| Naeem Real Estate Investment | Mutual funds | 99% |

- 4- The main activities of the company and its affiliates and any change occurs in the ownership of the affiliates during the year: all the properties of the company in Naeem Development Projects Limited was sold and acquiring the two companies AT Financial Investments and AT Securities brokerage at the rate of 99.96% for each of them.
- 5- The current value of the assets: if the book value is completely different than the current market value: (Nil)
- 6- The rate of the turnover, net profits and losses distributed over all the main different activities of the company are as follows:

| Sectors                | 2016     | 2016      |
|------------------------|----------|-----------|
| Securities brokerage   | 29.02%   | (49.11%)  |
| Real estate investment | 45.96%   | 102.25%   |
| Financial services     | 47.46%   | (111.69%) |
| Industrial             | (34.44%) | (40.95%)  |
| Commercial             | 12%      | (0.5%)    |
| Total                  | 100%     | 100%      |

7- **Export Size:** (Nil)

8- **Donations:**

|                                     |               |             |
|-------------------------------------|---------------|-------------|
| Treatment, operations and medicines | L.E. 15,424.2 | L.E. 22,526 |
| Subsidies                           | L.E. 42,980   | L.E. 56,713 |
| Community participation             | L.E. 250,530  | L.E. 78,875 |

9- Statement of the shares and bonds issued during the year: (Nil)

**Date of Preparation:** 28 February 2017

**Vice Chairman and Managing Director**

Youssef El Far - (Signed)

**Seal of Investor Relation Department**