

**NAEEM HOLDING COMPANY
FOR INVESTMENTS (S.A.E- FREE ZONE)
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
TOGETHER WITH AUDITOR'S REPORT**

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

CONTENTS

	Page
Auditor's Report of Financial Statements	2-3
Statement of Financial Position	4
Statement of Income Statement (Profit or Loss)	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-27

AUDITOR'S REPORT

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of **NAEEM HOLDING COMPANY FOR INVESTMENTS (S.A.E – FREE ZONE)** represented in the separate statement of financial position as of 31 December 2016, and the related separate statements of income, comprehensive income changes in owner's 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.

Opinion

In our opinion, the separate 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 separate financial performance and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

As indicated in note (6), the company has investments in subsidiaries and prepared consolidated financial statements as of 31 December 2016 in accordance with the Egyptian Accounting Standards. For better understanding of the company's financial position as of 31 December 2016 and its financial performance and its cash flows for the year then ended, the matter necessitates reference to the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records.

The financial information included in the Board of Directors' Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.

Cairo: February 28, 2017

Auditor

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

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

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	31 December 2016 USD	31 December 2015 USD
Non-Current Assets			
Fixed Assets	(3)	1,039,927	1,039,153
Available for Sale Investments	(4)	70,167,441	52,590,762
Investments in Associates	(5)	4,774,735	4,774,735
Investments in Subsidiaries	(6)	170,240,553	163,158,502
Employees Rewarding System	(7)	14,236,192	10,267,559
Total Non-Current Assets		260,458,848	231,830,711
Current Assets			
Cash on Hand and at Banks	(8)	88,162	3,083,930
Accounts Receivable		32,652	30,695
Accounts Receivable – Margin Trading	(11 b)	1,826,398	3,501,749
Investments at Fair Value through Profit and Loss	(9)	1,572,022	8,389,694
Current Assets Held for Sale	(10)	8,407,402	1,651,885
Due from subsidiaries and related parties	(11 a)	34,120,802	37,726,506
Prepaid expenses and other debit balances	(12)	532,312	8,341,754
Total Current Assets		46,579,750	62,726,213
Total Assets		307,038,598	294,556,924
Equity			
Issued and Paid up Capital	(16)	198,722,630	283,889,471
Legal reserve		8,149,099	8,149,099
Treasury Stocks	(17)	6,671,109	6,671,109
General reserve		85,166,841	-
Employee Rewarding system revaluation differences	(7)	(6,394,430)	(11,465,392)
Unrealized (losses) on available for sale investments		(547,116)	(6,567,569)
Accumulated (Losses)		(1,952,878)	(3,580,111)
Profit for the Year		5,202,624	1,627,233
Total Equity		295,017,879	278,723,840
Current Liabilities			
Due to Subsidiaries and Related Parties	(11 c)	2,183,390	2,959,852
Banks Credit Facilities	(13)	6,054,947	9,592,261
Notes Payable – Short Term	(15)	578,848	151,976
Accrued Expenses and other credit balances	(14)	3,203,534	3,128,995
Total Current Liabilities		12,020,719	15,833,084
Total Finance of Working Capital and Non-current Assets		307,038,598	294,556,924

CFO
Ahmed Mahmoud ElGammal

Managing Director
Youssef Medhat El Far

Chairman
Hussein Shubokshy

The accompanying notes from (1) to (25) are an integral part of these separate financial statements.

- Auditor's report attached.

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

**SEPARATE INCOME STATEMENT (PROFIT OR LOSS)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	31 December 2016 USD	31 December 2015 USD
Dividends received from subsidiaries		-	5,000,000
Revenue from custodians and trading margin purchases		1,069,527	622,120
Gain from sale of Associates		3,352,760	-
Gain from sale of financial investments		2,714,223	246,804
Dividends Coupons revenue		208,141	36,871
(Loss) on revaluation of investment in associates			-
(Loss) from declining financial investments		(1,247,561)	(1,940,341)
(Loss) on Revaluation of Investments at Fair Value through Profit and Loss		(363,795)	(743,657)
Profit from Operation		5,733,295	3,221,797
Other income		420,926	3,517,166
Foreign exchange differences		3,067,111	(547,206)
Credit interest		19,301	84,933
General and administrative expenses		(1,799,964)	(2,672,733)
Depreciation of fixed asset	(3)	(104,724)	(122,009)
Marketing expenses		(3,069)	(17,949)
Lease financing expenses		(240,236)	(520,477)
Debit interest		(1,890,016)	(1,316,289)
Profit for the Year		5,202,624	1,627,233
Earnings Per Share for the Year	(20)	0.014	0.004

CFO
Ahmed Mahmoud ElGammal

Managing Director
Youssef Medhat El Far

Chairman
Hussein Shubokshy

- The accompanying notes from (1) to (25) are an integral part of these separate financial statements.

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

**SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	31 December 2016	31 December 2015
	USD	USD
Profits of the year	5,202,624	1,627,233
Other comprehensive income		
Unrealized (losses) on available for sale investments	6,020,543	468,882
Total of other comprehensive income of the year	6,020,543	468,882
Total comprehensive income of the year	11,223,167	2,096,115

- The accompanying notes from (1) to (25) are an integral part of these separate financial statements.

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

**SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Issued and paid up Capital	Legal Reserve	General reserve	Treasury shares reserve	Employees Rewarding System Revaluation differences	Unrealized (Loss) on Available for Sale Investments	Accumulated (Losses)	Profit for the Year	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Balance as of 1 January 2016	283,889,471	8,149,099	-	6,671,109	(11,465,392)	(6,567,569)	(3,580,111)	1,627,233	278,723,840
Transferred to Retained Earnings	-	-	-	-	-	-	1,627,233	(1,627,233)	-
General reserve	(85,166,841)	-	85,166,841	-	-	-	-	-	-
Other Comprehensive Income	-	-	-	-	-	6,020,453	-	-	6,020,453
Employees Rewarding System Revaluation differences (Note 7)	-	-	-	-	5,070,962	-	-	-	5,070,962
Profit for the Year	-	-	-	-	-	-	-	5,202,624	5,202,624
Balance as of 31December 2016	198,722,630	8,149,099	85,166,841	6,671,109	(6,394,430)	(547,116)	(1,952,878)	5,202,624	295,017,879
Balance as of 1 January 2015	283,889,471	8,149,099	-	6,671,109	(8,189,667)	(7,036,451)	(10,470,641)	6,890,530	279,903,450
Transferred to Legal Reserve and Retained Earnings	-	-	-	-	-	-	6,890,530	(6,890,530)	-
Other Comprehensive Income	-	-	-	-	-	468,882	-	-	468,882
Employees Rewarding System Revaluation differences (Note 7)	-	-	-	-	(3,275,725)	-	-	-	(3,275,725)
Profit for the Year	-	-	-	-	-	-	-	1,627,233	1,627,233
Balance as of 31 December 2015	283,889,471	8,149,099	-	6,671,109	(11,465,392)	(6,567,569)	(3,580,111)	1,627,233	278,723,840

- The accompanying notes from (1) to (25) are an integral part of these separate financial statements.

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

**SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	31 December 2016 USD	31 December 2015 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the Year		5,202,624	1,627,233
Depreciation of fixed assets	(3)	104,724	122,009
Losses on revaluation of investments at Fair Value through Profit and Loss		363,795	743,657
Credit interest		(19,301)	(84,933)
Debit interest		1,890,016	1,316,289
Foreign Exchange differences		(3,067,111)	547,206
Operating profit before changes in Working Capital		4,474,747	4,271,461
Change in accounts receivable and margin trade receivables	(11 b)	1,673,394	(529,163)
Change in due from subsidiaries and related parties	(11 a)	3,605,704	12,138,980
Change in prepaid expenses and other debit balances	(12)	7,809,442	(3,652,093)
Change in due to subsidiaries and related parties	(11c)	(776,462)	(48,415)
Change in notes payable – short term	(15)	426,872	(1,049,234)
Change in accrued expenses and other credit balances	(14)	74,539	(251,965)
NET CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES		17,288,236	10,879,571
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets	(3)	-	151,581
(Payments) to purchase fixed assets	(3)	(105,498)	(121,338)
Proceeds in respect of projects under construction		-	881,719
Proceeds from sale of investments at fair value through profit and loss		56,824,704	12,829,224
(Payments) to purchase investments at fair value through profit and loss		(50,370,827)	(18,016,942)
Change in employees' rewarding system	(7)	1,102,329	(11)
Proceeds from sale of available for sale investments		-	1,228
(Payments) to purchase available for sale investments	(4)	(11,556,226)	(320,645)
(Payments) to purchase current assets retained for sale		(6,755,517)	-
(Payments) proceeds investments in subsidiaries		(7,082,051)	(8,232,296)
NET CASH FLOWS (USED IN) PROVIDED FROM INVESTING ACTIVITIES		(17,943,086)	(12,827,480)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (payments) from banks credit facilities		(3,537,314)	6,605,266
Credit interest		19,301	84,933
Debit interest		(1,890,016)	(1,316,289)
Change in notes payable – long term		-	(1,469,057)
NET CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES		(5,408,029)	3,904,853
Impact of change in exchange rates		3,067,111	(547,206)
Net change in cash and cash equivalent - during the Year		(2,995,768)	1,409,738
Cash and cash equivalent - beginning of the Year		3,083,930	1,674,192
CASH AND CASH EQUIVALENT - END OF THEYEAR	(8)	88,162	3,083,930

- Non cash transaction of USD 61,778,921 has been eliminated which represent the transfer from Investments in associates to Investments in subsidiaries.

- The accompanying notes from (1) to (25) are an integral part of these separate financial statements.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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 regulation and law 95 of 1992 and its executive regulation 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:

- a. Participate, either fully or partially, in establishing companies.
- b. Factoring
- c. Risk capital
- d. Finance lease.
- e. Guarantee and covering public offering.
- f. Margin trading and custodian function.

Since its inception (14 May 2006), the Company acquired majority interests in many subsidiaries companies. Additionally, the Company has established a number of subsidiaries in which the Company owns majority interests.

The accompanying separate financial statements reflect only the financial position, results of operations, cash flows, and the changes in owners' equity of Naeem Holding Company for Investments on a standalone basis. Accordingly, investments in subsidiaries are reflected in the accompanying financial statements at cost basis. The Company prepares a full set of consolidated financial statements which includes all its subsidiaries and those statements are issued to present a clearer view of the financial position and the results of operations and cash flows for the group as a whole.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

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

2-2 Statement of compliance

The financial statements of the company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

2-3 Changes in accounting policies

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

2-4 Foreign currency translation

The financial statements are prepared and presented in USD, which is the company's functional currency.

Transactions in foreign currencies are initially recorded using the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate prevailing at the separate balance sheet date, All differences are recognized in the separate statement of income.

Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2-5 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, Revenue is measured at the fair value of the consideration received, excluding. The following specific recognition criteria must also be met before revenue is recognized

- Profit (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 dividends are declared.
- Interests on deposits are recognized on a time proportion basis, along with taking the target interest rate on the asset into consideration.
- Margin trading revenue is recognized on accrual basis and according to the agreed upon interest rate,
- Custody revenue is recognized on accrual basis and calculated according to the agreed upon interest rate.
- Coupon revenue is recognized upon collection.

2-6 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses, Such cost includes the cost of replacing part of the buildings 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 buildings and equipment as a replacement if the recognition criteria are satisfied, All other repair and maintenance costs are recognized in statement of income as incurred.

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

	Years
Buildings	20
Vehicles	5
Furniture, fixtures and fittings	10
Office equipment	3 – 8

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 separate 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 separate 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 separate statement of income.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2-7 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.

2-8 Investments

• **Investments at fair value through profit and loss**

Investments at fair value through profit and 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 and loss.

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

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

• **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 the separate financial statements at cost inclusive 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.

• **Available for sale investments**

Available for sale investments are those non-derivative financial assets that are designated as available for sale at acquisition and 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 including direct 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 gains or losses recorded in equity is recognized in the separate 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 separate statement of income, Impairment losses on equity investments are not reversed through the separate 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 per cent 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 at cost inclusive 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.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2-9 Employees rewarding system

Equity securities granted to employees are measured by reference to the fair value (market price) at the date on which they are granted.

Equity securities are revaluated to the fair value (market price) at each reporting date, together with a corresponding revaluation differences in equity at the separate balance sheet.

2-10 Legal reserves

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.

2-11 Borrowings

Borrowings are initially recognized at the value of the consideration received, Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the balance sheet date, then the loan balance should be classified as long term liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method, Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate, The effective interest rate amortization is included in finance cost in the separate income statement.

2-12 Impairment

Impairment of financial assets

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

2-13 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.

2-14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets, All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2-15 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2-16 Related party transactions

Related parties represent associated 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.

2-17 Treasury stocks

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 nine months to agree on the action to be taken towards them.

2-18 Statement of cash flows

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

2-19 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 less bank credit balances.

2-20 Changes in Accounting Policies and Disclosures

The accounting policies applied for the period 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 period, 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.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

- **Amended Egyptian accounting standard no. (10): fixed assets and depreciations thereof**
The amended standard has removed the option of revaluation upon subsequent measurement of fixed assets, and it requires that the strategic (major) spare parts as well as the reserve equipment, which are conformable with the definition of fixed assets and are expected to be used by the establishment during more than one period, shall be treated as fixed assets (i.e. whenever the definition of fixed assets is applicable to them). This amendment has no impact on the company's financial statements.
- **Amended Egyptian accounting standard no. (14): borrowing costs**
The amended standard has cancelled the previous standard treatment which recognized the borrowing cost directly attributable to the acquisition, creation or production of a qualifying asset on the statement of profits or losers. The amended standard requires the capitalization of that cost as part of qualifying assets, and it has no impact on the company's financial statements.
- **Amended Egyptian accounting standard no. (23): intangible assets**
The amended standard has ruled out the option of revaluation upon subsequent measurement of intangible assets, and it has no impact on the company's financial statements.
- **Amended Egyptian accounting standard no. (34): real estate investment**
The amended standard has removed the option of the fair value model for real estate investments, and has dictated the use of fair value for disclosure purposes only. This amendment has no impact on the company's financial statements.
- **Amended Egyptian accounting standard no. (38): employees benefits**
As for the defined benefit plans, the amended standard requires that the accumulated actuarial profits and losses shall be immediately recognized and be charged to the items of other comprehensive income. The standard also stipulates that the previous service cost shall be recognized as an item of expenses at the latest of the following dates: a) when the plan is amended or cut down, or b) when the establishment implements a substantial plan for restructuring its activities, and recognizes the relevant restructuring costs including payment of the end-of-service benefits.
- **New Egyptian accounting standard no. (40): financial instruments "disclosures"**
A new Egyptian accounting standard sub no. (40): financial instruments "disclosures" was issued to cover all the required disclosures of financial instruments. The company has presented all the required disclosures in the financial statements.
- **New Egyptian accounting standard no. (41): operational sectors**
The Egyptian accounting standard no, (33): sectoral reports has been cancelled and substituted with standard no. (41); operational sectors. Accordingly, the sectoral reporting system required to be disclosed and the required volume of disclosures has basically become dependent on the information available about sectors in the manner used by the operational decision maker. As indicated in note no. (5), the company is still working through one operational sector.
- **New Egyptian accounting standard no. (45): fair value measurement**
A new Egyptian accounting standard sub no. (45): fair value measurement was issued. This standard shall apply when another standard requires or allows for fair value measurement or fair value disclosure. This standard aims at defining the fair value, setting a framework for fair value measurement via a single standard, and determining the required disclosure of fair value measurements. The company has made the required disclosures according to the standards.
- **New Egyptian accounting standard no. (13): impacts of change in foreign currency exchange rates:**
Annex (A) was added to the Egyptian accounting standard no. (13): impacts of change in foreign currency exchange rates, whereupon the special accounting treatments contained in this annex shall be applied as exceptional treatments only to the financial statements attributable to the financial period during which such treatments are applied.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. FIXED ASSETS

	Buildings	Vehicles	Decorations & Fixtures	Furniture, fixtures and fittings	Office Equipment	Total
	USD	USD	USD	USD	USD	USD
Cost						
1 January 2016	673,715	128,846	89,680	781,473	287,108	1,960,822
Additions during the Year	-	-	-	40,572	64,926	105,498
Disposals during the Year	-	-	-	-	(715)	(715)
31 December 2016	<u>673,715</u>	<u>128,846</u>	<u>89,680</u>	<u>822,045</u>	<u>351,319</u>	<u>2,065,605</u>
Accumulated depreciation						
1 January 2016	(92,236)	(15,152)	(2,514)	(575,569)	(236,198)	(921,669)
Disposals during the Year	-	-	-	-	715	715
Depreciation for the Year	(33,751)	(6,454)	(8,968)	(52,663)	(2,888)	(104,724)
31 December 2016	<u>(125,987)</u>	<u>(21,606)</u>	<u>(11,482)</u>	<u>(628,232)</u>	<u>(238,371)</u>	<u>(1,025,678)</u>
Net Book Value 31 December 2016	<u>547,728</u>	<u>107,240</u>	<u>78,198</u>	<u>193,813</u>	<u>112,948</u>	<u>1,039,927</u>
	Buildings	Vehicles	Fixtures & decorations	Office furniture & supplies	Office machinery & equipment	Total
	USD	USD	USD	USD	USD	USD
Cost						
1 January 2015	673,715	128,846	-	923,185	266,463	1,992,209
Disposals during the year	-	-	-	(152,725)	-	(152,725)
Transferred from projects under construction	-	-	89,680	-	-	89,680
Additions during the year	-	-	-	11,013	20,645	31,658
31 December 2015	<u>673,715</u>	<u>128,846</u>	<u>89,680</u>	<u>781,473</u>	<u>287,108</u>	<u>1,960,822</u>
Accumulated depreciation						
1 January 2015	(58,578)	(8,714)	-	(525,295)	(208,217)	(800,804)
Disposals during the year	-	-	-	1,144	-	1,144
Depreciation for the year	(33,658)	(6,438)	(2,514)	(51,418)	(27,981)	(122,009)
31 December 2015	<u>(92,236)</u>	<u>(15,152)</u>	<u>(2,514)</u>	<u>(575,569)</u>	<u>(236,198)</u>	<u>(921,669)</u>
Net book value 31 December 2015	<u>581,479</u>	<u>113,694</u>	<u>87,166</u>	<u>205,904</u>	<u>50,910</u>	<u>1,039,153</u>

- There are no broken down, not used or fully depreciated assets and still working.

- The buildings amount includes the value of the third floor of the Smart Village building, as amounting to L.E. 1, as per the financial lease contract concluded with Incolease Company.

4. AVAILABLE FOR SALE INVESTMENTS

	31 December 2016 USD	31 December 2015 USD
Quoted shares in the Egyptian Stock Market *	50,575,327	41,363,281
Unquoted shares	19,592,114	11,227,481
	<u>70,167,441</u>	<u>52,590,762</u>

* Quoted shares in the Egyptian stock market include 28,413,105 shares with market value amounted to USD 50,575,327 from investment in Egyptian Gulf Bank Pledged as collateral for a letter of guarantee issued by the Arab African International Bank in favor of Naem shares and bonds to guarantee brokerage activity(Note 21).

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. INVESTMENTS IN ASSOCIATES

	Contribution percentage	Shares number 2016	31 December 2016	Shares number 2015	31 December 2015
	%		USD		USD
Etihad Capital	31.20	15,600,000	4,774,735	15,600,000	4,774,735
			<u>4,774,735</u>		<u>4,774,735</u>

6. INVESTMENTS IN SUBSIDIARIES

Company Name	Ownership %	31 December 2016	31 December 2015
		USD	USD
Naeem Brokerage	99.96	61,216,092	61,216,092
Naeem Shares and Bonds *	100	12,628,888	12,628,888
Naeem For Financial Investments	99.99	6,283,260	6,283,260
Naeem Mortgage for Real Estate	98.40	2,164,518	2,164,518
Naeem For Investment Funds	99	1,840,149	1,840,149
Naeem Consulting Services	98	86,726	86,726
Gold Capital limited	98.90	36,234	36,234
Naeem Capital Limited	100	8,750,000	8,750,000
Arab Sweeteners Company **	99.98	12,709,514	8,265,779
Naeem Development Projects Limited	100	-	50,000
Naeem for Investment Fund Management	99.80	562,570	-
Al Tawfik for Financial Investments	99.88	581,100	-
Al Tawfik for Brokerage	99.96	1,259,215	-
Naeem For Real Estate Management Limited	100	50,000	50,000
NaeemMisr Investment Fund***	100	490,044	204,613
Naeem Real Estate Investment Fund	99	2,645	2,645
Mina Mac Fund	99	2,645	2,645
Mina Growth Fund	99	2,645	2,645
Reacap for Financial Investments****	46.87	61,574,308	61,574,308
		<u>170,240,553</u>	<u>163,158,502</u>

* These investments include direct and indirect investments.

** The capital of the Arab Sweeteners Company was increased, consequently the company's issued and paid up capital has become L.E. 100,000,000.

**** Indirect investment by 9.91% in Naeem for Real Estate Management Limited Company.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. 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 with amount of USD 12,771,311 in addition to cash portion amounting to USD 1,464,881

On 30 April 2008, all treasury stocks had been transferred to employees' rewarding system and the stocks were revaluated using the fair (market) value at the 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 at 31 December 2015 The balance of employees rewarding amounted to USD 14,236,192 represented in the fair market value of the system shares with amount of USD 12,771,311 in addition to cash portion amounting to USD 1,464,881 and these shares has been revalued by fair value (market value) by USD 12,771,311 (USD 7,700,349 at 31 December 2016) so the negative net valuation differences of these shares become USD 6,394,430 in 31 December 2016 which classified in Employees rewarding system revaluation differences in the shareholder equity section in the standalone financial statement (USD 11,465,392 at 31 December 2015)

Movement Summary is as follows:

	Shares	Shares
Total shares transferred to the system		11372754
Stock dividends		3790919
Shares transferred to the system		<u>5000000</u>
Total shares of the system		20163673
Shares designated and sold:		
Shares sold	(20000)	
Holding company's employees	(390000)	
Subsidiaries employees	(972334)	
Total designated shares		<u>(1382334)</u>
Total undesignated shares		<u><u>18781339</u></u>

8. CASH ON HAND AND AT BANKS

	31 December 2016	31 December 2015
	USD	USD
USD		
Cash on Hand	16,300	13,877
Banks- Current Accounts	10,923	39,203
	<u>27,223</u>	<u>53,080</u>
Currencies other than USD		
Cash on Hand	14,581	1,679
Banks- Current Accounts	40,665	471,626
Banks- Time Deposit	5,692	2,557,545
	<u>60,939</u>	<u>3,030,850</u>
Total cash on hand and at banks	<u><u>88,162</u></u>	<u><u>3,083,930</u></u>

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS

	No. of Shares	Value after valuation at 31 December 2015	Purchases	Sales	Value before valuation	Net change at 31 December 2016	Value after valuation at 31 December 2016
		USD	USD	USD	USD	USD	USD
NaeemMisr Fund*	55500	909,433	-	-	909,433	(552,343)	357,090
Securities portfolio		7,480,261	50,370,827	56,824,704	1,026,384	188,549	1,214,932
TOTAL		<u>8,389,694</u>	<u>50,370,827</u>	<u>56,824,704</u>	<u>1,935,817</u>	<u>(363,795)</u>	<u>1,572,022</u>

10. CURRENT ASSETS HELD FOR SALE

The current assets held for sale are represented in the value of purchasing the ground, first and second floors of building no. (B16) at the Smart Village, as well as 13 apartments at Palm Park Compound, at the amount of USD 8,407,402.

	31 December 2016 USD	31 December 2015 USD
Ground floor	1,651,885	1,651,885
First floor	1,695,096	-
Second floor	1,851,663	-
13 apartments at Palm Park Compound	3,208,758	-
	<u>8,407,402</u>	<u>1,651,885</u>

11. DUE FROM / TO SUBSIDIARIES AND RELATED PARTIES

During the year, the company made several transactions with its subsidiaries and related parties include providing those subsidiaries with working capitals for financing its operations and also include payment of expenses on behalf of Naeem Holding Company for Investments. All these transactions were executed using the same basis for transactions executed with non-related parties.

a) Due from Subsidiaries and Related Parties

	31 December 2016 USD	31 December 2015 USD
Naeem Brokerage	46,328	22,400
Naeem for Financial Investments – Subsidiary	-	404,593
Naeem Development Projects Limited – Subsidiary	-	18,567,794
Naeem Capital Limited – Subsidiary	4,740,714	4,554,949
Naeem for Real Estate Management Limited – Subsidiary	28,527,765	9,942,055
Naeem Shares & Bonds	251,917	-
Arab sweeteners Company – Subsidiary	-	3,332,291
Naeem for Real Estate Investment – related party	164,532	-
Gold Capital company – Related party	389,546	855,902
Naeem Consultancy Services – Subsidiary	-	46,522
	<u>34,120,802</u>	<u>37,726,506</u>

b) Accounts Receivable Margin Trade

	31 December 2016 USD	31 December 2015 USD
Naeem brokerage Company – Subsidiary	1,826,398	3,501,749
	<u>1,826,398</u>	<u>3,501,749</u>

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. DUE FROM / TO SUBSIDIARIES AND RELATED PARTIES (Cont'd)

c) Due to Subsidiaries and Related Parties

	31 December 2016	31 December 2015
	USD	USD
Reacap for Financial Investments (Reacap Holding Previously)	15,663	27,547
Naeem Shares and Bonds Company – Subsidiary	-	362,922
Arab sweeteners Company – Subsidiary	1,265,092	-
Naeem Consultancy Services – Subsidiary	726	-
Naeem for Financial Investments – Subsidiary	104,068	-
Naeem for Real Investment – Subsidiary	-	1,609
Naeem for Real Estate Financing - Subsidiary	732,626	1,716,513
Naeem For Investment Fund Managment – Subsidiary	65,215	-
Naeem For Investment Funds – Subsidiary	-	851,261
	<u>2,183,390</u>	<u>2,959,852</u>

* According to the decision of the Board of Directors of the General Authority for financial supervisory in the session held in 22 July 2011, The Company had been prohibited from operating the real estate financing according to article 42 of real estate financing law no,148 for 2001, for not completing its issued capital.

12. PREPAID EXEPENSES AND OTHER DEBIT BALANCES

	31 December 2016	31 December 2015
	USD	USD
Prepaid expenses	8,406	559,042
Deposits with others	152,686	178,044
Advances to suppliers	1,277	7,044
Employees' loans and advances	38,630	29,255
Other debit balances	331,313	7,568,369
	<u>532,312</u>	<u>8,341,754</u>

	31 December 2016	31 December 2015
	USD	USD
Balances falling due within 12-month period	379,626	8,163,710
Balances falling due within more than 12-month period	152,686	178,044
	<u>532,312</u>	<u>8,341,754</u>

13. BANKS - CREDIT FACILITIES

	31 December 2016	31 December 2015
	USD	USD
Export Development Bank of Egypt*	1,827,077	3,499,884
Arab African International Bank**	4,227,870	6,092,377
	<u>6,054,947</u>	<u>9,592,261</u>

*The company obtained an unsecured credit facility from the Export Development Bank of Egypt – Main branch amounting to LE 50 million to finance margin trade purchase operation and the customers balance amounted to USD 1,826,398 as of 31 December 2016 (Note 11b).

**The company obtained a secured credit from the Arab African International Bank –Egypt amounting to LE 80 million, Ensuring securities. The amount was reduced to L.E. 50 million and guaranteed by the shares of Recap for Financial Investments Company, with the aim of financing a 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 average effective interest rate for bank credit facilities is 18.75 %.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31 December 2016	31 December 2015
	USD	USD
Accrued expenses	98,517	103,633
Tax authority- Salary tax	85,657	64,297
Employees rewarding system loan *	1,461,113	2,563,838
Other credit balances	1,558,247	397,227
	<u>3,203,534</u>	<u>3,128,995</u>

* Employees rewarding system loan is in accordance with the modification that had occurred on the articles of association for the rewarding system, which state the possibility of using the liquidity available of the system in the activity until the system in need of that liquidity then to be returned.

15. NOTES PAYABLE

a) Notes Payable – Short Term

	31 December 2016	31 December 2015
	USD	USD
Naeem Company for Investment Funds	564,430	-
Misr Company for Engineering Systems	14,418	-
International Company for Leasing – Incolease (Note 23-4)	-	151,976
	<u>578,848</u>	<u>151,976</u>

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. ISSUED AND PAID UP CAPITAL

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

On 18 July 2006, the company's board of directors approved an increase in the issued and paid up capital by USD 120 million, accordingly the number of shares increased from 120000000 to 240000000 shares each with a par value of USD 1. This increase was fully subscribed.

On 30 March 2008 the ordinary general assembly meeting agreed on board of directors' proposal to declare 1 stock dividend for every 3 shares outstanding with total amount of USD 80 million. On 16 July 2008 the capital increase was registered at Misr for Central Clearing, Depository and Registry, 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 17), accordingly the company issued and paid up capital as of 31 December 2009 amounted to USD 309,339,471.

On 14 April 2011 and based on extraordinary general assembly meeting decision to redeem 5017471 shares from treasury shares at their par value (Note 17). Accordingly the company issued and paid up capital amounted to USD 304,322,000,

On 21 May 2012 and according to the Extra Ordinary General Assembly Meeting of the Company 10432529 stocks were written off by par value (Note 17) from treasury stocks which decreased the Company's issued and paid up capital by an amount of 293,889,471 USD.

On 6 August 2013 and according to the Extra Ordinary General Assembly Meeting of the Company 10000000 stocks were written off by par value (Note 17) from treasury stocks which decreased the Company's issued and paid up capital by an amount of 283,889,471 USD.

Articles 6, 7 in the company's principle system were modified, the capital discount was noted by the commercial register dated 16 January 2014.

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 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 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 them 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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

17. TREASURY STOCKS

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

On 11 November 2009 the board of directors agreed to redeem 10660529 stocks from treasury shares at par value (Note 16). The redemption process of these shares was completed according to the decision of the extra ordinary general assembly meeting held on 30 September 2010 with a total amount of USD 7,219,991. The difference between the carrying amount and the par value amounted to USD 3,440,538 was recognised in the reserve available for distribution in the equity section of the separate balance sheet.

On 14 April 2011 and based on extra ordinary general assembly meeting decision the company redeemed 5017471 stocks of treasury shares at acquisition price of USD 2,654,357 and par value with total amount USD 5,017,471. The difference between the carrying amount and the par value amounted to USD 2,363,114 was recognised in Reserve available for distribution the in equity section of the balance sheet as at 31 December 2011 (Note 16).

On 21 May 2012 and according to the Extra Ordinary General Assembly Meeting for the Company, 10432529 stocks were written off by par value (Note 16) with acquisition cost of 5,605,525 USD and par value of 10,432,529 USD and the difference between the par value and the cost of acquisition were included in the treasury stock reserve in the equity section of the separate balance sheet as of 30 September 2013 which amounted to 4,827,004 USD, The reserve available for distribution amounted to USD 10,630,656 as of 31 December 2012.

On 13 November 2013 and according to the Extra Ordinary General assembly Meeting of the company, 5000000 stocks were purchased with a purchase price of USD 1,608,173 to finance the employees rewarding system.

On 6 August 2013 and according to the Extra Ordinary General Assembly Meeting for the Company, 10000000 stocks were written off by par value (Note 16) with acquisition cost of 2,814,142 USD and par value of USD 10,000,000 and the difference between the par value and the cost of acquisition were included in the treasury stock reserve in the equity section of the separate balance sheet as of 31 December 2013 which amounted to USD 6,671,109. The reserve available for distribution amounted to USD 6,671,109 as of 31 December 2013.

On 31 December 2016 the treasury stocks outstanding were zero with total value of USD zero (there is no existing balance for treasury stocks as of 31 December 2016)

18. TAX SITUATION

a) Income tax

The Company is incorporated in the Ismailia Public Free Zone Area and is exempted from all taxes according to Investment Guarantees and Incentives Law No. 8 of 1997

b) Salary taxes

Company's books were inspected till 31 December 2012 and all taxes due were paid. The company pays all taxes obligation amounts on a regular basis.

c) Stamp duty taxes

The Company is exempted from stamp tax till 13 May 2011 and is subject starting from 14 May 2011. The company pays all taxes obligation amounts on a regular basis

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) The Company's financial instruments are represented in financial assets and liabilities

The financial assets include cash and cash equivalent, due from the holding company and related parties, other debit balances and available for sale investments, the financial liabilities include due to related parties, and other credit balances. The significant accounting policies applied for the recognising of income and expenses are included in note number (2) of the notes to the financial statements.

b) Interest rate risk

The Company monitors the maturity structure of assets and liabilities with the related interest rates.

c) The foreign currency risk

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, The total financial assets denominated in foreign currencies other than the US Dollar amounted to USD 210,105,085 as of 30 September 2015 (USD 189,189,236 as of 31 December 2014).

The total financial liabilities denominated in foreign currencies other than US Dollar amounted to USD 12,496,925 as at 30 September 2015 (USD 8,011,472 as of 31 December 2014).

d) Credit risk

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

e) 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.

f) 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.

g) Fair value of financial instruments

The carrying amounts of the financial assets and liabilities referred to in note (2) above are not materially different from their fair values at the separate balance sheet date.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

20. EARNINGS PER SHARE

Earnings per share were calculated by dividing net profit (loss) for the Year by the number of shares outstanding after the deduction of treasury shares. Shares outstanding during the Year were 283889471 shares, profit per share for the year ended 31 December 2015 is amounted to USD 0.004 per share.

	31 December 2016	31 December 2015
	USD	USD
Net Profit	5,202,624	1,627,233
Deduct:		
Legal Reserve 5%	260,131	81,362
Net Retained Earnings available for distribution after Reserve	4,942,493	1,545,871
Deduct:		
Employees Sharing 10% not exceed total annual salary	520,262	162,723
Available for distribution for Shareholders and Board of Directors	4,422,230	1,383,148
Deduct:		
Board of Directors reward 10% from Retained Earning	442,223	138,315
Retained Earnings	3,980,007	1,244,833
Number of Shares	283889471	283889471
Profit Per Share	0.014	0.004

21. CONTINGENT LIABILITIES

The company has a letter of guarantee amounting to USD 50,000,000 issued by Arab African International Bank in favour of Naeem Shares and Bonds (subsidiary company in United Arab Emirates) in favour of Dubai and Abu Dhabi Market Authorities to guarantee the brokerage activity, This letter of guarantee was issued based on a guarantee that the company will be undertaking continuously to maintain a minimum coverage of 350% of the guarantee value. Accordingly, the Company pledged its shares in the Egyptian Gulf Bank- main branch amounting to USD 50,016,329 as of 31 December 2016

The accounts receivable balance as of 31 December 2016 includes USD 1,826,398 representing purchased stocks for margin trading customers (amounted to USD 3,501,749 as of 31 December 2015)

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

22. RELATED PARTIES TRANSACTION

The separate financial statements include related parties transactions which are as follows:

22-1 Custody commission charged on Naeem Brokerage - subsidiary amounted to USD 318,048 for the Year ended of 31 December 2016.

22-2 Margin trading revenues amounted to USD 701,197 for the year ended of 31 December 2016 from Naeem Brokerage – subsidiary.

22-3 The company assigned managerial tasks of OSSOUL real estate fund – Bahrain to Recap for financial investments holding company (Recap holding company previously) with annual fees of 2% of fund value and 15% incentive performance with more than 8% return on capital after 3 years from starting effecting operations of the fund.

22-4 The Company contracted to purchase a new office location with an area of 1080 square meters No: B16 located in the Smart village (Kilo 28 Misr - Alexandria desert road - Giza) from the Smart Village Company by 14,040,000 Egyptian pounds, 53% of the purchase price is financed from the International Company for capital lease – Incolase and 35% against the credit balance due from Smart Village Company and 12% to be paid during one year from the contract date.

The financial lease contract was concluded at an amount of 16,077,088 EGP, payable throughout 4 years in 16 quarterly instalments, by virtue of the minutes of the company's extraordinary general assembly held on 14 April 2012 and the minutes of the board of directors meeting held on 14 May 2012. Ownership was transferred to Naeem Holding Company after terminating the financial lease contract and paying all the dues of Incolase Company for Financial Lease, as per the contract made between the two parties on 15/7/2016. During the year ending on 31 December 2014, a surface area amounting to 830 meters of building no. (B16) – ground floor – the southward section, was purchased from Severico for Real Estate Investment Company, in return for a total amount of 11,827,500 EGP. Accordingly, the related parties transactions amount was reduced by the sale price.

22-5 Naeem for Real Estate Investments Company acquired 100% of the shares of Naeem Development Limited Company, which is wholly owned by Naeem Holding Company, in return for an amount of 116,00,000 EGP. This sale transaction was approved by the general assembly of Naeem for Real Estate Investments Company, as held on 19 November 2016, and the sale price was determined as per the study made by Eagle Advisors Co., on 5 November 2016.

22-6 Naeem for Real Estate Investments Company, a subsidiary of Recap for Financial Investments Company, sold (13) residential units to Naeem Holding Company, at a total amount of 28,461,685 EGP (only twenty eight million, four hundred sixty one thousand and six hundred eighty five Egyptian pounds), which is compatible with the average sale prices approved by the company.

The related parties transactions included in the financial statements are as follows:

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

22. RELATED PARTIES TRANSACTIONS (Cont'd)

a) Due from related parties:

Company	Relation	Finance expenses
Naeem for Financial Investments	Subsidiary	-
Naeem Brokerage	Subsidiary	46,328
Naeem Capital Limited	Subsidiary	4,740,714
Naeem for Real Estate Management	Subsidiary	28,527,765
Naeem for Shares and Bonds	Subsidiary	251,917
Naeem for Real Estate Investments	Subsidiary	164,532
Gold Capital	Subsidiary	389,546
Naeem Real Estate Investment Fund	Subsidiary	49,076
Mina Mac Fund	Subsidiary	91,446

b) Due to related parties:

Company	Relation	Finance expenses
Recap for Financial Investments	Subsidiary	15,663
Arab Sweetners	Subsidiary	1,265,092
Naeem for Consulting Services	Subsidiary	726
Naeem for Financial Investments	Subsidiary	104,068
Naeem for Real Estate Financing	Subsidiary	732,626
Naeem for Investment Fund Management	Subsidiary	65,215

Severico for Real Estate Investment Company, a subsidiary of Recap for Financial Investments, sold the first floor, having a surface area of 986 square meters, and the second floor, having a surface area of 1077 square meters, of building no. (B16) – the southward section, to Naeem Holding Company, against a total amount of 31.5 million EGP, as per the contract dated 29 September 2016, provided that Naeem Company for Real Estate Investments shall pay this amount according to a transfer and assignment contract concluded on 29 September 2016 among Naeem Company for Real Estate Investments, Naeem Holding Company and Severico for Real Estate Investment Company.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

23. TARGETS 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 are made through shareholder's equity, and borrowings through financial institutions are very limited.

24. 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, 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. 283889471 shares. The aforesaid decisions further stipulated for transferring the reduced portion of capital, amounting to USD 85,166,841, 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.

25. COMPARATIVE NUMBERS

Comparative numbers has been adjusted from investment in associate to investment in subsidiaries

	2015 before reclassification USD		2015 after reclassification USD
Investments in subsidiaries	163,150,567	Investments in subsidiaries	163,158,502
Other debit balances	8,349,689	Other debit balances	8,341,754