

**B Investments Holding  
"S.A.E."**

**Consolidated Financial Statements  
For the Year Ended December 31, 2018  
Together with Auditor's Report**

*Translation of Independent Auditor's  
Report Originally Issued in Arabic*

**INDEPENDENT AUDITOR'S REPORT**

**To: The Shareholders' of B Investments Holding "S.A.E."**

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of B Investments Holding "S.A.E.", which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of income, comprehensive 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 Consolidated Financial Statements**

These consolidated financial statements are the responsibility of the Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and the prevailing Egyptian laws. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of B Investments Holding "S.A.E.". as of December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the related Egyptian laws and regulations.

Cairo, March 28, 2019.



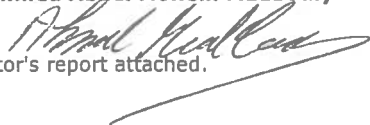
**B Investments Holding "S.A.E"****Consolidated statement of financial position as at December 31, 2018**

|  | <u>Note</u> | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|-------------|--------------------------|--------------------------|
|  |             | <u>EGP</u>               | <u>EGP</u>               |
| <b>Assets</b>  |             |                          |                          |
| <b>Non-current assets</b>  |             |                          |                          |
| Intangible assets (net)  | (6)         | 2 721 176                | 2 723 159                |
| Investments in associates (net)  | (7)         | 389 773 536              | 314 580 875              |
| Available for sale investments   | (8)         | 141 262 077              | 141 262 077              |
| Investments in joint venture (net)   | (9)         | 427 405 040              | 190 849 155              |
| Investment properties (net)  | (10)        | 113 283 717              | 113 468 487              |
| Loans to associate   | (11)        | 105 294 533              | 94 717 354               |
| Project under constructions  | (12)        | 7 893 989                | -                        |
| <b>Total-non current assets</b>  |             | <b>1 187 634 068</b>     | <b>857 601 107</b>       |
| <b>Current assets</b>  |             |                          |                          |
| Inventory (net)  | (13)        | -                        | -                        |
| Accounts receivable (net)  | (14)        | -                        | -                        |
| Due from related parties (net)   | (15)        | 1 227 651                | 1 176 069                |
| Other debit balances (net)   | (16)        | 15 502 601               | 8 203 724                |
| Treasury bills   | (17)        | 416 658 384              | 105 464 030              |
| Cash at banks  | (18)        | 87 730 873               | 94 963 954               |
| <b>Total current assets</b>  |             | <b>521 119 509</b>       | <b>209 807 777</b>       |
| <b>Total assets</b>  |             | <b>1 708 753 577</b>     | <b>1 067 408 884</b>     |
| <b>Equity and liabilities</b>  |             |                          |                          |
| <b>Equity</b>  |             |                          |                          |
| Issued and paid-up capital   | (23)        | 800 122 080              | 584 464 310              |
| Reserves   | (24)        | 280 205 967              | 38 816 015               |
| Retained earnings  |             | 388 477 481              | 257 564 834              |
| Net profit for the year attributable to shareholders of the Parent Company |             | 193 856 740              | 133 177 110              |
| <b>Equity attributable to shareholders of the parent company</b>           |             | <b>1 662 662 268</b>     | <b>1 014 022 269</b>     |
| Non-controlling interests  |             | 5 082 911                | 4 444 603                |
| <b>Total equity</b>  |             | <b>1 667 745 179</b>     | <b>1 018 466 872</b>     |
| <b>Non-Current liabilities</b>   |             |                          |                          |
| Deferred tax liabilities   | (25)        | 9 437 090                | 8 922 951                |
| <b>Total non- current liabilities</b>                                      |             | <b>9 437 090</b>         | <b>8 922 951</b>         |
| <b>Current liabilities</b>   |             |                          |                          |
| Due to related parties   | (19-27)     | 5 016 014                | 2 951 630                |
| Accounts payable and other credit balances                                 | (20)        | 6 554 717                | 8 314 359                |
| Income tax   |             | 13 192 988               | 18 355 176               |
| Provisions   | (21)        | 6 807 589                | 10 397 896               |
| <b>Total current liabilities</b>   |             | <b>31 571 308</b>        | <b>40 019 061</b>        |
| <b>Total equity and liabilities</b>  |             | <b>1 708 753 577</b>     | <b>1 067 408 884</b>     |

-The attached notes form an integral part of these consolidated financial statements, and to be read therewith.

Chief Financial Officer

Ahmed Abdel Monem Madbouly



- Auditor's report attached.

Chief Executive Officer

Dr. Mohamed Abdel Monem Omran



Chairman

Mohamed Hazem Adel Barakat



**B Investments Holding "S.A.E"**


**Consolidated statement of income for the year ended December 31, 2018**

|   | <u>Note</u> | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---|-------------|--------------------------|--------------------------|
|   |             | <u>EGP</u>               | <u>EGP</u>               |
| <b>Revenues &amp; profits</b>                                     |             |                          |                          |
| Dividends income from available for sale investments              |             | 26 207 721               | 22 592 863               |
| Group's share of profits of associates & joint venture entities   | (28)        | 126 263 759              | 104 089 913              |
| Company's remuneration for membership in the BOD of the investees |             | 1 065 806                | 3 746 058                |
| Finance income  | (29)        | 84 211 050               | 34 251 093               |
| Reversal of impairment in note receivable                         |             | -                        | 3 209 132                |
| Provisions no longer required                                     | (21)        | 2 500 000                | -                        |
| Foreign exchange difference                                       |             | 1 802 676                | -                        |
| Other income  |             | 3 394 871                | 3 690 869                |
|   |             | <b>245 445 883</b>       | <b>171 579 928</b>       |
| <b>Expenses &amp; losses</b>                                      |             |                          |                          |
| Management fees   | (30)        | (16 311 803)             | (11 651 349)             |
| Consulting fees and other expenses                                |             | (16 305 898)             | (10 749 562)             |
| BOD allowances  |             | ( 152 700)               | -                        |
| Investment Properties depreciation                                |             | ( 330 450)               | ( 318 312)               |
| Foreign exchange difference                                       |             | -                        | (3 951 673)              |
| Provisions formed   | (21)        | -                        | (2 500 000)              |
| Impairment in other debit balance                                 | (22)        | (2 954 500)              | -                        |
| Impairment in due from related parties                            |             | -                        | (3 133 699)              |
| Impairment of intangible assets                                   |             | -                        | (2 709 191)              |
| <b>Net profit for the year before tax</b>                         |             | <b>209 390 532</b>       | <b>136 566 142</b>       |
| Income tax  |             | (14 386 509)             | (18 355 176)             |
| Deferred tax  |             | ( 514 139)               | 13 444 356               |
| <b>Net profit for the Year</b>                                    |             | <b>194 489 884</b>       | <b>131 655 322</b>       |
| <b>Attributable as follow:</b>                                    |             |                          |                          |
| Attributable to the shareholders' of the Parent Company           |             | 193 856 740              | 133 177 110              |
| Non-controlling interests   |             | 633 144                  | (1 521 788)              |
| <b>Net profit for the year</b>                                    |             | <b>194 489 884</b>       | <b>131 655 322</b>       |
| Basic and diluted earnings per share                              | (26)        | <b>1.32</b>              | <b>1.14</b>              |

-The attached notes form an integral part of these consolidated financial statements, and to be read therewith.

Chief Financial Officer

Ahmed Abdel Monem Madbouly



Chief Executive Officer

Dr. Mohamed Abdel Monem Omran



Chairman

Mohamed Hazem Adel Barakat



**B Investments Holding "S.A.E"**

**Consolidated statement of comprehensive income for the year ended on December 31,2018**

|  | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
|  | <u>EGP</u>               | <u>EGP</u>               |
| <b>Net profit for the year</b>   | <b>194 489 884</b>       | <b>131 655 322</b>       |
| <b>Other comprehensive income</b>  |                          |                          |
| Translation reserve difference of subsidiaries' financial statements                             | 12 910                   | (7 783 301)              |
| Company`s shares in foreign currency translation in joint venture entities' financial statements | 613 770                  | (10 539 958)             |
| <b>Total other comprehensive income for the year</b>   | <b>626 680</b>           | <b>(18 323 259)</b>      |
| <b>Total comprehensive income for the year</b>   | <b>195 116 564</b>       | <b>113 332 063</b>       |
| <b><u>Distrebuted as follows:</u></b>  |                          |                          |
| Interests attributable to shareholders of the parent company                                     | 194 478 256              | 117 967 171              |
| Non-controlling interests  | 638 308                  | (4 635 108)              |
| <b>Total comprehensive income for the year</b>   | <b>195 116 564</b>       | <b>113 332 063</b>       |

-The attached notes form an integral part of these consolidated financial statements, and to be read therewith.

**B Investments Holding "S.A.E"**

**Consolidated statement of changes in equity for the year ended December 31, 2018**

| Note  | Issued and paid-up capital | Capital issuance costs | Legal reserve | The Group's share in Equity change of associates | The Group's share in the reserve for the consolidation of joint ventures | Translation reserve of financial statements | Balance from commitment of buying shares | Retained earnings | Equity attributable to shareholders of the Parent Company in net profit of the year | Total Equity attributable to shareholders of the Parent Company | Non-controlling interests | Total equity  |
|---|----------------------------|------------------------|---------------|--|--|---|--|-------------------|---|---|---------------------------|---------------|
|   |                            |                        |               |  |  |   |  |                   |   |   |                           |               |
|   | 584 464 310                | -                      | 6 997 113     | (5 033 645)                                      | (4 215 865)  | 47 970 786                                  | -  | 109 613 935       | 152 636 257   | 892 432 891   | 9 079 711                 | 901 512 601   |
| Items of Balance as of January 1, 2017                                |                            |                        |               |  |  |   |  |                   | 133 177 110   | 133 177 110   | (1 521 788)               | 131 655 322   |
| Net profit of the year  | -                          | -                      | -             | -  | -  | (4 669 981)                                 | -  | -                 | -   | (4 669 981)   | (3 113 320)               | (7 783 301)   |
| <b>Other Comprehensive Income</b>                                     |                            |                        |               |  |  |   |  |                   |   |   |                           |               |
| Translation reserve of subsidiaries' financial statements             | -                          | -                      | -             | -  | -  | (10 539 958)                                | -  | -                 | -   | (10 539 958)  | -                         | (10 539 958)  |
| Company's shares in foreign currency translation in the Joint venture | -                          | -                      | -             | -  | -  | (15 209 939)                                | -  | -                 | -   | (15 209 939)  | (4 635 108)               | (113 332 063) |
| <b>Total Other Comprehensive Income</b>                               |                            |                        |               |  |  |   |  |                   |   |   |                           |               |
| <b>The company's shareholders transactions</b>                        |                            |                        |               |  |  |   |  |                   |   |   |                           |               |
| Transferred to retained earnings and legal reserve                    | -                          | -                      | 3 580 355     | 5 033 645  | (306 435)  | -   | -  | 149 055 902       | (152 636 257)   | 3 622 207   | -                         | 3 622 207     |
| Company's share in Equity change of associates                        | -                          | -                      | 3 580 355     | 5 033 645  | (306 435)  | -   | -  | 147 950 899       | (152 636 257)   | 3 622 207   | -                         | 3 622 207     |
| <b>Total company's shareholders transactions</b>                      |                            |                        |               |  |  |   |  |                   |   |   |                           |               |
| Balance as of December 31, 2017                                       | 584 464 310                | -                      | 10 577 468    | (4 522 300)                                      | (4 522 300)  | 32 760 847                                  | -  | 257 564 834       | 133 177 110   | 1 014 022 269   | 4 444 603                 | 1 018 466 872 |
| Balance as of January 1, 2018   | 584 464 310                | -                      | 10 577 468    | (4 522 300)                                      | (4 522 300)  | 32 760 847                                  | -  | 257 564 834       | 133 177 110   | 1 014 022 269   | 4 444 603                 | 1 018 466 872 |
| Net profit of the year  | -                          | -                      | -             | -  | -  | -   | -  | -                 | 193 856 740   | 193 856 740   | 633 144                   | 194 489 884   |
| <b>Items of Other Comprehensive Income</b>                            |                            |                        |               |  |  |   |  |                   |   |   |                           |               |
| Translation reserve of subsidiaries' financial statements             | -                          | -                      | -             | -  | -  | 7 746                                       | -  | -                 | -   | 7 746   | 5 164                     | 12 910        |
| Company's shares in foreign currency translation in the Joint venture | -                          | -                      | -             | -  | -  | 613 770                                     | -  | -                 | -   | 613 770   | -                         | 613 770       |
| <b>Total Other Comprehensive Income</b>                               |                            |                        |               |  |  |   |  |                   |   |   |                           |               |
| <b>The company's shareholders transactions</b>                        |                            |                        |               |  |  |   |  |                   |   |   |                           |               |
| Transferred to legal reserve  | -                          | -                      | 2 264 463     | -  | -  | -   | -  | (2 264 463)       | -   | -   | -                         | -             |
| Transferred to retained earnings                                      | -                          | -                      | -             | -  | -  | -   | -  | 133 177 110       | (133 177 110)   | -   | -                         | -             |
| Increase in capital   | 215 657 770                | (4 111 018)            | 242 614 991   | -  | -  | -   | -  | -                 | -   | 454 161 743   | -                         | 454 161 743   |
| <b>Total company's shareholders transactions</b>                      | 215 657 770                | (4 111 018)            | 244 879 454   | -  | -  | -   | -  | 130 912 647       | (133 177 110)   | 454 161 743   | -                         | 454 161 743   |
| Balance as of December 31, 2018                                       | 800 122 080                | (4 111 018)            | 255 456 922   | (4 522 300)                                      | (4 522 300)  | 33 382 363                                  | -  | 388 477 481       | 193 856 740   | 1 662 662 268   | 5 082 911                 | 1 667 745 179 |

-The attached notes form an integral part of these consolidated financial statements, and to be read therewith.

**B Investments Holding "S.A.E"****Consolidated statement of cash flows for the year ended December 31, 2018**

|   | <u>Note</u> | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---|-------------|--------------------------|--------------------------|
|   |             | <u>EGP</u>               | <u>EGP</u>               |
| <b><u>Cash flows from operating activities</u></b>  |             |                          |                          |
| Net profit for the year before tax  |             | 209 390 532              | 136 566 142              |
| <b><u>Adjustments to reconcile net profit to cash flows from operating activities</u></b> |             |                          |                          |
| Group's share of profits of associates & joint venture entities                           |             | (126 263 759)            | (104 089 913)            |
| Depreciation of investment properties   |             | 330 450                  | 318 312                  |
| Foreign exchange differences  |             | (1 802 676)              | 3 951 673                |
| Impairment in other debit balances  |             | 2 954 500                | -                        |
| Impairment in due from related parties  |             | -                        | 3 133 699                |
| Impairment in intangible assets   |             | -                        | 2 709 191                |
| Formed provision  |             | -                        | 2 500 000                |
| Credit interest - treasury bills  |             | (60 777 500)             | (6 421 384)              |
| Credit interest   |             | (23 433 550)             | (27 829 709)             |
| Reversal of impairment in note receivable   |             | -                        | (3 209 132)              |
| Utilization of the provisions   |             | (1 090 307)              | -                        |
| Provisions no longer required   |             | (2 500 000)              | -                        |
| <b>Operating(loss) profit before changes in working capital</b>                           |             | <b>(3 192 310)</b>       | <b>7 628 879</b>         |
| (Increase) decrease in due from related parties   |             | ( 51 582)                | 12 941 196               |
| Decrease in notes receivable  |             | -                        | 63 832 364               |
| Increase in other debit balances  |             | (6 741 673)              | (2 775 461)              |
| Increase in due to related parties  |             | 2 064 384                | 38 665                   |
| Decrease in other financial liabilities   |             | -                        | (5 799 975)              |
| (Decrease) increase in accounts payable and other credit balances                         |             | (1 759 874)              | 799 433                  |
| Paid income tax during the year   |             | (18 355 176)             | -                        |
| <b>Net cash flows (used in ) generated by operating activities</b>                        |             | <b>(28 036 231)</b>      | <b>76 665 101</b>        |
| <b><u>Cash flows from investing activities</u></b>  |             |                          |                          |
| Payments to acquire investments in joint ventures   |             | (187 190 985)            | (16 249 800)             |
| Payments for Project under construction   |             | (7 893 989)              | -                        |
| Payments to acquire investment properties   |             | ( 145 680)               | -                        |
| Payments loans to associate   |             | -                        | (94 717 354)             |
| Change in time deposits   |             | (3 838 388)              | 24 162 709               |
| Proceeds from credit interest   |             | 12 755 380               | 29 331 012               |
| Net proceeds from sale and redemption of (Payments to acquire) treasury bills             |             | 166 241 530              | (99 042 646)             |
| <b>Net cash flows used in investing activities</b>  |             | <b>(20 072 132)</b>      | <b>(156 516 079)</b>     |
| <b><u>Cash flows from financing activities</u></b>  |             |                          |                          |
| Proceeds from capital increase  |             | 463 664 205              | -                        |
| Payments for issuance shares  |             | (10 695 983)             | -                        |
| <b>Net cash flows generated by financing activities</b>                                   |             | <b>452 968 222</b>       | <b>-</b>                 |
| Net change in cash and cash equivalents during the year                                   |             | 404 859 859              | (79 850 978)             |
| <b>Cash and cash equivalents at the beginning of the year</b>                             |             | <b>26 593 776</b>        | <b>110 396 427</b>       |
| Effects of exchange rate changes on balances of cash held in foreign currencies           |             | ( 429)                   | (3 951 673)              |
| <b>Cash and cash equivalents at the end of the year</b>                                   | (18)        | <b>431 453 206</b>       | <b>26 593 776</b>        |

-The attached notes form an integral part of these consolidated financial statements, and to be read therewith.



## **1. General information**

B Investments Holding "S.A.E." (BPE Holding for Financial investments-formerly) "The Company" was established under the provisions of Law No 95 for 1992 and its executive regulations. The Company was registered on December 31, 2005 under No 52455 at South Cairo Commercial Register pursuant to the Capital Market Authority license No. 348 dated April 11, 2006. Then The Company registered on October 24, 2012 under No 63264 at South Cairo Commercial Register.

The Company's purpose is to participate in incorporation of other entities, which issue securities, or increase their capital. The Company may have interest or participate in any form with corporate companies pursuing similar activities, or which may assist it in realizing its purpose in Egypt or abroad. The Company may also merge, purchase or become a subsidiary to companies according to the provisions of law and its executive regulation. The Company's duration is 20 years commencing from the Commercial Register date.

The Company's principle business activity is investment in other entities, in accordance with its established investment policy. The Company aims to identify, research, negotiate, make and monitor the progress of and sell, realize and exchange investments and distribute proceeds of such investments with the principle objective of providing shareholders with a high relative overall rate of return by means of both income, capital growth and exit.

On January 11, 2016 the company's extraordinary general assemble meeting decided to change the company name to be BPE Holding for Financial Investments, the change was registered in the Company's commercial register on February 24th, 2016.

On May 8, 2018 the Company's extraordinary general assembly decided to change the Company name to be B investments Holding, the change was registered in the Company's commercial register on July 8, 2018.

- The Board of Directors authorized these consolidated financial statements for issue on December 31, 2018 at March 28, and 2019.

## **2. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards issued by the Minister of Investment's decree No. 110 of 2015 and applicable Egyptian laws and regulations. The Egyptian Accounting Standards require referral to International Financial Reporting Standards "IFRS" for certain types of transactions or events when no Egyptian Accounting Standard or legal requirement exists to address treatment for these transactions and treatments.

### **3. Basis for preparation of consolidated financial statements**

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values or amortized cost. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### **4. Critical accounting judgments and key sources of estimation uncertainty**

In the application of the company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Those estimates and associated assumptions are based on management historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates, therefore those estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and estimates that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

#### **Assessing and determining basis of preparation**

Management reviews its assumptions and judgments including those used to conclude on the extent of the Company's ability to control, jointly control, or exercise significant influence on its investees whenever a significant event or amendment to the conditions prevailing in its contractual agreements or changes in conditions associated with the preparation process of the financial statements.

#### **Provisions and contingent liabilities**

Management assess events and circumstances that might led to a commitment on the company's side resulting from performing its normal economic activities, management uses estimates and assumptions to assess whether the provision's recognition conditions have been met at the financial statement date, and analyze information to assess whether past events led to current liability against the company and estimates the future cash outflows and timing to settle this obligation in addition to selecting the method which enable the management to measure the value of the commitment reliably.

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

At the end of each reporting period, the management reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The management assesses whether there is an objective evidence that, as a result of one or more events (a "loss event") that occurred after the initial recognition of a financial

asset or a group of financial assets, the estimated future cash flows of an asset or a group of assets have been affected.

The management monitors impairment losses recognized, and where an impairment loss subsequently reverses, the carrying amount of a financial asset or a group of financial assets is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

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

Non- financial assets are reviewed to determine whether there are any indications that the net carrying amount of these assets may not be recoverable and that they have suffered an impairment loss that needs to be recognized. In order to determine whether any such elements exists it is necessary to make subjective measurements, based on information obtained within the Company and in the market considering the past experience.

When indicators exist that an asset may have become impaired, the Company estimates the impairment loss using suitable valuation techniques. The identification of elements indicating that a potential impairment exists and estimates of the amount of the impairment, depend on factors that may vary in time, affecting management's assessments and estimates.

#### **Recognition and measurement of current tax liabilities**

The Company's profit is subject to income tax, which requires using of significant estimates to determine the total income tax liability. As determining the final tax liability for certain transactions could be difficult during the reporting period, the Company records current tax liabilities using its best estimate about the taxable treatment of these transactions and the possibility of incurring of additional tax charges that may result from tax inspections. When a difference arises between the final tax assessment and what has been recorded, such difference is recorded as an income tax expense and current tax liability in the current period and is considered as a change in accounting estimates.

Significant accounting policies are set out below:

### **5. Significant accounting policies**

#### **a. Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to December 31 each year. Control is achieved when the Company

- Has power over the investee;
- Is exposed or has rights to variable returns from its involvement with the investee and
- Has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the particular ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power including

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Company, other vote holders or other parties
- Rights arising from other contractual arrangements and
- Any additional facts and circumstances that indicate that the Company has or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date of the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition by acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to

the acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between the aggregate of the fair value of the consideration received and fair value of any retained interest and the previous carrying amount of the assets (including goodwill) less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

**b. Business combination**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method unless the transaction does not constitute an acquisition in form or substance. Application of the purchase method involves the following steps:

- Identifying an acquirer,
- Measuring the cost of the business combination; and
- Allocating, at the acquisition date, the cost of the combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of the business combination is measured as the aggregate of the fair values, at the (date of exchange), of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquirer recognizes the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under EAS (29) "Business Combination" at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with EAS (32) "Non-current Assets Held for Sale and Discontinued Operations", that are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition date is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's

interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in income statement.

The non-controlling interest in an acquiree is initially measured at the non-controlling interest proportionate share in the fair value of the assets, liabilities and contingent liabilities recognized.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

A business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events. The Group usually estimates the amount of any such adjustment at the time of initially accounting for the combination, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the business combination is adjusted accordingly.

However, when a business combination agreement provides for such an adjustment, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.

The Company currently holds the following direct and indirect interests in its subsidiaries:

| <u>Subsidiary</u>        | <u>Country of Domicile</u> | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--------------------------|----------------------------|--------------------------|--------------------------|
|                          |                            | <u>%</u>                 | <u>%</u>                 |
| Beard AG Company "Beard" | Switzerland                | 60                       | 60                       |

**c. Interests in associates and joint venture entities**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Investments classified as held for sale, are accounted for in accordance with EAS (32) "Non-current Assets Held for Sale and Discontinued Operations", where they are stated at the lower of their carrying amount or fair value (less costs to sell).

Under the equity method, investments in associates and jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate / jointly controlled entity, less any impairment in the value of individual investments. Losses of an associate / jointly controlled entity in excess of the Group's interest in that associate/ jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate / jointly controlled entity) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment, any difference between the cost of the investment and the investor's share of the net fair value of the associate's / jointly controlled entity's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with EAS (29) Business Combination, Therefore:

- Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investment recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.
- Any excess of the group's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is excluded from the carrying amount of the investment and is instead recognized immediately in profit or loss in the determination of the group's share of the investee's profit or loss in the period in which the investment was acquired.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment for that asset.

The following table provides a list of the Group's associates and jointly controlled entities:

|   | <u>Country of Domicile</u> | <u>December 31, 2018</u><br>Ownership % | <u>December 31, 2017</u><br>Ownership % |
|---|----------------------------|---|---|
| <u>Associates</u>                                     |                            |   |   |
| Al Retail For Trade and Investment                    | Egypt                      | 22.79                                   | 22.79                                   |
| Madinet Nasr for Housing and Development S.A.E "MNHD" | Egypt                      | 7,5                                     | 7,5                                     |
| Metalar   | Egypt                      | 51.92                                   | 51.92                                   |
| Infinity Solar 1 B.V                                  | Netherland                 | 24.6                                    | 24.6                                    |
| Infinity Solar 2 B.V                                  | Netherland                 | 17.5                                    | 17.5                                    |
| Infinity Solar 3 B.V                                  | Netherland                 | 17.5                                    | 17.5                                    |
| <u>Jointly controlled entities</u>                    |                            |   |   |
| Inergia Technologies for Information S.A.E. "Inergia" | Egypt                      | 68.04                                   | 68.04                                   |
| Red Sea venture for solar energy                      | Egypt                      | 49.50                                   | 49.50                                   |
| Giza Systems Company S.A.E "Giza Systems"             | Egypt                      | 44.71                                   | 44.71                                   |
| Ebtikar for financial investment                      | Egypt                      | 19.35                                   | 24.99                                   |
| Gourmet Egypt.com Foods S.A.E (Gourmet)               | Egypt                      | 52.90                                   | --                                      |

Giza Systems is indirectly owned through the Company's investment in Inergia (Inergia owns 65.7% of Giza Systems' shares).

Metalar is indirectly owned through the Company's investment in Beard, (subsidiary).

#### **d. Available for sale investments**

Available for sale investments are initially recognized, at acquisition, at fair value plus transaction costs which include fees and commissions paid to agents, advisors, brokers and dealers, taxes levied by regulatory agencies and securities exchanges, and transfer taxes and duties.

After initial recognition, AFS investments are subsequently measured at fair value with gains or losses resulting from fair value measurement recognized directly in equity, until the investment is derecognized, at which time the cumulative gain or loss previously recognized in equity are then recognized in the profit or loss.

In case there is objective evidence that an impairment loss has been incurred on AFS investments at the date of the financial statements, the cumulative loss that had been previously recognized in equity are removed from equity and recognized in profit or loss even though the investments have not been derecognized.



Unlisted equity securities classified as AFS, for which no quoted market price is available in an active market and whose fair value cannot be measured reliably are stated at cost.

**e. Goodwill**

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. This applies as well on investments in associates, where goodwill is included within the carrying amount of the investment.

The Group's policy for goodwill arising on the acquisition of an associate / jointly controlled entity is described above at "Investments in associates and jointly controlled entities".

**f. Investment properties**

Investment properties are properties held to earn rentals and or for capital appreciation. Investment properties are measured initially at cost including transaction costs, and are subsequent to the initial recognition reported in the balance sheet at historical cost, less any accumulated depreciation and impairment losses.

Gain or loss on de-recognition is calculated as the difference between the net disposal proceeds and the carrying amount of the asset.

Investment property, except for land, is depreciated using the straight line method, depreciation is charged to the income statement over the useful life of each investment property.

The following are estimated useful lives for investment properties that are used to calculate depreciation:

| <u>Description</u> | <u>Life time by years</u> | <u>Depreciation Rate</u> |
|--------------------|---------------------------|--------------------------|
| Buildings          | 50                        | 2%                       |

**g. Intangible assets**

Non-monetary assets that don't have physical substance, but can be identified separately, acquired for operating purpose, and expected to generate future economic benefits are treated as intangible assets. Intangible assets (excluding goodwill) include "Beard" related trademarks. Intangible assets are measured at cost, which represents the cash price at the initial recognition. In case of deferral of payments for periods exceed the normal credit terms, difference between cash price and total amount is recognized as interest.

Intangible assets are with indefinite useful lives and are tested for impairment annually.

**h. Cash and cash equivalents**

Cash and cash equivalents are comprised of cash at banks, short-term demand deposits with maturities less than three months that are readily convertible to specified amounts of cash.

**i. Cash flows statement**

The cash flows statement is prepared applying the indirect method.

**j. Foreign currency translation**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Egyptian pounds; which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than Egyptian pounds are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated to Egyptian pounds at the rates prevailing at the balance sheet date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for exchange differences arising on non-monetary assets and liabilities carried at fair value, where translation differences are recognized as part of changes in fair value.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign and local subsidiaries whose reporting currencies are different from the presentation currency of the Group (EGP), are expressed in Egyptian Pounds using exchange rates prevailing at the balance sheet date, equity items are expressed in Egyptian Pounds using the historical exchange rates at the date of acquisition or incorporation. Income and expense items are translated at the average exchange rates for the year.

Exchange differences arising, if any, are classified as equity and recognized in the Group's foreign currency translation reserve.

**k. Revenue recognition and measurement**

Revenue is measured at the fair value of the consideration received or receivable net of tax and discounts. Generally revenue is recognized when it is highly probable that the economic benefits associated with the transaction will flow to the company; and the revenue amount can be measured reliably if the following conditions are available:

- 1) Revenue is measured reliably.
- 2) It is highly expected the flow of economic benefits related to the entity.
- 3) Accurate measurement possibility to complete the operation at the balance sheet date.
- 4) Accurate measure to the costs of the operation and the relevant costs.

The company's revenue represented below:

- Dividend income from investments is recognized when the shareholder's right to receive payment has been established and is measured at the fair value of the consideration received or receivable.
- Interest income is accrued on a timely basis, by reference to the principal outstanding and at the interest rate applicable until maturity.

**l. Inventory**

Inventory is stated at the lower of cost and net realizable value. Costs are being determined using the weighted average method to price goods sold. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**m. Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and that it is probable that an outflow of economic resources will be required to settle the obligation, the costs to settle related obligations are probable and a reliable estimate is made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized in the profit or loss as finance costs.

**n. Taxation**

A provision for potential tax claims is generally recognized based on management comprehensive study for prior years' tax assessments and disputes.

Deferred tax assets and liabilities are recognized on temporary differences between the assets and liabilities tax basis set by the Egyptian Tax Law and its executive regulations, and their reported amounts per the accounting principles used in the preparation of the consolidated financial statements.

Accordingly, during each reporting period, an estimated income tax expense is recognized in the profit or loss that represents the sum of the tax currently payable and deferred tax with actual income tax expense recognized at year-end.

Current tax payable is calculated based on taxable profit of the year as determined in accordance with applicable local laws and regulations using tax rates enacted by the balance sheet date. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted by the balance sheet date.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity unless those related items recognized in equity have affected taxable profit and calculation of current tax expense for the year, then the related deferred tax is recognized in the income statement.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits

will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are accounted for using the balance sheet liability method and are reported in the balance sheet as non-current assets and liabilities.

**o. Dividends**

Dividends declared to the shareholders and Board of Directors are recognized as a liability in the financial statements in the year in which these dividends have been approved by the Company's shareholders.

**p. Earnings per Share**

Basic and diluted earnings per share are calculated based on dividing the profit or loss, according to the financial statements (net of employees statutory profit share and Board of Directors profit share, if any), attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

**q. Impairment of assets**

**Impairment of non-financial assets**

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The company considers each investment, whether a jointly controlled entity, or associate, as a single cash generating unit.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and those not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent the revised estimate does not exceed what the carrying amount would have been determined had the impairment loss not been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

**Impairment of financial assets**

Financial assets other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after an impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Impairment losses previously recognized in profit or loss for an investment in an AFS equity investment is not subsequently reversed through profit or loss. Any subsequent appreciation in the value of an AFS equity investment, for which an impairment loss had been previously recognized in profit or loss, is reversed directly through equity.

**r. Financial instruments**

Financial assets

Financial assets are recognized and derecognized on the "trade date" where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: investment in treasury bills, cash at banks, due from related parties, credit facilities to related parties, and certain items within other debit balances. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial derivatives

Derivatives (including separable embedded derivatives) are initially recognized at fair value, while attributable transaction costs are recognized in profit or loss when incurred.

Changes in fair value of derivatives during each financial period are charged to the income statement.

Embedded derivatives resulting from contractual terms contained in agreements in which the company may enter as a party with respect of both financial and non-financial instruments. Embedded derivatives that meet recognition criteria are recognized separately from the host contract and are measured at fair value through profit or loss in accordance with the accounting requirements.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the

Company are recorded at the proceeds received or net value of the transferred assets, net of direct issue costs.

Financial liabilities

Financial liabilities are classified into the following specified categories: accounts payable, due to related parties and other credit balances and they are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.



**6. Intangible assets (net)**

|                                   | <u>December</u><br><u>31, 2018</u> | <u>December</u><br><u>31, 2017</u> |
|-----------------------------------|------------------------------------|------------------------------------|
|                                   | <u>EGP</u>                         | <u>EGP</u>                         |
| Balance at beginning of the year  | 5 318 894                          | 5 318 894                          |
| Retranslation differences         | 123 458                            | 113 456                            |
| Impairment in intangible assets   | (2 721 176)                        | (2 709 191)                        |
| <b>Balance at end of the year</b> | <b><u>2 721 176</u></b>            | <b><u>2 723 159</u></b>            |

Intangible assets balance comprises cost of acquired trademarks by Beard AG (subsidiary) including the related registration fees.

**7. Investments in associates (net)**

|  | <u>No. of</u><br><u>Shares</u> | <u>Ownership</u><br><u>%</u> | <u>December 31,</u><br><u>2018</u> | <u>December 31,</u><br><u>2017</u> |
|--|--------------------------------|------------------------------|------------------------------------|------------------------------------|
|  |                                |                              | <u>EGP</u>                         | <u>EGP</u>                         |
| Al Retail For Trade and Investment                                 | 727 526                        | 22,79%                       | 347 112                            | 324 723                            |
| Madinet Nasr for Housing and Development "MNHD"                    | 90 064 514                     | %7,50                        | 375 560 391                        | 302 032 670                        |
| Metalart   |                                | %51,92                       | 66 896 422                         | 65 292 521                         |
| Infinity Solar 1 B.V   | 246                            | %24.6                        | --                                 | --                                 |
| Infinity Solar 2 B.V   | 175                            | 17.5%                        | --                                 | --                                 |
| Infinity Solar 3 B.V   | 175                            | 17.5%                        | --                                 | --                                 |
| <b>Less: Impairment in investments</b><br>(Metalart) - Note no. 22 |                                |                              | ( 53 030 389)                      | (53 069 039)                       |
|  |                                |                              | <b><u>389 773 536</u></b>          | <b><u>314 580 875</u></b>          |

Al Retail For Trade and Investment

The recognized share of profit for the current year amounted to EGP 22 389 (December 31, 2017: EGP 29 583), Note-(28).

MNHD

Investment in Madinet Nasr for Housing and Development (MNHD) was classified as investments in associates as the Company has significant influence over MNHD through its direct stake and the stake owned by BIG Investments Group B.V.I Co. (related party) which holds a stake of 19.9% of the total shares of MNHD, therefore both companies own collectively 27.41% of MNHD's shares, and that have been done after taking into considerations that both BIG for Investment B-V-I and BPE Holding for Financial Investments are managed by a management contract (solo) between both companies and BPE Partners S.A.E.

The recognized share of profit for the current year amounted to EGP 73 527 722 (December 31, 2017: EGP 61 642 225), Note-(28).

#### Metalart

The recognized share of profit for the current year amounted to EGP 1 639 446 (December 31, 2017: EGP 1 076 729), Note-(28). In addition to the losses resulted from currency translated amounted by EGP 35 545.

#### Infinity Solar B.V (1,2&3)

In partnership with Infinity Solar Energy SAE and Ib Vogt, the Company invested in three solar power generation plants located in Ben Ban, Egypt with a total capacity of 130 MW. The investment is financed through equity and debt from international development finance institutions including the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) and the shareholders of the solar energy companies. Additionally, these solar projects are part of the second round of the Ministry of Electricity's Feed-in Tariff (FiT) program to encourage the development of renewable energy resources in the country as well as private sector involvement in energy generation.

The shareholders' agreements signed by the Company and other shareholders regulate the operation and management of the solar companies and the relationship between shareholders. The terms of shareholders' agreements entitle the company to exercise significant influence over the solar entities' through participation in the financial and operating policy decisions of the investees and accordingly are accounted for as investments in associates.

The shareholders' agreements provide that the planned investment period will be four years starting from the commercial operation date of the solar plants where the company will exit the investments through sale, otherwise the company will have the option to put all of its shares in the solar entities after the elapse of the mentioned four years' period, the option will be excisable at any time during a period of 2.5 years.

The company subscribed for shares in the capital of the solar entities, each share capital has par value of USD 1. The issued shares are not paid and are only payable on the call of each investee. Each solar entity is a private company with limited liability incorporated under the laws of the Netherlands, and each solar entity ultimately invests in a joint stock company that undertake the solar power generation related activities in Egypt.

The finance made by the Company to the three solar entities, which takes the form of shareholders loans, reached EGPM 105.3 equivalent to USD 5.89 M at December 31, 2018 (note 11).

The group's share in the losses of Infinity Solar B.V (1,2&3) has not been recognized, as the losses are recognized up to the recorded investment carrying amount which is Nil by end of 2018 , the group's share in non-recognized losses amounted to EGP 3 777 821,EGP 5 726 514, EGP 2 290 150 respectively.

Summarized financial information in respect of each of the Group's material associates of December 31, 2018 is set out below.

The summarized financial information below represents amounts in associates' financial statements prepared in accordance with EAS Standards.

| <u>EGP 000'</u>                    | <u>Total Assets</u> | <u>Total Equity</u> | <u>Total Revenue</u> | <u>Profit (Loss)</u> |
|------------------------------------|---------------------|---------------------|----------------------|----------------------|
| Al Retail For Trade and Investment | 1 740               | 1 704               | 233                  | 98                   |
| MNHD*                              | 12 292 989          | 3 469 440           | 2 782 727            | 1 084 591            |
| Metalar                            | 55 163              | 35 518              | 30 285               | 3 157                |
| Infinity Solar B.V 1               | 615 525             | (31 215)            | 542                  | (15 356)             |
| Infinity Solar B.V 2               | 1 004 401           | (62 335)            | 738                  | (32 723)             |
| Infinity Solar B.V 3               | 110 829             | (13 293)            | --                   | (13 086)             |

\*The fair value of the MNHD Investment reached EGP 606 134 179 with EGP 6.73 per share according to quoted market prices at 31 December 2018.

#### 8. Available for sale investments

| <u>Name of Company</u>  | <u>No. of Shares</u> | <u>Ownership %</u> | <u>December 31, 2018</u><br><u>EGP</u> | <u>December 31, 2017</u><br><u>EGP</u> |
|-------------------------|----------------------|--------------------|--|--|
| Total Egypt LLC "Total" | 412 809              | 7.97%              | 141 262 077                            | 141 262 077                            |
|                         |                      |                    | <b>141 262 077</b>                     | <b>141 262 077</b>                     |

\* Pursuant to the shareholders' agreement signed in 2013 with Total OM "parent company of Total Egypt", the Company invested EGP 141 262 077 in Total, and accounts for its investment as an available for sale investment. The Company's share in Total was 13.01% as at December 31, 2013. During 2014, Total called for a capital increase and the Company did not subscribe in this capital increase, which diluted the Company's interest from 13.01% to 7.97%. The commercial register of Total has been amended to reflect the capital increase on September 24, 2014.

The shareholders' agreement signed between the Company and Total O M "parent company of Total Egypt" stipulates that the Company has a put option to sell all or part of the shares owned to Total O M, the put option is exercisable starting from the sixth year until the thirteenth year from the date of signing the shareholders' agreement. In contrast,

Total O M has the option to call all of the shares owned by the Company starting from the eighth year until the thirteenth year from the date of signing the shareholders' agreement..

**9. Investments in joint Venture (net)**

|  | <u>No. of<br/>Shares</u> | <u>Ownership<br/>%</u> | <u>December 31,<br/>2018<br/>EGP</u> | <u>December 31,<br/>2017<br/>EGP</u> |
|--|--------------------------|------------------------|--------------------------------------|--------------------------------------|
| Inergia Technologies for Information Systems "Inergia"                       | 5 532 124                | % 68.04                | 221 751 348                          | 174 599 355                          |
| Red Sea Venture for Solar Power  | 7 425                    | % 49.5                 | 5 727 150                            | 5 727 150                            |
| Ebtikar for financial investment   | 771 097                  | % 19.35                | 78 362 267                           | 16 249 800                           |
| Gourmet Egypt .com Foods*  | 3 127 950                | % 52.9                 | 93 587 595                           | --                                   |
| Payments under capital increase in Gourmet Egypt.Com Foods S.A.E.*           | --                       | --                     | 33 703 830                           |                                      |
| <b>Less: ;</b> Impairment in investments (Red Sea Venture for Solar Energy ) |                          |                        | (5 727 150)                          | (5 727 150)                          |
|  |                          |                        | <b>427 405 040</b>                   | <b>190 849 155</b>                   |

**Inergia Technologies for Information Systems "Inergia"**

Pursuant to the shareholders' agreement, Inergia an SPV created late 2006 by the Company and the management team of Giza Systems Company "S.A.E" "Giza Systems" for the purpose of owning a controlling stake in Giza Systems. Currently, Inergia owns a stake of 65.7% in Giza Systems' shares at December 31,2018.

Despite of owning 68.04% of the share capital and voting rights in Inergia Technologies for information Systems Company, but according to the contractual terms contained in shareholders' agreement for Inergia Company referred to above with the parties managing Giza Systems, both contracting parties have joint control over Inergia and Giza Systems.

The recognized share of profit for the current year amounted to EGP 48 861 296 (December 31, 2017: EGP 41 341 376), Note-(28) and the impact resulted from the company's share in the retranslation reserve related to foreign operations in the investee's equity amounted to EGP 613 770.

**Red sea venture for solar energy**

Investment in Red Sea Venture for Solar Energy "S.A.E" is initially recognized as a jointly controlled entity based on the preliminary agreement between the company and the other shareholders which provide that the decision making process will be jointly made by the parties to the agreement. The company recognized impairment for the total amount of investment in prior year as a result of the cessation of the investee's business activities.

**Ebtikar for financial investment**

On June 12, 2017 the company subscribed in the capital of Ebtikar for Financial Investments. As per the article of association the company, management company and others hold 50% of Ebtikar for Financial Investment's capital and the management company holds (representing itself and its managed entities) 50% of votes at board meetings.

During 2018, Ebtikar's board of Directors decided to increase the company's capital, the company has subscribed to 608 599 shares equivalent to EGP 60,859,900.

As a result, the interest of the company and the other shareholders (mentioned above) in Ebtikar for Financial Investments decreased to 43.8%, however did not resulted in change of the ability to jointly control over the investee.

The recognized share of profit for the current year amounted to EGP 1 252 566 -Note (28).

**\*Gourmet Egypt .Com Foods**

During September 2018, the Company signed a shareholders agreement for acquiring a capital of Gourmet Egypt.Com Foods (SAE), the acquisition was completed during October 2018, the company holds 52.9% of Gourmet's share capital, the terms of shareholders agreement of Gourmet provides the contracting parties joint control over Gourmet. Acquisition amount by end of 2018 reached an amount of EGPM 126, included an amount of EGPM 33.7 and is recorded credit balance to shareholders in Gourmet's books till the completion of the capital increase procedures of the investee, The recognized share of profit for the current year amounted to EGP 960 340 (note 28). At the date of the financial statements, for the purpose of applying the equity method of accounting and to accounted for the acquisition of the investment by reference to the Egyptian accounting standard no. 29 (Business combination), the company did not finalized the initial recognition of the fair value of the acquired identifiable assets, liabilities, contingent liabilities and the paid consideration and goodwill which is included in the investment's cost, the management applied the provisional fair value accounting for the items mentioned above, as in accordance with the mentioned Egyptian accounting standard, the company have 12 months from the acquisition date to revise the fair values.

Summarized financial information in respect of each of the Group's material joint Venture as of December 31, 2018 is set out below.

The summarized financial information below represents amounts in joint Ventures' financial statements prepared in accordance with EAS Standards.

| <b>EGP 000'</b>                              | <b>Total assets</b> | <b>Total equity</b> | <b>Total revenue</b> | <b>Profits (loss)</b> |
|--|---------------------|---------------------|----------------------|-----------------------|
| Inergia Technologies for Information Systems | 86 600              | 83 014              | --                   | (235)                 |
| Giza systems                                 | 1 987 731           | 555 505             | 2 367 836            | 115 519               |
| Ebtikar for financial investment             | 406 265             | 402 011             | 10 346               | 3 610                 |
| Gourmet Egypt .com Foods                     | 192 835             | 38 792              | 333 823              | 12 113                |

### 10. Investment properties (net)

| Cost                            | Mohandseen              |                   | Maadi                   |                   | Total              |
|---------------------------------|-------------------------|-------------------|-------------------------|-------------------|--------------------|
|                                 | Administration Building |                   | Administration Building |                   |                    |
|                                 | EGP                     |                   | EGP                     |                   | EGP                |
|                                 | Building                | Land              | Building                | Land              |                    |
| On January 1, 2018              | 6 410 639               | 40 585 000        | 9 504 959               | 57 922 825        | 114 423 423        |
| Additions during the year       | --                      | --                | 145 680                 | --                | 145 680            |
| On December 31, 2018            | <u>6 410 639</u>        | <u>40 585 000</u> | <u>9 650 639</u>        | <u>57 922 825</u> | <u>114 569 103</u> |
| <b>Accumulated depreciation</b> |                         |                   |                         |                   |                    |
| On January 1, 2018              | 384 639                 | --                | 570 297                 | --                | 954 936            |
| Depreciation during the year    | 128 213                 | --                | 202 237                 | --                | 330 450            |
| On December 31, 2018            | <u>512 852</u>          | <u>--</u>         | <u>772 534</u>          | <u>--</u>         | <u>1 285 386</u>   |
| Netbook value as of             |                         |                   |                         |                   |                    |
| December 31, 2018               | <u>5 897 787</u>        | <u>40 585 000</u> | <u>8 878 105</u>        | <u>57 922 825</u> | <u>113 283 717</u> |
| Netbook value as of             |                         |                   |                         |                   |                    |
| December 31, 2017               | <u>6 026 000</u>        | <u>40 585 000</u> | <u>8 934 662</u>        | <u>57 922 825</u> | <u>113 468 487</u> |

These properties were registered in the name of the company. The fair value of the Investment Properties reached EGP 122 739 565 at December 31, 2018 according to the most recent real state valuation report prepared by an independent valuator. On June 30, 2018 Mohandseen lease agreement was terminated.

### 11. Loans to associates

|                      | December 31,<br>2018 | December 31,<br>2017 |
|----------------------|----------------------|----------------------|
|                      | EGP                  | EGP                  |
| Infinity Solar 1 B.V | 31 417 578           | 28 261 580           |
| Infinity Solar 2 B.V | 52 709 895           | 47 415 014           |
| Infinity Solar 3 B.V | 21 167 060           | 19 040 760           |
|                      | <u>105 294 533</u>   | <u>94 717 354</u>    |

On December 31, 2017, the Company signed shareholder loan agreements with its investees, the solar entities as disclosed in note 7. The loans were made pursuant to the shareholders' agreements governing the Company's investments in the solar entities. The Company's funding to its investees is in the form of shareholder loans that will be repaid, from the operation of the solar plants projects undertaken in Egypt by the investees of the solar entities, during the investment period and on the company's exit from the investments if sale or exercise of the put options occur before full repayment.

Total loan amount at December 31, 2018 reached USD 5.89 M equivalent to EGP 105.3 M, and earn interest rate of 10 % per annum..

**12. Project under construction**

Project under construction represents the amounts paid for decorations and fixtures work for the administrative building located in Maadi area (Investment property – Note 10). On April 15, 2018 a lease agreement for the building was signed for three years that will start from the delivery date after completion of the decorations and facilities and at the financial statements date the building has not been delivered.

**13. Inventory (net)**

|   | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|---|--|--|
| Goods for sale                                  | 3 382 001  | 3 305 281  |
| <b>Less:</b> Write down to net realizable value | (3 382 001)                                      | ( 3 305 281)                                     |
|   | <u>          --</u>                              | <u>          --</u>                              |

**14. Accounts receivable (net)**

|  | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|--|--|--|
| Account receivables                            | 1 539 066  | 1 540 188  |
| <b>Less:</b> Impairment of accounts receivable | (1 539 066)                                      | (1 540 188)                                      |
|  | <u>          --</u>                              | <u>          --</u>                              |

**15. Due from related parties (net)**

|  | <u>Relationshi</u><br><u>p nature</u> | <u>Account</u><br><u>nature</u> | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|--|---------------------------------------|---------------------------------|--|--|
| Metalar  | Associate                             | Current<br>account              | 3 220 194  | 3 176 069  |
| Red Sea venture for solar<br>energy                    | Joint venture                         | Current<br>account              | 1 149 958  | 1 143 958  |
| <b>Less:</b> Impairment in due<br>from related parties |                                       |                                 | (3 142 501)                                      | (3 143 958)                                      |
|  |                                       |                                 | <u>1 227 651</u>                                 | <u>1 176 069</u>                                 |

**16. Other debit balances (net)**

|                                    | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|------------------------------------|--|--|
| Deposits held with others          | 46 795   | 46 795   |
| Accrued interest                   | 932 930  | 2 456 585  |
| Accrued rental income              | 3 404 500  | 2 250 000  |
| Accrued dividends income           | 2 207 002  | 2 585 420  |
| Prepaid expenses                   | 128 308  | 113 353  |
| Debit income tax                   | 47 852   | 47 852   |
| Withholding tax receivable         | 9 000  | 9 000  |
| Withholding tax on treasury bills  | 11 332 271                                       | --   |
| Advance Payments to Suppliers      | 348 443  | 694 719  |
| <b>Less:</b>                       |  |  |
| Impairment in other debit balances | ( 2 954 500)                                     | --   |
|                                    | <u><b>15 502 601</b></u>                         | <u><b>8 203 724</b></u>                          |

**17. Treasury bills**

|                                     | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|-------------------------------------|--|--|
| Treasury bills – less than 3 months | 432 125 000                                      | 112 250 000                                      |
| <b>Less:</b> unrealized interest    | (15 466 616)                                     | (6 785 970)                                      |
|                                     | <u><b>416 658 384</b></u>                        | <u><b>105 464 030</b></u>                        |

**18. Cash at banks**

|   | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|---|--|--|
| Current accounts - local currency           | 14 604 697                                       | 4 934 405  |
| Current accounts - foreign currencies       | 190 125  | 883 888  |
| Time deposits at banks - local currency     | --   | 20 775 483                                       |
| Time deposits at banks - foreign currencies | 72 936 051                                       | 68 370 178                                       |
|   | <u><b>87 730 873</b></u>                         | <u><b>94 963 954</b></u>                         |



B Investments Holding "S.A.E"  
Notes to the consolidated financial statements  
For the year ended December 31, 2018

For the purpose of preparing consolidated cash flows statement, the cash and cash equivalents are comprised of the following:

|                                      | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|--------------------------------------|--|--|
| Cash at banks                        | 87 730 873                                       | 94 963 954                                       |
| Treasury bills – less than 3 months  | 416 658 384                                      | --   |
| Less: Deposit more than three months | (72 936 051)                                     | (68 370 178)                                     |
|                                      | <u>431 453 206</u>                               | <u>26 593 776</u>                                |

**19. Due to related parties**

|                     | <u>Relationship</u><br><u>nature</u> | <u>Account</u><br><u>nature</u>    | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|---------------------|--------------------------------------|------------------------------------|--|--|
| BPE Partners S.A.E. | Management company                   | Management fees and other expenses | 5 016 014  | 2 951 630  |
|                     |                                      |                                    | <u>5 016 014</u>                                 | <u>2 951 630</u>                                 |

**20. Accounts payable and other credit balances**

|                  | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|------------------|--|--|
| Accounts payable | 165 288  | 248 429  |
| Accrued expenses | 6 093 597  | 8 003 459  |
| Withholding tax  | 295 832  | 62 471   |
|                  | <u>6 554 717</u>                                 | <u>8 314 359</u>                                 |

**21. Provisions**

|                      | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> | <u>No longer</u><br><u>required</u><br><u>EGP</u> | <u>Used during</u><br><u>the year</u><br><u>EGP</u> | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> |
|----------------------|--|---|---|--|
| Provision for claims | 10 397 896                                       | (2 500 000)                                       | (1 090 307)   | 6 807 589  |
|                      | <u>10 397 896</u>                                | <u>(2 500 000)</u>                                | <u>(1 090 307)</u>                                  | <u>6 807 589</u>                                 |

## **22. Impairment movement in financial and non-financial assets**

|  | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> | <u>Formed</u><br><u>EGP</u> | <u>FORX</u><br><u>translation</u><br><u>EGP</u> | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> |
|--|--|-----------------------------|---|--|
| Impairment in associate investment     | 53 069 039                                       | --                          | ( 38 650)                                       | 53 030 389                                       |
| Impairment in joint venture investment | 5 727 150  | --                          | --  | 5 727 150  |
| Impairment intangible asset            | 2 709 191  | --                          | 11 985  | 2 721 176  |
| Impairment in inventory                | 3 305 281  |                             | 76 720  | 3 382 001  |
| Impairment in accounts receivable      | 1 540 188  | --                          | (1 122)   | 1 539 066  |
| Impairment in other debit balances     | --   | 2 954 500                   | --  | 2 954 500  |
| Impairment in related parties          | 3 143 958  | --                          | ( 1 457)  | 3 142 501  |
| <b>Total movement during the year</b>  |  | <b><u>2 954 500</u></b>     | <b><u>47 476</u></b>                            |  |

\* The translation reserve of subsidiary company financial statements represented in retranslation of foreign currency operations balance in subsidiary company by the closing price of the financial position items to those companies.

## **23. Capital**

The Company's authorized capital amounted to EGP 2.4 billion, and the issued and paid-up capital amounted to EGP 584 464 310 divided into 116 892 862 shares of EGP 5 par value each on December 31, 2017.

On December 20, 2017, the shareholders in the extra ordinary general assembly approved the increase of the company's issued capital with a maximum amount of EGP 375 million, the increase was effected through an initial public offering and private subscription, the subscription of such increase was offered based on the fair value of the new shares as determined by an independent financial advisor. On March, 2018 the subscriptions were allocated to shareholders by 38 131 554 shares of EGP 10.75 per share includes issuance cost of EGP .125 per share. The capital increase was registered in the commercial register on April 24, 2018, The capital structure after the completion of the legal procedures became issued and paid-up capital with total amount of EGP 775 122 080 divided into 155 024 416 shares of EGP 5 par value each. Total proceeds collected from the capital increase amounted to EGP 409 914 205 comprise of EGP 190 657 770 representing the par value of the issued shares, EGP 214 489 991 representing share premium of the issued shares which transferred to legal reserve, and EGP 4 766 444 representing shares' issuance fees. The collected proceeds were offset by an amount of EGP 10 695 983 representing shares' issue costs incurred by the Company.

On December 20, 2017 the extraordinary general assembly meeting approved increase the issued capital by cash increase following the private subscription through issuing

shares by the same number of shares that sold through initial public offering amounted 5 000 000 share and the subscription in this increase to be limited on shareholders that selling their shares through the public offering and the subscription to be done by the same public offering price. Total proceeds from the capital increase amounted to EGP 53 750 000 which comprise of EGP 25 000 000 representing the par value of the issued shares, EGP 28 125 000 representing share premium of the issued shares and EGP 625 000 representing shares' issuance fees and has been registered on the commercial register on July18, 2018.The issued and paid-up after the increase amount of EGP 800 122 080 divided into 160 024 416 shares of EGP 5 par value each.

#### **24. Reserves**

|   | <b><u>December</u></b><br><b><u>31, 2018</u></b> | <b><u>December</u></b><br><b><u>31, 2017</u></b> |
|---|--|--|
|   | <b><u>EGP</u></b>                                | <b><u>EGP</u></b>                                |
| Beginning balance   | 10 577 468                                       | 6 997 113  |
| Transferred from prior year net profit                                | 2 264 463  | 3 580 355  |
| Legal reserve - share premium*  | 242 614 991                                      | --   |
| Legal reserve   | <u>255 456 922</u>                               | <u>10 577 468</u>                                |
| Capital issuance costs  | (4 111 018)                                      | --   |
| Company`s shares in foreign currency translation in the joint venture | (4 522 300)                                      | (4 522 300)                                      |
| Translation reserve of financial statements                           | 33 382 363                                       | 32 760 847                                       |
|   | <b><u>280 205</u></b>                            | <b><u>38 816</u></b>                             |
|   | <b><u>967</u></b>                                | <b><u>015</u></b>                                |

\*This element represented in premium issued by subscribers in capital increase (Note 23) which has been transferred to a legal reserve according to act No. 159 of 1981.

**25. Deferred tax liabilities**

|   | <u>Temporary<br/>difference</u><br><u>EGP</u> | <u>Deferred tax<br/>liability</u><br><u>EGP</u> |
|---|---|---|
| <b><u>Deferred tax liability form the depreciation of<br/>properties investment</u></b> |   |   |
| Balance at December 31, 2017  | (1 432 401)                                   | (322 290)                                       |
| Movement during the year ( on income statement)   | (501 720 )                                    | (112 887)                                       |
| <b>Balance at December 31, 2018.</b>  | <b>(1 934 121)</b>                            | <b>(435 177)</b>                                |
| <b><u>Deferred tax liability on unrealized foreign<br/>exchange difference.</u></b>     |   |   |
| Balance at December 31, 2017  | (38 225 164)                                  | (8 600 661)                                     |
| Movement during the year ( on income statement)   | ( 1 783 340)                                  | ( 401 252)                                      |
| <b>Balance at December 31, 2018.</b>  | <b>( 40 008 504)</b>                          | <b>( 9 001 913)</b>                             |
| <b>Net deferred tax at December 31, 2018.</b>   | <b>(41 942 625)</b>                           | <b>9 437 090</b>                                |
| <b>Total movement in profit and losses during 2018.</b>                                 |   | <b>514 139</b>                                  |

The deferred tax assets were not recognized on the following items due to insufficient assurance to realize them in the future.

|  | <u>December 31,<br/>2018</u><br><u>EGP</u> | <u>December 31,<br/>2017</u><br><u>EGP</u> |
|--|--|--|
| Impairment in Joint Venture Investment | 5 727 150                                  | 5 727 150                                  |
| Impairment in associate Investment     | 7 273 507                                  | 7 273 507                                  |
| Impairment in subsidiary Investment    | 27 412 102                                 | 27 412 102                                 |
| Provision                              | 6 807 589                                  | 10 397 896                                 |
| Impairment in due from related parties | 1 143 957                                  | 1 143 957                                  |
| Impairment in other debit balances     | 2 954 500                                  | --   |
| <b>Total movement during the year</b>  | <b>51 318 805</b>                          | <b>51 954 612</b>                          |

**26. Basic and diluted earnings per share**

**Basic:** Basic earnings per share is calculated by dividing the net profit attributable to shareholders' of the Company by the weighted average number of ordinary shares outstanding during the year.

**Diluted:** Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all convertible financial instruments and share options. The net profit is adjusted by omission of the cost of convertible debt instruments taking tax effect into consideration. As there are no debt instruments that are convertible to shares, so diluted and basic earnings per share are equal.

|   | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|---|--|--|
| Net profit for the year attributable to the shareholders' of the Parent Company | 193 856 740                                      | 133 177 110                                      |
| <b>Less: Board of directors profit share*</b>                                   | (1 353 469)                                      | --   |
|   | <b>192 503 271</b>                               | <b>133 177 110</b>                               |
| Weighted average number of shares   | 145 506 976                                      | 116 892 862                                      |
| <b>Basic and diluted earnings per share</b>                                     | <b>1.32</b>                                      | <b>1.14</b>                                      |

\* As per dividends distribution proposal by board of directors (note 33)

## 27. Significant related parties transactions

Transactions made during the financial period consist of accounts of an ongoing basis in management fees and expenses paid on behalf of the company or the company's payment on behalf of those Parties.

The significant transactions during the year are as follows:

| <u>Company name</u>  | <u>Type of relation</u> | <u>Type of transaction</u>        | <u>Value of transaction</u> |
|----------------------|-------------------------|-----------------------------------|-----------------------------|
| BPE Partners S.A.E.  | Management company      | Management fees                   | (16 311 803)                |
|                      |                         | Expenses on behalf of the company | (484 111)                   |
| Infinity Solar 1 B.V | Associate               | Credit interest on loans          | 2 840 955                   |
| Infinity Solar 2 B.V | Associate               | Credit interest on loans          | 4 766 326                   |
| Infinity Solar 3 B.V | Associate               | Credit interest on loans          | 1 914 045                   |

## 28. Group's share of profits of investment in associates and joint venture entities

|  | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|--|--|--|
| MNHD   | 73 527 722                                       | 61 642 225                                       |
| Inergia Technologies for information systems | 48 861 296                                       | 41 341 376                                       |
| Metalar co.                                  | 1 639 446  | 1 076 729  |
| Al Retail for Trade and Investment           | 22 389   | 29 583   |
| Gourmet Egypt .com Foods                     | 960 340  | --   |
| Ebtikar for finance investment               | 1 252 566  | --   |
|  | <b>126 263 759</b>                               | <b>104 089 913</b>                               |

**29. Finance income**

|  | <u>December 31,</u><br><u>2018</u><br><u>EGP</u> | <u>December 31,</u><br><u>2017</u><br><u>EGP</u> |
|--|--|--|
| Interest income on time deposits and bank current accounts | 13 912 224                                       | 14 889 487                                       |
| Credit interest for loan to associates                     | 9 521 326  | --   |
| Interest income on notes receivable                        | --   | 12 940 222                                       |
| Return on treasury bills                                   | 60 777 500                                       | 6 421 384  |
|  | <u><b>84 211 050</b></u>                         | <u><b>34 251 093</b></u>                         |

**30. management agreements**

On July 19, 2017, The Company has signed a new management agreement with BPE Partners SAE, the signed new management agreement will take effect once the listing of the company's shares take effect on the EGX.

Pursuant to the terms of the new management agreement, the management company is entitled to a management fees of 2% of the company's capital up to EGP 600 million and 1.5% of any capital increase (Included share premium) of more than EGP 600 million Up to EGP 1.2 billion and 1% on any capital increase of more than EGP 1.2 billion.

Additionally, the management company is entitled to a performance fee, the performance fee will be due to the management company only on the exit of investments entered into by the Company.

Performance fees for existing investments at the date the new management agreement takes effect will be 15% of the gains on any existing investment calculated as the difference between cash proceeds net of taxes and fees received from the disposal and distribution (dividend, interest, or rent) of the investment and the adjusted cost of the existing investment. The adjusted cost is the historical cost of the investment accumulated at an acceptable rate of return on investment (10% per annum) for each year following the acquisition date of the investment until the date on which the new management agreement takes effect.

The date on which the new management agreement takes effect will be 15% of the gain on the investment calculated as the difference between the cash proceeds net of taxes and fees received from the disposal and distribution (dividend, interest, or rent) of the investment and the aggregate cost of such investment.

**31. Financial instruments and risk management**

The company's financial instruments comprise financial assets and liabilities. Financial assets comprise cash at banks, due from related parties, AFS investments, accounts receivable, balances due on others or related parties. Financial liabilities comprise, creditors, and amounts due to related parties.

The company is exposed to several financial risks arising from its ongoing activities that may affect the carrying amounts of its financial assets and liabilities as well as the relevant revenues and expenses. The significant risks related to financial instruments and significant policies and procedures adopted by management to minimize the effect of those risks, are summarized below.

**Capital management**

The company manages its capital to ensure that it will be able to continue as going concern, in order to generate returns for shareholders, benefits for other stakeholders and to provide an adequate return for shareholders.

The company's management reviews the capital structure of the company on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

**Categories of financial instruments**

|   | <b><u>December 31,</u></b><br><b><u>2018</u></b> | <b><u>December 31,</u></b><br><b><u>2017</u></b> |
|---|--|--|
| <b><u>Financial assets</u></b>          |  |  |
| Cash and cash equivalents               | 87 730 873                                       | 94 963 954                                       |
| Loans and receivable                    | 122 024 785                                      | 104 097 147                                      |
| Financial assets available for sale     | 557 920 461                                      | 246 726 107                                      |
| <b><u>Financial liabilities</u></b>     |  |  |
| Financial liabilities at amortized cost | 18 378 321                                       | 21 663 885                                       |

**Financial Risk Mangement Objectives**

The company monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The use of financial instruments are governed by the appropriate monetary and credit policies to be approved by the Board of Directors.

**Foreign currency risk**

Foreign currency risk represents fluctuations in exchange rates of foreign currencies, which affects receipts and disbursements in foreign currencies as well as the evaluation of assets and liabilities denominated in foreign currencies. Management monitors the company's foreign currencies position and the exchange rates declared by banks, and reduces overdrafts in foreign currencies, on an ongoing-basis, since most of those assets represent cash at bank, documents for investment fund with a relatively cash nature, which reduces this risk to a minimum level.

**Interest rate risk**

Interest rate risk represents the fluctuations in interest rates which may have an impact on the company's results of operations and cash flows. All financial assets and liabilities are not subject to variable interest rates, thus the cash flows interest rate risk is considered limited.

**Liquidity risk**

Liquidity risk is represented in inability of the company to meet its financial liabilities when they become due, which are paid in cash or another financial asset. The company manages financial liquidity to ensure - as much as possible - its possession of sufficient amount of liquidity to meet its liabilities when due in the normal and exceptional

circumstances without incurring unacceptable losses, or impact on the company's reputation.

The remaining contractual dues of the financial liabilities, which include the payment of estimated interest and does not the impact of the liquidation contract.

**Credit risk**

The credit risk is represented in the inability of clients, related parties or other parties, who are granted credit, to pay their dues. The company studies the credit position before the granting credit, and the company reviews its due balances, and loans granted to associates on a regular basis.

The company reviews this risk, and submits quarterly reports to the audit committee for this risk, and the means of facing its impact on the financial statements.

The maximum credit risk is represented as follows:

|                          | <b><u>December 31,</u></b> | <b><u>December 31,</u></b> |
|--------------------------|----------------------------|----------------------------|
|                          | <b><u>2018</u></b>         | <b><u>2017</u></b>         |
| Cash at banks            | 87 730 873                 | <b>94 963 954</b>          |
| Due from related parties | 1 227 651                  | <b>1 176 069</b>           |
| Other debit balances     | 15 502 601                 | <b>8 203 724</b>           |
| Treasury bills           | 416 658 384                | <b>105 464 030</b>         |
| Loans to associates      | 105 294 533                | <b>94 717 354</b>          |
|                          | <b><u>626 414 042</u></b>  | <b><u>304 525 131</u></b>  |

**32. Tax position**

**Corporate Tax**

The Company submitted its corporate tax for each year according to the provisions of the Income Tax Law and its amendments since inception date until December 31, 2017 according to the Income Tax Law No. 91 of 2005.

Years 2006/2008: The Company's books have not been inspected yet and therefore the company tax returns for those years were approved in accordance with the provisions of Law No. 91 of 2005.

Years 2009/2012: The inspection, Associating and payment are done

Years 2013/2016 : -The Company was notified with Form No. (19) At August 21, 2018, the company has been appealed in the legal deadlines, and the appeal was considered through the Commission for the termination of disputes and the Commission will be issued a decision to amend the net tax base for 2013 with approval of the tax base for the years 2014/2016 and payment was done, the final clearance from the tax authority still pending.

**Salary tax:**

Years: 2005 /2010, The Company was notified with Form No. (38) With a deem basis of tax, the company has been appealed in the legal deadlines, to erase the tax effect



of the deem basis and re-inspection in the light of the company books, taking into consideration that the Company have not employees and the related documents has been provided.

Years: 2011 /2016, The supporting documents for the absence of company employees subject to the payroll tax in addition to the years 2005/2010 were provided for inspection.

#### **Stamp Tax**

The period from the beginning of the activity until 2015: The Company has not received any notices of stamp duty inspection.

#### **Withholding Tax**

The Company deducts the due withholding tax according to the provisions of the Income Tax Law and submits this tax to the Tax Authority regularly and on its due date, taking into consideration that the Company's books have been inspected and no differences were identified.

#### • **Beard A.G**

The profits of the subsidiary are subject to the provisions of the Swiss tax law since the company is considered a non-resident company according to the Egyptian tax laws.

### **33. Contingent liability**

Pursuant to the Purchase Agreement dated September 18, 2018, if Gourmet Egypt.com Foods recognized profits exceeds certain level of profits for the financial year ended 31 December 2019, B Investments Holding shall pay price difference for the old shareholders up to 60 MEGP.

### **34. Significant Events During the year**

- On October 14, 2018, MNHD has received an offer from 6th of October Company for Development and Investment S.A.E. (SODIC) regarding an intent of Mandatory Purchase Offer for the company's shares by direct exchange (Share swap only).
- On October 15, 2018, MNHD Board of Directors had decided studying the offer and delegate MNHD Managing Director for appointing an independent financial advisor to present his report to Board of Directors, also appointing a legal counsel for that transaction and the exchange of information between the two companies, until MNHD receives the final offer from SODIC.

- The Ministry of Finance has issued periodic instructions no. 109 of 2018 on 9th of October 2018 related to the remittance of the contributions of the New Health Insurance Scheme according to the Comprehensive Health Insurance Law no. 2 of 2018 and its executive regulations. According to the law and its executive regulations, the Egyptian Tax Authority shall collect 0.25% of the economical authorities, sole partnerships and companies' (regardless of its type or legal structure) annual total revenues as a solidarity contribution upon filing the corporate income tax return. This contribution shall not be considered a deductible expense upon applying the provisions of the Income Tax Law.

**35. Subsequent events:**

- On 22 January 2019, MNHD Board of Directors have decided not to complete negotiations with SODIC regarding the intention to make an obligatory purchase offer on the company's shares.
- On February 28, 2019, Ebtikar for Financial Investment Board of Director meeting approved to increase its capital by an amount of EGP 76 840 000 the Company subscribed in this capital increase, the company's interest increased from 19.35% to 19.68%. The capital increase was registered in the commercial register on March 24, 2019.
- On March 28, 2019 The company board of Directors approved dividends proposal for year ending in December 31, 2018 for shareholders of 50 piasters per share and an amount of EGP 1 353 469 for the Board of Director members, the proposal will be submitted to the Company general assembly for approval.
- On March 28, 2019, the Minister of Investment and International cooperation issued Decision No. 96 of 2019 amending some of Egyptian Accounting standards and published three accounting standards, The Egyptian Accounting Standard No. (47) for financial instruments and the Egyptian Accounting Standard No. (48) for revenue from contracts with Customers and the Egyptian Accounting Standard No. (49) For leasing contracts in implementation of the financial leasing and Allocation Act No. 176 of 2018.