

BPE Holding for Financial Investments
"S.A.E."
Consolidated Condensed Interim Financial Statements
For the six months ended June 30, 2017
Together with Review Report

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

Review Report

To: The Board of Directors of BPE Holding for Financial Investments "S.A.E"

Introduction

We have reviewed the accompanying consolidated condensed interim financial statements of BPE Holding for Financial Investments "S.A.E" which comprise the consolidated condensed interim statement of financial position as of June 30, 2017 and the related consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended, and summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of the consolidated condensed interim financial statements in accordance with Egyptian Accounting Standard No. (30) "Interim financial statements". Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Egyptian Standard on Review Engagements (2410) "Review of Interim Financial Statement Performed by the Independent Auditor of the Entity". A review of consolidated condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in more details in note (2) to the consolidated financial statements, one of the Company's joint venture entities, which is accounted for in the attached consolidated condensed interim financial statements using the equity method, applying the International Accounting Standard No. (17) - Leases as issued by the International Accounting Standard Board to account for its Finance lease of the administrative building, which constitutes a departure from the Egyptian Accounting Standard No. 20 – Accounting for finance lease agreements.

The effect of this departure is overstating the investments in joint venture entities, the consolidated net profit for the period and the consolidated opening retained earnings by EGP 33 395 966, EGP 2 333 412 and EGP 31 062 554 respectively.

Qualified Conclusion

Based on our review, except for the effect of the matter described in the basis of qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements do not present fairly, in all material respects, the consolidated interim financial position of the entity as at June 30, 2017, and of its consolidated interim financial performance and its consolidated interim cash flows for the six months period then ended in accordance with Egyptian Accounting Standard No. (30) "Interim financial statements".

Cairo, October 11, 2017



BPE Holding for Financial Investments "S.A.E"
Consolidated Condensed Interim Statement of Financial Position as at June 30, 2017

	<u>Note</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
		<u>EGP</u>	<u>EGP</u>
<u>Assets</u>			
<u>Non-current assets</u>			
Intangible assets (net)	(5)	5 657 505	5 318 894
Investments in associates (net)	(6)	290 533 944	258 130 958
Available for sale investments		141 262 077	141 262 077
Investments in joint venture	(7)	169 927 420	146 825 864
Investment properties	(8)	113 627 643	113 786 799
Total-non current assets		721 008 589	665 324 592
<u>Current assets</u>			
Due from related parties	(9,16)	13 205 276	12 198 968
Accounts and notes receivable (net)	(10)	-	60 623 232
Other debit balances	(11)	6 829 431	6 929 566
Cash and deposits at banks	(12)	291 799 816	202 929 314
Total current assets		311 834 523	282 681 080
Total assets		1 032 843 112	948 005 672
Equity and liabilities			
<u>Equity</u>			
Issued and paid-up capital		584 464 310	584 464 310
Legal reserve		10 577 468	6 997 113
Other reserves		33 947 971	43 754 921
Company share in the change of the associate equity		-	(5 033 645)
Retained earnings		258 669 837	109 613 935
Net profit for the year attributable to shareholders of the Parent Company		92 352 562	152 636 257
Equity attributable to shareholders of the parent company		980 012 148	892 432 891
Non-controlling interests		9 689 021	9 079 711
Total equity		989 701 169	901 512 602
<u>Non-Current liabilities</u>			
Deferred tax liabilities		22 367 308	22 367 308
Total non- current liabilities		22 367 308	22 367 308
<u>Current liabilities</u>			
Due to related parties	(16)	2 990 327	2 912 965
Accounts payable and other credit balances	(13)	4 086 437	7 514 926
Other financial liabilities		5 799 975	5 799 975
Provisions		7 897 896	7 897 896
Total current liabilities		20 774 635	24 125 762
Total equity and liabilities		1 032 843 112	948 005 672

-The attached notes form an integral part of these condensed consolidated interim 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

- Review report on condensed consolidated interim financial statements attached.

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BPE Holding for Financial Investments "S.A.E"
Consolidated Condensed Interim Income Statement for the six months ended on June 30, 2017

	Note	Six months ended		Three months ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
		EGP	EGP	EGP	EGP
Revenues & Profits					
Dividend income from available for sale investments		17 686 986	11 620 260	-	11 620 260
Gains on sale of investments in jointly venture entities		-	31 075	-	-
Group's share of profits of joint venture entities and Associate	(14)	69 994 787	17 452 572	37 654 160	9 558 882
Foreign exchange difference		-	10 398 093	-	380 421
Finance income		7 176 805	1 080 079	4 904 179	358 565
Reversal of impairment loss on notes receivable		3 209 132	-	-	-
Other income		4 440 549	1 771 961	400 452	1 491 484
		<u>102 508 259</u>	<u>42 354 040</u>	<u>42 958 791</u>	<u>23 409 612</u>
Expenses & Losses					
Management fees		(5 825 675)	(5 825 675)	(2 912 838)	(2 912 838)
Consulting fees		(781 402)	(631 072)	(506 764)	(425 552)
Other expenses		(959 128)	(586 731)	(584 570)	(325 990)
Investment Properties depreciation		(159 156)	(159 156)	(79 578)	(79 578)
foreign exchange difference		(172 560)	-	(380 421)	-
Doubtful debts		-	-	-	-
Net profit for the period before tax		<u>94 610 338</u>	<u>35 151 406</u>	<u>38 494 620</u>	<u>19 665 654</u>
deferred tax		-	-	-	-
Current income tax		(2 016 008)	(2 033 560)	(746 847)	(358 652)
Net profit for the period		<u>92 594 330</u>	<u>33 117 846</u>	<u>37 747 773</u>	<u>19 307 002</u>
Attributable as follow:					
Attributable to the shareholders' of the Parent Company		92 352 562	32 720 188	37 421 336	19 074 798
Non-controlling interests		241 768	397 658	326 437	232 204
Net profit for the period		<u>92 594 330</u>	<u>33 117 846</u>	<u>37 747 773</u>	<u>19 307 002</u>
Basic and diluted earnings per share	(15)	<u>1.58</u>	<u>0.56</u>	<u>0.64</u>	<u>0.33</u>

-The attached notes form an integral part of these condensed consolidated interim 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



BPE Holding for Financial Investments "S.A.E"
Consolidated Condensed Interim Statement of Other Comprehensive Income
for Six months ended on June 30, 2017

	Six Months ended		Three months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	EGP		EGP	EGP
Net profit for the period after income tax	92 594 330	33 117 846	37 747 773	19 307 002
Items of other comprehensive income				
Translation reserve difference of subsidiaries' financial statements	918 854	586 249	449 612	38 160
Company's shares in foreign currency translation and other reserves in the joint venture company financial statements	(10 358 262)	2 127 744	(7 652 287)	(31 981)
Total other comprehensive income for the period	(9 439 408)	2 713 993	(7 202 675)	6 179
Total comprehensive income for the period before tax	83 154 922	35 831 839	30 545 098	19 313 181
Income tax	-	-	-	-
Total comprehensive income for the period after tax	83 154 922	35 831 839	30 545 098	19 313 181
Distributed as follows:				
Equity attributable to shareholders of the parent company	82 545 612	35 199 683	30 038 816	19 065 713
Non-controlling interests	609 310	632 156	506 282	247 468
Total other comprehensive income for the period after tax	83 154 922	35 831 839	30 545 098	19 313 181

- The attached notes form an integral part of these separate condensed interim 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



BPE Holding for Financial Investments "S.A.E"
Consolidated Condensed Interim Statement of Changes in Equity for the Six months ended on June 30, 2017

	Issued and paid-up capital	Legal reserve	Company's share in Equity changes of associates	Company's share in reserve combination of joint venture	Translation reserve of subsidiaries' financial statements	Company's shares in foreign currency translation in the joint ventures	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
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of January 1, 2016	584 464 310	6 997 113	-	-	8 249 913	3 234 648	92 844 700	16 769 235	712 559 919	5 102 625	717 733 544
Other Comprehensive Income											
Translation reserve of subsidiaries' financial statements	-	-	-	-	351 751	-	-	-	351 751	234 898	586 249
Company's shares in foreign currency translation in the joint venture	-	-	-	-	-	2 127 744	-	-	2 127 744	-	2 127 744
Net profit of the Period	-	-	-	-	-	-	-	32 720 188	32 720 188	397 658	33 117 846
Total Other Comprehensive Income	-	-	-	-	351 751	2 127 744	-	32 720 188	35 199 683	632 156	35 831 839
Other Comprehensive Income											
Transaction with the company shareholders											
Transferred to retained earnings	-	-	(2 688 182)	-	-	-	16 769 235	(16 769 235)	(2 688 182)	-	(2 688 182)
Cancellation part of the commitment of buying shares	-	-	(2 688 182)	-	-	-	16 769 235	(16 769 235)	(2 688 182)	-	(2 688 182)
Total transaction with the company shareholders	-	-	(5 376 364)	-	-	-	109 613 935	32 720 188	745 062 420	5 814 781	750 877 201
Balance as of June 30, 2016	584 464 310	6 997 113	-	(4 215 865)	8 592 664	5 362 392	109 613 935	152 636 257	892 632 891	9 079 711	901 512 602
Balance as of January 1, 2017	584 464 310	6 997 113	-	-	12 094 379	35 076 407	109 613 935	152 636 257	892 632 891	9 079 711	901 512 602
Other Comprehensive Income											
Translation reserve of subsidiaries' financial statements	-	-	-	(278 110)	551 312	-	-	-	551 312	367 542	918 854
Company's shares in foreign currency translation in the joint venture	-	-	-	-	-	(10 000 152)	-	-	(10 358 262)	-	(10 358 262)
Net profit of the period	-	-	-	-	-	-	-	92 352 562	92 352 562	241 768	92 594 330
Total Other Comprehensive Income	-	-	-	(278 110)	551 312	(10 000 152)	-	92 352 562	82 545 612	609 310	83 154 922
Transaction with the company shareholders											
Transferred to legal reserve	-	3 580 355	-	-	-	-	(3 580 355)	-	-	-	-
Transferred to retained earnings	-	-	-	-	-	-	154 636 257	(152 636 257)	-	-	-
Company's share in reserve combination of associate	-	-	5 033 645	-	-	-	-	-	5 033 645	-	5 033 645
Total transaction with the company shareholders	-	3 580 355	5 033 645	-	-	-	-	-	10 067 290	-	10 067 290
Balance as of June 30, 2017	584 464 310	10 577 468	-	(4 493 975)	13 445 691	24 936 255	258 669 837	92 352 562	960 612 148	9 689 021	969 291 169

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

Chief Executive Officer
Dr. Mohamed Abdel Moneim Madbouly

Chairman
Mohamed Hazem Adel Barakat

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BPE Holding for Financial Investments "S.A.E"

Consolidated Condensed Interim Statement of Cash Flows for the Six months ended on June 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
	<u>EGP</u>	<u>EGP</u>
<u>Cash flows from operating activities</u>		
Net profit for the period before tax	94 610 338	35 151 406
<u>Adjustments to reconcile net profit to cash flows from operating activities</u>		
Group's share of profits of joint venture entities	(69 994 787)	(17 452 572)
Depreciation of investment properties	159 156	159 156
Foreign currency Exchange	172 560	(10 249 137)
Reversal of impairment loss on notes receivable	(3 209 132)	-
Operating profit before changes in working capital	21 738 135	7 608 853
Increase in due from related parties	(1 006 308)	(628 151)
Decrease in accounts and notes receivable	63 832 364	803 771
Increase (Decrease) in other debit balances	100 136	(709 601)
Decrease in due to related parties	77 361	56 253
Decrease in accounts payable and other credit balances	(5 444 497)	(77 109)
Net cash flows generated by operating activities	79 297 191	7 054 016
<u>Cash flows from investing activities</u>		
Proceeds from Dividend/ Profit from the sale of investments in associates	10 120 763	3 395 350
Redemption of investments in joint ventures	(1 249 975)	(3 753 600)
Payments for acquisition of investments in money market funds	-	(4 036 672)
Changes in the deposits -long term	(41 514 415)	-
Net cash flows generated by investing activities	(32 643 627)	(4 394 922)
Net change in cash and cash equivalents during the Period	46 653 564	2 659 094
Cash and cash equivalents at the beginning of the Period	110 396 427	51 727 013
Effects of exchange rate changes on balances of cash held in foreign currencies	702 523	6 429 139
Cash and cash equivalents at the end of the Period	(12) 157 752 514	60 815 246

-The attached notes form an integral part of these condensed 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



BPE Holding for Financial Investments "S.A.E"
Subject to the provisions of Law No. 95 for year 1992 and its executive regulations
Notes to the Consolidated Condensed Interim Financial Statements
For the six months ended June, 2017

1. General information

BPE holding for financial investments (Formerly- Beltone capital holding for financial investments) "S.A.E." "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 assembly 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.

The Board of Directors authorized these consolidated financial statements for issue on October 11, 2017.

2. Statement of compliance the consolidated condensed interim financial statements

The consolidated condensed interim financial statements have been prepared according with Egyptian Accounting Standard No. (30) "Interim financial statements" Except for the treatment described below:

In its financial statements, Giza Systems applied the International Accounting Standard (IAS) 17 – Leases as issued by the International Accounting Standard Board to account for its financially leased administrative building. Giza systems recognized the building as a fixed asset at the present value of minimum lease payments, and recognized a liability to the finance lease company. Lease payments are apportioned between finance cost and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The building is depreciated based on its estimated useful life.

In contrast, Egyptian Accounting Standard EAS (20) - Accounting for finance leases requires the lessor to recognize all payments under finance leases in the period they are incurred, and the lessor is not allowed to recognize the leased asset as fixed asset.

The Company accounts for its investment in Inergia and Giza Systems using the equity method. Had Giza Systems applied the EAS 20 instead of IAS 17, the investment carrying amount as at June 30, 2016, net income for the period, and opening retained earnings will decrease by EGP 33 395 966 EGP 2 333 412 and EGP 31 062 554 respectively.

3. Significant accounting policies applied

The consolidated condensed interim financial statements have been prepared using the same accounting policies applied in the prior year.

4. Investments in subsidiaries companies

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

	Country of Domicile	Ownership %
Beard AG Company "Beard"	Switzerland	60

5. Intangible assets (net)

	<u>June 30, 2017</u> <u>EGP</u>	<u>December 31, 2016</u> <u>EGP</u>
Beginning Period Balance	5 318 894	2 360 115
Retranslation differences	338 611	2 958 779
	<u>5 657 505</u>	<u>5 318 894</u>

6. Investments in associates (net)

	<u>No. of Shares</u>	<u>Ownership interest</u>	<u>June 30, 2017</u> <u>EGP</u>	<u>December 31, 2016</u> <u>EGP</u>
Beltone Retail for Trade and Investment	727 526	%22,79	315 244	295 140
Madinet Nasr for Housing and Development "MNHD"	37 309 255	%7,46	278 650 680	246 582 568
Metalart		%51,92	66 694 865	63 080 660
<u>Less: Impairment in investments (Metalart)</u>			<u>(55 126 845)</u>	<u>(51 827 410)</u>
			<u>290 533 944</u>	<u>258 130 958</u>

The increase in investment in associates by amount of EGP 33 652 961 is mainly due to the following:

- Investment in Beltone Retail for Trade & Investment increased by amount of EGP 20 103, due to the Group's share of profits of associate entities.
- The investment increase in Madinet Nasr for Housing and Development "MNHD" increase by amount of EGP 37 155 231 and increased by amount of EGP 5 033 645 respectively is due to the Group's share of profits or loss of associates entities and the company share in the change of the associate equity and decrease by amount of EGP 10 120 763 represented in accrued dividends.
- Net investment in Metalart increased by amount of EGP 314 770 due to the Group's share of profit of associate entities by amount of EGP 609 633 offset by the group share in forging exchange revaluation loss by amount of EGP 294 863 of Metalart.

7. Investments in joint venture

	<u>Ownership interest</u>	<u>No. of Shares</u>	<u>June 30, 2017</u> EGP	<u>December 31, 2016</u> EGP
Inergia Technologies for Information Systems "Inergia"	68.04 %	5 532 124	168 677 445	146 825 864
Beltone Capital Red Sea Venture for Solar Energy	49.5%	7 425	5 727 150	5 727 150
Ibtekar for investment finance		%24.9995	1 249 975	--
<u>Less:</u> Impairment in investments Joint Venture			(5 727 150)	(5 727 150)
			<u>169 927 420</u>	<u>146 825 864</u>

The increase in investment in joint venture are mainly due to the increase of the Group's share of profits of joint venture entities by amount of EGP 32 209 820 offset by decrease in "Inergia" translation reserve by amount of EGP 10 080 150 in addition to new investment in Ibtekar for investment finance.

8. Investment properties (net)

The decrease in investment properties (net) by an amount of EGP 159 156 is due to the depreciation recorded during the period.

9. Due from related parties

	<u>Account nature</u>	<u>Relationship nature</u>	<u>June 30, 2017</u> EGP	<u>December 31, 2016</u> EGP
Metalart	Current account	Associate company	12 064 909	11 118 436
Beltone Capital Red sea venture for solar power	Current account	joint venture	1 140 367	1 080 532
			<u>13 205 276</u>	<u>12 198 968</u>

The increase in due from related parties by amount of EGP 1 006 308 represented in expenses paid on behalf of related parties.

10. Notes receivable - short term

The decrease in notes receivable is due to the reversal of the previously recognized impairment on the notes receivable due to the collection of EGP 63 832 364 during the period.

11. Other debit balance

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Deposits held with others	46 795	46 795
Accrued interest	4 304 898	3 957 888
Accrued rent	1 610 443	1 385 443
Prepaid expense	503 195	62 957
Debit income tax	47 852	47 852
Withholding tax	9 000	9 000
Hazem Ahmed Hazem	--	659 770
Mohamed Shehab El-din	--	652 610
Advances to suppliers	307 248	107 251
	<u>6 829 431</u>	<u>6 929 566</u>

The decrease in other debit balance by an amount EGP 100 135 mainly due to the collection of some debit balances during the period by an amount 1 312 380 EGP and increase in accrued rent by an amount 450 000 EGP.

12. Cash and cash equivalent

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Current accounts –local currency	13 471 061	1 608 796
Current accounts –foreign currency	2 445 963	364 802
Time deposits - local currency	92 625 330	16 990 809
Time deposits - foreign currency	183 257 462	183 964 907
	<u>291 799 816</u>	<u>202 929 314</u>

For the purpose of preparing cash flow statement cash and cash equivalent are represented are follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Cash at banks	291 799 816	97 554 088
<u>(less)</u> Time deposits – more than 3 months	<u>(134 047 302)</u>	<u>(36 738 842)</u>
	<u>157 752 514</u>	<u>60 815 246</u>

13. Accounts payable and other credit balance

The decrease in accounts payables and other credit balance by an amount EGP 3 428 489 mainly due to the payment of the accrued balances to the accounts payables during the current period.

14. Group's share of profits of associates and joint venture entities

	<u>Six months ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Madinet Nasr for Housing and Development	37 155 231	10 453 461
Inergia Company	32 209 820	6 008 471
Metal Art	609 633	926 651
Beltone Retail for Trade and Investment	20 103	63 989
	<u>69 994 787</u>	<u>17 452 572</u>

15. 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>Six months ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period attributable to the shareholders' of the Parent Company	92 352 562	32 720 188
Weighted average number of shares	58 446 431	58 446 431
Basic and diluted earnings per share	<u>1.58</u>	<u>0.56</u>

16. Significant related parties transactions

<u>Company name</u>	<u>Type of relation</u>	<u>Type of transaction</u>	<u>Value of transaction during the period</u>	<u>Outstanding Balance</u>
			<u>Revenue (Cost)</u>	<u>Debt (Credit) March 31, 2017</u>
BPE partners	shareholder and management company	management fees *	(5 825 675)	(2 990 327)
Beltone Capital red sea venture for solar energy	Joint venture	Current account	--	1 140 367

* Management fees is calculated and paid to BPE Partners for Investments on a quarterly basis pursuant to the signed management agreement (note 18-b).

17. Shareholders and management agreements

a. Shareholders agreement

During 2006, the Company has entered into a shareholders' agreement with its shareholders and the management company "Beltone Private Equity", which governs the following:

- Formation of the Board of Directors, and its responsibilities.
- The relationship with the management company.
- Determination of the investing, operating, environmental, and anti-money laundry policies.
- Expenses incurred by the Company and those borne by the management company.
- Performance fees earned by the investment manager directly from the shareholders, in case of exit by sale or in any other form, on the condition that the recognized returns exceeding a hurdle rate according to the agreement.
- Shareholders have the right to put, over 5 calendar years, 20% per annum of their shares to the Company. The exercise price will be at an aggregate consideration equal to the shareholders' pro-rata share of the Company's net assets fair value. 46.7 million shares are puttable from and including years 2011 to and including 2015, while 11.7 million shares (representing the capital increase shares completed in 2012) are puttable from and including years 2014 to and including 2018.
- During 2013, one shareholder exercised its right pursuant to the shareholders agreement and requested the Company to buy-back 823 984 shares. Management estimated the fair value of these shares as of December 31, 2013 in the amount of EGP 9.9 million which was recorded as other current liabilities in the statement of financial position with a corresponding decrease to shareholders' equity by the same amount recorded in the statement of changes in equity. The shareholders agreement provides that the exercise price is determined at end of the financial year during which the exercise took place, further, it provides that upon shareholder exercise of the put option, the Board of Directors of the Company – due to insufficient liquidity resulting from realized profits – has the right to postpone settlement of all or part of the shareholder's due amount for a period that could extend up to 31 December 2017.

During 2014 the same shareholder has exercised its right to put additional 823 984 shares back to the Company. Management has estimated the fair value of these shares as of December 31, 2014 in the amount of EGP 13 million. Thus total liability at the date of the financial statements amounted to EGP 22.9 million.

On June 25, 2015 the same shareholder sent a request to exercise the right of selling additional number of shares he owns in the company's capital, the value will be determined by the end of year 2015. On May 13, 2015 the shareholder withdrawn and irrevocably cancelled the first buy back exercise letter issued on June 28, 2013 and that was recognized at value of EGP 9.9 million. Additionally on July 16, 2015 the shareholder irrevocably cancelled the second and third buy back exercise letters issued on June 17, 2014 and June 25, 2015 respectively.

As a result of the withdrawal and irrevocable cancelation of the exercise letters, the Company cancelled the recorded liability with total amount of EGP 22.9 million.

b. Management agreement

The Company has signed a management agreement with BPE Partners S.A.E, whereby the management company will manage the Company for an annual management fees of 2% calculated based on the paid up capital, which will be settled on quarterly basis. The management company is entitled to contingent success fees of 20% of realized profits exceeding cumulative hurdle rate specified in the management agreement. No success fees were recognized during the current and prior years as the achieved results did not exceed the cumulative hurdle rate.

18. Tax position

Corporate Tax

The Company is subject to the provisions of the Income Tax Law No. 91 of 2005 and its executive regulation. The Company submitted its corporate tax for each period according to the provisions of the Income Tax Law and its amendments since inception date until December 31, 2016 on its due date.

During 2013, the Company was notified from the Tax Authority of inspection of the fiscal years from 2009 to 2010 noting that the actual inspection did not occur until issuance date of the financial statements, however it was notified to the company a Tax Claim for 2009, the company has been appealed in the legal deadlines, as there is no decision took place at the date of interim financial statements.

Stamp Tax

The Company is subject to Stamp Tax Law No. 111 of 1980, amended by Law No. 143 for 2006, taking into consideration that the Company's books have not been inspected yet.

Value added Tax

The Company is not subject to provisions of the Value add Tax Law.

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 Company**

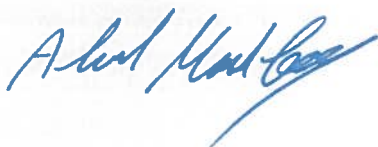
The subsidiary company is subject to the Swiss tax laws as it is not a resident company under the Egyptian tax laws.

19. Subsequent events

- On July 19, 2017, the Ordinary General Assembly decided to amend the management agreement between the company and the management company and to authorize the Chairman of the Board to sign the amended management contract. This contract is effective after the company's shares are listed on the Egyptian Stock Exchange. The company's shares were not listed on the Egyptian stock exchange until the financial statements issuance date.

- On July 4, 2017, Nile Engineering and Trading Company "Shams company" sent a request to exercise the right of purchase option for part of the building leased from the Company according to the lease agreement between the two parties. On July 10, 2017, the company sent to Shams company that The exercise of the right of purchase has been expired on 30 June 2017 and exercise request is rejected, in addition Shams company didn't pay the rental value from 1 October 2015 to 30 June 2017 which were outstanding until the date of notification received from Shams, which allows the company to cancel the lease agreement and reject the purchase option.

Chief Financial Officer
Ahmed Abdel Monem Madbouly



Chief Executive Officer
Dr. Mohamed Abdel Monem Omran



Chairman
Mohamed Hazem Adel Barakat

