

**Annual report 2017**

**Misr for Central Clearing, Depository and Registry**



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## 1) Introduction

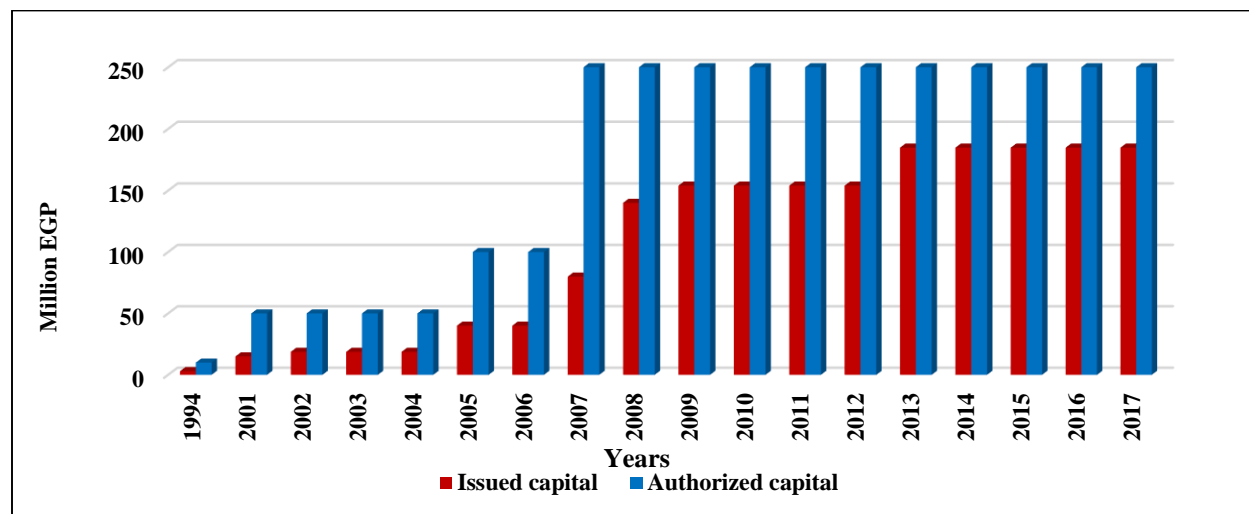
Misr for Central Clearing, Depository and Registry is one of the main pillars of the Egyptian capital market, that contributes to its effective functioning, with its accurate, organized and specialized systems and services. It is the only entity that undertakes the clearing, settlement, depository and registry services for securities in Egypt. It is an institution that promotes the development of the capital market infrastructure.

In 1994, MCDR was authorized to practice settlement and clearing activities for exchange transactions and their related services. On 1<sup>st</sup> October 1996 MCDR launched its activities to change physical printed securities into entry books.

In August 1997, the company's name was modified from Misr for Clearing and Settlement into Misr for Central Clearing, Settlement, and Depository (MCSD). Later, in January 2006, the name was changed into Misr for Central Clearing, Depository and Registry (MCDR) in order to comply with the activities assigned to it after the issuing of Depository and Registry law No. 93 of the year 2000.

Figure 1 displays the evolution of the company's authorized and issued capital. In 1994, the company's authorized capital was 10 million EGP, while the issued capital was 3 million EGP and they developed to reach 250 million EGP for the authorized capital and 184.8 million EGP for the issued one in 2017.

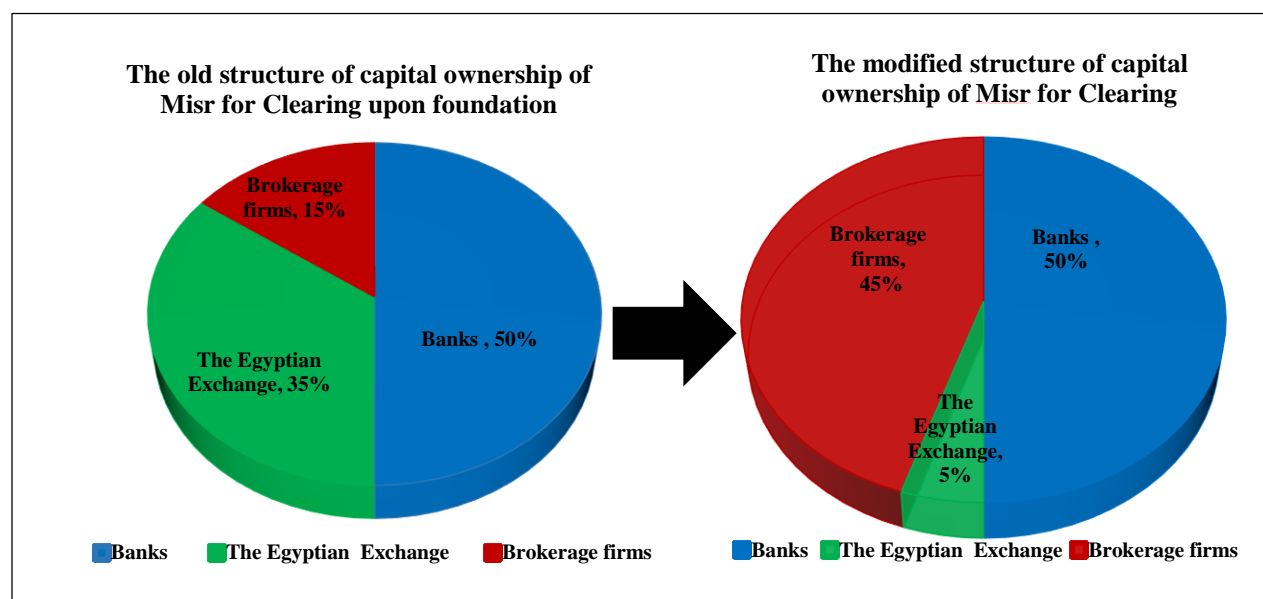
**Figure 1: The evolution of the authorized and the issued capital of MCDR from 1994 to 2017**



Source: Misr for Central Clearing, Depository and Registry's database.

Also, Figure 2 presents the evolution of MCDR's ownership of capital structure. On establishment, the shareholders' ownership of capital structure was as follows: banks was 50 percent, the stock exchange was 35 percent and the brokerage firms was 15 percent. Then the percentage of ownership was restructured according to article 37 of law No. 93 for year 2000 "The Central Depository and Registry law" which mandates a reallocation of the company's capital, in accordance with the executive regulation, the share of the company capital must be divided among all its participants in proportion to the fees they pay for services. Thus, the capital ownership structure became as follows banks' percentage are 50 percent, brokerage firms' percentage are 45 percent and the Egyptian Stock Exchange's percentage is 5 percent.

**Figure 2: The modified capital ownership structure according to the Central Depository and Registry law**



Source: Misr for Central Clearing, Depository and Registry's database.

## 2) Chairman statement

In 2017, The Egyptian economy started to manifest recovery signs, driven by the economic reform program adopted by the Egyptian government from July 2014. A great part of the reform policies was implemented at the fourth quarter of year 2016. The main focus of them was to liberalize the economy by adopting flexible monetary policies through the introduction of a flexible exchange rate regime in November 2016. In addition to restructuring the subsidies system, introducing the value added tax (VAT) and pursuing legislative reforms in the investment environment. The target of these policies was to decrease the budget deficit.

As a result, the economy started to show signs of recovery, manifested by the growth rate of the economy which reached 5.2 percent at the first quarter of the fiscal year 2017/2018. This positive outlook was confirmed by the International Monetary Fund (IMF) which expected an economic growth of 5.5 percent by the end of 2017/2018.

Added to these reforms, the amelioration of the business environment due to the ratification of the New Investment law and its executive regulation, the Movable Collaterals law, the Industrial Licenses law and other laws aiming to enhance the private business climate and the Egyptian economic growth.

In 2017, the capital market attracted 22 thousand new investors compared to 17 thousand investors last year. An increase of 30 percent in new coded investors, 1150 foreign funds and institutions invested in it compared to 900 in 2016. By the end of year 2017, the number of members and participants in MCDR reached 1917 with an increase of 3 percent compared to year 2016. Also, the market capitalization for the newly listed companies during 2017 rose to 2.5 billion EGP.

On the other hand, the market value of deposited securities in the company reached 1782 billion EGP for securities issued with the local currency, 10.5 billion US\$ and 511 million CHF for securities issued with foreign currency; with a total value of 1978.5 billion EGP according to the exchange rate declared by the Central Bank of Egypt on 31/12/2017. The number of settled transactions increased 18 percent than 2016.

The dividend payments done through the company in 2017 amounted 285 billion EGP with an increase of 26 percent compared to 2016. In addition, the company conducted 1095 corporate actions operations on behalf of the issuer companies in 2017.

MCDR succeeded to achieve a net profit of 284 million EGP in 2017, with an increase of 63 percent compared to last year. And it obtained 28.8 million EGP as revenue from other investments.

In conclusion, each member in this institution from the Board of Directors, the executive levels and all the employees are committed to laws, regulations in providing high quality services with efficiency and effectiveness. Furthermore, the company support the market 's needs by keeping its operational systems up-to-date and adopting new one to cope with the continuous progress in the technology worldwide. Last but not least, the Board of Directors express their profound gratitude to all the staff for their exerted efforts in maintaining the company success and stability.

**Mohamed Abd El Salam**

**Chairman and Managing Director**

### 3) Board of Directors

1) Mr. Mohamed Abdel Salam



Chairman and Managing  
Director

2) Dr. Tarek Abdel Bary



Vice Chairman and Managing  
Director

3) Dr. Mohamed Omran

Mr. Mohamed Farid Saleh



Board Member  
Representing the Egyptian  
Exchange

Replaced on 18/9/2017 by



Board Member  
Representing the Egyptian  
Exchange

4) Dr. Khaled Serry Seyam



Board Member  
Expert

5) Mr. Amr Mohamed Bahaa



Board Member  
Expert

6) Mr. Amr El Ganainy



Board Member  
Representing custodians

7) Mr. Nedal El Kassem



Board Member  
Representing custodians

8) Mr. Yasser Zaazaa



Board Member  
Representing custodians

9) Mr. Awni Youssef



Board Member  
Representing brokerage  
Firms

10) Mr. Mohamed Ali



Board Member  
Representing brokerage  
Firms

11) Mr. Mohamed Fathallah



Board Member  
Representing brokerage  
Firms

#### 4) Rules and regulations in the capital market in 2017

This year 2017 has witnessed the release of the new investment law No. 72 of 2017 on 31<sup>st</sup> of May 2017. This new law in article 51 enforced the companies incorporated in accordance with its provisions to submit a certificate establishing the lodging of their securities with a central securities depository company.

In addition, a number of decrees and rules were issued to organize the legislative and regulatory environment in the capital market, from them:

1. Presidential decree No. 274 of 2017 to amend some articles of decree No. 191 of 2009 about the organizational rules of the Egyptian Exchange and its financial affairs.
2. The Minister of Investment issued a number of decrees including the follows:
  - The Minister of Investment's decree No. 16 of 2017 to add annex (A) to the Egyptian Accounting Standard No. 13 entitled "The impact of the fluctuations of exchange rates on the Egyptian pound". This aims to put an accounting procedure to remedy the impact of the Central Bank's decision on 3 November 2016 to adopt a flexible exchange rate. And the effect of this decision on the financial statements of the organizations that incurred profits or losses due to having assets or obligations with foreign currencies.
  - The Minister of Investment and International Cooperation's decree No. 33 of 2017 to amend some articles of the executive regulation of the Capital Market law. By adding a new chapter entitled "Chapter 13 – Rules to identify the beneficial owner in the capital market". As it is defined in article 359, the beneficial owner is a person for whom a transaction takes place in his account directly or indirectly to realize a benefit.

3. The Financial Regulatory Authority board issued the following resolutions:

- Decision No. 1 of 2017 regarding the Egyptian standards for the financial evaluation of the organizations. The aim of it is to achieve fairness in evaluations and in the studies of their fair value, in order to promote investors' protection and increase the financial organizations trust when assessing their securities for pursuing capital subscription, acquisition, capital increase, and investment funds contribution.
- Decision No. 17 of 2017 related to the trade of unlisted securities and the transfer of their ownership. It states that the Egyptian Exchange is responsible to provide the automated systems and technical requirements necessary for the trade of securities. In addition of its responsibility, to notify the Financial Regulatory Authority of any violations in trades or ownership transfers within two working days.
- Decision No. 28 of 2017 regarding the states, the rules and the procedures regarding the size of closed-end investment funds.
- Decision No. 29 of 2017 regarding the rules of trade and practicing portfolio management activity of brokerage firms and custodians for securities that are dual listed in the Egyptian Exchange or for the Egyptian Deposit receipts (for national or foreigner resident in Egypt).
- Decision No. 40 of 2017 for the preventive procedures taken by the Financial Regulatory Authority regarding the violation of trades' rules, stated in the capital market law and its executive regulation, in the transactions performed in the Egyptian Exchange, which conduct a threat on its stability.

- Decision No. 65 of 2017 regarding the securities ownership of companies working in the field of capital market and which are performing one or more activities mentioned in article No. 27 in the capital market law.
- Decision No. 67 of 2017 regarding the amendment of some provisions concerning the financial solvency standards of companies operating in the capital market.
- Decision No. 76 of 2017 concerning the amendment of Financial Regulatory Authority board's decision No. 11 of 2014 regarding the rules of securities listing and delisting in addition to the decision No. 96 and 122 for the same year.
- Decision No. 84 of 2017 concerning the amendment of the decree No.61 of 2017 regarding the enforcement procedures of information protection of shareholders' accounts.
- Decision No. 95 of 2017 concerning the measurements taken by the Financial Regulatory Authority in case of any violation by central depository and registry of securities companies and the rules related to the application of these measurements.
- Decision No. 121 of 2017 concerning the requirements for registering at the Financial Regulatory Authority (FRA) for companies and entities that aiming at listing their securities and approving their initial public offering disclosure forms.
- Decision No. 123 of 2017 concerning the amendment of Financial Regulatory Authority board's decision No. 17 of 2017 regarding the trade and ownership transfer of delisted securities.

- Decision No. 142 of 2017 concerning the amendment of some regulations of the Financial Regulatory Authority's (FRA) decision No. 54 of 2016 regarding the exception of some cases from submitting buy offers according to item z of subject 356 of the executive regulation of the capital market law.

## 5) MCDR milestones of year 2017

### March

- MCDR started to block all the shareholders' dormant accounts, in order to prevent any manipulation or forgery in them.

### April

- Dr. Tarek Abdel Bary, the Deputy Chairman and Managing Director of MCDR, has attended the international securities forum for Middle East and North Africa countries hosted by HSBC Bank in Dubai.



- The Ministry of Finance assigned to MCDR the collection of the tax on the governmental bond yields before its payment among the bondholders through its payment system.

### August

- MCDR signed a partnership contract and cooperation protocol with Al Ahram institution to cooperate in establishing several projects in different fields such as education, sports and media production.
- Mr. Mohamed Abdel Salam, MCDR's Chairman held a meeting with Mr. Mohamed Farid, the Egyptian Exchange Chairman accompanied with

Dr. Tarek Abdel Bary, MCDR's Deputy Manager to discuss the implementation of the lending and borrowing mechanism, in order to facilitate finance for companies and to enhance the development of the capital market.

## September

- Dr. Sahr Nasr, Minister of Investment and International Cooperation, witnessed on 11<sup>th</sup> September 2017 the signing of a cooperation protocol between Ms. Mona Zobaa, the CEO of the General Authority for Investment and Free Zones (GAFI) and Mr. Mohamed Abdel Salam, MCDR's Chairman. This protocol facilitates the data sharing and the listing procedures between the two institutions from one side and improves the investment environment from the other side. Dr. Mohamed Omran, the Chairman of the Financial Regulatory Authority and Mr. Mohamed Abdel Wahab, the Vice CEO of GAFI, attended the event, too.



## October

- Mr. Mohamed Abdel Salam, MCDR's Chairman, escorted Dr. Sahar Nasr, the Minister of Investment and International Cooperation to MCDR's head office on Tuesday 3<sup>rd</sup> of October 2017. In the presence of Dr. Tarek Abdel Bary, MCDR's Managing Director, and MCDR's Board members who welcomed her excellency. MCDR's Chairman gave a presentation on the company activities and its vital role in the Egyptian capital market. Then, they toured the company, watched the servers center and the disaster recovery site and they celebrated the 21<sup>st</sup> anniversary of the company.



## November

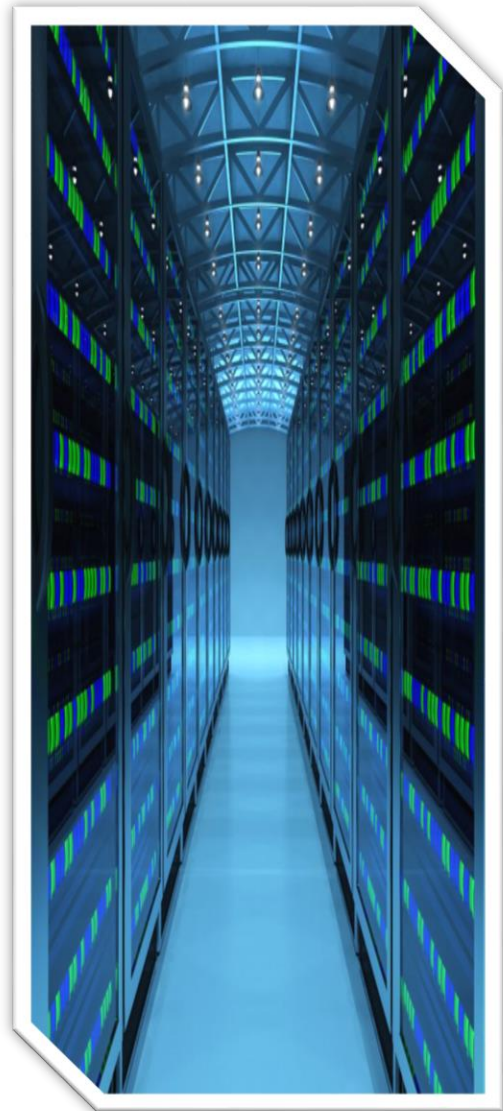
During the Africa and Middle East Depositories Association (AMEDA) meeting held in Hong Kong on November 14<sup>th</sup>, 2017 by the World Forum of CSDs (WFC 2017), AMEDA members decided to accept Ms. Monica Singer resignation as AMEDA Vice President. Mr. Abdullah Abdin from Bahrain has been elected as AMEDA Vice President while Mr. Mohamed Abdel Salam presidency was extended till the next WFC 2019 that is decided to be hosted by AMEDA in April 9<sup>th</sup> 2019 in Morocco. Members also hired Ms. Monica for the organization of the WFC 2019.



## 6) Some aspects of the company's activities during 2017

### Supporting the Egyptian capital market by developing the infrastructure needed for its growth

- The company developed the information and technology center in its head office branch, the disaster recovery site in the 5<sup>th</sup> settlement branch and the USP equipment in the main branch.
- Two UPS units were added to the information and technology system and other units are used as a backup.
- Six main servers were added to the center to increase the data storage capacity, to register accurately the data and retrieve stored one with effectiveness.
- Softwares and systems were designed by the information and technology team to execute the Financial Regulatory Authority's decision No. 61 of 2017, amended by decision No. 84 about enhancing the information security of shareholders account specifically the dormant accounts.



→ MCDR provides continuous technical support for all its automated systems, solving all problems to all MCDR's users from brokerage firms, custodians, issuers companies, clearing banks and all entities that are using its systems:

- Updating the system used by custodians to comply with the rules of the Financial Regulatory Authority to differentiate between the executor of the transaction and the one who reviews it (the checker).
- Designing a system that deducts the taxes on bonds yields before distributing them.
- Introducing the stamp taxes and applying them on settled transactions.
- Applying the capital tax system.
- Modifying the system to make it able to block and unblock dormant accounts.
- Redesigning the block system of securities to make it differentiate between the available securities apart from the same day securities.
- Modifying the bond tax calculation to take into account the calculation method of the zero bonds.



- Adjusting the lending and borrowing system to conform to the new rules and adding to it the corporate actions operations.
- Creating a system that allows modifying the value of taxes on dividends to permit adding or deducting and redeeming differences.

## Human Capital development

MCDRs believes that human capital is an essential component of the company's long-term assets. Thus, it offers to its employees training programs in order to develop their professional and personal skills, in a way that suits their specialization. Hence, sixty-five (65) employees joined training courses conducted by some well-known organizations in that field, while thirty-five (35) employees had internal training programs organized by the company as the emotional intelligence course.

And in order to provide the technical support to the capital market, the company conducted three courses to train thirty-nine (39) custodians on the custodians' system.

Also, the same day trade mechanism was delivered in three courses to twenty-three (23) members and two courses were offered to seven (7) participants on the register and beneficiary owner's system.



## Financial literacy

MCDR contributes in spreading the financial culture and awareness related to the capital market by organizing and providing six (6) summer training courses for one hundred and twenty-nine (129) university students; to make them understand the company's role and activity in the capital market.



## Strengthen Financial Inclusion

Believing in the importance of digital transformation, and achieving the government policy of spreading the financial inclusion culture. MCDR launched the smart cards service for cash dividends, in cooperation with the Commercial International bank (CIB) through its wide spread automated teller machines (ATM), in 2016. In addition to the previous objective, the smart cards help clients specifically elder one to receive their cash dividend from their nearest ATM or to make payments or purchase using these cards. In 2017, three hundred and sixty-six (366) shareholders were having smart cards.



## Digitalization

### *The Certificate Authority (CA) service*

- MCDR passed successfully the regular audit by the British Standards Institution (BSI) that offers the ISO 27001.
- The Information Technology Industry Development Agency (ITIDA) made its regular audit and renewed MCDR's license to practice the Certificate Authority (CA) activity.
- The company signed a cooperation protocol with the General Authority for Investment and Free Zones (GAFI) to offer the Certificate Authority service to GAFI's clients.
- In 2017, 1375 certificates have been issued.



## 7) A glimpse on MCDR operations in 2017

The market value of the shares of listed companies reached about 1803 billion Egyptian pound (EGP), 10.8 billion US Dollar (USD), and 511 million Swiss Franc (CHF), with a total of 2004 billion EGP according to the official exchange rates declared by the Central Bank of Egypt on December 31<sup>st</sup>, 2017.

The market value of the deposited shares reached about 1782 billion Egyptian pound (EGP), 10.5 billion US Dollar (USD), and 511 million Swiss Franc (CHF), with a total of 1975.5 billion EGP according to the official exchange rates declared by the Central Bank of Egypt on December 31<sup>st</sup>, 2017.

### Clearing and settlement operations

73,252,661 settled transactions have been executed throughout 2017 from which:

- 7,203,920 transactions executed by local currency with a total value of 317 billion EGP.
- 48,741 transactions executed by USD with a total value of 744.9 million USD.

### Settlement Guarantee Fund (SGF)

The existence of the settlement guarantee fund enhances the credibility and the confidence as well as achieving stability and discipline in the capital market, which leads to attracting more investments.

- In 2017, the Fund financed and settled 1958 operations with a value of 193.7 million EGP during 2017
- The moving average of the fund's capital during 2017 was 175 million EGP.
- The percentage of operations that have been financed by the SGF to the total settled transactions was 0.02%.

- The weighted level of risk rate for fund members is calculated by the delay points in which the member does not fulfill his commitment on the settlement day and it is classified into 4 categories from A to D.
- 93.3% of fund members are categorized as A class with regard to the potential level of risk rate, they did not score any risk points, the rest 6.7% did not exceed the acceptable risk points in this category.

### **Dividends and Return payments on securities**

15 banks take part in the dividends and return payments system on securities, and there are 48 branches (outlets) covering almost all the country in 11 governorates.

- 462 thousand clients benefited from the cash dividends' system.
- 212 issuers distributed their dividends payment from MCDR's system.
- The total number of participants in the call center service reached 9426 participants in 2017, they subscribed from MCDR's outlet in the banks' branches.
- The total value of dividend and returns distributed through MCDR on deposited securities were as follows:
  - 285 billion EGP.
  - 330 million USD.
  - 1.5 million Euro.

### **Corporate Actions**

MCDR has executed a number of corporate actions on behalf of the issuer companies other than the dividend and return payments on securities:

- 61 issuers increased their capital by in-kind distribution (free shares).
- 51 issuers increased their capital through cash distribution.
- 9 issuers modified the nominal value of their shares through stock split.
- 4 issuers reduced their capital.

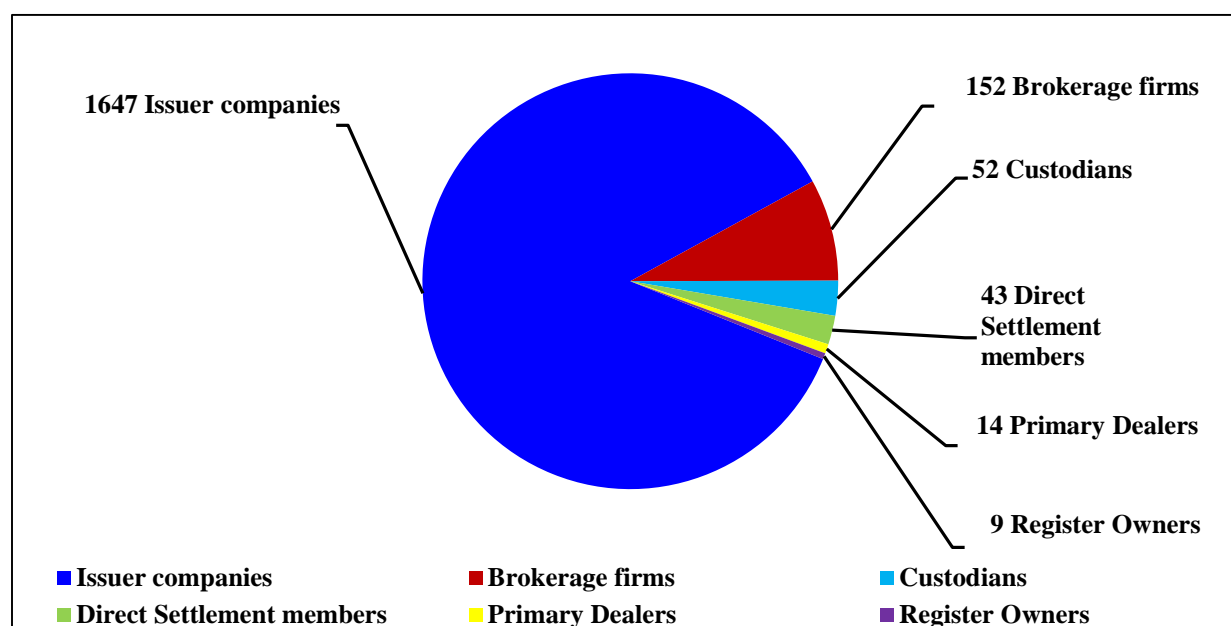
## 8) Future Plans

1. Implementing the amendments on the provisions of law No. 159 of 1981 on joint stock companies, partnerships limited by shares companies and limited liability companies, that obliges all issuers to be registered in the central depository. The actual number of registered issuers is 1647 companies, and the number of issuers that expected to be registered in the Central Depository according to the law is 130,000 companies. Therefore, the Marketing Department will be created to encourage, assist and help the issuers in the necessary procedures to conform with the law's amendments. In addition, MCDR will offer its services through the General Authority for Investment and Free Zones (GAFI) to facilitate the procedures of registering for investors.
2. Increasing the efficiency of the MCDR's information and technology center and the disaster recovery site, as well as increasing its operational and storage capacity, in order to face the huge number of shareholders companies that are obliged by the new investment law to register in the Central Depository within a period of one year. Also securing the company's database according to the latest security (safety) methods.
3. Developing the documentary and technological systems to ensure that the company continues to provide its activities and services according to the latest international standards.
4. Getting ready to carry out MCDR's role in developing its infrastructure that support the market by keeping up to date to the latest technology that conforms with the Egyptian market.
5. Benefiting from the agreements and protocols signed with many parties to better serve the capital market.

## 9) Statistics of 2017

The total number of members and subscribers in MCDR was 1917 by the end of 2017 (1647 subscribers and 270 members) as it is demonstrated by Figure 3.

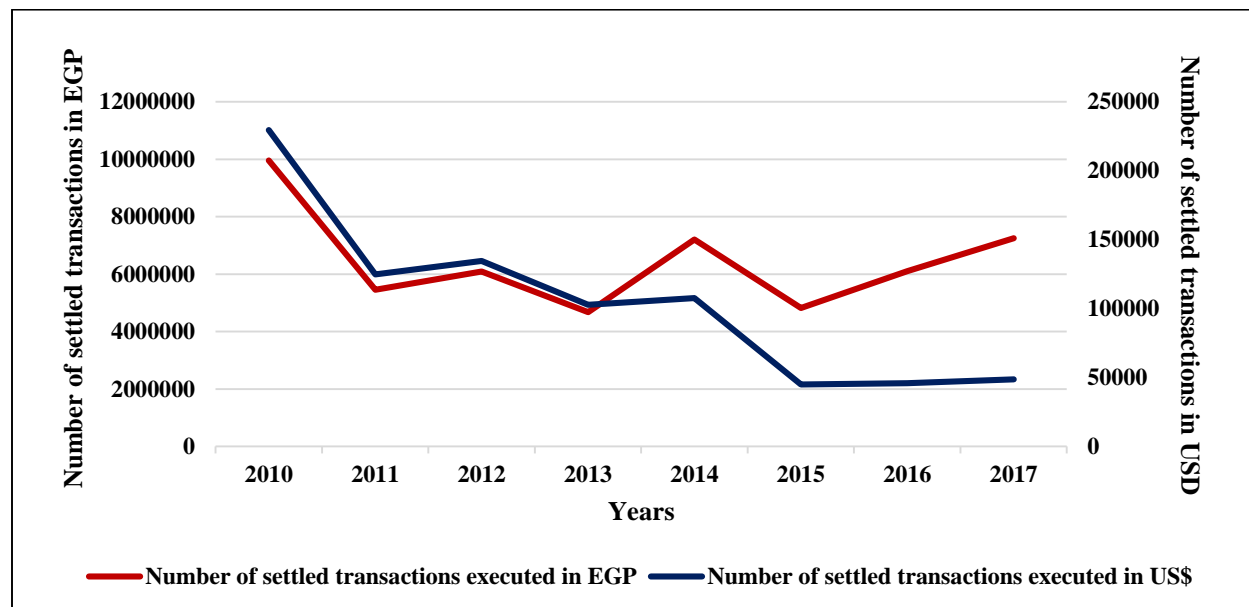
**Figure 3: Number of members and subscribers in the central depository in 2017**



Source: Misr for Central Clearing, Depository and Registry's database.

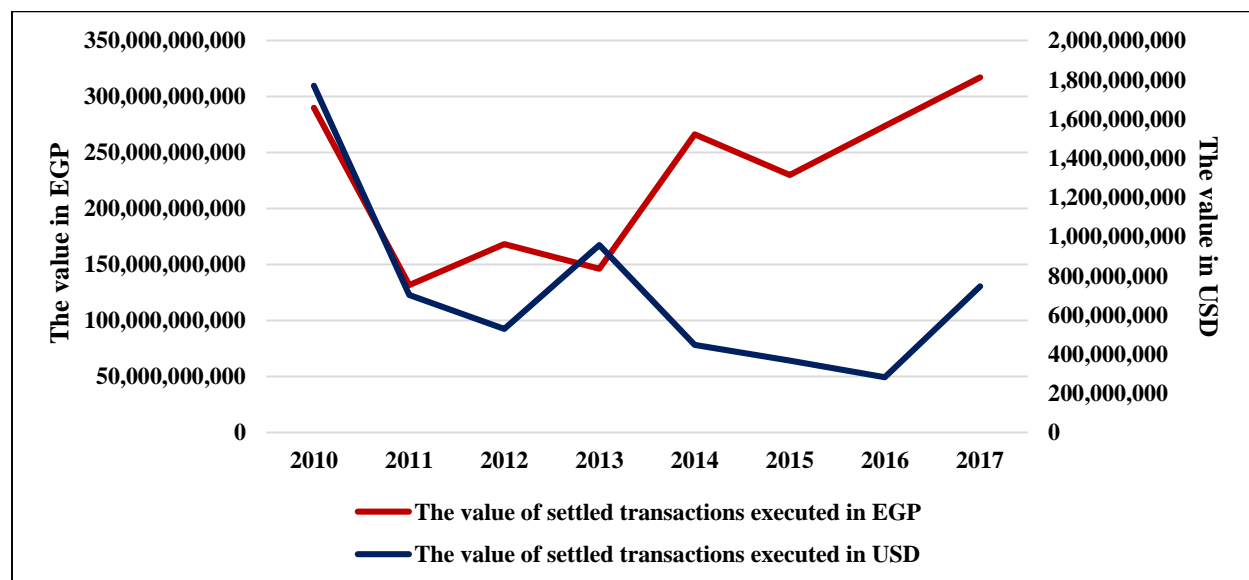
The Egyptian economy status is reflected by the number and value of settled transactions whether in EGP or USD. The settled transactions have witnessed a sharp decline in 2011 due to the revolution of 25 January and the turbulence that was accompanied with it in many fields. In 2014, they began to increase then dropped again in 2015. Some recovery signs occurred in 2017 shown by the increase in the number and the value of settled transactions executed in EGP by 19 percent and 16 percent respectively compared to 2016. In addition to an increase in the number and the value of settled transactions executed in US\$ in 2017 by 6 percent and 163.8 percent respectively compared to 2016 (See: Figures 4 and 5).

**Figure 4: The number of settled transactions executed in EGP and USD from 2010-2017**



Source: Misr for Central Clearing, Depository and Registry 's database.

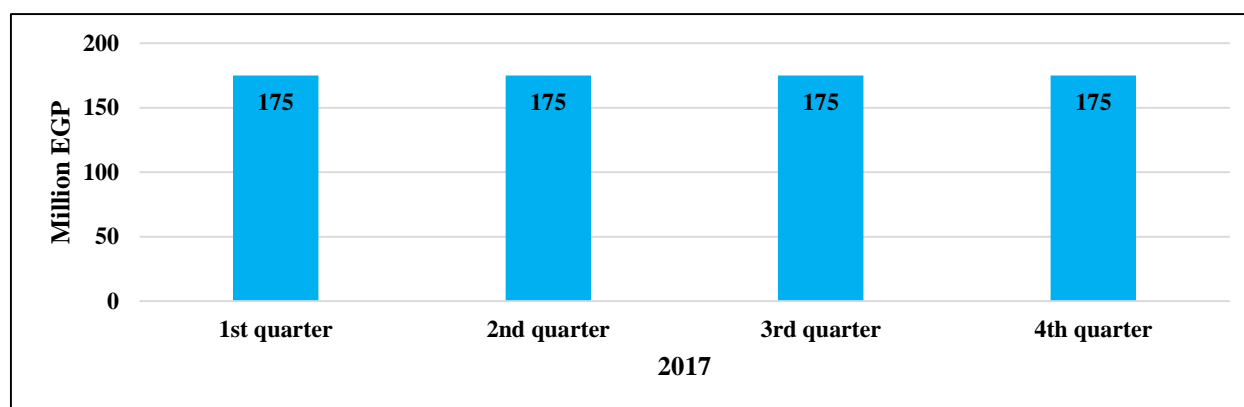
**Figure 5: The value of settled transactions executed in EGP and USD from 2010-2017**



Source: Misr for Central Clearing, Depository and Registry 's database.

The moving average of the capital of the Settlement Guarantee Fund remained the same for its four quarters in 2017, as it was 175 million EGP in each quarter (See: Figure 6).

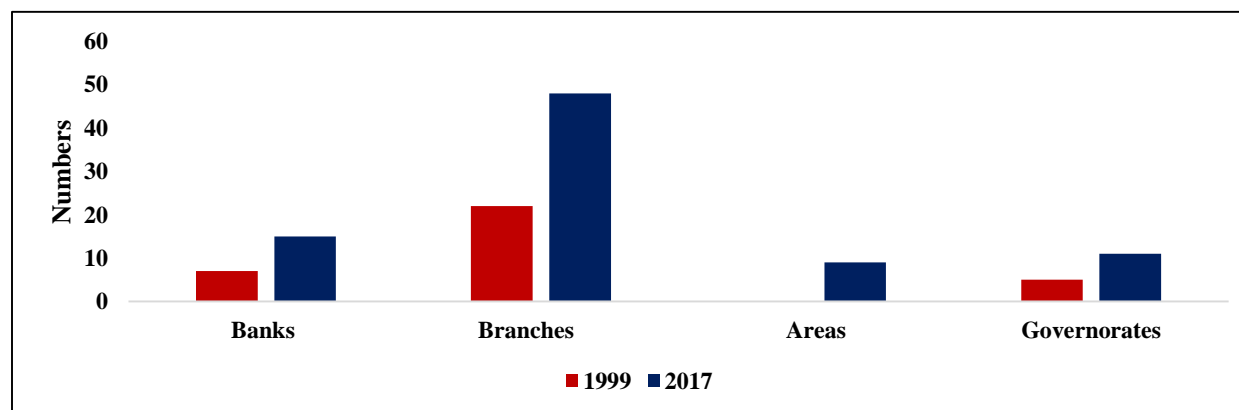
**Figure 6: The moving average capital of the Settlement Guarantee Fund quarterly in 2017**



Source: Misr for Central Clearing, Depository and Registry's database.

The number of banks taking part in the dividends and returns payment on securities' system is 15 banks with their 48 branches covering 11 governorates in Egypt in 2017. This service spreaded almost covering most of the country compared to its launching at 1999, when it only has 7 banks with their 22 branches covering 5 governorates providing the service (See: Figure 7).

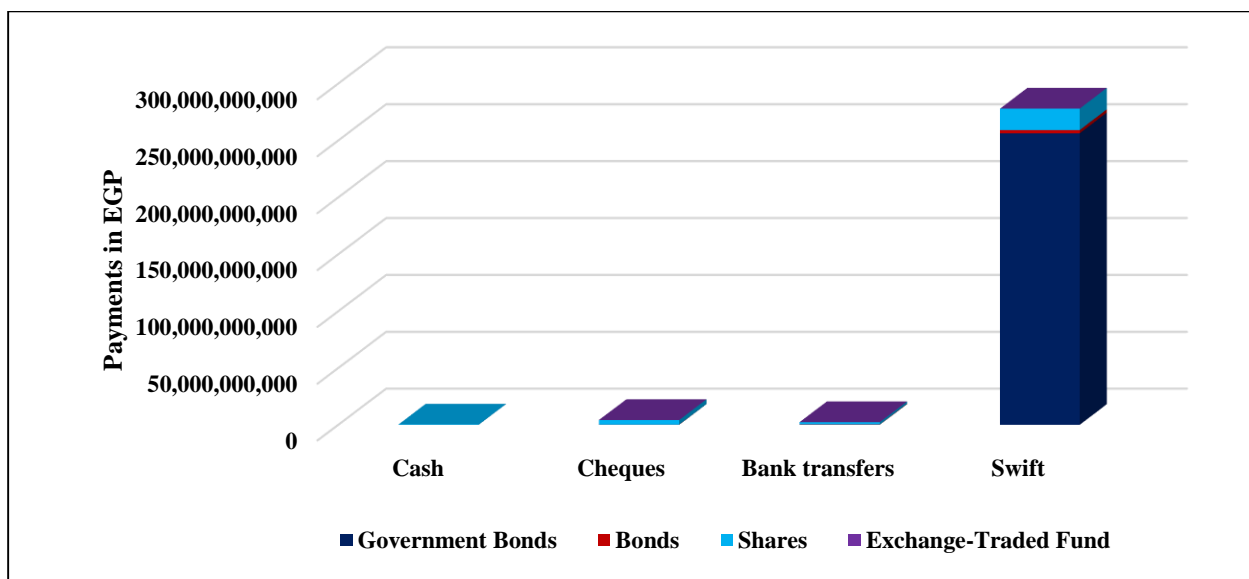
**Figure 7: The evolution of banks and branches participating with MCDR in providing the service of dividend and returns payment on securities through MCDR's system in 1999 and 2017**



Source: Misr for Central Clearing, Depository and Registry's database.

The dividends and return payments done through MCDR's system increased to 285 billion EGP approximately in 2017, with a rise of 26 percent compared to 2016. And the most method used according to the amount of money paid is the SWIFT, followed by bank transfers, cheques and cash payment (See: Figure 8).

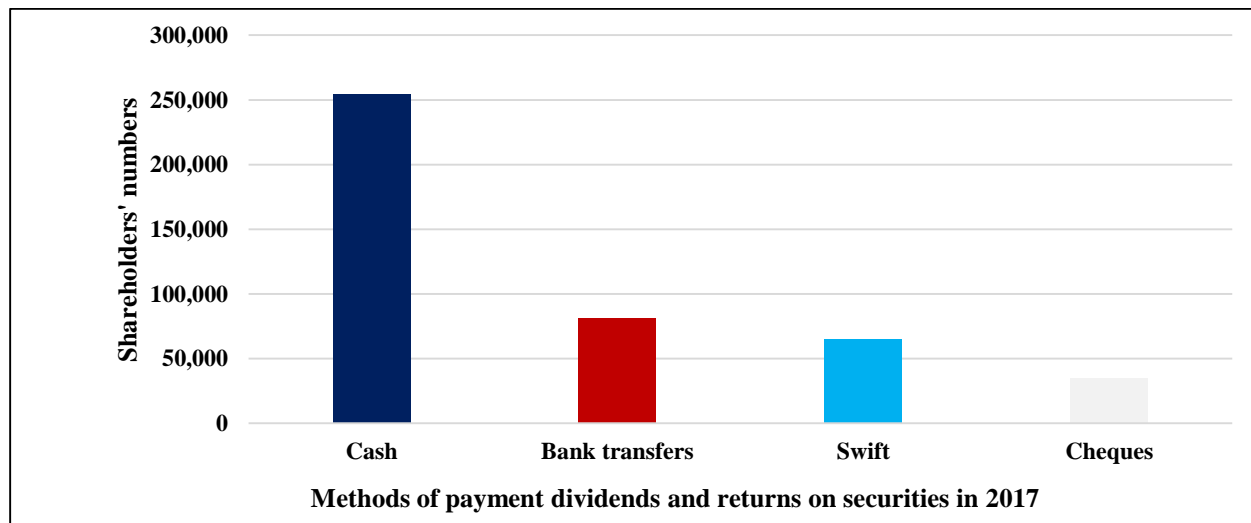
**Figure 8: Methods of payment of dividends and returns on securities with EGP in 2017**



Source: Misr for Central Clearing, Depository and Registry's database.

With respect to the number of shareholders, most of them prefer the cash payment method, followed by bank transfers, then SWIFT and finally cheques. The total number of shareholders served by MCDR's dividend and return payment system reached 435,044 in 2017, with a decline of 5 percent compared to 2016 (See: Figure 9).

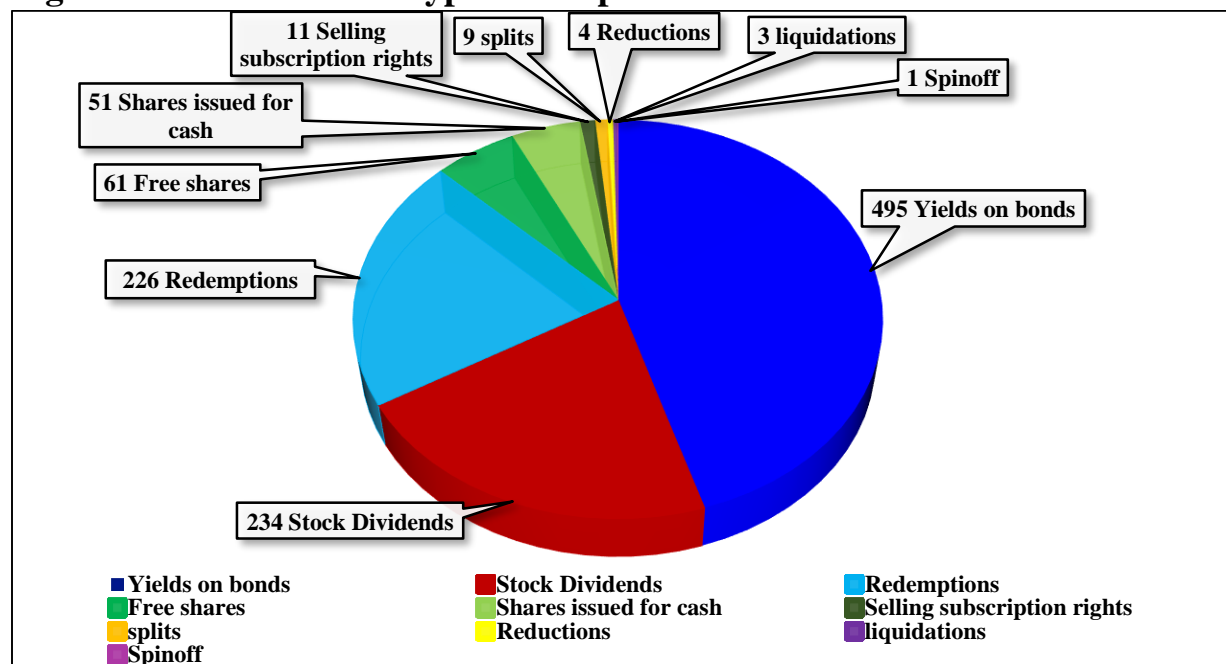
**Figure 9: The cash payment method is the most used among shareholders in 2017**



Source: Misr for Central Clearing, Depository and Registry's database.

The number of corporate actions executed on behalf of the issuer companies was 1095 in 2017 with an increase of 13 percent compared to 2016 (See: Figure 10).

**Figure 10: Numbers and types of corporate actions executed in 2017**



Source: Misr for Central Clearing, Depository and Registry's database.

## 10) Corporate Social responsibility of MCDR in 2017



MCDR is committed to its social role towards the society, and accordingly the general assembly of MCDR's shareholders annually donates a share of the company's profit to charity organizations. Hence, the company carried out a charitable campaign with South Cairo Rotary club in Sohag from the 1<sup>st</sup> to 4<sup>th</sup> of November 2017. The campaign performed the following:

- 98 cataract surgeries.
- 3 open heart surgeries.
- 3 open heart surgeries for children.
- 7 varicose injection surgeries.
- 2 diabetic foot surgeries.
- 3 Appendectomies operations and Laparoscopic cholecystectomies.
- knee cartilage removal operations.
- 47 vascular surgeries and 35 Doppler.
- Examination of 44 children with birth defects.
- 10 cases of children were directed to Kasr El Eyni hospital for open heart surgeries.
- Distributing of 50 quilts, 300 oil bottles and 650 food packs.
- Donating 40 blankets to Akhmeem hospital in Sohag.



## 11) Governance



MCDR applies corporate governance standards very strictly in all its activities. This is evident in the composition and duties of its Board of Directors.

- The Board of Directors is formed by free, direct elections by its shareholders and this is done publicly.
- The Chairman is selected directly by the shareholders according to the announced rules.
- The Managing Director must be an expert and not one of the shareholders. He is selected directly by the shareholders according to the announced rules.
- To ensure impartiality and independence, the executive management does not represent any of the shareholders and are totally independent.
- The majority of the board members are not shareholders and all of them are experts in the company's activities.
- Committees have been formed from non-executive board members as the investment committee, the auditing committee and the compensation committee. They discuss important issues and offer recommendations to the board as well as displaying the results of the committees' work to the Board of Directors to support them in taking the right decisions.

MCDR is committed to apply corporate governance rules in managing all its activities and services provided to customers, in addition to applying corporate governance standards on the Board of Directors and the general assembly.

## 12) Auditors' report and financial statements

**United Accountants  
Public Accountants**



**BDO Khaled & Co.  
Public Accountants & Advisers**

*Translation of Auditors' Report  
originally issued in Arabic*

### AUDITORS' REPORT

**TO THE SHAREHOLDERS OF  
MISR FOR CENTRAL CLEARING, DEPOSITORY AND REGISTRY - S.A.E.  
MEMBERS OF SETTLEMENT GUARANTEE FUND**

#### **Report on the Separate Financial Statements**

We have audited the accompanying separate financial statements of Misr for Central Clearing, Depository and Registry - S.A.E. (Central Depository, Registry and Settlement Guarantee Fund Activities), which comprise the separate statement of financial position as of 31 December 2017, and the separate 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 Separate Financial Statements*

These separate financial statements are the responsibility of the company's management as management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Egyptian Accounting Standards and in the light of relevant Egyptian laws and regulations and the Financial Regulatory Authority Chairman's Decree (Ex. Capital Market Authority) No. (29) dated 5 August 2004. The management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate 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 separate financial statements.



### *Opinion*


In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Misr for Central Clearing, Depository and Registry - S.A.E. (Central Depository, Registry and Settlement Guarantee Fund Activities) as of 31 December 2017, and its separate financial performance and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and in the light of relevant Egyptian laws and regulations, and the Financial Regulatory Authority Chairman's Decree (Ex. Capital Market Authority) No. (29) dated 5 August 2004.

### **Report on Other Legal and Regulatory Requirements**


The company maintains proper books of accounts that include all that is required by the Law and the company's Articles of Association, and the separate financial statements are in agreement therewith. The physical count of shares held at central depository was carried out by the company's management in accordance with normal procedures.

The financial information included in the Board of Directors' report, which has been prepared in accordance with the requirements of Law No. 159 of 1981 and its Executive Regulations, is in agreement with the relevant information in the company's books.

### **Auditors**

  
**Abdelmoneim A. Sallam**  
Chartered Accountant  
R.A.A. 2347  
FRA No. 361



  
**Taha M. Khaled**  
Fellow of ICAEW  
Fellow of ESAA  
R.A.A. No. 5136  
FRA No. 28



**United Accountants**

**BDO Khaled & Co.**

Cairo, 25 February 2018


Misr for Central Clearing, Depository and Registry - S.A.E.

**SEPARATE STATEMENT OF FINANCIAL POSITION**

At 31 December 2017

	Note	31/12/2017 L.E.	31/12/2016 L.E.
<b>NON CURRENT ASSETS</b>			
Fixed assets	7	157,025,328	143,277,697
Projects under construction	8	11,770,660	6,899,817
Investment in associates	10	1,451,750	1,451,750
Held to maturity investments	11	256,419,940	262,918,512
Available for sale investments	12	8,543,741	17,395,741
Investment in Investor Protection Fund	13	2,115,154	2,115,154
Intangible assets	14	2,500,000	2,500,000
<b>Total non current assets</b>		<b>439,826,573</b>	<b>436,558,671</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	15	131,646,085	104,568,816
Investments at fair value through profit and loss	16	238,823,942	83,878,125
Cash and bank balances	17	1,927,161,228	534,195,945
Bank balances – coupons dividends	18	1,806,212,763	1,733,520,480
<b>Total current assets</b>		<b>4,103,844,018</b>	<b>2,456,163,366</b>
<b>Total assets</b>		<b>4,543,670,591</b>	<b>2,892,722,037</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Issued and paid up capital	21	184,800,000	184,800,000
Legal reserve	22	29,109,629	17,119,894
Voluntary reserve	23	17,392,669	-
Profit for the year		227,804,967	126,758,382
Retained earnings		18,180,921	10,967,080
<b>Total equity for depository and registry activities</b>		<b>477,288,186</b>	<b>339,645,356</b>
<b>Settlement Guarantee Fund</b>			
General paid up	25	189,026,462	183,972,210
Special paid up	26	56,382,403	52,176,302
Legal reserve	22	8,455,086	6,260,572
Profit for the year		41,695,775	38,471,971
Retained earnings		24,800,718	24,800,718
<b>Total equity for Settlement Guarantee Fund</b>		<b>320,360,444</b>	<b>305,681,773</b>
<b>Total equity</b>		<b>797,648,630</b>	<b>645,327,129</b>
<b>Long term liabilities</b>			
Deferred tax liabilities	36	13,504,296	13,527,629
<b>Total long term liabilities</b>		<b>13,504,296</b>	<b>13,527,629</b>
<b>CURRENT LIABILITIES</b>			
Dividends coupons payable – customers	18	1,806,212,763	1,733,520,480
Trade and other payables	19	1,874,489,580	461,875,724
Claims and risks provisions	20	22,044,999	17,723,421
Tax liabilities	33/2	29,770,323	20,747,654
<b>Total current liabilities</b>		<b>3,732,517,665</b>	<b>2,233,867,279</b>
<b>Total equity and liabilities</b>		<b>4,543,670,591</b>	<b>2,892,722,037</b>
<b>CONTRA ACCOUNTS</b>	34	<b>2,004,416,051,293</b>	<b>1,782,621,349,708</b>

Auditors' report attached.



Mr. Essam Ezzy  
Financial Consultant and  
Financial Management  
Supervisor



Dr. Tarek Abdel Bary  
Managing Director

Mr. Mohamed Soliman Abdel Salam  
Chairman

Misr for Central Clearing, Depository and Registry - S.A.E.

**SEPARATE STATEMENT OF INCOME**

For the year ended 31 December 2017

	<i>Note</i>	<i>31/12/2017 L.E.</i>	<i>31/12/2016 L.E.</i>
Services revenue	27	184,784,780	136,635,084
Cost of services	28	(131,730,739)	(100,429,962)
<b>GROSS PROFIT</b>		<b>53,054,041</b>	<b>36,205,122</b>
Interest income	29	247,553,050	91,772,510
Return on investments	30	111,966,444	145,459,827
Other income	31	20,916,013	32,666,967
		<b>433,489,548</b>	<b>306,104,426</b>
General and administrative expenses	32	(105,564,273)	(92,924,867)
Provisions		(3,916,578)	(4,628,669)
<b>Profit for the year before taxes</b>		<b>324,008,697</b>	<b>208,550,890</b>
Taxes	33/1	(40,323,706)	(34,624,203)
<b>Net profit for the year</b>		<b>283,684,991</b>	<b>173,926,687</b>
<b>Net profit for the year represents:</b>			
Net profit for central clearing and depository activities		239,794,702	133,429,876
Net profit for settlement guarantee fund		43,890,289	40,496,811
		<b>283,684,991</b>	<b>173,926,687</b>

Misr for Central Clearing, Depository and Registry - S.A.E.

**SEPARATE STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2017

	<i>Note</i>	<i>31/12/2017 L.E.</i>	<i>31/12/2016 L.E.</i>
Net profit for the year:			
Central clearing and depository activities		239,794,702	133,429,876
Settlement guarantee fund		43,890,289	40,496,811
<b><u>Other comprehensive income:</u></b>			
Unrealized gains on foreign exchange from monetary items translation		-	32,307,392
<b>Less:</b>			
Transferred to retained earnings during the year		-	(32,307,392)
<b>Net</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>283,684,991</u>	<u>173,926,687</u>