National Bank of Egypt (UK) Limited

Annual report and financial statements

Registered number 2743734

For the year ended 30 June 2016

Board of Directors
Dr. Farouk Abdel Baki El-Okdah – Chairman
Mr. Hisham Okasha – Deputy Chairman
Mr. Tarek Hassan Nour Eldin Aly Amer – Chief Executive Officer and Managing Director (resigned on 26 November 2015).
Mr. Mokhtar Abdel Gawad El Shennawy – Acting Managing Director
Mr. Mahmoud Montaser
Mr. Raymond Seamer
Mr. Nicholas Beecroft
Mr. Hussein Ismail El Rafaie
Dr. Ziad Bahaa-Eldin

Company Secretary
Dentons Secretaries Ltd

Management Committee
Dr. Farouk Abdel Baki El-Okdah – Chairman
Mr. Hisham Okasha – Deputy Chairman
Mr. Tarek Hassan Nour Eldin Aly Amer – Chief Executive Officer and Managing Director (resigned on 26 November 2015)
Mr. Mokhtar Abdel Gawad El Shennawy – Acting Managing Director
Mr. Ismail Saleh – General Manager

Management Committee Secretary
Mr. Ahmed Maksoud – Deputy General Manager and Risk Officer

Audit and Risk Committee
Mr. Raymond Seamer – Chairman
Mr. Nicholas Beecroft
Mr. El Sharif Abdel Razik (ceased to be a member on 11 March 2016)
Dr. Ziad Bahaa-Eldin (Appointed as a member on 11 March)

Audit Committee Secretary
Mr. Brian William Turner – Head of Internal Audit

Solicitors
Dentons
One Fleet Place,
London, EC4M 7WS.

Auditor
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Hill House,
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National Bank of Egypt (UK) Limited
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Registered in England No. 2743734

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CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it gives me great pleasure to present the audited annual report and financial statements of National Bank of Egypt (UK) Limited ("NBEUK") for the year ending 30 June 2016.

During the year under review uncertainty has continued and recovery from the global downturn continues, but at a slow pace. The global financial system was challenged on several fronts in 2015/2016. Most notably, higher political risks surfaced surrounding negotiations about a new Greek financial assistance programme while later in the year and in early 2016, global and euro stock markets suffered a spill over from correction in Chinas stock prices. China experienced a slowdown in economic growth and revised its GDP forecasts downward. Oil, gas and base materials experienced declines. Financial stability concerns increased across number of emerging markets economies. In contrast to the Asian crisis in the late 1990s, most emerging markets economies now have smaller macro-financial imbalance, stronger macro-economic policy frameworks, more flexible exchange rate regimes and larger buffers (particularly substantial foreign exchange reserves). However, macro-economic fragilities are still present and there are signals about increased risks for financial systems in in the future. Highly indebted foreign-currency borrowers may be vulnerable to financial conditions in the United States and other advanced economies-.

The concern is that the UK economy will become more challenging in 2016. The UK's economy reported a reduced trade deficit towards the end of the year. In 2015, the trade deficit narrowed to £34.7bn as a total value of the country's oil imports fell due to weaker oil prices. Exports fell, however, by £10bn, or 0.2%, to £512.4bn. Coupled with preferential shift away from the UK as a manufacturing hub, hopes of a UK recovery driven by manufacturing export are dwindling. Year on year, growth has slowed slightly compared to 2014. In 2015, GDP growth averaged 2.2% on an annual basis, above the Office for Budget Responsibility's estimated 2.1% growth in output for 2015 as a whole. The unemployment rate at the year end reduced from 5.7% in the previous year to 5.1%, the lowest in has been over a decade. The service sector, which accounts for about three-quarters of activity in the UK's private sector, remains the key contributor to growth. GDP growth is estimated at 2.6% in 2017 and 2.7% in 2018. This is an improvement on both 2014 and 2015, and shows the UK continuing in the right direction for a full economic recovery.

The Bank has to remain cautious, though, as potential upcoming challenges and risk to full recovery in the UK include the recent outcome of the referendum votes for the UK to leave the EU, foreign policy on Greek debt, economic instability in Russia and Brazil, Crisis and continued conflict in Syria and subdued growth in emerging markets such as China. Adding to this widespread market instability, NBEUK's core markets presented their own challenges, not least in the context of the continuing difficult political and business environment in the bank's target markets.

The unexpected Brexit win has cascaded across international financial markets. The GBP has taken an unprecedented one day hit, taking it down to levels against the dollar last seen in the mid- 1980s (from 1.50 to 1.33). While financial markets are now starting to absorb the immediate Brexit shock, the outlook of the British economy is bleak, with massive uncertainty about the depth and length of the slowdown which expected to be long lasting. The deteriorated GBP exchange rate has inflated our balance sheet where more than 80% of the bank's assets are denominated in US Dollars. After the initial sharp reaction to Brexit, financial markets have stabilized and emerging Europe assets have rebounded somewhat. Brexit, however, will reverberate in the region for years to come, with capital flows likely reducing and the political situation becoming more fragmented

NBEUK's core markets also continued to be challenging with difficult regional, political and business environments. Although the financial performance for 2015/2016 did not meet our expectations, we achieved an encouraging net interest income figure £9.2mn, or 39.69% increase over 2014/2015 levels, reflecting the bank's strategy to restore the historical trend of the income split between interest income and fee income at 75% and 25% structure. During the year under review, trade finance fees and commission income declined significantly to £5mn compared to £13mn a year earlier caused by the reduction in value and volume of the oil letters of credit business. Thus NBEUK posted a reasonable profit performance evidenced with a reduced operating profit to GBP14.3mn compared to GBP18.7mn or 23.53% % lower than its level in 2014/2015. Subsequently we realised a net profit after tax of GBP4.6mn compared to GBP7.9.mn a year earlier.

We have continued to focus on high asset quality, improving the diversity of our lending profile while maintaining our robust risk management processes to minimise shareholder exposure whilst ensuring enhanced shareholders' return and we continue to closely monitor the global macroeconomic events proactively as these play a key role in determining our financial projections and budget for the year ahead.

The regulatory environment remained challenging with the introduction of the Delegated Act by the European Commission for Liquidity Management coupled with the PRA's related CRD IV Liquidity Policy and Supervisory Statements together with the introduction of liquidity Pillar 2 add-ons which were implemented in October 2015. More stringent rules in relation to capital adequacy were introduced to ensure more resilient UK financial institutions with enhanced Pillar 2A and 2B capital, the PRA buffer, liquidity coverage ratio, net stable funding ratio to reflect the name-specific risk of regulated firms. The introduction of the new Senior Managers and Certification Regime, the Conduct and Cultural Risk Practises and Deposit Protection Revised Scheme and Recovery and Resolution directives will continue to add more evolving regulatory requirements to ensure banks are better prepared for future financial crisis. The Bank continues to benefit from the strong capital adequacy and liquidity positions with full compliance in relation to the new and additional reporting requirements as both the Board and Management continue to promote and maintain sound internal control and corporate governance in compliance with applicable regulations.

The Bank's risk appetite has been revised in line with the approved strategy and the Bank has delivered enhanced Risk Management infrastructure, framework and practices with the risk limits and policies aligned to the yearly budget and day to day running of business to protect the interest of the Bank's customers and its stakeholders. The Bank - will continue to be proactive in responding to the ongoing economic recovery and more stringent regulatory developments through its conservative approach to risk and business.

On behalf of the Board of Directors, I would like to express my thanks to the Bank's Management and staff for their valuable contribution to NBEUK's success in 2016 and we look forward to further improvements to the Bank's results in the year ahead.

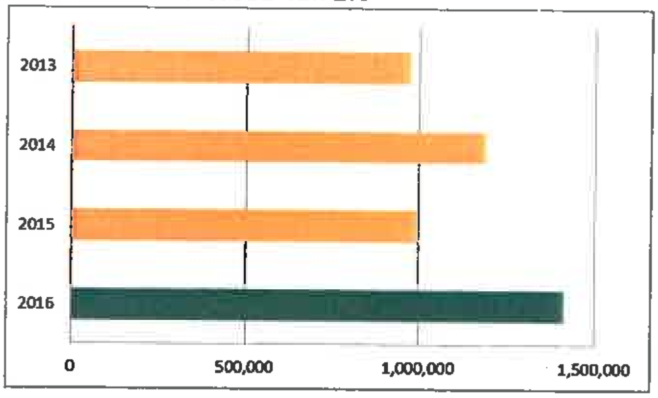
Dr. Farouk A. El Okdah
Chairman

Financial Highlights

Total Assets

£1,414,807,297

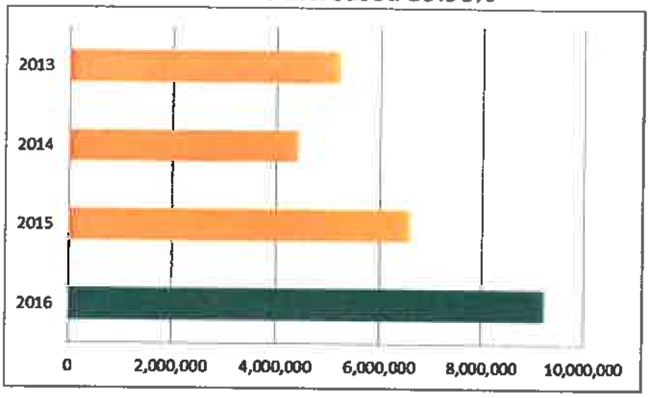
Total assets increased 41.72%



Net Interest Income

£9,228,638

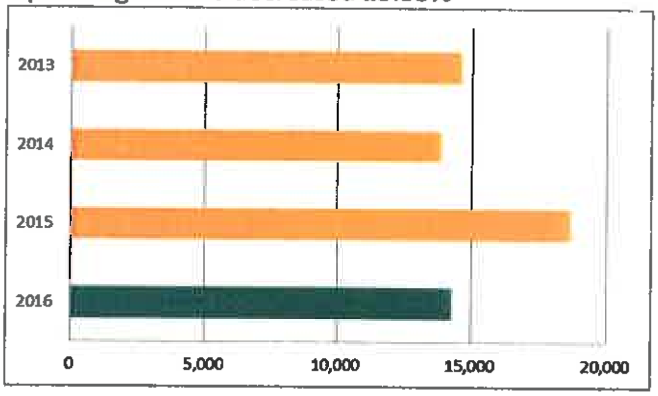
Net interest income increased 39.96%



Operating Income

£14,318,746

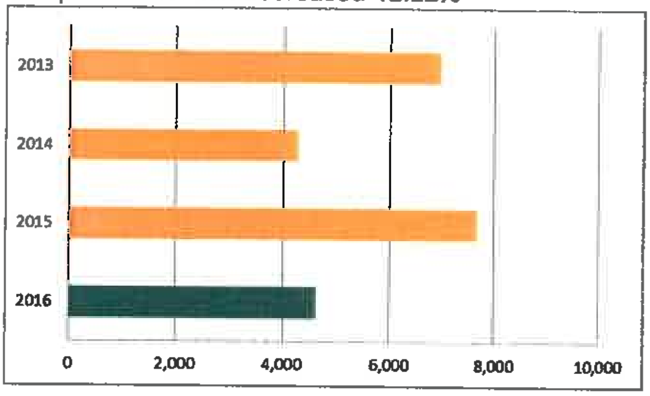
Operating income decreased 23.53%



Net Profit after tax

£4,637,174

Net profit after tax decreased 41.12%



£000's

	2016	2015	2014	2013
Financial Position				
Operating income	14,319	18,724	13,944	14,671
Net profit	4,637	7,875	4,291	6,981
Total assets	1,414,807	998,309	1,191,032	975,497
Total investments	662,460	507,016	583,487	547,497
Total loans to customer	98,348	88,887	68,111	89,075
Shareholders' funds	138,090	142,166	134,291	136,981
Tier 1 & 2 capital (eligible capital)	156,593	153,368	151,829	149,733
Ratios %				
Capital adequacy	21.89%	32.63%	31.13%	46.19%
Cost income ratio	61.57%	46.76%	56.65%	46.89%
Return on equity	3.57%	6.06%	3.30%	5.37%
Return on shareholders' funds	3.36%	5.40%	3.20%	5.10%

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Strategic Report

NBE UK was granted on 24 December 1992 the status of authorised institution under the UK Banking Act 1987 (since superseded by the Financial Services and Markets Act of 2000).

The Bank is a wholly-owned subsidiary of the National Bank of Egypt, 1187 Corniche El Nil Street, Cairo, Egypt. NBEUK is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

The Company provides general banking services in the United Kingdom to private and public sector customers, particularly to the Egyptian community, and conducts international banking business world-wide. The Company participates actively in the inter-bank, foreign exchange and syndicated loans markets and in the finance of international trade and invests in gilt-edged securities and floating rate notes.

The Bank's approved three year strategic business plan 2016-2017 sets out the key financial objectives to restore the Bank's historical interest income trend and improve the overall profitability and earnings. According to the approved strategy, NBEUK's mission is to provide world-class international banking services to Egyptian and Middle Eastern related businesses and governmental agencies and in doing so, become the first choice UK and European bank for Egyptian counterparties and other relationships from the Gulf region and North Africa. With our strong base of experience and market presence, we aim to grow each of our various strategic business lines in both market and product extensions.

The Bank's primary business objective is to provide a range of banking services to both its UK and international customers. Its strategy for doing so is as follows:

- protect the Bank's capital and liquidity in line with PRA and FCA guidelines, and within internal risk management policies, with minimal exposure to market risk;
- to provide lending in trade finance to both financial institutions and large commodity corporate clients involved in trade predominantly to or from the Middle East and growing emerging markets;
- increase loans and advances, including syndicated facilities, and to be used as a penetrating tool for the purpose of future enhancement of trade relationships with NBEUK's existing counterparties and other future targeted relationships;
- to provide treasury services to customers and counterparties ; and
- to maintain asset quality whereby the overall investment grade of the balance sheet will be around 70%.

The strategy drivers are based on the strength of our parent in their home market, Egypt, combined with our historical experience in emerging markets in terms of sourcing business and accepting risk. In addition we are intent on building our funding base to be diversified, whilst maintaining liquidity and meeting all Regulatory requirements.

NBEUK operates a simple banking model. Primarily we take deposits from customers and then lend to borrowers through our various business units. Deposits are taken from governmental agencies, individuals, financial institutions and corporate businesses both in Egypt and the UK. NBEUK accumulates funds from deposits, equity and debt capital and these are lent to corporate business and financial institutions through different bank business channels e.g. Loans, debt securities, trade finance and money market lending.

As a wholly-owned subsidiary of National Bank of Egypt, NBEUK is adequately funded by the sole shareholders.

Business Model

The Bank operates a number of business lines which are described below:

Customer Services: The Company offers banking services in the UK to Egyptian nationals, Egyptian embassies and related offices and Egyptian corporate customers operating primarily outside Egypt. The Customer Services area is able to offer fixed term deposits, plus current account services.

Lending: Syndicated loans are provided for general funding requirements to banks, corporates and sovereign entities. Bilateral and direct loans to customers are to support working capital financing, capital expenditure and trading activities. The bank is looking to rebuild this business in 2016/17 after the financial crisis. The Bank also offers corporate and institutional banking facilities to correspondent banks.

Treasury: Treasury activity focused primarily on liquidity management, including the management of a portfolio of investments to assist with liquidity and enhance income, despite the previous difficult interest rate market conditions. The Treasury team operates a non- trading book. Foreign exchange services in all major currencies are also offered through traditional interbank channels within pre-determined risk limits. The Treasury team also manages the bank's interest rate exposure, under set internal policies.

Documentary Credits: These activities have continued to be expanded internationally from the traditional Egyptian markets over the last few years, and there are both corporate and financial institutions as customers. The business includes issuing, advising and confirming letters of credit and guarantees.

Business Review

As at 30 June 2016, the Company has total assets of £1,415M. This was an increase from the previous year's total assets of £998m or 42% higher, due to a significant increase - in customer and bank deposits during the year under review together with the impact of the post Brexit vote whereby the Sterling Pound currency exchange rate deteriorated against the US Dollar which has inflated the bank's balance sheet where more than 80% of the assets are denominated in US Dollars. The company made a profit after tax of £4.6M, compared to £7.9m the previous year. The banking market did recover slightly, but margins and trade finance fee income were particularly challenging.

The net interest income increased from £6.6M in 2014/15 to £9.2M or an increase of 39.96% in 2015/16 reflecting the bank's strategy to restore the historical trend of the income split between interest income and fee income at 75% and 25% structure. – however fees and commissions declined to £5.3M from £13M or a decrease of 59.02% due to the reduced volume and pricing of the trade finance business during the year under review..

The company maintained its traditional strengths during the year in terms of stable funding, adequate liquidity and robust capitalisation. The Company continues to be well positioned to take advantage of the potential opportunities in the coming year and pursue its business objectives in a prudent and focused manner.

Financial results

The financial statements for the year, ended 30 June 2016 are shown on pages 21 to 24. The profit after taxation for the year amounts to £4,637,173 (2016: £7,875,220).

Financial Highlights 2015/16

Year on year, operating income of £14,318,746 (2015:18,723,891) was 23.53% lower than last year due to the significant reduction in fees and commission income. There was an increase in net interest income of 39.96% to £9,228,638 (2015: 6,593,534). Non-interest income declined at 59.02% - from £12,130,357 in 2015 to £5,090,108 in 2016.

Operating expenses increased from £8,756,002 in 2015 to £8,816,655 in 2016.

The tax charge decreased from £2,092,669 in 2015 to £1,153,518 in 2016, in line with the declined operating profit for the year.

Total assets, at £1,414,807,297 were £416,498,089 or higher 41.72% - than the previous year.

Management Process

The Bank's performance is measured against a number of Key Performance Indicators (KPI's): Total assets, net profit, operating income, cost income ratio, net interest income, total deposits and return on Equity. The principal measurement is profitability against a predetermined budget which is set annually. Income results for the business are distributed daily, monthly and annually and are monitored closely by the Bank's senior management. The Directors of the bank receive profitability results at each board meeting, where a comprehensive review is undertaken. Other KPIs are also reported regularly, such as Capital Adequacy, net interest income and Liquidity. Regular stress tests (quarterly and with the capacity to increase the frequency of these tests in special circumstances, such as volatile market conditions or where requested by the regulatory body or by Senior Management and Board of Directors) are performed and reviewed on Capital positions and Liquidity by ALCO (Asset and Liability Committee), and senior management. Risk and Audits reports are prepared quarterly for the Audit and Risk Committee to review. In addition to the annual report, the MLRO provides monthly management information to Senior and Executive Management.

All exposures are managed within risk appetite parameters and policies agreed by the Board of Directors. Day-to-day exposure is monitored by Credit Control (for credit risk), and Financial Control (Capital and Liquidity) reporting any findings to the Risk Management Officer. The Board of Directors and Management continue to promote and maintain an effective corporate governance structure in compliance with the applicable regulatory requirements.

Expense payments follow guidelines set out in the Expense policy, and are regularly reviewed.

Principal Risks and Uncertainties

Within our simple business model, there are a number of potential risks and uncertainties that could have a severe impact on the Bank's performance and could cause actual results to differ materially from expected and historical achievements. NBEUK has a responsibility to identify these risks, understand the risks through analysis and put measures in place to mitigate these risks. This is to ensure that there are processes in place to minimise its impact.

The Board of Directors and Executive Management promote a responsible approach to risk, whereby the overall risk appetite is established by the Board and reviewed on a regular basis. Such appetite for risk is always governed by high quality risk assets, a diverse lending portfolio, with a central oversight across the Bank to ensure that the full spectrum of risks NBEUK is exposed to are adequately identified, measured, assessed, monitored, controlled and reported. The Risk Management function is complemented by all departments, business units and Board Committees in the process and management of certain categories of risks as detailed below.

The responsibility of Risk Management is fully vested in the Board of Directors, which in turn delegates this to Senior Management and the Board's Committees. NBEUK's management ensures that risk and risk management awareness is fully adhered to at all times. NBEUK avoids any business where associated risks cannot be objectively assessed, measured or managed. Various investment strategies and derivatives are used to mitigate the risks the Bank is exposed to and optimise investment performance.

The key risks inherent in our business model are:

- **Credit Risk**

The Bank is exposed to credit risk, in that a counterparty will fail to fulfil their obligations. Where the lending is unsecured, collateral is requested to minimise the risk of default by a customer. Credit risk is managed proactively by a robust Credit department and a Credit Committee comprised of senior management. Under the Capital Requirements Directive, the Company has adopted the Standardised Approach to credit risk.

Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial obligations, resulting in a default situation and loss event. This risk is the main category of risk NBEUK is exposed to. Credit risk comprises counterparty risk, settlement risk and concentration risk. These risks arise in the Bank's normal course of business.

Over the last year, NBEUK has focused on operating within an environment and with counterparties with which it is not only familiar, but also comfortable. The focus has been on familiarising the business with its existing customers while continuing to gradually increase its market share within growing emerging markets - particularly for trade finance business.

The approach to credit risk management is based on the foundation to preserve the independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits and approval structure which guide the day-to-day initiation and management of the Bank's credit risk exposures. This approach comprises credit limits which are established for all customers after a careful assessment of their credit standing. This has enabled a greater understanding of the risks involved within the existing portfolios, while making sure an in-depth analysis and review is undertaken of new and existing transactions. Conscious efforts have also been made to increase staff awareness on risk factors within transactions.

- **Market Risk**

Market risk is the risk of a change in the market value, earnings or future cash flows of a portfolio of financial instruments, caused by the movements in market variables such as bond, equity or commodity prices, interest and exchange rates. NBEUK does not undertake proprietary trading activities therefore, no trading book is maintained.

Market risk exists for NBEUK where it holds securities that are affected by market fluctuations. Its investment and debt securities are held to maturity and therefore FRN's and other securities prices are of less concern. NBEUK is exposed through daily currency open positions, but this is mitigated by the restrictions placed on the maximum position allowed on each currency and enforced stop-loss positions.

The interest rate risk is managed as part of the daily monitoring within predetermined limits approved by the FCA. The majority of our interest-bearing liabilities and assets are based on floating rates, and so any interest rate mismatch is removed. Also, the majority of assets and liabilities are short dated, and therefore not subject to interest rate risk.

- **Liquidity Risk**

Liquidity risk is when NBEUK is unable to retain or create sufficient cash resources to meet its commitment. This happens when there is a shortfall in the amount available to NBEUK and the amount due to be paid out, which could either be due to a mismatch in funding versus deposits or a lack of liquid assets.

Daily monitoring is undertaken to make sure there is a good mix of wholesale and retail deposits coupled with the support of a strong stock of high quality liquid assets, including High quality Liquid Asset Buffer ("HQLA") which has been a dependable source of liquidity.

Liquidity risk is covered under the Bank's "Individual Liquidity Adequacy Assessment Process ("ILAAP") policy and regular stress tests are undertaken to ensure that we remain liquid at all times. Under the liquidity regulations the Company has fully implemented the requirements for liquidity risk management including systems and controls. During the year under review the Company's approach to the liquidity risk management was reviewed and documented in a revised comprehensive "Individual Liquidity Adequacy Assessment Process ("ILAAP") document, drawn up in accordance with the regulatory requirements. This document describes the Company's liquidity risk tolerance, including the methodologies for ensuring that risk is restricted within that tolerance. It analyses the sources of liquidity risk, and describes the assumptions and approach taken to stress testing in light of those risks. It also incorporates the Company's liquidity contingency funding plans, liquid asset buffer and identifies those risks which have the potential to cause the Company to fail (reverse stress tests), as demanded by regulatory requirements.

- **Operational Risk**

Operational risk is defined as the "risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events". However, a defined operational risk management framework is effectively applied within the Bank, coupled with a high awareness of the underlying causes of operational risk at all levels within the business units, results in a control environment which is able to evolve with changing business needs, thereby ensuring operational losses within the business are kept to a minimum.

NBEUK has placed particular emphasis on improving in this area in recent years and has put in place both the structure and personnel to ensure steady and continual movement towards meeting this objective.

Operational risk is managed by all operational areas of the Bank on a day-to-day basis, but with oversight from Financial Control, Risk, and Internal Audit.

- **Regulatory Risk**

Regulatory risk is the risk to earnings, capital and reputation associated with a failure to comply with an increasing array of regulatory requirements and expectations from banking regulators.

Regulatory risk governance - begins at the Board level and cascade throughout the Bank. NBEUK ensures there is governance through its compliance and audit functions, which in turn ensures there is discipline and adherence towards maintaining regulatory requirements, while also deploying the effective resources needed to achieve them. In this way regulatory risk is minimised whilst the objective of NBEUK is taken into consideration and not hindered.

The Bank operates in a highly regulated environment and is therefore subject to regulatory risk in that it may find it does not comply with some aspect of the regulations, or wrongly reports figures to the regulators. Changes to the regulations are made frequently, and the Bank's Financial Control and Risk areas ensure that the Bank is compliant with the rules at all times. This risk is also mitigated by regular contact with the company's auditor, membership of trade organisations and various professional bodies. The regulatory environment during the year under review remained as challenging as the previous years, especially with the advent of COREP, as UK regulators, together with other global regulators, continued to collaborate to establish more stringent banking rules in order to ensure banks are maintaining adequate capital and liquidity to survive any further global crisis and to promote financial stability going forward. Measures were implemented by the PRA and FCA to increase regulations within the financial sector, one of which included the requirements for recovery plans and resolution packs (RRP), which the Bank has updated, re-produced and re-submitted to the UK regulatory body during the year under review. Under the terms of the - approved capital directives (CRD IV), implementation of Basel III is largely complete which plays a significant role in determining how the Bank and other financial institutions globally undertake their business going forward. The introduced regulations require the Bank to apply common reporting standards (COREP) for capital adequacy, liquidity adequacy, leverage, liquidity coverage ratio, and net stable funding ratio, additional liquidity monitoring metrics and large exposures which involves significant system and control processes.

The year under review continued to witness some significant regulatory changes in the UK banking industry. To ensure that the Bank remain proactive, and not reactive, to such changes we have a number of measures to enhance our commitment to our customers. The Bank has always been committed to treating our customers fairly and have an agreed measures, polices and internal governance to regularly review and monitor the application of treating the customers fairly and of conduct risk to all aspects of the Bank's customer business, with the aim of ensuring that management information is adequate to monitor the effectiveness of systems and controls designed to deliver fair treatment of customers.

The Banking Reform Act received Royal assent in December 2013. It brings into law structural and cultural changes to the banking system, by:

- Introducing a ' ring-fence' around the deposits of people and small business, to separate the high street from trading floor and protect taxpayers when things go wrong;
- Making sure the new Prudential Regulation Authority can hold banks to account for the way the separate their retail and investment activities, giving it powers to enforce the full separation of individual banks;
- Imposing higher standards of conduct on banking industry by introducing a criminal sanction for misconduct that leads to bank failure;
- Giving depositors, protected under the Financial Services Compensation Scheme, preference if a bank enters insolvency;
- Giving the government power to ensure that banks are more able to absorb losses and remain self-sufficient at all time.

The year also witnessed the introduction and implementation of the Senior Managers and Certification regimes to all sectors of the financial services industry, replacing the discredited Approved Persons Regime. The key features of the introduced regimes are:

- An approval regime focused on senior management, with requirements on firms to submit robust documentation on the scope of those individuals responsibilities;

- A statutory requirement for senior managers to take responsible steps to prevent regulatory breaches in their areas of responsibility;
- A requirement on firms to certify as fit and proper any individual who performs a function that could cause significant harm to the firm or its customers, both on recruitment and annually thereafter;
- A power for the regulator to apply enforceable Rules of Conduct to any individual who can impact their respective statutory objectives.

The Bank has identified, allocated and submitted the necessary applications for all selected senior managers at both grandfathering stage and after the effective date with the senior managers and certification staff training provided to all relevant staff to demonstrate their understanding of this important area.

- **IT System and Control Risk**

IT/Systems risk is the risk of a failure or an issue arising within a bank's primary systems, which might hinder the functionality of the business with unforeseeable consequences and eventually lead to a loss of revenue to the business.

NBEUK understands the risk and reputation risk, addresses the issues and maintains the most up to date systems and anti-virus software to ensure a high level of IT security is sustained. The Bank has internal controls and monitoring systems in place around operations and IT related projects and enhancements.

The Bank has an established integrated Risk Management Function that clearly assigns ownership and management of specific risks to business units heads and senior management. This ensures that all of the principal risks are defined and recognised and that policies and procedures are in place to mitigate any such risk. The Company's risks are managed taking into account several main principles, including management responsibilities for the management of risk and controls, assessment and measurement of all identified risks with acceptable balance between risk versus return, and undertaking an annual review of risk policies and the control framework to ensure optimal capital allocation and utilisation for relevant risks.

As at 30 June 2016 and during the year, NBEUK held adequate capital as required by the Prudential Regulation Authority. The Bank's regulatory capital resources as at 30 June 2016 including retained profit was as follows:

	June 2015 £000's	**June 2016 £000's**
Tier 1 Capital	134,291	134,260
Tier 2 Capital	19,077	22,333
Total eligible capital resources	153,368	156,593

Tier 1 capital comprises share capital and the retained profit at the year-end 30 June 2016. Tier 2 capital comprises mainly issued term subordinated debt from the parent company for USD30 million.

The following table provides both the overall minimum capital requirements and capital adequacy position calculated in accordance with regulatory rules (the Pillar 1 requirements) in addition to NBEUK assessments of the Pillar 2 capital requests at the year-end:

	June 2015 £000's	June 2016 £000's
Credit risk capital	37,598	54,604
Market risk capital	9	86
Counterparty risk capital	72	110
Operational risk	2,424	2,418
Total Pillar 1 Capital	40,103	57,218
Total Pillar 2A Capital	33,285	47,490
Total Capital Requirements	73,388	104,708

Risk weighted assets (RWA) were higher as at 30 June 2016 in view of the increase in the balance sheet size, together with some increases in the average weightings applied to certain categories of the exposures. This increase in RWA led to a reduction in the amount of our capital surplus, the capital adequacy ratio and the leverage ratio as follows:

	June 2015	June 2016
Capital surplus (£000's)	79,980	51,885
Capital adequacy ratio	32.63%	21.89%
Leverage ratio	12.86%	9.17%

The Company was in compliance with the ICG requirements throughout the year including the requirements for the PRA buffer or the Capital Planning Buffer ("CPB").

The Bank maintains sufficient liquidity to meet all known and likely demands which could be made upon it by its clients and ensures that such liquidity is available on a day-to-day basis in accordance with the liquidity guidelines and rules as set out in the approved ILAAP.

Systematically, most developed financial markets improved during the year and as the year progresses, confidence in emerging markets began to wane particularly as reflected in the reduction of the quantitative easing in the USA and the UK.
The Bank regards itself as a stand-alone entity, not relying on any related party for future liquidity support in the event of stress. Liquidity is managed by the Bank's Treasury operation, overseen and guided by ALCO, Senior Management and reporting to the Management Committee and the Board of Directors.

The market risk the Bank has is kept to a minimum, with careful monitoring of our investment portfolio, and fixed rate investments are hedged with interest rate swaps which are now subject to the FRS102 accounting standard.

Further details of the Company's risk management policies, procedures and exposures, in compliance with the Pillar 3 requirements of the Capital Requirements Directive, are published on the Company's website, www.nbeuk.com.

The basis of the assessment of the Bank as a going concern is mentioned within the Directors' report.

Future Developments

The Directors expect the general activity to increase in the coming year. It is expected that our loan books are rebuilt, our assets and liabilities diversified to other geographic region, however, our risks continued to be controlled and monitored, and our regulatory requirements fulfilled. It is also expected that staffing levels are reviewed and resources realigned with the future needs to meet the Bank's strategy and plans. It is not foreseen that the balance sheet will grow substantially, but gradually as the Bank takes on more

profitable assets. However the balance sheet total was inflated, following from the immediate Brexit shock whereby the Sterling Pound foreign exchange rate deteriorated to 1.33 against the US Dollar at the yearend.
The Bank has to remain cautious, though, as potential upcoming challenges and risk to full recovery in the UK include the recent outcome of the referendum votes for the UK to leave the EU, foreign policy on Greek debt, economic instability in Russia and Brazil, Crisis and continued conflict in Syria and subdued growth in emerging markets such as China. Adding to this widespread market instability, NBEUK's core markets presented their own challenges, not least in the context of the continuing difficult political and business environment in the bank's target markets.

The subsequent Brexit decision resulted in the Board calling an emergency meeting on 22nd July 2016. Despite the negative reaction that the decision to leave the EU was having on the financial markets, specifically the Foreign Exchange Markets; where the Sterling (GBP) FX rate fell to a level against the dollar last seen in the mid- 1980s (from 1.50 to 1.33) there had been no dramatic impact on NBEUK, with NBEUK being able to inform the PRA that they were above all their liquidity and capital adequacy thresholds. The Board recognised the importance of the Bank proceeding cautiously, and that appropriate contingency plans were required to be put in place. It was confirmed that the board of National Bank of Egypt, the Parent Company had formally approved the provision of a USD30 million subordinated loan to NBEUK, to satisfy any additional support to the Bank's capital resources should the currency exchange rate fell as projected to around 1.20 against the US Dollar.

By order of the board

Dentons Secretaries Limited

Dentons Secretaries Limited
Company Secretary

11 Waterloo Place
London SW1Y 4AU
7 September 2016

Directors' report

The Directors of National Bank of Egypt (UK) Limited ("the Company") have pleasure in presenting their annual report, together with the financial statements and auditor's report, for the year ended 30 June 2016.

Directors

The names of the Directors as at the date of this report and those who served during the year and to the date of this report are as follows:

Dr Farouk Abdel Baki El-Okdah, Chairman
Mr Hisham Ahmed Okasha, Deputy Chairman
Mr Tarek Hassan Nour Eldin Aly Amer, Chief Executive Officer and Managing Director (resigned on 26 November 2015)
Mr Mokhtar Abdel Gawad El Shennawy, Acting Managing Director
Dr Ziad Ahmed Bahaa-Eldin
Mr Raymond Seamer
Mr Mahmoud Montaser Al-Asfar
Mr Nicholas Charles Beecroft
Mr Hussein Ismail El Refaie

Dentons Secretaries Limited – Company Secretary

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Share Capital

During the year, the Company's authorised share capital remained unchanged at £200,000,000. As at the reporting date Issued Share Capital, fully paid, amounted to £130,000,000 (2015: £130,000,000). Details of the Company's share capital are given in note 15.

Employees

As at 30 June 2016 the Company had an average of 64 (2015: 61) employees. Employees' compensation is related to performance and the Company encourages the involvement of all employees in the overall performance and profitability of the Company through an objectives-based appraisal system which focuses on qualitative as well as quantitative factors. The Company has a pension scheme whereby members are entitled to a minimum of 10% contribution of their basic salary to the Group Personal Pension scheme. All employees enjoy life insurance cover to the extent of four times their basic salary. The Company also has a private medical insurance scheme, which covers employees and their dependants.
The Company believes that it enjoys a good relationship with its staff.

Political and charitable contributions

The Company made no political contributions (2015: nil) and charitable contributions of £250 (2015: nil) during the year.

Dividend

The Directors recommend that the net profit of £4,637,173 to be retained based on the 2016 financial statements (2015: dividend paid £8,713,438).

Going Concern

The financial statements are prepared on the going concern basis. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions covering principal activities, strategic directions and challenges and uncertainties together with a review of the income statement, financial position and risk profile. In addition the Directors have considered the future projections of profitability, cash flows, asset quality, the outcome of various stress tests and capital resources in making their assessment. The Company is a wholly-owned subsidiary of National Bank of Egypt and the parent has shown continued support during the year by continuing to provide a line of credit amounting toUSD30 million. The latter is in the form of subordinated debt and is for the term of 10 years, which was drawn down for the first time in November 2010. The Bank is liable to pay interest at Libor plus 2% on any drawn amount.

The Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. The political and economic conditions in Egypt have improved in the last few months and the Directors are comfortable that such positive developments and noticeable stability will be positively reflected on the Bank's performance during 2016. Such a conclusion will be extended to cover the going concern assumptions and outcome inherent on the issued statement given that the Bank regards itself as a stand-alone, self-sufficient UK entity with adequate capital and liquidity resources that are sufficient in amount and quality to mitigate any unforeseeable implications of any uncertainties.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.
A resolution to reappoint Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Dentons Secretaries Limited

Dentons Secretaries Limited
Company Secretary
11 Waterloo Place
London SW1Y 4AU
7 September 2016

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL BANK OF EGYPT (UK) LIMITED

We have audited the financial statements of National Bank of Egypt (UK) Limited for the year ended 30 June 2016 which comprise Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Christopher Brough ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
7 September 2016

Profit and loss account
for the year ended 30 June 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Interest receivable:					
Interest receivable and similar income arising from debt securities		18,897,121		11,729,452	
Other interest receivable and similar income		12,480,248		7,499,057	
			31,377,369		19,228,509
Interest payable			(22,148,731)		(12,634,975)
Net interest income			9,228,638		6,593,534
Fees and commissions receivable			5,259,891		12,965,674
Foreign exchange dealing profits			130,011		186,900
Fair value adjustment on financial instrument	17		(299,794)		(1,022,217)
Operating income			14,318,746		18,723,891
Administrative expenses	2		(5,434,733)		(5,732,887)
Depreciation	10		(159,211)		(169,315)
Other operating charges			(3,222,711)		(2,853,800)
			5,502,091		9,967,889
Net impairment credit/(debit)	8		288,600		-
Profit on ordinary activities before tax	3		5,790,691		9,967,889
Tax charge on profit on ordinary activities	4		(1,153,518)		(2,092,669)
Profit on ordinary activities after tax			4,637,173		7,875,220
Other Comprehensive Income			-		-
Total Comprehensive Income			4,637,173		7,875,220

The result for the year is derived entirely from continuing activities.

There were no other comprehensive incomes in the current year or prior year other than the profit for the year. Accordingly, no separate statement of other comprehensive income has been prepared.

The notes on pages 25 to 45 form part of these financial statements.

Balance sheet
at 30 June 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Assets					
Cash and balances at central banks			215,120		204,100
Loans and advances to banks	6		648,218,515		396,592,559
Loans and advances to customers	7		98,348,431		88,886,805
Debt securities	9		662,459,759		507,015,832
Derivatives	18		475,311		166,148
Tangible fixed assets	10		206,427		333,669
Other assets			639,577		319,360
Prepayments and accrued income			4,244,157		4,790,835
Total assets			1,414,807,297		998,309,308
Liabilities and shareholders' funds					
Deposits by banks	11		913,500,276		140,873,823
Customer accounts	12		320,895,747		677,513,746
Derivatives	18		16,829,681		15,398,581
Other liabilities and deferred income	13		1,573,134		2,407,053
Accruals			1,585,492		873,246
Subordinated debt	23		22,333,060		19,076,688
Shareholders' funds:					
Called up share capital	14	130,000,000		130,000,000	
Profit and loss account		8,089,907		12,166,172	
			138,089,907		142,166,172
Total liabilities and shareholders' funds			1,414,807,297		998,309,308

		2016 £	2015 £
Memorandum items			
Contingent liabilities:			
Acceptances and endorsements		183,855	183,855
Guarantees		1,953,428	1,953,428
Commitments:			
Other commitments	15	75,473,750	51,319,282
		77,611,033	53,456,565

The notes on pages 25 to 45 form part of these financial statements.

These financial statements of National Bank of Egypt (UK) Limited (registered number 2743734) were approved by the Board of Directors and authorised for issue on 7 September 2016 and were signed on its behalf by:

Director Dr Farouk Abdel Baki El-Okdah,
Chairman

Director Mr Mokhtar El Shennawy,
Acting Managing Director

Cash flow statement
for the year ended 30 June 2016

	Notes	2016 £	2015 £
Net cash inflow/(outflow) from operating activities	20	**92,933,482**	(107,000,947)
Taxation		**(1,142,538)**	(2,253,042)
Net cash (outflow)/inflow from investing activities	21	**(96,452,151)**	131,521,941
Net cash flows from dividends paid			
Dividends paid		**(8,713,438)**	-
(Decrease)/Increase in cash in the year		(13,374,646)	22,267,951

Reconciliation of cash and cash equivalents

	At 30/06/2016 £	At 30/06/2015 £
Cash and balances at central banks	**215,120**	204,100
Loans and advances to other banks repayable on demand	**34,145,998**	47,531,664
Total cash and cash equivalents	34,361,118	47,735,764

The notes on pages 25 to 45 form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2016

	Called up share capital	Profit and loss account	Total
	£	£	£
As at 30 June 2015 as per UK GAAP	130,000,000	13,004,390	143,004,390
FRS 102 transitional adjustments (refer to note 25)	-	(838,218)	(838,218)
As at 30 June 2015	**130,000,000**	**12,166,172**	**142,166,172**
As at 30 June 2015	130,000,000	12,166,172	142,166,172
Dividend paid	-	(8,713,438)	(8,713,438)
Profit on ordinary activities after tax	-	4,637,173	4,637,173
As at 30 June 2016	**130,000,000**	**8,089,907**	**138,089,907**

The notes on pages 25 to 45 form part of these financial statements.

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Basis of preparation and accounting convention

National Bank of Egypt (UK) Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the strategic report on pages 7 to 15.

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards and with special provisions of the large and medium-sized companies and groups (accounts and reports) Regulations 2008 relating to banking companies.

The Bank has adopted Financial Reporting Standards 102 ("FRS 102"), the financial reporting standard applicable in the UK and the Republic of Ireland for the yearly financial statements commencing 1 July 2014. The first reporting period will be for the year ended 30 June 2016. The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 25.

The functional currency of National Bank of Egypt (UK) Limited is considered to be pound sterling because that is the currency of the primary economic environment in which the Company operates.

Going Concern

The business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the Directors' report. The Directors' report also describes the financial position of the company, its cash flows, liquidity position and borrowing facilities, the Company's objectives, policies and procedures for managing its capital, its financial risk management objectives, details of financial instruments, hedging activities and its exposure to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(b) Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Debt instruments which meets the following conditions, are subsequently measured at amortised cost using the effective interest method:

(a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both are positive.

(b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

1 Accounting policies *(continued)*

(c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

(d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Financial assets are derecognised when and only when: a) the contractual rights to the cash flow from the financial asset expire or are settled; b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or c) the Company, despite having retained significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(iii) Hedge accounting

The company designates certain derivatives as hedging instruments in respect of the interest rate risk for the fair value movements with recognised fixed rate debt instruments measured at amortised cost.

At inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with the clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge and on an ongoing basis, the Company assesses whether the hedging instrument is highly effective in offsetting the designated hedged risk.

The effective portion of changes in the fair value of the designated hedging instrument is not recognised in the Profit and Loss Account and is offset against the fair value of the hedged item due to interest rate risk. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

1 Accounting policies *(continued)*

(c) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss as described below:

(i) Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher or its fair value less costs to sell and its value in use.

(ii) Financial assets

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

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Loans are designated as non-performing as soon as management has doubt as to the ultimate collectability of principle or interest. When a loan is designated as non-performing, interest will be suspended and a specific provision will be raised if required.

(iii) Specific provisions

Specific provisions represent the quantification of the actual losses from identified accounts and are deducted from loans and advances on the balance sheet. The amount of the specific provision raised is assessed on a case-by-case basis and is the Bank's estimate of the amount needed to reduce the carrying value of the asset to its expected net realisable value.

(iv) General provisions

Consideration is given each year of whether an allowance for inherent losses is required for loans and debt securities for which no evidence of loss has been specifically identified on an individual basis (i.e. incurred but not yet reported) but are known from past experience to have deteriorated since the initial decision to lend or invest was made.

(d) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Income and expenses denominated in foreign currencies are converted into sterling at the month end rate for the month in which these transactions took place.

Forward foreign exchange contracts are valued at the market rates applicable to their respective maturities at the balance sheet date, and the resulting profits or losses included in the profit and loss account for the year. Where the contracts arise as part of a deposit swap, the profits or losses are recognised evenly over the life of the related loans and deposits.

1 **Accounting policies** *(continued)*

(e) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation of tangible fixed assets is provided on a straight-line basis over estimated useful lives as follows:

Long leasehold buildings	20 years
Leasehold improvements	5 - 15 years
Furniture, fixtures and fittings	5 years
Computer hardware and software	3 - 5 years

(f) Interest income and expense

Interest receivable and payable is accrued over the period of the related loans and deposits.

(g) Fees and commission receivable

Fees and commission receivable which represent a return for services provided or risk borne are credited to income when the related service is performed or over the period that the service is provided.

(h) Fees and commission payable

Fees and commissions payable on borrowings are charged to the profit and loss account when the related service is performed or over the life of the borrowing.

(i) Taxation

Current tax is provided on amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes and which have arisen but not reversed by the balance sheet date, except as otherwise required by Section 29 FRS 102.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(j) Pension costs

The Company operates a defined contribution pension scheme. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

(k) Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease, even if the payments are not made on such a basis.

Notes *(continued)*

2 Administrative expenses

	2016 £	2015 £
Staff costs:		
Wages and salaries	**4,171,557**	4,349,382
Social security costs	**427,330**	484,692
Other pension costs	**347,395**	395,520
Other staff costs	**452,921**	484,817
Other administrative expenses	**35,530**	18,476
	5,434,733	5,732,887

The Company currently participates in the National Bank of Egypt (UK) Limited Pension Scheme which is a defined contribution scheme.

The monthly average number of persons employed by the Company during the year was 64 (2015: 61).

3 Profit on ordinary activities before tax

(a) Is stated after charging:

	2016 £	2015 £
Audit Fees		
Fees payable to the Company's auditor for the audit of Company's annual accounts	**95,000**	90,000
Fees payable in respect of prior year audit (2015)	-	5,327
Total audit fees	**95,000**	95,327
Non-audit Fees		
Taxation compliance services	**6,667**	8,000
Other taxation advisory services	**8,750**	425
All other services	**13,774**	9,191
Total non-audit fees	**29,191**	17,616
Depreciation of tangible fixed assets	**159,211**	169,315
Operating lease rentals		
Operating lease rentals were:		
Land and building	**430,531**	468,849
Others	**7,580**	17,829
Total operating lease rentals	**438,111**	486,678

(b) Segmental reporting

The Company has one class of business and all other services provided are ancillary to this. All business is conducted from the United Kingdom.

4 Taxation

(a) Details of (assets and payments) and liabilities and receipts:

	30 June 2015	Prior year charge/ (credit)	Brought forward per computation	Receipts/ (payments) & other credits	Charge/ (credit) to Profit and Loss	30 June 2016
Current tax:						
Corp tax payable						
Current year				(670,000)	1,179,779	509,779
Year to 30 June 2015	496,800	(3,400)	493,400	(493,400)		
Prior year tax charge					(3,400)	
	496,800	**(3,400)**	**493,400**	**(1,163,400)**	**1,176,379**	**509,779**
Deferred tax:						
Fixed asset timing differences	30,924	3,406	34,330		(26,268)	8,062
Timing differences	(183,999)					(183,999)
Prior year charge					3,406	
	(153,075)	**3,406**	**34,330**		**(22,862)**	**(175,937)**
Total	**343,725**	**6**	**527,730**	**(1,163,400)**	**1,153,517**	**333,842**

Notes *(continued)*

4 Taxation ***(continued)***

(b) Current tax and deferred tax:

Current tax:	
UK corporation tax on profits for the period	1,179,779
Adjustment in respect of previous periods	(3,400)
Total current tax	**1,176,379**
Deferred tax:	
Origination and reversal of timing differences	(25,372)
Adjustment in respect of previous period	3,406
Effect of changes in tax rates	(896)
Total deferred tax	**(22,862)**
Total tax per income statement	**1,153,517**

The charge for the year can be reconciled to the profit per the income statement as follows:

Profit for the period – continuing operations	5,790,691
Tax on profit at standard UK tax rate of 20.00% (2015: 20.75%)	1,158,138
Effects of:	
Expenses not deductible	2,269
Income not taxable	(6,000)
Adjustments from previous period	6
Tax rate changes	(896)
Tax charge for the period	**1,153,517**
Income tax expenses reported in the income statement	**1,153,517**

4 Taxation *(continued)*

(c) Note to the accounts – Balance sheet amounts

	30 June 2016
Current liabilities:	
Corporation tax	509,779
	509,779
Deferred tax (assets)/liabilities:	
Provision at start of period	(153,075)
Adjustment in respect of prior year	3,406
Deferred tax charge to income statement for the period	(26,268)
Provision at end of period	**(175,937)**

	Booked 30 June 2016
Fixed asset timing differences	8,062
Short-term timing differences	(183,999)
	(175,937)
Deferred tax (asset):	
Recoverable within 12 months	(18,400)
Recoverable after 12 months	(165,599)
	(183,999)
Deferred tax liabilities:	
Payable within 12 months	8,062
	8,062

5 Emoluments of directors

	2016 £	2015 £
Directors' fees and emoluments	933,476	876,982

There is no Director accruing benefits under a money purchase pension scheme (2015: None). The total remuneration and benefits of the highest paid Director were £422,329 (2015: £414,644).

6 Loans and advances to banks

(a) Residual maturity

	2016 £	2015 £
Banks		
Past due	-	5,042,302
Repayable on demand	34,145,998	47,406,725
	34,145,998	52,449,027
Other loans and advances with remaining maturity:		
5 years or less but over 1 year	**44,666,122**	19,076,688
1 year or less but over 3 months	**367,945**	11,751,621
3 months or less	438,762,266	253,552,289
	517,942,331	336,829,625
Related Parties		
Other loans and advances with remaining maturity:		
Repayable on demand	-	124,939
3 months or less	**130,276,184**	63,588,961
Total loans and advances to banks	**648,218,515**	400,543,525
Bad and doubtful debt provision – specific (see note 8)	-	(3,950,965)
Total	**648,218,515**	396,592,559

(b) Concentrations of exposure

The Company has the following concentrations of loans and advances to banks:

	2016 £	2015 £
Total gross advances to banks located in:		
Europe and North America	**114,032,982**	114,581,331
Middle East and Egypt	**418,807,379**	165,387,498
Rest of World	**115,378,154**	120,574,696
Total	**648,218,515**	400,543,525

7 Loans and advances to customers

(a) Residual maturity

	2016 £	2015 £
Past due	**1,214,071**	1,845,457
Repayable on demand or at short notice	**236,684**	144,917
Other loans and advances with remaining maturity		
5 years or less but over 1 year (includes staff loans)	**5,625,694**	5,327,076
1 year or less but over 3 months	**3,333**	34,740
3 months or less	**92,013,084**	82,170,506
Sub-total	**99,092,866**	89,522,696
Bad and doubtful debt provision – specific (see note 8)	**(744,435)**	(635,891)
Total	**98,348,431**	88,886,805

(b) Concentrations of exposure

The Company has the following concentrations of loans and advances to customers:

	2016 £	2015 £
Total gross advances to customers located in:		
Europe and North America	**107,745**	91,590
Middle East and Egypt	**93,333,776**	84,092,239
Rest of World	**5,651,345**	5,338,867
Total	**99,092,866**	89,522,696

8 Provisions for bad and doubtful debts

(a) Impairment Credit

	2016	2015
	£	£
Net write back of provisions for bad and doubtful debts (see note 8(b))	3,950,965	-
Impaired assets written off	(3,662,365)	-
Net Impairment (Debit)/Credit	**288,600**	-

(b) Movements on provisions for bad and doubtful debts:

	Specific	General	Total
	£	£	£
Provisions at 30 June 2015	4,586,857	-	4,586,857
Additions during the year	394,535	-	394,535
Reversals of provision during the year due to recoveries	(4,345,501)	-	(4,345,501)
Foreign exchange movement	108,544	-	108,544
Provisions at 30 June 2016	**744,435**	-	**744,435**
Of which:			
Provision against loans and advances to banks	-	-	-
Provision against loans and advances to customers	744,435	-	744,435
	744,435	-	**744,435**

(c) Non-performing loans

	2016	2015
	£	£
Loans on which interest has been suspended (net of suspended interest)	1,214,071	6,887,760
Provisions for bad and doubtful debts	(744,435)	(4,586,857)
Total	**469,636**	2,300,903

9 Debt securities

	2016	2015
	£	£
Investment securities		
Issued by public bodies – government securities	**131,887,888**	100,871,169
Other securities	**517,082,966**	375,656,238
Fair value Adjustment (refer to note 17)	**13,488,905**	12,053,231
	662,459,759	488,580,638
Related Parties	-	18,435,194
	662,459,759	507,015,832
Listed on a UK recognised investment exchange	**67,324,536**	25,472,941
Other listed	**235,624,124**	249,296,530
Unlisted	**346,022,194**	220,193,130
Fair value Adjustment (refer to note 17)	**13,488,905**	12,053,231
	662,459,759	507,015,832
Investment securities by maturity		
Due within one year	-	132,060,494
Due one year and over	**648,970,854**	362,902,107
Fair value Adjustment (refer to note 17)	**13,488,905**	12,053,231
	662,459,759	507,015,832

Investment securities - movement	**Nominal value £**	**Net premium/ (discount) £**	**Net book Value £**
Balance at 30 June 2015	493,486,806	1,475,795	494,962,601
Purchases	533,225,297	297,234	533,522,531
Sales/maturities	(434,850,834)	(1,129,578)	(435,980,412)
Amortisation of premium/(discount)	-	(137,693)	(137,693)
Exchange movements	56,541,800	62,027	56,603,827
Fair value adjustment (refer to note 17)			13,488,905
Balance at 30 June 2016	**648,403,069**	**567,785**	**662,459,759**

	2016	2015
	£	£
Investment securities - market value		
Issued by public bodies – government securities	**135,687,322**	102,445,920
Other securities	**519,264,206**	403,041,070
	654,951,528	505,486,990

Notes *(continued)*

10 Tangible fixed assets

	Leases of 50 years or more unexpired £	Computer equipment and other fixed assets £	Total £
Cost			
At 30 June 2015	259,276	2,105,046	2,364,322
Additions	-	31,971	31,971
Disposals	-	-	-
At 30 June 2016	**259,276**	**2,137,017**	**2,396,293**
Accumulated depreciation			
At 30 June 2015	243,188	1,787,467	2,030,655
Charge for year	-	159,211	159,211
Related to disposals		-	-
At 30 June 2016	**243,188**	**1,946,678**	**2,189,866**
Net book value			
At 30 June 2016	**16,088**	**190,339**	**206,427**
At 30 June 2015	2,162	331,507	333,669

11 Deposits by banks

	2016 £	2015 £
With agreed maturity dates or periods of notice, by remaining maturity:		
Banks		
5 years or less but over 1 year	111,796,219	
1 year or less but over 3 months	337,824,885	-
3 months or less but not repayable on demand	376,717,532	57,908,513
	826,338,636	57,908,513
Repayable on demand	13,225,320	15,149,378
	839,563,956	73,057,891
Related Parties		
5 years or less but over 1 year	-	
1 year or less but over 3 months	72,688,297	65,632,825
3 months or less but not repayable on demand	-	-
Repayable on demand	1,248,023	2,183,107
	73,936,320	67,815,932
Total		
5 years or less but over 1 year	111,796,219	-
1 year or less but over 3 months	410,513,182	65,632,825
3 months or less but not repayable on demand	376,717,532	57,908,513
	899,026,933	123,541,338
Repayable on demand	14,473,343	17,332,485
	913,500,276	140,873,823

12 Deposit by Customer accounts

	2016 £	2015 £
With agreed maturity dates or periods of notice, by remaining maturity:		
5 years or less but over 1 year	601,385	-
1 year or less but over 3 months	19,001,082	302,963,670
3 months or less but not repayable on demand	78,077,056	216,303,814
Repayable on demand	223,216,224	158,246,262
	320,895,747	677,513,746

13 Other liabilities and deferred income

	2016 £	2015 £
Foreign exchange payables	-	-
Taxation	509,779	496,800
Other creditors	1,055,293	1,902,191
Deferred tax liabilities (see note 4 (c))	8,062	8062
	1,573,134	2,407,053

14 Called up Share Capital

	2016 £	2015 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	130,000,000	130,000,000

15 Commitments

(a) Other commitments

	2016 £	2015 £
Letters of credit - confirmed	20,617,715	14,024,812
Letters of credit - participation purchased	36,464,181	36,367,022
Forward deposits taken	525,406	277,448
Forward assets purchased	17,866,448	-
Loan commitments (undrawn credit lines)	-	650,000
	75,473,750	51,319,282

Forward deposits taken and forward assets purchased generally replace maturing deposits by banks and loans and advances to banks.

Incurred on behalf of the parent company:

	2016 £	2015 £
Letters of credit – confirmed	20,617,715	2,553,256

(b) Significant concentrations of contingent liabilities and commitments

Approximately 85% (2015: 97.4%) of total contingent liabilities and commitments relate to counterparties in Egypt.

16 Operating lease commitments

As at 30 June 2016, the Company had the following non-cancellable operating lease commitments:

	2016		2015	
	£	£	£	£
	Land and buildings	Other	Land and buildings	Other
Operating lease commitments which expire:				
Within 1 year	476,113	7,580	472,691	7,580
Between 1 and 5 years	1,675,113	18,950	1,926,132	24,635
More than 5 years	-	-	225,094	-
	2,151,226	26,530	2,623,917	32,215

17 Financial Instruments

The carrying value of the Bank's financial assets and liabilities are summarised by category below:

	2016	2015
Financial assets at fair value		
-Exchange rate related contracts	378,162	166,148
Measured at fair value and designated in an effective hedging relationship		
- Interest rate related swaps	97,149	-
	475,311	166,148
Financial liabilities at fair value		
-Exchange rate related contracts	274,931	774,388
Measured at fair value and designated in an effective hedging relationship		
- Interest rate related swaps	16,554,750	14,624,193
	16,829,681	15,398,581

Notes *(continued)*

The Bank enters into various derivative financial instruments as principal to manage balance sheet interest rate risk and forward foreign exchange risk. Interest rate contracts and forward foreign exchange contracts are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates

Fair values of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Other non-derivative financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions based on quoted prices for debt securities and dealer quotes for similar instruments. There has been no transfer of levels during the period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – The best evidence of fair value is a quoted price for an identical asset in an active market.
- Level 2 – When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- Level 3 – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

			2016	
	Total	**Level 1**	**Level 2**	**Level 3**
Derivatives assets				
Foreign exchange contracts	**378,162**	-	**378,162**	-
Interest rate swaps	**97,149**	-	**97,149**	-
Total Derivatives assets	**475,311**	-	**475,311**	-
Derivative liabilities				
Foreign exchange contracts	**274,931**	-	**274,931**	-
Interest rate swaps	**16,554,750**	-	**16,554,750**	-
Total Derivatives liabilities	**16,829,681**	-	**16,829,681**	-

			2015	
	Total	Level 1	Level 2	Level 3
Derivatives assets				
Foreign exchange contracts	166,148	-	166,148	-
Interest rate swaps	-	-	-	-
Total Derivatives assets	166,148	-	166,148	-
Derivative liabilities				
Foreign exchange contracts	774,388	-	774,388	-
Interest rate swaps	14,624,193	-	14,624,193	-
Total Derivatives liabilities	15,398,581	-	15,398,581	-

Fair value gains and losses	2016	2015
On financial assets measured at fair value through profit or loss	212,015	166,148
On derivative financial assets designated in an effective hedging relationship	1,591,594	12,053,231
On derivative financial liabilities designated in an effective hedging relationship	(2,602,860)	(12,467,208)
On financial liabilities measured at fair value through profit or loss	499,457	(774,388)
Net fair value gain/ (loss)	(299,794)	(1,022,217)

Impairment losses		
On financial assets measured at amortised cost	-	-
On unlisted equity instruments measured at cost less impairment	-	-
Net impairment gain/ (loss)	-	-

18 Derivative financial instruments

The Bank enters into various derivative financial instruments as principal to manage balance sheet interest rate risk and forward foreign exchange risk. At the year end, the principal amounts of derivatives that are designated and effective as hedging instruments and those which are not carried at fair value were:

	Due within a year		More than one year	
	2016	2015	**2016**	2015
	£	£	£	£
Assets				
Interest rate contracts	-	-	97,149	-
Forward foreign exchange contracts	378,163	166,148	-	-
Liabilities				
Interest rate contracts	-	14,399	16,554,750	14,609,794
Forward foreign exchange contracts	274,931	774,388	-	-

All interest rate swap contracts exchanging fixed rate interest amounts for floating rate interest amounts are designated and effective as fair value hedges in respect of interest rates. During the period, the hedges were on average 105% effective in hedging the fair value exposures to interest rate movements and as a result a fair value adjustment of £1m loss was included in profit or loss statement.

During the period, the hedges were 105% effective in hedging the fair value exposure to interest rate movements and as a result £nil of profit/loss on the loan amount was recognised in the profit or loss at the same time £1m loss on the interest rate swap was included in the profit or loss statement.

19 Assets and liabilities denominated in foreign currencies

	2016 £	2015 £
Denominated in Sterling	223,907,551	223,793,643
Denominated in US Dollar	1,189,416,038	763,803,906
Denominated in other currencies	1,483,708	10,711,759
Total assets	**1,414,807,297**	998,309,308
Denominated in Sterling	219,535,380	230,861,694
Denominated in US Dollar	1,180,799,870	751,784,305
Denominated in other currencies	14,472,048	15,663,309
Total liabilities	**1,414,807,297**	998,309,308

The functional currency of the Company's operations is Sterling.

20 Reconciliation of operating profit to operating cash flows

	2016 £	2015 £
Operating profit	**5,502,092**	9,967,889
Accrued income and prepayments	**546,677**	(1,973,108)
Accruals and deferred income	**712,245**	(117,986)
Provision for bad and doubtful debts	**3,950,965**	-
Loans and advances written off net of recoveries	**(3,662,366)**	-
Depreciation and amortisation	**159,211**	169,315
Interest on subordinated debt	**506,602**	437,391
Profits on sale of investment debt and equity securities	**(154,515)**	(1,065,002)
Provisions for liabilities and charges	**(3,842,422)**	51,301
Other non-cash movements	**(53,854,057)**	(27,525,620)
Net cash inflow/(outflow) from trading activities	(50,135,568)	(20,055,820)
Net cash inflow from operating activities comprises:		
Loans and advances to banks and customers	**(270,630,826)**	140,807,881
Deposits by banks and customer accounts	**416,008,454**	(216,875,782)
Debt securities in issue	**(1,143,466)**	(10,202,918)
Other assets	**(320,215)**	(293,037)
Other liabilities	**(844,896)**	(544,410)
Net cash inflow/(outflow) from operating activities	92,933,482	(107,164,086)

21 Net cash flows from investing activities

	2016	2015
	£	£
Capital expenditure and financial investment		
Purchase of investment securities	**(533,522,531)**	(708,440,898)
Sale and maturity of investment securities	**435,980,412**	824,807,068
Purchase of tangible fixed assets	**(31,969)**	(76,662)
Fair value adjustment from Hedge accounting	**1,121,937**	15,232,433
Net cash outflow	**(96,452,151)**	131,521,941

22 Related party disclosures

During the year, the Company received fees and commission of £3,498,313 (2015: £9,584,125), Interest income of £920,308 (2015: £155,613) and paid interest expenses £260,466 (2015: £194,863) to the parent National Bank of Egypt, Head office, Cairo.

As at the year end, the Company had loans outstanding of £130,276,186 (2015: £63,588,961) and deposits of £96,269,381 (2015: £86,892,620) from its parent National Bank of Egypt, Head office, Cairo.

Debt securities at year end with Nile Finance, a subsidiary of National Bank of Egypt, Head office, Cairo, totalling £nil (2015: £18,435,194).

During the year, there were no new loans issued to officers of the Company (2015: nil).

There are no material related party transactions with key management, and persons connected with them, other than remuneration disclosed in Note 5.

23 Subordinated debt

On 2 November 2010, the Bank drew-down USD 30 million of unsecured subordinated debt from its parent company. The agreement stipulates that the debt will be subordinated to the Bank's senior liabilities. The debt is repayable on maturity. Interest is charged at 3 months LIBOR plus 200 basis points. The date of the maturity of the debt is 23 February 2024. The interest payable during the year amounted to £506,602 (2015: £434,866).

24 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a wholly-owned subsidiary of National Bank of Egypt which is the smallest and largest group, for which consolidated accounts are prepared. The parent company is incorporated in Egypt. Copies of the group accounts for the National Bank of Egypt can be obtained from National Bank of Egypt, 1187 Corniche El Nil, Cairo, Egypt.

25 Explanation of transition to FRS 102

This is the first year the Bank has presented its financial statements under Financial Reporting Standards (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 30th June 2015 and the date of transition to FRS 102 was therefore 1st July 2015. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Reconciliation of equity

		At 30 June 2015
		£
Equity reported under previous UK GAAP (at 30 June 2015)		143,004,390
Gain/(loss) on fair value on financial assets through profit or loss	1	166,148
Gain/(loss) on derivative financial assets designated in an effective hedging relationship	2	12,053,231
Gain/(loss) on fair value on financial liabilities through profit or loss	1	(774,388)
Gain/(loss) on derivative financial liabilities designated in an effective hedging relationship	2	(12,467,208)
Deferred tax charge for the period relating to the transitional adjustments above	3	183,999
Equity reported under FRS 102		142,166,172

Notes to the reconciliation of equity

1. Foreign exchange forward contracts are now recognised at fair value at the end of the year with changes in the fair value recognised in the profit or loss statement. Previously forward foreign exchange contracts were not recognised in the statement of financial position.
2. Interest Rate contracts designated in an effective hedging relationship are recognised at fair value with changes in fair value recognised in the profit or loss statement.
3. A deferred tax asset has been recognised due to the timing differences on losses incurred during transition from UK GAAP to FRS 102 from the recognition of the derivatives portfolio on to the balance sheet.

Reconciliation of profit or loss

		£
Profit/(loss) for the financial year under UK GAAP		8,713,438
Gain/(loss) on fair value on financial instruments through profit or loss	1	(608,240)
Gain/(loss) on derivative financial instruments designated in an effective hedging relationship	2	(413,977)
Deferred tax charge for the period relating to the transitional adjustments above	3	183,999
Profit/(loss) for the financial year under FRS 102		7,875,220

26 Subsequent events

There have been no material post-balance sheet events which would require disclosure or adjustment to the 30th June 2016 Financial Statements.