EFG - Hermes Holding Company
(Egyptian Joint Stock Company)

Separate financial statements
for the year ended December 31, 2015
&
Auditor's Report

Contents | **Page**

KPMG

Hazem Hassan
Public Accountants & Consultants

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

AUDITOR'S REPORT

To the shareholders of EFG - Hermes Holding Company

Report on the Financial Statements

We have audited the accompanying separate financial statements of EFG - Hermes Holding Company (Egyptian Joint Stock Company) which comprise the separate statement of financial position as at 31 December 2015, and the separate statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Hazem Hassan

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of EFG - Hermes Holding Company as of December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company and the financial statements are in agreement thereto.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account.

Hassan Bas

KPMG Hazem Hassan

Cairo, March 23, 2016

KPMG Hazem Hassan
Public Accountants and Consultants
11

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Separate statement of financial position
as at December 31, 2015

	Note no.	31/12/2015 EGP	31/12/2014 EGP
Current assets			
Cash and cash equivalents	(4,22)	499 063 379	214 529 367
Investments at fair value through profit and loss	(5)	151 766 818	377 974 895
Due from subsidiaries & associates	(6)	1 029 244 735	1 592 769 557
Other debit balances	(7)	26 201 226	55 207 053
Current portion of loans to subsidiaries	(11,26)	150 000 000	-
Total current assets		1 856 276 158	2 240 480 872
Current liabilities			
Banks overdraft	(22)	179 991 432	149 927 550
Due to subsidiaries & associates	(8)	388 930 554	288 818 624
Tax authority		516 691	3 018 221
Creditors and other credit balances	(9,26)	108 591 765	43 067 010
Expected claims provision	(10)	6 270 286	6 770 286
Total current liabilities		684 300 728	491 601 691
Working capital		1 171 975 430	1 748 879 181
Non - current assets			
Loans to subsidiaries	(11,26)	50 000 000	150 000 000
Available -for- sale investments	(12)	1 160 876 588	1 272 137 258
Investments in subsidiaries	(13)	4 067 889 182	3 992 004 175
Investment property	(14)	253 639 818	253 639 818
Fixed assets (net)	(15)	151 803 645	154 306 005
Total non - current assets		5 684 209 233	5 822 087 256
Total investment		6 856 184 663	7 570 966 437
Financed through :			
Shareholders' equity			
Issued & paid - in capital	(16)	3 074 472 890	2 867 422 500
Legal reserve		1 523 711 250	990 432 067
Other reserves		2 189 688 278	3 159 824 485
Retained earnings	(17)	372 737	-
Shareholders' equity		6 788 245 155	7 017 679 052
Net (loss) profit for the year		(31 712 887)	443 372 737
Total shareholders' equity included net (loss) profit for the year		6 756 532 268	7 461 051 789
Non - current liabilities			
Deferred tax liabilities	(24)	99 652 395	109 914 648
Total shareholders' equity and non - current liabilities		6 856 184 663	7 570 966 437

The accompanying notes from page (5) to page (30) are an integral part of these financial statements and are to be read therewith.

"Auditor's report attached"

Mona Zulficar
Chairperson

Karim Awad
Executive Managing Director

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Separate income statement

for the year ended December 31, 2015

	Note no.	For the year ended 31/12/2015 EGP	For the year ended 31/12/2014 EGP
Dividend income	(19)	14 777 769	504 795 754
Custody activity income		11 044 442	9 134 627
		25 822 211	513 930 381
Finance cost		(21 048 824)	(12 469 978)
General administrative expenses	(20,26)	(247 361 804)	(160 007 918)
Fixed assets depreciation	(15)	(12 005 168)	(13 441 989)
Impairment loss on assets	(21)	-	(16 231 873)
Net activity's (loss) profit		(254 593 585)	311 778 623
Interest income	(26)	30 215 006	16 802 310
Changes in the fair value of investments at fair value through profit and loss		3 922 624	4 229 646
Changes in the fair value of investment property	(14)	-	885 345
Gains on sale of investments		82 126 387	71 789 803
Foreign currency differences		66 020 352	8 452 645
Other income	(26)	40 342 282	34 223 367
Net (loss) profit before tax		(31 966 934)	448 161 739
Income tax	(23)	-	(947 119)
Deferred tax	(24)	254 047	(3 841 883)
Net (loss) profit for the year		(31 712 887)	443 372 737

The accompanying notes from page (5) to page (30) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Separate statement of changes in equity

for the year ended December 31, 2015

	Note no.	Issued & paid- in capital	Legal reserve	Other reserves: General reserve	Other reserves: Share premium	Other reserves: Fair value-available-for-sale investments	Other reserves: Revaluation surplus of fixed assets transfered to investment property	Other reserves: Hedging reserve	Retained earnings	Treasury shares	Net (loss) profit for the year	Total
		EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 31 December, 2013 (before adjustment)		2 867 422 500	990 432 067	158 271	3 289 103 899	229 616 171	15 449 979	(26 442 387)	324 567 840	-	(916 288 978)	6 774 019 362
Deferred tax adjustments		-	-	-	-	(73 984 509)	-	-	-	-	-	(73 984 509)
Balance as at 31 December, 2013 (after adjustment)		2 867 422 500	990 432 067	158 271	3 289 103 899	155 631 662	15 449 979	(26 442 387)	324 567 840	-	(916 288 978)	6 700 034 853
Carrying 2013 loss forward		-	-	-	-	-	-	-	(916 288 978)	-	916 288 978	-
Net change in the fair value of available -for- sale investments (net of tax)		-	-	-	-	177 683 367	-	-	-	-	-	177 683 367
Transfer to retained earnings *	(17)	-	-	-	(591 721 138)	-	-	-	591 721 138	-	-	-
Purchasing of treasury shares	(16-1)	-	-	-	-	-	-	-	-	(425 974 172)	-	(425 974 172)
Selling of treasury shares	(16-1)	-	-	-	139 960 832	-	-	-	-	425 974 172	-	565 935 004
Net profit for the year ended December 31, 2014		-	-	-	-	-	-	-	-	-	443 372 737	443 372 737
Balance as at December 31, 2014		2 867 422 500	990 432 067	158 271	2 837 343 593	333 315 029	15 449 979	(26 442 387)	-	-	443 372 737	7 461 051 789
2014 dividends payout		-	-	-	-	-	-	-	392 205 737	-	(443 372 737)	(51 167 000)
Increase in issued capital	(16)	391 833 000	-	-	-	-	-	-	(391 833 000)	-	-	-
Repurchasing of treasury shares	(16-1)	-	-	-	(139 960 832)	-	-	-	-	(426 618 370)	-	(566 579 202)
Cancelling of treasury shares**	(16-1)	(184 782 610)	-	-	(241 835 760)	-	-	-	-	426 618 370	-	-
Transfer to legal reserve ***		-	533 279 183	-	(533 279 183)	-	-	-	-	-	-	-
Net change in the fair value of available -for- sale investments (net of tax)		-	-	-	-	(55 060 432)	-	-	-	-	-	(55 060 432)
Net loss for the year ended December 31, 2015		-	-	-	-	-	-	-	-	-	(31 712 887)	(31 712 887)
Balance as at December 31, 2015		3 074 472 890	1 523 711 250	158 271	1 922 267 818	278 254 597	15 449 979	(26 442 387)	372 737	-	(31 712 887)	6 756 532 268

* According to the Company's Ordinary General Assembly held on May 17, 2014.

** According to the Company's Ordinary General Assembly held on November 16, 2015.

*** According to the Company's Ordinary General Assembly held on May 17, 2015.

The accompanying notes from page (5) to page (30) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Separate statement of cash flows

for the year ended December 31, 2015

	Note no.	For the year ended 31/12/2015 EGP	For the year ended 31/12/2014 EGP
Cash flows from operating activities			
Net (loss) profit before tax		(31 966 934)	448 161 739
Adjustments to reconcile net (loss) profit before tax to net cash provided from (used in) operating activities :			
Fixed assets depreciation		12 005 168	13 441 989
Impairment loss on assets		-	16 231 873
Gains on sale of fixed assets		(418 751)	(560 783)
Provisions used		(500 000)	(500 000)
Changes in the fair value of investments at fair value through profit and loss		(3 922 624)	(4 229 646)
Changes in the fair value of investment property		-	(885 345)
Gains on sale of available -for- sale investments		(70 215 603)	(45 201 313)
Losses on sale of non-current assets held for sale		-	186 018
Foreign currency differences		(66 020 352)	(8 452 645)
Operating (loss) profit before changes in working capital		(161 039 096)	418 191 887
Decrease in investments at fair value through profit and loss		230 148 664	194 981 940
Decrease (increase) in due from subsidiaries		630 872 482	(754 351 354)
Decrease (increase) in other debit balances		27 845 464	(24 898 779)
(Decrease) increase in due to subsidiaries		(481 738 486)	141 346 126
Decrease in tax authority		(2 501 530)	(2 814 054)
Increasae (decrease) in creditors and other credit balances		29 080 087	(85 977 233)
Income tax paid		-	(3 995 554)
Net cash provided from (used in) operating activities		272 667 585	(117 517 021)
Cash flows from investing activities			
Payments to purchase fixed assets		(9 559 057)	(1 789 003)
Proceeds from fixed assets		475 000	564 750
Payments for loans to subsidiaries		(50 000 000)	(150 000 000)
Payments to purchase available -for- sale investments		(13 953 055)	(63 257 400)
Proceeds from sale of available -for- sale investments		131 845 250	129 290 956
Payments to purchase investments in subsidiaries and associates		(75 885 007)	(4 816 574)
Proceeds from sale of non-current assets held for sale		-	5 063 952
Net cash used in investing activities		(17 076 869)	(84 943 319)
Cash flows from financing activities			
Dividends payout		(14 952 794)	(308 502)
Payments to purchase treasury shares		-	(425 974 172)
Proceeds from sale of treasury shares		-	565 935 004
Net cash (used in) provided from financing activities		(14 952 794)	139 652 330
Net change in cash and cash equivalents during the year		240 637 922	(62 808 010)
Cash and cash equivalents at the beginning of the year	(22)	78 434 025	277 337 377
Cash and cash equivalents at the end of the year	(22)	319 071 947	214 529 367

Non-cash transactions

- An amount of EGP 36 214 206 has been eliminated from creditors and other credit balances and dividends payout, which represent the amount of unpaid dividends.
- An amount of EGP 566 579 202 has been eliminated from due to associates which represent the value of re-ownership of the Company's shares from EFG- Hermes IB Limited (the subsidiary company) with an amount of EGP 426 618 370 and EGP 139 960 832 from treasury shares and share premium reserves respectively.
- An amount of EGP 1 484 560 has been eliminated from available-for-sale investments and the change in the other debit balances.

The accompanying notes from page (5) to page (30) are an integral part of these financial statements and are to be read therewith.

1- Description of business

1-1 Legal status

EFG-Hermes Holding S.A.E "the company" is an Egyptian Joint Stock Company subject to the provisions of the Capital Market Law No.95 of 1992 and its executive regulations. The Company's registered office is located in Smart Village building No. B129, phase 3, KM 28 Cairo Alexandria Desert Road, 6 October Egypt.

1-2 Purpose of the company

The Company is a universal bank with a lead position in the Arab world in investment banking, securities brokerage, asset management, private equity and research. The purpose of the Company also includes the participation in the establishment of companies which issue securities or in increasing their share capitals, custody activities and margin trading.

1-3 Authorization of the financial statements

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 22 March, 2016.

2- Basis of preparation

2-1 Statement of compliance

These financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.

2-2 Basis of measurement

The financial statements are prepared on the historical cost basis, except for the following assets and liabilities which are measured at fair value

- Derivative financial instruments.
- Financial instruments at fair value through profit and loss.
- Available-for-sale financial assets.
- Investment property.

2-3 Functional and presentation currency

These financial statements are presented in Egyptian Pounds (EGP), which is the Company's functional currency and all the financial data presented are in Egyptian Pounds (EGP).

2-4 Use of estimates and judgments

The preparation of financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note (10) – Expected claims provision
- Note (13) – Investments in subsidiaries.
- Note (24) – Recognition of deferred tax assets and liabilities.

2-5 Consolidated financial statements

The Company has subsidiaries and according to the Egyptian Accounting Standard No. 17 "consolidated and separate financial statements" and the article No. 188 of the executive regulation of law No. 159-1981, the Company is required to prepare consolidated financial statements which present fairly the financial position, the result of operations and cash flows for the Group as a whole.

3- Significant accounting policies applied

The accounting policies set out below have been applied consistently with those applied in the previous period presented in these financial statements certain reclassifications have been made to some comparative figures in order to conform with current period presentation. (note 28).

3-1 Translation of the foreign currency transactions

The Company maintains its accounts in Egyptian Pounds. Transactions in foreign currencies are translated at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

3-2 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the financial position net of accumulated depreciation and impairment (note 3-8). Depreciation is charged to the income statement over the estimated useful-life of each asset using the straight-line method, the Company reassess the useful lives of fixed assets on regular basis at the end of the financial year, The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

	Estimated useful life
- Buildings	33.3 years
- Furniture, office and electrical appliances	4 years
- Computer equipment	4 years
- Vehicles & transportation means	5 years
- Fixtures	2 years

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

3-3 Treasury bills

Treasury bills are recorded at nominal value and the unearned income is recorded under the item of "creditors and other credit balances". Treasury bills are presented on the financial position net of the unearned income.

3-4 Projects under construction

Projects under construction are recognized initially at cost, the book value is amended by any impairment concerning the value of these projects (note 3-8) . Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Property and equipment under construction are transferred to property and equipment caption when they are completed and are ready for their intended use.

3-5 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses (note 3-8). Amortization is recognized in the income statement on a straight – line basis over the estimated useful lives of intangible assets.

3-6 Investments

3-6-1 Investments at fair value through profit and loss

An instrument is classified as at fair value through income statement if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through income statement if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in income statement when incurred. Financial instruments at fair value through income statement are measured at fair value, and changes therein are recognized in income statement.

3-6-2 Available-for-sale financial investments

Available-for-sale financial assets are valued at fair value, with any resultant gain or loss being recognized in equity, except for impairment losses which is recognized in the income statement. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. The fair value of investments available-for-sale, is based on quoted price of the exchange market at the financial position date, investments that are not quoted, and whose fair value cannot be measured reliably are valued by accepted valuation techniques including the use of new objective techniques or discounted cash flow analysis or option pricing models or other valuation techniques – if the Company cannot estimate the fair value, it can be stated at cost less impairment loss.

3-6-3 Investments in subsidiaries & associates

Investments in subsidiaries and associates are valued at cost, the book value is amended by any impairment concerning the value of these investments (note 3-8). The impairment value is to be charged to the income statement for every investment individually.

3-6-4 Investment property

- Investment property is recorded at cost upon initial recognition, the Company valued the investment property at fair value on financial position date, any gain or loss arising from a change in the fair value of investment property shall be recognized in income statement for the period in which it arises.

- Transfer from owner-occupied property to investment property carried at fair value, any impairment result in carrying amount of property is recognized in the income statement, any surplus is recognized in the statement of changes in equity in case of subsequent disposal of the investment property, fixed assets revaluation surplus is transfer to retained earnings.

3-7 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in income statement. Gains are not recognized in excess of any cumulative impairment loss.

3-8 Impairment

3-8-1 Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

3-8-2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3-9 Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents includes the balances, whose maturity do not exceed three months from the date of acquisition and the balances included cash on hand, current accounts, time deposits with banks and checks under collection.

3-10 Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3-11 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it's probable that a flow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at the financial position date and amended (when necessary) to represent the best current estimate.

3-12 Legal reserve

The Company's Statutes provides for deduction of a sum equal to 5% of the annual net profit for formation of the legal reserve. Such deduction will be ceased when the total reserve reaches an amount equal to half of the Company's issued capital and when the reserve falls below this limit, it shall be necessary to resume the deduction.

3-13 Share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity.

Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

3-14 Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to income statement in the same period that the hedged item affects income statement.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in income statement.

3-15 Revenue recognition

3-15-1 Gains (losses) on sale of investments

Gain (loss) resulted from sale of investments are recognized on transaction date and measured by the difference between cost and selling price less selling commission and expenses.

3-15-2 Dividend income

Dividend income is recognized when declared.

3-15-3 Custody fees

Custody fees are recognized when provide service and issue invoice.

3-15-4 Interest income

Interest income is recognized on time proportion basis to take into account effective yield on the asset.

3-16 Expenses

3-16-1 Borrowing costs

Borrowing costs are recognized as expenses in the income statement when incurred on an effective interest basis.

3-16-2 Employees' pension

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to income statement using the accrual basis of accounting.

3-16-3 Taxation

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3-17 Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, and is presented in the consolidated financial statements.

3-18 Profit sharing to employees

The Company pays 10% of its cash dividends as profit sharing to its employees provided that it will not exceed total employees annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the Company's shareholders.

3-19 Initial application of new Egyptian Accounting Standards "EAS"

On July 9, 2015 the minister Decree No. 110 for the year 2015 was issued to modify the Egyptian Accounting Standards "EAS" by modifying some of the existing and issuing new to replace the old one that was issued by the ministry decree No. 243 for the year 2006 and to start using the new standards after January 1, 2016 to be used by the entities that it's financial year starts in or after that date

In the following table the most prominent amendments on the Egyptian Accounting Standards (EAS) that may have a significant impact on the financial statements of the company at the beginning of the implementation thereof:

New or amended standards	Summary of the most significant amendments	Possible impact on the financial statements
<u>EAS (1)</u> Presentation of Financial Statements	*<u>Statement of Financial Position</u>* • The standard does not require to present the working capital presentation. The reference financial statements that was included in 2006 standards was excluded; which presented the working capital presentation. • A column shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the entity.	• Re-presenting all the presented financial statements, disclosures and their accompanying notes including the comparative figures to be in conformity with the required amendments to the standard.

New or amended standards	Summary of the most significant amendments	Possible impact on the financial statements
EAS (1) Presentation of Financial Statements	• *Income Statement (Profit or Loss)/Statement of Comprehensive Income* The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (*Income Statement*) and the other one starts with the profit or loss and presents the other comprehensive income items *(Statement of Comprehensive Income).*	• Adding a new statement, *'Statement of Comprehensive Income'*, for the current and comparative period.
EAS (10) Property, Plant and Equipment *(PPE)*	• The financial shall disclose amount movement of the PPE and its depreciations in the notes accompanying the financial statements at the beginning and the end of the current period and the comparable period.	Re-presenting the comparative figures related to the PPE in the notes accompanying the financial statements to be in conformity with the required amendments on the standard.
.	• The option of using the revaluation model in the subsequent measurement of PPE has been canceled	Currently, the management is assessing the potential impacts on its financial statements resulting from application of the standard
EAS (34) Investment Property	• The option of using the fair value model in the measurement after recognition of the Property Investment has been canceled.	The fair value of the investment at the beginning of the implementation of this standard shall be considered deemed cost of that investment for the purposes of the subsequent accounting treatment according to EAS (10) "PPE".

New or amended standards	Summary of the most significant amendments	Possible impact on the financial statements
Egyptian Standard No. (45) Fair Value Measurement	The new Egyptian Accounting Standard No. (45) "*Fair Value Measurement*" was issued and shall be applied when another standard requires or allows measurement or disclosure to be made at fair value. This standard aims the following: (a) Defining the fair value. (b) Laying down a framework to measure the fair value in one standard. (c) Identifying the disclosure required for the fair value measurements.	Currently, the management is assessing the potential impacts on its financial statements resulting from application of the standard.

4- Cash and cash equivalents

	31/12/2015 EGP	31/12/2014 EGP
Cash on hand	560 329	179 118
Banks -current accounts	478 785 010	204 203 856
Banks -time deposits	19 718 040	10 000 000
Cheques under collection	--	146 393
Balance	499 063 379	214 529 367

5- Investments at fair value through profit and loss

	31/12/2015 EGP	31/12/2014 EGP
Mutual fund certificates	151 450 268	377 527 470
Equity securities	316 550	447 425
Balance	151 766 818	377 974 895

6- Due from subsidiaries & associates

	31/12/2015 EGP	31/12/2014 EGP
EFG- Hermes Management	862 425	747 630
Financial Brokerage Group Co.	22 625 779	12 881 337
EFG- Hermes Advisory Inc.	399 760 658	931 633 036
Flemming CIIC Holding *	25 028 023	25 867 224
EFG- Hermes Jordan	108 864	47 196
EFG- Hermes IB Limited	347 341	12 218 716
EFG- Hermes Oman LLC	295 992	--
EFG- Hermes IFA Financial Brokerage	1 657 190	--
EFG-Hermes Promoting & Underwriting	213 016 534	101 488 827
EFG- Hermes KSA	160 643 587	282 990 187
Egyptian Fund Management Group	23 138 345	6 980 774
EFG- Hermes Private Equity	1 804 463	4 395 844
Bayonne Enterprises Ltd.	23 013 881	1 683 883
EFG-Hermes Global CB Holding Limited	179 730 478	236 522 863
EFG- Hermes Brokerage- UAE LLC	99 042	1 887 935
Beaufort Investments Company	--	108 691
EFG-Hermes Holding-Lebanon	1 006 460	(1 265 501)
EFG-Direct Investment Fund	473 981	--
EFG-Hermes Leasing	659 715	--
	1 054 272 758	1 618 188 642
Accumulated impairment loss on due from subsidiaries and associates *	(25 028 023)	(25 419 085)
Balance	1 029 244 735	1 592 769 557

7- Other debit balances

	31/12/2015 EGP	31/12/2014 EGP
Accrued revenues	7 240 414	40 774 122
Taxes withheld by others	2 920 281	566 603
Deposits with others	1 157 152	1 070 152
Prepaid expenses	2 889 941	3 081 611
Employees advance	581 312	648 718
Down payments to suppliers	235 948	1 479 026
Payments for investments *	2 500 000	3 140 000
Sundry debtors	8 676 178	4 446 821
Balance	26 201 226	55 207 053

* Payments for investments are represented in the following:

Company	31/12/2015 EGP	31/12/2014 EGP
Arab Visual Company	2 500 000	2 500 000
EFG-Direct Investment Fund	--	640 000
Balance	2 500 000	3 140 000

8- Due to subsidiaries & associates

	31/12/2015 EGP	31/12/2014 EGP
Arab Visual Company	5 000 000	5 000 000
Hermes Corporate Finance	9 708 685	91 884 946
EFG – Hermes Fixed Income	7 181 080	5 693 512
EFG- Hermes Mutual Funds	9 940 691	9 955 691
EFG-Hermes Regional Investments Ltd.	130 317 319	121 070 334
EFG – Hermes Syria LLC	8 615 946	9 319 056
Egyptian Portfolio Management Group	33 847 835	25 525 526
EFG- Hermes – Lebanon – S.A.L.	43 208 734	13 879 764
Hermes Fund Management	31 236 401	28 737 100
EFG-Hermes UAE Ltd. Co.	214 749	3 803 420
EFG- Hermes Qatar	147 576	37 396
Hermes Securities Brokerage	10 483 834	(7 097 375)
EFG- Hermes Financial Management (Egypt) Ltd.	99 027 704	(18 990 746)
Balance	388 930 554	288 818 624

9- Creditors and other credit balances

	31/12/2015 EGP	31/12/2014 EGP
Social Insurance Authority	274 132	221 361
Accrued expenses	46 616 838	16 382 127
Clients coupons - custody activity	11 181 288	7 695 084
Unearned revenues (Note no. 26)	5 587 415	4 727 013
Dividends payable prior years	44 222 721	8 008 515
Sundry credit balances	709 371	6 032 910
Balance	108 591 765	43 067 010

10- Expected claims provision

	31/12/2015 EGP	31/12/2014 EGP
Balance at the beginning of the year	6 770 286	7 270 286
Amounts used during the year	(500 000)	(500 000)
Balance	6 270 286	6 770 286

11- Loans to subsidiaries

- On May 12, 15/ 2014, June 19, 2014 and June 29/ 2015 a subordinated loan agreement has been signed with Hermes Securities Brokerage. (a subsidiary – 97.58%) with an amount of EGP 70 million, EGP 50 million, EGP 30 million and EGP 50 million respectively. The purpose of the loan is to support the subsidiary's financial accredit requited to its activity according to the rules of the Egyptian Financial Supervisory Authority in this regard. The Company is committed to pay in exchange for the cost of financing the subordinated loan to EFG- Hermes Holding by rate equivalent to the price of central bank lending (corridor) plus 4.75% & these interests are calculated from the date of signing the contract , The loan is matured on 12, 15 May 2016, 19 June, 2016 and 29 June, 2017.
- On March 29, 30 / 2015 and May 5,11 / 2015 a subordinated loan agreement has been signed with Financial Brokerage Group (a subsidiary – 99.87%) with an amount of EGP 50 million, EGP 70 million, EGP 120 million and EGP 50 million respectively. The purpose of the loan is to support the subsidiary's financial accredit requited to its activity according to the rules of the Capital Market Authority. The Company is committed to pay in exchange for the cost of financing the subordinated loan to EFG- Hermes Holding by rate equivalent to the price of central bank lending (corridor) plus 4.75% & these interests are calculated from the date of signing the contract. The loans will due on March 29, 30, 2017 and May 4, 10, 2017. The Company paid the loans during the second quarter of 2015.

12- Available –for– sale investments

	31/12/2015 EGP	31/12/2014 EGP
Equity securities	234 174 419	302 275 355
Mutual fund certificates	926 702 169	969 861 903
Balance	1 160 876 588	1 272 137 258

Available -for- sale investments are represented in the following:

	31/12/2015 EGP	31/12/2014 EGP
Quoted investments	206 687 091	278 213 927
Non- quoted investments	954 189 497	993 923 331
	1 160 876 588	1 272 137 258

13- Investments in subsidiaries

Company's name	Share percentage %	Balance as at 31/12/2015 EGP	Balance as at 31/12/2014 EGP
Financial Brokerage Group Co.	99.87	41 838 060	41 838 060
Egyptian Fund Management Group	88.51	4 427 233	4 427 233
Egyptian Portfolio Management Group	66.33	1 990 000	995 000
Hermes Securities Brokerage	97.58	219 763 969	219 763 969
Hermes Fund Management	89.95	6 439 709	6 439 709
Hermes Corporate Finance Co.	99.37	5 476 029	5 476 029
EFG- Hermes Advisory Inc.	100	6	6
EFG- Hermes Promoting & Underwriting	99.88	7 990 000	7 990 000
EFG- Hermes Fixed Income	99	9 900 000	9 900 000
EFG- Hermes Management	96.3	1 249 490	1 249 490
Flemming CIIC Holding (net)	100	--	--
EFG- Hermes Private Equity **	1.59	39 975	39 975
EFG- Hermes – UAE Limited Company	100	23 000 000	23 000 000
EFG- Hermes Holding Lebanon – S.A.L.	99	153 713	153 713
EFG- Hermes – KSA (net)	73.1	118 707 354	118 707 354
EFG- Hermes – Lebanon – S.A.L.	99	27 564 787	27 564 787
EFG- Hermes Regional Investments Ltd. (net) **	100	318 141 304	318 141 304
EFG- Hermes Qatar L.L.C (net)	100	1 577 332	1 577 332
EFG-Hermes Jordan	100	33 610 631	33 610 631
EFG – Hermes Investment Funds Co.	99.998	6 399 800	6 399 800
EFG-Hermes Global CB Holding Limited *	100	3 137 096 006	3 137 096 006
EFG – Hermes Syria LLC ***	49	12 703 775	12 703 775
Sindyan Syria LLC (net)***	97	--	--
EFG – Hermes Mutual Funds Co.	99.999	9 999 990	9 999 990
Beaufort Investments Company	100	4 930 012	4 930 012
EFG-Hermes Leasing	99	74 250 000	--
EFG-Direct Investment Fund	64	640 000	--
EFG-Hermes IB Limited.	100	7	--
Balance		4 067 889 182	3 992 004 175

- * During 2010, EFG-Hermes Holding Company purchased 63.739% a controlling stake in Credit Libanais SAL (the Bank) through its wholly owned subsidiary EFG – Hermes CL Holding SAL for an amount of USD 577.8 million.
- ** The Company owns 100% of EFG- Hermes Regional Investments Ltd Co., which owns 63.41% in EFG- Hermes Private Equity Co. hence the Company has the control, therefore EFG- Hermes Private Equity is a subsidiary.
- *** The Company owns 20.37 % of EFG - Hermes Syria LLC with indirect ownership through one of its subsidiaries - Sindyan Syria LLC (97%).
- Investments in subsidiaries are represented in non - quoted investments.

14- Investment property

	31/12/2015	31/12/2014
	EGP	EGP
Balance at the beginning of the year	253 639 818	252 754 473
Change in fair value	--	885 345
Balance	253 639 818	253 639 818

- Investment property amounted EGP 253 639 818 as at 31 December, 2015, represents the following:
- EGP 157 639 818 represents the fair value of the area owned by EFG – Hermes Holding Company in Nile City Building.
- EGP 96 000 000 represents the fair value of the area owned by EFG – Hermes Holding Company in the headquarter of the Company in Smart Village Building.

15- Fixed assets

	Land	Buildings	Office, furniture & equipment	Computer equipment	Vehicles & transportation means	Fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 1/1/2015	10 000 000	154 159 871	19 223 924	40 079 733	5 138 511	4 143 327	232 745 366
Additions during the year	--	--	36 551	5 778 186	3 684 900	59 420	9 559 057
Disposals during the year	--	--	--	--	(1 085 000)	--	(1 085 000)
Total cost as at 31/12/2015	10 000 000	154 159 871	19 260 475	45 857 919	7 738 411	4 202 747	241 219 423
Accumulated depreciation as at 1/1/2015	--	20 703 910	16 522 624	32 607 723	5 113 193	3 491 911	78 439 361
Depreciation during the year	--	4 624 796	2 128 184	4 471 980	304 201	476 007	12 005 168
Disposals' accumulated depreciation	--	--	--	--	(1 028 751)	--	(1 028 751)
Accumulated depreciation as at 31/12/2015	--	25 328 706	18 650 808	37 079 703	4 388 643	3 967 918	89 415 778
Net book value as at 31/12/2015	10 000 000	128 831 165	609 667	8 778 216	3 349 768	234 829	151 803 645
Net book value as at 31/12/2014	10 000 000	133 455 961	2 546 151	7 472 010	25 318	806 565	154 306 005

16- Share capital

- The Company's authorized capital amounts EGP 3 200 million and issued and paid in capital amounts EGP 2,867,422,500 distributed on 573,484,500 shares of par value EGP 5 per share.
- The Company's Extraordinary General Assembly approved in its session held on May 31, 2015 to increase the Company's authorized capital from EGP 3 200 million to EGP 6 billion and to increase issued and paid-in capital from EGP 2,867,422,500 to EGP 3,259,255,500 with an increase amounting to EGP 391,833,000 by issuing 78,366,600 shares of par value EGP 5 through the issuance of free shares at a ratio of 1.46 free share for every ten outstanding shares and approximating the fractions in favor of the small shareholders. This increase is financed from the 2014 profits which were approved in the Ordinary General Assembly in its session held on May 17, 2015 after the exclusion of 36,956,522 shares. The required procedures have been taken for this increase and the registration in the Commercial Register took place on July 5, 2015.
- On September 30, 2015, The Company's Board of Directors approved to decrease the Company's issued capital from EGP 3,259,255,500 to EGP 3,074,472,890 with a decrease amounting to EGP 184,782,610 by cancelling 36,956,522 treasury shares with par value EGP 5 each and The Company's Extraordinary General Assembly approved it in it's session held on November 16, 2015, and the Egyptian Financial Supervisory Authority approved the cancellation on December 15, 2015, The required procedures have been taken for this decrease and the registration in the Commercial Register took place on December 20, 2015.

16-1 Treasury shares

- The Company's Board of Directors meeting held on January 8, 2014 approved to purchase treasury shares with a billion Egyptian Pounds during the first nine months of the year 2014 through two phases, the first phase have been implemented through purchase of 36,956,522 shares at an average exercising price of EGP 11,5 per share with a total cost of EGP 426,451,266 and the second phase aims to purchase shares with an amount of approximately EGP 575 million during the period between the end of the second quarter or the third quarter of 2014, on October 1, 2014 the Company's Board of Directors agreed to extend the period of implementation of the second phase of purchasing treasury shares program until the end of the second quarter of 2015, the Board also approved expanding the scope of the program to include the option of a dividend distribution.

- On July 22, 2014 the Company's Board of Directors decided to sell the 36,956,522 treasury shares owned by the Company to EFG- Hermes IB Limited Company (wholly owned subsidiary of the Group) at a price of EGP 15,32 per share, the procedures of selling have been taken on July 31, 2014. Egyptian Accounting Standards require presenting the above mentioned sold shares as treasury shares in the consolidated financial statements as the parent company and its subsidiary are one entity.
- On January 29, 2015 the Company announced its intention to proceed with all the necessary steps to cancel the treasury shares owned by its subsidiary EFG Hermes IB Limited once the decision is taken by the Board of Directors and the General Assembly of the Company in the light of the Egyptian Financial Supervisory Authority's decision dated August 19, 2014 pertaining to treasury shares held by listed companies or their subsidiaries, which force the Company to whether cancel the treasury shares or sell them within one year, as the sale to a subsidiary is not considered a sale to an other party.
- On August 31, 2015, The Company's Board of Directors approved the re-acquisition of 36,956,522 shares of the holding company from EFG-Hermes IB Limited Company (wholly owned subsidiary of the Group), the re-acquisition took place on September 17, 2015 and the Company's Extraordinary General Assembly approved it in it's session held on November 16, 2015, and the Egyptian Financial Supervisory Authority approved the cancellation on December 15, 2015. The required procedures have been taken for this decrease and the registration in the Commercial Register took place on December 20, 2015.

17- Retained earnings

On May 17, 2014 the Ordinary General Assembly meeting decided to use the amount of EGP 591 721 138 of share premium reserve shown in the separate financial statements for the year ended December 31, 2013 to cover the holding company retained losses.

18- Contingent liabilities & commitments

- The Company guarantees its subsidiaries – Financial Brokerage Group, Hermes Securities Brokerage , EFG Hermes Jordan and EFG Hermes Oman LLC. – against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the Letters of Guarantee granted from banks amounting to AED 118 670 000 (equivalent to EGP 251 877 075).

19- Dividend income

	For the year ended 31/12/2015 EGP	For the year ended 31/12/2014 EGP
Income from investments in subsidiaries	--	491 165 063
Income from available - for- sale investments	14 009 788	12 236 361
Income from investments at fair value through profit and loss	767 981	1 394 330
Total	14 777 769	504 795 754

20- General administrative expenses

	For the year ended 31/12/2015 EGP	For the year ended 31/12/2014 EGP
Wages , salaries and similar items	156 628 060	88 855 219
Consultancy*	18 888 774	9 614 321
Travel , accommodation and transportation	6 162 347	4 858 442
Leased line and communication	4 844 127	5 026 462
Rent and utilities expenses	9 043 355	7 806 391
Other expenses	51 795 141	43 847 083
Total	247 361 804	160 007 918

* Note no.26

21- Impairment loss on assets

	For the year ended 31/12/2015 EGP	For the year ended 31/12/2014 EGP
Other debit balances	--	7 804 344
Available -for- sale investments	--	1 239 416
Investments in subsidiaries	--	7 188 113
Total	--	16 231 873

22- Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents are represented in the following :

	For the year ended 31/12/2015 EGP	For the year ended 31/12/2014 EGP
Cash and cash equivalents as presented in the statement of financial position	499 063 379	214 529 367
Banks overdraft	(179 991 432)	(149 927 550)
Effect of exchange rate changes	--	13 832 208
Cash and cash equivalents (adjusted)	319 071 947	78 434 025

23- Reconciliation of effective tax rate

	31/12/2015 EGP	31/12/2014 EGP
(Loss) profit before tax	(31 966 934)	448 161 739
Add / (deduct):		
Non deductible expenses	--	3 000
Fixed assets depreciation	(2 257 764)	1 129 411
Capital gains	(418 751)	(560 783)
Impairment loss on assets	--	16 231 873
Loss on dealing in securities listed in the stock exchange	--	186 018
Bad debts	12 313 465	--
Cost of financing and investment opposite to exempted revenues	18 955 785	7 308 764
Tax exemptions	(17 546 039)	(468 963 558)
Other deductibles	(69 942 976)	--
Net tax base	(90 863 214)	3 496 464
Tax due	--	998 939
Prior year adjustments	--	(51 820)
Current income tax	--	947 119

24- Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	31/12/2015 Liabilities EGP	31/12/2014 Liabilities EGP
Fixed assets' (depreciation)	(8 308 552)	(8 562 599)
Net deferred tax liabilities	(8 308 552)	(8 562 599)

(B) Deferred tax recognized directly in equity

	31/12/2015 EGP	31/12/2014 EGP
Changes in fair value of cash flow hedges *	6 612 597	6 612 597
Fair value of available-for-sale financial assets **	(97 956 440)	(107 964 646)
	(91 343 843)	(101 352 049)
Balance	(99 652 395)	(109 914 648)

* Directly deducted from cash flow hedges item presented in the statement of changes in equity.

** Directly deducted from changes in the fair value of available -for-sale investments item presented in the statement of changes in equity.

25- Tax status

- As to Income Tax, the years till 31/12/2010 the competent Tax Inspectorate inspected the parent company's books and all the disputed points have been settled with the Internal Committee and as to years 2011 / 2012 have been inspected and the Company was notified by form no. (19) which was objected thereon on the due date and the settlement procedures are currently taking place and as to year 2013 the competent Tax Inspectorate inspected the parent Company's books and the Company was notified by form no. (19). which was objected thereon on the due date and the settlement procedures are currently taking place and as to year 2014, it has not been inspected yet.
- As to Salaries Tax, the parent Company's books had been examined till 2008 and all the disputed points have been settled with the Internal Committee and the due amount has been paid and as to years 2009/2012 Company's books had been examined and the settlement procedures are currently taking place, and as to years 2013 / 2014 , the parent Company's books have not been inspected yet.

- As to Stamp Tax, the parent Company's books had been examined from 1998 till 31/7/2006 and paid the due tax according to the resolution of appeal committee which was objected thereon in the court, and the period from 1/8/2006 till 31/12/2013 has been inspected and the Company was notified by form no. (19). which was objected thereon on the due date and the settlement procedures are currently taking place and as to year 2014, it has not been inspected yet..
- On June 4, 2014 a new law No. 44/2014 has imposed a 5% temporary additional annual tax on amounts exceed EGP 1 million from the tax base on the income of natural persons or the profits of Corporate Buddies in accordance with income tax law , and it has been proven and collected in accordance with this provisions . This law start working from June 5, 2014 for 3 years beginning from the current taxation period.
- On June 30, 2014 a Presidential Decree has issued law No. 53 for the year 2014, this law has amended some articles of the law on Income Tax promulgated by law No. 91/2005 the most important of these amended rules are :

  1- Impose taxes on dividends.

  2- Impose taxes on capital gains resulted from selling shares and securities.

  On April 6, 2015 the Ministry Decree No. 172 for the year 2015 was issued, amending the provisions of the Executive Regulations of the Income Tax law issued by the Decree of the Minister of Finance No.991/2005.

- On August 20, 2015 President Decree No. 96 for the year 2015 was issued, amending some provisions of the income tax laws No. 91 for the year 2005 and No. 44 for the year 2014 charging temporary additional income tax, taking effect the day after the decree is published. Significant changes included in the decree are presented in the following:
  1. Reducing the income tax to 22.5% from net annual profits.
  2. Duration of imposed temporary tax (5%) is amended.
  3. Tax on dividends is amended.
  4. Imposed capital tax on the output from dealing in securities listed in the stock exchange ceasing for 2 years starting from 17/5/2015.

26- Related party transactions

The related parties transactions are represented in the following :

- General & administrative expenses item presented in the income statement includes an amount of EGP 13 million represents services in the financial securities which provided by Financial Brokerage Group (a subsidiary – 99.87%) during the financial year according to agreement singed in this regard.

- Other income item presented in the income statement includes an amount of EGP 14 490 504 which represents the value of rental spaces for some affiliated companies in addition to EGP 10 754 975 which represents the value of redemption of some expenses of the new headquarter that were allocated to the subsidiaries.
- Interest income item presented in the income statement includes an amount of EGP 25 800 000 and EGP 1 485 847 which represent the interest on subordinated loan that granted from the Company to Hermes Securities Brokerage (a subsidiary – 97.58%) and Financial Brokerage Group (a subsidiary – 99.87%) respectively (Note no. 11).
- Loans to subsidiaries item as at December 31, 2015 is presented in the statement of financial position represents in the loan granted to Hermes Securities Brokerage (a subsidiary – 97.58%) with an amount of EGP 200 million (Note no. 11).
- Creditors and other credit balances item includes an amount of EGP 2 444 334 represents the unearned revenues from the affiliated companies for rental of Group's headquarter owned by the Company (Note no. 9).

27- Financial instruments and management of related risks:

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while liabilities include loans and creditors. Notes (No. 2&3) of notes to financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses by the Company to minimize the consequences of such risks.

27/1 Market risk

A. Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the Company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As at the financial position date the Company has assets and liabilities in foreign currencies equivalent to EGP 2 324 892 006 and EGP 407 395 540 respectively. The Company's net exposures in foreign currencies as at the financial position date are as follows:

	Surplus EGP
USD	1 778 402 070
Euro	133 291 934
AED	4 141 495
GBP	960 435
CHF	700 532

The Company has used the prevailing exchange rates to revaluate assets and liabilities at financial position date as disclosed in note 3-1, "foreign currencies transactions".

B. Interest rate risk

The cash flows of the Company affected by the changes in market rates of interest. To mitigate interest rate risk the Company maintains banks deposits for short-term periods renewed monthly, and are negotiated in the re-pricing date comparing to interest rates announced by the central bank or LIBOR.

C. Price risk

The Company is exposed to market price risk for equity instruments, According to the Company's investment policy, the following procedures are undertaken to reduce the effect of this risk.

- Performing the necessary studies before investment decision in order to verify that investment is made in potential securities.
- Diversification of investments in different sectors and industries.
- Performing continuous studies required to follow up the Company's investments and their development.

27/2 Credit risk

Financial institutions that the Group deals with are only those enjoying high credit quality. The Group has policies that limit the amount of credit exposure to any one financial institution.

27/3 Liquidity risk

Liquidity risk is represented in the factors, which may affect the Company's ability to pay part of or full amount of its liabilities. According to the Company's policy, sufficient cash balances are retained to meet the Company's current liabilities which minimize the liquidity risk.

27/4 Capital risk

The goal of the Company's management of capital management is to maintain the Company's ability to continue to achieve returns for shareholders and benefits for other parties that use financial statements. The management company also aims to provide and maintain the best capital structure which would lead to lower capital costs.

27/5 Financial instruments' fair value

The financial instruments' fair value does not substantially deviated from its book value at the financial position date. According to the valuation basis applied, in accounting policies to the assets and liabilities, which included in the notes to the financial statements, note no. (13) of the notes to financial statements disclose the fair values of investments, except for trading and available-for-sale investments which are reported at cost.

27/6 Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value according to the valuation basis applied, in accounting policies to derivative financial instrument, (Note no. 3-14).

28- Comparative figures

Certain reclassification and adjustments have been made to some comparative figures in order to conform with the current year presentation. These adjustments are attributable to the following:

	(As reported) For the year ended 31/12/2014 EGP	Adjustments EGP	(Amended) For the year ended 31/12/2014 EGP
Due from subsidiaries and associates	1 620 123 179	(27 353 622)	1 592 769 557
Due to subsidiaries and associates	316 172 246	(27 353 622)	288 818 624

29- Subsequent events

On 24 February 2016, the Company announced that it has signed buying agreements to acquire 76.7 % of Tanmeyah Micro Enterprise Services S.A.E. stocks through acquiring 70 % of Financial Unlimited Company – a subsidiary of Qalaa Holdings – and acquiring a portion of the shares held by Tanmeyah's management, representing 6.7 % of the Company in a transaction with an amount of EGP 345 million.