

**EFG –Hermes Holding Company**  
**(Egyptian Joint Stock Company)**

**Separate financial statements**  
**for the period ended September 30, 2015**  
**&**  
**Review Report**

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### Review Report

#### To the Board of Directors of EFG – Hermes Holding Company

##### *Introduction*

We have performed a limited review for the accompanying separate statement of financial position of EFG – Hermes Holding Company (Egyptian Joint Stock Company) as of 30 September, 2015 and the related separate statements of income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

##### *Scope of Limited Review*

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

##### *Conclusion*

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements do not present fairly, in all material respects, the financial position of the Company as at 30 September, 2015 and of its financial performance and its cash flows for the nine months then ended in accordance with Egyptian Accounting Standards.

*Hassan Bas*  
KPMG-Hazem Hassan

**KPMG Hazem Hassan**  
Public Accountants and Consult.


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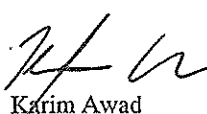
Cairo, November 11, 2015

**EFG - Hermes Holding Company**  
**( Egyptian Joint Stock Company )**  
**Separate statement of financial position**  
**as at 30 September, 2015**

	Note no.	30/9/2015 EGP	31/12/2014 EGP
<b>Current assets</b>			
Cash and cash equivalents	(4,22)	593 180 930	214 529 367
Investments at fair value through profit and loss	(5)	162 742 095	377 974 895
Due from subsidiaries & associates	(6)	1 447 947 313	1 580 550 841
Other debit balances	(7)	19 794 449	55 017 553
Current portion of loans to subsidiaries	(11,25)	150 000 000	-
<b>Total current assets</b>		<u>2 373 664 787</u>	<u>2 228 072 656</u>
<b>Current liabilities</b>			
Banks overdraft	(22)	179 930 454	149 927 550
Due to subsidiaries & associates	(8)	1 021 325 243	276 599 908
Tax authority		2 164 384	3 018 221
Creditors and other credit balances	(9,25)	68 317 456	42 877 510
Expected claims provision	(10)	6 270 286	6 770 286
<b>Total current liabilities</b>		<u>1 278 007 823</u>	<u>479 193 475</u>
<b>Working capital</b>		<u>1 095 656 964</u>	<u>1 748 879 181</u>
<b>Non - current assets</b>			
Loans to subsidiaries	(11,25)	50 000 000	150 000 000
Available -for- sale investments	(12)	1 292 751 340	1 272 137 258
Investments in subsidiaries	(13)	4 067 249 175	3 992 004 175
Investment property	(14)	253 639 818	253 639 818
Fixed assets (net)	(15)	151 811 657	154 306 005
<b>Total non - current assets</b>		<u>5 815 451 990</u>	<u>5 822 087 256</u>
<b>Total investment</b>		<u>6 911 108 954</u>	<u>7 570 966 437</u>
<b>Financed through :</b>			
<b>Shareholders' equity</b>			
Issued & paid - in capital	(16)	3 259 255 500	2 867 422 500
Legal reserve		1 523 711 250	990 432 067
Other reserves		2 487 222 280	3 159 824 485
Retained earnings	(17)	372 737	-
		<u>7 270 561 767</u>	<u>7 017 679 052</u>
Treasury shares	(16-1)	( 426 618 370)	-
<b>Shareholders' equity</b>		<u>6 843 943 397</u>	<u>7 017 679 052</u>
Net (loss) profit for the period / year		( 50 525 973)	443 372 737
<b>Total shareholders' equity</b>		<u>6 793 417 424</u>	<u>7 461 051 789</u>
<b>Non - current liabilities</b>			
Deferred tax liabilities	(23)	117 691 530	109 914 648
<b>Total shareholders' equity and non - current liabilities</b>		<u>6 911 108 954</u>	<u>7 570 966 437</u>

The accompanying notes from page (5) to page (27) are an integral part of these financial statements and are to be read therewith.

  
Mona Zulficar  
Chairperson

  
Karim Awad  
Executive Managing Director

~~Review report "attached"~~

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate income statement**  
**for the period ended 30 September 2015**

	Note no.	2015		2014	
		For the period from 1/7/2015 to 30/9/2015 EGP	For the period from 1/1/2015 to 30/9/2015 EGP	For the period from 1/7/2014 to 30/9/2014 EGP	For the period from 1/1/2014 to 30/9/2014 EGP
Dividend income	(19)	3 576 958	9 335 642	1 049 792	8 978 237
Custody activity income		555 363	4 065 372	872 880	3 453 403
		4 132 321	13 401 014	1 922 672	12 431 640
Finance cost		( 6 153 755)	( 15 218 838)	( 5 577 588)	( 6 736 280)
General administrative expenses	(20,25)	( 34 006 851)	( 171 009 257)	( 58 561 038)	( 229 135 461)
Fixed assets depreciation	(15)	( 2 724 625)	( 9 354 640)	( 3 302 291)	( 10 124 863)
Impairment loss on assets	(21)	-	-	-	( 12 624 392)
Net activity's loss		( 38 752 910)	( 182 181 721)	( 65 518 245)	( 246 189 356)
Interest income	(25)	7 872 641	22 081 081	6 303 946	10 229 746
Changes in the fair value of investments at fair value through profit and loss		1 749 301	3 435 966	6 564 935	10 325 336
Gains on sale of investments		1 052 117	10 834 256	159 154	58 068 047
Foreign currencies differences		21 556 657	66 244 323	( 2 125 967)	8 937 928
Other income	(25)	9 598 685	28 382 595	8 116 408	25 021 395
Net (loss) profit before tax		3 076 491	( 51 203 500)	( 46 499 769)	( 133 606 904)
Deferred tax	(23)	468 969	677 527	80 641	( 1 255 619)
Net (loss) profit for the period		3 545 460	( 50 525 973)	( 46 419 128)	( 134 862 523)

The accompanying notes from page (5) to page (27) 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 period ended 30 September 2015

Note no.	Issued & paid-in capital	Legal reserve	Other reserves			Retained earnings	Treasury shares	Net (loss) profit for the year / period	Total	
			General reserve	Share premium	Fair value reserve					Fixed assets revaluation surplus
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP		
	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
Balance as at 31 December, 2013 (before adjustment)				(73 984 509)						(73 984 509)
Prior year adjustments										
	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
Balance as at 31 December, 2013 (after adjustment)										
Carrying 2013 loss forward										
	-	-	-	-	-	-	-	-	916 288 978	-
Net change in the fair value of available-for-sale investments (net of tax)										
Transfer to retained earnings	(17)									
	-	-	-	-	264 548 880	-	-	-	-	264 548 880
Purchasing of treasury shares	(16-1)									
	-	-	-	(591 721 138)	-	-	-	591 721 138	-	-
Selling of treasury shares	(16-1)									
	-	-	-	139 960 832	-	-	-	-	425 974 172	565 935 004
Net loss for the period ended September 30, 2014										
	2 867 422 500	990 432 067	158 271	2 837 343 593	420 180 542	15 449 979	(26 442 387)	-	(134 862 523)	(134 862 523)
Balance as at September 30, 2014										
	2 867 422 500	990 432 067	158 271	2 837 343 593	333 315 039	15 449 979	(26 442 387)	-	(134 862 523)	6 969 682 042
Balance as at 31 December, 2014										
2014 dividends payout										
	-	-	-	-	-	-	-	-	443 372 737	7 461 051 789
Increase in issued capital	(16)									
	391 833 000	-	-	-	-	-	-	392 205 737	(443 372 737)	(51 167 000)
Transfer to Legal reserve *	(16-1)									
	-	533 279 183	-	(533 279 183)	-	-	-	(391 833 000)	-	-
Net change in the fair value of available-for-sale investments (net of tax)										
	-	-	-	-	637 803	-	-	-	-	637 803
Purchasing of treasury shares	(16-1)									
	-	-	-	(139 960 825)	-	-	-	-	(426 618 370)	(566 579 195)
Net loss for the period ended September 30, 2015										
	3 259 255 500	1 523 711 250	158 271	2 164 103 585	333 952 852	15 449 979	(26 442 387)	372 737	(50 525 973)	(50 525 973)
Balance as at September 30, 2015										
	3 259 255 500	1 523 711 250	158 271	2 164 103 585	333 952 852	15 449 979	(26 442 387)	372 737	(50 525 973)	6 793 417 424

\* According to the company's ordinary general assembly held on May 17, 2015.

The accompanying notes from page (5) to page (27) 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 period ended 30 September 2015**

	Note no.	For the period ended 30/9/2015 EGP	For the period ended 30/9/2014 EGP
<b>Cash flows from operating activities</b>			
Net loss before tax		( 51 203 500)	( 133 606 904)
<b>Adjustments to reconcile net loss before tax to net cash provided from (used in) operating activities :</b>			
Fixed assets depreciation		9 354 640	10 124 863
Impairment loss on assets		-	12 624 392
Gains on sale of fixed assets		( 110 000)	( 301 783)
Provisions used		( 500 000)	-
Changes in the fair value of investments at fair value through profit and loss		( 3 437 377)	( 10 325 336)
Gains on sale of available -for- sale investments		( 929 785)	(44 869 638)
Losses on sale of non current assets held for sale		-	186 018
Foreign currencies differences		( 66 244 323)	( 8 937 928)
Operating loss before changes in working capital		( 113 070 345)	( 175 106 316)
Decrease in investments at fair value through profit and loss		218 691 706	170 702 828
Decrease (increase) in due from subsidiaries		199 901 301	(684 477 792)
Decrease (increase) in other debit balances		35 722 237	(12 703 801)
Increase in due to subsidiaries		160 972 136	406 237 807
Decrease in tax authority		( 853 837)	(3 854 483)
(Decrease) increase in creditors and other credit balances		(11 198 651)	28 002 031
Income tax paid		-	(3 995 554)
Net cash provided from (used in) operating activities		<u>490 164 547</u>	<u>( 275 195 280)</u>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets		(6 860 292)	( 572 740)
Proceeds from fixed assets		110 000	305 750
Payments for loans to subsidiaries		(50 000 000)	(150 000 000)
Payments to purchase available -for- sale investments		(13 953 055)	(1 215 344)
Proceeds from sale available -for- sale investments		3 360 970	128 358 500
Payments to purchase investments in subsidiaries and associates		(75 245 000)	-
Proceeds from sale of non current assets held for sale		-	5 063 952
Net cash used in investing activities		<u>( 142 587 377)</u>	<u>( 18 059 882)</u>
<b>Cash flows from financing activities</b>			
Dividends payout		(14 952 794)	( 308 502)
Payments to purchase treasury shares		-	(425 974 172)
Proceeds from sale treasury shares		-	565 935 004
Net cash (used in) provided from financing activities		<u>( 14 952 794)</u>	<u>139 652 330</u>
Net change in cash and cash equivalents during the period		332 624 376	(153 602 832)
Cash and cash equivalents at the beginning of the period	(22)	80 626 100	279 745 110
Cash and cash equivalents at the end of the period	(22)	<u>413 250 476</u>	<u>126 142 278</u>

**Non cash transactions**

An amount of EGP 36 214 206 has been eliminated from creditors and other credit balances and dividends payout , which represented in unpaid dividends.

An amount of EGP 566 579 195 has been eliminated from due to associates represent the value of re-ownership of the company's shares EFG- Hermes IB Limited and EGP 426 618 370 and EGP 139 960 825 from treasury shares and share premium reserves respectively.

The accompanying notes from page (5) to page (27) are an integral part of these financial statements and are to be read therewith.

**EFG- Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Notes to the separate financial statements**  
**for the period ended 30 September, 2015**

**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 November 10, 2015.

**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.
- Investments 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 (23) – 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 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 27).

### **3-1 Translation of the foreign currencies transactions**

The company maintains its accounts in Egyptian Pound. Transactions denominated in foreign currencies are recorded at the prevailing exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the prevailing exchange rates at that date. The foreign currencies exchange differences arising on the settlement of transactions and the translation at the balance sheet date are recognized in the income statement.

### 3-2 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (Note3-8). 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:

	<b>Estimated useful life</b>
- 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 balance sheet 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 assets**

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, identifies based on quoted price of the exchange market at the balance sheet date, investments that are not quoted, and whose fair value can not be measured reliably are valued by an 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 can not 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 Investments property**

- Investment property is recorded at cost upon initial recognition, the company valued the investment property at fair value on balance sheet 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 remeasurement 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 profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the profit or loss.

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 profit or loss. 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 profit or loss.

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 cash flow statement, cash and cash equivalent includes the balances, which maturity not exceeding 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 balance sheet 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 Issued 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 profit or loss 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 profit or loss.

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 profit or loss in the same period that the hedged item affects profit or loss.

*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 profit or loss.

**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 profit or loss 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet 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 balance sheet 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 period, 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.

#### 4- Cash and cash equivalents

	30/9/2015	31/12/2014
	EGP	EGP
Cash on hand	398 904	179 118
Banks -current accounts	568 932 806	204 203 856
Banks -time deposits	23 849 220	10 000 000
Cheques under collection	--	146 393
Balance	<u>593 180 930</u>	<u>214 529 367</u>
	=====	=====

#### 5- Investments at fair value through profit and loss

	30/9/2015	31/12/2014
	EGP	EGP
Mutual fund certificates	162 410 552	377 527 470
Stocks	331 543	447 425
Balance	<u>162 742 095</u>	<u>377 974 895</u>
	=====	=====

#### 6- Due from subsidiaries & associates

	30/9/2015	31/12/2014
	EGP	EGP
EFG- Hermes Management	855 765	747 630
Financial Brokerage Group Co.	15 268 784	12 881 337
EFG- Hermes Advisory Inc.	841 507 097	931 633 036
Flemming CIIC Holding *	26 223 560	25 867 224
EFG- Hermes Jordan	518 858	47 196
EFG- Hermes Oman LLC	1 089 663	--
EFG- Hermes IFA Financial Brokerage	1 144 791	--
EFG-Hermes Promoting & Underwriting	208 668 631	101 488 827
EFG- Hermes KSA	160 367 926	282 990 187
Egyptian Fund Management Group	19 749 727	6 980 774
EFG- Hermes Private Equity BVI	11 871 181	4 395 844

	<b>30/9/2015</b>	<b>31/12/2014</b>
	<b>EGP</b>	<b>EGP</b>
Bayonne Enterprises Ltd.	1 578 111	1 683 883
EFG-Hermes Global CB Holding Limited	179 638 174	236 522 863
EFG- Hermes Brokerage- UAE LLC	1 577 385	1 887 935
Beaufort Investments Company	109 481	108 691
EFG-Hermes Holding-Lebanon	1 006 460	(1 265 501)
EFG-Hermes leasing	2 190 804	--
	<u>1 473 366 398</u>	<u>1 605 969 926</u>
Accumulated impairment loss on due from subsidiaries *	(25 419 085)	(25 419 085)
Balance	<u>1 447 947 313</u>	<u>1 580 550 841</u>
	=====	=====
<b>7- Other debit balances</b>		
	<b>30/9/2015</b>	<b>31/12/2014</b>
	<b>EGP</b>	<b>EGP</b>
Accrued revenues	252 480	40 774 122
Taxes withheld by others	2 615 524	566 603
Deposits with others	1 178 927	1 070 152
Prepaid expenses	5 975 176	3 081 611
Employees advance	725 692	633 650
Down payments to suppliers	287 681	1 479 026
Payments for investments *	3 140 000	3 140 000
Sundry debtors	5 618 969	4 272 389
	<u>19 794 449</u>	<u>55 017 553</u>
	=====	=====

\* Payments for investments are represented in the following:

Company	<b>30/9/2015</b>	<b>31/12/2014</b>
	<b>EGP</b>	<b>EGP</b>
Arab Visual Company	2 500 000	2 500 000
EFG -Hermes Direct Fund Management	640 000	640 000
Balance	<u>3 140 000</u>	<u>3 140 000</u>
	=====	=====

8- Due to subsidiaries & associates

	30/9/2015	31/12/2014
	EGP	EGP
Arab Visual Company	5 000 000	5 000 000
Hermes Corporate Finance	9 722 522	91 884 946
EFG – Hermes Fixed Income	7 190 680	5 693 512
EFG- Hermes Mutual Funds	9 940 691	9 955 691
EFG-Hermes Regional Investments Ltd.	130 388 332	121 070 334
EFG – Hermes Syria LLC	8 665 798	9 319 056
Egyptian Portfolio Management Group	32 154 059	25 525 526
EFG- Hermes – Lebanon – S.A.L.	43 208 733	13 879 764
Hermes Fund Management	27 265 148	28 737 100
EFG- Hermes Financial Management (Egypt) Ltd	93 465 273	(18 990 746)
EFG-Hermes UAE Ltd. Co	4 476 080	3 803 420
Hermes Securities Brokerage	83 505 652	(7 097 375)
EFG- Hermes Qatar	248 540	37 396
EFG- Hermes IB Limited	566 093 735	(12 218 716)
Balance	<u>1 021 325 243</u>	<u>276 599 908</u>
	=====	=====

9- Creditors and other credit balances

	30/9/2015	31/12/2014
	EGP	EGP
Social Insurance Authority	14 241	221 361
Accrued expenses	5 178 248	16 382 127
Clients coupons - custody activity	9 610 002	7 695 084
Unearned Revenue (Note no. 25)	6 110 827	4 727 013
Dividends payable	44 222 721	8 008 515
Sundry credit balances	3 181 417	5 843 410
Balance	<u>68 317 456</u>	<u>42 877 510</u>
	=====	=====

10- Expected claims provision

	30/9/2015	31/12/2014
	EGP	EGP
Balance at the beginning of the period / year	6 770 286	7 270 286
Amounts used during the period / year	(500 000)	(500 000)
Balance	<u>6 270 286</u>	<u>6 770 286</u>
	=====	=====

### 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. 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 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 interest 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. 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 interest 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

	30/9/2015	31/12/2014
	EGP	EGP
Stocks	226 668 957	302 275 355
Mutual fund certificates	1 066 082 383	969 861 903
Balance	<u>1 292 751 340</u>	<u>1 272 137 258</u>
	=====	=====

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

	30/9/2015	31/12/2014
	EGP	EGP
Quoted investments	192 346 679	278 213 927
Non- quoted investments	1 100 404 661	993 923 331
	<u>1 292 751 340</u>	<u>1 272 137 258</u>
	=====	=====

### 13- Investments in subsidiaries

Company's name	Share percentage	Balance as at 30/9/2015	Balance as at 31/12/2014
	%	EGP	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	96.30	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 ***	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	--
Balance		<u>4 067 249 175</u>	<u>3 992 004 175</u>
		=====	=====

\* 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

	30/9/2015	31/12/2014
	EGP	EGP
Balance at 1 January	253 639 818	252 754 473
Change in fair value	--	885 345
Balance	<u>253 639 818</u>	<u>253 639 818</u>

- Investment property amounted EGP 253 639 818 as at 30 September, 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 (net)

	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 period	--	--	23 347	4 592 625	2 184 900	59 420	6 860 292
Disposals	--	--	--	--	(380 667)	--	(380 667)
Total cost as at 30/9/2015	<u>10 000 000</u>	<u>154 159 871</u>	<u>19 247 271</u>	<u>44 672 358</u>	<u>6 942 744</u>	<u>4 202 747</u>	<u>239 224 991</u>
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 period	--	3 468 599	1 959 352	3 425 890	137 553	363 246	9 354 640
Disposals' accumulated depreciation	--	--	--	--	(380 667)	--	(380 667)
Accumulated depreciation as at 30/9/2015	<u>--</u>	<u>24 172 509</u>	<u>18 481 976</u>	<u>36 033 613</u>	<u>4 870 079</u>	<u>3 855 157</u>	<u>87 413 334</u>
Net book value as at 30/9/2015	<u>10 000 000</u>	<u>129 987 362</u>	<u>765 295</u>	<u>8 638 745</u>	<u>2 072 665</u>	<u>347 590</u>	<u>151 811 657</u>
Net book value as at 31/12/2014	<u>10 000 000</u>	<u>133 455 961</u>	<u>2 546 151</u>	<u>7 472 010</u>	<u>25 318</u>	<u>806 565</u>	<u>154 306 005</u>

## 16- 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 canceling 36 956 522 treasury shares with par value EGP 5 each, The company's Extraordinary General Assembly was invited to vote on the decision.

### 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 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. The company's Extraordinary General Assembly was invited to vote on canceling these shares.

#### **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 31 December 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 153 670 000 (equivalent to EGP 326 133 841).



**19- Dividend income**

	2015		2014	
	For the period from 1/7/2015 to 30/9/2015 EGP	For the period from 1/1/2015 to 30/9/2015 EGP	For the period from 1/7/2014 to 30/9/2014 EGP	For the period from 1/1/2014 to 30/9/2014 EGP
Income from investments in subsidiaries	--	--	713 415	713 415
Income from available - for- sale investments	3 425 380	8 906 896	--	7 921 932
Income from investments at fair value through profit and loss	151 578	428 746	336 377	342 890
<b>Total</b>	<u>3 576 958</u> =====	<u>9 335 642</u> =====	<u>1 049 792</u> =====	<u>8 978 237</u> =====

**20- General administrative expenses**

	2015		2014	
	For the period From 1/7/2015 to 30/9/2015 EGP	For the period From 1/1/2015 to 30/9/2015 EGP	For the period From 1/7/2014 to 30/9/2014 EGP	For the period From 1/1/2014 to 30/9/2014 EGP
Wages , salaries and similar items	18 510 085	101 329 923	38 209 247	182 441 818
Consultancy	1 718 806	16 931 346	2 811 350	7 083 616
Travel , accommodation and transportation	1 330 332	4 369 260	1 180 931	2 933 335
Leased line and communication	1 094 795	3 612 984	1 022 081	3 457 780
Rent and utilities expenses	2 407 415	6 527 019	2 186 287	5 798 350
Other expenses	8 945 418	38 238 725	13 151 142	27 420 562
<b>Total</b>	<u>34 006 851</u> =====	<u>171 009 257</u> =====	<u>58 561 038</u> =====	<u>229 135 461</u> =====

**21- Impairment loss on assets**

	2015		2014	
	For the period From 1/7/2015 to 30/9/2015 EGP	For the period From 1/1/2015 to 30/9/2015 EGP	For the period From 1/7/2014 to 30/9/2014 EGP	For the period From 1/1/2014 to 30/9/2014 EGP
Other debit balances	--	--	--	7 804 344
Available for sale investments	--	--	--	1 231 935
Investments in subsidiaries	--	--	--	3 588 113
<b>Total</b>	<u>--</u> =====	<u>--</u> =====	<u>--</u> =====	<u>12 624 392</u> =====

**22- Cash and cash equivalents**

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

	For the period ended 30/9/2015 EGP	For the year ended 31/12/2014 EGP
Cash and cash equivalents as presented in the statement of financial position	593 180 930	214 529 367
Banks overdraft	(179 930 454)	(149 927 550)
Effect of exchange rate changes	--	16 024 283
Cash and cash equivalents (adjusted)	<u>413 250 476</u> =====	<u>80 626 100</u> =====

**23- Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	30/9/2015 Liabilities EGP	31/12/2014 Liabilities EGP
(A) Deferred tax		
Fixed assets' (depreciation)	(7 885 072)	(8 562 599)
Net deferred tax liabilities	<u>(7 885 072)</u> =====	<u>(8 562 599)</u> =====
(B) Deferred tax recognized directly in equity		
	30/9/2015 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 **	(116 419 055)	(107 964 646)
	<u>(109 806 458)</u>	<u>(101 352 049)</u>
Balance	<u>(117 691 530)</u> =====	<u>(109 914 648)</u> =====

\* 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.

## 24- 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 years 2013/2014, according to tax form of tax law no. 91 of 2005 the company has submitted the tax returns and paid the due tax.
- 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 31/12/2014 have 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.

## 25- 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 period according to agreement signed in this regard.
- Other income item presented in the income statement includes an amount of EGP 10 824 003 which represents the value of rental spaces for some affiliated companies in addition to EGP 8 060 249 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 18 377 778 and EGP 1 485 847 which represent the interests 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 September 30, 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 6 110 827 represents the unearned revenues from the affiliated companies for rental of group's headquarter owned by the company (note no. 9).

## 26- 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.

### 26/1 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 2 369 664 515 and EGP 398 700 535 respectively. The company's net exposures in foreign currencies are as follows:

	Surplus EGP
USD	1 835 210 734
Euro	132 163 645
AED	1 910 169
GBP	940 287
CHF	739 145

As disclosed in note 3-1, "foreign currencies transactions" the company has used the prevailing exchange rates to revalue monetary assets and liabilities at financial position date.

#### **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.

#### **26/2 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.

**26/3 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.

**26/4 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.

**26/5 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.

**26/6 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).

**27- Comparative figures**

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

	For the year ended 31/12/2014 (as reported) EGP	Adjustments EGP	For the year ended 31/12/2014 (amended) EGP
Due from subsidiaries	1 620 123 179	(39 572 338)	1 580 550 841
Other debit balances	55 207 053	(189 500)	55 017 553
Due to subsidiaries	316 172 246	(39 572 338)	276 599 908
Creditors and other credit balances	43 067 010	(189 500)	42 877 510