

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

**Separate financial statements**  
**for the period ended March 31, 2011**  
**&**  
**Review Report thereon**



## Hazem Hassan

Public Accountants & Consultants

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### Review Report

#### To the Board of Directors of the 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 March 31, 2011 and the related separate statements of income, changes in equity and cash flows for the three 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 separate interim financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2011, and of its financial performance and its cash flows for the three months then ended in accordance with Egyptian Accounting Standards.


Hassan B. H.  
KPMG-Hazem Hassan

Cairo, June 13, 2011

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate statement of financial position**  
**as at March 31, 2011**


	note no.	31/3/2011 LE	31/12/2010 LE
<b>Current assets</b>			
Cash and cash equivalents	(4)	241 417 626	165 527 286
Investments at fair value through profit and loss	(5)	166 861 811	696 456 739
Due from subsidiaries	(6)	1 902 914 815	1 313 548 737
Other debit balances	(8)	112 520 602	82 060 622
<b>Total current assets</b>		<u>2 423 714 854</u>	<u>2 257 593 384</u>
<b>Current liabilities</b>			
Due to subsidiaries	(9)	473 692 990	303 147 225
Tax authority		237 785 577	235 905 648
Creditors and other credit balances	(10,22)	63 731 532	37 337 187
Dividends payable		-	15 738 394
Expected claims provision	(11)	9 853 751	9 853 751
Current portion of long term loans	(17)	40 781 400	38 588 000
<b>Total current liabilities</b>		<u>825 845 250</u>	<u>640 570 205</u>
Working capital		<u>1 597 869 604</u>	<u>1 617 023 179</u>
<b>Non - current assets</b>			
Loans to subsidiaries	(7,22)	100 000 000	100 000 000
Available -for- sale investments	(12)	184 535 853	252 033 867
Investments in subsidiaries	(13)	4 472 503 531	4 472 503 531
Investments property	(14)	132 062 511	132 062 511
Projects under construction	(15)	1 695 668	1 856 584
Fixed assets (net)	(16)	304 706 784	305 365 339
Deferred tax assets	(23)	4 416 228	4 360 686
<b>Total non - current assets</b>		<u>5 199 920 575</u>	<u>5 268 182 518</u>
<b>Total investment</b>		<u>6 797 790 179</u>	<u>6 885 205 697</u>
<b>Financed through :</b>			
<b>Shareholders' equity</b>			
Issued & paid - in capital	(18)	1 913 570 000	1 913 570 000
Legal reserve		956 785 000	956 785 000
Other reserves		3 215 871 421	3 284 977 958
Retained earnings		1 489 022 135	463 008 043
		<u>7 575 248 556</u>	<u>6 618 341 001</u>
Net (loss) profit for the period / year		( 19 842 381)	1 026 014 092
Interim dividends		<u>( 774 517 396)</u>	<u>( 774 517 396)</u>
<b>Total shareholders' equity including net (loss) profit for the period / year</b>		<u>6 780 888 779</u>	<u>6 869 837 697</u>
<b>Non - current liabilities</b>			
Long term loans	(17)	16 901 400	15 368 000
<b>Total shareholders' equity and non - current liabilities</b>		<u>6 797 790 179</u>	<u>6 885 205 697</u>

The accompanying notes from page (5) to page (22) are an integral part of these financial statements and are to be read

  
Mona Zulficar  
Chair person

  
Yasser El Mallawany  
Executive Managing Director

~~Review Report "attached"~~

  
Hassan Heikal  
Executive Managing Director

**EFG - Hermes Holding Company**

**(Egyptian Joint Stock Company)**

**Separate income statement**

**for the period ended March 31, 2011**

	note no.	For the period ended 31/03/2011 LE	For the period ended 31/03/2010 LE
Dividends income	(20)	475 564	906 876
Custody activity income		5 715 286	5 419 346
		<hr/> 6 190 850	<hr/> 6 326 222
Finance cost		( 2 000 215)	( 1 226 445)
General administrative expenses	(22)	( 50 623 798)	( 64 435 312)
Fixed assets depreciation	(16)	( 4 841 869)	( 1 724 032)
Expected claims provision		-	( 14 000 000)
Net activity's loss		<hr/> ( 51 275 032)	<hr/> ( 75 059 567)
Interest income	(22)	5 786 870	43 918 927
Changes in the fair value of investments at fair value through profit and loss		( 2 020 722)	34 375 878
Changes in the fair value of investments property	(3-5-4)	-	( 46 104 606)
Gains on sale of investments	(13)	6 285 651	1 210 360 389
Foreign currencies differences		14 280 526	( 7 744 860)
Other income	(22)	7 044 784	2 653 524
Net (loss) profit before tax		<hr/> ( 19 897 923)	<hr/> 1 162 399 685
Current income tax		-	( 243 798 525)
Deferred tax	(23)	55 542	128 709
Net (loss) profit for the period		<hr/> ( 19 842 381)	<hr/> 918 729 869
Earnings per share	(24)	<hr/> (0.05)	<hr/> 2.38

The accompanying notes from page (5) to page (22) 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 March 31, 2011

note no.	Issued & paid-in capital	Legal reserve	Other reserves			Retained earnings	Net profit (loss) for the year / period	Interim dividends	Total
			General reserve	Share premium	Fair value reserve				
	LE	LE	LE	LE	LE	LE	LE	LE	
	1 913 570 000	956 785 000	158 271	3 294 067 512	( 87 157)	356 343 573	517 719 221	-	7 035 010 153
	-	-	-	-	-	517 719 221	( 517 719 221)	-	-
	-	-	-	-	( 22 896 120)	-	-	-	( 22 896 120)
	-	-	-	-	43 103	-	-	-	43 103
	-	-	-	-	-	-	918 729 869	-	918 729 869
	1 913 570 000	956 785 000	158 271	3 294 067 512	( 44 054)	874 062 794	918 729 869	-	7 930 887 005
	1 913 570 000	956 785 000	158 271	3 294 067 512	17 194 562	463 008 043	1 026 014 092	( 774 517 396)	6 869 837 697
	-	-	-	-	-	1 026 014 092	( 1 026 014 092)	-	-
	-	-	-	-	( 69 106 537)	-	-	-	( 69 106 537)
	-	-	-	-	-	-	( 19 842 381)	-	( 19 842 381)
	1 913 570 000	956 785 000	158 271	3 294 067 512	( 51 911 975)	1 489 022 135	( 19 842 381)	( 774 517 396)	6 780 888 779

The accompanying notes from page (5) to page (22) are an integral part of these financial statements and are to be read therewith.

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate cash flows statement**  
**for the period ended March 31, 2011**

	<b>For the period ended 31/3/2011 LE</b>	<b>For the period ended 31/3/2010 LE</b>
<b>Cash flows from operating activities</b>		
Net (loss) profit before tax	( 19 897 923)	1 162 399 685
<b>Adjustments to reconcile net (loss) profit before tax to net cash provided by operating activities :</b>		
Fixed assets depreciation	4 841 869	1 724 032
Expected claims provision	-	14 000 000
Gains on sale of available -for- sale investments	-	( 963 755)
Gains on sale of investments in associates	-	(1 201 889 366)
Changes in the fair value of investments at fair value through profit and loss	2 020 722	( 34 375 878)
Changes in the fair value of investments property	-	46 104 606
Foreign currencies differences	3 726 800	-
Operating loss before changes in working capital	<u>( 9 308 532)</u>	<u>( 13 000 676)</u>
Increase in treasury bills	-	(1 905 250 105)
Decrease in investments at fair value through profit and loss	527 574 206	247 939 916
Increase in due from subsidiaries	( 589 366 078)	( 331 350 012)
Decrease in loans to subsidiaries	-	75 000 000
Increase in other debit balances	( 30 459 980)	( 20 049 262)
Increase in due to subsidiaries	170 545 765	1 164 589 614
Increase (decrease) in tax authority	1 879 929	( 2 767 466)
Increase in creditors and other credit balances	26 249 345	3 735 659
Net cash provided from (used in) operating activities	<u>97 114 655</u>	<u>( 781 152 332)</u>
<b>Cash flows from investing activities</b>		
Payments to purchase fixed assets	( 3 877 398)	( 363 368)
Payments to purchase projects under construction	-	( 38 315 663)
Payments to purchase available -for- sale investments	( 1 608 523)	-
Proceeds from sale / redemption of available -for- sale investments	-	6 257 003
Proceeds from sale of investments in subsidiaries & associates	-	3 770 075 878
Net cash (used in) provided from investing activities	<u>( 5 485 921)</u>	<u>3 737 653 850</u>
<b>Cash flows from financing activities</b>		
Paid dividends	( 15 738 394)	-
Payments to long term loans	-	( 3 028 000)
Net cash used in financing activities	<u>( 15 738 394)</u>	<u>( 3 028 000)</u>
Net change in cash and cash equivalents during the period	75 890 340	2 953 473 518
Cash and cash equivalents at the beginning of the period	<u>165 527 286</u>	<u>26 373 359</u>
Cash and cash equivalents at the end of the period	<u><u>241 417 626</u></u>	<u><u>2 979 846 877</u></u>

**Non cash transactions**

For the purpose of preparing the cash flows statement:

- An amount of LE 160 916 has been transferred from projects under construction to payments to purchase fixed assets. This amount was excluded from both items.

- An amount of LE 145 000 has been transferred from creditors and other credit balances to payments to purchase fixed assets. This amount was excluded from both items.

The accompanying notes from page (5) to page (22) 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 March 31 ,2011**

**1- Description of business**

**1-1 Legal status**

- EFG - Hermes Holding Company -Egyptian Joint Stock Company- was founded in pursuance of decree No. 106 of 1984.
- The company's extraordinary general meeting held on July 22, 1997 resolved to adjust the company's status and convert it in pursuance to the provisions of law No. 95/1992 and its executive regulation.
- EFG – Hermes is the leading investment bank in the Arab world and market leader in securities brokerage, investment banking, asset management, private equity and research.

**1-2 Purpose of the company**

- The company's purpose is participation in the companies establishment which issue securities or in increasing their share capitals.
- The company's extraordinary meeting held on March 14, 2004 decided to add the Custody Activity to the purpose of the company.
- The company obtained the approval of Capital Market Authority on February 5, 2007 to execute the Marginal Trading Activity.
- EFG-Hermes Group has been converted from an investment bank to a universal bank as a result of the acquisition of Credit Libanais SAL (the Bank) group.

**1-3 Acquisition of the Credit Libanais SAL (the Bank)**

- On August 17, 2010 EFG-Hermes Holding Company agreed with the major shareholder of Credit Libanais SAL (the Bank) to purchase 14 228 000 shares a controlling stack in Credit Libanais SAL (the Bank) through its fully owned subsidiary EFG – Hermes CL Holding SAL for an amount of USD 542 million and a Call Option for an additional 25 % of the Bank's shares. The call option will be exercisable over the next two years, at the terms including pricing same as those applicable to the initial acquisition. The company obtained the approval of the Central Bank Of Lebanon for the acquisition transaction and the transfer of title had been completed on November 8, 2010.
- On December 30, 2010 the company obtained the approval of the Central Bank of Lebanon on the purchase of another 686 918 of Credit Libanais S.A.L (the Bank) Shares through its fully owned subsidiary EFG – Hermes CL Holding SAL.

**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.

## **2-3 Functional and presentation currency**

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

## **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 (11) – Expected claims provision.
- Note (13) – Investments in subsidiaries.
- Note (19) – Valuation of financial instruments.
- 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 year presentation. (Note 26).

### **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 (Note3-6). Depreciation is charged to the income statement over the estimated useful-life of each asset using the straight-line method. 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 Projects under construction**

Projects under construction are recognized initially at cost. 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.

### **3-4 Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment losses (note 3-6). Amortization is recognized in the income statement on a straight – line basis over the estimated useful lives of intangible assets.

### **3-5 Investments**

#### **3-5-1 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.

**3-5-2 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 stated at cost less impairment loss.

**3-5-3 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 3-6). The impairment value is to be charged to the income statement for every investment individually.

**3-5-4 Investments property**

Investments property is recorded at fair value, any gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

**3-6 Impairment**

**3-6-1 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 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.

### **3-6-2 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.

### **3-7 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, cheques under collection and due from banks and financial institutions.

### **3-8 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.

### **3-9 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.

### **3-10 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.

### **3-11 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.

### **3-12 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.

### **3-13 Revenue recognition**

#### **3-13-1 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.

#### **3-13-2 Dividend income**

Dividend income is recognized when declared.

**3-13-3 Custody fees**

Custody fees are recognized when provide service and issue invoice.

**3-13-4 Interest income**

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

**3-14 Expenses**

**3-14-1 Borrowing costs**

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

**3-14-2 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.

**3-14-3 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.

**3-15 Earning 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.

**3-16 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**

	<b>31/3/2011</b>	<b>31/12/2010</b>
	<b>LE</b>	<b>LE</b>
Cash on hand	453 453	343 172
Banks -current accounts	240 838 434	164 558 723
Cheques under collection	125 739	625 391
	<hr/>	<hr/>
Balance	241 417 626	165 527 286
	=====	=====

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

	<b>31/3/2011</b>	<b>31/12/2010</b>
	<b>LE</b>	<b>LE</b>
Mutual fund certificates	159 411 432	687 168 112
Stocks	7 450 379	9 288 627
	<hr/>	<hr/>
Balance	166 861 811	696 456 739
	=====	=====

**6- Due from subsidiaries**

	<b>31/3/2011</b>	<b>31/12/2010</b>
	<b>LE</b>	<b>LE</b>
Financial Brokerage Group Co.	110 968 920	24 142 261
EFG – Hermes Private Equity	371 606	332 022
EFG – Hermes Fixed Income	3 141 945	3 099 640
EFG – Hermes Advisory Inc.	1 393 656 494	1 055 610 588
Flemming CIIC Holding	19 765 237	19 759 300
EFG-Hermes Promoting & Underwriting	3 082 110	(333 524)
October Property Development Ltd. Co.	107 192 481	107 119 375
EFG- Hermes Lebanon	10 240 099	9 448 386
EFG- Hermes Qatar	753 943	370 525
EFG-Hermes Private Equity – BVI	8 500 380	2 184 901
EFG-Hermes UAE Ltd. Co.	1 812 964	1 144 428
EFG- Hermes Brokerage- UAE Ltd	958 895	(4 072 531)
EFG-Hermes Global CB Holding Limited	218 571 685	67 975 392
EFG-Hermes Jordan	15 000 287	19 710 817
Talas & Co. LLP	7 257 749	7 057 157
Fixed Income Investment Limited	1 640 020	--
	<hr/>	<hr/>
Balance	1 902 914 815	1 313 548 737
	=====	=====

**7- Loans to subsidiaries**

- On February 7, 2008 the company has lent a subordinated loan to Financial Brokerage Group Co. (a subsidiary – 99.76%) an amount of LE 300 million due on February 7, 2010. The purpose of the loan is to support the subsidiary's financial accredit required to its activity according to the rules of the Capital Market Authority in this regard.

Financial Brokerage Group Co. has settled an amount of LE 225 million and on February 4, 2010 the subordinated loan agreement has been renewed for two years that will due on February 7, 2012 and on March 1, 2010 the company has settled an amount of LE 25 million accordingly, the balance of the loan as at March 31, 2011 amounted to LE 50 million.

- On October 8, 2009 the company has lent a subordinated loan to Hermes Securities Brokerage (a subsidiary - 97.58%) with an amount of LE 100 million due on October 7, 2011. The purpose of the loan is to support the subsidiary's financial accredit required to its activity according to the rules of the Capital Market Authority in this regard.

Hermes Securities Brokerage Co. has settled an amount of LE 50 million on February 14, 2010 accordingly the balance of the loan as at March 31, 2011 amounted to LE 50 million.

**8- Other debit balances**

	<b>31/3/2011</b>	<b>31/12/2010</b>
	<b>LE</b>	<b>LE</b>
Accrued revenues	--	995 145
Taxes withheld by others	25 182 354	24 826 866
Deposits with others	1 175 089	1 175 089
Prepaid expenses	7 754 587	5 896 923
Employees advances	4 456 277	4 146 330
Downpayments to suppliers	89 280	89 280
Payments for purchase of investments *	18 150 425	18 150 180
Unrealized swap losses	767 208	46 126
Sundry debtors	54 945 382	26 734 683
	<hr/>	<hr/>
Balance	112 520 602	82 060 622
	=====	=====

\* Payments for investments are represented in the following:

	<b>31/3/2011</b>	<b>31/12/2010</b>
	<b>LE</b>	<b>LE</b>
EFG- Hermes Mutual Funds	9 999 990	9 999 990
Financial Group for Real Estate	250 000	250 000
EFG-Hermes Securitization Company.	4 999 990	4 999 990
Arab Visual Company	2 500 000	2 500 000
Egyptian Company for Funds Investments	400 200	400 200
Other	245	--
	<u>18 150 425</u>	<u>18 150 180</u>
	=====	=====

**9- Due to subsidiaries**

	<b>31/3/2011</b>	<b>31/12/2010</b>
	<b>LE</b>	<b>LE</b>
Hermes Securities Brokerage	23 476 870	(121 106 268)
Arab Visual Company	5 000 000	5 000 000
Hermes Corporate Finance	13 889 552	13 929 832
Hermes Fund Management	9 610 145	13 005 967
EFG- Hermes Financial Management Ltd	107 646 263	102 054 804
Egyptian Portfolio Management Group	27 032 207	29 350 588
EFG-Hermes Holding-Lebanon	1 454 809	1 414 601
Financial Group for Real Estate	235 000	235 000
EFG- Hermes KSA	5 740 669	(3 255 856)
EFG- Hermes Mutual Funds	10 000 000	10 000 000
EFG-Hermes Securitization Company.	5 000 000	5 000 000
EFG-Hermes Regional Investments Ltd.	82 380 702	80 490 477
Bayonne Enterprises Ltd.	137 549 266	135 415 993
Egyptian Fund Management Group.	27 324 015	27 448 622
EFG – Hermes Syria LLC	4 018 396	3 967 928
Sindyan Syria LLC	201 096	195 537
EFG – Hermes Mena Securities Ltd.	13 134 000	--
	<u>473 692 990</u>	<u>303 147 225</u>
	=====	=====

**10- Creditors and other credit balances**

	<b>31/3/2011</b>	<b>31/12/2010</b>
	<b>LE</b>	<b>LE</b>
Accrued interest & commission	751 631	238 887
Social Insurance Authority	203 772	198 655
Accrued expenses	26 934 372	17 099 497
Clients coupons - custody activity	8 313 439	8 716 618
Unearned Revenue (Note no. 22)	13 679 600	2 487 200
Sundry credit balances	13 848 718	8 596 330
	<u>63 731 532</u>	<u>37 337 187</u>
	=====	=====



**11- Expected claims provision**

	<b>31/3/2011</b>	<b>31/12/2010</b>
	<b>LE</b>	<b>LE</b>
Balance as at the beginning of the period / year	9 853 751	453 751
Amounts formed during the period / year	--	9 400 000
	<u>9 853 751</u>	<u>9 853 751</u>
	=====	=====

**12- Available -for- sale investments**

	<b>31/3/2011</b>	<b>31/12/2010</b>
	<b>LE</b>	<b>LE</b>
El Araby Investment Company	2 500 000	2 500 000
Axes Holding Co.	298 500	290 250
Egyptian Company for Marketing	500 000	500 000
International Project Management Company	2 985 000	2 902 500
Misr Clearance Company	2 064 068	2 064 068
Horus Private Equity Fund II	9 886 068	9 612 835
Commercial International Bank – CIB	9 795	14 220
Azadea Misr IIC	11 164	10 855
AAW Company for Infra Structure	20 000	20 000
Six of October Development and Investment (SODIC)	102 501 567	174 047 371
Inframed Infrastructure	4 059 691	2 021 768
Mass for Investment Co.	59 700 000	58 050 000
	<u>184 535 853</u>	<u>252 033 867</u>
	=====	=====

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

	<b>31/3/2011</b>	<b>31/12/2010</b>
	<b>LE</b>	<b>LE</b>
Quoted investments	102 511 362	174 061 591
Non- quoted investments	82 024 491	77 972 276
	<u>184 535 853</u>	<u>252 033 867</u>
	=====	=====

**13- Investments in subsidiaries**

Company's name	Share percentage %	Balance as at 31/3/2011 LE	Balance as at 31/12/2010 LE
Financial Brokerage Group Co.	99.76	17 708 350	17 708 350
Egyptian Fund Management Group	88.51	3 099 633	3 099 633
Egyptian Portfolio Management Group	66.33	995 000	995 000
Hermes Securities Brokerage	97.58	24 606 769	24 606 769
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	5 400 000	5 400 000
EFG- Hermes Financial Management Ltd.	100	10 000	10 000
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 Private Equity	96.30	1 249 490	1 249 490
Flemming CIIC Holding	100	100 000 000	100 000 000
EFG- Hermes Private Equity- BVI *	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	73.1	328 975 903	328 975 903
EFG- Hermes – Lebanon – S.A.L.	99	27 705 775	27 705 775
EFG- Hermes Regional Investments Ltd. *	100	706 236 283	706 236 283
EFG- Hermes Qatar L.L.C	100	24 916 590	24 916 590
EFG-Hermes Jordan	100	31 504 506	31 504 506
EFG – Hermes Investment Funds Co	99.998	9 999 800	9 999 800
EFG-Hermes Global CB Holding Limited**	100	3 137 096 006	3 137 096 006
Balance		4 472 503 531	4 472 503 531
		=====	=====

\* The Company owns 100% of EFG- Hermes Regional Investments Ltd Co, which owns 63.41% in EFG- Hermes Private Equity- BVI Co. hence the company has the control, therefore EFG- Hermes Private Equity- BVI is a subsidiary.

- \*\* EFG-Hermes Global CB Holding Limited is the parent company for Credit Libanais SAL (the Bank) (63.739%).
- Investments in subsidiaries non - quoted investments.
  - On January 21,2010 the company and its subsidiaries have sold it's entire investments in Bank Audi – Lebanon Bank (an associate – 29.16%) which represented in 10 037 182 shares with share price of US \$ 91 each, the company's selling gain amounted to LE 1 201 889 366.

#### 14- Investment property

Investment property presented in the statement of financial position as at March 31, 2011 amounted to LE 132 062 511 represents the value of the area owned by the Holding Company in Nile City Building.

#### 15- Projects under construction

- The balance of projects under construction presented in the statement of financial position with an amount of LE 1 695 668 as at March 31, 2011, represents the value of establishments on the Company's new head quarter in the Smart Village

#### 16- Fixed assets (net)

	Land	Buildings	Office, Furniture & Equipment	Computer, Equipment	Vehicles & transportation Mean	Fixtures	Total
	LE	LE	LE	LE	LE	LE	LE
Balance as at 1/1/2011	16 000 000	256 559 285	20 257 809	39 281 652	6 590 711	3 831 660	342 521 117
Additions during the period	--	--	485 422	2 390 532	--	1 307 360	4 183 314
Total cost as at 31/3/2011	16 000 000	256 559 285	20 743 231	41 672 184	6 590 711	5 139 020	346 704 431
Accumulated depreciation as at 1/1/2011	--	4 755 847	5 302 979	19 322 523	5 330 332	2 444 097	37 155 778
Depreciation during the period	--	1 924 194	904 748	1 682 046	152 920	177 961	4 841 869
Accumulated depreciation as at 31/3/2011	--	6 680 041	6 207 727	21 004 569	5 483 252	2 622 058	41 997 647
Net cost as at 31/3/2011	16 000 000	249 879 244	14 535 504	20 667 615	1 107 459	2 516 962	304 706 784
Net cost as at 31/12/2010	16 000 000	251 803 438	14 954 830	19 959 129	1 260 379	1 387 563	305 365 339

## 17- Long term loans

- A- On December 28, 2005, a loan agreement has been signed with International Finance Corporation "IFC" whereby the company is entitled to obtain long term loan with an amount of US\$ 20 million with an applied annual floating interest rate in order to Finance Regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of US\$ 2 million for each installment and the first installment was due on May 15, 2007 and the last installment will due on November 15, 2011 and the interest is due on May 15, and November 15 and the first interest was due on November 15, 2006. The loan agreement provides for that the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee and the company got the full amount of the loan amounted to US\$ 20 million on September 3, 2006. The company paid 8 installments which equivalent to US\$ 16 million accordingly, the loan balance amounted to US\$ 4 million (the equivalent amount of LE 23 880 000) as at March 31, 2011. (this amount will due within one year).
- B- On December 29, 2005 a loan agreement has been signed with the Foundation of (DEG)- DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT MBH whereby the company is entitled to obtain a long term loan with an amount of Euro 10 million with a variable annual interest rate in order to finance the regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of one million Euro per installment. The first installment was due on May 15, 2008 and the last installment will due on November 15, 2012 and the interest is due on May 15, November 15 each year. The first interest was due on November 15, 2006. The loan agreement provides for that the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee. The company has obtained the full amount of the loan amounted Euro 10 million on September 17, 2006. The company has paid Euro 6 million accordingly, the loan balance as of March 31, 2011 amounted Euro 4 million (the equivalent amount of LE 33 802 800).
- The current portion (the amount that will due within one year) of the loan amounts to Euro 2 million (the equivalent amount of LE 16 901 400).

## 18- Capital

The company's authorized capital amounted LE 3 200 million and issued and paid in capital amounted LE 1 913 570 000 distributed on 382 714 000 shares of par value LE 5 per share.

## 19- Contingent liabilities & commitments

- The company guarantees its subsidiaries – Financial Brokerage Group and Hermes Securities Brokerage against the credit facilities granted from banks and each of EFG- Hermes Brokerage – UAE for the purpose of issuance of the letters of guarantee amounting to AED 195 000 000 (equivalent to LE 317 031 000).

- The company has executed C-SWAP contracts to cover its needs of foreign currencies with the banks which will be settled according to specific rates for the foreign currencies implied in such contracts. The mentioned contract is as follows:

Transaction date	Transaction	Amount	Currency	Expiry date
10/3/2011	Selling Euro	Euro 4 000 000	Buying US\$	11/4/2011

## 20- Dividends income

	For the period ended 31/3/2011 LE	For the period ended 31/3/2010 LE
Income from investments in subsidiaries	--	906 300
Income from investments at fair value through profit and loss	475 564	576
Total	475 564	906 876

## 21- Tax status

- The competent tax inspectorate examined the company's books for the period till year 2004 and disputed points have been agreed upon before the Internal Committee.
- As to years 2005/2008, the competent tax inspectorate inspected company's books and the company was notified by form no. (19) , which was objected thereon on the due date and the disputed items have been transferred to the Internal Committee with Large Taxpayers Center and as to year 2009 / 2010, the company's books have not been inspected yet and the company has provided its tax returns for these years and paid the due tax according to the Tax Law no. 91/2005.
- As to salaries tax, the company's books had been examined till the year 2004 and all the disputed points have been agreed upon before the Internal Committee and the years 2005/2010 have not been inspected yet.
- As to stamp tax, the company's books had been examined from year 1998 till 31/7/2006 and the disputed points had been transferred to Appeal Committee. And the period from 1/8/2006 till 31/12/2010 have not been inspected yet.

## 22- Related party transactions

- General administrative expenses item includes an amount of LE 62 500 represents management fees provided by EFG- Hermes Private Equity- BVI (A subsidiary company) to the Company during the financial period according to agreement signed in this regard.
- Interest income item presented in the income statement includes an amount of LE 1 447 421 represent the interests value on subordinated loan which granted from the company to Financial Brokerage Group Co. (a subsidiary – 99.76%) and includes interest with an amount of LE 1 447 421 represent the interests value on subordinated loan which granted from the company to Hermes Securities Brokerage (A subsidiary company - 97.58%) (note no. 7).
- Other income item presented in the income statement includes an amount of LE 3 730 800 which represents the value of rental spaces for some affiliated companies in addition to LE 2 851 164 which represents the value of redemption of some expenses of the new headquarter that were allocated to the subsidiaries
- Loans to subsidiaries item as at March 31, 2011 is presented in the statement of financial position represents in the loan granted to Financial Brokerage Group (one of subsidiaries – 99.76%) with an amount of LE 50 million and the loan granted to Hermes Securities Brokerage (A subsidiary company - 97.58%) with an amount of LE 50 million (note no. 7).
- Creditors and other credit balances item includes an amount of LE 13 679 600 represents the unearned revenues from the affiliated companies for rental of group's headquarter owned by the company.

## 23- Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	31/3/2011		31/12/2010	
	Assets	Liabilities	Assets	Liabilities
	LE	LE	LE	LE
Fixed assets depreciation	--	(3 007 112)	--	(3 062 654)
Expected claims provision	90 750	--	90 750	--
Impairment loss on assets	719 993	--	719 993	--
<b>Total deferred tax assets (liabilities)</b>	<b>810 743</b>	<b>(3 007 112)</b>	<b>810 743</b>	<b>(3 062 654)</b>
<b>Net deferred tax liabilities</b>		<b>(2 196 369)</b>		<b>(2 251 911)</b>
		=====		=====

## (B) Deferred tax recognized directly in equity

	31/3/2011	31/12/2010
	LE	LE
Changes in fair value of cash flow hedges	6 612 597	6 612 597
	=====	=====

**24- Earnings per share**

	<b>For the period ended 31/3/2011 LE</b>	<b>For the period ended 31/3/2010 LE</b>
Net (loss) profit for the period	(19 842 381)	918 729 869
Employees' portion	--	(9 089 396)
Net	<u>(19 842 381)</u>	<u>909 640 473</u>
Weighted average number of shares	<u>382 714 000</u>	<u>382 714 000</u>
Earnings per share	<u>(0.05)</u> =====	<u>2.38</u> =====

**25- 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. Note (No. 2) 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.

**25/1 Market risk:**

Market risk is represented in the factors which affect values, earnings and profits of all securities negotiated in stock exchange or affect the value, earning and profit of a particular security.

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.

**25/2 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 statement of financial position date the company has assets and liabilities in foreign currencies equivalent to LE 1 133 414 947 and LE 508 783 027 respectively. The company's net exposures in foreign currencies are as follows:

**Surplus/(Deficit)**

**LE**

USD	624 982 971
Euro	(596 280)
GBP	263 266
AED	(17 377)
CHF	(660)

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

- The company executes SWAP and Hedge Agreements to cover its needs of foreign currencies and to hedge the exchange risk related thereto (note no. 19).

**25/3 Financial instruments' fair value**

The financial instruments' fair value do not substantially deviated from their book value at the statement of 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. (14) 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.

**25/4 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. 3-12).

**26- Comparative figures**

Certain reclassification has been made to the comparative figures in order to conform to current period presentation.