

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

**Separate financial statements**  
**for the year ended December 31, 2012**  
**&**  
**Auditor's Report**

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## Hazem Hassan

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### AUDITOR'S REPORT

#### To the shareholders of EFG - Hermes Holding Company

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

We have audited the accompanying separate financial statements of EFG - Hermes Holding Company (Egyptian Joint Stock Company) which comprise the separate balance sheet as at 31 December 2012, and the separate income statement, separate statement of changes in equity and separate statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

##### *Management's Responsibility for the Financial Statements*

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

##### *Auditor's Responsibility*

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

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

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



Hazem Hassan

***Opinion***

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of EFG - Hermes Holding Company as of December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

***Explanatory Note***

Without qualifying our opinion, we draw attention to Note No. (25) to the financial statements. On December 6, 2012, several resolutions of laws on amending certain provisions of the Tax Laws has been issued and published in the Official Gazette on that date. Later statements have been issued by certain officials in respect of freezing the enforcement of such resolutions. Due to the lack of emphatic information to the management of the Company on the enforcement date of such resolutions or the date of cancellation ,the management of the Company hereby did not affect the taxes bases, the related assets and liabilities , the results of operations during the year and the net profit available for distribution. These amounts and results may differ when reliable information become available on the enforcement of such resolutions and the effective date therefore.

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

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

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

Cairo, March 31, 2013


Hassan Bas  
KPMG Hazem Hassan  
KPMG Hazem Hassan  
Public Accountants and Consultants  
⑪


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


**Separate balance sheet**  
**as at December 31, 2012**

	Note no.	31/12/2012 LE	31/12/2011 LE
<b>Current assets</b>			
Cash and cash equivalents	(4)	122 325 367	81 166 254
Investments at fair value through profit and loss	(5)	399 444 386	229 185 126
Due from subsidiaries	(6)	1 186 905 498	1 795 873 948
Other debit balances	(7)	48 261 625	58 814 710
<b>Total current assets</b>		<u>1 756 936 876</u>	<u>2 165 040 038</u>
<b>Current liabilities</b>			
Due to subsidiaries	(8)	210 200 740	320 458 360
Tax authority		3 752 492	24 654 552
Creditors and other credit balances	(9,26)	53 409 808	112 172 418
Dividends payable		-	1 333 365
Expected claims provision	(10)	7 270 286	9 853 751
Current portion of long term loans	(16)	-	15 584 600
<b>Total current liabilities</b>		<u>274 633 326</u>	<u>484 057 046</u>
Working capital		<u>1 482 303 550</u>	<u>1 680 982 992</u>
<b>Non - current assets</b>			
Loans to subsidiaries	(11,26)	45 000 000	50 000 000
Available -for- sale investments	(12)	795 127 349	135 016 369
Investments in subsidiaries	(13)	4 699 332 609	4 474 468 668
Investments property	(14)	132 062 511	132 062 511
Fixed assets (net)	(15)	277 893 420	294 148 763
Deferred tax assets	(24)	4 334 332	4 816 375
<b>Total non - current assets</b>		<u>5 953 750 221</u>	<u>5 090 512 686</u>
<b>Total investment</b>		<u>7 436 053 771</u>	<u>6 771 495 678</u>
<b>Financed through :</b>			
<b>Shareholders' equity</b>			
Issued & paid - in capital	(17)	2 391 473 750	2 391 473 750
Legal reserve		961 257 586	956 785 000
Other reserves		3 219 055 410	3 137 986 931
Retained earnings		287 696 024	202 716 889
		<u>6 859 482 770</u>	<u>6 688 962 570</u>
Treasury shares	(17-1)	<u>( 6 918 613)</u>	<u>( 6 918 613)</u>
		6 852 564 157	6 682 043 957
Net profit for the year		583 489 614	89 451 721
<b>Total shareholders' equity including net profit for the year</b>		<u>7 436 053 771</u>	<u>6 771 495 678</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

  
Yasser El Mallawany  
Executive Managing Director

Auditor's Report "attached"  
  
Hassan Heikal  
Executive Managing Director

**EFG - Hermes Holding Company**

**(Egyptian Joint Stock Company)**

**Separate income statement**

**for the year ended December 31, 2012**

	Note	For the year ended 31/12/2012 LE	For the year ended 31/12/2011 LE
	no.		
Dividend income	(19)	761 911 437	278 782 640
Custody activity income		10 350 643	9 866 636
		<hr/> 772 262 080	<hr/> 288 649 276
Finance cost		( 249 017)	( 3 915 965)
General and administrative expenses	(20,26)	( 267 735 202)	( 223 788 828)
Fixed assets depreciation	(15)	( 18 369 218)	( 19 428 234)
Impairment loss on assets	(13)	-	( 8 366 470)
Net activity's profit		<hr/> 485 908 643	<hr/> 33 149 779
Interest income	(26)	25 786 388	18 268 048
Changes in the fair value of investments at fair value through profit and loss		37 230 818	( 7 885 377)
Gains on sale of investments		14 750 595	23 185 207
Foreign currencies differences		( 6 733 789)	14 997 145
Other income	(26)	27 029 002	29 773 431
Net profit before tax		<hr/> 583 971 657	<hr/> 111 488 233
Current income tax	(23)	-	( 22 492 201)
Deferred tax	(24)	( 482 043)	455 689
Net profit for the year		<hr/> <hr/> 583 489 614	<hr/> <hr/> 89 451 721
Earnings per share	(21)	<hr/> <hr/> 1.22	<hr/> <hr/> 0.19

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  
(Euxinean Joint Stock Company)

Separate statement of changes in equity  
for the year ended December 31, 2012

Note no.	Issued & paid-in capital	Legal reserve	General reserve	Other reserves		Hedging reserve	Retained earnings	Treasury shares	Net profit for the year	Interim dividends	Total
				Share premium	Fair value reserve						
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at December 31, 2010	1 913 570 000	956 785 000	158 271	3 294 067 512	17 194 562	(26 442 387)	463 008 043	-	1 026 014 092	(774 517 396)	6 869 837 697
2010 dividends payout *	-	-	-	-	-	-	217 612 596	-	(1 026 014 092)	774 517 396	(33 884 100)
Increase the issued capital	(17) 477 903 750	-	-	-	-	-	(477 903 750)	-	-	-	-
Net change in the fair value of available-for-sale investments	-	-	-	-	(146 991 027)	-	-	-	-	-	(146 991 027)
Purchasing of treasury shares	-	-	-	-	-	-	-	(6 918 613)	-	-	(6 918 613)
Net profit for the year	-	-	-	-	-	-	-	-	89 451 721	-	89 451 721
Balance as at December 31, 2011	2 391 473 750	956 785 000	158 271	3 294 067 512	(129 796 465)	(26 442 387)	202 716 889	(6 918 613)	89 451 721	-	6 771 495 678
Carrying 2011 profit forward	-	4 472 586	-	-	-	-	84 979 135	-	(89 451 721)	-	-
Net change in the fair value of available-for-sale investments	-	-	-	-	81 068 479	-	-	-	-	-	81 068 479
Net profit for the year	-	-	-	-	-	-	-	-	583 489 614	-	583 489 614
Balance as at December 31, 2012	2 391 473 750	961 257 586	158 271	3 294 067 512	(48 727 986)	(26 442 387)	287 696 024	(6 918 613)	583 489 614	-	7 436 053 771

\* According to the company's ordinary general assembly held on June 13, 2011.

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 year ended December 31, 2012**

	Note no.	For the year ended 31/12/2012 LE	For the year ended 31/12/2011 LE
<b>Cash flows from operating activities</b>			
Net profit before tax		583 971 657	111 488 233
<b>Adjustments to reconcile net profit before tax to net cash provided by operating activities :</b>			
Fixed assets depreciation		18 369 218	19 428 234
Provisions used		( 2 583 465)	-
Impairment loss on assets		-	8 366 470
(Profit) losses on sale of fixed assets		( 36)	14 242
Changes in the fair value of investments at fair value through profit and loss		( 37 230 818)	7 885 377
Loss on sale of available -for- sale investments		882 619	230
Foreign currencies differences		6 733 789	( 14 997 145)
Operating profit before changes in working capital		<u>570 142 964</u>	<u>132 185 641</u>
(Increase) decrease in investments at fair value through profit and loss		( 133 028 442)	459 386 236
Decrease (increase) in due from subsidiaries		608 968 450	( 504 646 837)
Increase in other debit balances		( 5 271 108)	( 3 449 553)
(Decrease) increase in due to subsidiaries		( 110 257 620)	39 632 761
Decrease in tax authority		( 258 683)	( 84 735)
(Decrease) increase in creditors and other credit balances		( 58 762 610)	76 710 236
Income tax paid		<u>( 20 069 144)</u>	<u>( 208 838 101)</u>
Net cash provided from (used in) operating activities		<u>851 463 807</u>	<u>( 9 104 352)</u>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets		( 2 114 962)	( 6 626 711)
Proceeds from sale of fixed assets		1 123	257 395
Proceeds from loans to subsidiaries		265 000 000	50 000 000
Payments to loans to subsidiaries		( 260 000 000)	-
Payments to purchase available -for- sale investments		( 590 102 855)	( 29 981 731)
Proceeds from sale available -for- sale investments		10 177 735	7 971
Payments to purchase investments in subsidiaries & associates		( 241 606 298)	( 10 472 595)
Proceeds from sale/redemption of investments in subsidiaries & associates		<u>31 992 317</u>	<u>140 988</u>
Net cash (used in) provided from in investing activities		<u>( 786 652 940)</u>	<u>3 325 317</u>
<b>Cash flows from financing activities</b>			
Dividends paid		( 1 333 365)	( 48 289 129)
Payments to purchase treasury shares		-	( 6 918 613)
Payments to long term loans		<u>( 15 584 600)</u>	<u>( 38 371 400)</u>
Net cash used in financing activities		<u>( 16 917 965)</u>	<u>( 93 579 142)</u>
Net change in cash and cash equivalents during the year		47 892 902	( 99 358 177)
Cash and cash equivalents at the beginning of the year	(22)	<u>74 432 465</u>	<u>180 524 431</u>
Cash and cash equivalents at the end of the year	(22)	<u><u>122 325 367</u></u>	<u><u>81 166 254</u></u>

**Non cash transactions**

For the purpose of preparing the cash flows statement:

- An amount of LE 15 249 960 has been transferred from other debit balances-payments for purchase of investments to investments in subsidiaries & associates, for the purpose of preparing the cash flows statement, this amount was excluded from both items.

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 year ended December 31 ,2012**

**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.
- 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.

**1-2 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.

**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 (13) – Investments in subsidiaries.
- Note (24) – Recognition of deferred tax assets and liabilities.

### **2-5 Consolidated financial statements**

The company has subsidiaries and according to the Egyptian Accounting Standard No. 17 "Consolidated 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 29).

### **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 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.

#### **3-5-3 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, due from banks and financial institutions and time deposits .

**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 Earnings per share

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

### 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>31/12/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Cash on hand	430 889	262 737
Banks -current accounts	52 532 478	60 690 192
Cheques under collection	--	213 325
Banks -time deposits	69 362 000	20 000 000
Balance	<u>122 325 367</u>	<u>81 166 254</u>
	=====	=====

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

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Mutual fund certificates	395 710 391	225 803 073
Stocks	3 733 995	3 382 053
Balance	<u>399 444 386</u>	<u>229 185 126</u>
	=====	=====

**6- Due from subsidiaries**

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Hermes Securities Brokerage	175 824 819	2 089 474
EFG- Hermes Brokerage- UAE Ltd	41 616	(565 679)
Hermes Fund Management	5 243 864	(7 617 251)
EFG- Hermes Management	536 801	438 421
EFG – Hermes Advisory Inc.	655 288 290	1 400 681 786
Flemming CIIC Holding	20 822 071	20 256 459
October Property Development Ltd. Co.	86 259 087	86 077 602
EFG- Hermes Lebanon	1 327 256	334 075
EFG- Hermes Qatar	454 011	182 937
EFG-Hermes Private Equity	182 973	60 585 970
EFG-Hermes Global CB Holding Limited	219 686 577	215 185 139
EFG-Hermes Jordan	323 309	39 338
Talas & Co. LLP	7 680 814	7 330 084
Fixed Income Investment Limited	10 625 373	9 262 499
EFG- Hermes Oman LLC	2 280 097	1 139 762
EFG – Hermes Orient Advisory Inc.	--	36 250
EFG – Hermes Mena Securities Ltd.	--	5 462
EFG- Hermes IFA Financial Brokerage	328 540	411 620
	<u>1 186 905 498</u>	<u>1 795 873 948</u>

**7- Other debit balances**

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Accrued revenues	8 299 827	4 708 339
Taxes withheld by others	1 045 687	574 233
Deposits with others	1 075 089	1 075 089
Prepaid expenses	7 870 785	5 924 832
Employees advance	3 921 103	1 487 760
Downpayments to suppliers	89 280	89 280
Payments for purchase of investments *	4 140 000	18 150 180
Sundry debtors	21 819 854	26 804 997
	<u>48 261 625</u>	<u>58 814 710</u>

\* Payments for purchase of investments are represented in the following:

Company	31/12/2012	31/12/2011
	LE	LE
EFG- Hermes Mutual Funds	--	9 999 990
Financial Group for Real Estate	--	250 000
EFG-Hermes Securitization Company.	--	4 999 990
Arab Visual Company	2 500 000	2 500 000
International Company for Projects Management	1 000 000	--
EFG –Hermes Direct Fund Management	640 000	--
Egyptian Company for Funds Investments	--	400 200
	<hr/>	<hr/>
Balance	4 140 000	18 150 180
	<hr/> <hr/>	<hr/> <hr/>

#### 8- Due to subsidiaries

	31/12/2012	31/12/2011
	LE	LE
Financial Brokerage Group Co.	2 118 683	16 426 206
Arab Visual Company	5 000 000	5 000 000
Hermes Corporate Finance	10 277 639	12 022 552
EFG – Hermes Fixed Income	5 575 248	(3 050 720)
EFG- Hermes Financial Management (Egypt) Ltd	3 828 438	(9 258 806)
EFG-Hermes UAE Ltd. Co.	779 199	1 784 331
EFG-Hermes Holding-Lebanon	1 229 342	1 270 467
Financial Group for Real Estate	210 000	235 000
EFG- Hermes KSA	3 423 695	5 673 482
EFG-Hermes Promoting & Underwriting	68 482 090	10 152 271
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.	1 682 775	27 243 210
Bayonne Enterprises Ltd.	11 305 368	123 190 287
Egyptian Fund Management Group.	58 412 874	58 838 714
EFG – Hermes Syria LLC	17 544 472	17 836 588
Sindyam Syria LLC	212 818	203 100
Egyptian Portfolio Management Group	5 118 099	37 891 678
	<hr/>	<hr/>
Balance	210 200 740	320 458 360
	<hr/> <hr/>	<hr/> <hr/>

**9- Creditors and other credit balances**

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Accrued interest & commission	--	82 256
Social Insurance Authority	210 816	204 555
Accrued expenses	40 006 648	104 459 226
Clients coupons - custody activity	6 926 835	8 217 583
Unearned Revenue (Note no. 21)	2 487 200	2 487 200
Sundry credit balances	3 778 309	(3 278 402)
	<hr/>	<hr/>
Balance	53 409 808	112 172 418
	<hr/> <hr/>	<hr/> <hr/>

**10- Expected claims provision**

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Balance at the beginning of the year	9 853 751	9 853 751
Amounts used during the year	(2 583 465)	--
	<hr/>	<hr/>
Balance	7 270 286	9 853 751
	<hr/> <hr/>	<hr/> <hr/>

**11- Loans to subsidiaries**

- On February 7, 2008 the company has lent a subordinated loan to Financial Brokerage Group Co. (a subsidiary – 99.87%) an amount of LE 300 million due on February 7, 2010. The purpose of the loan is to support the subsidiary's financial credit 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 . On March 1, 2010 the Financial Brokerage Group Co. has settled an amount of LE 25 million, and during January 2012 the Financial Brokerage Group Co. has paid the residual amount of subordinated loan amounted to LE 50 million.

- On May 24, 2012 the company has lent a subordinated loan to Hermes Securities Brokerage. (a subsidiary – 97.58%) an amount of LE 60 million (the first loan) and LE 170 million (the second loan). The purpose of the loan is to support the subsidiary's financial credit required to its activity according to the rules of the Capital Market Authority in this regard. The loan interest will be paid annually and calculated based on a percentage equal to the average rate

on the last bid on treasury bills of 364 days issued by the Central Bank of Egypt during the year plus a percentage of 0.125%. The loan is matured on May 23<sup>rd</sup>, 2014, on December 4, 2012 the company has settled an amount of LE 30 million, the balance of the first loan as at December 31, 2012 amounted to LE 30 million, on November 20, 2012 the company has paid LE 170 million represent the full amount of the second loan.

- On May 24, 2012 the company has lent a subordinated loan to Financial Brokerage Group Co. (a subsidiary – 99.87%) an amount of LE 30 million. 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. The loan interest will be paid annually and calculated based on a percentage equal to the average rate on the last bid on treasury bills of 364 days issued by the Central Bank of Egypt during the year plus a percentage of 0.125%. The loan interest calculated starting from 24 May 2012 and the loan is matured on May 24, 2014, on November 20, 2012 the company has settled an amount of LE 15 million, the balance of the loan as at December 31, 2012 amounted to LE 15 million.

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

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Stocks	149 581 107	98 508 115
Mutual fund certificates	645 546 242	36 508 254
	<hr/>	<hr/>
Balance	795 127 349	135 016 369
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Quoted investments	82 158 064	32 208 547
Non- quoted investments	712 969 285	102 807 822
	<hr/>	<hr/>
	795 127 349	135 016 369
	<hr/> <hr/>	<hr/> <hr/>

### 13- Investments in subsidiaries

Company's name	Share percentage	Balance as at 1/1/2012	Addition / (Disposal) during the year	Balance as at 31/12/2012	Balance as at 31/12/2011
	%	LE	LE	LE	LE
Financial Brokerage Group Co. *	99.87	17 708 350	24 129 710	41 838 060	17 708 350
Egyptian Fund Management Group *	88.51	3 099 633	--	3 099 633	3 099 633
Egyptian Portfolio Management Group *	66.33	995 000	--	995 000	995 000
Hermes Securities Brokerage *	97.58	24 606 769	195 157 200	219 763 969	24 606 769
Hermes Fund Management *	89.95	6 439 709	--	6 439 709	6 439 709
Hermes Corporate Finance Co. *	99.37	5 476 029	--	5 476 029	5 476 029
EFG- Hermes Advisory Inc. *	100	5 400 000	(5 399 994)	6	5 400 000
EFG- Hermes Financial Management Ltd. *	100	10 000	--	10 000	10 000
EFG- Hermes Promoting & Underwriting *	99.88	7 990 000	--	7 990 000	7 990 000
EFG- Hermes Fixed Income	99	9 900 000	--	9 900 000	9 900 000
EFG- Hermes Management	96.30	1 249 490	--	1 249 490	1 249 490
Flemming CIIC Holding	100	100 000 000	--	100 000 000	100 000 000
EFG- Hermes Private Equity ***	1.59	39 975	--	39 975	39 975
EFG- Hermes – UAE Limited Company *	100	23 000 000	--	23 000 000	23 000 000
EFG- Hermes Holding Lebanon – S.A.L.	99	153 713	--	153 713	153 713
EFG- Hermes – KSA *	73.1	328 975 903	--	328 975 903	328 975 903
EFG- Hermes – Lebanon – S.A.L.	99	35 931 257	--	35 931 257	35 931 257
EFG- Hermes Regional Investments Ltd. */***	100	706 236 283	(26 592 323)	679 643 960	706 236 283
EFG- Hermes Qatar L.L.C *	100	24 916 590	6 027 500	30 944 090	24 916 590
EFG-Hermes Jordan *	100	33 610 631	--	33 610 631	33 610 631
EFG – Hermes Investment Funds Co *	99.998	9 999 800	--	9 999 800	9 999 800
EFG-Hermes Global CB Holding Limited**	100	3 137 096 006	--	3 137 096 006	3 137 096 006
EFG – Hermes Syria LLC ****	49	--	15 941 253	15 941 253	--
Sindyan Syria LLC ****	97	--	350 635	350 635	--
EFG – Hermes Investment Funds Co.	99.999	--	9 999 990	9 999 990	--
Financial Group for Real Estate Co.	99.992	--	249 980	249 980	--
EFG-Hermes Securitization Company	99.999	--	4 999 990	4 999 990	--
		<u>4 482 835 138</u>	<u>224 863 941</u>	<u>4 707 699 079</u>	<u>4 482 835 138</u>
Accumulate impairment loss on investments in subsidiaries		(8 366 470)	--	(8 366 470)	(8 366 470)
Balance		<u>4 474 468 668</u>	<u>224 863 941</u>	<u>4 699 332 609</u>	<u>4 474 468 668</u>

- \* Note no (28) .
- \*\* During 2010, EFG-Hermes Holding Company purchased 63.739% a controlling stack in Credit Libanais SAL (the Bank) through its wholly owned subsidiary EFG – Hermes CL Holding SAL for an amount of USD 577.8 million and the purchase agreement includes 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.
- \*\*\* 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 securities.

#### 14- Investment property

Investment property presented in the balance sheet as at December 31, 2012 amounted to LE 132 062 511 represents the value of the area owned by the Holding Company in Nile City Building.

#### 15- 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 1/1/2012	16 000 000	256 559 285	22 196 822	43 278 232	6 590 711	6 027 362	350 652 412
Additions during the year	--	1 411 000	--	703 962	--	--	2 114 962
Disposals during the year	--	--	(2 174)	--	--	--	(2 174)
<b>Total cost as at 31/12/2012</b>	<b>16 000 000</b>	<b>257 970 285</b>	<b>22 194 648</b>	<b>43 982 194</b>	<b>6 590 711</b>	<b>6 027 362</b>	<b>352 765 200</b>
Accumulated depreciation as at 1/1/2012	--	12 452 625	8 962 229	25 891 998	5 807 292	3 389 505	56 503 649
Depreciation during the year	--	7 702 805	3 903 132	5 616 057	402 117	745 107	18 369 218
Disposals' accumulated depreciation	--	--	(1 087)	--	--	--	(1 087)
<b>Accumulated depreciation as at 31/12/2012</b>	<b>--</b>	<b>20 155 430</b>	<b>12 864 274</b>	<b>31 508 055</b>	<b>6 209 409</b>	<b>4 134 612</b>	<b>74 871 780</b>
<b>Net book value as at 31/12/2012</b>	<b>16 000 000</b>	<b>237 814 855</b>	<b>9 330 374</b>	<b>12 474 139</b>	<b>381 302</b>	<b>1 892 750</b>	<b>277 893 420</b>
<b>Net book value as at 31/12/2011</b>	<b>16 000 000</b>	<b>244 106 660</b>	<b>13 234 593</b>	<b>17 386 234</b>	<b>783 419</b>	<b>2 637 857</b>	<b>294 148 763</b>

## 16- 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 loan has been fully paid.
- 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 loan has been fully paid.

## 17- Capital

- The company's authorized capital amounts LE 3 200 million and issued and paid in capital amounts LE 1 913 570 000 distributed on 382 714 000 shares of par value LE 5 per share.
- The company's Extraordinary General Assembly approved in its session held on June 13, 2011 to increase the company's share capital from LE 1 913 570 000 to LE 2 391 473 750 with an increase amount of LE 477 903 750 through distributing of 95 580 750 stock dividend at one share to every outstanding four shares at the declaration date , this increase are financed from retained earnings according to the decision of the company's Ordinary General Assembly in its session held on the same date and the required procedures had been taken and this increase have been registered in the Commercial Register on September 6, 2011.



### 17-1 Treasury shares

The company's board of directors approved in its session held on April 27,2011 to purchase a number of 5 million shares of the company's shares and the company has purchased a number of 391 000 shares from Egyptian Stock Exchange Market at cost of LE 6 918 613, the actions are in process for execution of those shares.

### 18- Contingent liabilities & commitments

- The company guarantees its subsidiaries – Financial Brokerage Group and Hermes Securities Brokerage against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the credit facilities granted from banks amounting to AED 153 670 000 (equivalent to LE 264 373 868).

### 19- Dividend income

	<b>For the year ended 31/12/2012 LE</b>	<b>For the year ended 31/12/2011 LE</b>
Income from investments in subsidiaries	753 084 114	271 688 230
Income from available - for- sale investments	3 741 924	6 460 956
Income from investments at fair value through profit and loss	5 085 399	633 454
Total	<u>761 911 437</u>	<u>278 782 640</u>

### 20- General administrative expenses

	<b>For the year ended 31/12/2012 LE</b>	<b>For the year ended 31/12/2011 LE</b>
Wages , salaries and similar items	171 814 564	158 306 161
Consultancy	32 621 543	8 881 670
Travel , accommodation and transportation	6 199 696	7 679 477
Other expenses	57 099 399	48 921 520
Total	<u>267 735 202</u>	<u>223 788 828</u>

**21- Earnings per share**

	<b>For the year ended 31/12/2011 LE</b>	<b>For the year ended 31/12/2011 LE</b>
Net profit for the year	583 489 614	89 451 721
Weighted average number of shares	<u>477 903 750</u>	<u>478 099 250</u>
Earnings per share	<u>1.22</u>	<u>0.19</u>

**22- Cash and cash equivalents**

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

	<b>For the year ended 31/12/2012 LE</b>	<b>For the year ended 31/12/2011 LE</b>
Cash and cash equivalents as presented in the balance sheet	122 325 367	81 166 254
Effect of exchange rate changes	--	(6 733 789)
Cash and cash equivalents (adjusted)	<u>122 325 367</u>	<u>74 432 465</u>

**23- Reconciliation of effective tax rate**

	<b>31/12/2012 LE</b>	<b>31/12/2011 LE</b>
Profit before tax	583 971 657	111 488 233
Add /(deduct):		
Non deductible expenses	--	69 562
Fixed assets depreciation	(1 928 134)	(5 015 823)
Capital (gains) loss	(36)	14 242
Tax exemptions	(582 043 487)	(22 953 880)
Impairment loss on assets	--	8 366 470
Net tax base	<u>--</u>	<u>91 968 804</u>
Tax-first tranche 20%	--	2 000 000
Tax-second tranche 25%	--	20 492 201
Tax due	<u>--</u>	<u>22 492 201</u>
Effective tax rate	<u>--</u>	<u>20.2%</u>

**24- Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	31/12/2012		31/12/2011	
	Assets	Liabilities	Assets	Liabilities
	LE	LE	LE	LE
Fixed assets depreciation	--	(4 762 302)	--	(4 280 259)
Expected claims provision	90 750	--	90 750	--
Impairment loss on assets	2 393 287	--	2 393 287	--
Total deferred tax assets (liabilities)	<u>2 484 037</u>	<u>(4 762 302)</u>	<u>2 484 037</u>	<u>(4 280 259)</u>
Net deferred tax liabilities		<u><u>(2 278 265)</u></u>		<u><u>(1 796 222)</u></u>

**(B) Deferred tax recognized directly in equity**

	31/12/2012	31/12/2011
	LE	LE
Changes in fair value of cash flow hedges	<u><u>6 612 597</u></u>	<u><u>6 612 597</u></u>

**25- Tax status**

- As to Income Tax, the years from starting the operations to 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 year 2011, according to tax form of tax law no. 91 of 2005 the company has submitted the tax return and paid the tax due.
- 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 / 2011, 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 courts, and the period from 1/8/2006 till 31/12/2011 have not been inspected yet.
- On December 6, 2012, several resolutions of laws on amending certain provisions of the Tax Laws has been issued and published in the Official Gazette on the that date, provided that such resolutions shall come into force from the date following the date of publication. And such amendments are:
  - Amending the provisions of the Income tax Law No. 91 of 2005.
  - Amending the provisions of the General Sales tax Law No. 11 of 1991.
  - Amending the provisions of the Real Estate tax Law No. 196 of 2008.
  - Amending the provisions of the Stamp Duty Law No. 111 of 1980.

Later statements have been issued by certain officials in respect of freezing the enforcement of such resolutions, therefore the parent company management did not affect the financial statements with these amendments. When reliable information became available on the enforcement of such resolutions and the effective date therefore, these amendments might affect the tax bases, the related assets and liabilities, the results of operations during the year and the net profit available for distribution.

## **26- Related party transactions**

- General administrative expenses item includes an amount of LE 250 000 represents management fees provided by EFG- Hermes Private Equity (A subsidiary company) to the Company during the year according to agreement signed in this regard.
- Interest income item presented in the income statement includes an amount of LE 2 745 858 represent the interests value on subordinated loan which granted from the company to Financial Brokerage Group Co. (a subsidiary – 99.87%) and includes interest with an amount of LE 15 366 672 represent the interests value on subordinated loan which granted from the company to Hermes Securities Brokerage (A subsidiary company - 97.58%) (note no. 11).
- Loans to subsidiaries item as at December 31, 2012 is presented in the statement of financial position represents in the loan granted to Financial Brokerage Group (one of subsidiaries – 99.87%) with an amount of LE 15 million and the loan granted to Hermes Securities Brokerage (A subsidiary company - 97.58%) with an amount of LE 30 million (note no. 11).
- Other income item presented in the income statement includes an amount of LE 14 923 200 which represents the value of rental spaces for some affiliated companies in addition to LE 11 423 947 which represents the value of redemption of some expenses of the new headquarter that were allocated to the subsidiaries.
- Creditors and other credit balances item includes an amount of LE 2 487 200 represents the unearned revenues from the affiliated companies for rental of group's headquarter owned by the company.

## **27- Financial instruments and management of related risks:**

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while liabilities include loans and creditors. 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.

**27/1 Market risk:**

**A. Foreign currencies risk**

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As at the balance sheet date the company has assets and liabilities in foreign currencies equivalent to LE 6 022 056 and LE 320 619 618 respectively. The company's net exposures in foreign currencies are as follows:

	<b>(Deficit)/Surplus</b>
	<b>LE</b>
USD	(316 257 503)
Euro	(4 362 115)
AED	5 711 484
GBP	298 662
CHF	11 910

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.

**B. Interest rate risk**

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

**C. Price risk**

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

- Performing the necessary studies before investment decision in order to verify that investment is made in potential securities.

- Diversification of investments in different sectors and industries.
- Performing continuous studies required to follow up the company's investments and their development.

**27/2 Credit risk**

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

**27/3 Liquidity risk**

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

**27/4 Capital risk**

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

**27/5 Financial instruments' fair value**

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

**27/6 Derivative financial instruments and hedge accounting**

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value according to the valuation basis applied, in accounting policies to derivative financial instrument, (note no. 3-12).

**28- Strategic alliance with QInvest L.L.C.**

EFG Hermes Holding Company's Extraordinary General Assembly agreed at the meetings dated June 2, 2012 and September 16, 2012 to enter into a strategic alliance with QInvest through its subsidiary EFG Hermes Qatar LLC which will be 60% owned by QInvest and 40% owned by EFG Hermes Holding. The agreement involves the moving of the following business lines, Brokerage, Research, Asset Management, Investment Banking and the Infrastructure Fund businesses to EFG Hermes Qatar LLC - note no. (13) - Approvals of relevant regulatory bodies are in process.

**29- Comparative figures**

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