

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

**Separate interim financial statements**  
**for the period ended 31 March 2019**  
**&**  
**Review Report**

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### Review Report

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

##### *Introduction*

We have performed a limited review for the accompanying separate statement of financial position of EFG – Hermes Holding Company (Egyptian Joint Stock Company) as of 31 March, 2019 and the related separate statements of income, comprehensive 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 31 March, 2019 and of its financial performance and its separate cash flows for the three months then ended in accordance with Egyptian Accounting Standards.



Cairo, May 14, 2019

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate statement of financial position**

	Note no.	31/3/2019	31/12/2018
<i>(in EGP)</i>			
<b>Assets</b>			
<b>Non - current assets</b>			
Loans to subsidiaries	(10,26)	60 637 500	50 148 000
Available -for- sale investments	(11)	1 546 269 202	1 591 834 264
Investment property	(12)	137 146 642	138 723 040
Investments in subsidiaries	(13)	3 973 818 087	3 973 818 087
Fixed assets	(14,26)	40 778 729	37 194 682
Intangible assets	(15)	16 362 379	16 977 934
<b>Total non - current assets</b>		<u>5 775 012 539</u>	<u>5 808 696 007</u>
<b>Current assets</b>			
Cash and cash equivalents	(3,20)	103 860 313	174 435 580
Investments at fair value through profit and loss	(4)	74 544 531	97 185 840
Due from subsidiaries & related parties	(5)	4 554 309 610	4 658 742 845
Other debit balances	(6,26)	82 728 947	92 559 767
Current portion of loans to subsidiaries	(10,26)	8 662 500	12 537 000
<b>Total current assets</b>		<u>4 824 105 901</u>	<u>5 035 461 032</u>
<b>Total assets</b>		<u>10 599 118 440</u>	<u>10 844 157 039</u>
<b>Equity</b>			
Issued & paid - in capital	(16)	3 843 091 115	3 843 091 115
Legal reserve		803 102 208	773 338 368
Other reserves		2 678 174 619	2 707 945 529
Retained earnings		707 165 400	879 457 876
<b>Total equity</b>		<u>8 031 533 342</u>	<u>8 203 832 888</u>
<b>Liabilities</b>			
<b>Non - current liabilities</b>			
Deferred tax liabilities	(21)	201 422 522	241 438 014
<b>Total non - current liabilities</b>		<u>201 422 522</u>	<u>241 438 014</u>
<b>Current liabilities</b>			
Banks' overdraft		239 933 879	-
Due to subsidiaries & related parties	(7)	1 606 946 858	1 818 268 222
Current tax liability		34 829 276	54 829 276
Creditors and other credit balances	(8,26)	348 692 742	415 624 168
Claims provision	(9)	135 759 821	110 164 471
<b>Total current liabilities</b>		<u>2 366 162 576</u>	<u>2 398 886 137</u>
<b>Total liabilities</b>		<u>2 567 585 098</u>	<u>2 640 324 151</u>
<b>Total equity and liabilities</b>		<u>10 599 118 440</u>	<u>10 844 157 039</u>

The accompanying notes and accounting policies from page (6) to page (40) are an integral part of these financial statements and are to be read therewith.

  
Mona Zulficar  
Chairperson

  
Karim Awad  
Group Chief Executive Officer

" Review report attached "

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate income statement**

	Note	For the period ended 31/3/2019	For the period ended 31/3/2018
<i>(in EGP)</i>	<b>no.</b>		
<b>Revenues</b>			
Dividend income	(18)	4 569 499	4 529 357
Custody activity income		3 317 003	4 109 023
Interest income	(26)	3 124 174	6 634 377
Net changes in the fair value of investments at fair value through profit and loss		3 494 993	3 319 007
Gains on sale / redemptions of investments	(23)	317 923	70 516 571
Gains on sale of fixed assets	(26)	4 588 036	4 601 554
Gains on sale of investment property	(26)	3 058 691	2 443 374
Other income	(22,26)	17 270 337	12 295 620
<b>Total revenues</b>		<u>39 740 656</u>	<u>108 448 883</u>
<b>Expenses</b>			
Finance cost		( 1 424 942)	( 2 575 455)
General administrative expenses	(19)	( 68 270 916)	( 50 509 725)
Foreign currencies exchange differences	(28-1)	( 105 302 123)	( 11 865 166)
Fixed asset's depreciation	(14)	( 2 920 889)	( 1 989 324)
Investment property depreciation	(12)	( 1 576 398)	( 1 576 398)
Intangible assets amortization	(15)	( 900 016)	( 93 087)
Claims provision	(9)	( 26 095 350)	-
<b>Total expenses</b>		<u>( 206 490 634)</u>	<u>( 68 609 155)</u>
(Loss) profit before income tax		( 166 749 978)	39 839 728
Current income tax		-	( 9 238 086)
Deferred tax	(21)	24 221 342	3 146 101
(Loss) profit for the period		<u>( 142 528 636)</u>	<u>33 747 743</u>
Earnings per share	(24)	<u>(0.19)</u>	<u>0.04</u>

The accompanying notes and accounting policies from page (6) to page (40) 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 comprehensive income**

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<i>(in EGP)</i>	<b>For the period ended 31/3/2019</b>	<b>For the period ended 31/3/2018</b>
(Loss) profit for the period	( 142 528 636)	33 747 743
<b>Other comprehensive income:</b>		
Available -for- sale investments - net change in fair value	( 45 565 060)	26 458 261
Tax related to comprehensive income items	<u>15 794 150</u>	<u>( 181 168)</u>
<b>Other comprehensive income, net of tax</b>	<u>(29 770 910)</u>	<u>26 277 093</u>
<b>Total comprehensive income for the period</b>	<u><u>(172 299 546)</u></u>	<u><u>60 024 836</u></u>

The accompanying notes and accounting policies from page (6) to page (40) 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**

**Attributable to owners of the Company**

	Issued & paid-in capital	Legal reserve	General reserve	Share premium	Other reserves		Revaluation surplus of fixed assets transferred to investment property	Hedging reserve	Retained earnings	Total equity
					Fair value- available-for-sale investments	Fair value- investments				
<b>Balance as at 31 December, 2018</b>	3 843 091 115	773 338 368	158 271	1 922 267 818	803 663 395	8 298 432	(26 442 387)	879 457 876	8 203 832 888	
Total comprehensive income	-	-	-	-	-	-	-	-	(142 528 636)	(142 528 636)
Loss for the period	-	-	-	-	-	-	-	-	-	(29 770 910)
Other comprehensive income items	-	-	-	-	(29 770 910)	-	-	-	-	(29 770 910)
<b>Total comprehensive income</b>	-	-	-	-	(29 770 910)	-	-	-	(142 528 636)	(172 299 546)
<b>Transactions with owners of the Company</b>										
Transferred to legal reserve	-	29 763 840	-	-	-	-	-	-	(29 763 840)	-
<b>Balance as at 31 March, 2019</b>	3 843 091 115	803 102 208	158 271	1 922 267 818	773 892 485	8 298 432	(26 442 387)	707 165 400	8 031 533 342	
<b>Balance as at 31 December, 2017</b>	3 074 472 890	1 537 236 445	158 271	1 922 267 818	1 004 873 468	8 298 432	(26 442 387)	288 901 218	7 809 766 155	
Total comprehensive income	-	-	-	-	-	-	-	-	33 747 743	33 747 743
Profit for the period	-	-	-	-	-	-	-	-	-	26 277 093
Other comprehensive income items	-	-	-	-	26 277 093	-	-	-	-	26 277 093
<b>Total comprehensive income</b>	-	-	-	-	26 277 093	-	-	-	33 747 743	60 024 836
<b>Balance as at 31 March, 2018</b>	3 074 472 890	1 537 236 445	158 271	1 922 267 818	1 031 150 561	8 298 432	(26 442 387)	322 648 961	7 869 790 991	

The accompanying notes and accounting policies from page (6) to page (40) 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

	Note no.	For the Period ended 31/3/2019	For the Period ended 31/3/2018
<i>(in EGP)</i>			
<b>Cash flows from operating activities</b>			
(Loss) profit before income tax		( 166 749 978)	39 839 728
<b>Adjustments for :</b>			
Fixed assets depreciation		2 920 889	1 989 324
Gains on sale of fixed assets		(4 588 036)	(4 601 554)
Gains on sale of investment property		(3 058 691)	(2 443 374)
Investment property depreciation		1 576 398	1 576 398
Intangible assets amortization		900 016	93 087
Claims provisions formed		26 095 350	-
Claims provisions used		( 500 000)	(15 000 000)
Gains on sale / redemptions of investments in subsidiaries		-	( 413 425)
Net changes in the fair value of investments at fair value through profit and loss		( 3 494 993)	( 3 319 007)
Gains on sale of available -for- sale investments		-	( 66 778 979)
Foreign currencies exchange differences		105 302 123	11 865 166
		<u>( 41 596 922)</u>	<u>( 37 192 636)</u>
<b>Change in</b>			
Investments at fair value through profit and loss		26 121 265	268 871 282
Due from subsidiaries		( 43 265 303)	( 264 187 496)
Other debit balances		9 847 736	( 3 157 589)
Due to subsidiaries		(164 959 251)	49 132 523
Creditors and other credit balances		(42 852 844)	(105 500 404)
Income tax paid		(20 000 000)	(25 000 000)
Net cash used in operating activities		<u>( 276 705 319)</u>	<u>( 117 034 320)</u>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets		(6 504 936)	(12 068 694)
Proceeds from sale of fixed assets		-	1 767 500
Payments to purchase intangible assets		( 284 461)	(3 137 383)
Payments for loans to subsidiaries		(8 810 000)	(120 000 000)
Proceeds from loans to subsidiaries		-	125 000 000
Proceeds from sale of available -for- sale investments		-	162 783 242
Payments to purchase investments in subsidiaries		-	( 17 796 200)
Proceeds from sale (liquidation) of investments in subsidiaries		-	6 813 225
Net cash (used in) provided from investing activities		<u>( 15 599 397)</u>	<u>143 361 690</u>
<b>Cash flows from financing activities</b>			
Dividends payout		( 15 987 848)	( 67 506 493)
Net cash used in financing activities		<u>( 15 987 848)</u>	<u>( 67 506 493)</u>
Net change in cash and cash equivalents during the period		( 308 292 564)	( 41 179 123)
Cash and cash equivalents at the beginning of the period	(20)	172 218 998	326 670 137
Cash and cash equivalents at the end of the period	(20)	<u>( 136 073 566)</u>	<u>285 491 014</u>

The accompanying notes and accounting policies from page (6) to page (40) 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 interim financial statements**

**for the period ended March 31, 2019**

**(In the notes all amounts are shown in EGP unless otherwise stated)**

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**1- Description of business**

**1-1 Legal status**

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

**1-2 Purpose of the company**

- EFG Hermes Group, is a premiere financial services corporation that offers diverse investment banking services including securities brokerage, investment banking, asset management and private equity. In addition to its non-bank finance products, which include leasing, micro-finance, factoring, securitization, and collection.
- The purpose of the company includes participation in the establishment of companies which issue securities or in increasing their share capital, custody activities and margin trading.

**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.
- The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on May 13, 2019.

**2-2 Functional and presentation currency**

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

### **2-3 Use of estimates and judgments**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

- Estimates and assumptions about them are re-viewed on regular basis.
- The change in accounting estimates is recognized in the period where the estimate is changed whether the change affects only that period, or in the period of change and the future periods if the change affects them both.

#### **2-3-1 Fair value measurement**

- The fair value of financial instruments are determined based on the market value of the financial instrument or similar financial instruments at the date of the financial statements without deducting any estimated future selling costs.
- The value of financial assets are determined by the values of the current purchase prices for those assets, while the value of financial liabilities is determined by the current prices that can be settled by those liabilities.
- In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into consideration the prices of the transactions occurred recently, and guided by the current fair value of other similar tools substantially - discounted cash flow method - or any other evaluation method to get resulting values that can rely on.
- When using the discounted cash flow method as a way to evaluate, the future cash flows are estimated based on the best estimates of management. And the discount rate used is determined in the light of the prevailing market price at the date of the financial statements that are similar in nature and conditions.

## 2-4 Consolidated financial statements

The Company has subsidiaries and according to the Egyptian Accounting Standard No. 42 "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- Cash and cash equivalents

	31/3/2019	31/12/2018
Cash on hand	611 515	566 620
Banks - current accounts	102 814 144	110 760 029
Banks - time deposits	434 654	63 108 931
	<hr/>	<hr/>
Balance	103 860 313	174 435 580
	<hr/> <hr/>	<hr/> <hr/>

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

	31/3/2019	31/12/2018
Mutual fund certificates	73 720 869	96 457 500
Equity securities	823 662	728 340
	<hr/>	<hr/>
Balance	74 544 531	97 185 840
	<hr/> <hr/>	<hr/> <hr/>

**5- Due from subsidiaries & related parties**

	<b>31/3/2019</b>	<b>31/12/2018</b>
EFG- Hermes Advisory Inc.	757 916 698	769 987 405
Flemming CIIC Holding	2 138 435	1 737 271
EFG- Hermes IB Limited	1 556 556 499	1 643 633 868
EFG- Hermes Oman LLC	1 502 224	4 805 310
EFG- Hermes IFA Financial Brokerage	3 126 914	3 949 192
EFG- Hermes KSA	30 740 910	42 579 367
Egyptian Fund Management Group	150 926 175	100 369 378
Bayonne Enterprises Ltd.	97 027 136	142 203 615
EFG- Hermes Holding – Lebanon	2 236 907	2 312 439
EFG- Hermes Direct Investment Fund	1 053 447	1 089 018
EFG- Hermes Leasing	--	9 767 992
Beaufort Investments Company	7 877 847	8 144 577
EFG- Hermes Private Equity	87 545	--
Hermes Securities Brokerage	110 988 270	51 390 037
EFG- Hermes USA	904 557	925 374
EFG- Hermes Jordan	255 744	168 155
EFG- Hermes Mena Securities Ltd.	7 640	7 898
EFG – Hermes Frontier Holdings LLC	389 676 585	399 128 495
EFG- Hermes UAE Ltd.	76 756 982	--
EFG- Hermes Brokerage – UAE LLC.	12 867 445	6 828 644
OLT Investment International S.A.B	3 847 989	3 473 738
EFG Hermes FI Limited	435 921 750	271 526 482
EFG- Hermes Factoring	--	341 384
EFG- Hermes Securitization	3 291	3 291
Beaufort Asset Management Company	558 520	339 374
Flemming Mansour Securities	--	61 152
Flemming CIIC Securities	--	61 152
EFG Hermes Global CB Holding Limited	836 300 113	864 265 918
EFG Hermes PE Holding LLC	74 979 809	329 411 205
Tanmeyah Micro Enterprise Services S.A.E	50 178	231 114
	<u>4 554 309 610</u>	<u>4 658 742 845</u>
Balance	<u><u>4 554 309 610</u></u>	<u><u>4 658 742 845</u></u>

**6- Other debit balances**

	<b>31/3/2019</b>	<b>31/12/2018</b>
Accrued revenues	--	4 611 679
Taxes withheld by others	1 867 882	906 538
Deposits with others	1 428 827	1 428 827
Prepaid expenses	19 748 990	21 916 689
Employees advances	1283 529	893 027
Down payments to suppliers	2 278 953	3 583 099
Sundry debtors	802 883	1 461 530
Down payments- leased assets (Note no. 26)	55 317 883	57 758 378
	<u>82 728 947</u>	<u>92 559 767</u>

**7- Due to subsidiaries & related parties**

	<b>31/3/2019</b>	<b>31/12/2018</b>
EFG- Hermes Financial Management (Egypt) Ltd.	719 435 203	764 150 372
EFG- Hermes Regional Investments Ltd.	278 047 716	287 235 409
Arab Visual Company	1 250 500	1 250 500
Hermes Corporate Finance Co.	8 899 230	9 067 921
EFG- Hermes Fixed Income	6 436 593	6 586 792
Finance Group for Securitization	9 731 021	9 765 396
EFG- Hermes Management	--	26 829
EFG- Hermes Syria LLC	7 912 165	7 912 165
Egyptian Portfolio Management Group	82 775 870	79 725 029
EFG- Hermes – Lebanon – S.A.L.	96 033 572	99 276 264
Hermes Fund Management	15 552 736	24 708 492
Financial Brokerage Group	4 213 239	44 046 230
EFG-Hermes SB Limited	52 620 613	54 419 410
EFG Finance Holding	145 015 362	206 191 256
EFG- Hermes Private Equity	131 551 305	117 549 779
EFG- Hermes UAE Ltd.	--	11 208 565
EFG- Hermes Leasing	17 805 218	--
EFG - Hermes Promoting & Underwriting	29 666 515	95 147 813
	<u>1 606 946 858</u>	<u>1 818 268 222</u>

## 8- Creditors and other credit balances

	31/3/2019	31/12/2018
Social Insurance Authority	454 401	421 523
Accrued expenses	38 196 991	190 821 104
Clients coupons - custody activity	9 989 659	10 929 475
Deferred capital gains (Note no. 26)	173 325 824	180 972 551
Unearned revenues (Note no. 26)	48 296 612	11 131 970
Dividends payable prior years	635 838	16 623 686
Medical Takaful Insurance Tax	122 186	22 834
Sundry credit balances	45 771 800	2 863 005
Tax Authority	31 899 431	1 838 020
	<u>348 692 742</u>	<u>415 624 168</u>

## 9- Claims provision

	31/3/2019	31/12/2018
Balance at the beginning of the period / year	110 164 471	123 000 000
Amounts formed during the period / year	26 095 350	2 164 471
Amounts used during the period / year	(500 000)	(15 000 000)
	<u>135 759 821</u>	<u>110 164 471</u>

## 10- Loans to subsidiaries

Company's name	Currency	Loan Value	Loan date	Maturity date	31/3/2019	31/12/2018
EFG- Hermes Jordan	US\$	500 thousand	1/3/2018	28/2/2020	8 662 500	8 955 000
EFG-Hermes Factoring	US\$	700 thousand	27/9/2018	28/12/2020	12 127 500	12 537 000
	US\$	2.3 million	27/9/2018	27/9/2020	39 847 500	41 193 000
	US\$	500 thousand	30/1/2019	30/3/2023	8 662 500	--
Total					<u>69 300 000</u>	<u>62 685 000</u>
Current portion of loans to subsidiaries					<u>(8 662 500)</u>	<u>(12 537 000)</u>
Non- Current portion of loans to subsidiaries					<u>60 637 500</u>	<u>50 148 000</u>

**11- Available -for- sale investments**

	<b>31/3/2019</b>	<b>31/12/2018</b>
Equity securities	148 281 829	123 651 760
Mutual fund certificates	1 379 987 373	1 468 182 504
Balance	<u>1 546 269 202</u>	<u>1 591 834 264</u>
Available -for- sale investments are represented in the following:		
Quoted investments	221 390 616	216 903 229
Non- quoted investments	1 324 878 586	1 374 931 035
	<u>1 546 269 202</u>	<u>1 591 834 264</u>

**12- Investment property**

	<b>Buildings</b>
<b>Cost</b>	
Balance as at 1/1/2019	157 639 818
Total cost as at 31/3/2019	<u>157 639 818</u>
Balance as at 1/1/2018	157 639 818
Total cost as at 31/3/2018	<u>157 639 818</u>
<b>Accumulated depreciation</b>	
Accumulated depreciation as at 1/1/2019	18 916 778
Depreciation for the period	1 576 398
Accumulated depreciation as at 31/3/2019	<u>20 493 176</u>
Accumulated depreciation as at 1/1/2018	12 611 185
Depreciation for the period	1 576 398
Accumulated depreciation as at 31/3/2018	<u>14 187 583</u>
<b>Net carrying amount</b>	
Net carrying amount as at 31/3/2019	<u>137 146 642</u>
Net carrying amount as at 31/3/2018	<u>143 452 235</u>
Net carrying amount as at 31/12/2018	<u>138 723 040</u>

Investment property amounted EGP 137 146 642 as at 31 March 2019, represents the book value of the area owned by EFG – Hermes Holding Company in Nile City building.

### 13- Investments in subsidiaries

Company's name	Nationality	Share percentage %	Currency of payment	Carrying amount	
				31/3/2019	31/12/2018
Financial Brokerage Group Co.	Egyptian	99.87	EGP	41 838 060	41 838 060
Egyptian Portfolio Management Group	Egyptian	66.33	EGP	3 316 500	3 316 500
Hermes Securities Brokerage	Egyptian	97.58	EGP	219 763 969	219 763 969
Hermes Fund Management	Egyptian	89.95	EGP	6 439 709	6 439 709
Hermes Corporate Finance Co.	Egyptian	99.37	EGP	5 476 029	5 476 029
EFG- Hermes Advisory Inc.	BVI	100	US\$	6	6
EFG- Hermes Promoting & Underwriting	Egyptian	99.88	EGP	7 990 000	7 990 000
EFG- Hermes Fixed Income	Egyptian	99	EGP	9 900 000	9 900 000
EFG- Hermes Management	Egyptian	96.3	EGP	1 249 490	1 249 490
EFG- Hermes Private Equity *	BVI	1.59	US\$	39 975	39 975
EFG- Hermes – UAE Limited Company	Emirates	100	US\$	750 510 000	750 510 000
EFG- Hermes Holding Lebanon – S.A.L.	Lebanon	99	US\$	153 713	153 713
EFG- Hermes – KSA	Saudi	73.1	US\$	94 901 158	94 901 158
EFG- Hermes – Lebanon – S.A.L.	Lebanon	99	US\$	27 564 787	27 564 787
EFG- Hermes Regional Investments Ltd. *	Cayman Islands	100	US\$	318 141 304	318 141 304
EFG- Hermes Jordan	Jordanian	100	US\$	33 610 631	33 610 631
Finance Group for Securitization.	Egyptian	99.999	EGP	9 999 990	9 999 990
Beaufort Investments Company	Luxembourg	100	EURO	6 098 812	6 098 812
EFG-Direct Investment Fund	Egyptian	64	EGP	640 000	640 000
EFG- Hermes IB Limited	Cayman Islands	100	US\$	921 560 008	921 560 008
EFG - Hermes Frontier Holdings LLC	Emirates	100	US\$	13 740 750	13 740 750
EFG – Hermes USA	American	100	US\$	54 782 600	54 782 600
EFG Finance Holding S.A.E **	Egyptian	99.82	EGP	717 030 000	717 030 000
Etkan for Inquiry and Collection and Business processes **	Egyptian	0.002	EGP	100	100
EFG BI Holding	Egyptian	100	EGP	895 500	895 500
EFG- Hermes Global CB Holding Limited	Cayman Islands	100	US\$	664 454 800	664 454 800
OLT Investment International S.A.B	Bahrain	99.9	BHD	63 720 196	63 720 196
Balance				<u>3 973 818 087</u>	<u>3 973 818 087</u>

\* 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 Co. is a subsidiary.

\*\* The Company owns 99.82% of EFG Finance Holding S.A.E Co., which owns 95.2% in Etkan for Inquiry and Collection and Business processes Co. hence the company has the control, therefore EFG- Hermes Private Equity Co. is a subsidiary.

- Investments in subsidiaries are represented in non - quoted investments.



**14- Fixed assets**

	Land*	Buildings*	Office furniture & equipment	Computer equipment	Vehicles & transportation means	Fixtures	Total
<b>Cost</b>							
Balance as at 1/1/2019	--	--	26 182 189	76 658 332	10 795 024	6 205 199	119 840 744
Additions during the period	--	--	1 079 330	1 458 602	3 967 004	--	6 504 936
<b>Total cost as at 31/3/2019</b>	<b>--</b>	<b>--</b>	<b>27 261 519</b>	<b>78 116 934</b>	<b>14 762 028</b>	<b>6 205 199</b>	<b>126 345 680</b>
Balance as at 1/1/2018	--	--	23 951 261	61 517 927	9 062 935	4 202 747	98 734 870
Additions during the period	--	--	1 001 776	7 802 743	2 900 000	364 175	12 068 694
Disposals during the period	--	--	--	--	(1 528 911)	--	(1 528 911)
<b>Total cost as at 31/3/2018</b>	<b>--</b>	<b>--</b>	<b>24 953 037</b>	<b>69 320 670</b>	<b>10 795 024</b>	<b>4 566 922</b>	<b>109 274 653</b>
<b>Accumulated depreciation</b>							
Accumulated depreciation as at 1/1/2019	--	--	20 770 368	51 012 467	6 569 851	4 293 376	82 646 062
Depreciation during the period	--	--	359 513	1 961 349	496 933	103 094	2 920 889
<b>Accumulated depreciation as at 31/3/2019</b>	<b>--</b>	<b>--</b>	<b>21 129 881</b>	<b>52 973 816</b>	<b>7 066 784</b>	<b>4 396 470</b>	<b>85 566 951</b>
Accumulated depreciation as at 1/1/2018	--	--	19 525 423	44 193 897	5 924 053	4 174 037	73 817 410
Depreciation during the period	--	--	262 116	1 430 131	288 037	9 040	1 989 324
Disposals accumulated depreciation	--	--	--	--	(738 911)	--	(738 911)
<b>Accumulated depreciation as at 31/3/2018</b>	<b>--</b>	<b>--</b>	<b>19 787 539</b>	<b>45 624 028</b>	<b>5 473 179</b>	<b>4 183 077</b>	<b>75 067 823</b>
<b>Net book value</b>							
Net book value as at 31/3/2019	--	--	6 131 638	25 143 118	7 695 244	1 808 729	40 778 729
Net book value as at 31/3/2018	--	--	5 165 498	23 696 642	4 960 845	383 845	34 206 830
Net book value as at 31/12/2018	--	--	5 411 821	25 645 865	4 225 173	1 911 823	37 194 682

\* Land and buildings items represents headquarter of the Company in Smart Village Building. Note no. (26).

**15- Intangible assets**

	<b>Intangible assets</b>
<b>Cost</b>	
Balance as at 1/1/2019	17 958 055
Additions during the period	284 461
	<hr/>
Total cost as at 31/3/2019	18 242 516
	<hr/>
Balance as at 1/1/2018	--
Additions during the period	3 137 383
	<hr/>
Total cost as at 31/3/ 2018	3 137 383
	<hr/>
<b>Accumulated amortization</b>	
Accumulated amortization as at 1/1/ 2019	980 121
Amortization during the period	900 016
	<hr/>
Accumulated amortization as at 31/3/ 2019	1 880 137
	<hr/>
Accumulated amortization as at 1/1/ 2018	--
Amortization during the period	93 087
	<hr/>
Accumulated amortization as at 31/3/ 2018	93 087
	<hr/>
<b>Net book value</b>	
Net book value as at 31/3/2019	16 362 379
	<hr/> <hr/>
Net book value as at 31/3/2018	3 044 296
	<hr/> <hr/>
Net book value as at 31/12/2018	16 977 934
	<hr/> <hr/>

- Intangible assets are represented in the amount of software program licenses.

**16- Share capital**

- The company's authorized capital amounts EGP 6 billion and issued capital amounts EGP 3,074,472,890 distributed on 614,894,578 shares of par value EGP 5 per share which is fully paid.
- The company's General Assembly approved in its session held on May 6, 2018 to increase the company's issued capital from EGP 3,074,472,890 to EGP 3,843,091,115 distributed on 768,618,223 shares with an increase amounting to EGP 768,618,225 by issuing 153,723,645 shares with par value EGP 5 through the issuance of one free share for every four shares. This increase is transferred from the company legal reserve that presented in December 31, 2017 financial statements. The required procedures had been taken to register the increase in the Commercial Register.

**17- Contingent liabilities & commitments**

The Company guarantees its subsidiaries – Financial Brokerage Group, Hermes Securities Brokerage, EFG- Hermes Jordan and EFG- Hermes Oman LLC – against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the Letters of Guarantee granted from banks amounting to AED 118 670 000 (equivalent to EGP 559 730 789).

**18- Dividend income**

	For the period ended 31/3/2019	For the period ended 31/3/2018
Income from available - for- sale investments	4 522 482	4 529 357
Income from investments at fair value through profit and loss	47 017	--
Total	4 569 499	4 529 357

**19- General administrative expenses**

	<b>For the period ended 31/3/2019</b>	<b>For the period ended 31/3/2018</b>
Wages , salaries and similar items	26 233 743	22 299 957
Consultancy	547 861	760 130
Travel , accommodation and transportation	1 151 390	1 803 408
Leased line and communication	977 510	3 217 584
Rent and utilities expenses	25 700 899	9 809 596
Other expenses	13 659 513	12 619 050
	<hr/>	<hr/>
Total	68 270 916	50 509 725
	<hr/> <hr/>	<hr/> <hr/>

**20- Cash and cash equivalents**

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

	<b>For the period ended 31/3/2019</b>	<b>For the year ended 31/12/2018</b>
Cash and cash equivalents as presented in the statement of financial position	103 860 313	174 435 580
Banks overdraft	(239 933 879)	--
Effect of exchange rate changes	--	(2 216 582)
	<hr/>	<hr/>
Cash and cash equivalents (adjusted)	(136 073 566)	172 218 998
	<hr/> <hr/>	<hr/> <hr/>

## 21- Deferred tax liabilities

Deferred tax liabilities (Assets) are attributable to the following:

	31/3/2019	31/12/2018
	Liability (Asset)	Liability (Asset)
<b>(A) Deferred tax</b>		
Fixed assets' (depreciation)	3 315 153	3 502 473
Investment property (depreciation)	1 152 741	1 064 069
Intangible assets (depreciation)	(218 232)	(116 980)
Foreign currencies exchange differences	(18 986 858)	4 706 120
Investment property (revaluation reserve)	(1 867 147)	(1 867 147)
Deferred capital gains	7 335 688	7 664 152
	<hr/>	<hr/>
Net deferred tax liabilities	(9 268 655)	14 952 687
	<hr/> <hr/>	<hr/> <hr/>
<b>(B) Deferred tax recognized directly in equity</b>		
	31/3/2019	31/12/2018
Changes in the fair value of cash flow hedges *	(6 612 597)	(6 612 597)
Fair value of available-for-sale investments **	217 303 774	233 097 924
	<hr/>	<hr/>
	210 691 177	226 485 327
	<hr/>	<hr/>
Balance	201 422 522	241 438 014
	<hr/> <hr/>	<hr/> <hr/>

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

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

## 22- Other income.

Other income item presented in the income statement includes the value of rental for some affiliated companies, and also includes the value of rental spaces owned by the Company in Nile City building.

**23- Gains on sale / redemptions of investments**

	<b>For the period ended 31/3/2019</b>	<b>For the period ended 31/3/2018</b>
Investments in subsidiaries	--	413 425
Investments at fair value through profit and loss	317 923	3 324 167
Available - for- sale investments	--	66 778 979
<b>Total</b>	<u>317 923</u>	<u>70 516 571</u>

**24- Earnings per share**

	<b>For the period ended 31/3/2019</b>	<b>For the period ended 31/3/2018</b>
(Losses) profit for the period	(142 528 636)	33 747 743
Weighted average number of shares	<u>768 618 223</u>	<u>768 618 223</u>
Earnings per share	<u>(0.19)</u>	<u>0.04</u>

**25- Tax status**

- As to Income Tax, the years till 2016 the competent Tax Inspectorate inspected the parent company's books and all the disputed points have been settled with the Internal Committee. As to year 2017, have not been inspected yet.
- As to Salaries Tax, the parent company's books had been examined till 2008 and all the disputed points have been settled with the Internal Committee and as to years 2009 / 2012 the company's books had been examined and the settlement procedures are currently taking place, and as to years 2013 / 2018 have not been inspected yet.
- As to Stamp Tax, the parent company's books had been examined from year 1998 till 2016 and all the disputed points have been settled with the competent Tax Inspectorate and as to year 2017/ 2018 have not been inspected yet.

## **26- Related party transactions**

The related parties transactions are represented in the following:

- Other income item presented in the income statement includes an amount of EGP 5 871 460 which represents the value of rental spaces for some affiliated companies.
- Interest income item presented in the income statement includes an amount of EGP 401 143 represent the interest on subordinated loan to EFG-Hermes Factoring.
- Loans to subsidiaries item as at March 31, 2019 presented in the statement of financial position represents in the loan granted to EFG- Hermes Jordan (a subsidiary – 100 %) with an amount of 500 000 USD (equivalent to EGP 8 662 500), and the loan granted to EFG-Hermes Factoring with an amount of 3 500 000 USD (equivalent to EGP 60 637 500) (Note no. 10).
- Creditors and other credit balances item includes an amount of EGP 29 230 740 represents the unearned revenues from the affiliated companies for rental of Group's headquarter owned by the Company (Note no. 8).
- On 19 April, 2018 the Company has entered into a sale and lease back contract on the entire company's smart village land and building with Emirates NBD Leasing Company and EFG-Hermes Leasing (a fully owned subsidiary). Creditors and other credit balances item (Note no. 8) includes the related deferred capital gains that will be amortized on 7 years ending on November 2024. Other debit balances item (Note no. 6) includes the related down payments - leased assets that will be also amortized on 7 years ending on November 2024.

## **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 financial liabilities include loans and creditors. Notes to financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses by the company to minimize the consequences of such risks.

### **27/1 Market risk**

#### **A. Foreign currencies risk**

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the Company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.

- As at the financial position date the Company has assets and liabilities in foreign currencies equivalent to EGP 6 011 463 901 and EGP 1 385 615 568 respectively. The Company's net exposures in foreign currencies as at the financial position date are as follows:

	<b>Surplus / (deficit)</b>
USD	4 384 094 368
EURO	243 190 842
AED	13 073 695
GBP	(14 414 970)
CHF	439
SAR	(96 041)

The Company has used the prevailing exchange rates to revalue assets and liabilities at financial position date as disclosed in note (28-1) "foreign currencies transactions".

#### **B. Interest rate risk**

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

#### **C. Price risk**

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

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

#### **27/2 Credit risk**

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



**27/3 Liquidity risk**

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

**27/4 Capital risk**

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

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

The financial instruments' fair value does not substantially deviated from its book value at the financial position date.

**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.

## **28- 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.

### **28-1 Translation of the foreign currencies transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

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

### **28-2 Property, plant and equipment**

#### **28-2-1 Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

#### **28-2-2 Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

#### **28-2-3 Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease

term. Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	<b>Estimated useful life</b>
- Buildings	33.3 years
- Furniture, office and electrical appliances	5 years
- Computer equipment	5 years
- Vehicles & transportation means	5 years
- Fixtures	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**28-2-4 Reclassification to investment property**

When the use of a property changes from owner-occupied to investment property.

**28-2-5 Projects under construction**

Projects under construction are recognized initially at cost, the book value is amended by any impairment concerning the value of these projects 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.

**28-2-6 Intangible assets**

Intangible assets are recorded at historical cost less accumulated amortization and any impairment losses (note 28-7) ,intangible assets are amortized using the straight-line method and are recognized in profit or loss over their estimated useful lives.

**28-3 Treasury bills**

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

**28-4 Investments**

**28-4-1 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.

#### **28-4-2 Available-for-sale financial investments**

Available-for-sale financial assets are valued at fair value, with any resultant gain or loss being recognized in equity, except for impairment losses which is recognized (note 28-7) in the income statement. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. The fair value of investments available-for-sale, is based on quoted price of the exchange market at the financial position date, investments that are not quoted, and whose fair value cannot be measured reliably are valued by accepted valuation techniques including the use of new objective techniques or discounted cash flow analysis or option pricing models or other valuation techniques – if the Company cannot estimate the fair value, it can be stated at cost less impairment loss.

#### **28-4-3 Investments in subsidiaries**

Investments in subsidiaries and associates are valued at cost, the book value is amended by any impairment concerning the value of these investments (note 28-7). The impairment value is to be charged to the income statement for every investment individually.

#### **28-4-4 Investment property**

Investment property is measured at cost on initial recognition. Subsequent to initial recognition investment property is measured at cost less accumulated depreciation and impairment loss, if any. Investment property is depreciated on a straight line basis over its useful life. The estimated useful life of investment property is 33.3 years.

#### **28-5 Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is

allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

## **28-6 Financial instruments**

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

### **28-6-1 Non-derivative financial assets and financial liabilities – Recognition and Derecognition**

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## **28-6-2 Non-derivative financial assets – Measurement**

### **28-6-2-1 Financial assets at fair value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

### **28-6-2-2 Held-to-maturity financial assets**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

### **28-6-2-3 Loans and receivables**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

### **28-6-2-4 Available-for-sale financial assets**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

## **28-6-3 Non-derivative financial liabilities – Measurement**

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

#### **28-6-4 Derivative financial instruments and hedge accounting**

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

##### **28-6-4-1 Cash flow hedges**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

#### **28-7 Impairment**

##### **28-7-1 Non-derivative financial assets**

Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties.

- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.
- For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

#### **Financial assets measured at amortized cost**

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

#### **Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.



### **Equity-accounted investees**

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been an estimates used to determine the recoverable amount.

### **28-7-2 Non-financial assets**

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

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

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

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

### **28-8 Cash and cash equivalents**

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

### **28-9 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.

## **28-10 Provisions**

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

## **28-11 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

## **28-12 Share capital**

### **28-12-1 Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with EAS 24 income tax.

### **28-12-2 Repurchase and reissue of ordinary shares (treasury shares)**

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

## **28-13 Derivative financial instruments**

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

#### *Cash flow hedges*

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

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

#### *Fair value hedges*

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

### **28-14 Revenues**

#### **28-14-1 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.

#### **28-14-2 Dividend income**

Dividend income is recognized when declared.

#### **28-14-3 Custody fees**

Custody fees are recognized when provide service and issue invoice.

#### **28-14-4 Interest income**

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

### **28-15 Expenses**

#### **28 -15-1 Borrowing costs**

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

### **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.

### **28-15-2 Income tax**

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

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

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

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

### **28-16 Earnings per share**

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

### **28-17 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.

## 29- Initial application of new Egyptian Accounting Standards "EAS"

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015 , which include some new accounting standards as well as introducing amendments to certain existing standards published in the official gazette on 25 April 2019. The most prominent amendments are as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
The new Egyptian Accounting Standard No. (47) "Financial Instruments"	<p>1-The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. (26) was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.</p> <p>2-Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p>		<p>This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos.(1), (25), (26) and (40) are to be simultaneously applied.</p>

<p>3-When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>-These ammendments are effective as of the date of implementing Standard No. (47)</p>
<p>4- based on the requirements of this standard the following standards were amended :</p>		
<p>1-Egyptian Accounting Standard No. (1)  “Presentation of Financial Statements” as amended in 2019.</p>		
<p>2-Egyptian Accounting Standard No. (4) -  “Statement of Cash Flows”.</p>		
<p>3-Egyptian Accounting Standard No. (25) - “Financial Instruments: Presentation.</p>		
<p>4-Egyptian Accounting Standard No. (26) - “Financial Instruments: Recognition and Measurement”.</p>		
<p>5- Egyptian Accounting Standard - EAS No. (40) - “Financial Instruments: Disclosures “</p>		

<p>The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers"</p>	<p>1-The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void:</p> <ul style="list-style-type: none"> <li>a. Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015.</li> <li>b. Egyptian Accounting Standard No. (11) – "Revenue" as amended in 2015.</li> </ul> <p>2- For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p> <p>3- incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met</p> <p>4- the standard requires that contract must have a commercial substance in order for revenue to be recognized</p> <p>5- Expanding in the presentation and disclosure requirements</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>Standard No(48) applies to financial periods beginning on or after January1st, 2020, and the early implementation thereof is permitted</p>
<p>The new Egyptian Accounting Standard No. (49) "Lease Contracts</p>	<p>1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015</p> <p>2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48)</p>

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<p>recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating l or finance lease contracts.</p> <p>3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</p> <p>4- As for the finance lease , the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</p> <p>5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis</p>	<p>"Revenue from Contracts with Customers" is simultaneously applied.</p> <p>Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing " as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.</p>
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<p>Egyptian Accounting Standard No. (38) as ammended " Employees Benefits "</p>	<p>Anumber of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.</p>
<p>Egyptian Accounting Standard No. (42) as ammended " Consolidated Financial Statements"</p>	<p>Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were ammended are as follows:</p> <ul style="list-style-type: none"> <li>- (ESA 15) Related Party Disclosures</li> <li>- (ESA 17) Consolidated and Separate Financial Statements</li> <li>- (ESA 18) Investments in Associates</li> <li>- (ESA 24) Income Taxes</li> <li>- (ESA 29) Business Combinations</li> <li>- ESA (30) Periodical Financial Statements</li> <li>- EAS (44) Disclosure of Interests in Other Entities.</li> </ul>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted. -The new or amended paragraphs pertaining to the ammended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019</p>

<p>Issuance of Egyptian Accounting Interpretation No.(1)"Public Service Privileges Arrangements" ...</p>	<p>This interpretation provides guidance on the accounting by operators of public service privileges arrangements from a public entity to a private entity for the construction, operation and maintenance of the infrastructure for public utilities such as roads, bridges, tunnels, hospitals, airports, water supply facilities, power supplies and communications networks. ..., etc</p> <p>This interpretation gives the option of continuing to apply the prior treatment of public service privileges arrangements that prevailed prior to January 1st,2019 on entities that used to recognize and measure the assets of these arrangements as fixed assets in accordance with Egyptian Accounting Standard No. 10 "Fixed Assets and Depreciation"until their useful lives are expired .</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>Interpretation No.(1) applies to financial periods beginning on or after January 1st, 2019,</p>
<p>Egyptian Accounting Standard No. (22) as ammended " Earnings per Share</p>	<p>The scope of implementaion of the Standard was amended to be applied to the separate, or consolidated financial statements issued to all enterprises.</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.</p>
<p>Egyptian Accounting Standard No. (34) as ammended " Real Estate Investment</p>	<p>The Fair Value Model option for all enterprises is no longer used when the subsequent measurement of their real estate investments is made and compliance shall apply only to the Cost Model. while only real estate investment funds are obliged to use the Fair Value Model, upon the subsequent</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.</p>

measurement of all their real estate assets.

Based on this amendment, the following standards were amended :

- Egyptian Accounting Standard No. (32) Non-current Assets Held for Sale and Discontinued Operation
- Egyptian Accounting Standard No. (31) Impairment of Assets

Egyptian Accounting Standard No. (4) as amended " Statemnet of Cash Flows"

This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows .

The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements

This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.