

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

**Separate interim financial statements**  
**for the period ended 30 June 2017**  
**&**  
**Review Report**





## Hazem Hassan

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### Review Report

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

##### *Introduction*

We have performed a limited review for the accompanying separate interim statement of financial position of EFG – Hermes Holding Company (Egyptian Joint Stock Company) as of 30 June, 2017 and the related separate interim statements of income, comprehensive income, changes in equity and cash flows for the six 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.

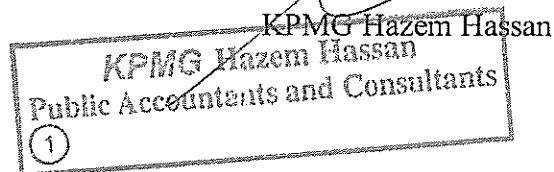
##### *Scope of Limited Review*

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 30 June, 2017 and of its financial performance and its separate cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

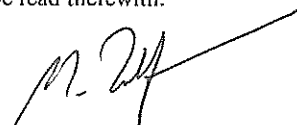
Cairo, August 14, 2017



**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate interim statement of financial position**  
**as at June 30, 2017**

	Note no.	30/6/2017	31/12/2016
<i>(in EGP)</i>			
<b>Assets</b>			
<b>Non - current assets</b>			
Loans to subsidiaries	(11,26)	359 025 000	259 000 000
Available -for- sale investments	(12)	1 840 801 431	2 167 829 957
Investment property	(13)	238 997 430	243 878 226
Investments in subsidiaries	(14)	3 460 037 171	3 353 024 509
Fixed assets	(15)	155 476 325	154 205 087
<b>Total non - current assets</b>		<u>6 054 337 357</u>	<u>6 177 937 779</u>
<b>Current assets</b>			
Cash and cash equivalents	(3,21)	1 288 403 974	766 035 178
Investments at fair value through profit and loss	(4)	90 767 096	363 924 330
Treasury bills	(5,21)	47 754 770	1 490 311 500
Due from subsidiaries & related parties	(6)	5 898 497 528	1 802 227 965
Other debit balances	(7)	70 831 912	48 989 075
Current portion of loans to subsidiaries	(11,26)	150 000 000	100 000 000
<b>Total current assets</b>		<u>7 546 255 280</u>	<u>4 571 488 048</u>
<b>Total assets</b>		<u>13 600 592 637</u>	<u>10 749 425 827</u>
<b>Equity</b>			
Issued & paid - in capital	(17)	3 074 472 890	3 074 472 890
Legal reserve		1 537 236 445	1 523 711 250
Other reserves		2 829 109 178	3 014 613 396
Retained earnings		402 551 949	1 983 941 137
<b>Total equity</b>		<u>7 843 370 462</u>	<u>9 596 738 673</u>
<b>Liabilities</b>			
<b>Non - current liabilities</b>			
Long term loans	(16)	99 960 000	133 320 000
Deferred tax liabilities	(22)	424 868 082	472 606 278
<b>Total non - current liabilities</b>		<u>524 828 082</u>	<u>605 926 278</u>
<b>Current liabilities</b>			
Banks' overdraft	(21)	149 362 691	199 382 151
Due to subsidiaries & related parties	(8)	4 627 612 012	( 231 283 025)
Current tax liability		297 781	79 188 561
Creditors and other credit balances	(9,26)	308 003 223	368 209 189
Claims provision	(10)	113 758 386	114 584 000
Current portion of long term loans	(16)	33 360 000	16 680 000
<b>Total current liabilities</b>		<u>5 232 394 093</u>	<u>546 760 876</u>
<b>Total liabilities</b>		<u>5 757 222 175</u>	<u>1 152 687 154</u>
<b>Total equity and liabilities</b>		<u>13 600 592 637</u>	<u>10 749 425 827</u>

The accompanying notes and accounting policies from page (6) to page (34) 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 interim income statement**  
**for the period ended June 30, 2017**

	Note no.	2017		2016	
		For the period from 1/4/2017 to 30/6/2017	For the period from 1/1/2017 to 30/6/2017	For the period from 1/4/2016 to 30/6/2016	For the period from 1/1/2016 to 30/6/2016
<i>(in EGP)</i>					
<b>Revenues</b>					
Dividend income	(19)	6 478 644	11 269 365	93 897 478	96 632 394
Custody activity income		2 944 791	7 056 301	1 055 138	1 894 129
Treasury bills interest		35 416 780	104 205 410	-	-
Interest income	(26)	31 549 283	61 771 625	17 609 718	26 038 971
Net changes in the fair value of investments at fair value through profit and loss		1 894 692	4 251 151	1 068 361	1 909 225
Gains (losses)/ redemptions on sale of investments	(23)	( 9 599 992)	159 472 512	525 069 031	525 405 915
Foreign currencies exchange differences	(27/1-A)	( 10 298 474)	7 361 468	( 73 715)	100 536 937
Gain on sale of fixed assets		-	566 854	-	-
Other income	(26)	17 789 733	47 134 509	9 753 145	18 755 374
<b>Total revenues</b>		<u>76 175 457</u>	<u>403 089 195</u>	<u>648 379 156</u>	<u>771 172 945</u>
<b>Expenses</b>					
Finance cost		( 14 158 241)	( 28 177 971)	( 9 982 597)	( 17 240 544)
General administrative expenses	(20)	( 48 627 916)	( 90 594 559)	( 36 739 305)	( 75 003 011)
Fixed assets depreciation	(15)	( 2 587 973)	( 5 045 827)	( 2 153 058)	( 4 497 259)
Investment property depreciation	(13)	( 2 440 398)	( 4 880 796)	( 2 440 398)	( 4 880 796)
Claims provision	(10)	-	-	( 306 250)	( 612 500)
<b>Total expenses</b>		<u>( 67 814 528)</u>	<u>( 128 699 153)</u>	<u>( 51 621 608)</u>	<u>( 102 234 110)</u>
Profit before income tax		8 360 929	274 390 042	596 757 548	668 938 835
Current income tax		( 1 939 397)	( 56 549 264)	( 107 957 448)	( 107 957 448)
Deferred tax	(22)	1 628 080	( 2 635 550)	( 512 595)	( 646 413)
<b>Profit for the period</b>		<u>8 049 612</u>	<u>215 205 228</u>	<u>488 287 505</u>	<u>560 334 974</u>
Earnings per share	(24)	<u>0.01</u>	<u>0.35</u>	<u>0.79</u>	<u>0.91</u>

The accompanying notes and accounting policies from page (6) to page (34) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company  
(Egyptian Joint Stock Company)  
Separate interim statement of comprehensive income  
for the period ended June 30, 2017

	2017		2016	
	For the period from 1/4/2017 to 30/6/2017	For the period from 1/1/2017 to 30/6/2017	For the period from 1/4/2016 to 30/6/2016	For the period from 1/1/2016 to 30/6/2016
(in EGP)				
Profit for the period	8 049 612	215 205 228	488 287 505	560 334 974
<b>Other comprehensive income:</b>				
Available -for- sale - net change in fair value	107 314 388	( 235 877 964)	5 532 103	140 892 306
Related tax	<u>( 20 832 022)</u>	<u>50 373 746</u>	<u>3 352 925</u>	<u>( 18 391 810)</u>
<b>Other comprehensive income, net of tax</b>	<u>86 482 366</u>	<u>(185 504 218)</u>	<u>8 885 028</u>	<u>122 500 496</u>
<b>Total comprehensive income</b>	<u><u>94 531 978</u></u>	<u><u>29 701 010</u></u>	<u><u>497 172 533</u></u>	<u><u>682 835 470</u></u>

The accompanying notes and accounting policies from page (6) to page (34) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company  
(Egyptian Joint Stock Company)

Separate interim statement of changes in equity  
for the period ended June 30, 2017

	Issued & paid-in capital	Legal reserve	General reserve	Share premium	Other reserves		Hedging reserve	Retained earnings (losses)	Total
					Fair value- available-for-sale investments	Revaluation surplus of fixed assets transferred to investment property			
(in EGP)									
Balance as at 31 December, 2016	3 074 472 890	1 523 711 250	158 271	1 922 267 818	1 103 179 715	15 449 979	(26 442 387)	1 983 941 137	9 596 738 673
Transferred to legal reserve	-	13 525 195	-	-	-	-	-	(13 525 195)	-
Dividends payout of 2016 *	-	-	-	-	-	-	-	(1 783 069 221)	(1 783 069 221)
Other comprehensive income items	-	-	-	-	(185 504 218)	-	-	-	(185 504 218)
Profit for the period ended June 30, 2017	-	-	-	-	-	-	-	215 205 228	215 205 228
Balance as at June 30, 2017	3 074 472 890	1 537 236 445	158 271	1 922 267 818	917 675 497	15 449 979	(26 442 387)	402 551 949	7 843 370 462
Balance as at 31 December, 2015	3 074 472 890	1 523 711 250	158 271	1 922 267 818	278 254 597	15 449 979	(26 442 387)	(31 340 150)	6 756 532 268
Other comprehensive income items	-	-	-	-	122 500 496	-	-	-	122 500 496
Profit for the period ended June 30, 2016	-	-	-	-	-	-	-	560 334 974	560 334 974
Balance as at June 30, 2016	3 074 472 890	1 523 711 250	158 271	1 922 267 818	400 755 093	15 449 979	(26 442 387)	528 994 824	7 439 367 738 *

\* According to the Company's Ordinary General Assembly held on April 27, 2017.

The accompanying notes and accounting policies from page (6) to page (34) are an integral part of these financial statements and are to be read therewith.

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate interim statement of cash flows**  
**for the period ended June 30, 2017**

	Note no.	For the period ended 30/6/2017	For the period ended 30/6/2016
<i>(in EGP)</i>			
<b>Cash flows from operating activities</b>			
Profit before tax		274 390 042	668 938 835
<b>Adjustments for :</b>			
Fixed assets depreciation		5 045 827	4 497 259
Gains from sale of fixed assets		( 566 854)	-
Investment property depreciation		4 880 796	4 880 796
Claims provisions formed		-	612 500
Claims provisions used		( 825 614)	( 183 365)
Gains on sale / redemption of investments in subsidiaries		23 806 197	( 523 336 111)
Net changes in the fair value of investments at fair value through profit and loss		( 4 251 151)	(1 909 225)
(Gains) loss on sale of available -for- sale investments		( 176 207 828)	275 565
Foreign currencies exchange differences		( 7 361 468)	( 100 536 937)
		<u>118 909 947</u>	<u>53 239 317</u>
<b>Change in</b>			
Investments at fair value through profit and loss		277 419 034	66 637 760
Treasury bills		379 003 726	(304 059 730)
Due from subsidiaries & related parties		(3 987 091 728)	59 509 032
Other debit balances		(29 149 753)	(10 500 905)
Due to subsidiaries & related parties		4 858 895 037	372 702 257
Current tax liability		(9 758 388)	2 138 933
Creditors and other credit balances		(188 182 749)	10 979 955
Income tax Paid		(69 132 392)	-
Net cash provided from operating activities		<u>1 350 912 734</u>	<u>250 646 619</u>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets		(6 448 211)	( 451 846)
Proceeds from sale of fixed assets		698 000	-
Payments for loans to subsidiaries		(220 000 000)	(53 897 550)
Proceeds from loans to subsidiaries		70 000 000	-
Payments to purchase available -for- sale investments		(6 068 469)	(3 234 683)
Proceeds to purchase available -for- sale investments		273 426 859	2 097 582
Payments to purchase investments in subsidiaries		( 125 868 859)	(571 860 000)
Net cash used in investing activities		<u>( 14 260 680)</u>	<u>( 627 346 497)</u>
<b>Cash flows from financing activities</b>			
Dividends payout		(1 710 760 090)	(32 194 450)
Proceeds from long term loans		-	150 000 000
Payments to long term loans		(16 680 000)	-
Net cash (used in) provided from financing activities		<u>(1 727 440 090)</u>	<u>117 805 550</u>
Net change in cash and cash equivalents during the period		( 390 788 036)	(258 894 328)
Cash and cash equivalents at the beginning of the period	(21)	<u>1 529 829 319</u>	<u>373 579 549</u>
Cash and cash equivalents at the end of the period	(21)	<u>1 139 041 283</u>	<u>114 685 221</u>

**Non cash transactions:**

- An amount of EGP 72 309 131 has been eliminated from both creditors and other credit balances and dividends payout represents the amount of dividends not paid.
- An amount of EGP 4 950 000 has been eliminated from both other debit balances - payments for investments and payments to purchase investments in subsidiaries represents the amount transferred to investments in subsidiaries.

The accompanying notes and accounting policies from page (6) to page (34) 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 June 30, 2017**

**(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 and micro-finance.
- 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 14 August, 2017.

**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**

	<b>30/6/2017</b>	<b>31/12/2016</b>
Cash on hand	661 357	704 354
Banks - current accounts	475 492 995	39 695 513
Banks - time deposits	812 249 622	725 635 311
	<hr/>	<hr/>
Balance	1 288 403 974	766 035 178
	=====	=====

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

	<b>30/6/2017</b>	<b>31/12/2016</b>
Mutual fund certificates	90 306 538	363 548 535
Equity securities	460 558	375 795
	<hr/>	<hr/>
Balance	90 767 096	363 924 330
	=====	=====

**5- Treasury bills**

	<b>30/6/2017</b>	<b>31/12/2016</b>
Treasury bills maturity less than 91 days	--	1 094 000 000
Treasury bills maturity 182 days	49 000 000	368 500 000
Treasury bills maturity 273 days	--	81 000 000
Unearned revenues	(1 245 230)	(53 188 500)
	<hr/>	<hr/>
Net	47 754 770	1 490 311 500
	=====	=====

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

	<b>30/6/2017</b>	<b>31/12/2016</b>
EFG- Hermes Management	1 052 294	968 369
EFG- Hermes Advisory Inc.	1 349 213 126	999 248 463
Flemming CIIC Holding *	26 191 599	25 810 576
EFG- Hermes IB Limited	3 970 820 572	451 215 500
EFG- Hermes Oman LLC	4 285 182	3 104 330
EFG- Hermes IFA Financial Brokerage	1 574 780	38 667 566
EFG- Hermes Promoting & Underwriting	238 903 071	199 519 365
EFG- Hermes KSA	130 292 783	61 076 669
Egyptian Fund Management Group *	92 874 648	58 829 315
Bayonne Enterprises Ltd.	15 919 906	15 182 271
EFG- Hermes Holding – Lebanon	2 330 515	2 324 064
EFG- Hermes Direct Investment Fund	1 097 530	1 094 490
EFG- Hermes Leasing	1 338 349	4 282 033
Beaufort Investments Company	1 265 828	37 472
EFG- Hermes Private Equity	23 219 549	16 273 740
EFG- Hermes USA	11 072 308	2 857 631
EFG- Hermes Jordan	296 854	(17 010)
EFG- Hermes Mena Securities Ltd.	62 805	--
Tanmeyah Micro Enterprise Services S.A.E	669 444	(1 576 412)
EFG – Hermes Frontier Holdings LLC	81 414 540	5 439 382
OLT Investment International S.A.B	20 019 622	--
EFG Finance Holding S.A.E	6 692 072	--
	<u>5 980 607 377</u>	<u>1 884 337 814</u>
Accumulated impairment*	<u>(82 109 849)</u>	<u>(82 109 849)</u>
Balance	<u>5 898 497 528</u>	<u>1 802 227 965</u>
	=====	=====

**7- Other debit balances**

	<b>30/6/2017</b>	<b>31/12/2016</b>
Accrued revenues	4 969 904	5 489 727
Taxes withheld by others	24 076 019	7 956 315
Deposits with others	1 067 827	1 067 827
Prepaid expenses	12 622 354	4 924 715
Employees advances	2 171 856	1 049 892
Down payments to suppliers	6 360 261	2 757 702
Payments for investments *	2 500 000	7 450 000
Sundry debtors	17 063 691	18 292 897
	<u>70 831 912</u>	<u>48 989 075</u>
	=====	=====

\* Payments for investments are represented in the following:

	<b>30/6/2017</b>	<b>31/12/2016</b>
Arab Visual Company	2 500 000	2 500 000
EFG Finance Holding S.A.E	--	4 950 000
	<u>2 500 000</u>	<u>7 450 000</u>
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**8- Due to subsidiaries & related parties**

	<b>30/6/2017</b>	<b>31/12/2016</b>
Arab Visual Company	5 000 000	5 000 000
Hermes Corporate Finance Co.	9 824 690	9 931 563
EFG- Hermes Fixed Income	6 642 329	6 735 554
EFG- Hermes Mutual Funds	9 865 585	9 889 191
EFG- Hermes Regional Investments Ltd.	274 067 395	424 893 131
EFG- Hermes Syria LLC	7 912 165	7 912 165
Egyptian Portfolio Management Group	47 806 302	49 168 647
EFG- Hermes – Lebanon – S.A.L.	100 052 293	99 775 140
Hermes Fund Management	26 476 407	28 595 613
Hermes Securities Brokerage	346 746 417	358 977 485
EFG- Hermes Financial Management (Egypt) Ltd.	527 852 932	488 805 565
Financial Brokerage Group	15 707 668	2 296 030
EFG- Hermes UAE Ltd.	5 909 046	33 142 297
EFG- Hermes Brokerage – UAE LLC.	33 863 095	256 728
EFG- Hermes Global CB Holding Limited	3 209 885 688	(1 756 662 134)
	<u>4 627 612 012</u>	<u>(231 283 025)</u>
	=====	=====

## 9- Creditors and other credit balances

	30/6/2017	31/12/2016
Social Insurance Authority	359 815	314 220
Accrued expenses	187 450 760	318 504 567
Accrued interest	--	8 071 875
Clients coupons - custody activity	9 465 425	10 373 543
Unearned revenues (Note no. 26)	22 213 905	11 872 834
Dividends payable prior years	84 337 402	12 028 271
Sundry credit balances	2 017 982	2 970 244
Tax Authority	2 157 934	4 073 635
Balance	<u>308 003 223</u>	<u>368 209 189</u>
	=====	=====

## 10- Claims provision

	30/6/2017	31/12/2016
Balance at the beginning of the period / year	114 584 000	6 270 286
Amounts formed during the period / year	--	108 497 079
Amounts used during the period / year	(825 614)	(183 365)
Balance	<u>113 758 386</u>	<u>114 584 000</u>
	=====	=====

## 11- Loans to subsidiaries

Company's name	Currency	Loan value	Loan date	Maturity date	30/6/2017	31/12/2016
Hermes Securities Brokerage	EGP	70 million	12/5/2016	12/5/2018	70 000 000	70 000 000
”	”	50 million	15/5/2016	15/5/2020	50 000 000	50 000 000
”	”	30 million	19/6/2016	19/6/2018	30 000 000	30 000 000
”	”	50 million	29/6/2016	29/6/2018	50 000 000	50 000 000
”	”	50 million	15/12/2016	14/12/2018	50 000 000	50 000 000
”	”	150 million	1/2/2017	1/12/2019	150 000 000	--
”	”	50 million	15/1/2017	14/1/2019	50 000 000	--
Tanmeyah Micro Enterprise Services S.A.E	EGP	50 million	22/12/2016	22/7/2017	30 000 000	50 000 000
”	”	20 million	14/5/2017	18/7/2017	20 000 000	--
EFG- Hermes Leasing	EGP	100 million	24/11/2016	10/1/2017	--	50 000 000
EFG- Hermes Jordan	US\$	500 thousand	1/3/2016	28/2/2018	9 025 000	9 000 000
Total					<u>509 025 000</u>	<u>359 000 000</u>
Current portion of loans to subsidiaries					<u>(150 000 000)</u>	<u>(100 000 000)</u>
Balance					<u>359 025 000</u>	<u>259 000 000</u>
					=====	=====

## 9- Creditors and other credit balances

	30/6/2017	31/12/2016
Social Insurance Authority	359 815	314 220
Accrued expenses	187 450 760	318 504 567
Accrued interest	--	8 071 875
Clients coupons - custody activity	9 465 425	10 373 543
Unearned revenues (Note no. 26)	22 213 905	11 872 834
Dividends payable prior years	84 337 402	12 028 271
Sundry credit balances	2 017 982	2 970 244
Tax Authority	2 157 934	4 073 635
Balance	<u>308 003 223</u>	<u>368 209 189</u>
	=====	=====

## 10- Claims provision

	30/6/2017	31/12/2016
Balance at the beginning of the period / year	114 584 000	6 270 286
Amounts formed during the period / year	--	108 497 079
Amounts used during the period / year	(825 614)	(183 365)
Balance	<u>113 758 386</u>	<u>114 584 000</u>
	=====	=====

## 11- Loans to subsidiaries

Company's name	Currency	Loan value	Loan date	Maturity date	30/6/2017	31/12/2016
Hermes Securities Brokerage	EGP	70 million	12/5/2016	12/5/2018	70 000 000	70 000 000
”	”	50 million	15/5/2016	15/5/2020	50 000 000	50 000 000
”	”	30 million	19/6/2016	19/6/2018	30 000 000	30 000 000
”	”	50 million	29/6/2016	29/6/2018	50 000 000	50 000 000
”	”	50 million	15/12/2016	14/12/2018	50 000 000	50 000 000
”	”	150 million	1/2/2017	1/12/2019	150 000 000	--
”	”	50 million	15/1/2017	14/1/2019	50 000 000	--
Tanmeyah Micro Enterprise Services S.A.E	EGP	50 million	22/12/2016	22/7/2017	30 000 000	50 000 000
”	”	20 million	14/5/2017	18/7/2017	20 000 000	--
EFG- Hermes Leasing	EGP	100 million	24/11/2016	10/1/2017	--	50 000 000
EFG- Hermes Jordan	US\$	500 thousand	1/3/2016	28/2/2018	9 025 000	9 000 000
Total					<u>509 025 000</u>	<u>359 000 000</u>
Current portion of loans to subsidiaries					<u>(150 000 000)</u>	<u>(100 000 000)</u>
Balance					<u>359 025 000</u>	<u>259 000 000</u>
					=====	=====

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

	<b>30/6/2017</b>	<b>31/12/2016</b>
Equity securities	234 003 959	445 826 857
Mutual fund certificates	1 606 797 472	1 722 003 100
Balance	<u>1 840 801 431</u>	<u>2 167 829 957</u>
	=====	=====
Available -for- sale investments are represented in the following:		
Quoted investments	335 709 522	361 334 302
Non- quoted investments	1 505 091 909	1 806 495 655
	<u>1 840 801 431</u>	<u>2 167 829 957</u>
	=====	=====

**13- Investment property**

	<b>Buildings</b>
Balance as at 1/1/2017	253 639 818
Total cost as at 30/6/2017	<u>253 639 818</u>
Accumulated depreciation as at 1/1/2017	9 761 592
Depreciation for the period	4 880 796
Accumulated depreciation as at 30/6/2017	<u>14 642 388</u>
Net carrying amount as at 30/6/2017	<u>238 997 430</u>
	=====
Net carrying amount as at 31/12/2016	243 878 226
	=====

Investment property amounted EGP 238 997 430 as at 30 June 2017, represents the following:-

- EGP 148 181 430 the book value of the area owned by EFG – Hermes Holding Company in Nile City building.
- EGP 90 816 000 the book value of the area owned by EFG – Hermes Holding Company in the headquarters of the Company in Smart Village building.



#### 14- Investments in subsidiaries

Company's name	Nationality	Share percentage %	The currency of payment	Carrying amount	
				30/6/2017	31/12/2016
Financial Brokerage Group Co.	Egyptian	99.87	EGP	41 838 060	41 838 060
Egyptian Fund Management Group *****	Egyptian	88.51	EGP	4 427 233	4 427 233
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
Flemming CIIC Holding	Egyptian	100	EGP	--	--
EFG- Hermes Private Equity **	BVI	1.59	US\$	39 975	39 975
EFG- Hermes – UAE Limited Company	Emirates	100	US\$	147 110 000	147 110 000
EFG- Hermes Holding Lebanon – S.A.L.	Lebanon	99	US\$	153 713	153 713
EFG- Hermes – KSA *****	Saudi	73.1	US\$	94 901 158	118 707 354
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
EFG- Hermes Investment Funds Co.	Egyptian	99.998	EGP	6 399 800	6 399 800
EFG- Hermes Global CB Holding Limited *	Cayman Island	100	US\$	957 343 622	957 343 622
EFG- Hermes Mutual Funds Co.	Egyptian	99.999	EGP	9 999 990	9 999 990
Beaufort Investments Company	Luxembourg	100	EURO	6 098 812	6 098 812
EFG-Hermes Leasing	Egyptian	99	EGP	168 300 000	99 000 000
EFG-Direct Investment Fund	Egyptian	64	EGP	640 000	640 000
EFG- Hermes IB Limited	Cayman Island	100	US\$	886 500 008	886 500 008
Tanmeyah Micro Enterprise Services S.A.E	Egyptian	94	EGP	423 000 000	423 000 000
EFG - Hermes Frontier Holdings LLC	Emirates	100	US\$	13 740 750	13 740 750
EFG – Hermes USA ***	American	100	US\$	17 750 000	9 000 000
EFG Finance Holding S.A.E ***	Egyptian	99	EGP	4 950 000	--
OLT Investment International S.A.B ***	Bahrain	99.9	BHD	47 818 858	--
				3 464 464 404	3 357 451 742
Impairment of investments in subsidiaries*****				(4 427 233)	(4 427 233)
Balance				3 460 037 171	3 353 024 509

- \* The company acquired 14 914 883 shares that represents 63.739% controlling stake in Credit Libanais SAL (the Bank) through its wholly owned subsidiary EFG – Hermes CL Holding SAL for an amount of USD 577.8 million. The company approved to proceed with all necessary steps to sell 9 408 749 shares (Phase I) represent approximately 40% of its indirect subsidiary Credit Libanais Bank S.A.L. (total Bank shares 23 400 000) at US\$ 33 per share (prior to payment of associated fees) to a consortium of Lebanese and Arab Investors. This sale process is subject to some conditions precedent, including the approval of the Central Bank of Lebanon. The company agreed with Credit Libanais Investment Bank S.A.L. (“CLIB”), a wholly owned subsidiary of Credit Libanais, to sell 5 506 134 shares represent the remaining stake of the bank on best effort basis at the same price (Phase II). During 2016 the company sold 9 408 749 shares from (Phase I) and 1 976 065 shares from (Phase II) and during 2017 the company sold 1 316 308 shares accordingly the company sold 12 701 122 shares till 30 June 2017 represent approximately 85.157% from it’s stake on Credit Libanais Bank S.A.L , as a result the company owns approximately 9.4605% indirect stake on the bank at 30 June 2017, accordingly the company decreased its investment in EFG-Hermes Global CB Holding Limited.
- \*\* 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.
- \*\*\* EFG – Hermes USA was established as fully owned subsidiary of the company on 24 November, 2016 and EFG Finance Holding S.A.E which owned 99% on 26 January, 2017. and OLT Investment International S.A.B which owned 99.9% on 27 November 2016.
- \*\*\*\* EFG-Hermes- KSA has decreased its capital and closed all the retained losses till year 2015 which exceeded half the issued capital after the approval of Ministry of Commerce and Investment (Note no. 23)
- Investments in subsidiaries are represented in non - quoted investments.

## 15- Fixed assets

Particular	Land*	Buildings*	Office furniture & equipment	Computer equipment	Vehicles & transportation means	Fixtures	Total
Balance as at 1/1/2017	12 597 100	154 159 871	19 331 584	52 403 267	9 697 491	4 202 747	252 392 060
Additions during the period	--	--	1 786 221	4 661 990	--	--	6 448 211
Disposals during the period	--	--	--	--	(634 556)	--	(634 556)
<b>Total cost as at 30/6/2017</b>	<b>12 597 100</b>	<b>154 159 871</b>	<b>21 117 805</b>	<b>57 065 257</b>	<b>9 062 935</b>	<b>4 202 747</b>	<b>258 205 715</b>
Balance as at 1/1/2016	10 000 000	154 159 871	19 260 475	45 857 919	7 738 411	4 202 747	241 219 423
Additions during the period	--	--	3 210	448 636	--	--	451 846
<b>Total cost as at 30/6/2016</b>	<b>10 000 000</b>	<b>154 159 871</b>	<b>19 263 685</b>	<b>46 306 555</b>	<b>7 738 411</b>	<b>4 202 747</b>	<b>241 671 269</b>
<b>Accumulated depreciation</b>							
Accumulated depreciation as at 1/1/2017	--	29 953 502	19 054 693	39 751 099	5 265 526	4 162 153	98 186 973
Depreciation during the period	--	2 312 397	100 932	2 040 691	585 865	5 942	5 045 827
Disposals accumulated depreciation	--	--	--	--	(503 410)	--	(503 410)
<b>Accumulated depreciation as at 30/6/2017</b>	<b>--</b>	<b>32 265 899</b>	<b>19 155 625</b>	<b>41 791 790</b>	<b>5 347 981</b>	<b>4 168 095</b>	<b>102 729 390</b>
Accumulated depreciation as at 1/1/2016	--	25 328 706	18 650 808	37 079 703	4 388 643	3 967 918	89 415 778
Depreciation during the period	--	2 312 398	245 596	1 383 949	405 791	149 525	4 497 259
<b>Accumulated depreciation as at 30/6/2016</b>	<b>--</b>	<b>27 641 104</b>	<b>18 896 404</b>	<b>38 463 652</b>	<b>4 794 434</b>	<b>4 117 443</b>	<b>93 913 037</b>
<b>Net Book Value</b>							
Net book value as at 30/6/2017	12 597 100	121 893 972	1 962 180	15 273 467	3 714 954	34 652	155 476 325
Net book value as at 30/6/2016	10 000 000	126 518 767	367 281	7 842 903	2 943 977	85 304	147 758 232
Net book value as at 31/12/2016	12 597 100	124 206 369	276 891	12 652 168	4 431 965	40 594	154 205 087

\* Land and buildings items represents headquarter of the Company in Smart Village Building.

### 16- Long term loans

Bank's name	Currency	Loan Value	Loan date	Maturity date	Balance as at 30/6/2017	Balance as at 31/12/2016
Audi Bank*	EGP	150 million	29/2/2016	28/2/2021	133 320 000	150 000 000
Current portion of long term loans					(33 360 000)	(16 680 000)
Balance					<u>99 960 000</u>	<u>133 320 000</u>

\* Loan from Audi Bank to EFG-Hermes Holding used to finance regional expansion. The company executed a first- degree commercial pledge on all company's tangible and intangible assets in favour of the bank as a guarantee of the loan.

### 17- 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 and represented in the following:

Shareholder's name	Share percentage	Number of shares	Value EGP
The Bank of New York Mellon	15.2	93 671 255	468 356 275
DF EFG III Limited (Natixis)	12.9	79 558 414	397 792 070
Rimco E G T Investment LLC	8.5	52 280 539	261 402 695
Others	63.4	389 384 370	1 946 921 850
	<u>100</u>	<u>614 894 578</u>	<u>3 074 472 890</u>
	=====	=====	=====

### 18- Contingent liabilities & commitments

The Company guarantees its subsidiaries – Financial Brokerage Group, Hermes Securities Brokerage, EFG- Hermes Jordan and EFG- Hermes Oman LLC – against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the Letters of Guarantee granted from banks amounting to AED 118 670 000 (equivalent to EGP 583 263 050).

### 19- Dividend income

	2017		2016	
	For the period from 1/4/2017 to 30/6/2017	For the period from 1/1/2017 to 30/6/2017	For the period from 1/4/2016 to 30/6/2016	For the period from 1/1/2016 to 30/6/2016
Income from available - for- sale investments	6 478 644	11 269 365	5 128 193	7 863 109
Income from investments at fair value through profit and loss	--	--	119 285	119 285
Income from investments in subsidiaries	--	--	88 650 000	88 650 000
<b>Total</b>	<u>6 478 644</u> =====	<u>11 269 365</u> =====	<u>93 897 478</u> =====	<u>96 632 394</u> =====

### 20- General administrative expenses

	2017		2016	
	For the period from 1/4/2017 to 30/6/2017	For the period from 1/1/2017 to 30/6/2017	For the period from 1/4/2016 to 30/6/2016	For the period from 1/1/2016 to 30/6/2016
Wages , salaries and similar items*	25 596 420	51 050 565	25 502 950	45 292 165
Consultancy	1 708 672	2 970 940	(13 995)	6 384 123
Travel , accommodation and transportation	2 685 477	4 047 591	867 572	1 884 381
Leased line and communication	1 830 975	3 743 600	1 228 689	3 159 453
Rent and utilities expenses	2 808 632	4 851 197	2 305 496	4 189 827
Other expenses	13 997 740	23 930 666	6 848 593	14 093 062
<b>Total</b>	<u>48 627 916</u> =====	<u>90 594 559</u> =====	<u>36 739 305</u> =====	<u>75 003 011</u> =====

\* During 2016, the company's management established a two years bonus program which give the right to some of key managers who have been chosen by the board of directors in obtaining cash incentives on the basis of specific number of shares based on the company share price at the end of each year according to the signed contract with the management.

**21- 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 30/6/2017</b>	<b>For the year ended 31/12/2016</b>
Cash and cash equivalents as presented in the statement of financial position	1 288 403 974	766 035 178
Treasury bills maturity less than 91 days	--	1 063 553 004
Banks overdraft	(149 362 691)	(199 382 151)
Effect of exchange rate changes	--	(100 376 712)
	<u>1 139 041 283</u>	<u>1 529 829 319</u>
	=====	=====

**22- Deferred tax liabilities**

Deferred tax assets and liabilities are attributable to the following:

	<b>30/6/2017</b>	<b>31/12/2016</b>
	<b>Liabilities</b>	<b>Liabilities</b>
(A) Deferred tax		
Fixed assets' (depreciation)	(9 970 542)	(9 794 431)
Investment property (depreciation)	(1 460 198)	(657 090)
Foreign currencies exchange differences	(157 613 575)	(155 957 244)
	<u>(169 044 315)</u>	<u>(166 408 765)</u>
	=====	=====

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

	<b>30/6/2017</b>	<b>31/12/2016</b>
Changes in the fair value of cash flow hedges *	6 612 597	6 612 597
Fair value of available-for-sale financial assets **	(262 436 364)	(312 810 110)
	<u>(255 823 767)</u>	<u>(306 197 513)</u>
	=====	=====
Balance	<u>(424 868 082)</u>	<u>(472 606 278)</u>
	=====	=====

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

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

### 23- Gains (losses) / redemptions on sale of investments

	2017		2016	
	For the period from 1/4/2017 to 30/6/2017	For the period from 1/1/2017 to 30/6/2017	For the period from 1/4/2016 to 30/6/2016	For the period from 1/1/2016 to 30/6/2016
Investments in subsidiaries*	(23 806 197)	(23 806 197)	524 848 861	523 336 111
Investments at fair value through profit and loss	6 688 632	7 874 829	651 244	2 500 878
Available - for- sale investments	7 656 391	176 207 828	(275 565)	(275 565)
Treasury bills	(138 818)	(803 948)	(155 509)	(155 509)
<b>Total</b>	<b>(9 599 992)</b>	<b>159 472 512</b>	<b>525 069 031</b>	<b>525 405 915</b>

\* Note no. (14)

### 24- Earnings per share

	2017		2016	
	For the period from 1/4/2017 to 30/6/2017	For the period from 1/1/2017 to 30/6/2017	For the period from 1/4/2016 to 30/6/2016	For the period from 1/1/2016 to 30/6/2016
Profit for the period	8 049 612	215 205 228	488 287 505	560 334 974
Weighted average number of shares	614 894 578	614 894 578	614 894 578	614 894 578
Earnings per share	0.01	0.35	0.79	0.91

### 25- Tax status

- As to Income Tax, the years till 31/12/2010 the competent Tax Inspectorate inspected the parent company's books and all the disputed points have been settled with the Internal Committee and as to years 2011 / 2013 have been inspected and all the disputed points have been settled with the Internal Committee and the settlement procedures are currently taking place and as to years 2014 / 2015 have been inspected and the company was notified and was objected thereon on the due date and the settlement procedures are currently taking place. As to year 2016, according to tax form of tax law no. 91 of 2005 the company has submitted the tax returns and paid the due tax.

- As to Salaries Tax, the parent company's books had been examined till 2008 and all the disputed points have been settled with the Internal Committee and as to years 2009 / 2012 company's books had been examined and the settlement procedures are currently taking place, and as to years 2013 / 2016 have not been inspected yet.
- As to Stamp Tax, the parent company's books had been examined from 1/1/1998 till 31/7/2006 and paid the due tax according to the resolution of appeal committee which was objected thereon in the court, and the period from 1/8/2006 till 31/12/2013 has been inspected and all the disputed points have been settled with the competent Tax Inspectorate as to years 2014/2016 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 8 503 820 which represents the value of rental spaces for some affiliated companies in addition to EGP 6 814 672 which represents the value of redemption of some expenses of the new headquarter that were allocated to the subsidiaries.
- Interest income item presented in the income statement includes an amount of EGP 45 047 222 and EGP 3 625 833 and EGP 1 333 333 which represent the interest on subordinated loan that granted from the Company to Hermes Securities Brokerage (a subsidiary – 97.58%) and Tanmeyah Micro Enterprise Services S.A.E (a subsidiary – 94%) and EFG – Hermes Leasing respectively (Note no. 11).
- Loans to subsidiaries item as at June 30, 2017 is presented in the statement of financial position represents in the loan granted to Hermes Securities Brokerage (a subsidiary – 97.58%) with an amount of EGP 450 million & EFG- Hermes Jordan (a subsidiary – 100 %) with an amount 500 000 USD (equivalent to EGP 9 025 000) and loan granted to Tanmeyah Micro Enterprise Services S.A.E (a subsidiary – 94%) with an amount of EGP 50 million (Note no. 11).
- Creditors and other credit balances item includes an amount of EGP 12 856 480 represents the unearned revenues from the affiliated companies for rental of Group's headquarter owned by the Company (Note no. 9).



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

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while 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 8 675 727 585 and EGP 4 378 017 290 respectively. The Company's net exposures in foreign currencies as at the financial position date are as follows:

	<b>Surplus / (deficit)</b>
USD	3 974 257 564
EURO	310 193 863
AED	9 315 685
GBP	2 491 548
CHF	1 481 956
SAR	(30 321)

The Company has used the prevailing exchange rates to revalue assets and liabilities at financial position date as disclosed in note (29-1) "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- Comparative figures**

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

	<b>(As reported)</b>		<b>(Amended)</b>
	<b>As at</b>	<b>Adjustments</b>	<b>As at</b>
	<b>31/12/2016</b>		<b>31/12/2016</b>
Due from subsidiaries and related parties	3 560 483 521	(1 758 255 556)	1 802 227 965
Due to subsidiaries and related parties	1 526 972 531	(1 758 255 556)	(231 283 025)

## **29- Significant accounting policies applied**

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

### **29-1 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.

### **29-2 Property, plant and equipment**

#### **29-2-1 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.

#### **29-2-2 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.

#### **29-2-3 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.

**29-2-4 Reclassification to investment property**

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

**29-2-5 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.

**29-3 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.

**29-4 Investments**

**29-4-1 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.

#### **29-4-2 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 29-9) 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.

#### **29-4-3 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 29-7). The impairment value is to be charged to the income statement for every investment individually.

#### **29-4-4 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 years.

#### **29-5 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.

## **29-6 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.

### **29-6-1 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.

### **29-6-2 Non-derivative financial assets – Measurement**

#### **29-6-2-1 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.

#### **29-6-2-2 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.

#### **29-6-2-3 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.

#### **29-6-2-4 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.

#### **29-6-3 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.

#### **29-6-4 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.

#### **29-6-4-1 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.

### **29-7 Impairment**

#### **29-7-1 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.

#### **29-7-2 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.

#### **29-8 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.

#### **29-9 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.

#### **29-10 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.

### **29-11 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

### **29-12 Share capital**

#### **29-12-1 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.

#### **29-12-2 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.

### **29-13 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.

### **29-14 Revenues**

#### **29-14-1 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.

#### **29-14-2 Dividend income**

Dividend income is recognized when declared.

#### **29-14-3 Custody fees**

Custody fees are recognized when provide service and issue invoice.

#### **29-14-4 Interest income**

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

### **29-15 Expenses**

#### **29-15-1 Borrowing costs**

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

#### **29-15-2 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.

### **29-15-3 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.

### **29-16 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.

### **29-17 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.