

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

**Consolidated interim financial statements**  
**for the period ended 30 June 2020**  
**&**  
**Review Report**

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## **Hazem Hassan**

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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 consolidated statement of financial position of EFG – Hermes Holding Company as at 30 June 2020 and the related consolidated 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 consolidated 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 consolidated interim financial statements.

##### ***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with Egyptian Accounting Standards.



Hazem Hassan

***Emphasis of Matter:***

Without qualifying our opinion, as detailed in note No. (34) of the consolidated interim financial statements, most of the world countries, including Egypt, were exposed during 2020 to the new Covid-19 pandemic, causing disruption to most of commercial and economic activities in general and to the financial investments activities in Egypt in particular.

The Company has adjusted the assumptions used in calculating the expected credit loss, thus, it is possible that this will have a significant impact on the pre-defined operational and marketing plans, future cash flows associated with it , the associated elements of assets, liabilities and business results in the consolidated financial statements of the company during the following periods.

As indicated in the above-mentioned clarification, the company's management is currently taking several procedures to counter this risk and reduce its impact on its financial position and support its ability to continue. However, in light of the instability and the state of uncertainty as a result of the current events, the magnitude of the impact of that event depends mainly on the time period of the continuation of those effects at which the event is expected to end and its related effects and the company's ability to achieve its plans to confront this danger, Which it is difficult to determine at the present time.

**KPMG Hazem Hassan**  
**Public Accountants and Consultants**  
② *KPMG Hazem Hassan*  
KPMG Hazem Hassan

Cairo, August 18, 2020

## Consolidated statement of financial position

	Note no.	30/6/2020	31/12/2019
<i>(in EGP)</i>			
<b>Assets</b>			
<b>Non - current assets</b>			
Investments at fair value through OCI	(9)	158,201,115	3,074,949,208
Equity accounted investees - investments in associates	(10)	65,000,000	55,000,000
Investment property	(11)	201,302,609	205,498,422
Fixed assets	(12)	607,725,549	524,799,639
Goodwill and other intangible assets	(13)	994,750,143	999,077,802
Deferred tax assets	(19)	80,761,234	93,647,802
Loans receivables	(8)	3,272,501,785	2,670,457,288
<b>Total non - current assets</b>		<u>5,380,242,435</u>	<u>7,623,430,161</u>
<b>Current assets</b>			
Cash and cash equivalents	(5)	10,054,407,333	9,984,123,272
Loans receivables	(8)	2,381,708,733	2,617,489,154
Investments at fair value through profit and loss	(6)	4,415,659,370	5,745,442,237
Investments at fair value through OCI	(9)	4,643,844,629	12,664,375,755
Accounts receivables	(7)	4,060,513,765	5,211,753,787
Other assets	(14)	618,018,290	529,278,412
<b>Total current assets</b>		<u>26,174,152,120</u>	<u>36,752,462,617</u>
<b>Total assets</b>		<u>31,554,394,555</u>	<u>44,375,892,778</u>
<b>Equity</b>			
Share capital	(22)	3,843,091,115	3,843,091,115
Legal reserve		833,933,867	803,102,208
Share premium		1,922,267,826	1,922,267,826
Other reserves		974,526,934	2,758,679,077
Retained earnings		5,392,179,703	4,330,582,531
Equity attributable to owners of the Company		<u>12,965,999,445</u>	<u>13,657,722,757</u>
Non - controlling interests	(23)	344,148,500	362,757,134
<b>Total equity</b>		<u>13,310,147,945</u>	<u>14,020,479,891</u>
<b>Liabilities</b>			
<b>Non - current liabilities</b>			
Deferred tax liabilities	(19)	213,070,638	211,537,049
Loans and borrowings	(21)	2,921,771,393	2,451,620,265
<b>Total non - current liabilities</b>		<u>3,134,842,031</u>	<u>2,663,157,314</u>
<b>Current liabilities</b>			
Due to banks and financial institutions	(15)	5,817,129,784	10,427,808,365
Loans and borrowings	(21)	594,453,916	1,432,435,583
Accounts payable - customers credit balance		4,663,969,228	7,677,341,560
Accounts payable - customers credit balance at fair value through profit and loss	(16)	1,099,650,663	5,086,573,832
Short term bonds	(17)	400,000,000	400,000,000
Creditors and other credit balances	(18)	1,851,673,942	1,909,584,796
Current tax liability		104,583,136	189,128,550
Provisions	(20)	577,943,910	569,382,887
<b>Total current liabilities</b>		<u>15,109,404,579</u>	<u>27,692,255,573</u>
<b>Total liabilities</b>		<u>18,244,246,610</u>	<u>30,355,412,887</u>
<b>Total equity and liabilities</b>		<u>31,554,394,555</u>	<u>44,375,892,778</u>

The accompanying notes and accounting policies from page (6) to page (69) are an integral part of these financial statements and are to be read therewith.

" Review report attached "

  
Mona Zulficar  
Chairperson

  
Karim Awad  
Group Chief Executive Officer



## Consolidated income statement

	Note no.	2020		2019	
		For the period	For the period	For the period	For the period
		from 1/4/2020 to 30/6/2020	from 1/1/2020 to 30/6/2020	from 1/4/2019 to 30/6/2019	from 1/1/2019 to 30/6/2019
<i>(in EGP)</i>					
<b>Revenues</b>					
Fee and commission income	(30)	521,010,030	1,114,921,405	689,425,721	1,712,052,170
Securities gains		(56,008,753)	256,452,955	39,545,144	107,240,718
Revenues from leasing activities		113,537,737	236,909,955	135,125,952	264,532,163
Interest and dividend income		461,628,868	1,243,298,890	640,914,962	1,168,723,154
Foreign currencies exchange differences		135,689,439	50,100,017	(86,663,242)	(119,849,205)
Other income	(25)	23,060,599	78,791,066	17,420,611	34,158,966
<b>Total revenues</b>		<u>1,198,917,920</u>	<u>2,980,474,288</u>	<u>1,435,769,148</u>	<u>3,166,857,966</u>
<b>Expenses</b>					
Fee and commission expense		(51,510,056)	(109,044,375)	( 53 669 341)	(222,778,304)
Interest expense		(257,549,959)	(589,319,335)	( 337 762 316)	(636,664,377)
Changes in the investments at fair value through profit and loss		429,027,667	(8,081,972)	910,933	13,679,690
General administrative expenses	(29)	(809,145,284)	(1,478,214,575)	(645,440,689)	(1,419,261,070)
Provisions	(20)	(6,049,759)	(16,091,363)	(13,472,267)	(52,591,321)
Depreciation and amortization	(11),(12),(13)	(40,346,576)	(79,976,520)	(27,026,775)	(52,590,932)
Expected credit losses	(26)	(30,791,443)	(169,189,913)	(16,098,846)	(46,034,726)
<b>Total expenses</b>		<u>(766,365,410)</u>	<u>(2,449,918,053)</u>	<u>(1,092,559,301)</u>	<u>(2,416,241,040)</u>
Profit before income tax		432,552,510	530,556,235	343,209,847	750,616,926
Income tax expense	(27)	(108,499,819)	(107,583,261)	(36,645,014)	(64,051,300)
<b>Profit for the period</b>		<u>324,052,691</u>	<u>422,972,974</u>	<u>306,564,833</u>	<u>686,565,626</u>
<b>Profit attributable to:</b>					
Owners of the Company		327,584,133	417,767,343	303,588,235	676,493,648
Non - controlling interests	(23)	(3,531,442)	5,205,631	2,976,598	10,071,978
		<u>324,052,691</u>	<u>422,972,974</u>	<u>306,564,833</u>	<u>686,565,626</u>

The accompanying notes and accounting policies from page (6) to page (69) are an integral part of these financial statements and are to be read therewith.

## Consolidated statement of comprehensive income

	2020		2019	
	For the period	For the period	For the period	For the period
	from 1/4/2020 to 30/6/2020	from 1/1/2020 to 30/6/2020	from 1/4/2019 to 30/6/2019	from 1/1/2019 to 30/6/2019
<i>(in EGP)</i>				
Profit for the period	324,052,691	422,972,974	306 564 833	686,565,626
<b>Other comprehensive income:</b>				
<b>Items that are or may be reclassified to profit or loss</b>				
Foreign operations - foreign currency translation differences	179,621,323	61,795,869	(300,703,385)	(547,900,434)
Foreign currency translation differences - reclassified to profit or loss	(33,811,598)	(33,811,598)	-	-
Investments at fair value through OCI - net change in fair value	(151,566,545)	(728,792,878)	160 825 986	40,909,568
Investments at fair value through OCI - net change in fair value - reclassified to profit or loss	(49,142,883)	(394,813,323)	(38,569,578)	(102,472,447)
Related tax	1,052,304	9,269,003	15,772,531	31,587,349
<b>Other comprehensive income, net of tax</b>	<u>(53,847,399)</u>	<u>(1,086,352,927)</u>	<u>(162,674,446)</u>	<u>(577,875,964)</u>
<b>Total comprehensive income</b>	<u>270,205,292</u>	<u>(663,379,953)</u>	<u>143,890,387</u>	<u>108,689,662</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	264,729,648	(667,949,560)	154,945,521	124,820,903
Non - controlling interests	<u>5,475,644</u>	<u>4,569,607</u>	<u>(11,055,134)</u>	<u>(16,131,241)</u>
	<u>270,205,292</u>	<u>(663,379,953)</u>	<u>143,890,387</u>	<u>108,689,662</u>

The accompanying notes and accounting policies from page (6) to page (69) are an integral part of these financial statements and are to be read therewith.

## Consolidated statement of changes in equity as at June 30, 2020

	Attributable to owners of the Company										
	Share capital	Legal reserve	Share premium	Other reserves				Retained earnings	Total	Non - controlling interests	Total equity
				General reserve	Translation reserve	Fair value reserve	Hedging reserve				
<i>(in EGP)</i>											
<b>Balance as at 31 December 2019, as previously reported *</b>	3,843,091,115	803,102,208	1,922,267,826	158,269	2,119,175,070	665,788,125	(26,442,387)	4,330,582,531	13,657,722,757	362,757,134	14,020,479,891
Effect of change in accounting policies	-	-	-	-	-	(724,877,627)	26,442,387	678,384,254	(20,050,986)	(2,178,241)	(22,229,227)
<b>Balance as at 1 January, 2020</b>	3,843,091,115	803,102,208	1,922,267,826	158,269	2,119,175,070	(59,089,502)	-	5,008,966,785	13,637,671,771	360,578,893	13,998,250,664
<b>Total comprehensive income</b>											
Profit	-	-	-	-	-	-	-	417,767,343	417,767,343	5,205,631	422,972,974
Other comprehensive income	-	-	-	-	28,446,526	(1,114,163,429)	-	-	(1,085,716,903)	(636,024)	(1,086,352,927)
<b>Total comprehensive income</b>	-	-	-	-	28,446,526	(1,114,163,429)	-	417,767,343	(667,949,560)	4,569,607	(663,379,953)
<b>Transactions with owners of the Company</b>											
<b>Contributions and distributions</b>											
Dividends	-	-	-	-	-	-	-	(3,722,766)	(3,722,766)	(21,000,000)	(24,722,766)
Transferred to legal reserve	-	30,831,659	-	-	-	-	-	(30,831,659)	-	-	-
<b>Balance as at 30 June 2020</b>	3,843,091,115	833,933,867	1,922,267,826	158,269	2,147,621,596	(1,173,252,931)	-	5,392,179,703	12,965,999,445	344,148,500	13,310,147,945
<b>Balance as at 31 December, 2018, as previously reported</b>	3,843,091,115	773,338,368	1,922,267,826	158,269	2,862,298,138	1,025,754,218	(26,442,387)	3,597,789,315	13,998,254,862	437,723,286	14,435,978,148
Effect of change in accounting policies	-	-	-	-	-	7,151,547	-	(20,254,702)	(13,103,155)	(9,734)	(13,112,889)
<b>Restated balance as at 31 December, 2018</b>	3,843,091,115	773,338,368	1,922,267,826	158,269	2,862,298,138	1,032,905,765	(26,442,387)	3,577,534,613	13,985,151,707	437,713,552	14,422,865,259
<b>Total comprehensive income</b>											
Profit *	-	-	-	-	-	-	-	676,493,648	676,493,648	10,071,978	686,565,626
Other comprehensive income	-	-	-	-	(522,394,988)	(29,277,757)	-	-	(551,672,745)	(26,203,219)	(577,875,964)
<b>Total comprehensive income</b>	-	-	-	-	(522,394,988)	(29,277,757)	-	676,493,648	124,820,903	(16,131,241)	108,689,662
<b>Transactions with owners of the Company</b>											
Transferred to legal reserve	-	29,763,840	-	-	-	-	-	(29,763,840)	-	-	-
Dividends	-	-	-	-	-	-	-	(573,233,546)	(573,233,546)	-	(573,233,546)
<b>Changes in ownership interests</b>											
Changes in ownership interests without a change in control	-	-	-	-	-	-	-	(772,050)	(772,050)	2,400,911	1,628,861
Share of NCI in the increase/(decrease) of subsidiaries paid- in capital	-	-	-	-	-	-	-	-	-	173,250	173,250
<b>Balance as at 30 June 2019</b>	3,843,091,115	803,102,208	1,922,267,826	158,269	2,339,903,150	1,003,628,008	(26,442,387)	3,650,258,825	13,535,967,014	424,156,472	13,960,123,486

The accompanying notes and accounting policies from page (6) to page (69) are an integral part of these financial statements and are to be read therewith.



## Consolidated statement of cash flows

	Note no.	For the period ended	
		30/06/2020	30/6/2019
<i>(in EGP)</i>			
<b>Cash flows from operating activities</b>			
Profit before income tax		530,556,235	750,616,926
<b>Adjustments for:</b>			
Depreciation and amortization	(11),(12),(13)	79,976,520	52,590,932
Provisions formed	(20)	16,091,363	52,591,321
Provisions used	(20)	(9,764,388)	(12,202,073)
Provisions reversed		-	(25,045)
Loss (gains) on sale of fixed assets		4,546	(1,203,866)
Gains on sale of investment at FVTOCI		(394 813 323)	(102,472,447)
Changes in the fair value of investments at fair value through profit and loss		8,081,972	(13,679,690)
Expected credit losses	(26)	169,189,913	46,034,726
Foreign currency translation differences		(9,847,747)	(293,488,872)
Foreign currencies exchange differences		(50,100,017)	119,849,205
Operating profit before changes in current assets and liabilities		339,375,074	598,611,117
<b>Changes in:</b>			
Other assets		(56,301,497)	(480,862,311)
Creditors and other credit balances		(49,911,784)	196,388,541
Accounts receivables		1,148,600,226	(3,898,235,930)
Accounts payable		(3,014,123,466)	4,013,413,126
Accounts payable - customers credit balance at fair value through profit and loss		(3,986,923,169)	2,303,176,816
Investments at fair value through profit and loss		3,764,550,397	(2,546,151,092)
Income tax paid		(167,552,242)	(188,929,693)
Net cash used in operating activities		(2,022,286,461)	(2,589,426)
<b>Cash flows from investing activities</b>			
Loans receivables		(562,425,483)	(293,055,387)
Payments to purchase fixed assets and other intangible assets		(32,726,931)	(64,113,387)
Proceeds from sale of fixed assets		24,696	1,444,303
Proceeds from sale of assets held for sale		-	313,425,000
Proceeds from sale of investment FVTOCI		13,804,123,639	297,571,422
Payments to purchase investment FVTOCI		(5,557,028,950)	(1,653,095,758)
Payments to purchase investment in associate		(10,000,000)	(2,500,000)
Acquisition of subsidiary (net of cash acquired)		-	(1,360,716)
Net cash provided from (used in) investing activities		7,641,966,971	(1,401,684,523)
<b>Cash flows from financing activities</b>			
Dividends paid		(58,722,766)	(534,345,916)
Proceeds from loans and borrowings		348,883,423	544,085,580
Payment for loans and borrowings		(829,756,061)	(170,538,934)
Net cash used in financing activities		(539,595,404)	(160,799,270)
Net change in cash and cash equivalents		5,080,085,106	(1,565,073,219)
Cash and cash equivalents at 1 January	(28)	(333,350,912)	1,345,982,737
Cash and cash equivalents at 30 June	(28)	4,746,734,194	(219,090,482)

The accompanying notes and accounting policies from page (6) to page (69) are an integral part of these financial statements and are to be read therewith.

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

Translation of consolidated financial  
statements originally issued in Arabic

Notes to the consolidated interim financial statements for the period ended 30 June, 2020

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

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**1- Background**

**1-1 Incorporation**

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 12577 Egypt.

**1-2 Purpose of the company**

EFG Hermes 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, installment services, factoring, securitization, and collection. The purpose of the company also includes participation in the establishment of companies which issue securities or in increasing their share capital, custody activities, margin trading and tasquek.

**2- Basis of preparation**

**2-1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.

**2-2 Authorization of the financial statements**

The financial statements were authorized for issue in accordance with a resolution of the board of directors on August 17, 2020.

**3- Functional and presentation currency**

These consolidated financial statements are presented in Egyptian pounds (EGP) which is the Company’s functional currency.

**4- 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.

Notes to the consolidated interim financial statements for the period ended 30 June, 2020 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

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- 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.

#### **4-1 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.

#### **5- Cash and cash equivalents**

	<b>30/6/2020</b>	<b>31/12/2019</b>
Cash on hand	61,280,917	43,812,994
Cheques under collection	179,325	5,960,252
Banks - current accounts	8,024,545,644	8,860,641,238
Banks - time deposits	1,968,662,970	1,073,708,788
	<hr/>	<hr/>
Balance	10,054,668,856	9,984,123,272
Expected credit loss	(261,523)	--
	<hr/>	<hr/>
Balance	10,054,407,333	9,984,123,272
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Notes to the consolidated interim financial statements for the period ended 30 June, 2020 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

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

	<b>30/6/2020</b>	<b>31/12/2019</b>
Mutual fund certificates	2,255,291,405	266,399,637
Equity securities	160,464,527	28,329,478
Debt securities	264,044,727	815,671
Treasury bills	636,208,048	185,874,315
Structured notes	1,099,650,663	5,264,023,136
	<hr/>	<hr/>
Balance	4,415,659,370	5,745,442,237
	=====	=====

**7- Accounts receivables**

	<b>30/6/2020</b>	<b>31/12/2019</b>
Accounts receivables	3,742,855,926	7,996,955,003
Other brokerage companies	317,657,839	(2,785,201,216)
	<hr/>	<hr/>
Balance	4,060,513,765	5,211,753,787
	=====	=====

**8- Loans receivables**

	<b>30/6/2020</b>	<b>31/12/2019</b>
Micro financial loans	1,592,990,706	1,911,963,284
Vortex Solar Investments Sarl	102,790,052	108,208,650
Finance Lease Receivables	3,791,244,119	3,033,094,455
Other loans	167,185,641	234,680,053
	<hr/>	<hr/>
Balance	5,654,210,518	5,287,946,442
	=====	=====
Current	2,381,708,733	2,617,489,154
Non-current	3,272,501,785	2,670,457,288
	<hr/>	<hr/>
Balance	5,654,210,518	5,287,946,442
	=====	=====

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**9- Investments at fair value through OCI**

	<b>30/6/2020</b>	<b>31/12/2019</b>
<b>Non-current investments</b>		
Equity securities *	28,037,546	1,153,515,079
Mutual fund certificates	72,506,133	1,880,706,322
Debt instruments	57,657,436	40,727,807
	<u>158,201,115</u>	<u>3,074,949,208</u>
<b>Current investments</b>		
Debt instruments	4,644,125,587	12,664,375,755
Expected credit loss	(280,958)	--
	<u>4,643,844,629</u>	<u>12,664,375,755</u>
Balance	<u>4,802,045,744</u>	<u>15,739,324,963</u>
	=====	=====

\* As the economic situation in Lebanon continued to worsen in 2020, in addition to potential additional defaults on debt, an overvalued currency, an economy that continues to contract by double digits and followed by a public health crisis with the outbreak of the COVID-19; management further assessed the situation in Lebanon and took a prudent decision to write-down 100% of the remaining investment in the Lebanese Bank Credit Libanais amounted to EGP 753,511,936 as at 31 December 2019.

**10- Equity accounted investees - investments in associates**

	<b>30/6/2020</b>	<b>31/12/2019</b>
EFG- EV Finteck	15,000,000	5,000,000
Bedaya Mortgage Finance Co	50,000,000	50,000,000
	<u>65,000,000</u>	<u>55,000,000</u>
Balance	<u>65,000,000</u>	<u>55,000,000</u>
	=====	=====

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**11- Investment property**

<b>Particular Cost</b>	<b>Buildings</b>
Balance as at 1/1/2020	247,559,990
Foreign currency translation differences	559,197
Total cost as at 30/6/2020	<u>248,119,187</u>
Balance as at 1/1/2019	256,628,710
Foreign currency translation differences	(5,883,724)
Total cost as at 30/6/2019	<u>250,744,986</u>
<b>Accumulated depreciation</b>	
Accumulated depreciation as at 1/1/2020	42,061,568
Depreciation for the period	4,646,618
Foreign currency translation differences	108,392
Accumulated depreciation as at 30/6/2020	<u>46,816,578</u>
Accumulated depreciation as at 1/1/2019	33,702,500
Depreciation for the period	4,775,765
Foreign currency translation differences	(683,904)
Accumulated depreciation as at 30/6/2019	<u>37,794,361</u>
<b>Carrying amount</b>	
Net carrying amount as at 30/6/2020	201,302,609
Net carrying amount as at 30/6/2019	<u>212,950,625</u>
Net carrying amount as at 31/12/2019	<u>205,498,422</u>

Investment property net carrying amount amounted EGP 201,302,609 as at 30 June 2020, represents the following:-

- EGP 129,264,651 the book value of the area owned by EFG – Hermes Holding Company in Nile City building, and with a fair value of EGP 345,910,000.
- EGP 65,955,593 the book value of the area owned by EFG – Hermes UAE Limited, one of the subsidiaries, in the Index Tower – UAE, and with a fair value of EGP 76,661,629.
- EGP 3,290,917 the book value of the area owned by Hermes Securities Brokerage, one of the subsidiaries, in Elmanial branch.
- EGP 2,791,448 the book value of the area owned by Hermes Securities Brokerage, one of the subsidiaries, in Elharam branch.

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**12- Fixed assets**

Particular	Land & Buildings	Leasehold improvements	Office furniture, equipment & electrical appliances	Computer Equipment	Vehicles	Right of use assets	Total
<b>Cost</b>							
Balance as at 1/1/2020	362,459,396	76,554,203	276,699,451	358,742,427	30,363,250	147,006,219	1,251,824,946
Additions	--	4,651,716	5,312,397	16,831,864	3,419,296	--	30,215,273
Disposals	--	--	(2,000)	(128,178)	--	(230,297)	(360,475)
Foreign currency translation differences	(29,837)	(112,111)	530,559	18,436	(28,066)	318,715	697,696
Total cost as at 30/6/2020	362,429,559	81,093,808	282,540,407	375,464,549	33,754,480	147,094,637	1,282,377,440
Balance as at 1/1/2019	362,557,982	56,923,015	268,704,586	319,618,165	27,215,851	--	1,035,019,599
Additions	--	13,852,252	14,556,555	19,618,874	6,236,003	--	54,263,684
Disposals	--	--	(16,046)	(121,454)	(1,924,984)	--	(2,062,484)
Acquisition from subsidiaries	--	--	--	525,470	--	--	525,470
Foreign currency translation differences	(103,621)	(218,262)	(11,864,740)	(11,423,488)	(956,533)	--	(24,566,644)
Total cost as at 30/6/2019	362,454,361	70,557,005	271,380,355	328,217,567	30,570,337	--	1,063,179,625



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Particular	Office furniture, equipment					Right of use assets	Total
	Land & Buildings	Leasehold improvements	& electrical appliances	Computer Equipment	Vehicles		
<b>Accumulated depreciation</b>							
Accumulated depreciation as at 1/1/2020	62,076,268	39,500,813	197,881,087	261,337,233	19,223,687	25,312,706	605,331,794
Depreciation	4,765,847	5,704,695	14,088,461	22,581,298	2,234,093	18,708,107	68,082,501
Disposals' accumulated depreciation	--	--	(2,000)	(98,936)	--	--	(100,936)
Foreign currency translation differences	(11,886)	(46,350)	735,638	363,962	(17,537)	314,705	1,338,532
Accumulated depreciation as at 30/6/2020	66,830,229	45,159,158	212,703,186	284,183,557	21,440,243	44,335,518	674,651,891
Accumulated depreciation as at 1/1/2019	52,571,963	29,824,408	187,559,272	240,614,826	18,099,952	--	528,670,421
Depreciation	4,770,202	4,489,834	12,411,246	17,492,980	2,145,626	--	41,309,888
Disposals' accumulated depreciation	--	--	(4,904)	(115,615)	(1,701,528)	--	(1,822,047)
Acquisition from subsidiaries	--	--	--	35,031	--	--	35,031
Foreign currency translation differences	(35,490)	(67,771)	(9,102,172)	(10,442,762)	(748,396)	--	(20,396,591)
Accumulated depreciation as at 30/6/2019	57,306,675	34,246,471	190,863,442	247,584,460	17,795,654	--	547,796,702
<b>Carrying amount</b>							
Carrying amount as at 30/6/2020	295,599,330	35,934,650	69,837,221	91,280,992	12,314,237	102,759,119	607,725,549
Carrying amount as at 30/6/2019	305,147,686	36,310,534	80,516,913	80,633,107	12,774,683	--	515,382,923
Carrying amount as at 31/12/2019	300,383,128	37,053,390	78,818,364	97,405,194	11,139,563	--	524,799,639

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**13- Goodwill and other intangible assets**

		<b>30/6/2020</b>	<b>31/12/2019</b>
Goodwill	(13-1)	896,012,911	896,012,911
Customer relationships		50,904,012	54,151,875
Licenses		10,903,405	11,049,814
Software		36,929,815	37,863,202
Balance		<u>994,750,143</u>	<u>999,077,802</u>

13-1 Goodwill is relating to the acquisition of the following subsidiaries:

		<b>30/6/2020</b>	<b>31/12/2019</b>
EFG- Hermes Oman LLC		5,921,803	5,921,803
EFG- Hermes IFA Financial Brokerage Company			
Kuwait – (KSC)		179,148,550	179,148,550
IDEAVELOPERS – Egypt		1,600,000	1,600,000
EFG- Hermes Jordan		8,639,218	8,639,218
Tanmeyah Micro Enterprise Services S.A.E		365,398,862	365,398,862
EFG - Hermes Pakistan Limited		9,503,738	9,503,738
Frontier Investment Management Partners LTD		325,800,740	325,800,740
Balance		<u>896,012,911</u>	<u>896,012,911</u>

**14- Other assets**

		<b>30/6/2020</b>	<b>31/12/2019</b>
Deposits with others	(14-1)	34,348,559	42,270,033
Down payments to suppliers		70,396,322	37,048,024
Prepaid expenses		63,896,538	60,145,356
Employees' advances		102,704,484	67,812,584
Accrued revenues		182,507,688	172,093,322
Taxes withheld by others		16,626,504	35,542,115
Payments for investments	(14-2)	4,623,856	11,623,856
Settlement Guarantee Fund		23,999,650	27,213,955
Due from Ara Inc. Company		568,752	564,705
Due from Egypt Gulf Bank- Tanmeyah Clients		18,845,331	14,290,786
Receivables-sale of investments		30,715,288	36,242,640
Securitization surplus	(14-3)	21,639,084	9,363,743
Sundry debtors		58,329,178	15,067,293
Total		<u>629,201,234</u>	<u>529,278,412</u>
Deduct: expected credit loss		(11,182,944)	--
Balance		<u>618,018,290</u>	<u>529,278,412</u>

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14-1 Deposits with others include an amount of EGP 15,154,685 in the name of the subsidiaries, Financial Brokerage Group Company and Hermes Securities Brokerage Company which represents blocked deposits for same day trading operations settlement takes place in the Egyptian Stock Exchange. Both companies are not entitled to use these amounts without prior approval from Misr Clearance Company.

14-2 Payments for investments are represented in the following:

	<b>30/6/2020</b>	<b>31/12/2019</b>
AAW Company for Infrastructure	1,348,856	1,348,856
IDEAVELOPERS	25,000	25,000
Paytabs Egypt Solutions	250,000	250,000
EFG Hermes for Sukuk	--	10,000,000
Egyptian Commodities Exchange	3,000,000	--
	<u>4,623,856</u>	<u>11,623,856</u>
Balance	=====	=====

14-3 Securitization surplus amounted to EGP 21,639,084 represented in EGP 16,036,301 and EGP 5,602,783 related to the surplus of securitization transactions executed by both companies EFG Hermes Corporate Finance Solutions and Tanmeyah Micro Enterprise Services S.A.E respectively.

**15- Due to banks and financial institutions**

	<b>30/6/2020</b>	<b>31/12/2019</b>
Financial institutions	2,194,130,722	6,806,369,720
Bank overdraft	3,622,999,062	3,621,438,645
	<u>5,817,129,784</u>	<u>10,427,808,365</u>
Balance	=====	=====

**16- Accounts payable - customers credit balance at fair value through profit and loss**

This amount represents payable to customers against the structured notes issued by one of group companies.

**17- Short term bonds**

On December 31, 2019 Hermes Securities Brokerage (a subsidiary -100%) issued short-term bonds with a value of EGP 400 million that are tradable and non-convertible to shares and it's for the period of 12 months at a par value of EGP 100 (one hundred egyptian pounds only) for the bond to be paid at the end of the period with a fixed rate of 12.6 % that will be paid at the end of the issuance period. And it's non-expedited payment, within a two-year issuance program with a total value of EGP 2 billion, the bonds proceeds will be used to finance different company activities and pay it's financial obligations.

**18- Creditors and other credit balances**

	<b>30/6/2020</b>	<b>31/12/2019</b>
Accrued expenses	864,357,583	1,280,583,052
Dividends payable (prior years)	196,251,130	229,732,294
Deferred revenues	134,862,889	114,950,118
Suppliers	462,084,946	111,183,920
Clients' coupons - custody activity	10,762,040	12,685,918
Tax authority	31,540,822	34,590,794
Social Insurance Association	10,401,870	10,285,853
Payables- purchase of investments	19,504,423	--
Medical takaful insurance tax	3,999,224	11,136,578
Deposits due to others –finance lease contracts *	11,956,557	11,976,990
Sundry creditors	105,952,458	92,459,279
	<hr/>	<hr/>
Balance	1,851,673,942	1,909,584,796
	=====	=====

\* Deposits due to others amounted to EGP 11,956,557 as at 30 June 2020 versus EGP 11,976,990 as at 31 December 2019 represents the deposits collected from the lessees of EFG Hermes Corporate Finance Solutions.

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**19- Deferred tax assets (liabilities)**

	<b>Balance at 1/1/2020</b>	<b>Recognized in profit or loss</b>	<b>Recognized in equity</b>	<b>Foreign currency differences</b>	<b>Net</b>	<b>Deferred tax assets</b>	<b>Deferred tax liabilities</b>
Fixed assets depreciation	(10,198,671)	139,747	--	--	(10,058,924)	--	(10,058,924)
Claims provision	874,803	--	--	(11,779)	863,024	863,024	--
Impairment loss on assets	1,224,794	--	--	--	1,224,794	1,224,794	--
Prior year losses carried forward	6,411,486	(1,586,345)	--	823,824	5,648,965	5,648,965	--
Changes in fair value of cash flow hedges	6,612,597	--	(6,612,597)	--	--	--	--
Investment at fair value	(201,338,378)	(10,942,339)	9,269,003	--	(203,011,714)	--	(203,011,714)
Foreign currency translation differences	76,656,975	(5,498,875)	--	(796)	71,157,304	71,157,304	--
Revaluation of investment property	1,867,147	--	--	--	1,867,147	1,867,147	--
	<u>(117,889,247)</u>	<u>(17,887,812)</u>	<u>2,656,406</u>	<u>811,249</u>	<u>(132,309,404)</u>	<u>80,761,234</u>	<u>(213,070,638)</u>

**20- Provisions**

		<b>30/6/2020</b>	<b>31/12/2019</b>
Claims provision	(20-1)	344,985,855	344,922,430
Severance pay provision	(20-1)	200,347,775	193,507,962
Financial guarantee for contingent liabilities	(20-1)	32,610,280	30,952,495
Balance		<u>577,943,910</u>	<u>569,382,887</u>
		=====	=====

**20-1**

	<b>Claims provision</b>	<b>Severance Pay provision*</b>	<b>Financial guarantee for contingent liabilities</b>	<b>Total</b>
Balance at the beginning of the period	344,922,430	193,507,962	30,952,495	569,382,887
Formed during the period	39,749	14,393,829	1,657,785	16,091,363
Foreign currency differences	130,450	2,103,598	--	2,234,048
Amounts used during the period	(106,774)	(9,657,614)	--	(9,764,388)
Balance at the end of the period	<u>344,985,855</u>	<u>200,347,775</u>	<u>32,610,280</u>	<u>577,943,910</u>
	=====	=====	=====	=====

\* Related to group entities outside Egypt.

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**21- Loans and borrowings**

The borrower	Credit Limit	Contract date	Maturity date	30/6/2020	31/12/2019
EFG Hermes Corporate					
Finance Solutions *	250 million	10/6/2015	10/6/2023	31,788,667	34,989,495
„	150 million	4/6/2015	4/6/2022	100,913,908	92,310,061
„	492 million	14/7/2015	14/9/2022	366,665,155	430,517,065
„	400 million	4/11/2015	4/11/2022	230,148,587	239,586,874
„	400 million	9/8/2015	9/8/2023	151,647,281	159,899,712
„	200 million	30/9/2015	30/9/2025	54,040,467	62,790,183
„	260 million	14/3/2016	14/3/2023	233,639,129	187,516,809
„	50 million	1/6/2016	1/6/2023	39,197,734	40,989,880
„	200 million	12/6/2017	12/6/2025	78,310,630	81,980,207
„	100 million	28/11/2016	31/10/2021	40,499,962	42,358,582
„	120 million	15/12/2016	30/9/2021	1,264,257	3,208,767
„	300 million	12/2/2017	28/2/2022	248,735,531	158,366,708
„	250 million	19/2/2017	30/8/2024	204,823,937	63,916,082
„	200 million	15/12/2016	30/9/2021	103,188,760	75,705,687
„	20 million	24/4/2017	24/4/2023	2,453,975	2,862,971
„	175 million	25/5/2017	25/5/2022	117,420,673	85,383,750
„	200 million	29/5/2017	29/5/2024	145,766,340	152,647,995
„	40 million	19/10/2017	19/10/2022	18,180,000	21,660,750
„	90 million	1/12/2017	1/6/2022	42,893,969	43,681,257
„	175 million	7/2/2018	7/2/2023	145,000,000	160,000,000
„	200 million	24/9/2018	24/9/2025	160,410,378	165,876,506
„	600 million	5/9/2018	5/9/2028	345,507,409	360,180,671
EFG – Hermes Pakistan Limited	36.1 million	12/5/2017	11/5/2023	36,082,125	38,859,750
Tanmeyah Micro Enterprise Services S.A.E	100 million	30/3/2019	30/9/2020	4,415,782	36,012,019
„	50 million	5/4/2018	5/3/2023	39,320,219	36,166,173
„	500 million	18/6/2017	18/6/2022	--	14,814,753
„	81.3 million	11/4/2019	2/12/2022	67,760,833	81,313,000
Valu	140 million	10/11/2017	9/11/2023	33,424,602	69,121,051
EFG-Hermes Int. Fin Corp	802 million	7/11/2019	6/10/2020	--	561,575,000
Lease liabilities**				472,724,999	379,764,090
Balance				3,516,225,309	3,884,055,848

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Current	594,453,916	1,432,435,583
Non-current	2,921,771,393	2,451,620,265
Balance	<u>3,516,225,309</u>	<u>3,884,055,848</u>

\* EFG Hermes Corporate Finance Solutions (wholly owned subsidiary), is committed to settle the credit granted by waiving the rental value of the finance lease contracts to the banks within the credit amount.

\*\* Lease liabilities include an amount of EGP 352,631,041 in the name of EFG-Hermes Holding and Tanmeyah Micro Enterprise Services S.A.E that represents sale and lease back agreement.

**22- Share capital**

- The company's authorized capital amounts EGP 6 billion and issued capital amounts EGP 3,843,091,115 distributed on 768,618,223 shares of par value EGP 5 per share which is fully paid.

**23- Non - controlling interests**

	<b>30/6/2020</b>	<b>31/12/2019</b>
Share capital	173,443,584	173,443,584
Additional paid-in capital	137,607,690	137,607,690
Legal reserve	17,681,565	16,960,569
Other reserves	10,983,943	11,619,967
Retained earnings	(773,913)	4,067,325
Profit for the period	5,205,631	19,057,999
Balance	<u>344,148,500</u>	<u>362,757,134</u>

**24- Contingent liabilities**

The holding company guarantees its subsidiary EFG- Hermes UAE LLC against the Letters of Guarantee issued from banks amounting to:

	<b>30/6/2020</b>	<b>31/12/2019</b>
AED	83,670,000	83,670,000
Equivalent to EGP	368,106,165	365,487,294

Group off-financial position items :

Assets under management	58,366,200,130	54,780,900,131
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**25- Other income**

Other income includes rental income, and non-recurring income.



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**26- Expected credit losses**

	2020		2019	
	For the period from 1/4/2020 to 30/6/2020	For the period from 1/1/2020 to 30/6/2020	For the period from 1/4/2019 to 30/6/2019	For the period from 1/1/2019 to 30/6/2019
Accounts receivables	4,868,330	5,712,148	608,630	17,213,447
Loans receivables	22,711,652	157,435,697	15,490,216	28,821,279
Cash and cash equivalents	(410,214)	41,901	--	--
Other Debit Accounts	4,198,576	6,593,441	--	--
Investment Through OCI	(576,901)	(593,274)	--	--
Total	30,791,443	169,189,913	16,098,846	46,034,726

**27- Income tax expense**

	2020		2019	
	For the period from 1/4/2020 to 30/6/2020	For the period from 1/1/2020 to 30/6/2020	For the period from 1/4/2019 to 30/6/2019	For the period from 1/1/2019 to 30/6/2019
Current income tax	(40,696,097)	(89,695,449)	(53,705,084)	(107,243,383)
Deferred tax	(67,803,722)	(17,887,812)	17,060,070	43,192,083
Total	(108,499,819)	(107,583,261)	(36,645,014)	(64,051,300)

**28- Cash and cash equivalents**

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

	30/6/2020	31/12/2019
Cash and due from banks	10,054,668,856	9,984,123,272
Due to banks and financial institutions	(5,817,129,784)	(10,427,808,365)
Treasury bills less than 90 days	509,195,122	42,935,605
Effect of exchange rate	--	67,398,576
Cash and cash equivalents	4,746,734,194	(333,350,912)

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**29- General administrative expenses**

	<b>2020</b>		<b>2019</b>	
	<b>For the period from 1/4/2020 to 30/6/2020</b>	<b>For the period from 1/1/2020 to 30/6/2020</b>	<b>For the period from 1/4/2019 to 30/6/2019</b>	<b>For the period from 1/1/2019 to 30/6/2019</b>
Wages, salaries and similar items *	609,929,327	1,054,257,682	471,662,778	1,076,824,896
Consultancy	21,633,071	56,118,398	13,111,473	24,534,117
Travel , accommodation and transportation	2,775,951	13,517,334	16,062,345	33,128,849
Leased line and communication	34,413,910	67,773,476	32,018,639	59,512,776
Rent and utilities expenses	15,839,502	30,941,581	26,052,357	54,818,257
Other expenses	124,553,523	255,606,104	86,533,097	170,442,175
<b>Total</b>	<b>809,145,284</b>	<b>1,478,214,575</b>	<b>645,440,689</b>	<b>1,419,261,070</b>

- \* In 2018 the group based on the compensation committee recommendation approved enrolling a number of employees in a three years retention program whereby these employees would receive a cash bonus during the company's annual bonus cycle that is based on the share price of EFG- Hermes Holding at the end of the relevant year. The line item (Wages, salaries and similar items) includes an amount of EGP 176,114,665 relevant to this program for the period ended June 30, 2020.

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**30- Operating segment**

**(a) Basis for operating segment**

Segment information is presented in respect of the Group's business segments.

The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment. The revenue & expense and assets & liabilities analyses in the table below are based on the type of business activities and services that are distinguishable component.

**For the period ended June 30, 2020**

	<b>Holding &amp; Treasury</b>	<b>Brokerage</b>	<b>Asset Management</b>	<b>Investment Banking</b>	<b>Private Equity</b>	<b>Leasing</b>	<b>Micro Finance</b>	<b>Consumer Finance</b>	<b>Factoring</b>	<b>Adjustments</b>	<b>Total</b>
Fee and commission income	--	582,948,321	126,008,591	72,522,594	60,742,601	--	261,405,470	19,789,186	--	(8,495,358)	1,114,921,405
Securities gains (losses)	297,290,102	(40,837,147)	--	--	--	--	--	--	--	--	256,452,955
Revenue from leasing Activities	--	--	--	--	--	236,909,955	--	--	--	--	236,909,955
Interest and dividend income	659,432,804	89,931,980	368,999	2,422,666	13,219,293	1,874,741	437,258,956	31,360,113	19,483,687	(12,054,349)	1,243,298,890
Foreign currencies differences	42,560,701	7,539,316	--	--	--	--	--	--	--	--	50,100,017
Other income	57,472,469	3,047,110	509,836	664,946	36,000	6,672,558	5,803,222	--	4,584,925	--	78,791,066
<b>Total revenues</b>	<b>1,056,756,076</b>	<b>642,629,580</b>	<b>126,887,426</b>	<b>75,610,206</b>	<b>73,997,894</b>	<b>245,457,254</b>	<b>704,467,648</b>	<b>51,149,299</b>	<b>24,068,612</b>	<b>(20,549,707)</b>	<b>2,980,474,288</b>

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Fee and commission expense	(1,165,765)	(107,369,467)	(687,268)	(116,268)	(120,693)	(322,092)	(6,730,838)	(133,444)	(440,110)	8,041,570	(109,044,375)
Interest expense	(125,788,262)	(88,912,862)	(9,450)	(687,423)	(975,831)	(155,229,949)	(173,475,678)	(11,831,907)	(16,128,533)	(16,279,440)	(589,319,335)
Changes in the investments at fair value through profit and loss	(8,328,587)	246,615	--	--	--	--	--	--	--	--	(8,081,972)
Net revenues	921,473,462	446,593,866	126,190,708	74,806,515	72,901,370	89,905,213	524,261,132	39,183,948	7,499,969	(28,787,577)	2,274,028,606
General administrative expenses	(612,887,069)	(399,168,334)	(105,266,141)	(35,801,445)	(31,801,234)	(37,627,777)	(255,435,916)	(28,968,561)	(6,734,900)	35,476,802	(1,478,214,575)
Provisions	(2,407,764)	(8,939,467)	(2,105,860)	(1,036,114)	--	--	(1,602,158)	--	--	--	(16,091,363)
Depreciation and amortization	(24,558,905)	(15,556,091)	(7,291,706)	(152,008)	(157,673)	(92,217)	(28,812,318)	(2,480,283)	(875,319)	--	(79,976,520)
Expected credit losses	470,251	(3,370,185)	--	--	(167,618)	(22,103,486)	(135,332,210)	(1,997,440)	--	(6,689,225)	(169,189,913)
Total expenses	(774,666,101)	(623,069,791)	(115,360,425)	(37,793,258)	(33,223,049)	(215,375,521)	(601,389,118)	(45,411,635)	(24,178,862)	20,549,707	(2,449,918,053)
Profit (loss) before income tax	282,089,975	19,559,789	11,527,001	37,816,948	40,774,845	30,081,733	103,078,530	5,737,664	(110,250)	--	530,556,235
Income tax expense	(14,544,086)	(11,626,534)	(1,467,305)	(12,103,629)	(3,572,334)	(12,834,485)	(51,257,783)	--	(177,105)	--	(107,583,261)
Profit (loss) for the period	267,545,889	7,933,255	10,059,696	25,713,319	37,202,511	17,247,248	51,820,747	5,737,664	(287,355)	--	422,972,974
Total assets	11,005,497,175	10,677,463,192	585,256,053	375,833,760	860,330,306	3,987,826,156	3,092,713,750	641,117,565	328,356,598	--	31,554,394,555
Total liabilities	1,434,970,913	9,720,072,659	70,666,551	83,424,830	316,096,957	3,430,326,522	2,488,741,635	426,028,113	273,918,430	--	18,244,246,610

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	<b>Holding &amp; Treasury</b>	<b>Brokerage</b>	<b>Asset Management</b>	<b>Investment Banking</b>	<b>Private Equity</b>	<b>Leasing</b>	<b>Micro Finance</b>	<b>Consumer Finance</b>	<b>Factoring</b>	<b>Adjustments</b>	<b>Total</b>
Fee and commission income	--	710,371,438	172,662,698	95,606,994	418,125,273	--	308,719,491	7,971,161	940,419	(2,345,304)	1,712,052,170
Securities gains	103,214,583	4,026,135	--	--	--	--	--	--	--	--	107,240,718
Revenues from leasing activities	--	--	--	--	--	264,532,163	--	--	--	--	264,532,163
Interest and dividend income	626,487,308	52,599,321	343,274	10,892,979	12,597,936	4,240,651	453,837,797	7,270,562	10,038,614	(9,585,288)	1,168,723,154
Foreign currencies exchange differences	(122,924,711)	3,075,506	--	--	--	--	--	--	--	--	(119,849,205)
Other income	23,922,737	5,303,028	440,142	221,522	835,842	299,292	1,620,059	--	1,516,344	--	34,158,966
<b>Total revenues</b>	<b>630,699,917</b>	<b>775,375,428</b>	<b>173,446,114</b>	<b>106,721,495</b>	<b>431,559,051</b>	<b>269,072,106</b>	<b>764,177,347</b>	<b>15,241,723</b>	<b>12,495,377</b>	<b>(11,930,592)</b>	<b>3,166,857,966</b>
Fee and commission expense	(2,255,958)	(91,520,155)	(1,072,045)	(108,068)	(136,822,475)	(1,527)	(3,892)	(1,479,334)	(77,898)	10,563,048	(222,778,304)
Interest expense	(77,319,484)	(101,949,862)	--	(3,454,441)	(2,490,217)	(183,547,156)	(236,681,138)	(4,982,944)	(8,604,002)	(17,635,133)	(636,664,377)
Changes in the investments at fair value through profit and loss	10,656,920	3,022,770	--	--	--	--	--	--	--	--	13,679,690
<b>Net revenues</b>	<b>561,781,395</b>	<b>584,928,181</b>	<b>172,374,069</b>	<b>103,158,986</b>	<b>292,246,359</b>	<b>85,523,423</b>	<b>527,492,317</b>	<b>8,779,445</b>	<b>3,813,477</b>	<b>(19,002,677)</b>	<b>2,321,094,975</b>

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General administrative expenses	(594,603,448)	(415,639,703)	(137,583,171)	(36,106,422)	(24,591,167)	(20,304,166)	(197,923,811)	(19,751,119)	(7,399,933)	34,641,870	(1,419,261,070)
Provisions	(28,957,759)	(9,404,528)	(2,641,705)	(949,789)	--	--	(10,637,540)	--	--	--	(52,591,321)
Depreciation and amortization	(16,504,444)	(8,698,283)	(8,442,820)	(127,736)	(138,475)	(85,831)	(16,011,640)	(2,038,428)	(543,275)	--	(52,590,932)
Expected credit losses	--	(242,124)	--	--	--	(8,700,000)	(20,121,279)	(363,519)	(968,611)	(15,639,193)	(46,034,726)
<b>Total expenses</b>	<b>(708,984,173)</b>	<b>(624,431,885)</b>	<b>(149,739,741)</b>	<b>(40,746,456)</b>	<b>(164,042,334)</b>	<b>(212,638,680)</b>	<b>(481,379,300)</b>	<b>(28,615,344)</b>	<b>(17,593,719)</b>	<b>11,930,592</b>	<b>(2,416,241,040)</b>
Profit (loss) before income tax	(78,284,256)	150,943,543	23,706,373	65,975,039	267,516,717	56,433,426	282,798,047	(13,373,621)	(5,098,342)	--	750,616,926
Income tax expense	42,310,387	(24,172,379)	(355,898)	(2,086,814)	(145,305)	(13,146,450)	(66,417,041)	(21,688)	(16,112)	--	(64,051,300)
<b>Profit (loss) for the period</b>	<b>(35,973,869)</b>	<b>126,771,164</b>	<b>23,350,475</b>	<b>63,888,225</b>	<b>267,371,412</b>	<b>43,286,976</b>	<b>216,381,006</b>	<b>(13,395,309)</b>	<b>(5,114,454)</b>	<b>--</b>	<b>686,565,626</b>
Total assets	13,551,167,826	17,369,466,628	683,449,142	396,336,364	616,695,348	3,092,733,561	2,438,034,959	237,961,263	192,435,820	--	38,578,280,911
Total liabilities	2,543,354,910	16,781,265,690	95,896,779	70,219,822	273,194,201	2,759,145,067	1,751,433,156	159,154,739	184,493,061	--	24,618,157,425

**(b) Geographical segments**

- The Group operates in three main geographical areas: Egypt, GCC and Lebanon. In presenting the geographic information, segment revenue has been based on the geographical location of operation and the segment assets were based on the geographical location of the assets. The group's operations are reported under geographical segments, reflecting their respective size of operation.
- The revenue analysis in the tables below is based on the location of the operating company, which is the same as the location of the major customers and the location of the operating companies.

**June 30, 2020**

	<b>Egypt</b>	<b>GCC</b>	<b>Lebanon</b>	<b>Other</b>	<b>Total</b>
Total revenues	2,531,053,514	373,405,239	--	76,015,535	2,980,474,288
Segment assets	22,641,947,376	8,477,252,174	1,371,168	433,823,837	31,554,394,555

**June 30, 2019**

	<b>Egypt</b>	<b>GCC</b>	<b>Lebanon</b>	<b>Other</b>	<b>Total</b>
Total revenues	2,180,102,837	834,821,009	36,440,380	115,493,740	3,166,857,966
Segment assets	21,502,775,270	15,513,705,431	1,139,266,705	422,533,505	38,578,280,911

**31- Tax status (the holding company)**

- As to Income Tax, the years till 2017 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 2018/2019, 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 2009/2017 the company's books had been examined and the settlement procedures are currently taking place, and as to years 2018/2019 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 years 2017/2018 had been examined and the settlement procedures are currently taking place. And as to year 2019, have not been inspected yet.
- As to Property Tax, the Company is providing tax and it's paid till June 30, 2020.



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**32- Group's entities**

The parent company owns the following subsidiaries:

	<b>Direct ownership</b>	<b>Indirect ownership</b>
	%	%
Financial Brokerage Group	99.87	0.09
Egyptian Fund Management Group	88.51	11.49
Egyptian Portfolio Management Group	66.33	33.67
Hermes Securities Brokerage	97.58	2.42
Hermes Fund Management	89.95	10.05
Hermes Corporate Finance	99.42	0.48
EFG - Hermes Advisory Inc.	100	--
EFG- Hermes Financial Management (Egypt) Ltd.	--	100
EFG - Hermes Promoting & Underwriting	99.88	--
Bayonne Enterprises Ltd.	100	--
EFG- Hermes Fixed Income	99	1
EFG- Hermes Management	96.3	3.7
EFG- Hermes Private Equity	1.59	63.41
EFG- Hermes UAE LLC.	--	100
Flemming CIIC Holding	100	--
Flemming Mansour Securities	--	99.33
Flemming CIIC Securities	--	96
Flemming CIIC Corporate Finance	--	74.92
EFG- Hermes UAE Ltd.	100	--
EFG- Hermes Holding - Lebanon	99	--
EFG- Hermes KSA	73.1	26.9
EFG- Hermes Lebanon	99	0.97
Mena Opportunities Management Limited	--	95
Mena (BVI) Holding Ltd.	--	95
EFG - Hermes Mena Securities Ltd.	--	100
Middle East North Africa Financial Investments W.L.L	--	100
EFG- Hermes Oman LLC	--	51
EFG- Hermes Regional Investment Ltd.	100	--
Offset Holding KSC **	--	50
EFG- Hermes IFA Financial Brokerage	--	63.084
IDEAVELOPERS	--	52
EFG- Hermes CB Holding Limited	--	100
EFG- Hermes Global CB Holding Limited	100	--
EFG - Hermes Syria LLC *	49	20.37
Sindyayn Syria LLC *	97	--
Talas & Co. LLP *	--	97
EFG - Hermes Jordan	100	--
Mena Long-Term Value Feeder Holdings Ltd. **	--	50
Mena Long-Term Value Master Holdings Ltd. **	--	45
Mena Long-Term Value Management Ltd. **	--	45

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	<b>Direct ownership</b>	<b>Indirect ownership</b>
	<b>%</b>	<b>%</b>
EFG - Hermes CL Holding SAL	--	100
EFG - Hermes Investment Funds Co.	99.998	--
EFG-Hermes IB Limited	100	--
Financial Group for Securitization	100	--
Beaufort Investments Company	--	100
EFG Hermes-Direct Investment Fund	64	--
Tanmeyah Micro Enterprise Services S.A.E	--	94.318
EFG – Hermes Frontier Holdings LLC	100	--
EFG – Hermes USA	100	--
EFG Capital Partners III	--	65
Health Management Company	--	52.5
EFG – Hermes Kenya Ltd.	--	100
EFG Finance Holding	99.82	0.18
EFG - Hermes Pakistan Limited	--	51
EFG - Hermes UK Limited	--	100
OLT Investment International Company (B.S.C)	99.9	--
Frontier Investment Management Partners LTD **	--	50
EFG-Hermes SP limited	--	100
Valu	--	100
EFG Hermes Corporate Finance Solutions	--	100
Beaufort Asset Managers LTD	--	100
EFG Hermes Bangladesh Limited	--	100
EFG Hermes FI Limited	--	100
EFG Hermes Securitization	--	100
EFG Hermes PE Holding LLC	100	--
Etkan for Inquiry and Collection and Business Processes	0.002	95.196
RX Healthcare Management	--	52.5
FIM Partners KSA **	--	50
Egypt Education Fund GP Limited	--	80
EFG Hermes Nigeria Limited	--	100
EFG-Hermes Int. Fin Corp	100	--
FIM Partners UK Ltd	--	50
EFG Hermes Sukuk	90	10

\* Due to the political situation in Syria, the Group lost its control on the Syrian entities. In 2016, the Group deconsolidated the Syrian companies and changed them to a fully impaired investments at fair value through OCI.

\*\* The Holding Company has the power to govern the financial and operating policies of the mentioned companies then the investees Companies is classified as investments in subsidiaries.

**33- 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.

**33-1 Market risk**

Market risk is defined as the potential loss in both on and off financial position resulting from movements in market risk factors such as foreign exchange rates, interest rates, and equity prices.

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

According to the company's investment policy, the following procedures are undertaken to reduce the effect of this risk.

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

**33-2 Foreign currencies risk**

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- The company has reevaluate assets and liabilities at the financial position date as disclosed in foreign currency accounting policy.

**33-3 Risk management**

In the ordinary course of business, the Group is exposed to a variety of risks, the most important of which are liquidity risk, interest rate risk, currency risk, credit risk and market risk. These risks are identified, measured and monitored through various control mechanisms in order to price facilities and products on a risk adjusted basis and to prevent undue risk concentrations.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

#### **33-4 Credit risk**

Credit risk is the risk of a person or an organization defaulting in the repayment of their obligations to the Group in respect of the terms and conditions of the credit facilities granted to them by the Group. The management minimizes this risk by spreading its loan portfolio overall economic sectors and by adopting appropriate procedures and controls to evaluate the quality of the credit facilities granted and the creditworthiness of the borrowers. The credit risk of connected accounts is monitored on a united basis. In addition, the effective credit appraisal procedure for examining applications for credit facilities followed by the Group, adopts as the main criteria the repayment capability and obtaining sufficient collateral. The continuous monitoring of credit accounts and the timely preventive action further minimize, to a large extent, the exposure to credit risk.

#### **33-5 Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of high marketable and diverse assets that can be easily liquidated in the event of an unforeseen interpretation of cash flow. In addition, the Group maintains statutory deposits with the Central Banks.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and to the Group in specific. The Group maintains a solid ratio of high liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking markets conditions into consideration.

### **33-6 Interest rate risk**

Interest rate risk stems from the sensitivity of earnings to future movements in interest rates applied on assets and liabilities.

The Group's management closely monitors interest rate fluctuations on a continuous basis and ensures that assets and liabilities are matched and re-priced in a timely manner. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or are re-priced in a given period. The most important source of interest rate risk derives from the lending, funding and investing activities, where fluctuations in interest rates are reflected in interest margins and earnings.

### **33-7 Equity price risk**

Equity price risk is the risk that the value of a portfolio will fall as a result of change in stock prices. Risk factors underlying this type of market risk are a whole range of various equity (and index) prices corresponding to different markets (and currencies/maturities), in which the Group holds equity-related positions.

The Group sets tight limits on equity exposures and the types of equity instruments that traders are allowed to take positions in. Nevertheless, depending on the complexity of financial instruments, equity risk is measured in first cash terms, such as the market value of a stock/index position, and also in price sensitivities, such as sensitivity of the value of a portfolio to changes in the underlying asset price. These measures are applied to an individual position and/or a portfolio of equity products.

### **33-8 Operational risk**

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an operational risk impact. The Group seeks to minimize actual or potential losses from operational risk failure through a framework of policies and procedures that identify, assess, control, manage, and report those risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

### **33-9 Fair value of financial instruments**

The fair value of the financial instruments does not substantially deviated from its book value at the financial position date. According to the valuation basis applied, in accounting policies to the assets and liabilities.

### **33-10 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 instruments.
- In accordance with an arrangement between the subsidiary, EFG-Hermes Mena Securities Limited Co. and its customers (“the customers”), the Company from time to time enters into fully paid Shares Swap Transaction Contracts (“the contracts”) with the customers. Under the contracts the customers pay to the Company a pre-determined price, which is essentially the market price at the trade date, in respect of certain reference securities. In return for such shares swap transactions the Company pays to the customers the mark to market price of the reference securities at a pre-determined date (normally after one year). However, the contracts can be terminated at any time by either of the parties, which shall be the affected party.

In order to hedge the price risks with respect to the reference securities under the contracts, the Company enters into back-to-back fully paid Share Swap Transaction Contracts with other subsidiaries, MENA Financial Investments W.L.L. (“MENA-F”) and EFG-Hermes KSA.

Accordingly, the Share Swap Transactions are measured at fair value based on underlying reference securities under the contracts.

### **34- Significant events**

With the outbreak of COVID-19 pandemic all over the world, including Egypt, year 2020 witnesses a slowdown in the economic activities. The Egyptian government introduced a number of precautionary measures to prevent the spread of the pandemic. These measures include:

**First: Procedures from Central bank of Egypt and Financial regulatory authority**

- The central bank of Egypt “CBE” has applied exceptional measures in response to the pandemic situation such as: 1)- lowering interest rates by 3%; 2)- instructing all banks to postpone due instalments for 6 months with no delay penalties, when applicable.
  
- The financial regulatory authority “FRA” has taken exceptional procedures to relief the financial burden of its clients dealing with companies under its supervision by postponing all due installment for six months without any delay penalties, when applicable. This applies to the Leasing and Factoring businesses only. Other directive measures were applied to the Micro-finance which included grace periods for repayments.

**Second: Precautionary procedures from the Group**

**Business continuity**

- The Group approved a plan to split the employee work force whereby 50% of the employees will work from the office in different locations, while the remaining 50% will work remotely from home. The management is closely monitoring the situation to ensure the safety of the Group’s employees.

**Business decisions**

In response to the COVID-19 pandemic, the Group’s NBFIs platform has offered various financial relief solutions to different businesses, as follows:

- Pricing adjustment in-line with the CBE rate cut; where applicable;
- Offer new products & programs with different tenors and reduced or without admin fees;
- Postpone & reschedule due instalments for 6 months, after receiving clients’ consent;
- Waive delay & early settlement penalties/fees;
- Grace period for new loans issued.

### **Expected Credit Losses**

The outbreak of pandemic COVID-19 all over the world has stifled economic activities and shaken financial markets. Moreover, the spread of the virus and the heighten uncertainties continued to be an overhang on markets. Amid that, the assumptions used in models to calculate the Expected Credit Loss “ECL” are adjusted to reflect a judgement of what the future economic conditions might convey and taking into consideration measures taken by governments and policy makers in an attempt to mitigate and relief industries. This has resulted in businesses taking a more prudent approach, which was reflected in the level of impairment loss on assets (ECL) booked by different segment amid the current ambiguity of what the future might hold.

The Group is currently closely monitoring and evaluating all developments related to the spread of the emerging virus considering our current knowledge and available information, we do not expect that the new (COVID-19) virus to be a threat to the continuance in the upcoming future.



### **35- Significant accounting policies applied**

#### **35-1- Basis of consolidation**

##### **35-1-1 Business combination**

- The Group accounts for business combinations using the acquisition method when control is transferred to the Group.
- The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.
- Any goodwill that arises is tested annually for impairment, any gain on a bargain purchase is recognized immediately in profit or loss.
- Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.
- The consideration transferred doesn't include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.
- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

##### **35-1-2 Subsidiaries**

- Subsidiaries are entities controlled by the Group.
- The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

### **35-1-3 Non-controlling interests**

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### **35-1-4 Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### **35-1-5 Interests in equity-accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, where by the Group has rights to the net assets of the arrangement. Rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

### **35-1-6 Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## **35-2 Foreign currency**

### **35-2-1 Foreign currency 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. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- An investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and
- Qualifying cash flow hedges to the extent that the hedges are effective.

### **35-2-2 Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary

but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### **35-3 Discontinued operation**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative period.

### **35-4 Revenue**

#### **35-4-1 Gain (loss) on sale of investments**

Gain (loss) resulting from sale of investments are recognized on transaction date and measured by the difference between cost and selling price less selling commission and expenses. In case of derecognizing of investments in associates, the difference between the carrying amount and the sum of both the consideration received and cumulative gain or loss that had been recognized in shareholders' equity shall be recognized in income statement.

#### **35-4-2 Dividend income**

Dividend income is recognized when declared.

#### **35-4-3 Custody fee**

Custody fees are recognized when the service is provided and the invoice is issued.

#### **35-4-4 Interest income and expenses**

Interest income and expenses are recognized in the income statement under "Interest income" item or "Interest expenses" by using the effective interest rate method of all instruments bearing interest other than those classified held for trading or which have been classified at inception "fair value through income statement".

**35-4-5 Fee and commission income**

Fee related to servicing the loan or facility are recognized in income when performing the service while the fees and commissions related to non-performing or impaired loans are not recognized, instead, they are to be recorded in marginal records off the financial position. Then they are recognized within the income pursuant to the cash basis when the interest income is collected. As for fees which represent an integral part of the actual return on the financial assets, they are treated as an amendment to the rate of actual return.

**35-4-6 Brokerage commission**

Brokerage commission resulting from purchase of and sale of securities operations in favor of clients are recorded when operation is implemented and the invoice is issued.

**35-4-7 Management fee**

Management fee is calculated as determined by the management contract of each investment fund & portfolio and recorded on accrual basis.

**35-4-8 Incentive fee**

Incentive fee is calculated based on certain percentages of the annual return realized by the fund and portfolio, however these incentive fee will not be recognized until revenue realization conditions are satisfied and there is adequate assurance of collection.

**35-4-9 Investment property rental income**

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognized as other income.

**35-4-10 Revenue from micro-finance services**

- Revenue from micro-finance services is recognized based on time proportion taking into consideration the rate of return on asset. Revenue yield is recognized in the income statement

using the effective interest method for all financial instruments that carry a yield, the effective interest method is the method of measuring the amortized cost of a financial asset and distributing the revenue over the life of time the relevant instrument. The effective interest rate is the rate that discounts estimated future cash receipts during the expected life of the financial instrument to reach the book value of the financial asset.

- When classifying loans to customers as irregular, no income is recognized on its return and it is recognized in marginal records outside the financial statements and are recognized as revenue in accordance with the cash basis when it is collected.
- The commission income is represented in the value of the difference between the yield of the financing granted micro-enterprises and the accruals of the company's bank by deducting the services provided directly from the amounts collected from the entrepreneurs.
- The benefits and commissions resulting from the performance of the service are recognized, according to the accrual basis as soon as the service is provided to the client unless those revenues cover more of the financial period are recognized on a time proportion basis.
- An administrative commission of 8% of the loan granted to customers is collected on contracting in exchange for the issuance of the loan service and administrative commission revenue are proven in the income statement upon the issuance of the loan to the client.
- A commission delay in payments of premiums is collected at rates agreed upon within the contracts and are recognized as soon as customers delayed payment on the basis of the extended delay.

#### **35-4-11 Gains from securitization**

Gains from securitization is measured as the difference between the fair value of the consideration received or is still due to the company at the end of securitization process and the carrying amount of the securitization portfolios in the company's books on the date of the transfer agreement.

### **35-5 Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

#### **35-5-1 Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

#### **35-5-2 Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax

assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## **35-6 Property, plant and equipment**

### **35-6-1 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.

### **35-6-2 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.



### **35-6-3 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 - 50 years
- Office furniture, equipment & electrical appliances	2-16.67 years
- Computer equipment	3.33 - 5 years
- Transportation means	3.33 - 8 years

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

### **35-6-4 Reclassification to investment property**

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

### **35-7 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.

### **35-8 Intangible assets and goodwill**

#### **- Goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

**- Research and development**

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

**- Other intangible assets**

Other intangible assets, are measured at cost less accumulated amortisation and any accumulated impairment losses.

**35-9 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.

**35-10 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.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. 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.

## **35-11 Financial instruments**

### **Policy applicable from 1 January 2020**

#### **35-11-1 Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### **35-11-2 Classification and subsequent measurement**

##### **Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### **35-11-3 Financial assets – Business model assessment**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### **35-11-4 Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**35-11-5 Financial assets – Subsequent measurement and gains and losses**

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### **35-11-6 Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### **35-11-7 Derecognition**

#### **Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial 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 in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

#### **Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### **35-11-8 Offsetting**

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 set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### **35-11-9 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 the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

#### **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 recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in



the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or,

For other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

#### **Net investment hedges**

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is

recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

**Policy applicable before 1 January 2020**

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.

**35-11-10 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.

### **35-11-11 Non-derivative financial assets – Measurement**

#### **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.

#### **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.

#### **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.

#### **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.

### **35-11-12 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.

### **35-11-13 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.

#### **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.

### **35-12 Share capital**

#### **35-12-1 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.

### **35-12-2 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.

### **35-13 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

### **35-14 Impairment**

#### **Policy applied from January 1, 2020**

#### **35-14-1 Non-derivative financial assets**

##### **Financial instruments and contract assets**

The Group recognises loss allowances for Expected Credit Loss (ECLs) on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI;
- contract assets.

The Group also recognises loss allowances for ECLs on loans receivables.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when

estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. unless it can be rebutted.

The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due unless it can be rebutted.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### **35-14-2 Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

#### **35-14-3 Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one

or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

#### **35-14-4 Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

#### **35-14-5 Write-off**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### **35-14-6 Non-financial assets**

- At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than, investment property, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.
- For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.
- The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
- An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.
- Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.
- An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortisation, if no impairment loss had been recognised.

### **Policy applied before January 1, 2020**

#### **35-14-7 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.

#### **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.

### **35-14-8 Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current

market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

The provision for doubtful debts is calculated on the investment cost of the leased assets (cost of leased assets in addition to its return at the date of calculating the provision) which are uncertainly collected i.e. (doubtful rent value) after deducting the credit deposits held by the Company. The Company's provisions committee specifies the provision percentage for each credit class which is calculated according to the risk rates of the doubtful rent values or according to the negative changes of the credit indicators, this provision is reviewed regularly or whenever there is a need to do so.

### **35-15 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.

### **35-16 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.

### **35-17 Trade, and notes receivables, debtors and other debit balances**

- Trade, notes receivables, debtors and other debit balances are stated at nominal value less impairment losses.
- The Company's lessees and the leased assets are regularly classified & evaluated and their obligations are reduced by the rent value paid in each financial period, and with the assurance of the availability of adequate guarantee to collect the client's rent values.

### **35-18 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, cash on hand, cheques under collection and due from banks and financial institutions.

### **35-19 Profit sharing to employees**

The holding 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.

### **35-20 Micro-enterprises Receivables**

#### **35-20-1 Credit policy**

##### **Funding Consideration**

- Funding are granted to clients who have previous experience not less than one year in his current activity which is confirmed by the client with adequate documentation and field inquiry.
- Funding are granted to the client which it's installment is suitable according to his predictable income activity and this done throw analyzing client's revenues and expenses and his foreseeable marginal income, and this done by the branches specialists of the company on the prepared form for this purpose(financial study form and credit decision).

- Before grant funding, a client activity field inquiry is done.
- Recording inquiries results about client and guarantor with inquiring forms of the company which reveal client's activity (visit form & Inquiry form).
- The company prohibit grant funding for new client unless the activity is existing with previous one year experience where the granted funds be within a minimum 1 000 EGP and maximum 30 000 EGP with loan duration of 12 months.
- Inquiries for clients are performed by I-Score Company before granting and in case of approval on granting. The credit limit of the client is considered when calculating the client's revenue and expenses.

#### **Client's Life Insurance**

The insurance process on the client is performed with the authorized companies from insurance supervisory authority.

#### **Client's Following up**

The company keeps specialists in branches from following up all regular clients, and irregular with continuous application of that during finance period with judging on their commitment in paying the remaining installments and this done through recording visits for clients with daily basis and also with data base provided by computer system for all branches all over the republic.

#### **Impairment loss of micro financed loans**

The company at the date of the financial statements estimates the impairment loss of micro financed loans, in the light of the basis and rules of granting credit and forming the provisions according to the Board of Directors decision of the Financial Supervisory Authority No. (173) issued on December 21, 2014 to deal with the impairment loss.

### **35-21 Leases**

The Group has applied EAS 49 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under EAS 20. The details of accounting policies under EAS 20 are disclosed separately.

### **Policy applicable from 1 January 2020**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in EAS 49.

This policy is applied to contract entered in to, or after 1 Jan 2020.

#### **35-21-1 As a lessee**

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement

date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date,

discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

fixed payments, including in-substance fixed payments;  
variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;  
amounts expected to be payable under a residual value guarantee;  
and the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

### **Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low – value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **35-21-2 As a lessor**

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies EAS 11 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in EAS 47 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.



The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

**Policy applicable before 1 January 2020**

For contracts entered into before 1 January 2020, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

**35-21-3 As a lessee**

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent

to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial

position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

#### **35-21-4 As a lessor**

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

#### **35-22 Operating segment**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segment.

**36- 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. (48) - “Revenue from Contracts with Customers”	<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> <p>a. Egyptian Accounting Standard No. (8) - “Construction Contracts” as amended in 2015.</p> <p>b. Egyptian Accounting Standard No. (11) – “Revenue” as amended in 2015.</p> <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>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	Standard No. (48) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted

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

Translation of consolidated financial  
statements originally issued in Arabic

Notes to the consolidated interim financial statements for the period ended 30 June, 2020 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

Egyptian Accounting Standard No. (38) as ammended " Employees Benefits "	Anumber of paragraphs were introduced and ammended in order to ammend the Accounting Rules of Settlements and Curtailments of Benefit Plans	The Management is currently assessing the potential impact of implementing the ammendment of the standard on the financial statements.	This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.
Egyptian Accounting Standard No. (42) Consolidated Financial Statements"	Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This ammendment has resulted in introducing an ammendment to some of the standards related to the subject of the Investment Entities. The standards that were ammended are as follows: <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>	The Management is currently assessing the potential impact of implementing the ammendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted. -The new or ammended 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 ammended and issued in 2019.