

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

**Separate interim financial statements**  
**for the period ended 31 March 2017**  
**&**  
**Review Report**

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### Report on Review of Interim Financial Statements To the Board of Directors of the EFG – Hermes Holding Company

#### *Introduction*

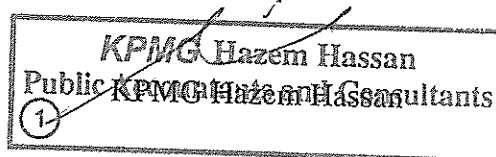
We have performed a limited review for the accompanying separate interim statement of financial position of EFG – Hermes Holding Company (Egyptian Joint Stock Company) as of 31 March, 2017 and the related separate interim statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

#### *Scope of Limited Review*

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

#### *Conclusion*

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements do not present fairly, in all material respects, the financial position of the Company as at 31 March, 2017 and of its financial performance and its separate cash flows for the three months then ended in accordance with Egyptian Accounting Standards.



Cairo, May 14, 2017

EFG - Hermes Holding Company  
(Egyptian Joint Stock Company)  
Separate interim statement of financial position  
as at March 31, 2017

	Note no.	31/3/2017	31/12/2016
<i>(in EGP)</i>			
<b>Assets</b>			
<b>Non - current assets</b>			
Loans to subsidiaries	(11,26)	459 060 000	259 000 000
Available -for- sale investments	(12)	1 738 564 436	2 167 829 957
Investment property	(13)	241 437 828	243 878 226
Investments in subsidiaries	(14)	3 362 212 009	3 353 024 509
Fixed assets	(15)	155 130 737	154 205 087
<b>Total non - current assets</b>		<u>5 956 405 010</u>	<u>6 177 937 779</u>
<b>Current assets</b>			
Cash and cash equivalents	(3,21)	1 290 483 963	766 035 178
Investments at fair value through profit and loss	(4)	85 300 507	363 924 330
Treasury bills	(5,21)	1 884 533 494	1 490 311 500
Due from subsidiaries & related parties	(6)	5 190 767 714	1 766 532 910
Other debit balances	(7)	400 297 915	48 989 075
Current portion of loans to subsidiaries	(11,26)	30 000 000	100 000 000
<b>Total current assets</b>		<u>8 881 383 593</u>	<u>4 535 792 993</u>
<b>Total assets</b>		<u>14 837 788 603</u>	<u>10 713 730 772</u>
<b>Equity</b>			
Issued & paid - in capital	(17)	3 074 472 890	3 074 472 890
Legal reserve		1 537 236 445	1 523 711 250
Other reserves		2 742 626 812	3 014 613 396
Retained earnings		2 177 571 558	1 983 941 137
<b>Total equity</b>		<u>9 531 907 705</u>	<u>9 596 738 673</u>
<b>Liabilities</b>			
<b>Non - current liabilities</b>			
Long term loans	(16)	116 640 000	133 320 000
Deferred tax liabilities	(22)	405 664 140	472 606 278
<b>Total non - current liabilities</b>		<u>522 304 140</u>	<u>605 926 278</u>
<b>Current liabilities</b>			
Banks' overdraft	(21)	149 381 576	199 382 151
Due to subsidiaries & related parties	(8)	4 169 379 127	(266 978 080)
Current tax liability		87 572 838	83 262 196
Creditors and other credit balances	(9,26)	246 804 831	364 135 554
Claims provision	(10)	113 758 386	114 584 000
Current portion of long term loans	(16)	16 680 000	16 680 000
<b>Total current liabilities</b>		<u>4 783 576 758</u>	<u>511 065 821</u>
<b>Total liabilities</b>		<u>5 305 880 898</u>	<u>1 116 992 099</u>
<b>Total equity and liabilities</b>		<u>14 837 788 603</u>	<u>10 713 730 772</u>

The accompanying notes and accounting policies from page (6) to page (33) are an integral part of these financial statements and are to be read therewith.

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Mona Zulficar  
Chairperson

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Karim Awad  
Group Chief Executive Officer

Review report attached"

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate interim income statement**  
**for the period ended March 31, 2017**

<i>(in EGP)</i>	Note no.	For the Period ended 31/3/2017	For the Period ended 31/3/2016
<b>Revenue</b>			
Dividend income	(19)	4,790,721	2,734,916
Custody activity income		4,111,510	838,991
Treasury bill's interest		68,788,630	-
Interest income	(26)	30,222,342	8,429,253
Net changes in the fair value of investments at fair value through profit and loss		2,356,459	840,864
Gains from sale of investments	(23)	169,072,504	336,884
Foreign currencies exchange differences	(27/1-A)	17,659,942	100,610,652
Gains on sale of fixed assets		566,854	-
Other income	(26)	<u>29,344,776</u>	<u>9,002,229</u>
<b>Total revenue</b>		<u>326,913,738</u>	<u>122,793,789</u>
<b>Expenses</b>			
Finance cost		(14,019,730)	(7,257,947)
General administrative expenses	(20)	(41,966,643)	(38,263,706)
Fixed asset's depreciation	(15)	(2,457,854)	(2,344,201)
Investment property depreciation	(13)	(2,440,398)	(2,440,398)
Claims provision	(10)	<u>-</u>	<u>(306,250)</u>
<b>Total expenses</b>		<u>(60,884,625)</u>	<u>(50,612,502)</u>
Profit before income tax		266,029,113	72,181,287
Current income tax		(54,609,867)	-
Deferred tax	(22)	<u>(4,263,630)</u>	<u>(133,818)</u>
Profit for the period		<u>207,155,616</u>	<u>72,047,469</u>
Earnings per share	(24)	<u>0.34</u>	<u>0.12</u>

The accompanying notes and accounting policies from page (6) to page (33) are an integral part of these financial statements and are to be read therewith.

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate interim statement of comprehensive income**  
**for the period ended March 31, 2017**

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<i>(in EGP)</i>	For the period ended 31/3/2017	For the period ended 31/3/2016
Profit for the period	207 155 616	72 047 469
<b>Other comprehensive income:</b>		
Available -for- sale - net change in fair value	( 343 192 352)	135 360 203
Related tax	<u>71 205 768</u>	<u>( 21 744 735)</u>
<b>Other comprehensive income, net of tax</b>	<u>(271 986 584)</u>	<u>113 615 468</u>
<b>Total comprehensive income</b>	<u><u>(64 830 968)</u></u>	<u><u>185 662 937</u></u>

The accompanying notes and accounting policies from page (6) to page (33) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company  
(Egyptian Joint Stock Company)

Separate interim statement of changes in equity  
for the period ended March 31, 2017

	Issued & paid-in capital	Legal reserve	General reserve	Share premium	Other reserves		Hedging reserve	Retained earnings (losses)	Total
					Fair value- available-for- sale investments	Revaluation surplus of fixed assets transferred to investment property			
Balance as at 31 December, 2015	3 074 472 890	1 523 711 250	158 271	1 922 267 818	278 254 597	15 449 979	(26 442 387)	(31 340 150)	6 756 532 268
Other comprehensive income items	-	-	-	-	113 615 468	-	-	-	113 615 468
Profit for the period ended March 31, 2016	-	-	-	-	-	-	-	72 047 469	72 047 469
Balance as at March 31, 2016	3 074 472 890	1 523 711 250	158 271	1 922 267 818	391 870 065	15 449 979	(26 442 387)	40 707 319	6 942 195 205
Balance as at 31 December, 2016	3 074 472 890	1 523 711 250	158 271	1 922 267 818	1 103 179 715	15 449 979	(26 442 387)	1 983 941 137	9 596 738 673
Transferred to legal reserve	-	13 525 195	-	-	-	-	-	(13 525 195)	-
Other comprehensive income items	-	-	-	-	(271 986 584)	-	-	-	(271 986 584)
Profit for the period ended March 31, 2017	-	-	-	-	-	-	-	207 155 616	207 155 616
Balance as at March 31, 2017	3 074 472 890	1 537 236 445	158 271	1 922 267 818	831 193 131	15 449 979	(26 442 387)	2 177 571 558	9 531 907 705

The accompanying notes and accounting policies from page (6) to page (33) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company  
(Egyptian Joint Stock Company)  
Separate interim statement of cash flows  
for the period ended March 31, 2017

	Note no.	For the period ended 31/3/2017	For the period ended 31/3/2016
<i>(in EGP)</i>			
<b>Cash flows from operating activities</b>			
Profit before tax		266 029 113	72 181 287
<b>Adjustments for :</b>			
Fixed assets depreciation		2 457 854	2 344 201
Gains from sale of fixed assets		( 566 854)	-
Investment property depreciation		2 440 398	2 440 398
Claims provisions formed		-	306 250
Claims provisions used		( 825 614)	( 183 365)
Gains on sale / redemption of investments in subsidiaries		-	1 577 332
Net changes in the fair value of investments at fair value through profit and loss		( 2 356 459)	( 840 864)
Gains on sale of available -for- sale investments		( 168 551 437)	-
Foreign currencies exchange differences		( 17 659 942)	( 100 610 652)
		<u>80 967 059</u>	<u>( 22 785 413)</u>
<b>Changes in</b>			
Investments at fair value through profit and loss		280 984 889	47 979 173
Treasury bills		204 920 797	-
Due from subsidiaries		(3309 558 696)	(121 630 296)
Other debit balances		(90 446 495)	3 253 212
Due to subsidiaries		4 436 357 207	375 495 241
Current tax liability		4 310 642	6 412 296
Creditors and other credit balances		(171 182 621)	(11 358 705)
Net cash provided from operating activities		<u>1 436 352 782</u>	<u>277 365 508</u>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets		(3 514 650)	( 323 352)
Proceeds from sale of fixed assets		698 000	-
Payments for loans to subsidiaries		(200 000 000)	(53 897 550)
Proceeds from loans to subsidiaries		70 000 000	-
Payments to purchase available -for- sale investments		(6 068 469)	(1 315 186)
Payments to purchase investments in subsidiaries		( 9 187 500)	(345 147 300)
Net cash used in investing activities		<u>( 148 072 619)</u>	<u>( 400 683 388)</u>
<b>Cash flows from financing activities</b>			
Dividends payout		-	(31 343 362)
Proceeds from long term loans		-	150 000 000
Payments to long term loans		(16 680 000)	-
Net cash (used in) provided from financing activities		<u>(16 680 000)</u>	<u>118 656 638</u>
Net change in cash and cash equivalents during the period		1 271 600 163	(4 661 242)
Cash and cash equivalents at the beginning of the period	(21)	<u>1 532 198 019</u>	<u>373 574 097</u>
Cash and cash equivalents at the end of the period	(21)	<u><u>2 803 798 182</u></u>	<u><u>368 912 855</u></u>

Non cash transactions:

An amount of EGP 260 693 074 has been eliminated from both other debit balances - receivables sale of available for sale investments and proceeds from sale of available for sale investments represents the value of sale of available for sale investments.

The accompanying notes and accounting policies from page (6) to page (33) are an integral part of these financial statements and are to be read therewith.



**EFG- Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Notes to the separate interim financial statements**  
**for the period ended March 31, 2017**  
**(In the notes all amounts are shown in EGP unless otherwise stated)**

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**1- Description of business**

**1-1 Legal status**

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

**1-2 Purpose of the company**

The Company is a universal bank with a lead position in the Arab world in investment banking, securities brokerage, asset management, private equity and research. The purpose of the Company also includes the participation in the establishment of companies which issue securities or in increasing their share capitals, custody activities and margin trading.

**2- Basis of preparation**

**2-1 Statement of compliance**

- These financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 14 May, 2017.

**2-2 Functional and presentation currency**

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

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

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities,

income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

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

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

#### **2-4 Consolidated financial statements**

The Company has subsidiaries and according to the Egyptian Accounting Standard No. 42 “consolidated financial statements” and the article No. 188 of the executive regulation of law No. 159-1981, the Company is required to prepare consolidated financial statements which present fairly the financial position, the result of operations and cash flows for the Group as a whole.

**3- Cash and cash equivalents**

	<b>31/3/2017</b>	<b>31/12/2016</b>
Cash on hand	847 929	704 354
Banks - current accounts	947 954 004	39 695 513
Banks - time deposits	341 682 030	725 635 311
	<hr/>	<hr/>
Balance	1 290 483 963	766 035 178
	=====	=====

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

	<b>31/3/2017</b>	<b>31/12/2016</b>
Mutual fund certificates	84 895 783	363 548 535
Equity securities	404 724	375 795
	<hr/>	<hr/>
Balance	85 300 507	363 924 330
	=====	=====

**5- Treasury bills**

	<b>31/3/2017</b>	<b>31/12/2016</b>
Treasury bills maturity less than 91 days	1 683 000 000	1 094 000 000
Treasury bills maturity 182 days	215 000 000	368 500 000
Treasury bills maturity 273 days	8 000 000	81 000 000
Unearned revenues	(21 466 506)	(53 188 500)
	<hr/>	<hr/>
Net	1 884 533 494	1 490 311 500
	=====	=====

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

	<b>31/3/2017</b>	<b>31/12/2016</b>
EFG- Hermes Management	1 032 571	968 369
EFG- Hermes Advisory Inc.	1 137 327 907	999 248 463
Flemming CIIC Holding *	26 092 500	25 810 576
EFG- Hermes IB Limited	3 571 311 892	451 215 500
EFG- Hermes Oman LLC	4 238 291	3 104 330
EFG- Hermes IFA Financial Brokerage	686 147	38 667 566
EFG- Hermes Promoting & Underwriting	247 937 278	199 519 365
EFG- Hermes KSA	54 074 412	61 076 669
Egyptian Fund Management Group *	81 494 943	58 829 315
Bayonne Enterprises Ltd.	15 586 254	15 182 271
EFG- Hermes Holding – Lebanon	2 339 553	2 324 064
EFG- Hermes Direct Investment Fund	1 101 787	1 094 490
EFG- Hermes Leasing	9 821 830	4 282 033
Beaufort Investments Company	38 592	37 472
EFG- Hermes Private Equity	21 389 480	16 273 740
EFG- Hermes USA	6 119 562	2 857 631
EFG- Hermes Jordan	217 699	(17 010)
Financial Brokerage Group	31 057 102	(2 296 030)
EFG- Hermes UAE Ltd.	218 536	(33 142 297)
EFG- Hermes Brokerage – UAE LLC.	16 461 070	(256 728)
Tanmeyah Micro Enterprise Services S.A.E	1 417 927	(1 576 412)
EFG – Hermes Frontier Holdings LLC	41 475 480	5 439 382
EFG Finance Holding S.A.E	1 436 750	--
	<hr/>	<hr/>
Accumulated impairment loss *	5 272 877 563 (82 109 849)	1 848 642 759 (82 109 849)
	<hr/>	<hr/>
Balance	5 190 767 714	1 766 532 910
	=====	=====

**7- Other debit balances**

	<b>31/3/2017</b>	<b>31/12/2016</b>
Accrued revenues	3 109 108	5 489 727
Taxes withheld by others	21 271 432	7 956 315
Deposits with others	1 067 827	1 067 827
Prepaid expenses	12 207 320	4 924 715
Employees advances	1 598 351	1 049 892
Down payments to suppliers	1 838 523	2 757 702
Payments for investments *	80 018 860	7 450 000
Receivables – sale of investments **	260 693 074	--
Sundry debtors	18 493 420	18 292 897
	<hr/>	<hr/>
Balance	400 297 915	48 989 075
	=====	=====

\* Payments for investments are represented in the following:

	31/3/2017	31/12/2016
Arab Visual Company	2 500 000	2 500 000
EFG-Hermes Leasing	29 700 000	--
OLT Investment International Company (B.S.C)	47 818 860	--
EFG Finance Holding S.A.E	--	4 950 000
Balance	<u>80 018 860</u>	<u>7 450 000</u>
	=====	=====

\*\* Receivables – sale of investments are represented in the following:

	31/3/2017	31/12/2016
Sahara North Bahariya limited	124 793 074	--
Mena Long -Term Value Feeder Fund	135 900 000	--
Balance	<u>260 693 074</u>	<u>--</u>
	=====	=====

#### 8- Due to subsidiaries & related parties

	31/3/2017	31/12/2016
Arab Visual Company	5 000 000	5 000 000
Hermes Corporate Finance Co.	9 851 647	9 931 563
EFG- Hermes Fixed Income	6 661 352	6 735 554
EFG- Hermes Mutual Funds	9 877 835	9 889 191
EFG- Hermes Regional Investments Ltd.	255 083 567	424 893 131
EFG- Hermes Syria LLC	7 912 165	7 912 165
Egyptian Portfolio Management Group	47 824 992	49 168 647
EFG- Hermes – Lebanon – S.A.L.	100 440 308	99 775 140
Hermes Fund Management	19 872 233	28 595 613
Hermes Securities Brokerage	359 417 206	358 977 485
EFG- Hermes Financial Management (Egypt) Ltd.	487 039 905	488 805 565
EFG- Hermes Global CB Holding Limited	2 860 397 917	(1 756 662 134)
Balance	<u>4 169 379 127</u>	<u>(266 978 080)</u>
	=====	=====

## 9- Creditors and other credit balances

	31/3/2017	31/12/2016
Social Insurance Authority	355 569	314 220
Accrued expenses	198 739 405	318 504 567
Accrued interest	--	8 071 875
Clients coupons - custody activity	8 809 727	10 373 543
Unearned revenues (Note no. 26)	19 969 327	11 872 834
Dividends payable prior years	12 028 271	12 028 271
Sundry credit balances	6 902 532	2 970 244
Balance	<u>246 804 831</u>	<u>364 135 554</u>
	=====	=====

## 10- Claims provision

	31/3/2017	31/12/2016
Balance at the beginning of the period / year	114 584 000	6 270 286
Amounts formed during the period / year	--	108 497 079
Amounts used during the period / year	(825 614)	(183 365)
Balance	<u>113 758 386</u>	<u>114 584 000</u>
	=====	=====

## 11- Loans to subsidiaries

Company's name	Currency	Loan Value	Loan date	Maturity date	31/3/2017	31/12/2016
Hermes Securities Brokerage	EGP	70 million	12/5/2016	12/5/2018	70 000 000	70 000 000
”	”	50 million	15/5/2016	15/5/2018	50 000 000	50 000 000
”	”	30 million	19/6/2016	19/6/2018	30 000 000	30 000 000
”	”	50 million	29/6/2016	29/6/2018	50 000 000	50 000 000
”	”	50 million	15/12/2016	14/12/2018	50 000 000	50 000 000
”	”	150 million	1/2/2017	1/12/2019	150 000 000	--
”	”	50 million	15/1/2017	14/1/2019	50 000 000	--
Tanmeyah Micro Enterprise Services S.A.E	EGP	50 million	22/12/2016	22/4/2017	30 000 000	50 000 000
EFG- Hermes Leasing	EGP	100 million	24/11/2016	10/1/2017	--	50 000 000
EFG- Hermes Jordan	US\$	500 thousand	1/3/2016	28/2/2018	9 060 000	9 000 000
Total					<u>489 060 000</u>	<u>359 000 000</u>
Current portion of loans to subsidiaries					<u>(30 000 000)</u>	<u>(100 000 000)</u>
Balance					<u>459 060 000</u>	<u>259 000 000</u>
					=====	=====

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

	<b>31/3/2017</b>	<b>31/12/2016</b>
Equity securities	219 290 473	445 826 857
Mutual fund certificates	1 519 273 963	1 722 003 100
Balance	<u>1 738 564 436</u>	<u>2 167 829 957</u>
	=====	=====
Available -for- sale investments are represented in the following:		
Quoted investments	327 366 728	361 334 302
Non- quoted investments	1 411 197 708	1 806 495 655
	<u>1 738 564 436</u>	<u>2 167 829 957</u>
	=====	=====

**13- Investment property**

	<b>Buildings</b>
Balance as at 1/1/2017	253 639 818
Total cost as at 31/3/2017	<u>253 639 818</u>
Accumulated depreciation as at 1/1/2017	9 761 592
Depreciation for the period	2 440 398
Accumulated depreciation as at 31/3/2017	<u>12 201 990</u>
Net carrying amount as at 31/3/2017	<u>241 437 828</u>
	=====
Net carrying amount as at 31/12/2016	243 878 226
	=====

Investment property amounted EGP 241 437 828 as at 31 March 2017, represents the following:-

- EGP 149 757 828 the book value of the area owned by EFG – Hermes Holding Company in Nile City building.
- EGP 91 680 000 the book value of the area owned by EFG – Hermes Holding Company in the headquarters of the Company in Smart Village building.

#### 14- Investments in subsidiaries

Company's name	Nationality	Share percentage %	The currency of payment	Carrying amount	
				31/3/2017	31/12/2016
Financial Brokerage Group Co.	Egyptian	99.87	EGP	41 838 060	41 838 060
Egyptian Fund Management Group ****	Egyptian	88.51	EGP	4 427 233	4 427 233
Egyptian Portfolio Management Group	Egyptian	66.33	EGP	3 316 500	3 316 500
Hermes Securities Brokerage	Egyptian	97.58	EGP	219 763 969	219 763 969
Hermes Fund Management	Egyptian	89.95	EGP	6 439 709	6 439 709
Hermes Corporate Finance Co.	Egyptian	99.37	EGP	5 476 029	5 476 029
EFG- Hermes Advisory Inc.	BVI	100	US\$	6	6
EFG- Hermes Promoting & Underwriting	Egyptian	99.88	EGP	7 990 000	7 990 000
EFG- Hermes Fixed Income	Egyptian	99	EGP	9 900 000	9 900 000
EFG- Hermes Management	Egyptian	96.3	EGP	1 249 490	1 249 490
Flemming CIIC Holding	Egyptian	100	EGP	--	--
EFG- Hermes Private Equity **	BVI	1.59	US\$	39 975	39 975
EFG- Hermes – UAE Limited Company	Emirates	100	US\$	147 110 000	147 110 000
EFG- Hermes Holding Lebanon – S.A.L.	Lebanon	99	US\$	153 713	153 713
EFG- Hermes – KSA	Saudi	73.1	US\$	118 707 354	118 707 354
EFG- Hermes – Lebanon – S.A.L.	Lebanon	99	US\$	27 564 787	27 564 787
EFG- Hermes Regional Investments Ltd. **	Cayman Islands	100	US\$	318 141 304	318 141 304
EFG- Hermes Jordan	Jordanian	100	US\$	33 610 631	33 610 631
EFG- Hermes Investment Funds Co.	Egyptian	99.998	EGP	6 399 800	6 399 800
EFG- Hermes Global CB Holding Limited *	Cayman Island	100	US\$	957 343 622	957 343 622
EFG- Hermes Mutual Funds Co.	Egyptian	99.999	EGP	9 999 990	9 999 990
Beaufort Investments Company	Luxembourg	100	EURO	6 098 812	6 098 812
EFG-Hermes Leasing	Egyptian	99	EGP	99 000 000	99 000 000
EFG-Direct Investment Fund	Egyptian	64	EGP	640 000	640 000
EFG- Hermes IB Limited	Cayman Island	100	US\$	886 500 008	886 500 008
Tanmeyah Micro Enterprise Services S.A.E	Egyptian	94	EGP	423 000 000	423 000 000
EFG - Hermes Frontier Holdings LLC	Emirates	100	US\$	13 740 750	13 740 750
EFG – Hermes USA ***	American	100	US\$	13 237 500	9 000 000
EFG Finance Holding S.A.E ***	Egyptian	99	EGP	4 950 000	--
				3 366 639 242	3 357 451 742
Impairment loss investments in subsidiaries*****				(4 427 233)	(4 427 233)
Balance				3 362 212 009	3 353 024 509
				=====	=====

\* The company acquired 14 914 883 shares that represents 63.739% controlling stake in Credit Libanais SAL (the Bank) through its wholly owned subsidiary EFG –



Hermes CL Holding SAL for an amount of USD 577.8 million. The company approved to proceed with all necessary steps to sell 9 408 749 shares (Phase I) represent approximately 40% of its indirect subsidiary Credit Libanais Bank S.A.L. (total Bank shares 23 400 000) at US\$ 33 per share (prior to payment of associated fees) to a consortium of Lebanese and Arab Investors. This sale process is subject to some conditions precedent, including the approval of the Central Bank of Lebanon. The company agreed with Credit Libanais Investment Bank S.A.L. ("CLIB"), a wholly owned subsidiary of Credit Libanais, to sell 5 506 134 shares represent the remaining stake of the bank on best effort basis at the same price (Phase II). During 2016 the company sold 9 408 749 shares from (Phase I) and 1 976 065 shares from (Phase II) and during 2017 the company sold 469 489 shares accordingly the company sold 11 854 303 shares till 31 March 2017 represent approximately 79.48% from its stake on Credit Libanais Bank S.A.L, as a result the company owns approximately 13.08% indirect stake on the bank at 31 March 2017, accordingly the company decreased its investment in EFG-Hermes Global CB Holding Limited.

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

\*\*\* EFG – Hermes USA was established as fully owned subsidiary of EFG – Hermes Holding on 24 November, 2016 and EFG Finance Holding S.A.E which owned 99% to EFG – Hermes Holding on 26 January, 2017.

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

## 15- Fixed assets

Particular	For the period ended 31 March 2017						Total
	Land*	Buildings*	Office furniture & equipment	Computer equipment	Vehicles & transportation means	Fixtures	
Balance as at 1/1/2017	12 597 100	154 159 871	19 331 584	52 403 267	9 697 491	4 202 747	252 392 060
Additions during the period	--	--	64 274	3 450 376	--	--	3 514 650
Disposals during the period	--	--	--	--	(634 556)	--	(634 556)
Total cost as at 31/3/2017	12 597 100	154 159 871	19 395 858	55 853 643	9 062 935	4 202 747	255 272 154
Accumulated depreciation as at 1/1/2017	--	29 953 502	19 054 693	39 751 099	5 265 526	4 162 153	98 186 973
Depreciation during the period	--	1 156 199	30 180	970 676	297 828	2 971	2 457 854
Disposals accumulated depreciation	--	--	--	--	(503 410)	--	(503 410)
Accumulated depreciation as at 31/3/2017	--	31 109 701	19 084 873	40 721 775	5 059 944	4 165 124	100 141 417
Net book value as at 31/3/2017	12 597 100	123 050 170	310 985	15 131 868	4 002 991	37 623	155 130 737
Net book value as at 31/12/2016	12 597 100	124 206 369	276 891	12 652 168	4 431 965	40 594	154 205 087

Particular	For the period ended 31 March 2016						
	Land*	Buildings*	Office, furniture & equipment	Computer equipment	Vehicles & transportation means	Fixtures	Total
Balance as at 1/1/2016	10 000 000	154 159 871	19 260 475	45 857 919	7 738 411	4 202 747	241 219 423
Additions during the period	--	--	3 210	320 142	--	--	323 352
Total cost as at 31/3/2016	10 000 000	154 159 871	19 263 685	46 178 061	7 738 411	4 202 747	241 542 775
Accumulated depreciation as at 1/1/2016	--	25 328 706	18 650 808	37 079 703	4 388 643	3 967 918	89 415 778
Depreciation during the period	--	1 156 199	137 683	740 474	202 895	106 950	2 344 201
Accumulated depreciation as at 31/3/2016	--	26 484 905	18 788 491	37 820 177	4 591 538	4 074 868	91 759 979
Net book value as at 31/3/2016	10 000 000	127 674 966	475 194	8 357 884	3 146 873	127 879	149 782 796

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

#### 16- Long term loans

Company's name	Currency	Loan value	Loan date	Maturity date	Balance as at 31/3/2017	Balance as at 31/12/2016
Audi Bank*	EGP	150 million	29/2/2016	28/2/2021	133 320 000	150 000 000
Current portion of long term loans					(16 680 000)	(16 680 000)
Balance					<u>116 640 000</u>	<u>133 320 000</u>

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

#### 17- Share capital

The company's authorized capital amounts EGP 6 billion and issued and paid-in capital amounts EGP 3,074,472,890 distributed on 614,894,578 shares of par value EGP 5 per share.

**18- Contingent liabilities & commitments**

The Company guarantees its subsidiaries – Financial Brokerage Group, Hermes Securities Brokerage, EFG- Hermes Jordan and EFG- Hermes Oman LLC – against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the Letters of Guarantee granted from banks amounting to AED 118 670 000 (equivalent to EGP 585 529 647).

**19- Dividend income**

	For the period ended 31/3/2017	For the period ended 31/3/2016
Income from available - for- sale investments	4 790 721	2 734 916
Total	<u>4 790 721</u> =====	<u>2 734 916</u> =====

**20- General administrative expenses**

	For the period ended 31/3/2017	For the period ended 31/3/2016
Wages , salaries and similar items*	25 454 145	19 789 215
Consultancy	1 262 268	6 398 118
Travel , accommodation and transportation	1 362 114	1 016 809
Leased line and communication	1 912 625	1 930 764
Rent and utilities expenses	2 042 565	1 884 331
Other expenses	9 932 926	7 244 469
Total	<u>41 966 643</u> =====	<u>38 263 706</u> =====

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

## 21- Cash and cash equivalents

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

	For the period ended 31/3/2017	For the year ended 31/12/2016
Cash and cash equivalents as presented in the statement of financial position	1 290 483 963	766 035 178
Treasury bills maturity less than 91 days	1 662 695 795	1 063 553 004
Banks overdraft	(149 381 576)	(199 382 151)
Effect of exchange rate changes	--	(98 008 012)
	<u>2 803 798 182</u>	<u>1 532 198 019</u>
	=====	=====

## 22- Deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	31/3/2017	31/12/2016
<b>(A) Deferred tax</b>	<b>Liabilities</b>	<b>Liabilities</b>
Fixed assets' (depreciation)	(9 920 301)	(9 794 431)
Investment property (depreciation)	(821 362)	(657 090)
Foreign currencies exchange differences	(159 930 732)	(155 957 244)
	<u>(170 672 395)</u>	<u>(166 408 765)</u>
	=====	=====
<b>(B) Deferred tax recognized directly in equity</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Changes in the fair value of cash flow hedges *	6 612 597	6 612 597
Fair value of available-for-sale financial assets **	(241 604 342)	(312 810 110)
	<u>(234 991 745)</u>	<u>(306 197 513)</u>
	=====	=====
Balance	(405 664 140)	(472 606 278)
	=====	=====

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

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

**23- Gains on sale of investments**

	For the period ended 31/3/2017	For the period ended 31/3/2016
Available - for- sale investments	168 551 437	--
Investments at fair value through profit and loss	1 186 197	1 849 634
Investments in subsidiaries	--	(1 512 750)
Treasury bills	(665 130)	--
<b>Total</b>	<u>169 072 504</u> =====	<u>336 884</u> =====

**24- Earnings per share**

	For the period ended 31/3/2017	For the period ended 31/3/2016
Profit for the period	207 155 616	72 047 469
Weighted average number of shares	<u>614 894 578</u>	<u>614 894 578</u>
<b>Earnings per share</b>	<u>0.34</u> =====	<u>0.12</u> =====

**25- Tax status**

- As to Income Tax, the years till 31/12/2010 the competent Tax Inspectorate inspected the parent company's books and all the disputed points have been settled with the Internal Committee and as to years 2011 / 2013 have been inspected and all the disputed points have been settled with the Internal Committee and the settlement procedures are currently taking place and as to years 2014 / 2015 the competent Tax Inspectorate inspected the parent company's books and the company was notified by form no. (19) which was objected thereon on the due date and the settlement procedures are currently taking place. As to year 2016 have not been inspected yet.

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

- As to Stamp Tax, the parent company's books had been examined from 1/1/1998 till 31/7/2006 and paid the due tax according to the resolution of appeal committee which was objected thereon in the court, and the period from 1/8/2006 till 31/12/2013 has been inspected and as to years 2014/2016, have not been inspected yet.

## **26- Related party transactions**

The related parties transactions are represented in the following:

- Other income item presented in the income statement includes an amount of EGP 3 682 640 which represents the value of rental spaces for some affiliated companies in addition to EGP 3 399 473 which represents the value of redemption of some expenses of the new headquarter that were allocated to the subsidiaries.
- Interest income item presented in the income statement includes an amount of EGP 21 676 389 and EGP 1 973 889 and EGP 1 333 333 which represent the interest on subordinated loan that granted from the Company to Hermes Securities Brokerage (a subsidiary – 97.58%) and Tanmeyah Micro Enterprise Services S.A.E (a subsidiary – 94%) and EFG – Hermes Leasing respectively (Note no. 11).
- Loans to subsidiaries item as at March 31, 2017 is presented in the statement of financial position represents in the loan granted to Hermes Securities Brokerage (a subsidiary – 97.58%) with an amount of EGP 450 million & EFG- Hermes Jordan (a subsidiary – 100 %) with an amount 500 000 USD (equivalent to EGP 9 060 000) and loan granted to Tanmeyah Micro Enterprise Services S.A.E (a subsidiary – 94%) with an amount of EGP 30 million (Note no. 11).
- Creditors and other credit balances item includes an amount of EGP 17 677 660 represents the unearned revenues from the affiliated companies for rental of Group's headquarter owned by the Company (Note no. 9).

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

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while financial liabilities include loans and creditors. Notes to financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses by the company to minimize the consequences of such risks.

## 27/1 Market risk

### A. Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the Company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As at the financial position date the Company has assets and liabilities in foreign currencies equivalent to EGP 8 108 005 005 and EGP 3 911 465 201 respectively. The Company's net exposures in foreign currencies as at the financial position date are as follows:

	Surplus / (deficit)
USD	3 894 682 026
EURO	293 093 010
AED	4 935 084
GBP	2 453 011
CHF	1 396 969
SAR	(20 296)

The Company has used the prevailing exchange rates to revalue assets and liabilities at financial position date as disclosed in note 29-1, "foreign currencies transactions".

### B. Interest rate risk

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

### C. Price risk

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

- Performing the necessary studies before investment decision in order to verify that investment is made in potential securities.
- Diversification of investments in different sectors and industries.

- Performing continuous studies required to follow up the Company's investments and their development.

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

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

#### **27/3 Liquidity risk**

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

#### **27/4 Capital risk**

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

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

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

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

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value according to the valuation basis applied, in accounting policies to derivative financial instrument.



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**28- Comparative figures**

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

	<b>(As reported)</b>		<b>(Amended)</b>
	<b>As at</b>	<b>Adjustments</b>	<b>As at</b>
	<b>31/12/2016</b>		<b>31/12/2016</b>
Due from subsidiaries and related parties	3 560 483 521	(1 793 950 611)	1 766 532 910
Due to subsidiaries and related parties	1 526 972 531	(1 793 950 611)	(266 978 080)

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

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

### **29-1 Translation of the foreign currencies transactions**

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

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

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

#### **29-2-1 Recognition and measurement**

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

#### **29-2-2 Subsequent expenditure**

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

#### **29-2-3 Depreciation**

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

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

	<b>Estimated useful life</b>
- Buildings	33.3 years
- Furniture, office and electrical appliances	4 years
- Computer equipment	4 years
- Vehicles & transportation means	5 years
- Fixtures	2 years

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

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

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

**29-2-5 Projects under construction**

Projects under construction are recognized initially at cost, the book value is amended by any impairment concerning the value of these projects cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Property and equipment under construction are transferred to property and equipment caption when they are completed and are ready for their intended use.

**29-3 Treasury bills**

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

**29-4 Investments**

**29-4-1 Investments at fair value through profit and loss**

An instrument is classified as at fair value through income statement if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through income statement if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in income statement when incurred. Financial instruments at fair value through income statement are measured at fair value, and changes therein are recognized in income statement.

#### **29-4-2 Available-for-sale financial investments**

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

#### **29-4-3 Investments in subsidiaries**

Investments in subsidiaries and associates are valued at cost, the book value is amended by any impairment concerning the value of these investments (note 29-7). The impairment value is to be charged to the income statement for every investment individually.

#### **29-4-4 Investment property**

Investment property is measured at cost on initial recognition.

Subsequent to initial recognition investment property is measured at cost less accumulated depreciation and impairment loss, if any. Investment property is depreciated on a straight line basis over its useful life. The estimated useful life of investment property is 33 years.

#### **29-5 Assets held for sale**

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

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

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

## **29-6 Financial instruments**

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

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

### **29-6-1 Non-derivative financial assets and financial liabilities – Recognition and Derecognition**

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

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

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

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

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

### **29-6-2-1 Financial assets at fair value through profit or loss**

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

### **29-6-2-2 Held-to-maturity financial assets**

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

### **29-6-2-3 Loans and receivables**

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

### **29-6-2-4 Available-for-sale financial assets**

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

## **29-6-3 Non-derivative financial liabilities – Measurement**

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

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

#### **29-6-4 Derivative financial instruments and hedge accounting**

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

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

##### **29-6-4-1 Cash flow hedges**

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

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

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

#### **29-7 Impairment**

##### **29-7-1 Non-derivative financial assets**

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

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;

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

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

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

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

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

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

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



### **Equity-accounted investees**

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

### **29-7-2 Non-financial assets**

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

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

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

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

### **29-8 Cash and cash equivalents**

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

### **29-9 Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

## **29-10 Provisions**

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

## **29-11 Legal reserve**

The Company's statutes provides for deduction of a sum equal to 5% of the annual net profit for formation of the legal reserve. Such deduction will be ceased when the total reserve reaches an amount equal to half of the Company's issued capital and when the reserve falls below this limit, it shall be necessary to resume

## **29-12 Share capital**

### **29-12-1 Ordinary shares**

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

### **29-12-2 Repurchase and reissue of ordinary shares (treasury shares)**

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

## **29-13 Derivative financial instruments**

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

#### *Cash flow hedges*

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

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

#### *Fair value hedges*

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

### **29-14 Revenues**

#### **29-14-1 Gains (losses) on sale of investments**

Gain (loss) resulted from sale of investments are recognized on transaction date and measured by the difference between cost and selling price less selling commission and expenses.

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

Dividend income is recognized when declared.

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

Custody fees are recognized when provide service and issue invoice.

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

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

### **29-15 Expenses**

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

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

### **29-15-2 Employees' pension**

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to income statement using the accrual basis of accounting.

### **29-15-3 Income tax**

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

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

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

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

### **29-16 Earnings per share**

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

### **29-17 Profit sharing to employees**

The Company pays 10% of its cash dividends as profit sharing to its employees provided that it will not exceed total employees annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the Company's shareholders.