

EFG –Hermes Holding Company
(Egyptian Joint Stock Company)

Separate interim financial statements
for the period ended 30 June 2018
&
Review Report

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Review Report

To the Board of Directors of EFG – Hermes Holding Company

Introduction

We have performed a limited review for the accompanying separate statement of financial position of EFG – Hermes Holding Company (Egyptian Joint Stock Company) as of 30 June, 2018 and the related separate statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly, in all material respects, the financial position of the Company as at 30 June, 2018 and of its financial performance and its separate cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

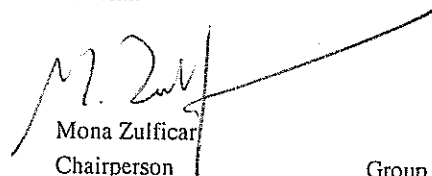
Cairo, August 15, 2018

KPMG Hazem Hassan
KPMG Hazem Hassan
Public Accountants and Consultants
(20)

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

<i>(in EGP)</i>	Note no.	30/6/2018	31/12/2017
Assets			
Non - current assets			
Loans to subsidiaries	(10,26)	8 945 000	75 000 000
Available -for- sale investments	(11)	1 827 905 318	1 922 723 943
Investment property	(12)	141 875 836	145 028 633
Investments in subsidiaries	(13)	4 249 909 971	3 219 434 671
Fixed assets	(14,26)	33 854 645	24 917 460
Intangible assets	(15)	2 979 343	-
Total non - current assets		<u>6 265 470 113</u>	<u>5 387 104 707</u>
Current assets			
Cash and cash equivalents	(3,20)	844 927 385	528 196 987
Investments at fair value through profit and loss	(4)	169 821 755	381 454 106
Due from subsidiaries & related parties	(5)	3 181 382 765	5 682 243 998
Other debit balances	(6,26)	99 047 765	295 767 005
Current portion of loans to subsidiaries	(10,26)	-	8 875 000
Total current assets		<u>4 295 179 670</u>	<u>6 896 537 096</u>
Total assets		<u>10 560 649 783</u>	<u>12 283 641 803</u>
Equity			
Issued & paid - in capital	(16)	3 843 091 115	3 074 472 890
Legal reserve		773 338 368	1 537 236 445
Other reserves		2 909 586 339	2 909 155 602
Retained earnings		389 640 438	288 901 218
Total equity		<u>7 915 656 260</u>	<u>7 809 766 155</u>
Liabilities			
Non - current liabilities			
Deferred tax liabilities	(21)	266 136 771	261 664 650
Total non - current liabilities		<u>266 136 771</u>	<u>261 664 650</u>
Current liabilities			
Banks' overdraft		24 995 319	199 999 990
Short term loans	(22)	231 286 699	-
Due to subsidiaries & related parties	(7)	1 699 855 740	3 270 283 559
Current tax liability		20 451 312	164 998 756
Creditors and other credit balances	(8,26)	294 267 682	453 928 693
Claims provision	(9)	108 000 000	123 000 000
Total current liabilities		<u>2 378 856 752</u>	<u>4 212 210 998</u>
Total liabilities		<u>2 644 993 523</u>	<u>4 473 875 648</u>
Total equity and liabilities		<u>10 560 649 783</u>	<u>12 283 641 803</u>

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


Mona Zulficar
Chairperson


Karim Awad
Group Chief Executive Officer

" Review report attached "

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

	Note no.	2018		2017	
		For the period from 1/4/2018 to 30/6/2018	For the period from 1/1/2018 to 30/6/2018	For the period from 1/4/2017 to 30/6/2017	For the period from 1/1/2017 to 30/6/2017
<i>(in EGP)</i>					
Revenues					
Dividend income	(18)	8 562 828	13 092 185	6 478 644	11 269 365
Custody activity income		3 948 177	8 057 200	2 944 791	7 056 301
Treasury bills interest		-	-	35 416 780	104 205 410
Interest income	(26)	5 820 007	12 454 384	31 549 283	61 771 625
Net changes in the fair value of investments at fair value through profit and loss		1 190 464	4 509 471	1 894 692	4 251 151
Gains (losses) on sale / redemptions of investments	(23)	109 242 792	179 759 363	(9 599 992)	159 472 512
Gains on sale of fixed assets	(26)	4 289 608	8 891 162	-	566 854
Gains on sale of investment property	(26)	2 853 585	5 296 959	-	-
Other income	(26)	12 793 386	25 089 006	17 789 733	47 134 509
Total revenues		<u>148 700 847</u>	<u>257 149 730</u>	<u>86 473 931</u>	<u>395 727 727</u>
Expenses					
Finance cost		(5 925 671)	(8 501 126)	(14 158 241)	(28 177 971)
General administrative expenses	(19)	(79 909 381)	(130 419 106)	(48 627 916)	(90 594 559)
Foreign currencies exchange differences	(28-1)	30 845 811	18 980 645	(10 298 474)	7 361 468
Fixed asset's depreciation	(14)	(2 455 487)	(4 444 811)	(2 587 973)	(5 045 827)
Investment property depreciation	(12)	(1 576 397)	(3 152 795)	(2 440 398)	(4 880 796)
Intangible assets amortization	(15)	(158 427)	(251 514)	-	-
Total expenses		<u>(59 179 552)</u>	<u>(127 788 707)</u>	<u>(78 113 002)</u>	<u>(121 337 685)</u>
Profit before income tax		89 521 295	129 361 023	8 360 929	274 390 042
Current income tax		(10 946 356)	(20 184 442)	(1 939 397)	(56 549 264)
Deferred tax	(21)	(6 863 314)	(3 717 213)	1 628 080	(2 635 550)
Profit for the period		<u>71 711 625</u>	<u>105 459 368</u>	<u>8 049 612</u>	<u>215 205 228</u>
Earnings per share	(24)	<u>0.09</u>	<u>0.14</u>	<u>0.01</u>	<u>0.28</u>

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

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)

Separate statement of comprehensive income

	2018		2017	
	For the period	For the period	For the period	For the period
	from 1/4/2018 to 30/6/2018	from 1/1/2018 to 30/6/2018	from 1/4/2017 to 30/6/2017	from 1/1/2017 to 30/6/2017
(in EGP)				
Profit for the period	71 711 625	105 459 368	8 049 612	215 205 228
Other comprehensive income:				
Available -for- sale investments - net change in fair value	(25 272 624)	1 185 645	107 314 388	(235 877 964)
Tax related to comprehensive income items	<u>(573 740)</u>	<u>(754 908)</u>	<u>(20 832 022)</u>	<u>50 373 746</u>
Other comprehensive income, net of tax	<u>(25 846 364)</u>	<u>430 737</u>	<u>86 482 366</u>	<u>(185 504 218)</u>
Total comprehensive income	<u><u>45 865 261</u></u>	<u><u>105 890 105</u></u>	<u><u>94 531 978</u></u>	<u><u>29 701 010</u></u>

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

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)

Separate statement of changes in equity for the period ended 30 June 2018

	Note no.	Issued & paid-in capital	Legal reserve	General reserve	Share premium	Other reserves		Retained earnings	Total
						Fair value- available-for-sale investments	Revaluation surplus of fixed assets transferred to investment property		
							Hedging reserve		
(in EGP)									
Balance as at 31 December, 2017		3 074 472 890	1 537 236 445	158 271	1 922 267 818	1 004 873 468	(26 442 387)	288 901 218	7 809 766 155
Transferred to legal reserve		-	4 720 148	-	-	-	-	(4 720 148)	-
Increase in issued & paid-in capital	(16)	768 618 225	(768 618 225)	-	-	-	-	-	-
Other comprehensive income items		-	-	-	-	430 737	-	-	430 737
Profit for the period ended June 30, 2018		-	-	-	-	-	-	105 459 368	105 459 368
Balance as at June 30, 2018		3 843 091 115	773 338 368	158 271	1 922 267 818	1 005 304 205	(26 442 387)	389 640 438	7 915 656 260
Balance as at 31 December, 2016		3 074 472 890	1 523 711 250	158 271	1 922 267 818	1 103 179 715	(26 442 387)	1 983 941 137	9 596 738 673
Transferred to legal reserve		-	13 525 195	-	-	-	-	(13 525 195)	-
Dividends payout of 2016		-	-	-	-	-	-	(1 783 069 211)	(1 783 069 211)
Other comprehensive income items		-	-	-	-	(185 504 218)	-	-	(185 504 218)
Profit for the period ended June 30, 2017		-	-	-	-	-	-	215 205 228	215 205 228
Balance as at June 30, 2017		3 074 472 890	1 537 236 445	158 271	1 922 267 818	917 675 497	(26 442 387)	402 551 959	7 843 370 472

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

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Separate statement of cash flows

	Note no.	For the period ended 30/6/2018	For the period ended 30/6/2017
<i>(in EGP)</i>			
Cash flows from operating activities			
Profit before income tax		129 361 023	274 390 042
Adjustments for :			
Fixed assets depreciation		4 444 811	5 045 827
Gains on sale of fixed assets		(8 891 162)	(566 854)
Gains on sale of investment property		(5 296 959)	-
Investment property depreciation		3 152 797	4 880 796
Intangible assets amortization		251 514	-
Claims provisions used		(15 000 000)	(825 614)
Gains on sale / redemptions of investments in subsidiaries		(108 713 425)	-
Net changes in the fair value of investments at fair value through profit and loss		(4 509 471)	(4 251 151)
Gains on sale of available -for- sale investments		(66 778 979)	(168 551 437)
Foreign currencies exchange differences		(18 980 645)	(7 361 468)
		<u>(90 960 496)</u>	<u>102 760 141</u>
Change in			
Investments at fair value through profit and loss		216 138 961	280 984 889
Treasury bills		-	204 920 797
Due from subsidiaries		1 983 771 233	(3 309 558 696)
Other debit balances		172 086 985	(90 446 495)
Due to subsidiaries		(1 555 214 908)	4 436 357 207
Current tax liability		-	4 310 642
Creditors and other credit balances		(79 239 504)	(171 182 621)
Income tax paid		(140 052 663)	-
Net cash provided from operating activities		<u>506 529 608</u>	<u>1 458 145 864</u>
Cash flows from investing activities			
Payments to purchase fixed assets		(14 171 996)	(3 514 650)
Proceeds from sale of fixed assets		1 790 400	698 000
Payments to purchase intangible assets		(3 230 857)	-
Payments for loans to subsidiaries		(8 945 000)	(200 000 000)
Proceeds from loans to subsidiaries		83 945 000	70 000 000
Payments to purchase available -for- sale investments		-	(6 068 469)
Proceeds from sale of available -for- sale investments		162 783 241	-
Payments to purchase investments in subsidiaries		(411 485 100)	(9 187 500)
Proceeds from sale (liquidation) of investments in subsidiaries		6 813 225	-
Net cash used in investing activities		<u>(182 501 087)</u>	<u>(148 072 619)</u>
Cash flows from financing activities			
Dividends payout		(67 536 493)	-
Payments to long term loans		-	(16 680 000)
Proceeds from short term loans		231 286 699	-
Net cash provided from (used in) financing activities		<u>163 750 206</u>	<u>(16 680 000)</u>
Net change in cash and cash equivalents during the period		487 778 727	1 293 393 245
Cash and cash equivalents at the beginning of the period	(20)	332 153 339	1 532 198 019
Cash and cash equivalents at the end of the period	(20)	<u>819 932 066</u>	<u>2 825 591 264</u>

Non-cash transactions:

- An amount of EGP 141 440 000 has been eliminated from both payments to purchase investments in subsidiaries and due from subsidiaries represents the Holding Company increase of its investments in EFG-Hermes IB Limited during the period.
- An amount of EGP 214 680 000 has been eliminated from both proceeds from sale of investments in subsidiaries and due from subsidiaries represents the Holding Company decrease of its investment in EFG - Hermes IB Limited.
- An amount of EGP 590 330 000 has been eliminated from both payments to purchase investments in subsidiaries and due from subsidiaries represents the Holding Company increase of its investment in EFG Finance Holding.
- An amount of EGP 768 618 225 has been eliminated from the increase of paid-in capital as the capital has been increased from the legal reserve.

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

EFG- Hermes Holding Company

(Egyptian Joint Stock Company)

Notes to the separate interim financial statements

for the period ended June 30, 2018

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

1- Description of business

1-1 Legal status

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

1-2 Purpose of the company

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

2- Basis of preparation

2-1 Statement of compliance

- These financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on August 14, 2018.

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

	30/6/2018	31/12/2017
Cash on hand	826 758	351 393
Banks - current accounts	400 986 005	170 185 089
Banks - time deposits	443 114 622	357 660 505
	<hr/>	<hr/>
Balance	844 927 385	528 196 987
	=====	=====

4- Investments at fair value through profit and loss

	30/6/2018	31/12/2017
Mutual fund certificates	168 997 636	380 838 017
Equity securities	824 119	616 089
	<hr/>	<hr/>
Balance	169 821 755	381 454 106
	=====	=====

5- Due from subsidiaries & related parties

	30/6/2018	31/12/2017
EFG- Hermes Advisory Inc.	565 418 104	1 035 890 480
Flemming CIIC Holding	1 663 546	1 320 030
EFG- Hermes IB Limited	1 212 175 326	3 474 521 051
EFG- Hermes Oman LLC	2 351 462	7 062 708
EFG- Hermes IFA Financial Brokerage	888 652	3 802 889
EFG- Hermes Promoting & Underwriting	267 724 296	216 328 720
EFG- Hermes KSA	40 609 355	56 515 440
Egyptian Fund Management Group	86 783 533	50 530 650
Bayonne Enterprises Ltd.	16 231 427	16 038 594
EFG- Hermes Holding – Lebanon	2 309 857	2 291 781
EFG- Hermes Direct Investment Fund	1 087 801	1 079 289
EFG- Hermes Leasing	23 811 023	5 011 039
Beaufort Investments Company	1 568 114	1 310 782
EFG- Hermes Private Equity	--	27 697 504
EFG- Hermes USA	412 008	17 605 246
EFG- Hermes Jordan	1 111 898	784 733
EFG- Hermes Mena Securities Ltd.	--	73 836
EFG – Hermes Frontier Holdings LLC	357 391 644	136 088 159
EFG- Hermes UAE Ltd.	592 212 255	11 449 603
EFG- Hermes Brokerage – UAE LLC.	4 592 954	1 236 526
OLT Investment International S.A.B	2 719 380	653 570
EFG Finance Holding S.A.E	--	613 286 450
EFG SP Ltd.	--	1 575 533
Beaufort Asset Management Company	171 151	89 385
Flemming Mansour Securities	61 152	--
Flemming CIIC Securities	61 152	--
Tanmeyah Micro Enterprise Services S.A.E	26 675	--
Balance	<u>3 181 382 765</u>	<u>5 682 243 998</u>
	=====	=====

6- Other debit balances

	30/6/2018	31/12/2017
Accrued revenues	426 701	5 852 498
Taxes withheld by others	881 021	24 679 220
Deposits with others	1 095 827	1 095 827
Prepaid expenses	22 361 503	9 881 100
Employees advances	1 802 776	901 517
Down payments to suppliers	9 294 325	10 347 994
Sundry debtors	546 245	1 180 849
Down payments- leased assets (Note no. 26)	62 639 367	241 828 000
Balance	<u>99 047 765</u>	<u>295 767 005</u>
	=====	=====

7- Due to subsidiaries & related parties

	30/6/2018	31/12/2017
Arab Visual Company	1 250 500	1 250 500
Hermes Corporate Finance Co.	9 598 413	9 790 782
EFG- Hermes Fixed Income	6 456 577	6 623 808
EFG- Hermes Mutual Funds	9 827 997	9 860 572
EFG- Hermes Management	45 659	174 052
EFG- Hermes Regional Investments Ltd.	287 820 651	286 363 116
EFG- Hermes Syria LLC	7 912 165	7 912 165
Egyptian Portfolio Management Group	52 571 537	68 254 909
EFG- Hermes – Lebanon – S.A.L.	99 165 403	98 389 374
Hermes Fund Management	22 395 801	26 403 981
Hermes Securities Brokerage	268 755 225	239 796 899
EFG- Hermes Financial Management (Egypt) Ltd.	754 496 526	514 797 499
Financial Brokerage Group	4 420 661	31 722 255
Tanmeyah Micro Enterprise Services S.A.E	--	24 503
EFG- Hermes Global CB Holding Limited	21 930 843	1 968 919 144
EFG-Hermes SB Limited	55 102 889	--
EFG Finance Holding	28 680 664	--
EFG- Hermes Private Equity	33 625 491	--
EFG - Hermes Mena Securities Ltd.	35 798 738	--
Balance	<u>1 699 855 740</u>	<u>3 270 283 559</u>
	=====	=====

8- Creditors and other credit balances

	30/6/2018	31/12/2017
Social Insurance Authority	396 197	367 231
Accrued expenses	45 670 880	178 298 216
Clients coupons - custody activity	10 402 362	9 686 372
Deferred capital gains (Note no. 26)	196 266 006	165 842 978
Unearned revenues (Note no. 26)	20 519 434	10 671 355
Dividends payable prior years	16 800 909	84 337 402
Sundry credit balances	2 558 551	3 164 806
Tax Authority	1 653 343	1 560 333
	<hr/>	<hr/>
Balance	294 267 682	453 928 693
	=====	=====

9- Claims provision

	30/6/2018	31/12/2017
Balance at the beginning of the period / year	123 000 000	114 584 000
Amounts formed during the period / year	--	9 241 614
Amounts used during the period / year	(15 000 000)	(825 614)
	<hr/>	<hr/>
Balance at the end of the period / year	108 000 000	123 000 000
	=====	=====

10- Loans to subsidiaries

Company's name	Currency	Loan value	Loan date	Maturity date	30/6/2018	31/12/2017
Hermes Securities Brokerage	EGP	150 million	2/1/2017	1/1/2019	--	25 000 000
”	”	50 million	11/12/2017	20/12/2020	--	50 000 000
EFG- Hermes Jordan	US\$	500 thousand	1/3/2018	28/2/2020	8 945 000	8 875 000
Total					<hr/>	<hr/>
					8 945 000	83 875 000
Current portion of loans to subsidiaries					<hr/>	<hr/>
					--	(8 875 000)
Balance					<hr/>	<hr/>
					8 945 000	75 000 000

11- Available -for- sale investments

	30/6/2018	31/12/2017
Equity securities	207 389 004	304 603 666
Mutual fund certificates	1 620 516 314	1 618 120 277
Balance	<u>1 827 905 318</u>	<u>1 922 723 943</u>
	=====	=====
Available -for- sale investments are represented in the following:		
Quoted investments	312 372 989	408 885 633
Non- quoted investments	1 515 532 329	1 513 838 310
	<u>1 827 905 318</u>	<u>1 922 723 943</u>
	=====	=====

12- Investment property

	Buildings
Balance as at 1/1/2018	157 639 818
Total cost as at 30/6/2018	<u>157 639 818</u>
Accumulated depreciation as at 1/1/2018	12 611 185
Depreciation for the period	3 152 797
Accumulated depreciation as at 30/6/2018	<u>15 763 982</u>
Net carrying amount as at 30/6/2018	<u>141 875 836</u>
Net carrying amount as at 31/12/2017	<u>145 028 633</u>
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Investment property amounted EGP 141 875 836 as at 30 June 2018, represents the book value of the area owned by EFG – Hermes Holding Company in Nile City building.

13- Investments in subsidiaries

Company's name	Nationality	Share percentage %	Currency of payment	Carrying amount	
				30/6/2018	31/12/2017
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\$	750 510 000	464 270 000
EFG- Hermes Holding Lebanon – S.A.L.	Lebanon	99	US\$	153 713	153 713
EFG- Hermes – KSA	Saudi	73.1	US\$	94 901 158	94 901 158
EFG- Hermes – Lebanon – S.A.L.	Lebanon	99	US\$	27 564 787	27 564 787
EFG- Hermes Regional Investments Ltd. **	Cayman Islands	100	US\$	318 141 304	318 141 304
EFG- Hermes Jordan	Jordanian	100	US\$	33 610 631	33 610 631
EFG- Hermes Investment Funds Co.	Egyptian	99.998	EGP	--	6 399 800
EFG- Hermes Global CB Holding Limited *	Cayman Islands	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-Direct Investment Fund	Egyptian	64	EGP	640 000	640 000
EFG- Hermes IB Limited	Cayman Islands	100	US\$	921 560 008	886 500 008
EFG - Hermes Frontier Holdings LLC	Emirates	100	US\$	13 740 750	13 740 750
EFG – Hermes USA	American	100	US\$	54 782 600	26 537 500
EFG Finance Holding S.A.E	Egyptian	99	EGP	717 030 000	29 700 000
OLT Investment International S.A.B	Bahrain	99.9	BHD	47 818 858	47 818 858
				<u>4 254 337 204</u>	<u>3 223 861 904</u>
Impairment of investments in subsidiaries***				(4 427 233)	(4 427 233)
Balance				<u>4 249 909 971</u>	<u>3 219 434 671</u>

- * 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, during 2016 the company approved to proceed with all necessary steps to sell 9 408 749 shares (Phase I) represent approximately 40% of its indirect subsidiary Credit Libanais Bank S.A.L. (total Bank shares 23 400 000) at US\$ 33 per share (prior to payment of associated fees) to a consortium of Lebanese and Arab Investors. This sale process is subject to some conditions precedent, including the approval of the Central Bank of Lebanon. The company agreed with Credit Libanais Investment Bank S.A.L. (“CLIB”), a wholly owned subsidiary of Credit Libanais, to sell 5 506 134 shares represent the remaining stake of the bank on best effort basis at the same price (Phase II).

During 2016 the company sold 9 408 749 shares from (Phase I) and 1 976 065 shares from (Phase II) and during 2017 the company sold 1 316 308 shares and 30 304 shares during 2018, accordingly the company sold 12 731 426 shares till 30 June 2018 represent approximately 85.361% from it's stake on Credit Libanais Bank S.A.L, as a result the company owns approximately 9.331% indirect stake on the bank at 31 December 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 Co. is a subsidiary.
- Investments in subsidiaries are represented in non - quoted investments.

EFG - Hermes Holding Company
Notes to the separate interim financial statements
for the period ended 30/6/2018 (Cont'd)
(In the notes all amounts are shown in EGP unless otherwise stated)

14- Fixed assets

	Land*	Buildings*	Office furniture & equipment	Computer equipment	Vehicles & transportation means	Fixtures	Total
Cost							
Balance as at 1/1/2018	--	--	23 951 261	61 517 927	9 062 935	4 202 747	98 734 870
Additions during the period	--	--	1 408 088	9 333 681	2 900 000	530 227	14 171 996
Disposals during the period	--	--	--	(29 320)	(1 528 912)	--	(1 558 232)
Total cost as at 30/6/2018	--	--	25 359 349	70 822 288	10 434 023	4 732 974	111 348 634
Balance as at 1/1/2017	12 597 100	154 159 871	19 331 584	52 403 267	9 697 491	4 202 747	252 392 060
Additions during the period	--	--	1 786 221	4 661 990	--	--	6 448 211
Disposals during the period	--	--	--	--	(634 556)	--	(634 556)
Total cost as at 30/6/2017	12 597 100	154 159 871	21 117 805	57 065 257	9 062 935	4 202 747	258 205 715
Accumulated depreciation							
Accumulated depreciation as at 1/1/2018	--	--	19 525 423	44 193 897	5 924 053	4 174 037	73 817 410
Depreciation during the period	--	--	571 608	3 194 142	646 073	32 988	4 444 811
Disposals accumulated depreciation	--	--	--	(29 321)	(738 911)	--	(768 232)
Accumulated depreciation as at 30/6/2018	--	--	20 097 031	47 358 718	5 831 215	4 207 025	77 493 989
Accumulated depreciation as at 1/1/2017	--	29 953 502	19 054 693	39 751 099	5 265 526	4 162 153	98 186 973
Depreciation during the period	--	2 312 397	100 932	2 040 691	585 865	5 942	5 045 827
Disposals accumulated depreciation	--	--	--	--	(503 410)	--	(503 410)
Accumulated depreciation as at 30/6/2017	--	32 265 899	19 155 625	41 791 790	5 347 981	4 168 095	102 729 390
Net book value							
Net book value as at 30/6/2018	--	--	5 262 318	23 463 570	4 602 808	525 949	33 854 645
Net book value as at 30/6/2017	12 597 100	121 893 972	1 962 180	15 273 467	3 714 954	34 652	155 476 325
Net book value as at 31/12/2017	--	--	4 425 838	17 324 030	3 138 882	28 710	24 917 460

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

15- Intangible assets

	Intangible assets
Balance as at 1/1/2018	--
Additions during the period	3 230 857
	<hr/>
Total cost as at 30/6/2018	3 230 857
	<hr/>
Amortization during the period	251 514
	<hr/>
Accumulated amortization as at 30/6/2018	251 514
	<hr/>
Net book value as at 30/6/2018	2 979 343
	<hr/> <hr/>

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

16- Share capital

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

17- Contingent liabilities & commitments

The Company guarantees its subsidiaries – Financial Brokerage Group, Hermes Securities Brokerage, EFG- Hermes Jordan and EFG- Hermes Oman LLC – against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the Letters of Guarantee granted from banks amounting to AED 118 670 000 (equivalent to EGP 577 982 235).

18- Dividend income

	2018		2017	
	For the period from 1/4/2018 to 30/6/2018	For the period from 1/1/2018 to 30/6/2018	For the period from 1/4/2017 to 30/6/2017	For the period from 1/1/2017 to 30/6/2017
Income from available - for- sale investments	8 562 828	13 092 185	6 478 644	11 269 365
Total	8 562 828	13 092 185	6 478 644	11 269 365

19- General administrative expenses

	2018		2017	
	For the period from 1/4/2018 to 30/6/2018	For the period from 1/1/2018 to 30/6/2018	For the period from 1/4/2017 to 30/6/2017	For the period from 1/1/2017 to 30/6/2017
Wages , salaries and similar items	29 117 343	51 417 300	25 596 420	51 050 565
Consultancy	1 150 166	1 910 296	1 708 672	2 970 940
Travel , accommodation and transportation	3 468 805	5 272 213	2 685 477	4 047 591
Leased line and communication	5 463 225	8 680 809	1 830 975	3 743 600
Rent and utilities expenses	25 294 113	35 103 709	2 808 632	4 851 197
Other expenses	15 415 729	28 034 779	13 997 740	23 930 666
Total	79 909 381	130 419 106	48 627 916	90 594 559

20- 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 30/6/2018	For the year ended 31/12/2017
Cash and cash equivalents as presented in the statement of financial position	844 927 385	528 196 987
Banks overdraft	(24 995 319)	(199 999 990)
Effect of exchange rate changes	--	3 956 342
Cash and cash equivalents (adjusted)	819 932 066	332 153 339

21- Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	30/6/2018	31/12/2017
	Liabilities	Liabilities
(A) Deferred tax		
Fixed assets' (depreciation)	3 529 266	2 138 244
Investment property (depreciation)	--	1 287 526
Foreign currencies exchange differences	(4 450 006)	(8 720 651)
Investment property (revaluation reserve)	(1 867 147)	(1 867 147)
Deferred capital gains	8 321 080	8 978 008
Net deferred tax liabilities	<u>5 533 193</u>	<u>1 815 980</u>
	=====	=====
(B) Deferred tax recognized directly in equity		
	30/6/2018	31/12/2017
Changes in the fair value of cash flow hedges *	(6 612 597)	(6 612 597)
Fair value of available-for-sale investments **	267 216 175	266 461 267
	<u>260 603 578</u>	<u>259 848 670</u>
Balance	<u>266 136 771</u>	<u>261 664 650</u>
	=====	=====

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

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

22- Short term loans

Short term loans represents in the loan granted to the Company from one of the banks, according to the contract dated on May 23, 2018, the loan amount to be fully paid till April 29, 2019.

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

	2018		2017	
	For the period from 1/4/2018 to 30/6/2018	For the period from 1/1/2018 to 30/6/2018	For the period from 1/4/2017 to 30/6/2017	For the period from 1/1/2017 to 30/6/2017
Investments in subsidiaries	108 300 000	108 713 425	(23 806 197)	(23 806 197)
Investments at fair value through profit and loss	942 792	4 266 959	6 688 632	7 874 829
Available - for- sale investments	--	66 778 979	7 656 391	176 207 828
Treasury bills	--	--	(138 818)	(803 948)
Total	<u>109 242 792</u>	<u>179 759 363</u>	<u>(9 599 992)</u>	<u>159 472 512</u>
	=====	=====	=====	=====

24- Earnings per share

	2018		2017	
	For the period from 1/4/2018 to 30/6/2018	For the period from 1/1/2018 to 30/6/2018	For the period from 1/4/2017 to 30/6/2017	For the period from 1/1/2017 to 30/6/2017
Profit for the period	71 711 625	105 459 368	8 049 612	215 205 228
Weighted average number of shares	<u>768 618 223</u>	<u>768 618 223</u>	<u>768 618 223</u>	<u>768 618 223</u>
Earnings per share	<u>0.09</u>	<u>0.14</u>	<u>0.01</u>	<u>0.28</u>
	=====	=====	=====	=====

25- Tax status

- As to Income Tax, the years till 2016 the competent Tax Inspectorate inspected the parent company's books and all the disputed points have been settled with the Internal Committee. As to year 2017, according to tax form of tax law no. 91 of 2005 the company has submitted the tax returns.
- As to Salaries Tax, the parent company's books had been examined till 2008 and all the disputed points have been settled with the Internal Committee and as to years

- 2009 / 2012 the company's books had been examined and the settlement procedures are currently taking place, and as to years 2013 / 2017 have not been inspected yet.
- As to Stamp Tax, the parent company's books had been examined from year 1998 till 2016 and all the disputed points have been settled with the competent Tax Inspectorate and as to year 2017 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 9 642 360 which represents the value of rental spaces for some affiliated companies.
- Interest income item presented in the income statement includes an amount of EGP 3 062 431 represent the interest on subordinated loan that granted from the Company to Hermes Securities Brokerage (a subsidiary – 97.58%).
- Loans to subsidiaries item as at June 30, 2018 presented in the statement of financial position represents in the loan granted to EFG- Hermes Jordan (a subsidiary – 100 %) with an amount 500 000 USD (equivalent to EGP 8 945 000) (Note no. 10).
- Creditors and other credit balances item includes an amount of EGP 12 856 480 represents the unearned revenues from the affiliated companies for rental of Group's headquarter owned by the Company (Note no. 8).
- On 19 April, 2018 the Company has entered into a sale and lease back contract on the entire company's smart village land and building with Emirates NBD Leasing Company and EFG-Hermes Leasing (a fully owned subsidiary). Creditors and other credit balances item (Note no. 8) includes the related deferred capital gains that will be amortized on 7 years ending on November 2024. Other debit balances item (Note no. 6) includes the related down payments - leased assets that will be also amortized on 7 years ending on November 2024.

27- Financial instruments and management of related risks:

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

27/1 Market risk

A. Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the Company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As at the financial position date the Company has assets and liabilities in foreign currencies equivalent to EGP 5 444 624 371 and EGP 1 496 961 855 respectively. The Company's net exposures in foreign currencies as at the financial position date are as follows:

	Surplus / (deficit)
USD	3 624 602 374
EURO	327 286 884
AED	8 972 922
GBP	(14 831 106)
CHF	1 678 189
SAR	(46 747)

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

B. Interest rate risk

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

C. Price risk

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

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

27/2 Credit risk

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

27/3 Liquidity risk

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

27/4 Capital risk

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

27/5 Financial instruments' fair value

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

27/6 Derivative financial instruments and hedge accounting

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

28- Significant accounting policies applied

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

28-1 Translation of the foreign currencies transactions

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

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

28-2 Property, plant and equipment

28-2-1 Recognition and measurement

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

28-2-2 Subsequent expenditure

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

28-2-3 Depreciation

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

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

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

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

28-2-4 Reclassification to investment property

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

28-2-5 Projects under construction

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

28-2-6 Intangible assets

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

28-3 Treasury bills

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

28-4 Investments

28-4-1 Investments at fair value through profit and loss

An instrument is classified as at fair value through income statement if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through income

statement if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in income statement when incurred. Financial instruments at fair value through income statement are measured at fair value, and changes therein are recognized in income statement.

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

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

28-4-3 Investments in subsidiaries

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

28-4-4 Investment property

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

28-5 Assets held for sale

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

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

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

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

28-6 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

28-6-2-3 Loans and receivables

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

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

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

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

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

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

28-6-4 Derivative financial instruments and hedge accounting

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

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

28-6-4-1 Cash flow hedges

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

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

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

28-7 Impairment

28-7-1 Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

Financial assets measured at amortized cost

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

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

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

Available-for-sale financial assets

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

Equity-accounted investees

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

28-7-2 Non-financial assets

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

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

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

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

28-8 Cash and cash equivalents

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

28-9 Interest-bearing borrowings

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

28-10 Provisions

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

28-11 Legal reserve

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

28-12 Share capital

28-12-1 Ordinary shares

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

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

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

28-13 Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted

for as trading instruments. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

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

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

Fair value hedges

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

28-14 Revenues

28-14-1 Gains (losses) on sale of investments

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

28-14-2 Dividend income

Dividend income is recognized when declared.

28-14-3 Custody fees

Custody fees are recognized when provide service and issue invoice.

28-14-4 Interest income

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

28-15 Expenses

28-15-1 Borrowing costs

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

28-15-2 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.

28-15-3 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.

28-16 Earnings per share

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

28-17 Profit sharing to employees

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