

EFG –Hermes Holding Company
(Egyptian Joint Stock Company)

Separate interim financial statements
for the period ended 31 March 2018
&
Review Report

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Review Report

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

Introduction

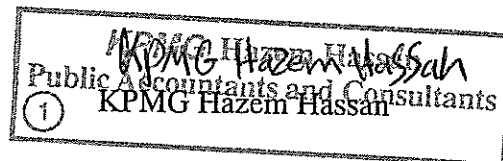
We have performed a limited review for the accompanying separate statement of financial position of EFG – Hermes Holding Company (Egyptian Joint Stock Company) as of 31 March, 2018 and the related separate statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly, in all material respects, the financial position of the Company as at 31 March, 2018 and of its financial performance and its separate cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

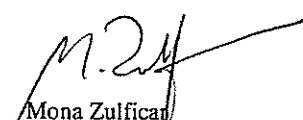


Cairo, May 14, 2018

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

<i>(in EGP)</i>	Note no.	31/3/2018	31/12/2017
Assets			
Non - current assets			
Loans to subsidiaries	(10,25)	78 830 000	75 000 000
Available -for- sale investments	(11)	1 853 177 941	1 922 723 943
Investment property	(12)	143 452 235	145 028 633
Investments in subsidiaries	(13)	3 372 271 071	3 219 434 671
Fixed assets	(14,25)	34 206 830	24 917 460
Intangible assets	(15)	3 044 296	-
Total non - current assets		<u>5 484 982 373</u>	<u>5 387 104 707</u>
Current assets			
Cash and cash equivalents	(3,20)	385 486 227	528 196 987
Investments at fair value through profit and loss	(4)	115 906 960	381 454 106
Due from subsidiaries & related parties	(5)	5 778 739 994	5 682 243 998
Other debit balances	(6,25)	298 955 023	295 767 005
Current portion of loans to subsidiaries	(10,25)	-	8 875 000
Total current assets		<u>6 579 088 204</u>	<u>6 896 537 096</u>
Total assets		<u>12 064 070 577</u>	<u>12 283 641 803</u>
Equity			
Issued & paid - in capital	(16)	3 074 472 890	3 074 472 890
Legal reserve		1 537 236 445	1 537 236 445
Other reserves		2 935 432 695	2 909 155 602
Retained earnings		322 648 961	288 901 218
Total equity		<u>7 869 790 991</u>	<u>7 809 766 155</u>
Liabilities			
Non - current liabilities			
Deferred tax liabilities	(21)	258 699 718	261 664 650
Total non - current liabilities		<u>258 699 718</u>	<u>261 664 650</u>
Current liabilities			
Banks' overdraft		99 995 213	199 999 990
Due to subsidiaries & related parties	(7)	3 303 650 963	3 270 283 559
Current tax liability		149 236 842	164 998 756
Creditors and other credit balances	(8,25)	274 696 850	453 928 693
Claims provision	(9)	108 000 000	123 000 000
Total current liabilities		<u>3 935 579 868</u>	<u>4 212 210 998</u>
Total liabilities		<u>4 194 279 586</u>	<u>4 473 875 648</u>
Total equity and liabilities		<u>12 064 070 577</u>	<u>12 283 641 803</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.


Mona Zulficar
Chairperson


Karim Awad
Group Chief Executive Officer

" Review report attached "

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

<i>(in EGP)</i>	Note no.	For the Period ended 31/3/2018	For the Period ended 31/3/2017
Revenues			
Dividend income	(18)	4 529 357	4 790 721
Custody activity income		4 109 023	4 111 510
Interest income	(25)	6 634 377	99 010 972
Net changes in the fair value of investments at fair value through profit and loss		3 319 007	2 356 459
Gains on sale / redemptions of investments	(22)	70 516 571	169 072 504
Gain on sale of fixed assets		4 601 554	566 854
Gain on sale of investment property	(25)	2 443 374	-
Other income	(25)	12 295 620	29 344 776
Total revenues		<u>108 448 883</u>	<u>309 253 796</u>
Expenses			
Finance cost		(2 575 455)	(14 019 730)
General administrative expenses	(19)	(50 509 725)	(41 966 643)
Foreign currency exchange differences	(27-1)	(11 865 166)	17 659 942
Fixed asset's depreciation	(14)	(1 989 324)	(2 457 854)
Investment property depreciation	(12)	(1 576 398)	(2 440 398)
Intangible aseets amortization	(15)	(93 087)	-
Total expenses		<u>(68 609 155)</u>	<u>(43 224 683)</u>
Profit before income tax		39 839 728	266 029 113
Current income tax		(9 238 086)	(54 609 867)
Deferred tax	(21)	3 146 101	(4 263 630)
Profit for the period		<u>33 747 743</u>	<u>207 155 616</u>
Earnings per share	(23)	<u>0.05</u>	<u>0.34</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 statement of comprehensive income

<i>(in EGP)</i>	For the Period ended 31/3/2018	For the Period ended 31/3/2017
Profit for the period	33 747 743	207 155 616
Other comprehensive income:		
Available -for- sale - net change in fair value	26 458 261	(343 192 352)
Tax related to comprehensive income items	<u>(181 168)</u>	<u>71 205 768</u>
Other comprehensive income, net of tax	<u>26 277 093</u>	<u>(271 986 584)</u>
Total comprehensive income	<u><u>60 024 836</u></u>	<u><u>(64 830 968)</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 statement of changes in equity for the period ended 31 March 2018

	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	8 298 432	(26 442 387)	288 901 218	7 809 766 155
Other comprehensive income items	-	-	-	-	26 277 093	-	-	-	26 277 093
Profit for the period ended March 31, 2018	-	-	-	-	-	-	-	33 747 743	33 747 743
Balance as at March 31, 2018	3 074 472 890	1 537 236 445	158 271	1 922 267 818	1 031 150 561	8 298 432	(26 442 387)	322 648 961	7 869 790 991
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 statement of cash flows

	Note no.	For the Period ended 31/3/2018	For the Period ended 31/3/2017
<i>(in EGP)</i>			
Cash flows from operating activities			
Profit before tax		39 839 728	266 029 113
Adjustments for :			
Fixed assets depreciation		1 989 324	2 457 854
Gains from sale of fixed assets		(4 601 554)	(566 854)
Gain on sale of investment property		(2 443 374)	-
Investment property depreciation		1 576 398	2 440 398
Intangible assets amortization		93 087	-
Claims provisions used		(15 000 000)	(825 614)
Gains on sale / redemption of investments in subsidiaries		(413 425)	-
Net changes in the fair value of investments at fair value through profit and loss		(3 319 007)	(2 356 459)
Gains on sale of available -for- sale investments		(66 778 979)	(168 551 437)
Foreign currencies exchange differences		11 865 166	(17 659 942)
		<u>(37 192 636)</u>	<u>80 967 059</u>
Change in			
Investments at fair value through profit and loss		268 871 282	280 984 889
Treasury bills		-	204 920 797
Due from subsidiaries		(264 187 496)	(3 309 558 696)
Other debit balances		(3 157 589)	(90 446 495)
Due to subsidiaries		49 132 523	4 436 357 207
Current tax liability		-	4 310 642
Creditors and other credit balances		(105 500 404)	(171 182 621)
Income tax Paid		(25 000 000)	-
Net cash (used in) provided from operating activities		<u>(117 034 320)</u>	<u>1 436 352 782</u>
Cash flows from investing activities			
Payments to purchase fixed assets		(12 068 694)	(3 514 650)
Proceeds from sale of fixed assets		1 767 500	698 000
Payments to purchase intangible aseets		(3 137 383)	-
Payments for loans to subsidiaries		(120 000 000)	(200 000 000)
Proceeds from loans to subsidiaries		125 000 000	70 000 000
Payments to purchase available -for- sale investments		-	(6 068 469)
Proceeds from sale of available -for- sale investments		162 783 242	-
Payments to purchase investments in subsidiaries		(17 796 200)	(9 187 500)
Proceeds from sale (liquidation) of investments in subsidiaries		6 813 225	-
Net cash provided from (used in) investing activities		<u>143 361 690</u>	<u>(148 072 619)</u>
Cash flows from financing activities			
Dividends payout		(67 506 493)	-
Payments to long term loans		-	(16 680 000)
Net cash used in financing activities		<u>(67 506 493)</u>	<u>(16 680 000)</u>
Net change in cash and cash equivalents during the period		(41 179 123)	1 271 600 163
Cash and cash equivalents at the beginning of the period	(20)	<u>326 670 137</u>	<u>1 532 198 019</u>
Cash and cash equivalents at the end of the period	(20)	<u>285 491 014</u>	<u>2 803 798 182</u>

Non cash transactions:

- An amount of EGP 6 067 428 has been eliminated from both creditors and other credit balances and investment property represents the amount of deferred capital gain resulting from sale of fixed assets .
- 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 its investment in EFG - Hermes IB Limited.

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, 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 13 May , 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

	31/3/2018	31/12/2017
Cash on hand	1 110 980	351 393
Banks - current accounts	188 739 481	170 185 089
Banks - time deposits	195 635 766	357 660 505
	<hr/>	<hr/>
Balance	385 486 227	528 196 987
	=====	=====

4- Investments at fair value through profit and loss

	31/3/2018	31/12/2017
Mutual fund certificates	115 084 798	380 838 017
Equity securities	822 162	616 089
	<hr/>	<hr/>
Balance	115 906 960	381 454 106
	=====	=====

5- Due from subsidiaries & related parties

	31/3/2018	31/12/2017
EFG- Hermes Advisory Inc.	1 092 127 440	1 035 890 480
Flemming CIIC Holding *	26 523 716	26 348 053
EFG- Hermes IB Limited	3 121 752 723	3 474 521 051
EFG- Hermes Oman LLC	2 064 921	7 062 708
EFG- Hermes IFA Financial Brokerage	5 325 863	3 802 889
EFG- Hermes Promoting & Underwriting	275 341 255	216 328 720
EFG- Hermes KSA	39 574 127	56 515 440
Egyptian Fund Management Group *	131 819 804	107 612 476
Bayonne Enterprises Ltd.	16 233 186	16 038 594
EFG- Hermes Holding – Lebanon	2 280 160	2 291 781
EFG- Hermes Direct Investment Fund	1 073 816	1 079 289
EFG- Hermes Leasing	19 479 588	5 011 039
Beaufort Investments Company	1 550 205	1 310 782
EFG- Hermes Private Equity	--	27 697 504
EFG- Hermes USA	9 877 543	17 605 246
EFG- Hermes Jordan	1 026 356	784 733
EFG- Hermes Mena Securities Ltd.	282 500 653	73 836
EFG – Hermes Frontier Holdings LLC	230 156 100	136 088 159
EFG- Hermes UAE Ltd	49 063 804	11 449 603
EFG- Hermes Brokerage – UAE LLC.	3 169 302	1 236 526
OLT Investment International S.A.B	2 173 355	653 570
EFG Finance Holding S.A.E	547 483 301	613 286 450
EFG SP Ltd	--	1 575 533
Beaufort Asset Management Company	122 926	89 385
Flemming Mansour Securities	61 152	--
Flemming CIIC Securities	61 152	--
Tanmeyah Micro Enterprise Services S.A.E	7 395	--
	<hr/>	<hr/>
	5 860 849 843	5 764 353 847
Accumulated impairment*	(82 109 849)	(82 109 849)
	<hr/>	<hr/>
Balance	5 778 739 994	5 682 243 998
	=====	=====

6- Other debit balances

	31/3/2018	31/12/2017
Accrued revenues	546 356	5 852 498
Taxes withheld by others	25 065 572	24 679 220
Deposits with others	1 095 827	1 095 827
Prepaid expenses	10 682 250	9 881 100
Employees advances	1 647 742	901 517
Down payments to suppliers	7 111 043	10 347 994
Payments for investments *	10 419 400	--
Sundry debtors	558 833	1 180 849
Receivables- sales on fixed assets and investment property (Note no. 25)	241 828 000	241 828 000
Balance	<u>298 955 023</u>	<u>295 767 005</u>
	=====	=====

* Payments for investments are represented in the following:

	31/3/2018	31/12/2017
EFG – Hermes USA	10 419 400	--
Balance	<u>10 419 400</u>	<u>--</u>
	=====	=====

7- Due to subsidiaries & related parties

	31/3/2018	31/12/2017
Arab Visual Company	1 250 500	1 250 500
Hermes Corporate Finance Co.	9 623 645	9 790 782
EFG- Hermes Fixed Income	6 478 865	6 623 808
EFG- Hermes Mutual Funds	9 841 197	9 860 572
EFG- Hermes Management	65 381	174 052
EFG- Hermes Regional Investments Ltd.	285 313 530	286 363 116
EFG- Hermes Syria LLC	7 912 165	7 912 165
Egyptian Portfolio Management Group	60 240 201	68 254 909
EFG- Hermes – Lebanon – S.A.L.	97 890 498	98 389 374
Hermes Fund Management	19 288 825	26 403 981
Hermes Securities Brokerage	215 039 611	239 796 899
EFG- Hermes Financial Management (Egypt) Ltd.	538 289 215	514 797 499
Financial Brokerage Group	2 185 719	31 722 255
Tanmeyah Micro Enterprise Services S.A.E	--	24 503
EFG- Hermes Global CB Holding Limited	1 958 760 528	1 968 919 144
EFG- Hermes Private Equity	36 737 773	--
EFG-Hermes SB Limited	54 733 310	--
Balance	<u>3 303 650 963</u>	<u>3 270 283 559</u>
	=====	=====

8- Creditors and other credit balances

	31/3/2018	31/12/2017
Social Insurance Authority	389 557	367 231
Accrued expenses	42 304 613	178 298 216
Clients coupons - custody activity	9 344 395	9 686 372
Deferred Capital gain (Note no. 25)	159 775 551	165 842 978
Unearned revenues (Note no. 25)	17 677 660	10 671 355
Dividends payable prior years	16 830 909	84 337 402
Sundry credit balances	2 127 675	3 164 806
Tax Authority	26 246 490	1 560 333
	<hr/>	<hr/>
Balance	274 696 850	453 928 693
	=====	=====

9- Claims provision

	31/3/2018	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	31/3/2018	31/12/2017
Hermes Securities Brokerage	EGP	150 million	2/1/2017	1/1/2019	--	25 000 000
”	”	50 million	11/12/2017	10/12/2020	--	50 000 000
”	”	70 million	18/3/2018	18/3/2022	70 000 000	--
EFG- Hermes Jordan	US\$	500 thousand	1/3/2016	28/2/2018	8 830 000	8 875 000
Total					<hr/>	<hr/>
					78 830 000	83 875 000
Current portion of loans to subsidiaries					<hr/>	<hr/>
					--	(8 875 000)
Balance					<hr/>	<hr/>
					78 830 000	75 000 000

11- Available -for- sale investments

	31/3/2018	31/12/2017
Equity securities	235 211 151	304 603 666
Mutual fund certificates	1 617 966 790	1 618 120 277
	<hr/>	<hr/>
Balance	1 853 177 941	1 922 723 943
	<hr/> <hr/>	<hr/> <hr/>
Available -for- sale investments are represented in the following:		
Quoted investments	337 545 238	408 885 633
Non- quoted investments	1 515 632 703	1 513 838 310
	<hr/>	<hr/>
	1 853 177 941	1 922 723 943
	<hr/> <hr/>	<hr/> <hr/>

12- Investment property

	Buildings
Balance as at 1/1/2018	157 639 818
	<hr/>
Total cost as at 31/3/2018	157 639 818
	<hr/>
Accumulated depreciation as at 1/1/2018	12 611 185
Depreciation for the period	1 576 398
	<hr/>
Accumulated depreciation as at 31/3/2018	14 187 583
	<hr/>
Net carrying amount as at 31/3/2018	143 452 235
	<hr/> <hr/>
Net carrying amount as at 31/12/2017	145 028 633
	<hr/> <hr/>

Investment property amounted EGP 143 452 235 as at 31 March 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 %	The currency of payment	Carrying amount	
				31/3/2018	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\$	464 270 000	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 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-Direct Investment Fund	Egyptian	64	EGP	640 000	640 000
EFG- Hermes IB Limited	Cayman Island	100	US\$	1 027 940 008	886 500 008
EFG - Hermes Frontier Holdings LLC	Emirates	100	US\$	13 740 750	13 740 750
EFG – Hermes USA	American	100	US\$	44 333 700	26 537 500
EFG Finance Holding S.A.E	Egyptian	99	EGP	29 700 000	29 700 000
OLT Investment International S.A.B	Bahrain	99.9	BHD	47 818 858	47 818 858
				<u>3 376 698 304</u>	<u>3 223 861 904</u>
Impairment of investments in subsidiaries***				(4 427 233)	(4 427 233)
Balance				<u>3 372 271 071</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. The company approved to proceed with all necessary steps to sell 9 408 749 shares (Phase I) represent approximately 40% of its indirect subsidiary Credit Libanais Bank S.A.L. (total Bank shares 23 400 000) at US\$ 33 per share (prior to payment of associated fees) to a consortium of Lebanese and Arab Investors. This sale process is subject to some conditions precedent, including the approval of the Central Bank of Lebanon. The company agreed with Credit Libanais Investment Bank S.A.L. (“CLIB”), a wholly owned subsidiary of Credit Libanais, to sell 5 506 134 shares represent the remaining stake of the bank on best effort basis at the same price (Phase II). During 2016 the company sold 9 408 749 shares from (Phase I) and 1 976 065 shares from (Phase II) and during 2017 the company sold 1 316 308 shares accordingly the company sold 12 701 122 shares till 31 December 2018 represent approximately 85.157% from it's stake on Credit Libanais Bank S.A.L, as a result the company owns approximately 9.4605% indirect stake on the bank at 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 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 31/3/2018 (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	--	--	1 001 776	7 802 743	2 900 000	364 175	12 068 694
Disposals during the period	--	--	--	--	(1 528 911)	--	(1 528 911)
Total cost as at 31/3/2018	--	--	24 953 037	69 320 670	10 434 024	4 566 922	109 274 653
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							
Accumulated depreciation as at 1/1/2018	--	--	19 525 423	44 193 897	5 924 053	4 174 037	73 817 410
Depreciation during the period	--	--	262 116	1 430 131	288 037	9 040	1 989 324
Disposals accumulated depreciation	--	--	--	--	(738 911)	--	(738 911)
Accumulated depreciation as at 31/3/2018	--	--	19 787 539	45 624 028	5 473 179	4 183 077	75 067 823
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							
Net book value as at 31/3/2018	--	--	5 165 498	23 696 642	4 960 845	383 845	34 206 830
Net book value as at 31/3/2017	12 597 100	123 050 170	310 985	15 131 868	4 002 991	37 623	155 130 737
Net book value as at 31/12/2017	--	--	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. (25)

15- Intangible assets

	Licenses	Total
Additions during the period	3 137 383	3 137 383
	<hr/>	<hr/>
Total cost as at 31/3/2018	3 137 383	3 137 383
	<hr/>	<hr/>
Amortization during the period	93 087	93 087
	<hr/>	<hr/>
Accumulated amortization as at 31/3/2018	93 087	93 087
	<hr/>	<hr/>
Net book value as at 31/3/2018	3 044 296	3 044 296
	<hr/> <hr/>	<hr/> <hr/>

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 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 financed from the company legal reserve that presented in December 31, 2017 financial statements. The required procedures are under process 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 570 589 094).

18- Dividend income

	For the period ended 31/3/2018	For the period ended 31/3/2017
Income from available - for- sale investments	4 529 357	4 790 721
Total	<u>4 529 357</u> =====	<u>4 790 721</u> =====

19- General administrative expenses

	For the period ended 31/3/2018	For the period ended 31/3/2017
Wages , salaries and similar items	22 299 957	25 454 145
Consultancy	760 130	1 262 268
Travel , accommodation and transportation	1 803 408	1 362 114
Leased line and communication	3 217 584	1 912 625
Rent and utilities expenses	9 809 596	2 042 565
Other expenses	12 619 050	9 932 926
Total	<u>50 509 725</u> =====	<u>41 966 643</u> =====

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 31/3/2018	For the year ended 31/12/2017
Cash and cash equivalents as presented in the statement of financial position	385 486 227	528 196 987
Banks overdraft	(99 995 213)	(199 999 990)
Effect of exchange rate changes	--	(1 526 860)
Cash and cash equivalents (adjusted)	<u>285 491 014</u> =====	<u>326 670 137</u> =====

21- Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	31/3/2018	31/12/2017
	Assets	Assets
	(liabilities)	(liabilities)
(A) Deferred tax		
Fixed assets' (depreciation)	(3 278 182)	(2 138 244)
Investment property (depreciation)	--	(1 287 526)
Foreign currencies exchange differences	11 390 700	8 720 651
Investment property (Revaluation reserve)	1 867 147	1 867 147
Deferred capital gains	(8 649 544)	(8 978 008)
	<u>1 330 121</u>	<u>(1 815 980)</u>
	=====	=====
(B) Deferred tax recognized directly in equity		
	31/3/2018	31/12/2017
Changes in the fair value of cash flow hedges *	6 612 597	6 612 597
Fair value of available-for-sale financial assets **	(266 642 436)	(266 461 267)
	<u>(260 029 839)</u>	<u>(259 848 670)</u>
	<u>(258 699 718)</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- Gains on sale / redemptions of investments

	For the period ended 31/3/2018	For the period ended 31/3/2017
Investments in subsidiaries	413 425	--
Investments at fair value through profit and loss	3 324 167	1 186 197
Available - for- sale investments	66 778 979	168 551 437
Treasury bills	--	(665 130)
Total	<u>70 516 571</u> =====	<u>169 072 504</u> =====

23- Earnings per share

	For the period ended 31/3/2018	For the period ended 31/3/2017
Profit for the period	33 747 743	207 155 616
Weighted average number of shares	<u>614 894 578</u>	<u>614 894 578</u>
Earnings per share	<u>0.05</u> =====	<u>0.34</u> =====

24- 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 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 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 31/12/2016 has been inspected and all the disputed points have been settled with the competent Tax Inspectorate as to year 2017 have not been inspected yet.

25- 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 4 821 180 which represents the value of rental spaces for some affiliated companies.
- Interest income item presented in the income statement includes an amount of EGP 2 901 042 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 March 31, 2018 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 70 million & EFG- Hermes Jordan (a subsidiary – 100 %) with an amount 500 000 USD (equivalent to EGP 8 830 000) (Note no. 10).
- 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. 8).
- Receivables- sales on fixed assets and investment property which presented in other debit balances with an amount of EGP 241 828 000 represents the remaining amount of selling the whole company's smart village land and building which amounts to EGP 391 828 000 according to the signed contract between the company and EFG-Hermes Leasing (a fully owned subsidiary) and Emirates NBD Leasing Company on 26 November 2017, equally between them on sale and lease back agreement as the company collected an amount of EGP 150 000 000 from the sale process and this resulted in gains on sale of fixed assets with an amount EGP 101 473 499 and gains on sale of investment property with an amount EGP 68 414 431 and those gains would be amortized on 7 years represents the contract duration starting from November 2017 as the deferred capital gain balance included in other credit balances with an amount of EGP 159 775 551 at March 31, 2018 versus with an amount of EGP 165 842 978 at December 31, 2017.

26- 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.

26/1 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 7 010 768 199 and EGP 3 176 667 723 respectively. The Company's net exposures in foreign currencies as at the financial position date are as follows:

	Surplus / (deficit)
USD	3 474 450 128
EURO	343 114 112
AED	13 043 503
GBP	1 799 074
CHF	1 739 810
SAR	(46 151)

The Company has used the prevailing exchange rates to revalue assets and liabilities at financial position date as disclosed in note (27-1) "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.

26/2 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.

26/3 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.

26/4 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.

26/5 Financial instruments' fair value

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

26/6 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.

27- 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.

27-1 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.

27-2 Property, plant and equipment

27-2-1 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.

27-2-2 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.

27-2-3 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.

27-2-4 Reclassification to investment property

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

27-2-5 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.

27-3 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.

27-4 Investments

27-4-1 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.

27-4-2 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 27-7) 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.

27-4-3 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 27-7). The impairment value is to be charged to the income statement for every investment individually.

27-4-4 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.

27-5 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.

27-6 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.

27-6-1 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.

27-6-2 Non-derivative financial assets – Measurement

27-6-2-1 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.

27-6-2-2 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.

27-6-2-3 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.

27-6-2-4 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.

27-6-3 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.

27-6-4 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.

27-6-4-1 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.

27-7 Impairment

27-7-1 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.

27-7-2 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.

27-8 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.

27-9 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.

27-10 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.

27-11 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

27-12 Share capital

27-12-1 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.

27-12-2 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.

27-13 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.

27-14 Revenues

27-14-1 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.

27-14-2 Dividend income

Dividend income is recognized when declared.

27-14-3 Custody fees

Custody fees are recognized when provide service and issue invoice.

27-14-4 Interest income

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

27-15 Expenses

27-15-1 Borrowing costs

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

27-15-2 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.

27-15-3 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.

27-16 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.

27-17 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.