

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

**Separate financial statements**  
**for the period ended June 30, 2014**  
**&**  
**Review Report**

<b>Contents</b>	<b>Page</b>
Review report	
Separate statement of financial position	1
Separate income statement	2
Separate statement of changes in equity	3
Separate statement of cash flows	4
Significant accounting policies and other notes to the separate financial statements	5-26



## Hazem Hassan

Public Accountants & Consultants

Pyramids Heights Office Park  
Km 22 Cairo/Alex Road  
P.O. Box 48 Al Ahram  
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11  
Telefax : (202) 35 36 23 01 - 35 36 23 05  
E-mail : egypt@kpmg.com.eg  
Postal Code : 12556 Al Ahram

### 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 30 June, 2014 and the related separate statements of 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.

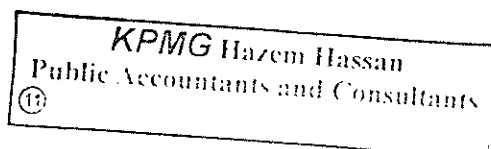
##### *Conclusion*

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements do not present fairly, in all material respects, the financial position of the Company as at 30 June, 2014 and of its financial performance and its cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

*Hassan Bas*

KPMG Hazem Hassan


Cairo, August 14, 2014

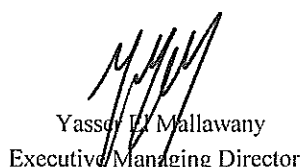



**EFG - Hermes Holding Company**  
**( Egyptian Joint Stock Company )**  
**Separate statement of financial position**  
**as at 30 June , 2014**

	Note no.	30/6/2014 EGP	31/12/2013 EGP
<b>Current assets</b>			
Cash and cash equivalents	(4)	86 281 096	118 957 182
Treasury bills	(5)	24 234 201	-
Investments at fair value through profit and loss	(6)	313 687 148	568 727 189
Due from subsidiaries & associates	(7)	861 621 868	777 505 262
Other debit balances	(8)	38 017 263	40 928 000
Assets classified as held for sale		-	5 249 970
<b>Total current assets</b>		<u>1 323 841 576</u>	<u>1 511 367 603</u>
<b>Current liabilities</b>			
Banks overdraft		100 750 358	-
Due to subsidiaries & associates	(9)	364 198 346	86 559 557
Tax authority		960 871	10 411 591
Creditors and other credit balances	(10,26)	142 453 108	129 196 203
Expected claims provision	(11)	7 270 286	7 270 286
<b>Total current liabilities</b>		<u>615 632 969</u>	<u>233 437 637</u>
Working capital		<u>708 208 607</u>	<u>1 277 929 966</u>
<b>Non - current assets</b>			
Loans to subsidiaries	(12,26)	150 000 000	-
Available -for- sale investments	(13)	1 189 446 182	1 082 545 408
Investments in subsidiaries	(14)	3 990 674 163	3 992 934 676
Investment property	(15)	252 754 473	252 754 473
Fixed assets (net)	(16)	159 584 321	165 962 958
<b>Total non - current assets</b>		<u>5 742 459 139</u>	<u>5 494 197 515</u>
<b>Total investment</b>		<u>6 450 667 746</u>	<u>6 772 127 481</u>
<b>Financed through :</b>			
<b>Shareholders' equity</b>			
Issued & paid - in capital	(17)	2 867 422 500	2 867 422 500
Legal reserve		990 432 067	990 432 067
Other reserves		2 998 445 002	3 433 901 424
Retained earnings	(18)	-	324 567 840
		<u>6 856 299 569</u>	<u>7 616 323 831</u>
Treasury shares	(17-1)	<u>( 425 974 172 )</u>	-
		6 430 325 397	7 616 323 831
Net loss for the period / year		<u>( 88 443 395 )</u>	<u>( 916 288 978 )</u>
<b>Total shareholders' equity</b>		<u>6 341 882 002</u>	<u>6 700 034 853</u>
<b>Non - current liabilities</b>			
Deferred tax liabilities	(24,28)	108 785 744	72 092 628
<b>Total shareholders' equity and non - current liabilities</b>		<u>6 450 667 746</u>	<u>6 772 127 481</u>

The accompanying notes from page (5) to page (26) are an integral part of these financial statements and are to be read therewith.

  
Mona Zulficar  
Chairperson

  
Yasser El Mallawany  
Executive Managing Director

  
Review Report "attached"  
Karim Awad  
Executive Managing Director

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate income statement**  
**for the period ended 30 June 2014**

	Note no.	2014		2013	
		For the period from 1/4/2014 to 30/6/2014 EGP	For the period from 1/1/2014 to 30/6/2014 EGP	For the period from 1/4/2013 to 30/6/2013 EGP	For the period from 1/1/2013 to 30/6/2013 EGP
Dividend income	(20)	4 612 439	7 928 445	107 046 763	107 046 960
Custody activity income		1 118 712	2 580 523	636 819	1 050 459
		<u>5 731 151</u>	<u>10 508 968</u>	<u>107 683 582</u>	<u>108 097 419</u>
Finance cost	(26)	( 1 158 692)	( 1 158 692)	-	-
General administrative expenses	(21,26)	( 103 903 625)	( 170 574 423)	( 66 135 282)	( 133 287 189)
Fixed assets depreciation	(16)	( 3 378 253)	( 6 822 572)	( 4 313 420)	( 8 675 994)
Impairment loss on assets	(22)	( 12 624 392)	( 12 624 392)	( 66 770 276)	( 66 770 276)
Net activity's loss		<u>( 115 333 811)</u>	<u>( 180 671 111)</u>	<u>( 29 535 396)</u>	<u>( 100 636 040)</u>
Interest income	(26)	3 087 345	3 925 800	2 556 181	4 811 359
Changes in the fair value of investments at fair value through profit and loss		2 377 513	3 760 401	2 986 597	661 265
Gains on sale of investments		12 471 381	57 908 893	1 194 072	5 974 762
Foreign currencies differences		10 293 269	11 063 895	9 454 699	33 527 598
Other income	(26)	7 838 683	16 904 987	7 010 555	13 537 244
Net loss before tax		<u>( 79 265 620)</u>	<u>( 87 107 135)</u>	<u>( 6 333 292)</u>	<u>( 42 123 812)</u>
Deferred tax	(24)	32 053	( 1 336 260)	( 38 540)	( 52 332)
Net loss for the period		<u><u>( 79 233 567)</u></u>	<u><u>( 88 443 395)</u></u>	<u><u>( 6 371 832)</u></u>	<u><u>( 42 176 144)</u></u>

The accompanying notes from page (5) to page (26) are an integral part of these financial statements and are to be read therewith.

EGF - Hermes Holding Company  
(Egyptian Joint Stock Company)

Separate statement of changes in equity  
for the period ended 30 June 2014

Note no.	Issued & paid-in capital	Legal reserve	Other reserves				Retained earnings	Treasury shares	Net loss for the year / period	Total
			General reserve	Share premium	Fair value reserve	Fixed assets revaluation surplus				
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	
	2 391 473 750	961 257 586	158 271	3 294 067 512	(48 727 986)	-	287 696 024	(6 918 613)	583 489 614	7 436 053 771
Balance as at 31 December, 2012 (before adjustment)										
Prior year adjustments										
	2 391 473 750	961 257 586	158 271	3 294 067 512	(55 429 952)	-	287 696 024	(6 918 613)	583 489 614	7 429 351 805
Balance as at 31 December, 2012 (after adjustment)										
Carrying 2012 profit forward	-	29 174 481	-	-	-	-	554 315 133	-	(583 489 614)	-
Net change in the fair value of available-for-sale investments (after adjustment)	-	-	-	109 524 758	-	-	-	-	-	109 524 758
Net loss for the period ended June 30, 2013	-	-	-	-	-	-	-	-	(42 176 144)	(42 176 144)
Balance as at June 30, 2013	2 391 473 750	990 432 067	158 271	3 294 067 512	54 094 806	-	842 011 157	(6 918 613)	(42 176 144)	7 496 700 419
Balance as at 31 December, 2013 (before adjustment)										
	2 867 422 500	990 432 067	158 271	3 289 103 899	229 616 171	15 449 979	324 567 840	-	(916 288 978)	6 774 019 362
Prior year adjustments (24,28)										
	-	-	-	-	(73 984 509)	-	-	-	-	(73 984 509)
Balance as at 31 December, 2013 (after adjustment)	2 867 422 500	990 432 067	158 271	3 289 103 899	155 631 662	15 449 979	324 567 840	-	(916 288 978)	6 700 034 853
Carrying 2013 loss forward	-	-	-	-	-	-	(916 288 978)	-	916 288 978	-
Net change in the fair value of available-for-sale investments (after tax)	-	-	-	156 264 716	-	-	-	-	-	156 264 716
Transfer to retained earnings *	(18)	-	-	(591 721 138)	-	-	591 721 138	-	-	-
Purchasing of treasury shares (17-1)	-	-	-	-	-	-	-	(425 974 172)	-	(425 974 172)
Net loss for the period ended June 30, 2014	-	-	-	-	-	-	-	-	(88 443 395)	(88 443 395)
Balance as at June 30, 2014	2 867 422 500	990 432 067	158 271	2 697 382 761	311 896 378	15 449 979	-	(425 974 172)	(88 443 395)	6 341 882 002

\* According to the company's ordinary general assembly held on May 17, 2014.

The accompanying notes from page (5) to page (26) 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**  
**for the period ended 30 June 2014**

	Note no.	For the period ended 30/6/2014 EGP	For the period ended 30/6/2013 EGP
<b>Cash flows from operating activities</b>			
Net loss before tax		( 87 107 135)	( 42 123 812)
<b>Adjustments to reconcile net loss before tax to net cash provided by operating activities :</b>			
Fixed assets depreciation		6 822 572	8 675 994
Impairment loss on assets		12 624 392	66 770 276
(Gains) losses on sale of fixed assets		( 301 783)	861
Changes in the fair value of investments at fair value through profit and loss		( 3 760 401)	( 661 265)
Gains on sale of available -for- sale investments		( 44 869 638)	-
Losses on sale of non current assets held for sale		186 018	-
Foreign currencies differences		<u>( 11 063 895)</u>	<u>( 33 527 598)</u>
Operating loss before changes in working capital		( 127 469 870)	( 865 544)
Increase in treasury bills		( 24 234 201)	-
Decrease in investments at fair value through profit and loss		258 800 442	15 542 541
(Increase) decrease in due from subsidiaries & associates		( 84 116 606)	44 228 231
Increase in other debit balances		( 7 665 127)	( 16 814 618)
Increase in banks overdraft		100 750 358	-
Increase (decrease) in due to subsidiaries & associates		277 638 789	( 37 319 473)
Decrease in tax authority		( 4 011 245)	( 87 805)
Increase in creditors and other credit balances		13 522 905	25 204 028
Income tax paid		<u>( 3 995 554)</u>	<u>-</u>
Net cash provided from operating activities		<u>399 219 891</u>	<u>29 887 360</u>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets		( 447 902)	( 1 016 208)
Proceeds from sale of fixed assets		305 750	4 000
Payments for loans to subsidiaries		( 150 000 000)	-
Proceeds from sale available -for- sale investments		128 358 500	-
Payments to purchase investments in subsidiaries & associates		-	( 1 756 325)
Proceeds from sale investments in subsidiaries & associates		-	10 000
Proceeds from sale of non current assets held for sale		5 063 952	-
Payments to purchase investments property		<u>-</u>	<u>( 57 337 600)</u>
Net cash used in investing activities		<u>( 16 719 700)</u>	<u>( 60 096 133)</u>
<b>Cash flows from financing activities</b>			
Dividends payout		( 266 000)	-
Payments to purchase treasury shares		<u>( 425 974 172)</u>	<u>-</u>
Net cash used in financing activities		<u>( 426 240 172)</u>	<u>-</u>
Net change in cash and cash equivalents during the period		( 43 739 981)	( 30 208 773)
Cash and cash equivalents at the beginning of the period	(23)	<u>130 021 077</u>	<u>155 852 965</u>
Cash and cash equivalents at the end of the period	(23)	<u>86 281 096</u>	<u>125 644 192</u>

**Non cash transactions**

- An amount of EGP 1 327 600 has been excluded from payments for investments (other debit balances) and investments in subsidiaries represents the company's share capital increase in the Egyptian Fund Management Group Company.

The accompanying notes from page (5) to page (26) 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 financial statements**  
**for the period ended 30 June, 2014**

**1- Description of business**

**1-1 Legal status**

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

**1-2 Purpose of the company**

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

**1-3 Authorization of the Financial Statements**

The financial statements were authorized for issue in accordance with a resolution of the board of directors on August 13, 2014.

**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.

**2-2 Basis of measurement**

The financial statements are prepared on the historical cost basis, except for the following assets and liabilities which are measured at fair value

- Derivative financial instruments.
- Financial instruments at fair value through profit and loss.
- Available-for-sale financial assets.
- Investments property.

**2-3 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).



#### **2-4 Use of estimates and judgments**

The preparation of financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note (14) – Investments in subsidiaries.
- Note (24) – Recognition of deferred tax assets and liabilities.

#### **2-5 Consolidated financial statements**

The company has subsidiaries and according to the Egyptian Accounting Standard No. 17 “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- Significant accounting policies applied**

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

#### **3-1 Translation of the foreign currencies transactions**

The company maintains its accounts in Egyptian Pound. Transactions denominated in foreign currencies are recorded at the prevailing exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the prevailing exchange rates at that date. The foreign currencies exchange differences arising on the settlement of transactions and the translation at the balance sheet date are recognized in the income statement.

### **3-2 Fixed assets depreciation**

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (Note3-8). Depreciation is charged to the income statement over the estimated useful-life of each asset using the straight-line method. The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

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

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

### **3-3 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 balance sheet net of the unearned income.

### **3-4 Projects under construction**

Projects under construction are recognized initially at cost. 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.

### **3-5 Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment losses (note 3-8). Amortization is recognized in the income statement on a straight – line basis over the estimated useful lives of intangible assets.

### **3-6 Investments**

#### **3-6-1 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.

#### **3-6-2 Available-for-sale financial assets**

Available-for-sale financial assets are valued at fair value, with any resultant gain or loss being recognized in equity, except for impairment losses which is recognized in the income statement. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. The fair value of investments available for sale, identifies based on quoted price of the exchange market at the balance sheet date, investments that are not quoted, and whose fair value can not be measured reliably are valued by an 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 can not estimate the fair value, it can be stated at cost less impairment loss.

#### **3-6-3 Investments in subsidiaries & associates**

Investments in subsidiaries and associates are valued at cost, the book value is amended by any impairment concerning the value of these investments (note 3-8). The impairment value is to be charged to the income statement for every investment individually.

#### **3-6-4 Investments property**

- Investment property is recorded at cost upon initial recognition, the company valued the investment property at fair value on balance sheet date, any gain or loss arising from a change in the fair value of investment property shall be recognized in income statement for the period in which it arises.

- Transfer from owner-occupied property to investment property carried at fair value, any impairment result in carrying amount of property is recognized in the income statement, any surplus is recognized in the statement of changes in equity in case of subsequent disposal of the investment property, fixed assets revaluation surplus is transfer to retained earnings.

### **3-7 Non-current assets held for sale**

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in income statement. Gains are not recognized in excess of any cumulative impairment loss.

### **3-8 Impairment**

#### **3-8-1 Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

### **3-8-2 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 profit or loss.

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.

### **3-9 Cash and cash equivalents**

For the purpose of preparing the cash flow statement, cash and cash equivalent includes the balances, which maturity not exceeding three months from the date of acquisition and the balances included cash on hand, current accounts, time deposits with banks and checks under collection.

### **3-10 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.

### **3-11 Provisions**

Provisions are recognized when the Company has a legal or constructive 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 balance sheet date and amended (when necessary) to represent the best current estimate.

### **3-12 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 the deduction.

### **3-13 Issued capital**

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity.

Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

### **3-14 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 profit or loss 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 profit or loss.

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 profit or loss in the same period that the hedged item affects profit or loss.

#### *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 profit or loss.

### **3-15 Revenue recognition**

#### **3-15-1 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.

#### **3-15-2 Dividend income**

Dividend income is recognized when declared.

#### **3-15-3 Custody fees**

Custody fees are recognized when provide service and issue invoice.

#### **3-15-4 Interest income**

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

### **3-16 Expenses**

#### **3-16-1 Borrowing costs**

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

#### **3-16-2 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.

#### **3-16-3 Taxation**

Income tax on the profit or loss 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet 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 balance sheet 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.



### 3-17 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.

### 3-18 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.

#### 4- Cash and cash equivalents

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>EGP</b>	<b>EGP</b>
Cash on hand	307 272	205 091
Banks -current accounts	58 678 694	45 108 560
Banks -time deposits	27 295 130	73 537 400
Cheques under collection	--	106 131
Balance	<u>86 281 096</u>	<u>118 957 182</u>

#### 5- Treasury bills

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>EGP</b>	<b>EGP</b>
Treasury bills due 182 days	25 025 000	--
Unearned income	(790 799)	--
Balance	<u>24 234 201</u>	<u>--</u>

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

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>EGP</b>	<b>EGP</b>
Mutual fund certificates	313 287 368	563 720 897
Stocks	399 780	5 006 292
Balance	<u>313 687 148</u>	<u>568 727 189</u>

**7- Due from subsidiaries & associates**

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>EGP</b>	<b>EGP</b>
EFG- Hermes Management	734 430	634 301
Financial Brokerage Group Co.	13 423 464	2 597 175
EFG- Hermes Brokerage- UAE Ltd	16 487 953	832 862
Hermes Securities Brokerage	126 894 074	13 776 669
EFG – Hermes Advisory Inc.*	525 395 640	720 734 007
Flemming CIIC Holding *	25 724 347	25 492 734
October Property Development Ltd. Co.	--	86 496 902
EFG- Hermes Qatar	675 001	2 117 655
EFG-Hermes Jordan	522 331	325 834
EFG- Hermes IB Limited	12 154 012	11 791 344
EFG- Hermes Oman LLC	515 117	2 533 882
EFG – Hermes Mena Securities Ltd.	1 700 895	1 079 475
EFG- Hermes IFA Financial Brokerage	1 031 065	3 988 796
EFG-Hermes Promoting & Underwriting	53 576 877	29 281 940
EFG- Hermes KSA	187 021 059	78 517 600
Egyptian Fund Management Group	11 560 257	(1 877 159)
EFG- Hermes Private Equity BVI	16 384 834	(12 513)
Bayonne Enterprises Ltd.	2 990 483	(15 373 717)
Hermes Fund Management	50 518 461	255 907
	<u>1 047 310 300</u>	<u>963 193 694</u>
Accumulated impairment loss on due from subsidiaries *	(185 688 432)	(185 688 432)
Balance	<u><u>861 621 868</u></u>	<u><u>777 505 262</u></u>

**8- Other debit balances**

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>EGP</b>	<b>EGP</b>
Accrued revenues	407 953	7 180 249
Taxes withheld by others	392 378	1 443 921
Deposits with others	1 001 167	1 120 304
Prepaid expenses	5 011 594	2 383 316
Employees advance	4 411 004	439 055
Down payments to suppliers	11 160 824	9 604 600
Payments for investments *	3 140 000	4 467 600
Sundry debtors	20 296 687	23 179 231
	<u>45 821 607</u>	<u>49 818 276</u>
Accumulated impairment loss	(7 804 344)	(8 890 276)
Balance	<u><u>38 017 263</u></u>	<u><u>40 928 000</u></u>

\* Payments for investments are represented in the following:

Company	30/6/2014	31/12/2013
	EGP	EGP
Arab Visual Company	2 500 000	2 500 000
EFG –Hermes Direct Fund Management	640 000	640 000
Egyptian Fund Management Group	--	1 327 600
Balance	<u>3 140 000</u>	<u>4 467 600</u>

9- Due to subsidiaries & associates

	30/6/2014	31/12/2013
	EGP	EGP
Arab Visual Company	5 000 000	5 000 000
Hermes Corporate Finance	37 931 750	10 122 572
EFG – Hermes Fixed Income	5 616 471	5 648 939
EFG-Hermes Holding-Lebanon	1 265 501	1 229 838
Financial Group for Real Estate	--	162 924
EFG- Hermes Mutual Funds	9 955 691	9 955 691
EFG-Hermes Securitization Company.	--	4 901 028
EFG-Hermes Regional Investments Ltd.	119 817 458	116 407 448
EFG – Hermes Syria LLC	9 387 146	10 704 233
Egyptian Portfolio Management Group	7 992 021	5 563 860
EFG- Hermes Financial Management (Egypt) Ltd	100 873 922	5 573 581
EFG- Hermes Lebanon	14 594 774	(398 165)
EFG-Hermes Global CB Holding Limited	13 877 715	(96 213 706)
EFG-Hermes UAE Ltd. Co.	37 885 897	7 901 314
Balance	<u>364 198 346</u>	<u>86 559 557</u>

10- Creditors and other credit balances

	30/6/2014	31/12/2013
	EGP	EGP
Social Insurance Authority	218 848	201 861
Accrued expenses	107 646 898	99 754 091
Clients coupons - custody activity	8 634 227	5 703 077
Unearned Revenue (Note no. 26)	15 220 788	12 319 930
Dividends payable	8 051 017	8 317 017
Sundry credit balances	2 681 330	2 900 227
Balance	<u>142 453 108</u>	<u>129 196 203</u>

**11- Expected claims provision**

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>EGP</b>	<b>EGP</b>
Balance at the beginning of the period / year	7 270 286	7 270 286
Balance	<u>7 270 286</u>	<u>7 270 286</u>

**12- Loans to subsidiaries**

On May 12, 15, 2014 and June 19, 2014 the company has lent a subordinated loan to Hermes Securities Brokerage. (a subsidiary – 97.58%) an amount of LE 70 million, LE 50 million, LE 30 million. The purpose of the loan is to support the subsidiary's financial credit required to its activity according to the rules of the Capital Market Authority in this regard. The loan interest will be paid annually on a percentage of 14%. The loan is matured on 12/5/2016, 15/5/2016, 19/6/2016.

**13- Available –for– sale investments**

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>EGP</b>	<b>EGP</b>
Stocks	274 257 354	229 052 214
Mutual fund certificates	974 985 755	913 290 121
	<u>1 249 243 109</u>	<u>1 142 342 335</u>
Accumulated impairment loss on Available –for– sale investments	(59 796 927)	(59 796 927)
Balance	<u>1 189 446 182</u>	<u>1 082 545 408</u>

Available -for- sale investments are represented in the following:

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>EGP</b>	<b>EGP</b>
Quoted investments	130 814 389	91 372 052
Non- quoted investments	1 058 631 793	991 173 356
	<u>1 189 446 182</u>	<u>1 082 545 408</u>

#### 14- Investments in subsidiaries

Company's name	Share percentage	Balance as at 1/1/2014	Addition during the period	Impairment during the period	Balance as at 30/6/2014
	%	EGP	EGP	EGP	EGP
Financial Brokerage Group Co.	99.87	41 838 060	--	--	41 838 060
Egyptian Fund Management Group	88.51	3 099 633	1 327 600	--	4 427 233
Egyptian Portfolio Management Group	66.33	995 000	--	--	995 000
Hermes Securities Brokerage	97.58	219 763 969	--	--	219 763 969
Hermes Fund Management	89.95	6 439 709	--	--	6 439 709
Hermes Corporate Finance Co.	99.37	5 476 029	--	--	5 476 029
EFG- Hermes Advisory Inc.	100	6	--	--	6
EFG- Hermes Promoting & Underwriting	99.88	7 990 000	--	--	7 990 000
EFG- Hermes Fixed Income	99	9 900 000	--	--	9 900 000
EFG- Hermes Management	96.30	1 249 490	--	--	1 249 490
Flemming CIIC Holding (net)	100	--	--	--	--
EFG- Hermes Private Equity **	1.59	39 975	--	--	39 975
EFG- Hermes – UAE Limited Company	100	23 000 000	--	--	23 000 000
EFG- Hermes Holding Lebanon – S.A.L.	99	153 713	--	--	153 713
EFG- Hermes – KSA (net)	73.1	118 707 354	--	--	118 707 354
EFG- Hermes – Lebanon – S.A.L.	99	27 564 787	--	--	27 564 787
EFG- Hermes Regional Investments Ltd. (net) **	100	318 141 304	--	--	318 141 304
EFG- Hermes Qatar L.L.C (net)	100	1 577 332	--	--	1 577 332
EFG-Hermes Jordan	100	33 610 631	--	--	33 610 631
EFG – Hermes Investment Funds Co	99.998	9 999 800	--	--	9 999 800
EFG-Hermes Global CB Holding Limited *	100	3 137 096 006	--	--	3 137 096 006
EFG – Hermes Syria LLC ***	49	15 941 253	--	(3 237 478)	12 703 775
Sindyan Syria LLC ***	97	350 635	--	(350 635)	--
EFG – Hermes Mutual Funds Co.	99.999	9 999 990	--	--	9 999 990
Balance		<u>3 992 934 676</u>	<u>1 327 600</u>	<u>(3 588 113)</u>	<u>3 990 674 163</u>

\* During 2010, EFG-Hermes Holding Company purchased 63.739% a 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 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.

\*\*\* The Company owns 20.37 % of EFG - Hermes Syria LLC with indirect ownership through one of its subsidiaries - Sindyan Syria LLC (97%).

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

**15- Investment property**

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>EGP</b>	<b>EGP</b>
Nile City Building	156 754 473	156 754 473
Smart Village Building	96 000 000	96 000 000
	<hr/>	<hr/>
Balance	<u>252 754 473</u>	<u>252 754 473</u>

**16- Fixed assets (net)**

	<b>Land</b>	<b>Buildings</b>	<b>Office, Furniture &amp; Equipment</b>	<b>Computer Equipment</b>	<b>Vehicles &amp; transportation Means</b>	<b>Fixtures</b>	<b>Total</b>
	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>
Balance as at 1/1/2014	10 000 000	154 159 871	18 969 258	38 398 747	6 590 711	4 298 476	232 417 063
Additions during the period	--	--	--	447 902	--	--	447 902
Disposals during the period	--	--	--	(8 500)	(784 900)	--	(793 400)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cost as at 30/6/2014	10 000 000	154 159 871	18 969 258	38 838 149	5 805 811	4 298 476	232 071 565
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation as at 1/1/2014	--	16 079 115	12 932 861	27 960 353	6 489 432	2 992 344	66 454 105
Depreciation during the period	--	2 312 397	1 794 212	2 428 197	37 981	249 785	6 822 572
Disposals' accumulated depreciation	--	--	--	(4 533)	(784 900)	--	(789 433)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation as at 30/6/2014	--	18 391 512	14 727 073	30 384 017	5 742 513	3 242 129	72 487 244
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value as at 30/6/2014	<u>10 000 000</u>	<u>135 768 359</u>	<u>4 242 185</u>	<u>8 454 132</u>	<u>63 298</u>	<u>1 056 347</u>	<u>159 584 321</u>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value as at 31/12/2013	<u>10 000 000</u>	<u>138 080 756</u>	<u>6 036 397</u>	<u>10 438 394</u>	<u>101 279</u>	<u>1 306 132</u>	<u>165 962 958</u>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 17- Capital

The company's authorized capital amounts EGP 3 200 million and issued and paid in capital amounts EGP 2 867 422 500 distributed on 573 484 500 shares of par value EGP 5 per share.

### 17-1 Treasury shares

- The company's board of directors approved in its session held on April 27, 2011 to purchase a number of 5 million shares of the company's shares and the company has purchased a number of 391 000 shares from Egyptian Stock Exchange Market at cost of EGP 6 918 613. The company's Extraordinary General Assembly approved in its session held on July 25, 2013 to decrease the company's issued capital through cancelling a number of 391 000 shares of the company's shares which was thereon approved by The Egyptian Financial Supervisory Authority on September 1, 2013.
- The company's board of directors meeting held on January 8, 2014 approved to purchase treasury shares with a billion Egyptian pounds during the first nine months of the year 2014 through two phases, the first phase have been implemented through purchase of 36 956 522 shares at an average exercising price of EGP 11.5 per share with a total cost of EGP 425 974 172 and the second phase aims to purchase shares with an amount of approximately EGP 575 million during the period between the end of the second quarter or the third quarter of 2014.
- On July 22, 2014 the company's board of directors decided to sell the 36 956 522 treasury shares owned by the company to EFG- Hermes IB Limited company (wholly owned subsidiary of the Group) at a price of EGP 15.32 per share, the procedures of selling has been taken on July 31, 2014.

## 18- Retained earnings

On May 17, 2014 the Ordinary General Assembly meeting decided to use the amount of EGP 591 721 138 of Share premium reserve shown in the separate financial statements for the year ended 31 December 2013 to cover the holding company Retained losses.

**19- Contingent liabilities & commitments**

- The company has issue a final letter of guarantee in favor of the European Union amounting to Euro 500 000 (equivalent to EGP 4 878 900) expires at September 8, 2014 .
- 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 153 670 000 (equivalent to EGP 299 149 389).

**20- Dividend income**

	2014		2013	
	For the period from 1/4/2014 to 30/6/2014 EGP	For the period from 1/1/2014 to 30/6/2014 EGP	For the period from 1/4/2013 to 30/6/2013 EGP	For the period from 1/1/2013 to 30/6/2013 EGP
Income from investments in subsidiaries	--	--	104 117 508	104 117 508
Income from available - for- sale investments	4 606 840	7 921 932	2 840 812	2 840 812
Income from investments at fair value through profit and loss	5 599	6 513	88 443	88 640
<b>Total</b>	<u>4 612 439</u>	<u>7 928 445</u>	<u>107 046 763</u>	<u>107 046 960</u>

**21- General administrative expenses**

	For the period	For the period	For the period	For the period
	From 1/4/2014 to 30/6/2014 EGP	From 1/1/2014 to 30/6/2014 EGP	From 1/4/2013 to 30/6/2013 EGP	From 1/1/2013 to 30/6/2013 EGP
Wages , salaries and similar items	89 258 815	144 232 571	48 864 206	96 332 037
Consultancy	3 310 335	4 272 266	6 855 224	15 083 847
Travel , accommodation and transportation	895 658	1 752 404	1 429 680	2 631 573
Leased line and communication	1 236 504	2 435 699	956 990	2 370 547
Rent and utilities expenses	1 882 867	3 612 063	1 918 501	3 979 723
Other expenses	7 319 446	14 269 420	6 110 681	12 889 462
<b>Total</b>	<u>103 903 625</u>	<u>170 574 423</u>	<u>66 135 282</u>	<u>133 287 189</u>



**22- Impairment loss on assets**

	2014		2013	
	For the period	For the period	For the period	For the period
	From 1/4/2014	From 1/1/2014	From 1/4/2013	From 1/1/2013
	to 30/6/2014	to 30/6/2014	to 30/6/2013	to 30/6/2013
	EGP	EGP	EGP	EGP
Other debit balances	7 804 344	7 804 344	8 890 276	8 890 276
Available for sale investments	1 231 935	1 231 935	57 880 000	57 880 000
Investments in subsidiaries	3 588 113	3 588 113	--	--
<b>Total</b>	<b>12 624 392</b>	<b>12 624 392</b>	<b>66 770 276</b>	<b>66 770 276</b>

**23- Cash and cash equivalents**

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

	For the period ended 30/6/2014 EGP	For the year ended 31/12/2013 EGP
Cash and cash equivalents as presented in the statement of financial position	86 281 096	118 957 182
Effect of exchange rate changes	--	11 063 895
<b>Cash and cash equivalents (adjusted)</b>	<b>86 281 096</b>	<b>130 021 077</b>

**24- Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	30/6/2014		31/12/2013	
	Assets	Liabilities	Assets	Liabilities
	EGP	EGP	EGP	EGP
Fixed assets' depreciation	--	(8 541 013)	--	(7 204 753)
Expected claims provision	90 750	--	90 750	--
Impairment loss on assets	2 393 287	--	2 393 287	--
<b>Total deferred tax assets (liabilities)</b>	<b>2 484 037</b>	<b>(8 541 013)</b>	<b>2 484 037</b>	<b>(7 204 753)</b>
<b>Net deferred tax liabilities</b>		<b>(6 056 976)</b>		<b>(4 720 716)</b>

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

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>EGP</b>	<b>EGP</b>
		<b>(after adjustment)</b>
Changes in fair value of cash flow hedges *	6 612 597	6 612 597
Fair value of available for sale financial assets **	(109 341 365)	(73 984 509)
	<u>(102 728 768)</u>	<u>(67 371 912)</u>
Balance	<u>(108 785 744)</u>	<u>(72 092 628)</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.

**25- Tax status**

- As to Income Tax, the years from starting the operations to 31/12/2010 the competent tax inspectorate inspected the parent company's books and all the disputed points have been settled with the internal committee and as to year 2011 has been inspected which was objected thereon on the due date and as to years 2012 / 2013, according to tax form of tax law no. 91 of 2005 the company has submitted the tax return and paid the tax due.
- 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 the due amount has been paid and as to years 2009 / 2013, the parent company's books have not been inspected yet.
- As to Stamp Tax, the parent company's books had been examined from 1998 till 31/7/2006 and paid the due tax according to the resolution of appeal committee which was objected thereon in the courts, and the period from 1/8/2006 till 31/12/2013 have not been inspected yet.
- On June 4, 2014 a new law No. 44/2014 has imposed a 5% temporary additional annual tax on amounts exceed EGP 1 million from the tax base on the income of natural persons or the profits of Corporate Buddies in accordance with income tax law , and it has been proven and collected in accordance with this provisions . This law will start working from June 5, 2014 for 3 years beginning from the current taxation period.
- On June 30, 2014 Presidential Decree has issued with Law No. 53 for the year 2014, this law has amended some articles of the Law on Income Tax. promulgated by Law 91 of 2005, the most important of these amended rules are:
  - Innovation chapter to impose a tax on profit dividend.
  - Innovation chapter to impose a tax on capital gains resulting from selling of shares and securities.

According to these amendments the company's management is obliged to study the impact and mechanisms enforce these amendments starting from the first of July 2014, (date of executing the law), and in the light of what will be determined by the regulatory body upon issuance of such laws.

**26- Related party transactions**

The company deals with related parties on the same basis it deals with third parties and related parties transactions are represented in the following :

- General administrative expenses item includes an amount of EGP 125 000 represents management fees provided by EFG- Hermes Private Equity (A subsidiary company) to the Company during the period according to agreement signed in this regard.
- Other income item presented in the income statement includes an amount of EGP 7 024 868 which represents the value of rental spaces for some affiliated companies in addition to EGP 4 235 139 which represents the value of redemption of some expenses of the new headquarter that were allocated to the subsidiaries.
- Interest income item presented in the income statement includes an amount of LE 2 324 383 represent the interests value on subordinated loan which granted from the company to Hermes Securities Brokerage (a subsidiary – 97.58%) (note no. 12).
- Loans to subsidiaries item as at June 30, 2014 is presented in the statement of financial position represents in the loan granted to Hermes Securities Brokerage (a subsidiary – 97.58%) with an amount of LE 150 million (note no. 12).
- Creditors and other credit balances item includes an amount of EGP 9 075 336 represents the unearned revenues from the affiliated companies for rental of group's headquarter owned by the company (note no. 10).

**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 liabilities include loans and creditors. Notes (No. 2&3) of 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 1 719 389 080 and EGP 256 831 484 respectively. The company's net exposures in foreign currencies are as follows:

	<b>Surplus (Deficit)</b>
	<b>EGP</b>
USD	1 361 276 645
Euro	100 952 066
AED	2 007 194
GBP	(2 412 598)
CHF	734 289

As disclosed in note 3-1, "foreign currencies transactions" the company has used the prevailing exchange rates to revalue monetary assets and liabilities at financial position date.

#### **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 do not substantially deviated from their book value at the balance sheet date. According to the valuation basis applied, in accounting policies to the assets and liabilities, which included in the notes to the financial statements, note no. (14) of the notes to financial statements disclose the fair values of investments, except for trading and available-for-sale investments which are reported at cost.

**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, (note no. 3-14).

**28- Comparative figures**

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

	For the year ended 31/12/2013 (as reported)	Adjustments	For the year ended 31/12/2013 (amended)
	EGP	EGP	EGP
Due from subsidiaries	891 380 522	(113 875 260)	777 505 262
Other debit balances	41 059 297	(131 297)	40 928 000
Due to subsidiaries	200 434 817	(113 875 260)	86 559 557
Creditors and other credit balances	129 327 500	(131 297)	129 196 203
Deferred tax assets (liabilities)	1 891 881	(73 984 509)	(72 092 628)