

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

**Separate financial statements**  
**for the year ended December 31, 2016**  
**&**  
**Auditor's Report**

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### AUDITOR'S REPORT

To the shareholders of EFG - Hermes Holding Company

#### *Report on the Financial Statements*

We have audited the accompanying separate financial statements of EFG - Hermes Holding Company (Egyptian Joint Stock Company) which comprise the separate statement of financial position as at 31 December 2016, and the separate statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

These financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.



Hazem Hassan

### *Opinion*

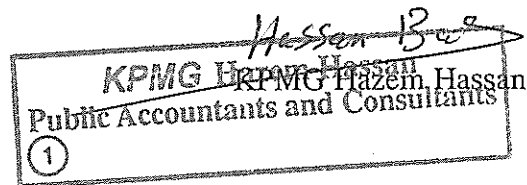
In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of EFG - Hermes Holding Company as of December 31, 2016 and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

### *Report on Other Legal and Regulatory Requirements*

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company and the financial statements are in agreement thereto.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account.


Cairo, March 27, 2017




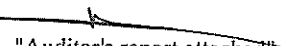
**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate statement of financial position**  
**as at December 31, 2016**

<i>(in EGP)</i>	Note no.	31/12/2016	31/12/2015
<b>Assets</b>			
<b>Non - current assets</b>			
Loans to subsidiaries	(11,28)	259 000 000	50 000 000
Available -for- sale investments	(12)	2 167 829 957	1 160 876 588
Investments in subsidiaries	(13)	3 353 024 509	4 067 889 182
Investment property	(14)	243 878 226	253 639 818
Fixed assets (net)	(15)	<u>154 205 087</u>	<u>151 803 645</u>
<b>Total non - current assets</b>		<u><u>6 177 937 779</u></u>	<u><u>5 684 209 233</u></u>
<b>Current assets</b>			
Cash and cash equivalents	(3,22)	766 035 178	499 063 379
Investments at fair value through profit and loss	(4)	363 924 330	151 766 818
Treasury bills (net)	(5,22)	1 490 311 500	-
Due from subsidiaries & related parties	(6)	3 560 483 521	1 006 411 050
Other debit balances	(7)	48 989 075	26 201 226
Current portion of loans to subsidiaries	(11,28)	<u>100 000 000</u>	<u>150 000 000</u>
<b>Total current assets</b>		<u><u>6 329 743 604</u></u>	<u><u>1 833 442 473</u></u>
<b>Total assets</b>		<u><u><u>12 507 681 383</u></u></u>	<u><u><u>7 517 651 706</u></u></u>
<b>Shareholders' equity</b>			
Issued & paid - in capital	(17)	3 074 472 890	3 074 472 890
Legal reserve		1 523 711 250	1 523 711 250
Other reserves		3 014 613 396	2 189 688 278
Retained earnings (losses)		1 983 941 137	( 31 340 150)
<b>Total shareholders' equity</b>		<u><u>9 596 738 673</u></u>	<u><u>6 756 532 268</u></u>
<b>Non - current liabilities</b>			
Long term loans	(16)	133 320 000	-
Deferred tax liabilities	(24)	<u>472 606 278</u>	<u>99 652 395</u>
<b>Total non - current liabilities</b>		<u><u>605 926 278</u></u>	<u><u>99 652 395</u></u>
<b>Current liabilities</b>			
Banks overdraft	(22)	199 382 151	179 991 432
Due to subsidiaries & related parties	(8)	1 526 972 531	366 096 869
Tax authority		83 262 196	516 691
Creditors and other credit balances	(9,28)	364 135 554	108 591 765
Claims provision	(10)	114 584 000	6 270 286
Current portion of long term loans	(16)	<u>16 680 000</u>	<u>-</u>
<b>Total current liabilities</b>		<u><u>2 305 016 432</u></u>	<u><u>661 467 043</u></u>
<b>Total liabilities</b>		<u><u>2 910 942 710</u></u>	<u><u>761 119 438</u></u>
<b>Total shareholders' equity and liabilities</b>		<u><u><u>12 507 681 383</u></u></u>	<u><u><u>7 517 651 706</u></u></u>

The accompanying notes and accounting policies from page (6) to page (35) are an integral part of these financial statements and are to be read therewith.

  
Mona Zulficar  
Chairperson

  
Karim Awad  
Executive Managing Director

  
"Auditor's report attached"

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate income statement**  
**for the year ended December 31, 2016**

<i>(in EGP)</i>	Note no.	For the year ended 31/12/2016	For the year ended 31/12/2015
Dividend income	(19)	1 520 390 196	14 777 769
Custody activity income		6 926 348	11 044 442
		<u>1 527 316 544</u>	<u>25 822 211</u>
Finance cost		( 45 803 044)	( 21 048 824)
General administrative expenses	(20)	( 457 372 562)	( 247 361 804)
Fixed assets depreciation	(15)	( 8 771 195)	( 12 005 168)
Investment property depreciation	(14)	( 9 761 592)	-
Impairment loss on assets	(21)	( 66 304 259)	-
Claims provision	(10)	( 108 497 079)	-
Net activity's revenue (loss)		<u>830 806 813</u>	<u>( 254 593 585)</u>
Interest income	(28)	97 249 358	30 215 006
Net changes in the fair value of investments at fair value through profit and loss		3 847 001	3 922 624
Gains on sale / redemption of investments	(25)	588 065 265	82 126 387
Foreign currencies exchange differences	(29 /1-A)	693 143 309	66 020 352
Other income	(28)	38 459 376	40 342 282
Profit (loss) before tax		<u>2 251 571 122</u>	<u>( 31 966 934)</u>
Current income tax	(23)	( 78 189 622)	-
Deferred tax	(24)	( 158 100 213)	254 047
Profit (loss) for the year		<u>2 015 281 287</u>	<u>( 31 712 887)</u>
Earnings per share	(26)	<u>3.28</u>	<u>(0.05)</u>

The accompanying notes and accounting policies from page (6) to page (35) 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 year ended December 31, 2016

	Note no.	Issued & paid-in capital	Legal reserve	General reserve	Share premium	Other reserves			Retained earnings (losses)	Treasury shares	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, 2014		2 867 422 500	990 432 067	158 271	2 837 343 593	333 315 029	15 449 979	(26 442 387)	443 372 737	-	7 461 051 789
Increase in issued capital	(17)	391 833 000	-	-	-	-	-	-	(391 833 000)	-	-
Transfer to legal reserve		-	533 279 183	-	(533 279 183)	-	-	-	-	-	-
Dividends payout of 2014		-	-	-	-	-	-	-	(51 167 000)	-	(51 167 000)
Other comprehensive income items		-	-	-	-	(55 060 432)	-	-	-	-	(55 060 432)
Repurchasing of treasury shares		-	-	-	(139 960 832)	-	-	-	-	(426 618 370)	(566 579 202)
Cancelling of treasury shares	(17)	(184 782 610)	-	-	(241 835 760)	-	-	-	-	426 618 370	-
Loss for the year ended 31 December, 2015		-	-	-	-	-	-	-	(31 712 887)	-	(31 712 887)
Balance as at 31 December, 2015		3 074 472 890	1 523 711 250	158 271	1 922 267 818	278 254 597	15 449 979	(26 442 387)	(31 340 150)	-	6 756 532 268
Other comprehensive income items		-	-	-	-	824 925 118	-	-	-	-	824 925 118
Profit for the year ended 31 December, 2016		-	-	-	-	-	-	-	2 015 281 287	-	2 015 281 287
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

The accompanying notes and accounting policies from page (6) to page (35) 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 year ended December 31, 2016**

	Note no.	For the year ended 31/12/2016	For the year ended 31/12/2015
<i>(in EGP)</i>			
<b>Cash flows from operating activities</b>			
Profit (loss) before tax		2 251 571 122	( 31 966 934)
<b>Adjustments for :</b>			
Fixed assets depreciation		8 771 195	12 005 168
Gains from sale of fixed assets		-	( 418 751)
Investment property depreciation		9 761 592	-
Impairment loss on assets		66 304 259	-
Provisions formed		108 497 079	-
Provisions used		( 183 365)	( 500 000)
Gains on / redemption of sale of investments in subsidiaries		( 523 336 111)	-
Net changes in the fair value of investments at fair value through profit and loss		( 3 847 001)	(3 922 624)
Gains on sale of available -for- sale investments		( 62 691 129)	( 70 215 603)
Foreign currencies exchange differences		( 693 143 309)	( 66 020 352)
		<u>1 161 704 332</u>	<u>( 161 039 096)</u>
<b>Changes in</b>			
Investments at fair value through profit and loss		(208 118 827)	230 148 664
Treasury bills		(426 758 496)	-
Due from subsidiaries		470 454 640	630 872 482
Other debit balances		(14 042 568)	27 845 464
Due to subsidiaries		1 160 875 662	(481 738 486)
Tax authority		4 555 883	(2 501 530)
Creditors and other credit balances		283 330 903	29 080 087
Net cash provided from operating activities		<u>2 432 001 529</u>	<u>272 667 585</u>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets		(11 172 637)	(9 559 057)
Proceeds from sale of fixed assets		-	475 000
Payments for loans to subsidiaries		(153 147 550)	(50 000 000)
Payments to purchase available -for- sale investments		(9 484 957)	(13 953 055)
Proceeds from sale of available -for- sale investments		112 910 082	131 845 250
Payments to purchase investments in subsidiaries		(1 483 596 051)	(75 885 007)
Net cash used in investing activities		<u>(1 544 491 113)</u>	<u>( 17 076 869)</u>
<b>Cash flows from financing activities</b>			
Dividends payout		(32 194 450)	(14 952 794)
Proceeds from long term loans		150 000 000	-
Net cash provided from (used in) financing activities		<u>117 805 550</u>	<u>(14 952 794)</u>
Net change in cash and cash equivalents during the year		1 005 315 966	240 637 922
Cash and cash equivalents at the beginning of the year	(22)	<u>624 890 065</u>	<u>78 434 025</u>
Cash and cash equivalents at the end of the year	(22)	<u><u>1 630 206 031</u></u>	<u><u>319 071 947</u></u>

**Non cash transactions:**

An amount of EGP 2 704 601 245 has been eliminated from due from subsidiaries and proceeds from redemption of investments in subsidiaries, represents the decrease of company investment in EFG-Hermes Global CB Holding Limited.

An amount of EGP 7 912 167 has been eliminated from available -for- sale investments and investments in subsidiaries, represents the investment transfer in EFG - Hermes Syria LLC from investments in subsidiaries to available -for- sale investments.

The accompanying notes and accounting policies from page (6) to page (35) 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 year ended December 31, 2016**

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

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**1- Description of business**

**1-1 Legal status**

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

**1-2 Purpose of the company**

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

**2- Basis of preparation**

**2-1 Statement of compliance**

- These financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 26 March, 2017.

**2-2 Functional and presentation currency**

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

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

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

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

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

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

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

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

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

**3- Cash and cash equivalents**

	<b>31/12/2016</b>	<b>31/12/2015</b>
Cash on hand	704 354	560 329
Banks - current accounts	39 695 513	478 785 010
Banks - time deposits	725 635 311	19 718 040
	<hr/>	<hr/>
Balance	766 035 178	499 063 379
	=====	=====

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

	<b>31/12/2016</b>	<b>31/12/2015</b>
Mutual fund certificates	363 548 535	151 450 268
Equity securities	375 795	316 550
	<hr/>	<hr/>
Balance	363 924 330	151 766 818
	=====	=====

**5- Treasury bills**

	<b>31/12/2016</b>	<b>31/12/2015</b>
Treasury bills maturity less than 91 days	1 094 000 000	--
Treasury bills maturity 182 days	368 500 000	--
Treasury bills maturity 273 days	81 000 000	--
Unearned revenues	(53 188 500)	--
	<hr/>	<hr/>
Net	1 490 311 500	--
	=====	=====

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

	<b>31/12/2016</b>	<b>31/12/2015</b>
EFG- Hermes Management	968 369	862 425
EFG- Hermes Advisory Inc.	999 248 463	399 760 658
Flemming CIIC Holding *	25 810 576	25 028 023
EFG- Hermes IB Limited	451 215 500	347 341
EFG- Hermes Oman LLC	3 104 330	295 992
EFG- Hermes IFA Financial Brokerage	38 667 566	1 657 190
EFG- Hermes Promoting & Underwriting	199 519 365	213 016 534
EFG- Hermes KSA	61 076 669	160 643 587
Egyptian Fund Management Group *	58 829 315	23 138 345
Bayonne Enterprises Ltd.	15 182 271	23 013 881
EFG- Hermes Global CB Holding Limited	1 756 662 134	179 730 478
EFG- Hermes Holding – Lebanon	2 324 064	1 006 460
EFG- Hermes Direct Investment Fund	1 094 490	473 981
EFG- Hermes Leasing	4 282 033	659 715
Beaufort Investments Company	37 472	--
EFG- Hermes Private Equity	16 273 740	1 804 463
EFG- Hermes USA	2 857 631	--
EFG – Hermes Frontier Holdings LLC	5 439 382	--
	<u>3 642 593 370</u>	<u>1 031 439 073</u>
Accumulated impairment loss *	(82 109 849)	(25 028 023)
Balance	<u>3 560 483 521</u> =====	<u>1 006 411 050</u> =====

**7- Other debit balances**

	<b>31/12/2016</b>	<b>31/12/2015</b>
Accrued revenues	5 489 727	7 240 414
Taxes withheld by others	7 956 315	2 920 281
Deposits with others	1 067 827	1 157 152
Prepaid expenses	4 924 715	2 889 941
Employees advances	1 049 892	581 312
Down payments to suppliers	2 757 702	235 948
Payments for investments *	7 450 000	2 500 000
Sundry debtors	18 292 897	8 676 178
Balance	<u>48 989 075</u> =====	<u>26 201 226</u> =====

\* Payments for investments are represented in the following:

Company	<b>31/12/2016</b>	<b>31/12/2015</b>
Arab Visual Company	2 500 000	2 500 000
EFG Finance Holding S.A.E (under construction)	4 950 000	--
Balance	<u>7 450 000</u> =====	<u>2 500 000</u> =====

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

	<b>31/12/2016</b>	<b>31/12/2015</b>
Arab Visual Company	5 000 000	5 000 000
Hermes Corporate Finance Co.	9 931 563	9 708 685
EFG- Hermes Fixed Income	6 735 554	7 181 080
EFG- Hermes Mutual Funds	9 889 191	9 940 691
EFG- Hermes Regional Investments Ltd.	424 893 131	130 317 319
EFG- Hermes Syria LLC	7 912 165	8 615 946
Egyptian Portfolio Management Group	49 168 647	33 847 835
EFG- Hermes – Lebanon – S.A.L.	99 775 140	43 208 734
Hermes Fund Management	28 595 613	31 236 401
EFG- Hermes Brokerage – UAE LLC.	256 728	(99 042)
EFG- Hermes Qatar	--	147 576
EFG- Hermes Jordan	17 010	(108 864)
Tanmeyah Micro Enterprise Services S.A.E	1 576 412	--
EFG- Hermes UAE Ltd.	33 142 297	214 749
Hermes Securities Brokerage	358 977 485	10 483 834
EFG- Hermes Financial Management (Egypt) Ltd.	488 805 565	99 027 704
Financial Brokerage Group	2 296 030	(22 625 779)
Balance	<u>1 526 972 531</u>	<u>366 096 869</u>
	=====	=====

**9- Creditors and other credit balances**

	<b>31/12/2016</b>	<b>31/12/2015</b>
Social Insurance Authority	314 220	274 132
Accrued expenses	318 504 567	46 616 838
Accrued interest	8 071 875	--
Clients coupons - custody activity	10 373 543	11 181 288
Unearned revenues (Note no. 28)	11 872 834	5 587 415
Dividends payable prior years	12 028 271	44 222 721
Sundry credit balances	2 970 244	709 371
Balance	<u>364 135 554</u>	<u>108 591 765</u>
	=====	=====

**10- Claims provision**

	<b>31/12/2016</b>	<b>31/12/2015</b>
Balance at the beginning of the year	6 270 286	6 770 286
Amounts formed during the year	108 497 079	--
Amounts used during the year	(183 365)	(500 000)
Balance	<u>114 584 000</u>	<u>6 270 286</u>
	=====	=====

## 11- Loans to subsidiaries

Company's name	Currency	Loan Value	Loan date	Maturity date	31/12/2016	31/12/2015
Hermes Securities Brokerage	EGP	70 million	12/5/2016	12/5/2018	70 000 000	70 000 000
	EGP	50 million	15/5/2016	15/5/2018	50 000 000	50 000 000
	EGP	30 million	19/6/2016	19/6/2018	30 000 000	30 000 000
	EGP	50 million	29/6/2016	29/6/2018	50 000 000	50 000 000
	EGP	50 million	15/12/2016	14/12/2018	50 000 000	--
Tanmeyah Micro Enterprise Services S.A.E	EGP	50 million	22/12/2016	22/1/2017	50 000 000	--
EFG- Hermes Leasing*	EGP	100 million	24/11/2016	10/1/2017	50 000 000	--
EFG- Hermes Jordan	US\$	500 thousand	1/3/2016	28/2/2018	9 000 000	--
Total					<u>359 000 000</u>	<u>200 000 000</u>
Current portion of loans to subsidiaries					<u>(100 000 000)</u>	<u>(150 000 000)</u>
Balance					<u>259 000 000</u>	<u>50 000 000</u>

\* On December 15, 2016 EFG- Hermes Leasing paid 50% of the loan with an amount of EGP 100 000 000 & the balance on December 31, 2016 with an amount of EGP 50 000 000 .

- Note (28)

## 12- Available -for- sale investments

	31/12/2016	31/12/2015
Equity securities	445 826 857	234 174 419
Mutual fund certificates	1 722 003 100	926 702 169
Balance	<u>2 167 829 957</u>	<u>1 160 876 588</u>
Available -for- sale investments are represented in the following:		
Quoted investments	361 334 302	206 687 091
Non- quoted investments	1 806 495 655	954 189 497
	<u>2 167 829 957</u>	<u>1 160 876 588</u>

### 13- Investments in subsidiaries

Company's name	Nationality	Share percentage %	The currency of payment	Carrying amount	
				31/12/2016	31/12/2015
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	1 990 000
Hermes Securities Brokerage	Egyptian	97.58	EGP	219 763 969	219 763 969
Hermes Fund Management	Egyptian	89.95	EGP	6 439 709	6 439 709
Hermes Corporate Finance Co.	Egyptian	99.37	EGP	5 476 029	5 476 029
EFG- Hermes Advisory Inc.	BVI	100	US\$	6	6
EFG- Hermes Promoting & Underwriting	Egyptian	99.88	EGP	7 990 000	7 990 000
EFG- Hermes Fixed Income	Egyptian	99	EGP	9 900 000	9 900 000
EFG- Hermes Management	Egyptian	96.3	EGP	1 249 490	1 249 490
Flemming CIIC Holding	Egyptian	100	EGP	--	--
EFG- Hermes Private Equity **	BVI	1.59	US\$	39 975	39 975
EFG- Hermes – UAE Limited Company	Emirates	100	US\$	147 110 000	23 000 000
EFG- Hermes Holding Lebanon – S.A.L.	Lebanon	99	US\$	153 713	153 713
EFG- Hermes – KSA	Saudi	73.1	US\$	118 707 354	118 707 354
EFG- Hermes – Lebanon – S.A.L.	Lebanon	99	US\$	27 564 787	27 564 787
EFG- Hermes Regional Investments Ltd. **	Cayman Islands	100	US\$	318 141 304	318 141 304
EFG- Hermes Qatar L.L.C	Qatar	100	US\$	--	1 577 332
EFG- Hermes Jordan	Jordanian	100	US\$	33 610 631	33 610 631
EFG- Hermes Investment Funds Co.	Egyptian	99.998	EGP	6 399 800	6 399 800
EFG- Hermes Global CB Holding Limited *	Cayman Island	100	US\$	957 343 622	3 137 096 006
EFG- Hermes Syria LLC ***	Syria	49	US\$	--	12 703 775
Sindyan Syria LLC ***	Syria	97	US\$	--	--
EFG- Hermes Mutual Funds Co.	Egyptian	99.999	EGP	9 999 990	9 999 990
Beaufort Investments Company	Luxembourg	100	EURO	6 098 812	4 930 012
EFG-Hermes Leasing	Egyptian	99	EGP	99 000 000	74 250 000
EFG-Direct Investment Fund	Egyptian	64	EGP	640 000	640 000
EFG- Hermes IB Limited	Cayman Island	100	US\$	886 500 008	7
Tanmeyah Micro Enterprise Services S.A.E *****	Egyptian	94	EGP	423 000 000	--
EFG - Hermes Frontier Holdings LLC	Emirates	100	US\$	13 740 750	--
EFG – Hermes USA *****	American	100	US\$	9 000 000	--
				3 357 451 742	4 067 889 182
Impairment loss investments in subsidiaries*****				(4 427 233)	--
Balance				3 353 024 509	4 067 889 182

- \* 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 the year the company sold 9 408 749 shares (Phase I) and 1 976 065 shares from (Phase II) accordingly the company’s stake on 31 December 2016 is 11 384 814 shares represent approximately 76.33% of Credit Libanais Bank S.A.L , which represents approximately 15.08% of it’s indirect shares in the bank . As a result, the company decreased its investment in EFG-Hermes Global CB Holding Limited with the same percentage and recognized a profit from the redemption of investment with an amount of EGP 524 848 861 (Note no.25).
- \*\* 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 - Sindyana Syria LLC (97%). Due to the exposure of the Syrian Arab Republic of events Which impacted significantly on the economic sectors in general which leads to lose of control so, the company’s management decided to transfer these investments from investments in subsidiaries to available for sale investments.
- \*\*\*\* On 23 February 2016, the company signed purchase agreements to acquire 76.7 % of Tanmeyah Micro Enterprise Services S.A.E. stocks through acquiring 70 % the stack owned by Financial Unlimited Company – a subsidiary of Qalaa Holding Company – and acquiring 6.7% of the shares held by Tanmeyah’s management, in a transaction with an amount of EGP 345 million, the procedures of transferring of the title had been completed. On 18 April 2016, the company announced that it has completed the purchase of 17.30% of Tanmeyah Micro Enterprise Services S.A.E. which owned by Egyptian Gulf Bank S.A.E in a bargain of an amount of EGP 77.9 million. And the procedures of transferring of title are currently taken place.
- \*\*\*\*\* EFG – Hermes USA which fully owned to EFG – Hermes Holding was established on 24 November, 2016.
- Investments in subsidiaries are represented in non - quoted investments.

**14- Investment property**

<b>Particular</b>	<b>Buildings</b>
Balance as at 1/1/2016	253 639 818
Total cost as at 31/12/2016	<u>253 639 818</u>
Depreciation for the year	<u>9 761 592</u>
Accumulated depreciation as at 31/12/2016	<u>9 761 592</u>
Net carrying amount as at 31/12/2016	<u>243 878 226</u> =====



Investment property amounted EGP 243 878 226 as at 31 December 2016, represents the following:-

- EGP 151 334 226 represents the book value of the area owned by EFG – Hermes Holding Company in Nile City Building.
- EGP 92 544 000 represents the book value of the area owned by EFG – Hermes Holding Company in the headquarter of the Company in Smart Village Building.

### 15- Fixed assets

Particular	Land*	Buildings*	Office furniture & equipment	Computer equipment	Vehicles & transportation means	Fixtures	Total
<b>Cost</b>							
Balance as at 1/1/2015	10 000 000	154 159 871	19 223 924	40 079 733	5 138 511	4 143 327	232 745 366
Additions during the year	--	--	36 551	5 778 186	3 684 900	59 420	9 559 057
Disposals during the year	--	--	--	--	(1 085 000)	--	(1 085 000)
<b>Total cost as at 31/12/2015</b>	<b>10 000 000</b>	<b>154 159 871</b>	<b>19 260 475</b>	<b>45 857 919</b>	<b>7 738 411</b>	<b>4 202 747</b>	<b>241 219 423</b>
Additions during the year	2 597 100	--	71 109	6 545 348	1 959 080	--	11 172 637
<b>Total cost as at 31/12/2016</b>	<b>12 597 100</b>	<b>154 159 871</b>	<b>19 331 584</b>	<b>52 403 267</b>	<b>9 697 491</b>	<b>4 202 747</b>	<b>252 392 060</b>
<b>Accumulated depreciation</b>							
Accumulated depreciation as at 1/1/2015	--	20 703 910	16 522 624	32 607 723	5 113 193	3 491 911	78 439 361
Depreciation during the year	--	4 624 796	2 128 184	4 471 980	304 201	476 007	12 005 168
Disposals' accumulated depreciation	--	--	--	--	(1 028 751)	--	(1 028 751)
<b>Accumulated depreciation As at 31/12/2015</b>	<b>--</b>	<b>25 328 706</b>	<b>18 650 808</b>	<b>37 079 703</b>	<b>4 388 643</b>	<b>3 967 918</b>	<b>89 415 778</b>
Depreciation during the year	--	4 624 796	403 885	2 671 396	876 883	194 235	8 771 195
<b>Accumulated depreciation as at 31/12/2016</b>	<b>--</b>	<b>29 953 502</b>	<b>19 054 693</b>	<b>39 751 099</b>	<b>5 265 526</b>	<b>4 162 153</b>	<b>98 186 973</b>
<b>Net book value as at 31/12/2016</b>	<b>12 597 100</b>	<b>124 206 369</b>	<b>276 891</b>	<b>12 652 168</b>	<b>4 431 965</b>	<b>40 594</b>	<b>154 205 087</b>
<b>Net book value as at 31/12/2015</b>	<b>10 000 000</b>	<b>128 831 165</b>	<b>609 667</b>	<b>8 778 216</b>	<b>3 349 768</b>	<b>234 829</b>	<b>151 803 645</b>

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

## 16- Long term loans

Company's name	Currency	Loan value	Loan date	Maturity date	Balance as at 30/9/2016
Audi Bank	EGP	150 million	29/2/2016	28/2/2021	150 000 000
• Current portion of long term loans					(16 680 000)
Balance					<u>133 320 000</u>

## 17- Share 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.
- The company's Extraordinary General Assembly approved in its session held on May 31, 2015 to increase the company's authorized capital from EGP 3 200 million to EGP 6 billion and to increase issued and paid-in capital from EGP 2 867 422 500 to EGP 3 259 255 500 with an increase amounting to EGP 391 833 000 by issuing 78 366 600 shares of par value EGP 5 through the issuance of free shares at a ratio of 1.46 free share for every ten outstanding shares and approximating the fractions in favor of the small shareholders. This increase is financed from the 2014 profits which were approved in the Ordinary General Assembly in its session held on May 17, 2015 after the exclusion of 36 956 522 shares. The required procedures have been taken for this increase and the registration in the Commercial Register took place on July 5, 2015.
- On September 30, 2015, The company's board of directors approved to decrease the company's issued capital from EGP 3 259 255 500 to EGP 3 074 472 890 with a decrease amounting to EGP 184 782 610 by cancelling 36 956 522 treasury shares with par value EGP 5 each accordingly the total outstanding shares reached 614 894 578 share, the company's Extraordinary General Assembly approved it in it's session held on November 16, 2015, and the Egyptian Financial Supervisory Authority approved the cancellation on December 15, 2015, The required procedures have been taken for this decrease and the registration in the Commercial Register took place on December 20, 2015.

## 18- Contingent liabilities & commitments

The Company guarantees its subsidiaries – Financial Brokerage Group, Hermes Securities Brokerage, EFG- Hermes Jordan and EFG- Hermes Oman LLC – against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the Letters of Guarantee granted from banks amounting to AED 118 670 000 (equivalent to EGP 581 554 202).

### 19- Dividend income

	For the year ended 31/12/2016	For the year ended 31/12/2015
Income from available - for- sale investments	7 863 109	14 009 788
Income from investments at fair value through profit and loss	291 768	767 981
Income from investments in subsidiaries	1 512 235 319	--
Total	<u>1 520 390 196</u> =====	<u>14 777 769</u> =====

### 20- General administrative expenses

	For the year ended 31/12/2016	For the year ended 31/12/2015
Wages , salaries and similar items*	324 548 995	156 628 060
Consultancy	28 241 184	18 888 774
Travel , accommodation and transportation	7 819 256	6 162 347
Leased line and communication	9 219 769	4 844 127
Rent and utilities expenses	9 911 526	9 043 355
Other expenses	77 631 832	51 795 141
Total	<u>457 372 562</u> =====	<u>247 361 804</u> =====

\* In 2016 the company based on the compensation committee recommendation approved enrolling a number employees in a two year retention program whereby these employees would receive a cash bonus during the company's annual bonus cycle that is based on the share price of EFG- Hermes Holding at the end of the relevant year. The line item (Wages, salaries and similar items) includes an amount of EGP 132 639 140 relevant to this program.

### 21- Impairment loss on assets

	For the year ended 31/12/2016	For the year ended 31/12/2015
Due from subsidiaries (note 6)	57 081 826	--
Available -for- sale investments	4 795 200	--
Investments in subsidiaries (note 13)	4 427 233	--
Total	<u>66 304 259</u> =====	<u>--</u> =====

## 22- 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 year ended 31/12/2016	For the year ended 31/12/2015
Cash and cash equivalents as presented in the statement of financial position	766 035 178	499 063 379
Treasury bills maturity less than 91 days	1 063 553 004	--
Banks overdraft	(199 382 151)	(179 991 432)
Effect of exchange rate changes	--	305 818 118
	<u>1 630 206 031</u>	<u>624 890 065</u>
	=====	=====

## 23- Reconciliation of effective tax rate

	31/12/2016	31/12/2015
Profit (loss) before tax	2 251 571 122	(31 966 934)
Add / (deduct):		
Fixed assets depreciation	(9 524 308)	(2 257 764)
Capital gains	--	(418 751)
Effect of provisions	108 313 714	--
Impairment loss on assets	66 304 259	--
Bad debts	--	12 313 465
Cost of financing and investment opposite to exempted revenues	1 126 163	18 955 785
Tax losses forward	(80 154 290)	--
Foreign currencies exchange differences	(693 143 309)	(66 020 352)
Tax exemptions	(1 365 056 073)	(17 546 039)
Other additions	74 472 996	--
Other deductibles	(6 400 845)	(3 922 624)
	<u>347 509 429</u>	<u>(90 863 214)</u>
Net tax base		
Current income tax	78 189 622	--
	=====	=====
Effective tax rate	3.5%	--
	=====	=====

**24- Deferred tax liabilities**

Deferred tax assets and liabilities are attributable to the following:

	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>(A) Deferred tax</b>	<b>Liabilities</b>	<b>Liabilities</b>
Fixed assets' (depreciation)	(9 794 431)	(8 308 552)
Investment property (depreciation)	(657 090)	--
Foreign currencies exchange differences	(155 957 244)	--
Net deferred tax liabilities	<u>(166 408 765)</u> =====	<u>(8 308 552)</u> =====
<b>(B) Deferred tax recognized directly in equity</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
Changes in the fair value of cash flow hedges *	6 612 597	6 612 597
Fair value of available-for-sale financial assets **	(312 810 110)	(97 956 440)
	<u>(306 197 513)</u>	<u>(91 343 843)</u>
Balance	<u>(472 606 278)</u> =====	<u>(99 652 395)</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- Gains on / sale redemption of investments**

	<b>For the year ended</b>	<b>For the year ended</b>
	<b>31/12/2016</b>	<b>31/12/2015</b>
Investments in subsidiaries (note 13)	523 336 111	--
Investments at fair value through profit and loss	3 759 936	11 910 783
Available - for- sale investments	62 691 129	70 215 604
Treasury bills	(1 721 911)	--
Total	<u>588 065 265</u> =====	<u>82 126 387</u> =====

**26- Earnings per share**

	<b>For the year ended 31/12/2016</b>	<b>For the year ended 31/12/2015</b>
Profit (loss) for the year	2 015 281 287	(31 712 887)
Weighted average number of shares	<u>614 894 578</u>	<u>614 894 578</u>
Earnings per share	<u>3.28</u> =====	<u>(0.05)</u> =====

**27- Tax status**

- As to Income Tax, the years till 31/12/2010 the competent Tax Inspectorate inspected the parent company's books and all the disputed points have been settled with the Internal Committee and as to years 2011 / 2012 have been inspected and the company was notified by form no. (19) which was objected thereon on the due date and the settlement procedures are currently taking place and as to year 2013 the competent Tax Inspectorate inspected the parent company's books and the company was notified by form no. (19) which was objected thereon on the due date and the settlement procedures are currently taking place and as to years 2014/2015, it has not been inspected yet.
- As to Salaries Tax, the parent company's books had been examined till 2008 and all the disputed points have been settled with the Internal Committee, and the due amount has been paid 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 / 2015 , 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 court, and the period from 1/8/2006 till 31/12/2013 has been inspected and the company was notified by form no. (19) which was objected thereon on the due date and the settlement procedures are currently taking place and as to years 2014/2015, it has not been inspected yet.

**28- 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 12 822 234 which represents the value of rental spaces for some affiliated companies in addition to EGP 10 860 380 which represents the value of redemption of some expenses of the new headquarter that were allocated to the subsidiaries.

- Interest income item presented in the income statement includes an amount of EGP 35 412 500 and EGP 6 455 555 and EGP 1 475 000 which represent the interest on subordinated loan that granted from the Company to Hermes Securities Brokerage (a subsidiary – 97.58%) and Tanmeyah Micro Enterprise Services S.A.E (a subsidiary – 94%) and EFG – Hermes Leasing respectively (Note no. 11).
- Loans to subsidiaries item as at December 31, 2016 is presented in the statement of financial position represents in the loan granted to Hermes Securities Brokerage (a subsidiary – 97.58%) with an amount of EGP 250 million & EFG- Hermes Jordan (a subsidiary – 100 %) with an amount 500 000 USD (equivalent to EGP 9 000 000) and loan granted to Tanmeyah Micro Enterprise Services S.A.E (a subsidiary – 94%) with an amount of EGP 50 million and loan granted to EFG – Hermes Leasing (a subsidiary – 99%) with an amount of EGP 50 million (Note no. 11).
- Creditors and other credit balances item includes an amount of EGP 2 075 000 represents the unearned revenues from the affiliated companies for rental of Group's headquarter owned by the Company (Note no. 9).

**29- 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.

**29/1 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 2 541 407 476 and EGP 1 394 360 061 respectively. The Company's net exposures in foreign currencies as at the financial position date are as follows:

	<b>Surplus / (deficit)</b>
USD	1 136 474 826
EURO	937 131
AED	5 821 657
GBP	2 467 761
CHF	1 352 756
SAR	(6 716)

The Company has used the prevailing exchange rates to revalue assets and liabilities at financial position date as disclosed in note 31-1, "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.

**29/2 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.



### 29/3 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.

### 29/4 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.

### 29/5 Financial instruments' fair value

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

### 29/6 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.

## 30- 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:

	(As reported)		(Amended)
	For the		For the
	year ended	Adjustments	year ended
	31/12/2015		31/12/2015
Due from subsidiaries and related parties	1 029 244 735	(22 833 685)	1 006 411 050
Due to subsidiaries and related parties	388 930 554	(22 833 685)	366 096 869

### **31- 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 30).

#### **31-1 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.

#### **31-2 Property, plant and equipment**

##### **31-2-1 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.

##### **31-2-2 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.

##### **31-2-3 Depreciation**

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

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

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

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

#### **31-2-4 Reclassification to investment property**

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

#### **31-2-5 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.

#### **31-3 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.

#### **31-4 Investments**

##### **31-4-1 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.

### **31-4-2 Available-for-sale financial investments**

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

### **31-4-3 Investments in subsidiaries**

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

### **31-4-4 Investment property**

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

### **31-5 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.

### **31-6 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.

#### **31-6-1 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.

## **31-6-2 Non-derivative financial assets – Measurement**

### **31-6-2-1 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.

### **31-6-2-2 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.

### **31-6-2-3 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.

### **31-6-2-4 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.

## **31-6-3 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.

### **31-6-4 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.

#### **31-6-4-1 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.

### **31-7 Impairment**

#### **31-7-1 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.



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### **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.

### **31-7-2 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.

### **31-8 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.

### **31-9 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.

### **31-10 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.

### **31-11 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

### **31-12 Share capital**

#### **31-12-1 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.

#### **31-12-2 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.

### **31-13 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.

## **31-14 Revenues**

### **31-14-1 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.

### **31-14-2 Dividend income**

Dividend income is recognized when declared.

### **31-14-3 Custody fees**

Custody fees are recognized when provide service and issue invoice.

### **31-14-4 Interest income**

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

## **31-15 Expenses**

### **31-15-1 Borrowing costs**

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

### **31-15-2 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.

### **31-15-3 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.

### **31-16 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 year, and is presented in the consolidated financial statements.

### **31-17 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.

### 32- Initial application of new Egyptian Accounting Standards "EAS"

New versions and amendments on the Egyptian Accounting Standards has been activated as at 1/1/2016:

During 2015, A modified version of the Egyptian Accounting Standards "EAS" was issued, these standards involves some of the new accounting standards and adjustments to be applied for the financial periods that starts after the first of January, 2016 knowing that the early application of these standards is not allowed

The most important amendments on the Egyptian Accounting Standards that may have a significant on the financial statements of the company as at 31/12/2016:

New or amended standards	Summary of the most significant amendments	Impact on the financial statements
<p><u>EAS (1)</u>                      Presentation of Financial Statements</p>	<p><u>Statement Of Financial Position</u></p> <ul style="list-style-type: none"> <li>The standard does not require to present the working capital presentation.                              The reference financial statements that was included in 2006 standards was excluded; which presented the working capital presentation.</li> <li>A column shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the entity.</li> </ul>	<ul style="list-style-type: none"> <li>Re-presenting all the presented financial statements, disclosures and their accompanying notes including the comparative figures to be in conformity with the required amendments to the standard.</li> </ul>
	<p><u>Income Statement / Statement of Comprehensive Income</u>                      The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (<i>Income Statement</i>) and the other one starts with the profit or loss and presents the other comprehensive income items (<i>Statement of Comprehensive Income</i>).</p>	<ul style="list-style-type: none"> <li>Adding a new statement, 'Statement of Comprehensive Income', for the current and comparative period.</li> </ul>

New or amended standards	Summary of the most significant amendments	Impact on the financial statements
<u>EAS (10)</u> Property, Plant and Equipment ( <i>PPE</i> )	<ul style="list-style-type: none"> <li>The financial shall disclose amount movement of the PPE and its depreciations in the notes accompanying the financial statements at the beginning and the end of the current period and the comparable period.</li> <li>The option of using the revaluation model in the subsequent measurement of PPE has been canceled</li> </ul>	<p>Re-presenting the comparative figures related to the PPE in the notes accompanying the financial statements to be in conformity with the required amendments on the standard.</p> <p>The amendment on the standard has no impact on the figures presented in the financial statements.</p>
<u>EAS (34)</u> Investment Property	<ul style="list-style-type: none"> <li>The option of using the fair value model in the measurement after recognition of the Property Investment has been canceled.</li> </ul>	<ul style="list-style-type: none"> <li>The fair value of the investment at the beginning of the implementation of this standard considered as deemed cost of that investment for the purposes of the subsequent accounting treatment according to EAS (10) "PPE".</li> <li>Revaluation surplus of fixed assets transferred to investment property is recognized in retained earning (loss) on the retirement or disposal of the investment property</li> </ul>