

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

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

<b>Contents</b>	<b>Page</b>
Review report	
Separate interim statement of financial position	1
Separate income statement	2
Separate statement of comprehensive income	3
Separate statement of changes in equity	4
Separate statement of cash flows	5
Notes to the separate interim financial statements	6-22
Significant accounting policies applied	23-34



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### Review Report

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

##### *Introduction*

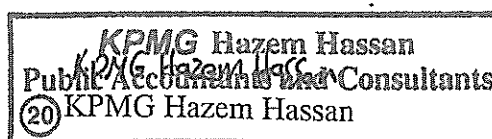
We have performed a limited review for the accompanying separate statement of financial position of EFG – Hermes Holding Company (Egyptian Joint Stock Company) as of 30 September, 2018 and the related separate statements of income, comprehensive income, changes in equity and cash flows for the nine months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

##### *Scope of Limited Review*

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

##### *Conclusion*

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

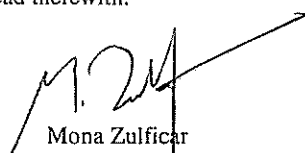


Cairo, November 14, 2018

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

	Note no.	30/9/2018	31/12/2017
<i>(in EGP)</i>			
<b>Assets</b>			
<b>Non - current assets</b>			
Loans to subsidiaries	(10,26)	152 235 000	75 000 000
Available -for- sale investments	(11)	1 786 079 515	1 922 723 943
Investment property	(12)	140 299 438	145 028 633
Investments in subsidiaries	(13)	4 249 910 071	3 219 434 671
Fixed assets	(14,26)	35 492 628	24 917 460
Intangible assets	(15)	2 864 882	-
<b>Total non - current assets</b>		<u>6 366 881 534</u>	<u>5 387 104 707</u>
<b>Current assets</b>			
Cash and cash equivalents	(3,20)	725 878 176	528 196 987
Investments at fair value through profit and loss	(4)	134 397 256	381 454 106
Due from subsidiaries & related parties	(5)	3 121 117 129	5 682 243 998
Other debit balances	(6,26)	98 399 709	295 767 005
Current portion of loans to subsidiaries	(10,26)	12 537 000	8 875 000
<b>Total current assets</b>		<u>4 092 329 270</u>	<u>6 896 537 096</u>
<b>Total assets</b>		<u>10 459 210 804</u>	<u>12 283 641 803</u>
<b>Equity</b>			
Issued & paid - in capital	(16)	3 843 091 115	3 074 472 890
Legal reserve		773 338 368	1 537 236 445
Other reserves		2 873 638 674	2 909 155 602
Retained earnings		475 072 219	288 901 218
<b>Total equity</b>		<u>7 965 140 376</u>	<u>7 809 766 155</u>
<b>Liabilities</b>			
<b>Non - current liabilities</b>			
Deferred tax liabilities	(21)	261 219 788	261 664 650
<b>Total non - current liabilities</b>		<u>261 219 788</u>	<u>261 664 650</u>
<b>Current liabilities</b>			
Banks' overdraft		24 995 407	199 999 990
Short term loans	(22)	248 162 593	-
Due to subsidiaries & related parties	(7)	1 572 034 864	3 270 283 559
Current tax liability		4 306 778	164 998 756
Creditors and other credit balances	(8,26)	275 350 998	453 928 693
Claims provision	(9)	108 000 000	123 000 000
<b>Total current liabilities</b>		<u>2 232 850 640</u>	<u>4 212 210 998</u>
<b>Total liabilities</b>		<u>2 494 070 428</u>	<u>4 473 875 648</u>
<b>Total equity and liabilities</b>		<u>10 459 210 804</u>	<u>12 283 641 803</u>

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

  
Mona Zulficar  
Chairperson

  
Karim Awad  
Group Chief Executive Officer

" Review report attached "

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

	Note no.	2018		2017	
		For the period from 1/7/2018 to 30/9/2018	For the period from 1/1/2018 to 30/9/2018	For the period from 1/7/2017 to 30/9/2017	For the period from 1/1/2017 to 30/9/2017
<i>(in EGP)</i>					
<b>Revenues</b>					
Dividend income	(18)	125 370 000	138 462 185	203 091	11 472 456
Custody activity income		1 806 645	9 863 845	2 393 457	9 449 758
Treasury bills interest		470 784	470 784	1 029 527	105 234 937
Interest income	(26)	2 183 251	14 637 635	24 418 609	86 190 234
Net changes in the fair value of investments at fair value through profit and loss		426 319	4 935 790	4 592 387	8 843 538
Gains on sale / redemptions of investments	(23)	4 906 173	184 665 536	20 729 414	180 201 926
Gains on sale of fixed assets	(26)	4 588 037	13 479 199	19 572	586 426
Gains on sale of investment property	(26)	3 058 691	8 355 650	-	-
Foreign currencies exchange differences	(28-1)	1 998 139	20 978 784	( 63 479 620)	( 56 118 152)
Other income	(26)	15 211 908	40 300 914	40 915 916	88 050 425
<b>Total revenues</b>		<u>160 019 947</u>	<u>436 150 322</u>	<u>30 822 353</u>	<u>433 911 548</u>
<b>Expenses</b>					
Finance cost		( 17 694 286)	( 26 195 412)	( 13 339 820)	( 41 517 791)
General administrative expenses	(19)	( 68 124 590)	( 198 543 696)	( 61 512 837)	( 152 107 396)
Fixed asset's depreciation	(14)	( 2 525 920)	( 6 970 731)	( 2 751 226)	( 7 797 053)
Investment property depreciation	(12)	( 1 576 400)	( 4 729 195)	( 2 440 399)	( 7 321 195)
Intangible assets amortization	(15)	( 162 341)	( 413 855)	-	-
<b>Total expenses</b>		<u>( 90 083 537)</u>	<u>( 236 852 889)</u>	<u>( 80 044 282)</u>	<u>( 208 743 435)</u>
Profit (loss) before income tax		69 936 410	199 297 433	( 49 221 929)	225 168 113
Current income tax		16 144 534	( 4 039 908)	( 1 459 104)	( 58 008 368)
Deferred tax	(21)	( 649 163)	( 4 366 376)	13 583 083	10 947 533
<b>Profit (loss) for the period</b>		<u>85 431 781</u>	<u>190 891 149</u>	<u>( 37 097 950)</u>	<u>178 107 278</u>
<b>Earnings per share</b>	(24)	<u>0.11</u>	<u>0.25</u>	<u>(0.05)</u>	<u>0.2</u>

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

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

	2018		2017	
	For the period from 1/7/2018 to 30/9/2018	For the period from 1/1/2018 to 30/9/2018	For the period from 1/7/2017 to 30/9/2017	For the period from 1/1/2017 to 30/9/2017
(in EGP)				
Profit (loss) for the period	85 431 781	190 891 149	(37 097 950)	178 107 278
<b>Other comprehensive income:</b>				
Available -for- sale investments - net change in fair value	(41 513 811)	(40 328 166)	(64 038 624)	(299 916 588)
Tax related to comprehensive income items	<u>5 566 146</u>	<u>4 811 238</u>	<u>15 365 224</u>	<u>65 738 970</u>
<b>Other comprehensive income, net of tax</b>	<u>(35 947 665)</u>	<u>(35 516 928)</u>	<u>(48 673 400)</u>	<u>(234 177 618)</u>
<b>Total comprehensive income</b>	<u><u>49 484 116</u></u>	<u><u>155 374 221</u></u>	<u><u>(85 771 350)</u></u>	<u><u>(56 070 340)</u></u>

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EFG - Hermes Holding Company  
(Egyptian Joint Stock Company)

Separate statement of changes in equity

Note no.	Issued & paid-in capital	Legal reserve	General reserve	Share premium	Other reserves			Retained earnings	Total
					Fair value- available-for- sale investments	Revaluation surplus of fixed assets transferred to investment property	Hedging reserve		
	3 074 472 890	1 537 236 445	158 271	1 922 267 818	1 004 873 468	8 298 432	(26 442 387)	288 901 218	7 809 766 155
	-	4 720 148	-	-	-	-	-	(4 720 148)	-
(16)	768 618 225	(768 618 225)	-	-	-	-	-	-	-
	-	-	-	-	(35 516 928)	-	-	-	(35 516 928)
	-	-	-	-	-	-	-	190 891 149	190 891 149
	3 843 091 115	773 338 368	158 271	1 922 267 818	969 356 540	8 298 432	(26 442 387)	475 072 219	7 965 140 376
	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
	-	13 525 195	-	-	-	-	-	(13 525 195)	-
	-	-	-	-	-	-	-	(1 783 069 221)	(1 783 069 221)
	-	-	-	-	(234 177 618)	-	-	-	(234 177 618)
	-	-	-	-	-	-	-	178 107 278	178 107 278
	3 074 472 890	1 537 236 445	158 271	1 922 267 818	869 002 097	15 449 979	(26 442 387)	365 453 999	7 757 599 112

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

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

	Note no.	For the period ended 30/9/2018	For the period ended 30/9/2017
<i>(in EGP)</i>			
<b>Cash flows from operating activities</b>			
Profit before income tax		199 297 433	225 168 113
<b>Adjustments for :</b>			
Fixed assets depreciation		6 970 731	7 797 053
Gains on sale of fixed assets		(13 479 199)	( 586 426)
Gains on sale of investment property		(8 355 650)	-
Investment property depreciation		4 729 195	7 321 195
Intangible assets amortization		413 855	-
Claims provisions used		( 15 000 000)	( 825 614)
(Gains) loss on sale / redemptions of investments in subsidiaries		( 108 713 425)	23 806 197
Net changes in the fair value of investments at fair value through profit and loss		( 4 935 790)	(8 843 538)
Gains on sale of available -for- sale investments		( 67 638 129)	( 195 445 576)
Foreign currencies exchange differences		( 20 978 784)	56 118 152
		<u>( 27 689 763)</u>	<u>114 509 556</u>
<b>Change in</b>			
Investments at fair value through profit and loss		251 992 696	281 304 925
Treasury bills		-	426 758 496
Due from subsidiaries		2 044 036 869	(4 280 563 436)
Other debit balances		172 737 658	( 11 684 058)
Due to subsidiaries		(1 681 221 088)	4 684 892 033
Current tax liability		-	(9 758 388)
Creditors and other credit balances		(90 401 064)	(219 451 783)
Income tax paid		(140 052 664)	(69 132 392)
Net cash provided from operating activities		<u>529 402 644</u>	<u>916 874 953</u>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets		(18 335 898)	(11 250 460)
Proceeds from sale of fixed assets		1 790 400	723 000
Payments to purchase intangible assets		(3 278 737)	-
Payments for loans to subsidiaries		(80 817 000)	(220 000 000)
Proceeds from loans to subsidiaries		-	270 000 000
Payments to purchase available -for- sale investments		( 385 100)	(6 068 469)
Proceeds from sale of available -for- sale investments		164 339 492	304 889 463
Payments to purchase investments in subsidiaries		( 411 485 200)	( 478 143 859)
Proceeds from sale (liquidation) of investments in subsidiaries		6 813 225	-
Net cash used in investing activities		<u>( 341 358 818)</u>	<u>( 139 850 325)</u>
<b>Cash flows from financing activities</b>			
Dividends payout		( 67 713 716)	(1 710 760 090)
Payments to long term loans		-	(33 360 000)
Proceeds from short term loans		248 162 593	-
Net cash provided from (used in) financing activities		<u>180 448 877</u>	<u>(1 744 120 090)</u>
Net change in cash and cash equivalents during the period		368 492 703	( 967 095 462)
Cash and cash equivalents at the beginning of the period	(20)	332 390 066	1 511 611 791
Cash and cash equivalents at the end of the period	(20)	<u>700 882 769</u>	<u>544 516 329</u>

**Non-cash transactions:**

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

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



**EFG- Hermes Holding Company**

**(Egyptian Joint Stock Company)**

**Notes to the separate interim financial statements**

**for the period ended September 30, 2018**

**(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**

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

**2- Basis of preparation**

**2-1 Statement of compliance**

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

**2-2 Functional and presentation currency**

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

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

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

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

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

## 2-4 Consolidated financial statements

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

### 3- Cash and cash equivalents

	30/9/2018	31/12/2017
Cash on hand	673 657	351 393
Banks - current accounts	231 290 085	170 185 089
Banks - time deposits	493 914 434	357 660 505
	<hr/>	<hr/>
Balance	725 878 176	528 196 987
	=====	=====

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

	30/9/2018	31/12/2017
Mutual fund certificates	133 667 150	380 838 017
Equity securities	730 106	616 089
	<hr/>	<hr/>
Balance	134 397 256	381 454 106
	=====	=====

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

	<b>30/9/2018</b>	<b>31/12/2017</b>
EFG- Hermes Advisory Inc.	457 367 775	1 035 890 480
Flemming CIIC Holding	1 705 184	1 320 030
EFG- Hermes IB Limited	1 303 126 012	3 474 521 051
EFG- Hermes Oman LLC	4 086 799	7 062 708
EFG- Hermes IFA Financial Brokerage	2 413 743	3 802 889
EFG- Hermes Promoting & Underwriting	--	216 328 720
EFG- Hermes KSA	41 454 064	56 515 440
Egyptian Fund Management Group	95 069 233	50 530 650
Bayonne Enterprises Ltd.	100 016 610	16 038 594
EFG- Hermes Holding – Lebanon	2 312 439	2 291 781
EFG- Hermes Direct Investment Fund	1 089 018	1 079 289
EFG- Hermes Leasing	30 061 989	5 011 039
Beaufort Investments Company	1 569 597	1 310 782
EFG- Hermes Private Equity	--	27 697 504
Hermes Securities Brokerage	70 533 114	--
EFG- Hermes USA	669 390	17 605 246
EFG- Hermes Jordan	1 605 035	784 733
EFG- Hermes Mena Securities Ltd.	3	73 836
EFG – Hermes Frontier Holdings LLC	374 355 057	136 088 159
EFG- Hermes UAE Ltd.	--	11 449 603
EFG- Hermes Brokerage – UAE LLC.	1 237 476	1 236 526
OLT Investment International S.A.B	3 052 205	653 570
EFG Finance Holding S.A.E	--	613 286 450
EFG SP Ltd.	--	1 575 533
Beaufort Asset Management Company	308 504	89 385
Flemming Mansour Securities	61 152	--
Flemming CIIC Securities	61 152	--
EFG Hermes FI Limited	1 005 479	--
EFG Hermes PE Holding LLC	627 922 584	--
Tanmeyah Micro Enterprise Services S.A.E	33 515	--
	<hr/>	<hr/>
Balance	3 121 117 129	5 682 243 998
	<hr/> <hr/>	<hr/> <hr/>

**6- Other debit balances**

	<b>30/9/2018</b>	<b>31/12/2017</b>
Accrued revenues	86 565	5 852 498
Taxes withheld by others	905 598	24 679 220
Deposits with others	1 178 827	1 095 827
Prepaid expenses	21 436 202	9 881 100
Employees advances	1 552 095	901 517
Down payments to suppliers	11 441 596	10 347 994
Sundry debtors	1 599 953	1 180 849
Down payments- leased assets (Note no. 26)	60 198 873	241 828 000
Balance	<u>98 399 709</u>	<u>295 767 005</u>
	=====	=====

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

	<b>30/9/2018</b>	<b>31/12/2017</b>
EFG- Hermes Financial Management (Egypt) Ltd.	754 732 282	514 797 499
EFG- Hermes Regional Investments Ltd.	287 796 367	286 363 116
Arab Visual Company	1 250 500	1 250 500
Hermes Corporate Finance Co.	9 583 167	9 790 782
EFG- Hermes Fixed Income	6 448 948	6 623 808
EFG- Hermes Mutual Funds	9 827 997	9 860 572
EFG- Hermes Management	36 228	174 052
EFG- Hermes Syria LLC	7 912 165	7 912 165
Egyptian Portfolio Management Group	75 091 921	68 254 909
EFG- Hermes – Lebanon – S.A.L.	99 276 264	98 389 374
Hermes Fund Management	23 484 608	26 403 981
Hermes Securities Brokerage	--	239 796 899
Financial Brokerage Group	40 060 048	31 722 255
Tanmeyah Micro Enterprise Services S.A.E	--	24 503
EFG- Hermes Global CB Holding Limited	56 040 013	1 968 919 144
EFG-Hermes SB Limited	54 921 935	--
EFG Finance Holding	24 110 896	--
EFG- Hermes Private Equity	73 741 513	--
EFG- Hermes UAE Ltd.	673 837	--
EFG - Hermes Promoting & Underwriting	47 046 175	--
Balance	<u>1 572 034 864</u>	<u>3 270 283 559</u>
	=====	=====

## 8- Creditors and other credit balances

	30/9/2018	31/12/2017
Social Insurance Authority	348 829	367 231
Accrued expenses	46 957 315	178 298 216
Clients coupons - custody activity	10 911 928	9 686 372
Deferred capital gains (Note no. 26)	188 619 278	165 842 978
Unearned revenues (Note no. 26)	8 035 300	10 671 355
Dividends payable prior years	16 623 686	84 337 402
Sundry credit balances	2 307 952	3 164 806
Tax Authority	1 546 710	1 560 333
	<hr/>	<hr/>
Balance	275 350 998	453 928 693
	=====	=====

## 9- Claims provision

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

## 10- Loans to subsidiaries

Company's name	Currency	Loan value	Loan date	Maturity date	30/9/2018	31/12/2017
Hermes Securities Brokerage	EGP	150 million	2/1/2017	1/1/2019	--	25 000 000
„	„	50 million	11/12/2017	20/12/2020	--	50 000 000
„	US\$	5 million	18/9/2018	17/9/2020	89 550 000	--
„	US\$	3 million	18/9/2018	17/9/2020	53 730 000	--
EFG- Hermes Jordan	US\$	500 thousand	1/3/2018	28/2/2020	8 955 000	8 875 000
EFG-Hermes Factoring	US\$	700 thousand	27/9/2018	27/12/2018	12 537 000	--
Total					164 772 000	83 875 000
Current portion of loans to subsidiaries					(12 537 000)	(8 875 000)
Balance					152 235 000	75 000 000

**11- Available -for- sale investments**

	<b>30/9/2018</b>	<b>31/12/2017</b>
Equity securities	190 998 764	304 603 666
Mutual fund certificates	1 595 080 751	1 618 120 277
	<u>1 786 079 515</u>	<u>1 922 723 943</u>
	=====	=====
Available -for- sale investments are represented in the following:		
Quoted investments	284 365 027	408 885 633
Non- quoted investments	1 501 714 488	1 513 838 310
	<u>1 786 079 515</u>	<u>1 922 723 943</u>
	=====	=====

**12- Investment property**

	<b>Buildings</b>
Balance as at 1/1/2018	157 639 818
	<u>157 639 818</u>
Total cost as at 30/9/2018	157 639 818
	<u>12 611 185</u>
Accumulated depreciation as at 1/1/2018	12 611 185
Depreciation for the period	4 729 195
	<u>17 340 380</u>
Accumulated depreciation as at 30/9/2018	17 340 380
	<u>140 299 438</u>
Net carrying amount as at 30/9/2018	140 299 438
	=====
Net carrying amount as at 31/12/2017	145 028 633
	=====

Investment property amounted EGP 140 299 438 as at 30 September 2018, represents the book value of the area owned by EFG – Hermes Holding Company in Nile City building.

### 13- Investments in subsidiaries

Company's name	Nationality	Share percentage %	Currency of payment	Carrying amount	
				30/9/2018	31/12/2017
Financial Brokerage Group Co.	Egyptian	99.87	EGP	41 838 060	41 838 060
Egyptian Fund Management Group ***	Egyptian	88.51	EGP	4 427 233	4 427 233
Egyptian Portfolio Management Group	Egyptian	66.33	EGP	3 316 500	3 316 500
Hermes Securities Brokerage	Egyptian	97.58	EGP	219 763 969	219 763 969
Hermes Fund Management	Egyptian	89.95	EGP	6 439 709	6 439 709
Hermes Corporate Finance Co.	Egyptian	99.37	EGP	5 476 029	5 476 029
EFG- Hermes Advisory Inc.	BVI	100	US\$	6	6
EFG- Hermes Promoting & Underwriting	Egyptian	99.88	EGP	7 990 000	7 990 000
EFG- Hermes Fixed Income	Egyptian	99	EGP	9 900 000	9 900 000
EFG- Hermes Management	Egyptian	96.3	EGP	1 249 490	1 249 490
Flemming CIIC Holding	Egyptian	100	EGP	--	--
EFG- Hermes Private Equity *	BVI	1.59	US\$	39 975	39 975
EFG- Hermes – UAE Limited Company	Emirates	100	US\$	750 510 000	464 270 000
EFG- Hermes Holding Lebanon – S.A.L.	Lebanon	99	US\$	153 713	153 713
EFG- Hermes – KSA	Saudi	73.1	US\$	94 901 158	94 901 158
EFG- Hermes – Lebanon – S.A.L.	Lebanon	99	US\$	27 564 787	27 564 787
EFG- Hermes Regional Investments Ltd. *	Cayman Islands	100	US\$	318 141 304	318 141 304
EFG- Hermes Jordan	Jordanian	100	US\$	33 610 631	33 610 631
EFG- Hermes Investment Funds Co.	Egyptian	99.998	EGP	--	6 399 800
EFG- Hermes Global CB Holding Limited	Cayman Islands	100	US\$	957 343 622	957 343 622
EFG- Hermes Mutual Funds Co.	Egyptian	99.999	EGP	9 999 990	9 999 990
Beaufort Investments Company	Luxembourg	100	EURO	6 098 812	6 098 812
EFG-Direct Investment Fund	Egyptian	64	EGP	640 000	640 000
EFG- Hermes IB Limited	Cayman Islands	100	US\$	921 560 008	886 500 008
EFG - Hermes Frontier Holdings LLC	Emirates	100	US\$	13 740 750	13 740 750
EFG – Hermes USA	American	100	US\$	54 782 600	26 537 500
EFG Finance Holding S.A.E **	Egyptian	99	EGP	717 030 000	29 700 000
Etikan for Inquiry and Collection and Business processes **	Egyptian	0.002	EGP	100	--
OLT Investment International S.A.B	Bahrain	99.9	BHD	47 818 858	47 818 858
				<u>4 254 337 304</u>	<u>3 223 861 904</u>
Impairment of investments in subsidiaries***				(4 427 233)	(4 427 233)
Balance				<u>4 249 910 071</u>	<u>3 219 434 671</u>
				=====	=====



- \* The Company owns 100% of EFG- Hermes Regional Investments Ltd. Co., which owns 63.41% in EFG- Hermes Private Equity Co. hence the company has the control, therefore EFG- Hermes Private Equity Co. is a subsidiary.
- \*\* The Company owns 99% of EFG Finance Holding S.A.E Co., which owns 95,2% in Etkan for Inquiry and Collection and Business processes Co. hence the company has the control, therefore EFG- Hermes Private Equity Co. is a subsidiary.
- Investments in subsidiaries are represented in non - quoted investments.

EFG - Hermes Holding Company  
Notes to the separate interim financial statements  
for the period ended 30/9/2018 (Cont'd)  
(In the notes all amounts are shown in EGP unless otherwise stated)

**14- Fixed assets**

	Land*	Buildings*	Office furniture & equipment	Computer equipment	Vehicles & transportation means	Fixtures	Total
<b>Cost</b>							
Balance as at 1/1/2018	--	--	23 951 261	61 517 927	9 062 935	4 202 747	98 734 870
Additions during the period	--	--	1 955 019	12 052 968	3 261 000	1 066 912	18 335 899
Disposals during the period	--	--	--	(29 320)	(1 528 912)	--	(1 558 232)
<b>Total cost as at 30/9/2018</b>	<b>--</b>	<b>--</b>	<b>25 906 280</b>	<b>73 541 575</b>	<b>10 795 023</b>	<b>5 269 659</b>	<b>115 512 537</b>
Balance as at 1/1/2017	12 597 100	154 159 871	19 331 584	52 403 267	9 697 491	4 202 747	252 392 060
Additions during the period	--	--	3 643 511	7 606 949	--	--	11 250 460
Disposals during the period	--	--	--	(13 570)	(634 556)	--	(648 126)
<b>Total cost as at 30/9/2017</b>	<b>12 597 100</b>	<b>154 159 871</b>	<b>22 975 095</b>	<b>59 996 646</b>	<b>9 062 935</b>	<b>4 202 747</b>	<b>262 994 394</b>
<b>Accumulated depreciation</b>							
Accumulated depreciation as at 1/1/2018	--	--	19 525 423	44 193 897	5 924 053	4 174 037	73 817 410
Depreciation during the period	--	--	900 965	5 003 185	1 004 111	62 470	6 970 731
Disposals accumulated depreciation	--	--	--	(29 321)	(738 911)	--	(768 232)
<b>Accumulated depreciation as at 30/9/2018</b>	<b>--</b>	<b>--</b>	<b>20 426 388</b>	<b>49 167 761</b>	<b>6 189 253</b>	<b>4 236 507</b>	<b>80 019 909</b>
Accumulated depreciation as at 1/1/2017	--	29 953 502	19 054 693	39 751 099	5 265 526	4 162 153	98 186 973
Depreciation during the period	--	3 468 596	250 737	3 194 906	873 901	8 913	7 797 053
Disposals accumulated depreciation	--	--	--	(8 142)	(503 410)	--	(511 552)
<b>Accumulated depreciation as at 30/9/2017</b>	<b>--</b>	<b>33 422 098</b>	<b>19 305 430</b>	<b>42 937 863</b>	<b>5 636 017</b>	<b>4 171 066</b>	<b>105 472 474</b>
<b>Net book value</b>							
Net book value as at 30/9/2018	--	--	5 479 892	24 373 814	4 605 770	1 033 152	35 492 628
Net book value as at 30/9/2017	12 597 100	120 737 773	3 669 665	17 058 783	3 426 918	31 681	157 521 920
Net book value as at 31/12/2017	--	--	4 425 838	17 324 030	3 138 882	28 710	24 917 460

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

## 15- Intangible assets

	<b>Intangible assets</b>
Balance as at 1/1/2018	--
Additions during the period	3 278 737
	<hr/>
Total cost as at 30/9/2018	3 278 737
	<hr/>
Amortization during the period	413 855
	<hr/>
Accumulated amortization as at 30/9/2018	413 855
	<hr/>
Net book value as at 30/9/2018	2 864 882
	<hr/> =====

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

## 16- Share capital

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

## 17- Contingent liabilities & commitments

The Company guarantees its subsidiaries – Financial Brokerage Group, Hermes Securities Brokerage, EFG- Hermes Jordan and EFG- Hermes Oman LLC – against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the Letters of Guarantee granted from banks amounting to AED 118 670 000 (equivalent to EGP 578 729 856).

### 18- Dividend income

	2018		2017	
	For the period from 1/7/2018 to 30/9/2018	For the period from 1/1/2018 to 30/9/2018	For the period from 1/7/2017 to 30/9/2017	For the period from 1/1/2017 to 30/9/2017
Income from available - for- sale investments	--	13 092 185	197 338	11 466 703
Income from investments at fair value through profit and loss	--	--	5 753	5 753
Income from investments in subsidiaries	125 370 000	125 370 000	--	--
<b>Total</b>	<u>125 370 000</u>	<u>138 462 185</u>	<u>203 091</u>	<u>11 472 456</u>
	=====	=====	=====	=====

### 19- General administrative expenses

	2018		2017	
	For the period from 1/7/2018 to 30/9/2018	For the period from 1/1/2018 to 30/9/2018	For the period from 1/7/2017 to 30/9/2017	For the period from 1/1/2017 to 30/9/2017
Wages , salaries and similar items	25 826 714	77 244 014	26 603 679	77 654 244
Consultancy	716 472	2 626 768	5 310 059	8 280 999
Travel , accommodation and transportation	1 812 549	7 084 762	2 766 480	6 814 071
Leased line and communication	3 548 618	12 229 427	3 963 511	7 707 111
Rent and utilities expenses	24 424 476	59 528 185	4 830 691	9 681 888
Other expenses	11 795 761	39 830 540	18 038 417	41 969 083
<b>Total</b>	<u>68 124 590</u>	<u>198 543 696</u>	<u>61 512 837</u>	<u>152 107 396</u>
	=====	=====	=====	=====

### 20- Cash and cash equivalents

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

	For the period ended 30/9/2018	For the year ended 31/12/2017
Cash and cash equivalents as presented in the statement of financial position	725 878 176	528 196 987
Banks overdraft	(24 995 407)	(199 999 990)
Effect of exchange rate changes	--	4 193 069
<b>Cash and cash equivalents (adjusted)</b>	<u>700 882 769</u>	<u>332 390 066</u>
	=====	=====

## 21- Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	30/9/2018	31/12/2017
	Liabilities	Liabilities
<b>(A) Deferred tax</b>		
Fixed assets' (depreciation)	4 057 312	2 138 244
Investment property (depreciation)	--	1 287 526
Foreign currencies exchange differences	(4 000 425)	(8 720 651)
Investment property (revaluation reserve)	(1 867 147)	(1 867 147)
Deferred capital gains	7 992 616	8 978 008
Net deferred tax liabilities	<u>6 182 356</u>	<u>1 815 980</u>
	=====	=====
<b>(B) Deferred tax recognized directly in equity</b>		
	30/9/2018	31/12/2017
Changes in the fair value of cash flow hedges *	(6 612 597)	(6 612 597)
Fair value of available-for-sale investments **	261 650 029	266 461 267
	<u>255 037 432</u>	<u>259 848 670</u>
Balance	<u>261 219 788</u>	<u>261 664 650</u>
	=====	=====

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

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

**22- Short term loans**

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

**23- Gains on sale / redemptions of investments**

	2018		2017	
	For the period from 1/7/2018 to 30/9/2018	For the period from 1/1/2018 to 30/9/2018	For the period from 1/7/2017 to 30/9/2017	For the period from 1/1/2017 to 30/9/2017
Investments in subsidiaries	--	108 713 425	--	(23 806 197)
Investments at fair value through profit and loss	4 047 023	8 313 982	1 505 563	9 380 392
Available - for- sale investments	859 150	67 638 129	19 237 748	195 445 576
Treasury bills	--	--	(13 897)	(817 845)
<b>Total</b>	<b>4 906 173</b>	<b>184 665 536</b>	<b>20 729 414</b>	<b>180 201 926</b>

**24- Earnings per share**

	2018		2017	
	For the period from 1/7/2018 to 30/9/2018	For the period from 1/1/2018 to 30/9/2018	For the period from 1/7/2017 to 30/9/2017	For the period from 1/1/2017 to 30/9/2017
Profit (loss) for the period	85 431 781	190 891 149	(37 097 950)	178 107 278
Weighted average number of shares	768 618 223	768 618 223	768 618 223	768 618 223
Earnings per share	0.11	0.25	(0.05)	0.2

**25- Tax status**

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

2009 / 2012 the company's books had been examined and the settlement procedures are currently taking place, and as to years 2013 / 2017 have not been inspected yet.

- As to Stamp Tax, the parent company's books had been examined from year 1998 till 2016 and all the disputed points have been settled with the competent Tax Inspectorate and as to year 2017 have not been inspected yet.

## 26- Related party transactions

The related parties transactions are represented in the following:

- Other income item presented in the income statement includes an amount of EGP 14 463 540 which represents the value of rental spaces for some affiliated companies.
- Interest income item presented in the income statement includes an amount of EGP 3 191 553 represent the interest on subordinated loan that granted from the Company to Hermes Securities Brokerage (a subsidiary – 97.58%), and an amount of EGP 200 625 represent the interest on subordinated loan to EFG-Hermes Leasing, and an amount of EGP 3 482 represent the interest on subordinated loan to EFG-Hermes Factoring.
- Loans to subsidiaries item as at September 30, 2018 presented in the statement of financial position represents in the loan granted to EFG- Hermes Jordan (a subsidiary – 100 %) with an amount of 500 000 USD (equivalent to EGP 8 955 000), and the loan granted to Hermes Securities Brokerage with an amount of 8 000 000 USD (equivalent to EGP 143 280 000), and the loan granted to EFG-Hermes Factoring with an amount of 700 000 USD (equivalent to EGP 12 537 000) (Note no. 10).
- Creditors and other credit balances item includes an amount of EGP 8 035 300 represents the unearned revenues from the affiliated companies for rental of Group's headquarter owned by the Company (Note no. 8).
- On 19 April, 2018 the Company has entered into a sale and lease back contract on the entire company's smart village land and building with Emirates NBD Leasing Company and EFG-Hermes Leasing (a fully owned subsidiary). Creditors and other credit balances item (Note no. 8) includes the related deferred capital gains that will be amortized on 7 years ending on November 2024. Other debit balances item (Note no. 6) includes the related down payments - leased assets that will be also amortized on 7 years ending on November 2024.

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

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

**27/1 Market risk**

**A. Foreign currencies risk**

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the Company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As at the financial position date the Company has assets and liabilities in foreign currencies equivalent to EGP 4 941 209 897 and EGP 1 511 353 385 respectively. The Company's net exposures in foreign currencies as at the financial position date are as follows:

	Surplus / (deficit)
USD	3 085 743 363
EURO	325 529 288
AED	8 984 528
GBP	7 979 007
CHF	1 667 131
SAR	(46 805)

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

**B. Interest rate risk**

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



### **C. Price risk**

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

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

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

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

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

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

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

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

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

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

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

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

## **28- Significant accounting policies applied**

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

### **28-1 Translation of the foreign currencies transactions**

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

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

### **28-2 Property, plant and equipment**

#### **28-2-1 Recognition and measurement**

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

#### **28-2-2 Subsequent expenditure**

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

#### **28-2-3 Depreciation**

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

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

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

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

#### **28-2-4 Reclassification to investment property**

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

#### **28-2-5 Projects under construction**

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

#### **28-2-6 Intangible assets**

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

### **28-3 Treasury bills**

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

### **28-4 Investments**

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

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

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

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

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

#### **28-4-3 Investments in subsidiaries**

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

#### **28-4-4 Investment property**

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

#### **28-5 Assets held for sale**

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

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

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

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

## **28-6 Financial instruments**

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

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

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

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

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

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

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

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

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

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

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

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

### **28-6-2-3 Loans and receivables**

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

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

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

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

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

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

#### **28-6-4 Derivative financial instruments and hedge accounting**

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

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

##### **28-6-4-1 Cash flow hedges**

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

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

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

#### **28-7 Impairment**

##### **28-7-1 Non-derivative financial assets**

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

Objective evidence that financial assets are impaired includes:

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

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

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

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

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

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

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

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



### **Equity-accounted investees**

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

### **28-7-2 Non-financial assets**

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

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

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

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

### **28-8 Cash and cash equivalents**

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

### **28-9 Interest-bearing borrowings**

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

### **28-10 Provisions**

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

### **28-11 Legal reserve**

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

### **28-12 Share capital**

#### **28-12-1 Ordinary shares**

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

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

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

### **28-13 Derivative financial instruments**

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

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

#### *Cash flow hedges*

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

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

#### *Fair value hedges*

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

### **28-14 Revenues**

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

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

#### **28-14-2 Dividend income**

Dividend income is recognized when declared.

#### **28-14-3 Custody fees**

Custody fees are recognized when provide service and issue invoice.

#### **28-14-4 Interest income**

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

## **28-15 Expenses**

### **28-15-1 Borrowing costs**

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

### **28-15-2 Employees' pension**

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

### **28-15-3 Income tax**

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

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

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

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

### **28-16 Earnings per share**

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

### **28-17 Profit sharing to employees**

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