

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

**Separate financial statements**  
**for the year ended December 31, 2019**  
**&**  
**Auditor's Report**

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# Hazem Hassan

Public Accountants & Consultants

B (105) – Avenue (2) – Smart Village  
Km 28 Cairo – Alex Desert Road  
Giza – Cairo – Egypt  
Postal Code : 12577

Telephone : (202) 35 37 5000 – 35 37 5005  
E-mail : Egypt@kpmg.com.eg  
Fax : (202) 35 37 3537  
P.O. Box : (5) Smart Village

## 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 2019, 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, 2019 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.



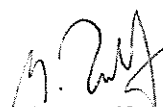
Cairo, March 18 , 2020


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

<i>(in EGP)</i>	Note no.	31/12/2019	31/12/2018 Restated*
<b>Assets</b>			
<b>Non - current assets</b>			
Loans to subsidiaries	(10,29)	-	50 148 000
Available -for- sale investments	(11)	1 433 129 664	1 591 834 264
Investment property	(12)	132 417 447	138 723 040
Investments in subsidiaries	(13)	3 968 219 291	3 973 818 087
Fixed assets	(14)	249 078 775	250 617 642
Intangible assets	(15)	18 127 196	16 977 934
<b>Total non - current assets</b>		<u>5 800 972 373</u>	<u>6 022 118 967</u>
<b>Current assets</b>			
Cash and cash equivalents	(3,20)	253 924 784	174 435 580
Investments at fair value through profit and loss	(4)	90 301 049	97 185 840
Available -for- sale investments	(11)	844 026 433	-
Due from subsidiaries & related parties	(5)	4 417 405 178	4 658 742 845
Other debit balances	(6)	71 951 502	34 801 389
Current portion of loans to subsidiaries	(10,29)	8 022 500	12 537 000
<b>Total current assets</b>		<u>5 685 631 446</u>	<u>4 977 702 654</u>
<b>Total assets</b>		<u>11 486 603 819</u>	<u>10 999 821 621</u>
<b>Equity</b>			
Issued & paid - in capital	(16)	3 843 091 115	3 843 091 115
Legal reserve		803 102 208	773 338 368
Other reserves		2 603 438 781	2 715 097 076
Retained earnings		872 468 514	858 832 724
<b>Total equity</b>		<u>8 122 100 618</u>	<u>8 190 359 283</u>
<b>Liabilities</b>			
<b>Non - current liabilities</b>			
Deferred tax liabilities	(22)	133 609 916	241 438 014
Finance lease liabilities	(26)	261 371 571	321 528 142
<b>Total non - current liabilities</b>		<u>394 981 487</u>	<u>562 966 156</u>
<b>Current liabilities</b>			
Banks' overdraft		198 543 552	-
Due to subsidiaries & related parties	(7)	2 143 023 927	1 818 268 222
Current tax liability		-	54 829 276
Creditors and other credit balances	(8,29)	397 044 473	234 651 617
Claims provision	(9)	182 000 000	110 164 471
Current portion of finance lease liabilities	(26)	48 909 762	28 582 596
<b>Total current liabilities</b>		<u>2 969 521 714</u>	<u>2 246 496 182</u>
<b>Total liabilities</b>		<u>3 364 503 201</u>	<u>2 809 462 338</u>
<b>Total equity and liabilities</b>		<u>11 486 603 819</u>	<u>10 999 821 621</u>

\* See note (27) from the accompanying notes and accounting policies.

The accompanying notes and accounting policies from page (6) to page (40) are an integral part of these financial statements and are to be read therewith.

  
Mona Zulficar  
Chairperson

  
Karim Awad  
Group Chief Executive Officer

" Auditor report attached "

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

	Note	For the year	For the year
		ended	ended
(in EGP)	no.	31/12/2019	31/12/2018
			Restated*
<b>Revenues</b>			
Dividend income	(18)	1 241 810 027	357 869 089
Custody activity income		17 283 066	17 190 789
Treasury bills interest		14 539 282	470 784
Interest income	(29)	34 375 174	19 350 013
Net changes in the fair value of investments at fair value through profit and loss		14 271 739	7 052 700
Gains on sale / redemptions of investments	(24)	27 542 063	627 755 081
Gains on sale of fixed assets	(27-2)	936 666	1 005 899
Other income	(23-29)	71 387 486	70 960 644
<b>Total revenues</b>		<u>1 422 145 503</u>	<u>1 101 654 999</u>
<b>Expenses</b>			
Finance cost	(27-2)	(69 480 575)	(82 517 935)
General administrative expenses	(19-27-2)	(409 038 102)	(359 720 283)
Foreign currencies exchange differences	(31-1)	(284 655 683)	20 916 088
Fixed asset's depreciation	(14-27-2)	(20 254 144)	(17 470 871)
Investment property depreciation	(12)	(6 305 593)	(6 305 593)
Intangible assets amortization	(15)	(4 284 471)	( 980 121)
Claims provision	(9)	(87 398 803)	(2 164 471)
<b>Total expenses</b>		<u>( 881 417 371)</u>	<u>( 448 243 186)</u>
Profit before income tax		540 728 132	653 411 813
Current income tax	(21)	98 468	( 54 562 406)
Deferred tax	(22)	75 806 576	( 13 136 707)
Profit for the year		<u>616 633 176</u>	<u>585 712 700</u>
Earnings per share	(25)	<u>0.80</u>	<u>0.67</u>

\* See note (27) from the accompanying notes and accounting policies.

The accompanying notes and accounting policies from page (6) to page (40) 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**

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<i>(in EGP)</i>	<b>For the year ended 31/12/2019</b>	<b>For the year ended 31/12/2018 Restated*</b>
profit for the year	616 633 176	585 712 700
<b>Other comprehensive income:</b>		
Available -for- sale investments - net change in fair value	( 143 679 818)	( 234 573 416)
Tax related to comprehensive income items	<u>32 021 523</u>	<u>33 363 343</u>
<b>Other comprehensive income, net of tax</b>	<u>(111 658 295)</u>	<u>(201 210 073)</u>
<b>Total comprehensive income for the year</b>	<u><u>504 974 881</u></u>	<u><u>384 502 627</u></u>

\* See note (27) from the accompanying notes and accounting policies.

The accompanying notes and accounting policies from page (6) to page (40) 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 as at December 31, 2019

	Attributable to owners of the Company								Total equity
	Issued & paid-in capital	Legal reserve	General reserve	Share premium	Other reserves available-for-sale investments	Revaluation surplus of fixed assets transferred to investment property	Hedging reserve	Retained earnings	
<i>(in EGP)</i>									
<b>Balance as at 31 December, 2017, as previously reported</b>	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
Effect of change in accounting policies	-	-	-	-	-	7 151 547	-	(11 061 046)	(3 909 499)
<b>Restated balance as at 31 December, 2017</b>	3 074 472 890	1 537 236 445	158 271	1 922 267 818	1 004 873 468	15 449 979	(26 442 387)	277 840 172	7 805 856 656
<b>Total comprehensive income</b>									
Profit for the year	-	-	-	-	-	-	-	585 712 700	585 712 700
Other comprehensive income items	-	-	-	-	(201 210 073)	-	-	-	(201 210 073)
<b>Total comprehensive income</b>	-	-	-	-	(201 210 073)	-	-	585 712 700	384 502 627
<b>Transactions with owners of the Company</b>									
Transferred to legal reserve	-	4 720 148	-	-	-	-	-	(4 720 148)	-
Increase in paid-in capital	768 618 225	(768 618 225)	-	-	-	-	-	-	-
<b>Restated balance as at 31 December, 2018 *</b>	3 843 091 115	773 338 368	158 271	1 922 267 818	803 663 395	15 449 979	(26 442 387)	858 832 724	8 190 359 283
<b>Total comprehensive income</b>									
Profit for the year	-	-	-	-	-	-	-	616 633 176	616 633 176
Other comprehensive income items	-	-	-	-	(111 658 295)	-	-	-	(111 658 295)
<b>Total comprehensive income</b>	-	-	-	-	(111 658 295)	-	-	616 633 176	504 974 881
<b>Transactions with owners of the Company</b>									
Dividends	-	-	-	-	-	-	-	(573 233 546)	(573 233 546)
Transferred to legal reserve	-	29 763 840	-	-	-	-	-	(29 763 840)	-
<b>Balance as at 31 December, 2019</b>	3 843 091 115	803 102 208	158 271	1 922 267 818	692 005 100	15 449 979	(26 442 387)	872 468 514	8 122 100 618

\* See note (27) from the accompanying notes and accounting policies.

The accompanying notes and accounting policies from page (6) to page (40) 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 year ended 31/12/2019	For the year ended 31/12/2018 Restated*
<i>(in EGP)</i>			
<b>Cash flows from operating activities</b>			
Profit before income tax		540 728 132	653 411 813
<b>Adjustments for :</b>			
Fixed assets depreciation	(14-27-2)	20 254 144	17 470 871
Gains on sale of fixed assets	(27-2)	( 936 666)	(1 005 899)
Investment property depreciation	(12)	6 305 593	6 305 593
Intangible assets amortization	(15)	4 284 471	980 121
Claims provisions formed	(9)	87 398 803	2 164 471
Claims provisions used	(9)	(15 563 274)	(15 000 000)
Interest expense	(27-2)	69 480 575	82 517 935
Gains on sale / redemptions of investments in subsidiaries	(24)	(6 134 216)	(550 027 144)
Net changes in the fair value of investments at fair value through profit and loss		( 14 271 739)	( 7 052 700)
Gains on sale of available -for- sale investments	(24)	(20 929 466)	(67 638 129)
Foreign currencies exchange differences	(31-1)	284 655 683	( 20 916 088)
		<u>955 272 040</u>	<u>101 210 844</u>
<b>Change in</b>			
Investments at fair value through profit and loss		21 124 985	291 320 013
Due from subsidiaries		17 848 970	1 240 613 693
Other debit balances		(11 743 673)	( 611 025)
Due to subsidiaries		324 755 705	(1 434 256 365)
Creditors and other credit balances		124 846 572	13 873 944
Interest paid	(27-2)	(69 480 575)	(82 517 935)
Income tax paid		(53 824 250)	(140 052 664)
Net cash provided from (used in) operating activities		<u>1 308 799 774</u>	<u>( 10 419 495)</u>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets		(18 728 610)	(22 676 145)
Proceeds from sale of fixed assets		950 000	1 795 900
Payments to purchase intangible assets		(5 433 733)	(17 958 055)
Payments for loans to subsidiaries		(238 810 000)	(407 010 000)
Proceeds from loans to subsidiaries		292 703 900	428 280 000
Payments to purchase available -for- sale investments		(883 805 123)	( 385 100)
Proceeds from sale of available -for- sale investments		49 541 930	164 339 492
Payments to purchase investments in subsidiaries		( 500 016)	( 428 281 937)
Proceeds from sale (liquidation) of investments in subsidiaries		-	6 813 225
Net cash used in investing activities		<u>( 804 081 652)</u>	<u>( 275 082 620)</u>
<b>Cash flows from financing activities</b>			
Dividends payout		( 534 345 916)	( 67 713 716)
Proceeds from short term loans		-	248 162 593
Payments for short term loans		-	( 248 162 593)
Payments for finance lease liabilities		( 39 829 405)	( 25 152 027)
Proceeds from finance lease liabilities		-	221 172 385
Net cash (used in) provided from financing activities		<u>( 574 175 321)</u>	<u>128 306 642</u>
Net change in cash and cash equivalents during the year		( 69 457 199)	( 157 195 473)
Cash and cash equivalents at the beginning of the year	(20)	<u>124 838 431</u>	<u>331 631 053</u>
Cash and cash equivalents at the end of the year	(20)	<u>55 381 232</u>	<u>174 435 580</u>

**Non-cash transactions:**

- An amount of EGP 12 233 028 has been eliminated from both proceeds from sale of investments in subsidiaries and due from subsidiaries represent the holding company sale of its investment in beaufort investments company.
- An amount of EGP 26 191 006 has been eliminated from other debit balances which represent the holding company decrease the available for sale investment.

\* See note (27) from the accompanying notes and accounting policies.

The accompanying notes and accounting policies from page (6) to page (40) 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, 2019**

**(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, micro-finance, factoring, securitization, and collection.
- 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 March 17, 2020.

**2-2 Functional and presentation currency**

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

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

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

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

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

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

## 2-4 Consolidated financial statements

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

### 3- Cash and cash equivalents

	31/12/2019	31/12/2018
Cash on hand	426 492	566 620
Banks - current accounts	71 594 792	110 760 029
Banks - time deposits	181 903 500	63 108 931
	<hr/>	<hr/>
Balance	253 924 784	174 435 580
	<hr/> <hr/>	<hr/> <hr/>

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

	31/12/2019	31/12/2018
Mutual fund certificates	89 425 670	96 457 500
Equity securities	875 379	728 340
	<hr/>	<hr/>
Balance	90 301 049	97 185 840
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>31/12/2019</b>	<b>31/12/2018</b>
EFG- Hermes Advisory Inc.	707 404 604	769 987 405
Flemming CIIC Holding	2 390 440	1 737 271
EFG- Hermes IB Limited	1 998 044 828	1 643 633 868
EFG- Hermes Oman LLC	3 191 605	4 805 310
EFG- Hermes IFA Financial Brokerage	1 300 667	3 949 192
EFG- Hermes KSA	30 957 423	42 579 367
Egyptian Fund Management Group	187 458 789	100 369 378
Bayonne Enterprises Ltd.	18 100 615	142 203 615
EFG- Hermes Holding – Lebanon	2 071 641	2 312 439
EFG- Hermes Direct Investment Fund	975 616	1 089 018
EFG- Hermes Leasing	--	9 767 992
Beaufort Investments Company	4 159 874	8 144 577
EFG- Hermes Management	134 505	--
Hermes Securities Brokerage	--	51 390 037
EFG- Hermes USA	843 319	925 374
EFG- Hermes Jordan	545 183	168 155
EFG- Hermes Mena Securities Ltd.	12 566	7 898
EFG – Hermes Frontier Holdings LLC	422 819 435	399 128 495
EFG- Hermes Brokerage – UAE LLC.	3 986 168	6 828 644
EFG-Hermes UAE Ltd.	3 236 064	--
OLT Investment International S.A.B	1 193 141	3 473 738
EFG Hermes FI Limited	131 007 186	271 526 482
EFG- Hermes Factoring	--	341 384
EFG- Hermes Securitization	3 291	3 291
Beaufort Asset Management Company	639 259	339 374
Flemming Mansour Securities	--	61 152
Flemming CIIC Securities	--	61 152
EFG Hermes Global CB Holding Limited	804 368 945	864 265 918
EFG Hermes PE Holding LLC	92 421 110	329 411 205
Tanmeyah Micro Enterprise Services S.A.E	138 904	231 114
	<hr/>	<hr/>
Balance	4 417 405 178	4 658 742 845
	<hr/> <hr/>	<hr/> <hr/>

**6- Other debit balances**

	<b>31/12/2019</b>	<b>31/12/2018</b>
		<b>Restated*</b>
Accrued revenues	14 231 173	4 611 679
Taxes withheld by others	1 413 587	906 538
Deposits with others	1 428 827	1 428 827
Prepaid expenses	12 384 355	21 916 689
Employees advances	1 587 539	893 027
Down payments to suppliers	3 654 346	3 583 099
Payments for investments **	10 000 000	--
Receivables-sale of investments	26 191 006	--
Sundry debtors	1 060 669	1 461 530
Balance	<u>71 951 502</u>	<u>34 801 389</u>

\* Note no. (27).

\*\* The amount represents the payment for investments in EFG Hermes for Sukuk – under establishment.

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

	<b>31/12/2019</b>	<b>31/12/2018</b>
EFG- Hermes Financial Management (Egypt) Ltd.	659 266 513	764 150 372
EFG- Hermes Regional Investments Ltd.	257 173 280	287 235 409
Arab Visual Company	1 250 500	1 250 500
Hermes Corporate Finance Co.	8 737 523	9 067 921
EFG- Hermes Fixed Income	6 357 815	6 586 792
Finance Group for Securitization	9 633 397	9 765 396
EFG- Hermes Management	--	26 829
EFG- Hermes Syria LLC	7 912 165	7 912 165
Egyptian Portfolio Management Group	78 711 047	79 725 029
EFG- Hermes – Lebanon – S.A.L.	88 938 451	99 276 264
Hermes Fund Management	15 627 988	24 708 492
Financial Brokerage Group	41 737 335	44 046 230
Hermes Securities Brokerage	11 387 964	--
EFG-Hermes SP Limited	112 834 950	54 419 410
EFG Finance Holding	198 433 453	206 191 256
EFG- Hermes Private Equity	--	117 549 779
EFG- Hermes UAE	--	11 208 565
EFG- Hermes Leasing	162 774	--
EFG - Hermes Promoting & Underwriting	84 938 064	95 147 813
EFG - Hermes Int. Fin Corp	559 920 708	--
Balance	<u>2 143 023 927</u>	<u>1 818 268 222</u>

## 8- Creditors and other credit balances

	31/12/2019	31/12/2018 Restated*
Social Insurance Authority	484 563	421 523
Accrued expenses	246 672 709	190 821 104
Clients coupons - custody activity	12 514 276	10 929 475
Unearned revenues (Note no. 29)	17 591 335	11 131 970
Dividends payable prior years	55 511 316	16 623 686
Medical Takaful Insurance Tax	3 555 363	22 834
Sundry credit balances	58 524 603	2 863 005
Tax Authority	2 190 308	1 838 020
	<hr/>	<hr/>
Balance	397 044 473	234 651 617
	<hr/> <hr/>	<hr/> <hr/>

\* Note no. (27).

## 9- Claims provision

	31/12/2019	31/12/2018
Balance at the beginning of the year	110 164 471	123 000 000
Amounts formed during the year	87 398 803	2 164 471
Amounts used during the year	(15 563 274)	(15 000 000)
	<hr/>	<hr/>
Balance at the end of the year	182 000 000	110 164 471
	<hr/> <hr/>	<hr/> <hr/>

## 10- Loans to subsidiaries

Company's name	Currency	Loan Value	Loan date	Maturity date	31/12/2019	31/12/2018
EFG- Hermes Jordan	US\$	500 thousand	1/3/2018	28/2/2020	8 022 500	8 955 000
EFG-Hermes Factoring	US\$	700 thousand	27/9/2018	28/12/2020	--	12 537 000
	US\$	2.3 million	27/9/2018	27/9/2020	--	41 193 000
Total					<hr/>	<hr/>
					8 022 500	62 685 000
Current portion of loans to subsidiaries					8 022 500	12 537 000
Non- Current portion of loans to subsidiaries					--	50 148 000
					<hr/>	<hr/>
					8 022 500	62 685 000
					<hr/> <hr/>	<hr/> <hr/>

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

	31/12/2019	31/12/2018
<b>Non- current investments</b>		
Equity securities	82 303 804	123 651 760
Mutual fund certificates	1 310 098 052	1 468 182 504
Debt instruments –Bond	40 727 808	--
	<u>1 433 129 664</u>	<u>1 591 834 264</u>
<b>Current investments</b>		
Debt instruments – treasury bills	844 026 433	--
Balance	<u>2 277 156 097</u>	<u>1 591 834 264</u>
Available -for- sale investments are represented in the following:		
Quoted investments	167 404 498	216 903 229
Non- quoted investments	2 109 751 599	1 374 931 035
	<u>2 277 156 097</u>	<u>1 591 834 264</u>

**12- Investment property**

	<b>Buildings</b>
<b>Cost</b>	
Balance as at 1/1/2018	157 639 818
Total cost as at 31/12/2018	<u>157 639 818</u>
Total cost as at 31/12/2019	<u>157 639 818</u>
<b>Accumulated depreciation</b>	
Accumulated depreciation as at 1/1/2018	12 611 185
Depreciation for the year	6 305 593
Accumulated depreciation as at 31/12/2018	<u>18 916 778</u>
Depreciation for the year	6 305 593
Accumulated depreciation as at 31/12/2019	<u>25 222 371</u>
<b>Net carrying amount</b>	
Net carrying amount as at 31/12/2018	<u>138 723 040</u>
Net carrying amount as at 31/12/2019	<u>132 417 447</u>

- Investment property represents the area owned by EFG-Hermes Holding Company in Nile city building, the fair value of the investment amounted EGP 345 910 000 as at 31 December 2019.



### 13- Investments in subsidiaries

Company's name	Nationality	Share percentage %	Currency of payment	Carrying amount	
				31/12/2019	31/12/2018
Financial Brokerage Group Co.	Egyptian	99.87	EGP	41 838 060	41 838 060
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	99.47	EGP	5 976 029	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
EFG- Hermes Private Equity *	BVI	1.59	US\$	39 975	39 975
EFG- Hermes – UAE Limited Company	Emirates	100	US\$	750 510 000	750 510 000
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
Finance Group for Securitization.	Egyptian	99.999	EGP	9 999 990	9 999 990
Beaufort Investments Company	Luxembourg	100	EURO	--	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	921 560 008
EFG - Hermes Frontier Holdings LLC	Emirates	100	US\$	13 740 750	13 740 750
EFG – Hermes USA	American	100	US\$	54 782 600	54 782 600
EFG Finance Holding S.A.E **	Egyptian	99.82	EGP	717 030 000	717 030 000
Etkan for Inquiry and Collection and Business processes **	Egyptian	0.002	EGP	100	100
EFG-Hermes PE Holding Ltd.	Emirates	100	US\$	895 500	895 500
EFG- Hermes Global CB Holding Limited	Cayman Islands	100	US\$	664 454 800	664 454 800
OLT Investment International S.A.B	Bahrain	99.9	BHD	63 720 196	63 720 196
EFG - Hermes Int. Fin Corp	Cayman Islands	100	US\$	16	--
Balance				<u>3 968 219 291</u>	<u>3 973 818 087</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 99.82% 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 financial statements  
for the year ended 31/12/2019 (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*	18 597 100	244 159 870	23 951 261	61 517 927	9 062 935	4 202 747	361 491 840
Additions during the year	--	--	2 230 928	15 181 765	3 261 000	2 002 452	22 676 145
Disposals during the year	--	--	--	(41 360)	(1 528 911)	--	(1 570 271)
Total cost as at 31/12/2018	18 597 100	244 159 870	26 182 189	76 658 332	10 795 024	6 205 199	382 597 714
Additions during the year	--	--	3 710 457	9 363 181	5 404 547	250 425	18 728 610
Disposals during the year	--	--	--	--	(1 409 111)	--	(1 409 111)
Total cost as at 31/12/2019	18 597 100	244 159 870	29 892 646	86 021 513	14 790 460	6 455 624	399 917 213
<b>Accumulated depreciation</b>							
Accumulated depreciation as at 1/1/2018*	--	41 472 062	19 525 423	44 193 897	5 924 053	4 174 037	115 289 472
Depreciation during the year *	--	7 861 948	1 244 945	6 859 930	1 384 709	119 339	17 470 871
Disposals accumulated depreciation	--	--	--	(41 360)	(738 911)	--	(780 271)
Accumulated depreciation as at 31/12/2018	--	49 334 010	20 770 368	51 012 467	6 569 851	4 293 376	131 980 072
Depreciation during the year	--	7 861 948	1 613 179	7 980 600	2 361 000	437 417	20 254 144
Disposals accumulated depreciation	--	--	--	--	(1 395 778)	--	(1 395 778)
Accumulated depreciation as at 31/12/2019	--	57 195 958	22 383 547	58 993 067	7 535 073	4 730 793	150 838 438
<b>Net book value</b>							
Net book value as at 31/12/2018	18 597 100	194 825 860	5 411 821	25 645 865	4 225 173	1 911 823	250 617 642
Net book value as at 31/12/2019	18 597 100	186 963 912	7 509 099	27 028 446	7 255 387	1 724 831	249 078 775

\* Note no. (27).

\*\* Land and buildings items represent the headquarter of the Company in Smart Village Building according to the signed sale and lease contract for the whole land and building of the company in Smart Village between EFG – Hermes Holding Company and both EFG-Hermes Leasing (a subsidiary) and Emirates NBD Leasing Company (Note no. (26)).

**15- Intangible assets**

	<b>Software license</b>
<b>Cost</b>	
Balance as at 1/1/2018	--
Additions during the year	17 958 055
	<hr/>
Balance as at 31/12/2018	17 958 055
Additions during the year	5 433 733
	<hr/>
Total cost as at 31/12/ 2019	23 391 788
	<hr/>
<b>Accumulated amortization</b>	
Accumulated amortization as at 1/1/ 2018	--
Amortization during the year	980 121
	<hr/>
Accumulated amortization as at 31/12/ 2018	980 121
Amortization during the year	4 284 471
	<hr/>
Accumulated amortization as at 31/12/2019	5 264 592
	<hr/>
<b>Net book value</b>	
Net book value as at 31/12/2018	16 977 934
	<hr/> <hr/>
Net book value as at 31/12/2019	18 127 196
	<hr/> <hr/>

### 16- Share capital

- The company's authorized capital amounts EGP 6 billion and issued capital amounts EGP 3,074,472,890 distributed on 614,894,578 shares of par value EGP 5 per share which is fully paid.
- The company's General Assembly approved in its session held on May 6, 2018 to increase the company's issued capital from EGP 3,074,472,890 to EGP 3,843,091,115 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 83 670 000 (equivalent to EGP 365 487 294).

### 18- Dividend income

	<b>For the year ended 31/12/2019</b>	<b>For the year ended 31/12/2018</b>
Income from available - for- sale investments	27 092 500	13 101 589
Income from investments at fair value through profit and loss	92 527	--
Income from investments in subsidiaries	1 214 625 000	344 767 500
<b>Total</b>	<b>1 241 810 027</b>	<b>357 869 089</b>

**19- General administrative expenses**

	<b>For the year ended 31/12/2019</b>	<b>For the year ended 31/12/2018 Restated *</b>
Wages , salaries and similar items	304 247 924	238 226 946
Consultancy	3 950 686	4 043 311
Travel , accommodation and transportation	6 150 531	9 749 295
Leased line and communication	4 316 146	14 233 438
Rent and utilities expenses	6 669 050	6 115 695
Other expenses	83 703 765	87 351 598
	<hr/>	<hr/>
Total	409 038 102	359 720 283
	<hr/> <hr/>	<hr/> <hr/>

\* Note no. (27).

**20- Cash and cash equivalents**

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

	<b>For the year ended 31/12/2019</b>	<b>For the year ended 31/12/2018</b>
Cash and cash equivalents as presented in the statement of financial position	253 924 784	174 435 580
Banks overdraft	(198 543 552)	--
Effect of exchange rate changes	--	(49 597 149)
	<hr/>	<hr/>
Cash and cash equivalents (adjusted)	55 381 232	124 838 431
	<hr/> <hr/>	<hr/> <hr/>

**21- Reconciliation of effective tax rate**

	31/12/2019	31/12/2018 Restated *
Profit before tax	540 728 132	653 411 813
Add / (deduct):		
Depreciation and amortization	6 082 057	1 748 130
Capital (gains) losses	(936 666)	6 535 613
Effect of provisions	87 398 803	2 164 471
Cost of financing and investment opposite to exempted revenues	8 241 376	33 431 540
Foreign currencies exchange differences	305 571 771	(59 674 537)
Tax exemptions	(1 242 078 452)	(420 830 015)
Medical Takaful Insurance Tax	3 555 364	22 834
Other additions	232 333 332	65 829 376
Other deductibles	(123 500 288)	(38 953 555)
Net tax base	(182 604 571)	243 685 670
Tax due	--	54 829 276
Prior year adjustments	(98 468)	(266 870)
Current income tax	(98 468)	54 562 406
Effective tax rate	--	8.39%

\* Note no. (27)

## 22- Deferred tax liabilities

Deferred tax liabilities (Assets) are attributable to the following:

	31/12/2019	31/12/2018
	Liability (Asset)	Liability (Asset)
<b>(A) Deferred tax</b>		
Fixed assets' (depreciation)	4 297 458	3 502 473
Investment property (depreciation)	1 418 758	1 064 069
Intangible assets (depreciation)	(655 429)	(116 980)
Foreign currencies exchange differences	(64 047 529)	4 706 120
Investment property (revaluation reserve)	( 1 867 147)	(1 867 147)
Deferred capital gains	--	7 664 152
	<hr/>	<hr/>
Net deferred tax (assets) liabilities	(60 853 889)	14 952 687
	<hr/> <hr/>	<hr/> <hr/>
<b>(B) Deferred tax recognized directly in equity</b>		
	31/12/2019	31/12/2018
Changes in the fair value of cash flow hedges *	(6 612 597)	(6 612 597)
Fair value of available-for-sale investments **	201 076 402	233 097 924
	<hr/>	<hr/>
	194 463 805	226 485 327
	<hr/>	<hr/>
Balance	133 609 916	241 438 014
	<hr/> <hr/>	<hr/> <hr/>

\* 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.

## 23- Other income.

Other income item presented in the income statement includes the value of rental for some affiliated companies, and also includes the value of rental spaces owned by the Company in Nile City building.

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

	<b>For the year ended 31/12/2019</b>	<b>For the year ended 31/12/2018</b>
Investments in subsidiaries	6 134 216	550 027 144
Investments at fair value through profit and loss	478 381	10 089 808
Available - for- sale investments	20 929 466	67 638 129
	<u>27 542 063</u>	<u>627 755 081</u>
<b>Total</b>	<b>27 542 063</b>	<b>627 755 081</b>

**25- Earnings per share**

	<b>For the year ended 31/12/2019</b>	<b>For the year ended 31/12/2018</b>
Net profit for the year	616 633 176	585 712 700
Employees' portion	--	(55 511 316)
Board of directors' bonus	--	(18 120 385)
	<u>616 633 176</u>	<u>512 080 999</u>
Net	616 633 176	512 080 999
	<u>768 618 223</u>	<u>768 618 223</u>
Weighted average number of shares	768 618 223	768 618 223
	<u>0.80</u>	<u>0.67</u>
Earnings per share	0.80	0.67

**26- Finance lease liabilities**

	<b>31/12/2019</b>	<b>31/12/2018</b>
Current portion of finance lease liabilities	48 909 762	28 582 596
Non- Current portion of finance lease liabilities	261 371 571	321 528 142
	<u>310 281 333</u>	<u>350 110 738</u>
<b>Total</b>	<b>310 281 333</b>	<b>350 110 738</b>

\* Note no. (14).



**27- Financial impact of implementing the new Egyptian Accounting Standard No. (49) "Lease Contracts".**

The statement of financial position of the Company has been restated as of 31 December 2018, following the necessary Adjustments as a result of changing from Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing " to the new Egyptian Accounting Standard No. (49) "Lease Contracts. These adjustments include adjustments to statement of changes in equity in 31 December 2018, as well as adjustments to comprehensive income relating to the financial year ended 31 December 2018 are as follows:

**27-1 Adjustments on Balance sheet as of 31 December 2018.**

	(As reported)	Adjustments	(Restated)
	EGP	EGP	EGP
<b>Assets</b>			
<b>Non – current assets</b>			
Fixed assets	37 194 682	213 422 960	250 617 642
<b>Current assets</b>			
Other credit balances	92 559 767	(57 758 378)	34 801 389
<b>Equity</b>			
Other reserves	2 707 945 529	7 151 547	2 715 097 076
Retained earnings	879 457 876	(20 625 152)	858 832 724
<b>Liabilities</b>			
<b>Non – current liabilities</b>			
Finance lease liabilities	--	321 528 142	321 528 142
<b>Current liabilities</b>			
Finance lease liabilities	--	28 582 596	28 582 596
Other credit balances	415 624 168	(180 972 551)	234 651 617

**27-2 Adjustments on Income statement and other comprehensive income for the year ended 31 December 2018**

	(As reported)	Adjustments	(Restated)
	EGP	EGP	EGP
Gain on sale of fixed assets	18 072 735	(17 066 836)	1 005 899
Gain on sale of investments property	11 414 341	(11 414 341)	--
Finance cost	(31 361 561)	(51 156 374)	(82 517 935)
General administrative expenses	(437 655 676)	77 935 393	(359 720 283)
Fixed asset's depreciation	(9 608 923)	(7 861 948)	(17 470 871)

## **28- Tax status**

- As to Income Tax, the years till 2017 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 2018, have 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 as to years 2009 / 2017 the company's books had been examined and the settlement procedures are currently taking place, and as to years 2018 / 2019 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 years 2017/ 2018 the company's books had been examined and the settlement procedures are currently taking place. as to year 2019 have not been inspected yet.
- As to property tax, the company supplies the tax due and paid this tax till 31 December 2019.

## **29- 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 29 787 520 which represents the value of rental spaces for some affiliated companies.
- Interest income item presented in the income statement includes an amount of EGP 639 990 represent the interest on subordinated loan to EFG-Hermes Factoring, an amount of EGP 670 688 represent the interest on subordinated loan to EFG- Hermes leasing, an amount of EGP 938 438 represent the interest on subordinated loan to Valu, and an amount of EGP 75 694 represent the interest on subordinated loan to Hermes Securities Brokerage.
- Loans to subsidiaries item as at December 31, 2019 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 8 022 500) (Note no. 10).
- Creditors and other credit balances item includes an amount of EGP 5 314 680 represents the unearned revenues from the affiliated companies for rental of Group's headquarter owned by the Company (Note no. 8).

## **30- 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.

### **30/1 Market risk**

#### **A. Foreign currencies risk**

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the Company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As at the financial position date the Company has assets and liabilities in foreign currencies equivalent to EGP 5 705 253 333 and EGP 1 944 646 254 respectively. The Company's net exposures in foreign currencies as at the financial position date are as follows:

	<b>Surplus / (deficit)</b>
	<b>EGP</b>
USD	3 526 313 828
EURO	239 608 027
AED	3 531 153
GBP	(10 261 343)
CHF	1 535 774
SAR	(120 360)

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.

### **30/2 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.

### **30/3 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.

### **30/4 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.

### **30/5 Financial instruments' fair value**

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

### **30/6 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.

### **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.

#### **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 capitalized 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>Assets</b>	<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

Improvements are depreciated in leased locations over the contract life or the useful life whichever is less.

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

#### **31-2-4 Re-classification 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.

#### **31-2-6 Intangible assets**

Intangible assets are recorded at historical cost less accumulated amortization and any impairment losses (note 31-6) ,intangible assets are amortized using the straight-line method and are recognized in profit or loss over their estimated useful lives.

### **31-3 Investments**

#### **31-3-1 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.

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

### **31-3-3 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 31-6). The impairment value is to be charged to the income statement for every investment individually.

### **31-3-4 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.

## **31-4 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 re-measurement are recognized in profit or loss.

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

### **31-5 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.

#### **31-5-1 Non-derivative financial assets and financial liabilities – Recognition and Derecognition**

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

The group derecognizes 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 derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The group derecognizes 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.



### **31-5-2 Non-derivative financial assets – Measurement**

#### **31-5-2-1 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 recognized 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 recognized in profit or loss.

#### **31-5-2-2 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 amortized cost using the effective interest method.

#### **31-5-2-3 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 amortized cost using the effective interest method.

#### **31-5-2-4 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 recognized in OCI and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

### **31-5-3 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 amortized cost using the effective interest method.

### **31-5-4 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.

#### **31-5-4-1 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.

### **31-6 Impairment**

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

#### **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.

### **31-6-2 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.

### **31-7 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.

### **31-8 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.

### **31-9 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.

### **31-10 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

### **31-11 Share capital**

#### **30-11-1 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.

#### **31-11-2 Re-purchase 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.

### **31-12 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.

### **31-13 Revenues**

#### **31-13-1 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.

#### **31-13-2 Dividend income**

Dividend income is recognized when declared.

#### **31-13-3 Custody fees**

Custody fees are recognized when provide service and issue invoice.

#### **31-13-4 Interest income**

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

### **31-14 Expenses**

#### **31 -14-1 Borrowing costs**

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

### **31-14-2 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.

### **31-14-3 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.

### **31-15 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.

### **31-16 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"

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015 , which include some new accounting standards as well as introducing amendments to certain existing standards published in the official gazette on 25 April 2019. The most prominent amendments are as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
The new Egyptian Accounting Standard No. (47) "Financial Instruments"	<p>1-The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. (26) was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.</p> <p>2-Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p>		<p>This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards No. (1), (25), (26) and (40) are to be simultaneously applied.</p>



3-When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.

The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.

-These amendments are effective as of the date of implementing Standard No. (47)

4- based on the requirements of this standard the following standards were amended :

1-Egyptian Accounting Standard No. (1)

“Presentation of Financial Statements” as amended in 2019.

2-Egyptian Accounting Standard No. (4) -

“Statement of Cash Flows”.

3-Egyptian Accounting Standard No. (25) - “Financial Instruments: Presentation.

4-Egyptian Accounting Standard No. (26) - “Financial Instruments: Recognition and Measurement”.

5- Egyptian Accounting Standard - EAS No. (40) - “Financial Instruments: Disclosures “

The new Egyptian Accounting Standard No. (48) - “Revenue from Contracts with Customers”

1-The new Egyptian Accounting Standard No. (48) - “Revenue from Contracts with Customers” shall supersede the following standards and accordingly

The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements

Standard No(48) applies to financial periods beginning on or after January1st, 2020, and the early

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| <p>such standards shall be deemed null and void:</p> <p>a. Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015.</p> <p>b. Egyptian Accounting Standard No. (11) – "Revenue" as amended in 2015.</p> <p>2- For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p> <p>3- incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met</p> <p>4- the standard requires that contract must have a commercial substance in order for revenue to be recognized</p> <p>5- Expanding in the presentation and disclosure requirements</p> | <p>implementation thereof is permitted</p> |
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The new Egyptian Accounting Standard No. (49) "Lease Contracts

- 1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015
- 2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments

The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.

This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is

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| <p>under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts.</p> <p>3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</p> <p>4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</p> <p>5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis</p> | <p>simultaneously applied.</p> <p>Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing" as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.</p> |
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<p>Egyptian Accounting Standard No. (38) as ammended " Employees Benefits "</p>	<p>A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.</p>
<p>Egyptian Accounting Standard No. (42) Consolidated Financial Statements"</p>	<p>Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were ammended are as follows:</p> <ul style="list-style-type: none"> <li>- (ESA 15) Related Party Disclosures</li> <li>- (ESA 17) Consolidated and Separate Financial Statements</li> <li>- (ESA 18) Investments in Associates</li> <li>- (ESA 24) Income Taxes</li> <li>- (ESA 29) Business Combinations</li> <li>- ESA (30) Periodical Financial Statements</li> <li>- EAS (44) Disclosure of Interests in Other Entities.</li> </ul>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.  -The new or amended paragraphs pertaining to the ammended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019.</p>