

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)

Separate financial statements
for the year ended December 31, 2017
&
Auditor's Report

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Hazem Hassan

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AUDITOR'S REPORT

To the shareholders of EFG - Hermes Holding Company

Report on the Financial Statements

We have audited the accompanying separate financial statements of EFG - Hermes Holding Company (Egyptian Joint Stock Company) which comprise the separate statement of financial position as at 31 December 2017, 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

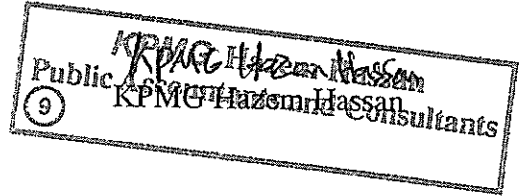
In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of EFG - Hermes Holding Company as of December 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

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

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

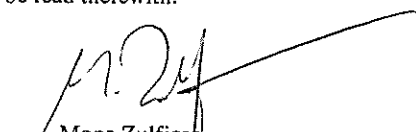
Cairo, March 27, 2018

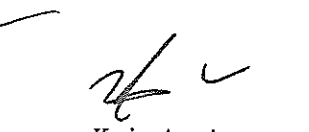



EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Separate statement of financial position

<i>(in EGP)</i>	Note no.	31/12/2017	31/12/2016
Assets			
Non - current assets			
Loans to subsidiaries	(11,28)	75 000 000	259 000 000
Available -for- sale investments	(12)	1 922 723 943	2 167 829 957
Investment property	(13,28)	145 028 633	243 878 226
Investments in subsidiaries	(14)	3 219 434 671	3 353 024 509
Fixed assets	(15,28)	24 917 460	154 205 087
Total non - current assets		<u>5 387 104 707</u>	<u>6 177 937 779</u>
Current assets			
Cash and cash equivalents	(3,22)	528 196 987	766 035 178
Investments at fair value through profit and loss	(4)	381 454 106	363 924 330
Treasury bills	(5)	-	1 490 311 500
Due from subsidiaries & related parties	(6)	5 682 243 998	3 560 483 521
Other debit balances	(7,28)	295 767 005	48 989 075
Current portion of loans to subsidiaries	(11,28)	8 875 000	100 000 000
Total current assets		<u>6 896 537 096</u>	<u>6 329 743 604</u>
Total assets		<u>12 283 641 803</u>	<u>12 507 681 383</u>
Equity			
Issued & paid - in capital	(17)	3 074 472 890	3 074 472 890
Legal reserve		1 537 236 445	1 523 711 250
Other reserves		2 909 155 602	3 014 613 396
Retained earnings		288 901 218	1 983 941 137
Total equity		<u>7 809 766 155</u>	<u>9 596 738 673</u>
Liabilities			
Non - current liabilities			
Long term loans	(16)	-	133 320 000
Deferred tax liabilities	(24)	261 664 650	472 606 278
Total non - current liabilities		<u>261 664 650</u>	<u>605 926 278</u>
Current liabilities			
Banks' overdraft		199 999 990	199 382 151
Due to subsidiaries & related parties	(8)	3 270 283 559	1 526 972 531
Current tax liability		164 998 756	79 188 561
Creditors and other credit balances	(9,28)	453 928 693	368 209 189
Claims provision	(10)	123 000 000	114 584 000
Current portion of long term loans	(16)	-	16 680 000
Total current liabilities		<u>4 212 210 998</u>	<u>2 305 016 432</u>
Total liabilities		<u>4 473 875 648</u>	<u>2 910 942 710</u>
Total equity and liabilities		<u>12 283 641 803</u>	<u>12 507 681 383</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


" Auditor's report attached "

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

<i>(in EGP)</i>	Note no.	For the year ended 31/12/2017	For the year ended 31/12/2016
Revenues			
Dividend income	(19)	11 474 880	1 520 390 196
Custody activity income		18 453 374	6 926 348
Interest income	(28)	202 940 129	97 249 358
Net changes in the fair value of investments at fair value through profit and loss		15 633 484	3 847 001
Gains on sale / redemptions of investments	(25)	183 195 711	588 065 265
Gains on sale of fixed assets	(28)	3 002 462	-
Gains on sale of investment property	(28)	1 628 916	-
Other income	(28)	104 718 464	38 459 376
Total revenues		<u>541 047 420</u>	<u>2 254 937 544</u>
Expenses			
Finance cost		(51 687 483)	(45 803 044)
General administrative expenses	(20)	(297 040 252)	(457 372 562)
Foreign currency exchange differences	(30-1)	(38 758 449)	693 143 309
Fixed assets depreciation	(15)	(10 334 889)	(8 771 195)
Investment property depreciation	(13)	(9 473 593)	(9 761 592)
Impairment loss on assets	(21)	-	(66 304 259)
Claims provision	(10)	(9 241 614)	(108 497 079)
Total expenses		<u>(416 536 280)</u>	<u>(3 366 422)</u>
Profit before income tax		124 511 140	2 251 571 122
Current income tax	(23)	(194 700 975)	(78 189 622)
Deferred tax	(24)	164 592 785	(158 100 213)
Profit for the year		<u>94 402 950</u>	<u>2 015 281 287</u>
Earnings per share	(26)	<u>0.15</u>	<u>3.28</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

<i>(in EGP)</i>	For the year ended 31/12/2017	For the year ended 31/12/2016
Profit for the year	94 402 950	2 015 281 287
Other comprehensive income:		
Available -for- sale investments - net change in fair value	(144 655 090)	1 039 778 788
Revaluation surplus of investment property	(7 151 547)	-
Tax related to comprehensive income items	<u>46 348 843</u>	<u>(214 853 670)</u>
Other comprehensive income, net of tax	<u>(105 457 794)</u>	<u>824 925 118</u>
Total comprehensive income for the year	<u><u>(11 054 844)</u></u>	<u><u>2 840 206 405</u></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 changes in equity

	Issued & paid-in capital	Legal reserve	General reserve	Share premium	Other reserves			Hedging reserve	Retained earnings (losses)	Total
					Fair value- available-for- sale investments	Revaluation surplus of fixed assets transferred to investment property				
(in EGP)										
Balance as at 31 December, 2015	3 074 472 890	1 523 711 250	158 271	1 922 267 818	278 254 597	15 449 979	(26 442 387)	(31 340 150)	6 756 532 268	
Other comprehensive income items	-	-	-	-	824 925 118	-	-	-	824 925 118	
Profit for the year ended December 31, 2016	-	-	-	-	-	-	-	2 015 281 287	2 015 281 287	
Balance as at 31 December, 2016	3 074 472 890	1 523 711 250	158 271	1 922 267 818	1 103 179 715	15 449 979	(26 442 387)	1 983 941 137	9 596 738 673	
Transferred to legal reserve	-	13 525 195	-	-	-	-	-	(13 525 195)	-	
Dividends payout of 2016 *	-	-	-	-	-	-	-	(1 783 069 221)	(1 783 069 221)	
Other comprehensive income items	-	-	-	-	(98 306 247)	(7 151 547)	-	7 151 547	(98 306 247)	
Profit for the year ended December 31, 2017	-	-	-	-	-	-	-	94 402 950	94 402 950	
Balance as at December 31, 2017	3 074 472 890	1 537 236 445	158 271	1 922 267 818	1 004 873 468	8 298 432	(26 442 387)	288 901 218	7 809 766 155	

* According to the Company's General Ordinary Assembly held on April 27, 2017.

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 year ended 31/12/2017	For the year ended 31/12/2016
<i>(in EGP)</i>			
Cash flows from operating activities			
Profit before tax		124 511 140	2 251 571 122
Adjustments for :			
Fixed assets depreciation		10 334 889	8 771 195
Gains from sale of fixed assets		(3 002 462)	-
Gains from sale of investment property		(1 628 916)	-
Investment property depreciation		9 473 593	9 761 592
Impairment loss on assets		-	66 304 259
Claims provisions formed		9 241 614	108 497 079
Claims provisions used		(825 614)	(183 365)
Losses (gains) on sale / redemption of investments in subsidiaries		23 806 197	(523 336 111)
Net changes in the fair value of investments at fair value through profit and loss		(15 633 484)	(3 847 001)
Gains on sale of available -for- sale investments		(197 203 801)	(62 691 129)
Foreign currencies exchange differences		38 758 449	(693 143 309)
		<u>(2 168 395)</u>	<u>1 161 704 332</u>
Changes in			
Investments at fair value through profit and loss		(1 889 674)	(208 118 827)
Treasury bills		426 758 496	(426 758 496)
Due from subsidiaries		(1 760 248 392)	470 454 640
Other debit balances		(7 588 099)	(14 042 568)
Due to subsidiaries		2 050 843 713	1 160 875 662
Current tax liability		(9 758 388)	4 555 883
Creditors and other credit balances		(151 093 372)	283 330 903
Income tax paid		(99 132 392)	-
Net cash provided from operating activities		<u>445 723 497</u>	<u>2 432 001 529</u>
Cash flows from investing activities			
Payments to purchase fixed assets		(13 747 906)	(11 172 637)
Proceeds from sale of fixed assets		90 317 504	-
Proceeds from sale of investment property		60 405 496	-
Payments for loans to subsidiaries		(270 000 000)	(153 147 550)
Proceeds from loans to subsidiaries		545 000 000	-
Payments to purchase available -for- sale investments		(8 992 963)	(9 484 957)
Proceeds from sale of available -for- sale investments		306 647 688	112 910 082
Payments to purchase investments in subsidiaries		(481 516 359)	(1 483 596 051)
Net cash provided from (used in) investing activities		<u>228 113 460</u>	<u>(1 544 491 113)</u>
Cash flows from financing activities			
Dividends payout		(1 710 760 090)	(32 194 450)
Proceeds from long term loans		-	150 000 000
Payments to long term loans		(150 000 000)	-
Net cash (used in) provided from financing activities		<u>(1 860 760 090)</u>	<u>117 805 550</u>
Net change in cash and cash equivalents during the year		(1 186 923 133)	1 005 315 966
Cash and cash equivalents at the beginning of the year	(22)	1 515 120 130	624 890 065
Cash and cash equivalents at the end of the year	(22)	<u>328 196 997</u>	<u>1 630 206 031</u>

Non cash transactions:

- An amount of EGP 72 309 131 has been eliminated from creditors and other credit balances represents the amount of unpaid dividends.
- An amount of EGP 241 828 000 has been eliminated from other debit balances represents the amounts not collected from sale of fixed assets and investment property.
- An amount of EGP 165 842 978 has been eliminated from creditors and other credit balances represents the deferred capital gains resulted from sale of fixed assets and investment property.
- An amount of EGP 591 300 000 has been eliminated from both payments to purchase investments in subsidiaries and due from subsidiaries as the Holding Company has transferred its investments in EFG-Hermes Leasing and Tanmeyah Micro Enterprise Services S.A.E to EFG Finance Holding on October 18, 2017.

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 financial statements

for the year ended December 31, 2017

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

1- Description of business

1-1 Legal status

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

1-2 Purpose of the company

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

2- Basis of preparation

2-1 Statement of compliance

- These financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 26 March , 2018.

2-2 Functional and presentation currency

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

2-3 Use of estimates and judgments

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

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

2-3-1 Fair value measurement

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

2-4 Consolidated financial statements

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

3- Cash and cash equivalents

	31/12/2017	31/12/2016
Cash on hand	351 393	704 354
Banks - current accounts	170 185 089	39 695 513
Banks - time deposits	357 660 505	725 635 311
	<hr/>	<hr/>
Balance	528 196 987	766 035 178
	=====	=====

4- Investments at fair value through profit and loss

	31/12/2017	31/12/2016
Mutual fund certificates	380 838 017	363 548 535
Equity securities	616 089	375 795
	<hr/>	<hr/>
Balance	381 454 106	363 924 330
	=====	=====

5- Treasury bills

	31/12/2017	31/12/2016
Treasury bills maturity less than 91 days	--	1 094 000 000
Treasury bills maturity 182 days	--	368 500 000
Treasury bills maturity 273 days	--	81 000 000
Unearned revenues	--	(53 188 500)
	<hr/>	<hr/>
Net	--	1 490 311 500
	=====	=====

6- Due from subsidiaries & related parties

	31/12/2017	31/12/2016
EFG- Hermes Management	--	968 369
EFG- Hermes Advisory Inc.	1 035 890 480	999 248 463
Flemming CIIC Holding *	26 348 053	25 810 576
EFG- Hermes IB Limited	3 474 521 051	451 215 500
EFG- Hermes Oman LLC	7 062 708	3 104 330
EFG- Hermes IFA Financial Brokerage	3 802 889	38 667 566
EFG- Hermes Promoting & Underwriting	216 328 720	199 519 365
EFG- Hermes KSA	56 515 440	61 076 669
Egyptian Fund Management Group *	107 612 476	58 829 315
Bayonne Enterprises Ltd.	16 038 594	15 182 271
EFG- Hermes Holding – Lebanon	2 291 781	2 324 064
EFG- Hermes Direct Investment Fund	1 079 289	1 094 490
EFG- Hermes Leasing	5 011 039	4 282 033
Beaufort Investments Company	1 310 782	37 472
EFG- Hermes Private Equity	27 697 504	16 273 740
EFG- Hermes USA	17 605 246	2 857 631
EFG- Hermes Jordan	784 733	--
EFG- Hermes Mena Securities Ltd.	73 836	--
EFG- Hermes Global CB Holding Limited	--	1 756 662 134
EFG – Hermes Frontier Holdings LLC	136 088 159	5 439 382
EFG- Hermes UAE Ltd.	11 449 603	--
EFG- Hermes Brokerage – UAE LLC.	1 236 526	--
OLT Investment International S.A.B	653 570	--
EFG Finance Holding S.A.E	613 286 450	--
EFG SP Ltd.	1 575 533	--
Beaufort Asset Management Company	89 385	--
	<hr/>	<hr/>
	5 764 353 847	3 642 593 370
Accumulated impairment*	(82 109 849)	(82 109 849)
	<hr/>	<hr/>
Balance	5 682 243 998	3 560 483 521
	=====	=====

7- Other debit balances

	31/12/2017	31/12/2016
Accrued revenues	5 852 498	5 489 727
Taxes withheld by others	24 679 220	7 956 315
Deposits with others	1 095 827	1 067 827
Prepaid expenses	9 881 100	4 924 715
Employees advances	901 517	1 049 892
Down payments to suppliers	10 347 994	2 757 702
Payments for investments	--	7 450 000
Sundry debtors	1 180 849	18 292 897
Receivables- sales on fixed assets and investment property (Note no. 28)	241 828 000	--
Balance	<u>295 767 005</u>	<u>48 989 075</u>
	=====	=====

8- Due to subsidiaries & related parties

	31/12/2017	31/12/2016
Arab Visual Company	1 250 500	5 000 000
Hermes Corporate Finance Co.	9 790 782	9 931 563
EFG- Hermes Fixed Income	6 623 808	6 735 554
EFG- Hermes Mutual Funds	9 860 572	9 889 191
EFG- Hermes Management	174 052	--
EFG- Hermes Regional Investments Ltd.	286 363 116	424 893 131
EFG- Hermes Syria LLC	7 912 165	7 912 165
Egyptian Portfolio Management Group	68 254 909	49 168 647
EFG- Hermes – Lebanon – S.A.L.	98 389 374	99 775 140
Hermes Fund Management	26 403 981	28 595 613
Hermes Securities Brokerage	239 796 899	358 977 485
EFG- Hermes Financial Management (Egypt) Ltd.	514 797 499	488 805 565
Financial Brokerage Group	31 722 255	2 296 030
Tanmeyah Micro Enterprise Services S.A.E	24 503	1 576 412
EFG- Hermes Global CB Holding Limited	1 968 919 144	--
EFG - Hermes Jordan	--	17 010
EFG- Hermes UAE Ltd.	--	33 142 297
EFG- Hermes Brokerage – UAE LLC.	--	256 728
Balance	<u>3 270 283 559</u>	<u>1 526 972 531</u>
	=====	=====

9- Creditors and other credit balances

	31/12/2017	31/12/2016
Social Insurance Authority	367 231	314 220
Accrued expenses	178 298 216	318 504 567
Accrued interest	--	8 071 875
Clients coupons - custody activity	9 686 372	10 373 543
Deferred capital gains (Note no. 28)	165 842 978	--
Unearned revenues (Note no. 28)	10 671 355	11 872 834
Dividends payable prior years	84 337 402	12 028 271
Sundry credit balances	3 164 806	2 970 244
Tax Authority	1 560 333	4 073 635
Balance	<u>453 928 693</u>	<u>368 209 189</u>

10- Claims provision

	31/12/2017	31/12/2016
Balance at the beginning of the year	114 584 000	6 270 286
Amounts formed during the year	9 241 614	108 497 079
Amounts used during the year	(825 614)	(183 365)
Balance at the end of the year	<u>123 000 000</u>	<u>114 584 000</u>

11- Loans to subsidiaries

Company's name	Currency	Loan value	Loan date	Maturity date	31/12/2017	31/12/2016
Hermes Securities Brokerage	EGP	70 million	12/5/2016	12/5/2018	--	70 000 000
”	”	50 million	15/5/2016	15/5/2018	--	50 000 000
”	”	30 million	19/6/2016	19/6/2018	--	30 000 000
”	”	50 million	29/6/2016	29/6/2018	--	50 000 000
”	”	50 million	15/12/2016	14/12/2018	--	50 000 000
”	”	150 million	2/1/2017	1/1/2019	25 000 000	--
”	”	50 million	11/12/2017	10/12/2020	50 000 000	--
Tanmeyah Micro Enterprise						
Services S.A.E	EGP	50 million	22/12/2016	22/1/2017	--	50 000 000
EFG- Hermes Leasing	EGP	100 million	24/11/2016	10/1/2017	--	50 000 000
EFG- Hermes Jordan	US\$	500 thousand	1/3/2016	28/2/2018	8 875 000	9 000 000
Total					<u>83 875 000</u>	<u>359 000 000</u>
Current portion of loans to subsidiaries					<u>(8 875 000)</u>	<u>(100 000 000)</u>
Balance					<u>75 000 000</u>	<u>259 000 000</u>

12- Available -for- sale investments

	31/12/2017	31/12/2016
Equity securities	304 603 666	445 826 857
Mutual fund certificates	1 618 120 277	1 722 003 100
Balance	<u>1 922 723 943</u>	<u>2 167 829 957</u>
Available -for- sale investments are represented in the following:		
Quoted investments	408 885 633	361 334 302
Non- quoted investments	1 513 838 310	1 806 495 655
	<u>1 922 723 943</u>	<u>2 167 829 957</u>

13- Investment property

	Buildings
Balance as at 1/1/2017	253 639 818
Disposals *	(96 000 000)
Total cost as at 31/12/2017	<u>157 639 818</u>
Accumulated depreciation as at 1/1/2017	9 761 592
Depreciation for the year	9 473 593
Accumulated depreciation	(6 624 000)
Accumulated depreciation as at 31/12/2017	<u>12 611 185</u>
Net carrying amount as at 31/12/2016	<u>243 878 226</u>
Net carrying amount as at 31/12/2017	<u>145 028 633</u>

- Investment property amounted EGP 145 028 633 as at 31 December 2017, represents the book value of the area owned by EFG – Hermes Holding Company in Nile City building.

* Note no. (28)

14- Investments in subsidiaries

Company's name	Nationality	Share percentage %	The currency of payment	Carrying amount	
				31/12/2017	31/12/2016
Financial Brokerage Group Co.	Egyptian	99.87	EGP	41 838 060	41 838 060
Egyptian Fund Management Group *****	Egyptian	88.51	EGP	4 427 233	4 427 233
Egyptian Portfolio Management Group	Egyptian	66.33	EGP	3 316 500	3 316 500
Hermes Securities Brokerage	Egyptian	97.58	EGP	219 763 969	219 763 969
Hermes Fund Management	Egyptian	89.95	EGP	6 439 709	6 439 709
Hermes Corporate Finance Co.	Egyptian	99.37	EGP	5 476 029	5 476 029
EFG- Hermes Advisory Inc.	BVI	100	US\$	6	6
EFG- Hermes Promoting & Underwriting	Egyptian	99.88	EGP	7 990 000	7 990 000
EFG- Hermes Fixed Income	Egyptian	99	EGP	9 900 000	9 900 000
EFG- Hermes Management	Egyptian	96.3	EGP	1 249 490	1 249 490
Flemming CIIC Holding	Egyptian	100	EGP	--	--
EFG- Hermes Private Equity **	BVI	1.59	US\$	39 975	39 975
EFG- Hermes – UAE Limited Company	Emirates	100	US\$	464 270 000	147 110 000
EFG- Hermes Holding Lebanon – S.A.L.	Lebanon	99	US\$	153 713	153 713
EFG- Hermes – KSA ****	Saudi	73.1	US\$	94 901 158	118 707 354
EFG- Hermes – Lebanon – S.A.L.	Lebanon	99	US\$	27 564 787	27 564 787
EFG- Hermes Regional Investments Ltd. **	Cayman Islands	100	US\$	318 141 304	318 141 304
EFG- Hermes Jordan	Jordanian	100	US\$	33 610 631	33 610 631
EFG- Hermes Investment Funds Co.	Egyptian	99.998	EGP	6 399 800	6 399 800
EFG- Hermes Global CB Holding Limited *	Cayman Island	100	US\$	957 343 622	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-Hermes Leasing *****	Egyptian	99	EGP	--	99 000 000
EFG-Direct Investment Fund	Egyptian	64	EGP	640 000	640 000
EFG- Hermes IB Limited	Cayman Island	100	US\$	886 500 008	886 500 008
Tanmeyah Micro Enterprise Services S.A.E *****	Egyptian	94	EGP	--	423 000 000
EFG - Hermes Frontier Holdings LLC	Emirates	100	US\$	13 740 750	13 740 750
EFG – Hermes USA ***	American	100	US\$	26 537 500	9 000 000
EFG Finance Holding S.A.E *****	Egyptian	99	EGP	29 700 000	--
OLT Investment International S.A.B ***	Bahrain	99.9	BHD	47 818 858	--
				3 223 861 904	3 357 451 742
Impairment of investments in subsidiaries*****				(4 427 233)	(4 427 233)
Balance				3 219 434 671	3 353 024 509

- * The company acquired 14 914 883 shares that represents 63.739% controlling stake in Credit Libanais SAL (the Bank) through its wholly owned subsidiary EFG – Hermes CL Holding SAL for an amount of USD 577.8 million. The company approved to proceed with all necessary steps to sell 9 408 749 shares (Phase I) represent approximately 40% of its indirect subsidiary Credit Libanais Bank S.A.L. (total Bank shares 23 400 000) at US\$ 33 per share (prior to payment of associated fees) to a consortium of Lebanese and Arab Investors. This sale process is subject to some conditions precedent, including the approval of the Central Bank of Lebanon. The company agreed with Credit Libanais Investment Bank S.A.L. (“CLIB”), a wholly owned subsidiary of Credit Libanais, to sell 5 506 134 shares represent the remaining stake of the bank on best effort basis at the same price (Phase II). During 2016 the company sold 9 408 749 shares from (Phase I) and 1 976 065 shares from (Phase II) and during 2017 the company sold 1 316 308 shares accordingly the company sold 12 701 122 shares till 31 December 2017 represent approximately 85.157% from its stake on Credit Libanais Bank S.A.L, as a result the company owns approximately 9.4605% indirect stake on the bank at 31 December 2017, accordingly the company decreased its investment in EFG-Hermes Global CB Holding Limited.
- ** The Company owns 100% of EFG- Hermes Regional Investments Ltd. Co., which owns 63.41% in EFG- Hermes Private Equity Co. hence the company has the control, therefore EFG- Hermes Private Equity is a subsidiary.
- *** EFG – Hermes USA was established as fully owned subsidiary of the company on 24 November, 2016 and OLT Investment International S.A.B which owned 99.9% on 27 November, 2016.
- **** EFG-Hermes- KSA has decreased its capital and closed all the retained losses till year 2015 which exceeded half the issued capital after the approval of Ministry of Commerce and Investment (Note no. 21)
- ***** On 26 January 2017, the holding company established EFG Finance Holding S.A.E which are owned by 99% for the purpose of restructuring its subsidiaries hence the holding company transferred its investments in EFG-Hermes Leasing and Tanmeyah Micro Enterprise Services S.A.E - to EFG Finance Holding S.A.E on 18/10/2017.
- Investments in subsidiaries are represented in non - quoted investments.

15- Fixed assets

	Land*	Buildings*	Office furniture & equipment	Computer equipment	Vehicles & transportation means	Fixtures	Total
Cost							
Balance as at 1/1/2016	10 000 000	154 159 871	19 260 475	45 857 919	7 738 411	4 202 747	241 219 423
Additions during the year	2 597 100	--	71 109	6 545 348	1 959 080	--	11 172 637
Total cost as at 31/12/2016	12 597 100	154 159 871	19 331 584	52 403 267	9 697 491	4 202 747	252 392 060
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 year	--	--	4 619 677	9 128 229	--	--	13 747 906
Disposals during the year	(12 597 100)	(154 159 871)	--	(13 569)	(634 556)	--	(167 405 096)
Total cost as at 31/12/2017	--	--	23 951 261	61 517 927	9 062 935	4 202 747	98 734 870
Accumulated depreciation							
Accumulated depreciation as at 1/1/2016	--	25 328 706	18 650 808	37 079 703	4 388 643	3 967 918	89 415 778
Depreciation during the year	--	4 624 796	403 885	2 671 396	876 883	194 235	8 771 195
Accumulated depreciation as at 31/12/2016	--	29 953 502	19 054 693	39 751 099	5 265 526	4 162 153	98 186 973
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 year	--	4 239 398	470 730	4 450 940	1 161 937	11 884	10 334 889
Disposals accumulated depreciation	--	(34 192 900)	--	(8 142)	(503 410)	--	(34 704 452)
Accumulated depreciation as at 31/12/2017	--	--	19 525 423	44 193 897	5 924 053	4 174 037	73 817 410
Net book value							
Net book value as at 31/12/2016	12 597 100	124 206 369	276 891	12 652 168	4 431 965	40 594	154 205 087
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.

16- Long term loans

Bank's name	Currency	Loan value	Loan date	Maturity date	Balance as at 31/12/2017	Balance as at 31/12/2016
Audi Bank	EGP	150 million	29/2/2016	28/2/2021	--	150 000 000
Current portion of long term loans					--	(16 680 000)
Balance					--	133 320 000

17- 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.

18- Contingent liabilities & commitments

The Company guarantees its subsidiaries – Financial Brokerage Group, Hermes Securities Brokerage, EFG- Hermes Jordan and EFG- Hermes Oman LLC – against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the Letters of Guarantee granted from banks amounting to AED 118 670 000 (equivalent to EGP 573 508 376).

19- Dividend income

	For the year ended 31/12/2017	For the year ended 31/12/2016
Income from available - for- sale investments	11 466 702	7 863 109
Income from investments at fair value through profit and loss	8 178	291 768
Income from investments in subsidiaries	--	1 512 235 319
Total	11 474 880	1 520 390 196

20- General administrative expenses

	For the year ended 31/12/2017	For the year ended 31/12/2016
Wages , salaries and similar items*	192 528 723	324 548 995
Consultancy	12 030 131	28 241 184
Travel , accommodation and transportation	11 226 447	7 819 256
Leased line and communication	11 652 872	9 219 769
Rent and utilities expenses	18 294 178	9 911 526
Other expenses	51 307 901	77 631 832
Total	<u>297 040 252</u> =====	<u>457 372 562</u> =====

* During 2016, the company's management established a two years bonus program ends on 31 December 2017, which give the right to some of key managers who have been chosen by the board of directors in obtaining cash incentives on the basis of specific number of shares based on the company share price at the end of each year according to the signed contract with the management.

21- Impairment loss on assets

	For the year ended 31/12/2017	For the year ended 31/12/2016
Due from subsidiaries (note 6)	--	57 081 826
Available -for- sale investments	--	4 795 200
Investments in subsidiaries (note 14)	--	4 427 233
Total	<u>--</u> =====	<u>66 304 259</u> =====

22- Cash and cash equivalents

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

	For the year ended 31/12/2017	For the year ended 31/12/2016
Cash and cash equivalents as presented in the statement of financial position	528 196 987	766 035 178
Treasury bills maturity less than 91 days	--	1 063 553 004
Banks overdraft	(199 999 990)	(199 382 151)
Effect of exchange rate changes	--	(115 085 901)
	<hr/>	<hr/>
Cash and cash equivalents (adjusted)	328 196 997	1 515 120 130
	=====	=====

23- Reconciliation of effective tax rate

	31/12/2017	31/12/2016
Profit before tax	124 511 140	2 251 571 122
Add / (deduct):		
Fixed assets depreciation	(9 488 724)	(9 524 308)
Capital gains	386 800	--
Effect of provisions	21 915 711	108 313 714
Impairment loss on assets	--	66 304 259
Cost of financing and investment opposite to exempted revenues	7 810 642	1 126 163
Tax losses forward	--	(80 154 290)
Foreign currencies exchange differences	731 901 758	(693 143 309)
Tax exemptions	(10 624 128)	(1 365 056 073)
Other additions	16 610 324	74 472 996
Other deductibles	(17 685 855)	(6 400 845)
	<hr/>	<hr/>
Net tax base	865 337 668	347 509 429
	<hr/>	<hr/>
Current income tax	194 700 975	78 189 622
	=====	=====
Effective tax rate	156.4%	3.5%
	=====	=====

24- Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	31/12/2017	31/12/2016
(A) Deferred tax		
Fixed assets' (depreciation)	(2 138 244)	(9 794 431)
Investment property (depreciation)	(1 287 526)	(657 090)
Foreign currencies exchange differences	8 720 651	(155 957 244)
Investment property (Revaluation reserve)	1 867 147	--
Deferred capital gains	(8 978 008)	--
Net deferred tax liabilities	<u>(1 815 980)</u>	<u>(166 408 765)</u>
	=====	=====
(B) Deferred tax recognized directly in equity		
	31/12/2017	31/12/2016
Changes in the fair value of cash flow hedges *	6 612 597	6 612 597
Fair value of available-for-sale financial assets **	(266 461 267)	(312 810 110)
	<u>(259 848 670)</u>	<u>(306 197 513)</u>
Balance	<u>(261 664 650)</u>	<u>(472 606 278)</u>
	=====	=====

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

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

25- Gains on sale / redemptions of investments

	For the year ended 31/12/2017	For the year ended 31/12/2016
Investments in subsidiaries *	(23 806 197)	523 336 111
Investments at fair value through profit and loss	10 615 952	3 759 936
Available - for- sale investments	197 203 801	62 691 129
Treasury bills	(817 845)	(1 721 911)
Total	<u>183 195 711</u>	<u>588 065 265</u>
	=====	=====

* Note no. (14)

26- Earnings per share

	For the year ended 31/12/2017	For the year ended 31/12/2016
Profit for the year	94 402 950	2 015 281 287
Weighted average number of shares	614 894 578	614 894 578
Earnings per share	0.15	3.28

27- Tax status

- As to Income Tax, the years till 31/12/2010 the competent Tax Inspectorate inspected the parent company's books and all the disputed points have been settled with the Internal Committee and as to years 2011 / 2013 have been inspected and all the disputed points have been settled with the Internal Committee and the settlement procedures are currently taking place. And as to years 2014 / 2015 have been inspected and the company was notified and was objected thereon on the due date and the settlement procedures are currently taking place. As to year 2016, according to tax form of tax law no. 91 of 2005 the company has submitted the tax returns and paid the due tax.
- As to Salaries Tax, the parent company's books had been examined till 2008 and all the disputed points have been settled with the Internal Committee and as to years 2009 / 2012 company's books had been examined and the settlement procedures are currently taking place, and as to years 2013 / 2017 have not been inspected yet.
- As to Stamp Tax, the parent company's books had been examined from 1/1/1998 till 31/7/2006 and paid the due tax according to the resolution of appeal committee which was objected thereon in the court, and the period from 1/8/2006 till 31/12/2013 has been inspected and all the disputed points have been settled with the competent Tax Inspectorate, and as to years 2014/2017 have not been inspected yet.

28- Related party transactions

The related parties transactions are represented in the following:

- Other income item presented in the income statement includes an amount of EGP 18 146 180 which represents the value of rental spaces for some affiliated companies in addition to EGP 14 936 569 which represents the value of redemption of some expenses of the new headquarter that were allocated to the subsidiaries.
- Interest income item presented in the income statement includes an amount of EGP 69 119 236 represent the interest on subordinated loan that granted from the Company to Hermes Securities Brokerage (a subsidiary – 97.58%) and EGP 5 407 361 represent the interest on subordinated loan that granted from the Company to Tanmeyah Micro Enterprise Services S.A.E (a subsidiary – 94%) and EGP 1 333 333 represent the interest on subordinated loan that granted from the Company to EFG – Hermes Leasing respectively (Note no. 11).
- Loans to subsidiaries item as at December 31, 2017 presented in the statement of financial position represents in the loan granted to Hermes Securities Brokerage (a subsidiary – 97.58%) with an amount of EGP 75 million & EFG-Hermes Jordan (a subsidiary – 100 %) with an amount 500 000 USD (equivalent to EGP 8 875 000) (Note no. 11).
- Creditors and other credit balances item includes an amount of EGP 3 214 120 represents the unearned revenues from the affiliated companies for rental of Group's headquarter owned by the Company (Note no. 9).
- Receivables- sales on fixed assets and investment property which presented in other debit balances with an amount of EGP 241 828 000 represents the remaining amount of selling the whole company's smart village land and building amounted to EGP 391 828 000 according to the signed contract on 26 November 2017 between the company and both of EFG-Hermes Leasing (a subsidiary) and Emirates NBD Leasing Company, on a sale and lease back agreement as the company had collected an amount of EGP 150 000 000 from the sale agreement which resulted in gains on sale of fixed assets with an amount EGP 101 473 499 and gains on sale of investment property with an amount EGP 68 414 431 and those gains will be amortized on 7 years represents the contract duration starting from November 2017, and the share of November and December had been amortized in the income statement with an amount of EGP 2 416 035 included in gains on sale of fixed assets and amount EGP 1 628 916 represents gains on sale of investment property, and so the deferred capital gains balance included in other credit balances became an amount of EGP 165 842 978.

29- Financial instruments and management of related risks:

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

29/1 Market risk

A. Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the Company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As at the financial position date the Company has assets and liabilities in foreign currencies equivalent to EGP 7 101 903 520 and EGP 3 115 512 629 respectively. The Company's net exposures in foreign currencies as at the financial position date are as follows:

	Surplus / (deficit)
USD	3 638 653 413
EURO	335 784 673
AED	8 557 040
GBP	1 867 901
CHF	1 574 248
SAR	(46 384)

The Company has used the prevailing exchange rates to revalue assets and liabilities at financial position date as disclosed in note (30-1) "foreign currencies transactions".

B. Interest rate risk

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

C. Price risk

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

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

29/2 Credit risk

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

29/3 Liquidity risk

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

29/4 Capital risk

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

29/5 Financial instruments' fair value

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

29/6 Derivative financial instruments and hedge accounting

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

30- 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.

30-1 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.

30-2 Property, plant and equipment

30-2-1 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.

30-2-2 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.

30-2-3 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives of property,

plant and equipment for current and comparative periods are as follows:

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

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

30-2-4 Reclassification to investment property

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

30-2-5 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.

30-3 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.

30-4 Investments

30-4-1 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.

30-4-2 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 30-7) 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.

30-4-3 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 30-7). The impairment value is to be charged to the income statement for every investment individually.

30-4-4 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.

30-5 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.

30-6 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.

30-6-1 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.

30-6-2 Non-derivative financial assets – Measurement

30-6-2-1 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.

30-6-2-2 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.

30-6-2-3 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.

30-6-2-4 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.

30-6-3 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.

30-6-4 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.

30-6-4-1 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.

30-7 Impairment

30-7-1 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.

30-7-2 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.

30-8 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.

30-9 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.

30-10 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.

30-11 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

30-12 Share capital

30-12-1 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.

30-12-2 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.

30-13 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.

30-14 Revenues

30-14-1 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.

30-14-2 Dividend income

Dividend income is recognized when declared.

30-14-3 Custody fees

Custody fees are recognized when provide service and issue invoice.

30-14-4 Interest income

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

30-15 Expenses

30-15-1 Borrowing costs

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

30-15-2 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.

30-15-3 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.

30-16 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.

30-17 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.