

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

**Unconsolidated financial statements**  
**for the year ended December 31, 2010**

**&**

**Auditor's Report**



## Hazem Hassan

Public Accountants & Consultants

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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 unconsolidated financial statements of EFG - Hermes Holding Company (Egyptian Joint Stock Company) which comprise the unconsolidated balance sheet as at 31 December 2010, and the unconsolidated income statement, unconsolidated statement of changes in equity and unconsolidated statement of 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



Hazem Hassan

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.

### *Opinion*

In our opinion, the unconsolidated financial statements referred to above present fairly, in all material respects, the financial position of EFG - Hermes Holding Company as of December 31, 2010 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.

### *Explanatory paragraph*

Without qualifying our opinion, we draw attention to Note (27) to the financial statements which describe the fact that recently, Arab Republic of Egypt faced events has a significant impact on economic sectors in general, highly likely to lead to a significant decline in economic activities during the coming periods, so it is likely that the events referred to have an impact on the elements of assets and liabilities and the remedial value, as well as business results through Future periods.

Currently, it is not possible to quantify this effect on the assets and liabilities included the financial statements of the company, where the impact depend on the time period of the events referred which is expected to be completed by those events and their effects.

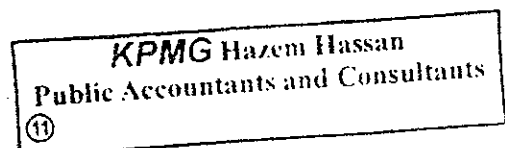
### *Report on Other Legal and Regulatory Requirements*

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.

KPMG Hazem Hassan


Cairo, March 10, 2011




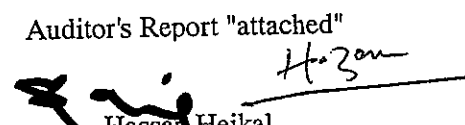
**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Unconsolidated balance sheet**  
**as at December 31, 2010**

	note no.	31/12/2010 LE	31/12/2009 LE
<b>Current assets</b>			
Cash and cash equivalents	(4)	165 527 286	26 373 359
Investments at fair value through profit and loss	(5)	696 456 739	627 837 531
Due from subsidiaries	(6)	1 442 316 916	1 089 229 108
Other debit balances	(8)	88 468 846	65 916 988
<b>Total current assets</b>		<u>2 392 769 787</u>	<u>1 809 356 986</u>
<b>Current liabilities</b>			
Due to subsidiaries	(9)	431 915 404	( 864 039 473)
Tax Authority		235 905 648	14 740 639
Creditors and other credit balances	(10,22) (5)	43 745 411	44 702 525
Dividends payable		15 738 394	-
Expected claims provision	(11) (6)	9 853 751	453 751
Current portion of long term loans	(17)	38 588 000	37 758 000
<b>Total current liabilities</b>		<u>775 746 608</u>	<u>( 766 384 558)</u>
Working capital		<u>1 617 023 179</u>	<u>2 575 741 544</u>
<b>Non - current assets</b>			
Loans to subsidiaries	(7,22)	100 000 000	175 000 000
Available -for- sale investments	(12)	252 033 867	22 487 676
Investments in subsidiaries & associates	(13)	4 472 503 531	3 882 325 391
Investments property	(14)	132 062 511	178 167 117
Projects under construction	(15)	1 856 584	227 306 583
Fixed assets (net)	(16)	305 365 339	27 059 603
Deferred tax assets	(24)	4 360 686	498 239
<b>Total non - current assets</b>		<u>5 268 182 518</u>	<u>4 512 844 609</u>
<b>Total investment</b>		<u>6 885 205 697</u>	<u>7 088 586 153</u>
<b>Financed through :</b>			
<b>Shareholders' equity</b>			
Issued & paid - in capital	(18)	1 913 570 000	1 913 570 000
Legal reserve		956 785 000	956 785 000
Other reserves		3 284 977 958	3 290 592 359
Retained earnings		463 008 043	356 343 573
		<u>6 618 341 001</u>	<u>6 517 290 932</u>
Net profit for the year		1 026 014 092	517 719 221
Interim dividend	(18)	<u>( 774 517 396)</u>	-
<b>Total shareholders' equity including net profit for the year</b>		<u>6 869 837 697</u>	<u>7 035 010 153</u>
<b>Non - current liabilities</b>			
Long term loans	(17)	15 368 000	53 576 000
<b>Total shareholders' equity and non - current liabilities</b>		<u>6 885 205 697</u>	<u>7 088 586 153</u>

The accompanying notes from page (6) to page (25) are an integral part of these financial statements and are to be read therewith .

  
Mona Zuficar  
Chair person

  
Yasser El Mallawany  
Executive Managing Director

Auditor's Report "attached"  
  
Hassan Heikal  
Executive Managing Director

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Unconsolidated income statement**  
**for the year ended December 31, 2010**

	note no.	For the year ended 31/12/2010 LE	For the year ended 31/12/2009 LE
Dividend income	(20)	11 146 823	505 494 721
Custody activity income		5 935 174	9 339 848
		<u>17 081 997</u>	<u>514 834 569</u>
Finance cost		( 6 162 981)	( 10 182 334)
General and administrative expenses	(22)	( 280 358 660)	( 145 949 404)
Fixed assets depreciation	(16)	( 12 106 207)	( 7 292 410)
Expected claims provision		( 9 400 000)	-
Impairment loss on assets		-	( 1 666 082)
Net activity's (loss) profit		<u>( 290 945 851)</u>	<u>349 744 339</u>
Consultation fee		-	44 000 000
Interest income	(22)	151 984 002	52 825 759
Changes in the fair value of investments at fair value through profit and loss		( 251 818)	11 388 273
Changes in the fair value of investments property	(3-5-4,14)	( 46 104 606)	-
Gains on sale of investments		1 267 109 302	66 130 025
Gains on sale of fixed assets		350 400	43 148
Foreign currencies differences		160 218 133	( 2 048 797)
Other income	(22)	25 909 791	4 877 214
Net profit before tax		<u>1 268 269 353</u>	<u>526 959 961</u>
Current income tax	(23)	( 240 393 678)	( 9 341 496)
Deferred tax	(24)	( 1 861 583)	100 756
Net profit for the year		<u><u>1 026 014 092</u></u>	<u><u>517 719 221</u></u>
Earnings per share	(25)	<u><u>2.57</u></u>	<u><u>1.28</u></u>

The accompanying notes from page (6) to page (25) are an integral part of these financial statements and are to be read therewith .

EFG - Hermes Holding Company  
(Egyptian Joint Stock Company)

Unconsolidated statement of changes in equity  
for the year ended December 31, 2010

note no.	Issued & paid-in capital	Legal reserve	Other reserves			Retained earnings	Treasury shares	Net profit for the year	Interim dividend	Total
			General reserve	Share premium	Fair value reserve					
	LE	LE	LE	LE	LE	LE	LE	LE	LE	
Balance as at December 31, 2008	1 959 320 000	969 660 000	158 271	3 345 518 887	( 69 690)	53 975 373	(239 381 358)	520 263 700	-	6 595 114 917
2008 dividends payout	-	-	-	-	-	302 368 200	-	(520 263 700)	-	(217 895 500)
Effective portion of changes in fair value of cash flow hedges (net of tax)	(3-12)	-	-	-	-	(9 216 001)	-	-	-	(9 216 001)
Net change in the fair value of available-for-sale investments	-	-	-	( 17 467)	-	-	-	-	-	( 17 467)
Purchasing of treasury shares	-	-	-	-	-	-	(30 528 161)	-	-	(30 528 161)
Selling of treasury shares	-	-	-	4 768 788	-	-	175 064 356	-	-	179 833 144
Cancelling of treasury shares	(25 750 000)	(12 875 000)	-	(56 220 163)	-	-	94 845 163	-	-	-
Net profit for the year	-	-	-	-	-	-	-	517 719 221	-	517 719 221
Balance as at December 31, 2009	1 913 570 000	956 785 000	158 271	3 294 067 512	( 87 157)	356 945 573	-	517 719 221	-	7 035 010 153
2009 dividends payout *	-	-	-	-	-	106 664 470	-	(517 719 221)	-	(411 054 751)
Effective portion of changes in fair value of cash flow hedges (net of tax)	(3-12)	-	-	-	-	(22 896 120)	-	-	-	(22 896 120)
Net change in the fair value of available-for-sale investments	-	-	-	-	17 281 719	-	-	-	-	17 281 719
Net profit for the year	-	-	-	-	-	-	-	1 026 014 092	-	1 026 014 092
Interim dividend **	(18)	-	-	-	-	-	-	-	(774 517 396)	(774 517 396)
Balance as at December 31, 2010	1 913 570 000	956 785 000	158 271	3 294 067 512	17 194 562	463 088 043	-	1 026 014 092	(774 517 396)	6 869 837 697

\* According to the company's ordinary general assembly held on April 11, 2010.

\*\* According to the company's ordinary general assembly held on June 14, 2010.

The accompanying notes from page (6) to page (25) are an integral part of these financial statements and are to be read therewith.

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Unconsolidated cash flows statement**  
**for the year ended December 31, 2010**

	For the year ended 31/12/2010 LE	For the year ended 31/12/2009 LE
<b>Cash flows from operating activities</b>		
Net profit before tax	1 268 269 353	526 959 961
<b>Adjustments to reconcile net profit before tax to net cash provided by operating activities :</b>		
Fixed assets depreciation	12 106 207	7 292 410
Expected claims provision	9 400 000	-
Amounts used from expected claims provision	-	( 298 986)
Impairment loss on assets	-	1 666 082
Gains on sale of fixed assets	( 350 400)	( 43 148)
Gains on sale of available -for- sale investments	37 748 996	-
Gains on sale of investments in associates	(1 201 889 366)	-
Changes in the fair value of investments at fair value through profit and loss	680 620 639	( 11 388 273)
Changes in the fair value of investments property	46 104 606	-
Operating profit before changes in working capital	<u>852 010 035</u>	<u>524 188 046</u>
Increase in investments at fair value through profit and loss	( 68 871 026)	( 301 425 532)
(Increase) decrease in due from subsidiaries	( 353 087 808)	36 903 862
Decrease (increase) in loans to subsidiaries	75 000 000	( 25 000 000)
(Increase) decrease in other debit balances	( 22 551 858)	249 862 232
Increase (decrease) in due to subsidiaries	1 295 954 877	( 35 156 518)
Decrease in tax authority	( 263 108 705)	( 3 074 748)
Increase (decrease) in creditors and other credit balances	252 264 417	( 31 282 359)
Income tax paid	<u>( 9 341 495)</u>	<u>( 56 104 756)</u>
Net cash provided from operating activities	<u>1 758 268 437</u>	<u>358 910 227</u>
<b>Cash flows from investing activities</b>		
Payments to purchase fixed assets	( 7 083 672)	( 7 146 696)
Proceeds from sale of fixed assets	350 400	60 004
Payments for projects under construction	( 57 878 272)	( 86 476 400)
Payments to purchase available -for- sale investments	( 213 234 044)	( 3 710 371)
Proceeds from sale / redemption of available -for- sale investments	1 933 326	6 310 780
Payments to purchase investments in subsidiaries & associates	( 3 186 984 802)	( 209 770 988)
Proceeds from sale investments in subsidiaries & associates	3 798 696 028	-
Net cash provided from (used in) investing activities	<u>335 798 964</u>	<u>( 300 733 671)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	( 1 169 833 753)	( 217 895 500)
Payments to purchase treasury shares	-	( 30 528 161)
Proceeds from selling of treasury shares	-	179 833 144
Change in reserves	( 28 620 150)	( 11 520 000)
Payments to long term loans	<u>( 37 378 000)</u>	<u>( 37 514 000)</u>
Net cash used in financing activities	<u>( 1 235 831 903)</u>	<u>( 117 624 517)</u>
Net change in cash and cash equivalents during the year	858 235 498	( 59 447 961)
Cash and cash equivalents at the beginning of the year	<u>26 373 359</u>	<u>85 821 320</u>
Cash and cash equivalents at the end of the year	<u>884 608 857</u>	<u>26 373 359</u>

**Non cash transactions**

For the purpose of preparing the cash flows statement:

- An amount of LE 283 328 271 has been transferred from projects under construction to payments to purchase fixed assets. This amount was excluded from both items.

The accompanying notes from page (6) to page (25) are an integral part of these financial statements and are to be read therewith .

**EFG - Hermes Holding Company**

**(Egyptian joint Stock Company)**

**Profit appropriation statement (proposed)**

**for the year ended December 31, 2010**

	<b>For the year ended 31/12/2010 LE</b>	<b>For the year ended 31/12/2009 LE</b>
Net profit for the year	1 026 014 092	517 719 221
Retained earnings 1/1	463 008 043	356 343 573
	<hr/>	<hr/>
	1 489 022 135	874 062 794
	<hr/>	<hr/>
<b>Distributed as follows:</b>		
Shareholders' dividends	765 428 000	382 714 000
Employees' portion	37 748 996	23 404 251
Board of directors' remuneration	5 224 500	4 936 500
Retained earnings 31/12	680 620 639	463 008 043
	<hr/>	<hr/>
	1 489 022 135	874 062 794
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- The company's ordinary general assembly held on June 14, 2010 approved an interim dividend appropriation by an amount of LE 774 517 396 according to the financial position of the company as at 31

The accompanying notes from page (6) to page (25) 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 unconsolidated financial statements**  
**for the year ended December 31 ,2010**

**1- Description of business**

**1-1 Legal status**

- EFG - Hermes Holding Company -Egyptian Joint Stock Company- was founded in pursuance of decree No. 106 of 1984.
- The company's extraordinary general meeting held on July 22, 1997 resolved to adjust the company's status and convert it in pursuance to the provisions of law No. 95/1992 and its executive regulation.
- EFG – Hermes is the leading investment bank in the Arab world and market leader in securities brokerage, investment banking, asset management, private equity and research.

**1-2 Purpose of the company**

- The company's purpose is participation in the companies establishment which issue securities or in increasing their share capitals.
- The company's extraordinary meeting held on March 14, 2004 decided to add the Custody Activity to the purpose of the company.
- The company obtained the approval of Capital Market Authority on February 5, 2007 to execute the Marginal Trading Activity.
- EFG-Hermes Group has been converted from an investment bank to a universal bank as a result of the acquisition of Credit Libanais SAL (the Bank) group.

**1-3 Acquisition of the Credit Libanais SAL (the Bank)**

- On August 17, 2010 EFG-Hermes Holding Company agreed with the major shareholder of Credit Libanais SAL (the Bank) to purchase 14 228 000 shares a controlling stack in Credit Libanais SAL (the Bank) for an amount of USD 542 million and a Call Option for an additional 25 % of the Bank's shares. The call option will be exercisable over the next two years, at the terms including pricing same as those applicable to the initial acquisition.
- The company has obtained the approval of the Central Bank Of Lebanon for the acquisition transaction and the transfer of title has been completed on November 8, 2010.
- The company has obtained the approval of the Central Bank of Lebanon to purchase 686 918 shares in Credit Libanais SAL (the Bank) on December 30, 2010 through its subsidiary - EFG – Hermes CL Holding SAL

**2- Basis of preparation**

**2-1 Statement of compliance**

These financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.

## **2-2 Basis of measurement**

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

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

## **2-3 Functional and presentation currency**

These financial statements are presented in Egyptian pounds (LE), which is the Company's functional currency and all the financial data presented are in Egyptian pounds (LE).

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

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

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

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

- Note (11) – Expected claims provision.
- Note (13) – Investments in subsidiaries & associates.
- Note (19) – Valuation of financial instruments.
- Note (24) – Recognition of deferred tax assets and liabilities.

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

The company has subsidiaries and according to the Egyptian Accounting Standard No. 17 "Consolidated Financial Statements" and the article No. 188 of the executive regulation of law No. 159-1981, the Company is required to prepare consolidated financial statements which present fairly the financial position, the result of operations and cash flows for the group as a whole.

## **3- Significant accounting policies applied**

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

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

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

### 3-2 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (Note3-6). Depreciation is charged to the income statement over the estimated useful-life of each asset using the straight-line method. The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

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

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

### 3-3 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Property and equipment under construction are transferred to property and equipment caption when they are completed and are ready for their intended use.

### 3-4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses (note 3-6). Amortization is recognized in the income statement on a straight – line basis over the estimated useful lives of intangible assets.

### 3-5 Investments

#### 3-5-1 Investments at fair value through profit and loss

An instrument is classified as at fair value through income statement if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through income statement if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in income statement when incurred. Financial instruments at fair value through income statement are measured at fair value, and changes therein are recognized in income statement.

**3-5-2 Available-for-sale financial assets**

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

**3-5-3 Investments in subsidiaries & associates**

Investments in subsidiaries and associates are valued at cost, the book value is amended by any impairment concerning the value of these investments (note 3-6). The impairment value is to be charged to the income statement for every investment individually.

**3-5-4 Investments property**

Investments property is recorded at fair value, any gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

**3-6 Impairment**

**3-6-1 Financial assets**

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

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

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

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

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

### **3-6-2 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 profit or loss.

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

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

### **3-7 Cash and cash equivalents**

Cash and cash equivalents are represented in the cash on hand, current accounts and cheques under collection.

### **3-8 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.

### **3-9 Provisions**

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

### **3-10 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 the deduction.

### **3-11 Issued capital**

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

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

### **3-12 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 profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

#### *Cash flow hedges*

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

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

#### *Fair value hedges*

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

### **3-13 Revenue recognition**

#### **3-13-1 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.

#### **3-13-2 Dividend income**

Dividend income is recognized when declared.

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

Custody fees are recognized when provide service and issue invoice.

**3-13-4 Interest income**

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

**3-14 Expenses**

**3-14-1 Borrowing costs**

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

**3-14-2 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.

**3-14-3 Taxation**

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

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

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

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

**3-15 Earning per share**

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

**3-16 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.

**4- Cash and cash equivalents**

	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Cash on hand	343 172	63 519
Banks -current accounts	164 558 723	26 309 840
Cheques under collection	625 391	--
	<hr/>	<hr/>
Balance	165 527 286	26 373 359
	=====	=====

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

	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Mutual fund certificates	687 168 112	490 069 367
Stocks	9 288 627	137 768 164
	<hr/>	<hr/>
Balance	696 456 739	627 837 531
	=====	=====

**6- Due from subsidiaries**

	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Financial Brokerage Group Co.	24 142 261	35 638 141
EFG – Hermes Private Equity	332 022	1 532 402
EFG – Hermes Fixed Income	3 099 640	1 546 987
EFG – Hermes Advisory Inc.	1 055 610 588	938 479 461
Flemming CIIC Holding	19 759 300	16 767 397
EFG- Hermes KSA	3 255 856	4 355 178
October Property Development Ltd. Co.	107 119 375	22 046 718
EFG- Hermes Lebanon	9 448 386	1 723 391
EFG- Hermes Qatar	370 525	2 168 995
EFG-Hermes Private Equity – BVI	2 184 901	23 654 022
Hermes Securities Brokerage	121 106 268	34 227 165
EFG-Hermes UAE Ltd. Co.	1 144 428	7 089 251
EFG-Hermes Global CB Holding Limited	67 975 392	--
EFG-Hermes Jordan	19 710 817	--
Talas & Co. LLP	7 057 157	--
	<hr/>	<hr/>
Balance	1 442 316 916	1 089 229 108
	=====	=====



**7- Loans to subsidiaries**

- On February 7, 2008 the company has lent a subordinated loan to Financial Brokerage Group Co. (a subsidiary – 99.76%) an amount of LE 300 million due on February 7, 2010. The purpose of the loan is to support the subsidiary's financial accreditation required to its activity according to the rules of the Capital Market Authority in this regard.

Financial Brokerage Group Co. has settled an amount of LE 225 million and on February 4, 2010 the subordinated loan agreement has been renewed for two years that will due on February 7, 2012 and on March 1, 2010 the company has settled an amount of LE 25 million accordingly, the balance of the loan as at December 31, 2010 amounted to LE 50 million.

- On October 8, 2009 the company has lent a subordinated loan to Hermes Securities Brokerage (a subsidiary - 97.58%) with an amount of LE 100 million due on October 7, 2011. The purpose of the loan is to support the subsidiary's financial accreditation required to its activity according to the rules of the Capital Market Authority in this regard.

Hermes Securities Brokerage Co. has settled an amount of LE 50 million on February 14, 2010 accordingly the balance of the loan as at December 31, 2010 amounted to LE 50 million.

**8- Other debit balances**

	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Accrued revenues	995 145	2 390 633
Taxes withheld by others	24 826 866	11 152 096
Deposits with others	1 175 089	1 046 246
Prepaid expenses	5 896 923	1 619 121
Employees Advances	10 554 554	11 937 550
Advanced payments to suppliers	89 280	89 280
Payments for purchase of investments *	18 150 180	17 749 980
Unrealized loss (gain) C- SWAP	46 126	(1 871 508)
Sundry debtors	26 734 683	23 469 672
	<hr/>	<hr/>
Total	88 468 846	67 583 070
Impairment loss on sundry debtors	--	(1 666 082)
	<hr/>	<hr/>
Net	88 468 846	65 916 988
	=====	=====

\* Payments for investments are represented in the following:

	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
EFG- Hermes Mutual Funds	9 999 990	9 999 990
Financial Group for Real Estate	250 000	250 000
EFG-Hermes Securitization Company.	4 999 990	4 999 990
Arab Visual Company	2 500 000	2 500 000
Egyptian Company for Funds Investments	400 200	--
	<u>18 150 180</u>	<u>17 749 980</u>
	=====	=====

**9- Due to subsidiaries**

	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Arab Visual Company	5 000 000	5 000 000
Hermes Corporate Finance	13 929 832	14 063 383
Hermes Fund Management	13 005 967	14 417 387
EFG- Hermes Financial Management Ltd	102 054 804	100 613 141
Egyptian Portfolio Management Group	29 350 588	18 478 720
EFG-Hermes Promoting & Underwriting	333 524	12 750 282
EFG-Hermes Holding-Lebanon	1 414 601	(476 771)
Financial Group for Real Estate	235 000	235 000
EFG- Hermes Mutual Funds	10 000 000	10 000 000
EFG-Hermes Securitization Company.	5 000 000	5 000 000
EFG-Hermes Regional Investments Ltd.	80 490 477	27 788 359
Bayonne Enterprises Ltd.	135 415 993	(1 066 944 484)
EFG- Hermes Brokerage- UAE Ltd	4 072 531	(4 964 490)
Egyptian Fund Management Group.	27 448 622	--
EFG – Hermes Syria LLC	3 967 928	--
Sindyam Syria LLC	195 537	--
	<u>431 915 404</u>	<u>(864 039 473)</u>
	=====	=====

**10- Creditors and other credit balances**

	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Accrued interest & commission	238 887	418 869
Social Insurance Authority	198 655	189 164
Accrued expenses	17 099 497	22 924 481
Clients coupons - custody activity	8 716 618	18 568 157
Unearned Revenue (Note no. 22)	2 487 200	--
Sundry credit balances	15 004 554	2 601 854
	<u>43 745 411</u>	<u>44 702 525</u>
	=====	=====

**11- Expected claims provision**

	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Balance as at the beginning of the year	453 751	752 737
Amounts formed during the year	9 400 000	--
Amounts used during the year	--	(298 986)
	<hr/>	<hr/>
Balance as at the end of the year	9 853 751	453 751
	<hr/> <hr/>	<hr/> <hr/>

**12- Available –for– sale investments**

	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
El Araby Investment Company	2 500 000	2 500 000
EFG- Hermes ME. Tech. Fund	--	969 572
Axes Holding Co.	290 250	274 250
Egyptian Company for Marketing	500 000	500 000
International Project Management Company	2 902 500	2 742 500
Misr Clearance Company	2 064 068	2 064 068
Horus Private Equity Fund II	9 612 835	13 398 827
Commercial International Bank – CIB	14 220	8 202
Azadea Misr IIC	10 855	10 257
AAW Company for Infra Structure	20 000	20 000
Six of October Development and Investment (SODIC)	174 047 371	--
Inframed Infrastructure	2 021 768	--
Mass for Investment Co.	58 050 000	--
	<hr/>	<hr/>
Balance	252 033 867	22 487 676
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Quoted investments	174 061 591	8 202
Non- quoted investments	77 972 276	22 479 474
	<hr/>	<hr/>
	252 033 867	22 487 676
	<hr/> <hr/>	<hr/> <hr/>

### 13- Investments in subsidiaries & associates

#### (A) Investments in subsidiaries

Company's name	Share percentage %	Balance as at 31/12/2010 LE	Balance as at 31/12/2009 LE
Financial Brokerage Group Co.	99.76	17 708 350	17 708 350
Egyptian Fund Management Group	88.51	3 099 633	3 099 633
Egyptian Portfolio Management Group	66.33	995 000	995 000
Hermes Securities Brokerage	97.58	24 606 769	24 606 769
Hermes Fund Management	89.95	6 439 709	6 439 709
Hermes Corporate Finance Co.	99.37	5 476 029	5 476 029
EFG- Hermes Advisory Inc.	100	5 400 000	5 400 000
EFG- Hermes Financial Management Ltd.	100	10 000	10 000
EFG- Hermes Promoting & Underwriting	99.88	7 990 000	7 990 000
EFG- Hermes Fixed Income	99	9 900 000	9 900 000
EFG- Hermes Private Equity	96.30	1 926 231	676 741
Flemming CIIC Holding	100	100 000 000	100 000 000
EFG- Hermes Private Equity- BVI *	1.59	39 975	39 975
EFG- Hermes – UAE Limited Company	100	23 000 000	23 000 000
EFG- Hermes Holding Lebanon – S.A.L.	99	153 713	153 713
EFG- Hermes – KSA	73.1	328 975 903	328 975 903
EFG- Hermes – Lebanon – S.A.L.	99	27 705 775	27 705 775
EFG- Hermes Regional Investments Ltd.	100	706 236 283	706 236 283
EFG- Hermes Qatar L.L.C	100	24 916 590	17 781 590
EFG-Hermes Jordan	100	31 504 506	--
EFG – Hermes Investment Funds Co	99.998	9 999 800	--
EFG-Hermes Global CB Holding Limited**	100	3 137 096 006	--
		<hr/>	<hr/>
		4 473 180 272	1 286 195 470
Accumulated impairment		(676 741)	(676 741)
		<hr/>	<hr/>
Total (A)		4 472 503 531	1 285 518 729
		<hr/>	<hr/>

**(B) Investments in associates**

Company's name	Share percentage %	Balance as at 31/12/2010 LE	Balance as at 31/12/2009 LE
Bank Audi- Lebanon Bank ***	-	--	2 596 806 662
Total (B)		--	2 596 806 662
Total (A+ B)		4 472 503 531	3 882 325 391

Investments in subsidiaries and associates are represented in the following:

	31/12/2010 LE	31/12/2009 LE
Quoted investments	--	2 596 806 662
Non - quoted investments	4 472 503 531	1 285 518 729
	4 472 503 531	3 882 325 391

\* The Company owns 100% of EFG- Hermes Regional Investments Ltd Co, which owns 63.41% in EFG- Hermes Private Equity- BVI Co. hence the company has the control, therefore EFG- Hermes Private Equity- BVI is a subsidiary

\*\* EFG-Hermes Global CB Holding Limited is the parent company for Credit Libanais SAL (the Bank)

\*\*\* On January 21,2010 the company and its subsidiaries have sold it's entire investments in Bank Audi – Lebanon Bank (an associate – 29.16%) which represented in 10 037 182 shares with share price of US \$ 91 each, the company's selling gain amounted to LE 1 201 889 366.

**14- Investments property**

Investments property presented in the balance sheet as at December 31, 2010 amounted to LE 132 062 511 represents the value of the area owned by the Holding Company in Nile City Building, changes in the fair value of investments property amounted to LE 46 104 606 during the year.

**15- Projects under construction**

- The balance of projects under construction presented in the balance sheet with an amount of LE 1 856 584 as at December 31, 2010, represents the value of establishments on the Company's new head quarter in the Smart Village

- An amount of LE 283 328 271 has been transferred from projects under construction to fixed assets due to the transfer of the company's headquarters and its subsidiaries to its new headquarters in smart village during May 2010 also the alternate headquarters in emergency – Egypt has been completed.

**16- Fixed assets (net)**

	Land	Buildings	Office, Furniture & Equipment	Computer, Equipment	Vehicles & transportation Mean	Fixtures	Total
	LE	LE	LE	LE	LE	LE	LE
Balance as at 1/1/2010	--	12 099 418	4 835 182	25 592 584	7 602 176	3 374 383	53 503 743
Additions during the year	16 000 000	244 459 867	15 447 427	13 689 068	379 800	457 277	290 433 439
Disposal during the year	--	--	(24 800)	--	(1 391 265)	--	(1 416 065)
Total cost as at 31/12/2010	16 000 000	256 559 285	20 257 809	39 281 652	6 590 711	3 831 660	342 521 117
Accumulated depreciation as at 1/1/2010	--	725 966	3 235 184	14 652 172	6 045 406	1 785 412	26 444 140
Depreciation during the year	--	4 029 881	2 071 099	4 670 351	676 191	658 685	12 106 207
Accumulated Disposal	--	--	(3 304)	--	(1 391 265)	--	(1 394 569)
Accumulated depreciation as at 31/12/2010	--	4 755 847	5 302 979	19 322 523	5 330 332	2 444 097	37 155 778
Net cost as at 31/12/2010	16 000 000	251 803 438	14 954 830	19 959 129	1 260 379	1 387 563	305 365 339
Net cost as at 31/12/2009	--	11 373 452	1 599 998	10 940 412	1 556 770	1 588 971	27 059 603

**17- Long term loans**

A- On December 28, 2005, a loan agreement has been signed with International Finance Corporation "IFC" whereby the company is entitled to obtain long term loan with an amount of US\$ 20 million with an applied annual floating interest rate in order to Finance Regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of US\$ 2 million for each installment and the first installment was due on May 15,2007 and the last installment will due on November 15, 2011 and the interest is due on May 15, and November 15 and the first interest was due on November 15,2006. The loan agreement provides for that the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee and the company got the full amount of the loan amounted to US\$ 20 million on September 3, 2006. The company paid 8 installments which equivalent to US\$ 16 million accordingly, the loan balance amounted to US\$ 4 million (the equivalent amount of LE 23 220 000) as at December 31, 2010. (this amount will due within one year).

B- On December 29, 2005 a loan agreement has been signed with the Foundation of (DEG)- DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT MBH whereby the company is entitled to obtain a long term loan with an amount of Euro 10 million with a variable annual interest rate in order to finance the regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of one million Euro per installment. The first installment was due on May 15, 2008 and the last installment will due on November 15, 2012 and the interest is due on May 15, November 15 each year. The first interest was due on November 15, 2006.

The loan agreement provides for that the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee. The company has obtained the full amount of the loan amounted Euro 10 million on September 17, 2006. The company has paid Euro 6 million accordingly, the loan balance as of December 31, 2010 amounted Euro 4 million (the equivalent amount of LE 30 736 000).

- The current portion (the amount that will due within one year) of the loan amounts to Euro 2 million (the equivalent amount of LE 15 368 000).

#### 18- Capital

- The company's authorized capital amounted LE 3 200 million and issued and paid in capital amounted LE 1 913 570 000 distributed on 382 714 000 shares of par value LE 5 per share, after the reduction approved by the company's extraordinary general assembly in its session held on April 7, 2009 from LE 1 939 320 000 to LE 1 913 570 000 through cancelling 5 150 000 shares of treasury shares.
- The general assembly of the holding company held on 14 June, 2010 declared interim dividends with total amount of LE 774 517 396.

#### 19- Contingent liabilities & commitments

- The company guarantees its subsidiaries – Financial Brokerage Group and Hermes Securities Brokerage against the credit facilities granted from banks and each of EFG- Hermes Brokerage – UAE for the purpose of issuance of the letters of guarantee amounting to AED 203 670 000 (equivalent to LE 322 002 270) and EFG- Hermes KSA for the purpose of issuance credit facilities granted amounting to SAR 50 million (equivalent to LE 77 400 000).
- The company has executed C-SWAP contracts to cover its needs of foreign currencies with the banks which will be settled according to specific rates for the foreign currencies implied in such contracts. The mentioned contract is as follows:

Transaction date	Transaction	Amount	Currency	Expiry date
9/12/2010	Selling Euro	Euro 4 000 000	Buying US\$	10/1/2011

**20- Dividend income**

	<b>For the year ended 31/12/2010 LE</b>	<b>For the year ended 31/12/2009 LE</b>
Income from investments in subsidiaries *	906 300	405 388 420
Income from available - for- sale investments	995 145	3 631 224
Income from investments at fair value through profit and loss	9 245 378	77 127
Income from investments in associates Bank Audi – Lebanon Bank	--	96 397 950
<b>Total</b>	<u>11 146 823</u> =====	<u>505 494 721</u> =====

\* All subsidiaries companies carried forward 2009 profit and no dividends made during year 2010 except one company.

**21- Tax status**

- The competent tax inspectorate examined the company's books for the period till year 2004 and disputed points have been agreed upon before the Internal Committee.
- As to years 2005/2008, the competent tax inspectorate inspected company's books and the company was notified by form no. (19) , which was objected thereon on the due date and the disputed items have been transferred to the Internal Committee with Large Taxpayers Center and as to year 2009, the company's books have not been inspected yet.
- As to salaries tax, the company's books had been examined till the year 2004 and all the disputed points have been agreed upon before the Internal Committee and the years 2005/2009 have not been inspected yet.
- As to stamp tax, the company's books had been examined from year 1998 till 31/7/2006 and the disputed points had been transferred to Appeal Committee. And the period from 1/8/2006 till 31/12/2009 have not been inspected yet.

**22- Related party transactions**

- General administrative expenses item includes an amount of LE 250 000 represents management fees provided by EFG- Hermes Private Equity- BVI (A subsidiary company) to the Company during the financial year according to agreement signed in this regard.
- General administrative expenses item includes an amount of LE 269 880 represents the rent value of areas in the group's headquarter owned to Financial Brokerage Group (A subsidiary company - 99.76%).
- Interest income item presented in the income statement includes an amount of LE 5 803 527 represent the interests value on subordinated loan which granted



- from the company to Financial Brokerage Group Co. (a subsidiary – 99.76%) and includes interest with an amount of LE 6 093 548 represent the interests value on subordinated loan which granted from the company to Hermes Securities Brokerage (A subsidiary company - 97.58%) (note no. 7).
- Other income item presented in the income statement includes an amount of LE 12 773 500 which represents the value of rental spaces for some affiliated companies in addition to LE 9 461 990 which represents the value of redemption of some expenses of the new headquarter that were allocated to the subsidiaries
  - General administrative expenses item includes an amount of LE 2 195 320 which represents consultation fees provided to the company by Zulficar & Partners Co. which Mona Zulficar (Chairperson of the Company) participates in its management.
  - Loans to subsidiaries item as at December 31, 2010 is presented in the balance sheet represents in the loan granted to Financial Brokerage Group (one of subsidiaries – 99.76%) with an amount of LE 50 million and the loan granted to Hermes Securities Brokerage (A subsidiary company - 97.58%) with an amount of LE 50 million (note no. 7).
  - Creditors and other credit balances item includes an amount of LE 2 487 200 represents the unearned revenues from the affiliated companies for rental of group's headquarter owned by the company.

### 23- Reconciliation of effective tax rate

	31/12/2010	31/12/2009
	LE	LE
Profit before tax	1 268 269 353	526 959 961
Tax rate	20%	20%
Income tax using the domestic corporate tax rate	253 653 871	105 391 992
Non deductible expenses	5 198 075	2 755 396
Non taxable income included in income statements	(5 908 412)	(905 203)
Fixed assets depreciation	(1 795 175)	127 611
Capital gains	(70 080)	(8 630)
Tax exemptions	(11 135 548)	(98 019 670)
Prior period adjustments	450 947	--
Total tax differences	(13 260 193)	(96 050 496)
Income tax	240 393 678	9 341 496
Effective tax rate	18.95%	1.77%

**24- Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	31/12/2010		31/12/2009	
	Assets	Liabilities	Assets	Liabilities
	LE	LE	LE	LE
Fixed assets depreciation	--	(3 062 654)	--	(1 201 071)
Expected claims provision	90 750	--	90 750	--
Impairment loss on assets	719 993	--	719 993	--
Total deferred tax assets (liabilities)	810 743	(3 062 654)	810 743	(1 201 071)
Net deferred tax liabilities		(2 251 911)		(390 328)

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

	31/12/2010	31/12/2009
	LE	LE
Changes in fair value of cash flow hedges	6 612 597	888 567

**25- Earnings per share**

	For the year	For the year
	ended	ended
	31/12/2010	31/12/2009
	LE	LE
Net profit for the year	1 026 014 092	517 719 221
Employees' portion	(37 748 996)	(23 404 251)
Board of directors' bonus	(5 224 500)	(4 936 500)
Net	983 040 596	489 378 470
Weighted average number of shares	382 714 000	382 869 804
Earnings per share	2.57	1.28

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

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while liabilities include loans and creditors. Note (No. 2) of notes to financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses by the company to minimize the consequences of such risks.

### 26/1 Market risk:

Market risk is represented in the factors which affect values, earnings and profits of all securities negotiated in stock exchange or affect the value, earning and profit of a particular security.

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.

### 26/2 Foreign currencies risk

i. 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 balance sheet date the company has assets and liabilities in foreign currencies equivalent to LE 974 367 016 and LE 417 457 330 respectively. The company's net exposures in foreign currencies are as follows:

	<b>Surplus/(Deficit)</b>
	<b>LE</b>
USD	556 361 026
Euro	(259 268)
GBP	233 385
AED	(16 898)
CHF	591 441

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

- The company executes SWAP and Hedge Agreements to cover its needs of foreign currencies and to hedge the exchange risk related thereto (note no. 19).

### 26/3 Financial instruments' fair value

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

**26/4 Derivative financial instruments and hedge accounting**

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value according to the valuation basis applied, in accounting policies to derivative financial instrument, (note no. 3-12).

**27- Subsequent events to balance sheet date**

Recently, Arab Republic of Egypt faced events has a significant impact on economic sectors in general, highly likely to lead to a significant decline in economic activities during the coming periods, so it is likely that the events referred to have an impact on the elements of assets and liabilities and the remedial value, as well as business results through Future periods.

Currently, it is not possible to quantify this effect on the assets and liabilities included the financial statements of the company, where the impact depend on the time period of the events referred which is expected to be completed by those events and their effects.

**28- Comparative figures**

Certain reclassification has been made to the comparative figures in order to conform to current year presentation.