

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

**Consolidated interim financial statements**  
**for the period ended 31 March 2018**  
**&**  
**Review Report**

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### Review Report

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

##### *Introduction*

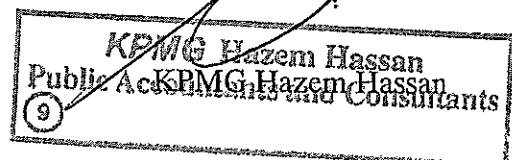
We have performed a limited review for the accompanying consolidated statement of financial position of EFG – Hermes Holding Company as at 31 March 2018 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

##### *Scope of Limited Review*

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

##### *Conclusion*

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standards.



Cairo, May 14, 2018

## Consolidated statement of financial position

	Note no.	31/3/2018	31/12/2017
<i>(In EGP)</i>			
<b>Assets</b>			
<b>Non - current assets</b>			
Available -for- sale investments	(9)	7,515,039,266	4,188,533,840
Investment property	(10)	229,048,732	231,857,775
Fixed assets	(11)	247,404,852	224,333,498
Leased assets	(12)	2,132,910,244	1,983,830,519
Goodwill and other intangible assets	(13)	951,970,035	948,377,505
Loans receivables	(8)	379,752,709	370,282,483
<b>Total non - current assets</b>		<b>11,456,125,838</b>	<b>7,947,215,620</b>
<b>Current assets</b>			
Cash and cash equivalents	(5)	7,966,703,411	9,633,777,190
Loans receivables	(8)	913,661,990	495,238,580
Investments at fair value through profit and loss	(6)	8,293,879,080	14,810,796,240
Accounts receivables	(7)	5,175,446,155	7,617,247,233
Other assets	(14)	854,027,074	747,427,378
<b>Total current assets</b>		<b>23,203,717,710</b>	<b>33,304,486,621</b>
<b>Total assets</b>		<b>34,659,843,548</b>	<b>41,251,702,241</b>
<b>Equity</b>			
Share capital	(21)	3,074,472,890	3,074,472,890
Legal reserve		1,537,236,445	1,537,236,445
Share premium		1,922,267,826	1,922,267,826
Other reserves		4,514,565,954	4,527,947,151
Retained earnings		2,830,067,881	2,585,659,132
Equity attributable to owners of the Company		13,878,610,996	13,647,583,444
Non - controlling interests	(22)	284,464,181	273,241,999
<b>Total equity</b>		<b>14,163,075,177</b>	<b>13,920,825,443</b>
<b>Liabilities</b>			
<b>Non - current liabilities</b>			
Deferred tax liabilities	(18)	247,293,311	251,298,343
Loans and borrowings	(20)	1,558,801,993	1,414,434,829
<b>Total non - current liabilities</b>		<b>1,806,095,304</b>	<b>1,665,733,172</b>
<b>Current liabilities</b>			
Due to banks and financial institutions	(15)	5,407,820,223	6,727,002,816
Loans and borrowings	(20)	594,001,093	420,782,960
Accounts payable - customers credit balance		4,898,097,245	5,443,458,450
Accounts payable - customers credit balance at fair value through profit and loss	(16)	5,601,648,974	10,556,308,364
Creditors and other credit balances	(17)	1,445,236,751	1,697,172,793
Current tax liability		332,272,396	308,729,311
Provisions	(19)	411,596,385	511,688,932
<b>Total current liabilities</b>		<b>18,690,673,067</b>	<b>25,665,143,626</b>
<b>Total liabilities</b>		<b>20,496,768,371</b>	<b>27,330,876,798</b>
<b>Total equity and liabilities</b>		<b>34,659,843,548</b>	<b>41,251,702,241</b>

The accompanying notes and accounting policies from page (6) to page (53) are an integral part of these financial statements and are to be read therewith.

" Review report attached "

Mona Zulficar  
Chairperson

Karim Awad  
Group Chief Executive Officer

**Consolidated income statement**

	Note	For the period ended	
		31/3/2018	31/3/2017
<i>(in EGP)</i>			
<b>Revenues</b>			
Fee and commission income	(29)	553,145,249	435,908,888
Securities gains		79,702,786	296,847,411
Revenues from leasing activities		179,970,084	93,805,113
Interest and dividend income		286,614,535	171,279,737
Provision reversed	(19)	72,807,747	156,518
Other income		19,306,862	33,923,235
<b>Total revenues</b>		<u>1,191,547,263</u>	<u>1,031,920,902</u>
<b>Expenses</b>			
Fee and commission expense		(26,406,022)	(39,477,519)
Interest expense		(192,178,599)	(97,074,882)
Changes in the investments at fair value through profit and loss		(846,793)	8,466,250
Foreign currencies exchange differences		(17,684,663)	53,250,438
General administrative expenses	(28)	(542,860,262)	(460,605,636)
Provisions	(19)	(6,833,111)	(6,752,154)
Depreciation and amortization	(10),(11),(12),(13)	(73,647,880)	(38,218,233)
Impairment loss on assets	(25)	(14,622,941)	-
<b>Total expenses</b>		<u>(875,080,271)</u>	<u>(580,411,736)</u>
Profit before income tax		316,466,992	451,509,166
Income tax expense	(26)	(47,982,802)	(88,713,557)
<b>Profit for the period</b>		<u>268,484,190</u>	<u>362,795,609</u>
<b>Profit attributable to:</b>			
Owners of the Company		249,345,783	358,623,520
Non - controlling interests	(22)	19,138,407	4,172,089
		<u>268,484,190</u>	<u>362,795,609</u>

The accompanying notes and accounting policies from page (6) to page (53) are an integral part of these financial statements and are to be read therewith.

**Consolidated statement of comprehensive income**

	<b>For the period ended</b>	
	<b>31/3/2018</b>	<b>31/3/2017</b>
<i>(in EGP)</i>		
Profit for the period	268,484,190	362,795,609
<b>Other comprehensive income:</b>		
<b>Items that are or may be reclassified to profit or loss</b>		
Foreign operations - foreign currency translation differences	(30,508,587)	18,291,623
Available -for- sale investments - net change in fair value	92,509,009	(131,862,395)
Available -for- sale investments - reclassified to profit or loss	(75,437,571)	(168,551,437)
Related tax	(191,354)	69,650,995
<b>Other comprehensive income, net of tax</b>	<u>(13,628,503)</u>	<u>(212,471,214)</u>
<b>Total comprehensive income</b>	<u><u>254,855,687</u></u>	<u><u>150,324,395</u></u>
<b>Total comprehensive income attributable to :</b>		
Owners of the Company	235,964,586	134,157,202
Non - controlling interests	<u>18,891,101</u>	<u>16,167,193</u>
	<u><u>254,855,687</u></u>	<u><u>150,324,395</u></u>

The accompanying notes and accounting policies from page (6) to page (53) are an integral part of these financial statements and are to be read therewith.

	Attributable to owners of the Company										Total equity	
	Share capital	Legal reserve	Share premium	General reserve	Other reserves				Retained earnings	Non - controlling interests		Total
					Translation reserve	Fair value reserve	Hedging reserve					
<i>(in EGP)</i>												
Balance as at 31 December, 2017	3,074,472,890	1,537,236,445	1,922,267,826	158,269	3,272,626,898	1,281,604,371	(26,442,387)	2,585,659,132	13,647,583,444	273,241,999	13,920,825,443	
<b>Total comprehensive income</b>												
Profit	-	-	-	-	-	-	-	249,345,783	249,345,783	19,138,407	268,484,190	
Other comprehensive income	-	-	-	-	(29,843,239)	16,462,042	-	-	(13,381,197)	(247,306)	(13,628,503)	
<b>Total comprehensive income</b>	-	-	-	-	(29,843,239)	16,462,042	-	249,345,783	235,964,586	18,891,101	254,855,687	
<b>Transactions with owners of the Company</b>												
Contributions and distributions												
Dividends	-	-	-	-	-	-	-	(11,150,676)	(11,150,676)	(4,538,212)	(15,688,888)	
Changes in ownership interests												
Acquisition of NCI without a change in control	-	-	-	-	-	-	-	6,213,642	6,213,642	(3,130,707)	3,082,935	
Balance as at 31 March, 2018	3,074,472,890	1,537,236,445	1,922,267,826	158,269	3,242,783,659	1,298,066,413	(26,442,387)	2,830,067,881	13,878,610,996	284,464,181	14,163,075,177	
Balance as at 31 December, 2016	3,074,472,890	1,523,711,250	1,922,267,826	158,269	2,730,222,070	1,215,347,003	(26,442,387)	3,151,351,529	13,691,088,450	126,816,081	13,817,904,531	
<b>Total comprehensive income</b>												
Profit	-	-	-	-	-	-	-	358,623,520	358,623,520	4,172,089	362,795,609	
Other comprehensive income	-	-	-	-	9,684,832	(234,151,150)	-	-	(224,466,318)	11,995,104	(212,471,214)	
<b>Total comprehensive income</b>	-	-	-	-	9,684,832	(234,151,150)	-	358,623,520	134,157,202	16,167,193	150,324,395	
Transferred to legal reserve	-	13,525,195	-	-	-	-	-	(13,525,195)	-	-	-	
<b>Transactions with owners of the Company</b>												
Changes in ownership interests												
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	-	-	30,126,160	30,126,160	
Acquisition of NCI without a change in control	-	-	-	-	-	-	-	(17,681,944)	(17,681,944)	(2,842,009)	(20,523,953)	
Share of NCI in the increase of subsidiaries paid in capital	-	-	-	-	-	-	-	-	-	62,019,912	62,019,912	
Balance as at 31 March 2017	3,074,472,890	1,537,236,445	1,922,267,826	158,269	2,739,906,902	1,081,195,853	(26,442,387)	3,478,767,910	13,807,563,708	232,287,337	14,039,851,045	

The accompanying notes and accounting policies from page (6) to page (53) are an integral part of these financial statements and are to be read therewith.

## Consolidated statement of cash flows

	For the period ended	
	31/3/2018	31/3/2017
<i>(in EGP)</i>		
<b>Cash flows from operating activities</b>		
Profit before income tax	316,466,992	451,509,166
<b>Adjustments for:</b>		
Depreciation and amortization	73,647,880	38,218,233
Provisions formed	6,833,111	6,752,154
Provisions used	(34,413,874)	(16,703,346)
Provisions reversed	(72,807,747)	(156,518)
Gains on sale of fixed assets	(2,800,111)	(566,854)
Gains on sale of investment property	(1,221,687)	-
Gains on sale of available -for- sale investments	(75,437,571)	(296,439,435)
Changes in the fair value of investments at fair value through profit and loss	846,793	(8,466,250)
Impairment loss on assets	14,622,941	-
Foreign currency translation differences	(24,826,325)	199,289,247
Foreign currencies exchange differences	17,684,663	(53,250,438)
Operating profit before changes in current assets and liabilities	218,595,065	320,185,959
<b>Changes in:</b>		
Other assets	(91,355,226)	(151,537,573)
Creditors and other credit balances	(370,855,322)	(72,524,936)
Accounts receivables	2,462,065,288	(1,304,603,445)
Accounts payable	(527,347,393)	2,372,329,739
Accounts payable - customers credit balance at fair value through profit and loss	(4,951,659,390)	-
Investments at fair value through profit and loss	6,531,589,199	(377,905,418)
Income tax paid	(28,731,377)	(30,974,159)
Net cash provided from operating activities	3,242,300,844	754,970,167
<b>Cash flows from investing activities</b>		
Loans	(418,686,210)	(1,438,765,624)
Payments to purchase fixed assets and other intangible assets	(38,223,594)	(10,638,532)
Proceeds from sale of fixed assets	3,593,025	698,000
Payments to purchase leased assets	(164,902,868)	(410,028,467)
Proceeds from sale of leased assets	-	32,272,452
Proceeds from sale of available -for- sale investments	183,553,651	2,369,910
Payments to purchase available -for- sale investments	(3,463,527,405)	(524,305,448)
Proceeds from sale of investments in subsidiaries	-	263,240,920
Acquisition of subsidiary (net of cash acquired)	-	(27,051,491)
Net cash used in investing activities	(3,898,193,401)	(2,112,208,280)
<b>Cash flows from financing activities</b>		
Dividends paid	(15,688,888)	-
Increase in subsidiaries paid - in capital	-	62,019,912
Proceeds from loans	411,184,945	220,387,139
Payment for loans	(90,712,148)	(27,125,939)
Net cash provided from financing activities	304,783,909	255,281,112
Net change in cash and cash equivalents	(351,108,648)	(1,101,957,001)
Cash and cash equivalents at 1 January (note no. 27)	2,950,128,118	11,537,498,422
Cash and cash equivalents at 31 March (note no. 27)	2,599,019,470	10,435,541,421

## Non cash transactions:

An amount of EGP 41 996 188 has been eliminated from Proceeds from sale of leased assets and Accounts receivables.

An amount of EGP 124 334 832 has been eliminated from Payments to purchase leased assets and Creditors and other credit balances.

The accompanying notes and accounting policies from page (6) to page (53) are an integral part of these financial statements and are to be read therewith.



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

Translation of consolidated financial  
statements originally issued in Arabic

Notes to the consolidated interim financial statements for the period ended 31 March, 2018  
(In the notes all amounts are shown in EGP unless otherwise stated)

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**1- Background**

**1-1 Incorporation**

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 12577 Egypt.

**1-2 Purpose of the company**

EFG Hermes 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, installment services. The purpose of the company also 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 consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.

**2-2 Authorization of the financial statements**

The financial statements were authorized for issue in accordance with a resolution of the board of directors on May 13, 2018.

**3- Functional and presentation currency**

These consolidated financial statements are presented in Egyptian pounds (EGP) which is the Company’s functional currency.

**4- 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.

Notes to the consolidated interim financial statements for the period ended 31 March, 2018 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

- 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.

#### **4-1 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.

#### **5- Cash and cash equivalents**

	<b>31/3/2018</b>	<b>31/12/2017</b>
Cash on hand	11,404,332	11,947,416
Cheques under collection	436,134	1,140,001
Banks - current accounts	5,977,892,406	6,555,128,148
Banks - time deposits	1,976,970,539	3,065,561,625
	<hr/>	<hr/>
Balance	7,966,703,411	9,633,777,190
	=====	=====

#### **6- Investments at fair value through profit and loss**

	<b>31/3/2018</b>	<b>31/12/2017</b>
Mutual fund certificates	155,618,157	421,153,944
Equity securities	193,250,059	170,643,873
Treasury bills outside Egypt	40,136,282	31,963,691
Structured notes	7,904,874,582	14,187,034,732
	<hr/>	<hr/>
Balance	8,293,879,080	14,810,796,240
	=====	=====

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

Translation of consolidated financial  
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Notes to the consolidated interim financial statements for the period ended 31 March, 2018 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

<b>7- Accounts receivables</b>	<b>31/3/2018</b>	<b>31/12/2017</b>
Accounts receivables	4,761,529,274	7,903,736,391
Other brokerage companies	413,916,881	(286,489,158)
	<u>5,175,446,155</u>	<u>7,617,247,233</u>
	=====	=====
 <b>8- Loans receivables</b>		
	<b>31/3/2018</b>	<b>31/12/2017</b>
Micro financial loans	595,781,990	495,238,580
Vortex II Holding Sarl	252,665,738	247,266,773
Vortex Solar Investments Sarl	127,086,971	123,015,710
Other loans	317,880,000	--
	<u>1,293,414,699</u>	<u>865,521,063</u>
	=====	=====
Current	913,661,990	495,238,580
Non-current	379,752,709	370,282,483
	<u>1,293,414,699</u>	<u>865,521,063</u>
	=====	=====
 <b>9- Available - for- sale investments</b>		
	<b>31/3/2018</b>	<b>31/12/2017</b>
Equity securities*	2,196,512,955	2,265,708,740
Mutual fund certificates	1,933,787,542	1,922,825,100
Debt instruments	3,384,738,769	--
	<u>7,515,039,266</u>	<u>4,188,533,840</u>
	=====	=====

\* Equity securities includes 2,213,716 shares of Credit Libanais Bank S.A.L (the Bank), representing approximately 9.4605% of the total shares of the bank with an amount of EGP 1,290,135,635 as at 31 March 2018 verses EGP 1,296,710,506 as at 31 December 2017.

Notes to the consolidated interim financial statements for the period ended 31 March, 2018 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

**10- Investment property**

	<b>Buildings</b>
Balance as at 1/1/2018	255,850,696
Foreign currency translation differences	(437,633)
	<hr/>
Total cost as at 31/3/2018	255,413,063
	<hr/>
Accumulated depreciation as at 1/1/2018	23,992,921
Depreciation for the period	2,402,968
Foreign currency translation differences	(31,558)
	<hr/>
Accumulated depreciation as at 31/3/2018	26,364,331
	<hr/>
Net carrying amount as at 31/3/2018	229,048,732
	=====
Net carrying amount as at 31/12/2017	231,857,775
	=====

Investment property net carrying amount amounted EGP 229,048,732 as at 31 March 2018, represents the following:-

- EGP 143,452,235 the book value of the area owned by EFG – Hermes Holding Company in Nile City building.
- EGP 78,975,477 the book value of the area owned by EFG – Hermes UAE Limited, one of the subsidiaries, in the Index Tower – UAE.
- EGP 3,595,507 the book value of the area owned by Hermes Securities Brokerage, one of the subsidiaries, in Elmanial branch.
- EGP 3,025,513 the book value of the area owned by Hermes Securities Brokerage, one of the subsidiaries, in Elharam branch.

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

Translation of consolidated financial  
statements originally issued in Arabic

Notes to the consolidated interim financial statements for the period ended 31 March, 2018 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

**11- Fixed assets**

Particular Cost	Office furniture, Equipment & electrical Appliances					Vehicles	* Projects under construction	Total
	Land & Buildings	Leasehold improvements	Equipment & electrical Appliances	Computer Equipment				
Balance as at 1/1/2018	138,809,206	38,875,956	208,104,521	260,369,535	26,838,747	13,144,249	686,142,214	
Additions	--	1,916,384	8,036,328	21,188,303	3,333,675	--	34,474,690	
Disposals	--	--	--	(56,619)	(1,564,294)	--	(1,620,913)	
Foreign currency translation differences	(31,017)	76,833	(705,620)	(337,013)	(246,061)	--	(1,242,878)	
Total cost as at 31/3/2018	138,778,189	40,869,173	215,435,229	281,164,206	28,362,067	13,144,249	717,753,113	
Balance as at 1/1/2017	181,541,971	28,662,262	178,378,147	232,697,260	21,410,159	9,784,500	652,474,299	
Additions	--	2,105,965	567,771	4,964,796	--	3,000,000	10,638,532	
Disposals	--	--	--	--	(634,556)	--	(634,556)	
Acquisition from subsidiaries	229,225	--	3,912,074	987,089	5,120,986	--	10,249,374	
Foreign currency translation differences	--	--	987,537	1,205,458	46,555	--	2,239,550	
Total cost as at 31/3/2017	181,771,196	30,768,227	183,845,529	239,854,603	25,943,144	12,784,500	674,967,199	

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

Translation of consolidated financial  
statements originally issued in Arabic

Notes to the consolidated interim financial statements for the period ended 31 March, 2018 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

Particular	Office furniture,					Total
	Land & Buildings	Leasehold improvements	Equipment & electrical Appliances	Computer Equipment	Vehicles	
<b>Accumulated depreciation</b>						
Accumulated depreciation as at 1/1/2018	22,851,700	24,604,782	179,845,857	217,392,127	17,114,250	461,808,716
Depreciation	1,075,270	1,047,106	2,530,269	5,052,136	944,835	10,649,616
Disposals' accumulated depreciation	--	--	--	(53,704)	(774,295)	(827,999)
Foreign currency translation differences	(10,140)	10,222	(572,438)	(539,825)	(169,891)	(1,282,072)
Accumulated depreciation as at 31/3/2018	<u>23,916,830</u>	<u>25,662,110</u>	<u>181,803,688</u>	<u>221,850,734</u>	<u>17,114,899</u>	<u>470,348,261</u>
<b>Accumulated depreciation as at 1/1/2017</b>						
Depreciation	36,544,654	21,470,164	171,278,335	204,776,565	11,572,067	445,641,785
Disposals' accumulated depreciation	1,235,045	600,228	1,158,132	3,064,508	976,792	7,034,705
Acquisition from subsidiaries	--	--	--	--	(503,410)	(503,410)
Foreign currency translation differences	153,343	--	630,423	701,370	2,578,358	4,063,494
	--	--	967,902	1,108,042	40,750	2,116,694
Accumulated depreciation as at 31/3/2017	<u>37,933,042</u>	<u>22,070,392</u>	<u>174,034,792</u>	<u>209,650,485</u>	<u>14,664,557</u>	<u>458,353,268</u>
<b>Carrying amount</b>						
Carrying amount as at 31/3/2018	114,861,359	15,207,063	33,631,541	59,313,472	11,247,168	247,404,852
Carrying amount as at 31/3/2017	143,838,154	8,697,835	9,810,737	30,204,118	11,278,587	216,613,931
Carrying amount as at 31/12/2017	115,957,506	14,271,174	28,258,664	42,977,408	9,724,497	224,333,498

\* Projects under construction are represented in preparation of new branches – office spaces in Egypt with an amount of EGP 13,144,249 as at March 31, 2018 versus EGP 13,144,249 as at December 31, 2017.

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**12- Leased assets**

Particular	Land	Buildings & property	Equipment	Computer equipment	Vehicles	Total
<b>Cost</b>						
Balance as at 1/1/2018	587,711,013	688,253,385	495,089,312	6,090,257	552,922,056	2,330,066,023
Additions	100,724,974	130,266,037	34,536,178	701,748	23,008,763	289,237,700
Disposals	(41,592,284)	--	--	(1,237,500)	--	(42,829,784)
Total cost as at 31/3/2018	646,843,703	818,519,422	529,625,490	5,554,505	575,930,819	2,576,473,939
Balance as at 1/1/2017	443,259,195	390,078,615	77,925,227	5,165,707	341,456,316	1,257,885,060
Additions	150,077,541	94,993,447	125,467,219	--	39,490,260	410,028,467
Disposals	(7,022,422)	(21,177,750)	(8,080,000)	--	--	(36,280,172)
Total cost as at 31/3/2017	586,314,314	463,894,312	195,312,446	5,165,707	380,946,576	1,631,633,355
<b>Accumulated depreciation</b>						
Accumulated depreciation as at 1/1/2018	--	43,468,509	60,847,540	3,452,551	137,766,650	245,535,250
Depreciation for the period	--	8,731,611	23,604,483	425,148	27,740,972	60,502,214
Disposals accumulated depreciation	--	--	--	(833,596)	--	(833,596)
Accumulated depreciation as at 31/3/2018	--	52,200,120	84,452,023	3,044,103	165,507,622	305,203,868
Accumulated depreciation as at 1/1/2017	--	20,871,633	10,542,902	1,627,921	46,309,632	79,352,088
Depreciation for the period	--	5,056,606	5,073,141	430,476	17,379,286	27,939,509
Disposals accumulated depreciation	--	(1,853,053)	(2,154,667)	--	--	(4,007,720)
Accumulated depreciation as at 31/3/2017	--	24,075,186	13,461,376	2,058,397	63,688,918	103,283,877
<b>Impairment loss on leased assets as at 31/3/2018</b>	(6,475,982)	(7,423,819)	(4,972,080)	(32,094)	(6,096,025)	(25,000,000)
<b>Impairment loss on leased assets as at 31/12/2017</b>	(5,374,753)	(5,942,242)	(4,757,236)	(33,275)	(7,392,494)	(23,500,000)
<b>Carrying amount</b>						
Carrying amount as at 31/3/2018	640,367,721	758,895,483	440,201,387	2,478,308	404,327,172	2,246,270,071
Carrying amount as at 31/3/2017	586,314,314	439,819,126	181,851,070	3,107,310	317,257,658	1,528,349,478
Carrying amount as at 31/12/2017	582,336,260	638,842,634	429,484,536	2,604,431	407,762,912	2,061,030,773
Lease settlement account as at 31/3/2018	(3,966,014)	(105,907,690)	2,792,782	1,631,717	(7,910,622)	(113,359,827)
Lease settlement account as at 31/3/2017	(26,594,687)	(49,602,774)	(292,677)	701,887	294,231	(75,494,020)
Lease settlement account as at 31/12/2017	3,972,284	(82,862,931)	3,151,057	1,060,460	(2,521,124)	(77,200,254)
Carrying amount as at 31/3/2018 (net of lease settlement account)	636,401,707	652,987,793	442,994,169	4,110,025	396,416,550	2,132,910,244
Carrying amount as at 31/3/2017 (net of lease settlement account)	559,719,627	390,216,352	181,558,393	3,809,197	317,551,889	1,452,855,458
Carrying amount as at 31/12/2017 (net of lease settlement account)	586,308,544	555,979,703	432,635,593	3,664,891	405,241,788	1,983,830,519

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**13- Goodwill and other intangible assets**

		<b>31/3/2018</b>	<b>31/12/2017</b>
Goodwill	(13-1)	935,693,196	935,693,196
Licenses		12,276,336	12,267,814
Software		4,000,503	416,495
Balance		<u>951,970,035</u>	<u>948,377,505</u>
		=====	=====

13-1 Goodwill is relating to the acquisition of the following subsidiaries:

		<b>31/3/2018</b>	<b>31/12/2017</b>
EFG- Hermes Oman LLC		5,921,803	5,921,803
EFG- Hermes IFA Financial Brokerage Company			
Kuwait – (KSC)		179,148,550	179,148,550
IDEAVELOPERS – Egypt		1,600,000	1,600,000
EFG- Hermes Jordan		8,639,218	8,639,218
Tanmeyah Micro Enterprise Services S.A.E		365,398,862	365,398,862
EFG - Hermes Pakistan Limited *		9,503,738	9,503,738
Frontier Investment Management Partners LTD **		365,481,025	365,481,025
Balance		<u>935,693,196</u>	<u>935,693,196</u>
		=====	=====

\* The acquiree's financial statements have been consolidated based on the book value of the identifiable assets and liabilities, the Company has a grace period of 12 months ending March 2018 for preparing Purchase Price Allocation (PPA) study to determine the fair value of the identifiable assets and liabilities according to the Egyptian Accounting Standards. The Company is in the process of determining this fair value exercise and adjust accordingly.

\*\* The acquiree's financial statements have been consolidated based on the book value of the identifiable assets and liabilities. The Company has a grace period of 12 months ending September 2018 for preparing Purchase Price Allocation (PPA) study to determine the fair value of the identifiable assets and liabilities according to the Egyptian Accounting Standards. The Company is in the process of determining this fair value exercise and adjust accordingly.



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**14- Other assets**

		<b>31/3/2018</b>	<b>31/12/2017</b>
Deposits with others	(14-1)	38,668,438	47,789,292
Down payments to suppliers		125,831,615	34,793,522
Prepaid expenses		60,577,933	55,301,204
Employees' advances		45,783,332	50,347,780
Accrued revenues		135,082,808	116,541,464
Taxes withheld by others		43,372,493	43,885,855
Payments for investments	(14-2)	13,161,622	11,393,856
Settlement Guarantee Fund		24,482,444	22,493,984
Due from EFG- Hermes Employees Trust		237,346,151	237,097,017
Due from Ara Inc. Company		621,545	624,711
Due from Egypt Gulf Bank- Tanmeyah Clients		2,167,356	2,467,778
Receivables-sale of fixed assets and investment property		50,914,000	50,914,000
Receivables-sale of investments		27,675,390	8,931,744
Sundry debtors		48,341,947	64,845,171
Balance		<u>854,027,074</u> =====	<u>747,427,378</u> =====

14-1 Deposits with others include an amount of EGP 15,631,766 in the name of the subsidiaries, Financial Brokerage Group Company and Hermes Securities Brokerage Company which represents blocked deposits for same day trading operations settlement takes place in the Egyptian Stock Exchange. Both companies are not entitled to use these amounts without prior approval from Misr Clearance Company.

14-2 Payments for investments are represented in the following:

	<b>31/3/2018</b>	<b>31/12/2017</b>
EFG-Finteck	5,000,000	5,000,000
EFG-Hermes Securitization	5,000,000	5,000,000
AAW Company for Infrastructure	1,348,856	1,348,856
EFG Hermes Bangladesh Limited	1,767,766	--
IDEAVELOPERS	25,000	25,000
Sherketak	20,000	20,000
Balance	<u>13,161,622</u> =====	<u>11,393,856</u> =====

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**15- Due to banks and financial institutions**

	<b>31/3/2018</b>	<b>31/12/2017</b>
Financial institutions	4,492,338,760	5,761,264,680
Bank overdraft	915,481,463	965,738,136
	<hr/>	<hr/>
Balance	5,407,820,223	6,727,002,816
	=====	=====

**16- Accounts payable-customers credit balance at fair value through profit and loss**

This amount represents payable to customers against the structured notes issued by one of group companies.

**17- Creditors and other credit balances**

	<b>31/3/2018</b>	<b>31/12/2017</b>
Accrued expenses	536,896,443	988,954,759
Dividends payable (prior years)	198,010,696	266,376,877
Deferred revenues	266,339,470	176,999,309
Deferred capital gain	79,887,775	82,921,489
Suppliers	131,623,826	35,191,979
Due to Industry Modernization Center	13,145,929	13,202,783
Clients' coupons - custody activity	9,533,378	9,876,310
Tax authority	89,320,004	5,810,226
Social Insurance Association	2,621,155	1,485,532
Payables- purchase of investments	44,150,000	44,375,000
Sundry creditors	73,708,075	71,978,529
	<hr/>	<hr/>
Balance	1,445,236,751	1,697,172,793
	=====	=====

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**18- Deferred tax liabilities**

	Balance at 1/1/2018	Recognized in profit or loss	Recognized in equity	Foreign currency differences	Net	Deferred tax assets	Deferred tax liabilities
Fixed assets depreciation	(3,100,123)	438,313	--	2,946	(2,658,864)	--	(2,658,864)
Claims provision	588,129	--	--	(379)	587,750	587,750	--
Impairment loss on assets	1,224,794	--	--	--	1,224,794	1,224,794	--
Prior year losses carried forward	7,036,935	717,027	--	37,868	7,791,830	7,791,830	--
Changes in fair value of cash flow hedges *	6,612,597	--	--	--	6,612,597	6,612,597	--
Fair value of available-for-sale financial assets **	(266,735,910)	--	(191,354)	--	(266,927,264)	--	(266,927,264)
Foreign currency translation differences	10,186,096	2,673,123	--	(976)	12,858,243	12,858,243	--
Revaluation of investment property	1,867,147	--	--	--	1,867,147	1,867,147	--
Deferred capital gain	(8,978,008)	328,464	--	--	(8,649,544)	--	(8,649,544)
	<u>(251,298,343)</u>	<u>4,156,927</u>	<u>(191,354)</u>	<u>39,459</u>	<u>(247,293,311)</u>	<u>30,942,361</u>	<u>(278,235,672)</u>

\* Directly deducted from cash flow hedging reserve item presented on the consolidated statement of comprehensive income.

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

**19- Provisions**

		31/3/2018	31/12/2017
Claims provision	(19-1)	231,953,423	333,168,227
Severance pay provision	(19-1)	172,729,222	172,223,971
Financial guarantee for contingent liabilities	(19-1)	6,913,740	6,296,734
Balance		<u>411,596,385</u>	<u>511,688,932</u>

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**19-1**

	<b>Claims provision</b>	<b>Severance Pay Provision*</b>	<b>Financial guarantee for contingent liabilities</b>	<b>Total</b>
Balance at the beginning of the year	333,168,227	172,223,971	6,296,734	511,688,932
Formed during the period	153,568	5,904,272	775,271	6,833,111
Foreign currency differences	(82,244)	378,207	--	295,963
Amounts used during the period	(28,636,646)	(5,777,228)	--	(34,413,874)
Provision reversed	(72,649,482)	--	(158,265)	(72,807,747)
Balance at the end of the period	<u>231,953,423</u>	<u>172,729,222</u>	<u>6,913,740</u>	<u>411,596,385</u>

\*Related to group entities outside Egypt.

**20- Loans and borrowings**

<b>The borrower</b>	<b>Credit limit</b>	<b>Contract date</b>	<b>Maturity Date</b>	<b>31/3/2018</b>	<b>31/12/2017</b>
EFG – Hermes Leasing*	250 million	10/6/2015	10/6/2023	171,371,095	190,710,008
„	100 million	4/6/2015	4/6/2022	129,361,929	127,289,601
„	280 million	14/7/2015	14/9/2022	140,028,076	148,807,789
„	300 million	4/11/2015	4/11/2022	276,300,062	282,109,568
„	200 million	9/8/2015	9/8/2023	59,105,981	63,630,480
„	200 million	30/9/2015	30/9/2025	97,785,596	108,057,091
„	175 million	14/3/2016	14/3/2023	212,356,666	126,363,303
„	50 million	1/6/2016	1/6/2023	39,690,827	41,556,795
„	100 million	1/6/2016	1/5/2020	92,226,429	94,230,870
„	100 million	28/11/2016	31/10/2021	69,884,544	91,831,604
„	80 million	15/12/2016	30/9/2021	23,848,021	25,463,555
„	100 million	12/2/2017	28/2/2022	81,952,000	88,959,090
„	70 million	19/2/2017	30/8/2024	67,970,882	69,672,390
„	100 million	15/12/2016	30/9/2021	39,896,450	42,108,977
„	50 million	3/4/2017	3/4/2024	16,136,592	16,748,119
„	20 million	24/4/2017	24/4/2023	5,000,000	5,000,000
„	100 million	25/5/2017	25/5/2022	116,014,652	64,294,114
„	65 million	29/5/2017	29/5/2024	56,690,902	58,729,430
„	44 million	19/10/2017	19/10/2022	39,735,000	39,937,500
„	90 million	1/12/2017	1/6/2022	21,586,510	22,367,850
„	150 million	7/2/2018	7/2/2023	50,000,000	--
EFG – Hermes Pakistan Limited Tanmeyah Micro Enterprise Services S.A.E	112.1 million	12/5/2017	11/5/2020	57,225,000	60,112,500
„	50 million	30/3/2018	30/3/2019	42,025,229	22,008,821
„	500 million	18/6/2017	18/6/2022	205,200,230	4,800,937
„ Valu	100 million	10/11/2017	9/11/2018	41,410,413	40,427,397
Balance				<u>2,152,803,086</u>	<u>1,835,217,789</u>

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Current	594,001,093	420,782,960
Non-current	1,558,801,993	1,414,434,829
Balance	<u>2,152,803,086</u>	<u>1,835,217,789</u>

- \* EFG-Hermes Leasing (wholly owned subsidiary), is committed to settle the credit granted by waiving the rental value of the finance lease contracts to the banks within the credit amount.

**21- Share capital**

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

**22- Non - controlling interests**

	31/3/2018	31/12/2017
Share capital	159,482,863	160,090,883
Legal reserve	16,224,736	16,037,802
Other reserves	13,138,814	13,323,755
Retained earnings	76,479,361	60,160,011
Profit for the period / year	19,138,407	23,629,548
Balance	<u>284,464,181</u>	<u>273,241,999</u>

**23- Contingent liabilities**

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 issued from banks amounting to:

	31/3/2018	31/12/2017
AED	118,670,000	118,670,000
Equivalent to EGP	570,589,094	573,508,376

Group off-financial position items :

Assets under management	87,714,868,605	45,316,848,744
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**24- Incentive fee revenue**

Due to inadequate assurance concerning the revenue recognition conditions and collection of the incentive fee on managing investment funds and portfolios, the assets management companies (subsidiaries) deferred the recognition of incentive fee with an amount of EGP 12,226,383 till March 31, 2018 versus EGP 4,623,929 till March 31, 2017 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	For the period ended	
	31/3/2018	31/3/2017
Egyptian Portfolio Management Group	1,954,611	1,460,723
Hermes Fund Management	10,271,772	3,163,206
	<hr/>	<hr/>
Total	12,226,383	4,623,929
	=====	=====

**25- Impairment loss on assets**

	For the period ended	
	31/3/2018	31/3/2017
Impairment loss on accounts receivables & debit accounts	14,622,941	--
	<hr/>	<hr/>
Total	14,622,941	--
	=====	=====

**26- Income tax expense**

	For the period ended	
	31/3/2018	31/3/2017
Current income tax	52,139,729	84,286,570
Deferred tax	(4,156,927)	4,426,987
	<hr/>	<hr/>
Total	47,982,802	88,713,557
	=====	=====

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**27- Cash and cash equivalents**

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

	<b>31/3/2018</b>	<b>31/12/2017</b>
Cash and due from banks	7,966,703,411	9,633,777,190
Due to banks and financial institutions	(5,407,820,223)	(6,727,002,816)
Treasury bills less than 90 days	40,136,282	31,963,691
Effect of exchange rate	--	11,390,053
	<hr/>	<hr/>
Cash and cash equivalents	2,599,019,470	2,950,128,118
	=====	=====

**28- General administrative expenses**

	<b>For the period ended</b>	
	<b>31/3/2018</b>	<b>31/3/2017</b>
Wages , salaries and similar items	395,191,452	358,692,771
Consultancy	12,392,925	5,646,021
Travel , accommodation and transportation	9,608,351	4,760,847
Leased line and communication	28,326,775	21,598,982
Rent and utilities expenses	30,980,038	17,437,907
Other expenses	66,360,721	52,469,108
	<hr/>	<hr/>
Total	542,860,262	460,605,636
	=====	=====

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**29- Operating segment**

**(a) Basis for operating segment**

Segment information is presented in respect of the Group's business segments.

The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment. The revenue & expense and assets & liabilities analyses in the table below are based on the type of business activities and services that are distinguishable component.

**For the period ended March 31, 2018**

	Holding & treasury	Brokerage	Asset management	Investment banking	Private Equity	Leasing	Micro finance	Adjustments	Total
Fee and commission income	129,435	304,979,407	95,271,000	46,925,094	20,425,871	--	85,414,442	--	553,145,249
Securities gains	79,243,727	459,059	--	--	--	--	--	--	79,702,786
Revenues from leasing activities	--	--	--	--	--	179,970,084	--	--	179,970,084
Interest and dividend income	158,628,056	17,322,420	140,867	4,848,889	5,164,914	1,555,470	106,034,891	(7,080,972)	286,614,535
Provision reversed	72,649,482	--	--	--	--	--	158,265	--	72,807,747
Other income	11,488,152	7,561,570	71,355	6,000	12,375	--	167,410	--	19,306,862
Total revenues	322,138,852	330,322,456	95,483,222	51,779,983	25,603,160	181,525,554	191,775,008	(7,080,972)	1,191,547,263
Fee and commission expense	(13,684)	(28,513,220)	(3,232,150)	(70,045)	(44,906)	--	(2,762)	5,470,745	(26,406,022)
Interest expense	(17,340,247)	(35,220,909)	--	(1,807,537)	(1,340,014)	(86,003,832)	(61,970,287)	11,504,227	(192,178,599)



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	Holding & treasury	Brokerage	Asset management	Investment banking	Private Equity	Leasing	Micro finance	Adjustments	Total
Foreign currencies differences	(17,684,663)	--	--	--	--	--	--	--	(17,684,663)
Changes in the investments at fair value through profit and loss	(747,145)	(99,648)	--	--	--	--	--	--	(846,793)
Net revenues	286,353,113	266,488,679	92,251,072	49,902,401	24,218,240	95,521,722	129,801,959	9,894,000	954,431,186
General administrative expenses	(192,723,080)	(185,815,844)	(63,727,192)	(16,420,302)	(11,084,459)	(8,954,653)	(54,240,732)	(9,894,000)	(542,860,262)
Provisions	(1,277,614)	(3,163,887)	(989,071)	(430,242)	(99,458)	--	(872,839)	--	(6,833,111)
Depreciation and amortization	(5,690,408)	(3,199,120)	(1,277,790)	(44,361)	(21,463)	(60,692,812)	(2,721,926)	--	(73,647,880)
Impairment loss on assets	(489,204)	--	(9,121,632)	--	--	(1,500,000)	(3,512,105)	--	(14,622,941)
Total expenses	(235,966,045)	(256,012,628)	(78,347,835)	(18,772,487)	(12,590,300)	(157,151,297)	(123,320,651)	7,080,972	(875,080,271)
Profit before income tax	86,172,807	74,309,828	17,135,387	33,007,496	13,012,860	24,374,257	68,454,357	--	316,466,992
Income tax expense	(6,091,825)	(18,797,021)	7,486	(2,271,759)	(14,953)	(5,463,288)	(15,351,462)	--	(47,982,802)
Profit for the period	80,080,982	55,512,807	17,142,873	30,735,757	12,997,907	18,910,969	53,102,895	--	268,484,190
Total assets	9,414,232,956	17,618,156,605	1,769,848,444	226,616,375	2,112,691,049	2,300,776,743	1,217,521,376	--	34,659,843,548
Total liabilities	1,462,056,865	15,455,839,259	428,367,005	32,711,166	338,188,270	2,032,429,613	747,176,193	--	20,496,768,371

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	For the period ended March 31, 2017							Total
	Holding & Treasury	Brokerage	Asset Management	Investment Banking	Private Equity	Leasing	Micro Finance	
Fee and commission income	9,757	317,761,943	46,043,282	33,425,146	6,553,059	304,252	31,811,449	435,908,888
Securities gains	291,540,331	5,307,080	--	--	--	--	--	296,847,411
Revenues from leasing activities	--	--	--	--	--	93,805,113	--	93,805,113
Interest and dividend income	128,236,252	15,988,455	15	13,334,000	2,088,346	1,076,243	40,948,376	171,279,737
Provision reversed	--	--	--	--	--	--	156,518	156,518
Other income	25,025,769	8,877,259	39,033	1,196,416	172,082	--	(1,387,324)	33,923,235
Total revenues	444,812,109	347,934,737	46,082,330	47,955,562	8,813,487	95,185,608	71,529,019	1,031,920,902
Fee and commission expense	(686,035)	(46,749,397)	(363,694)	(3,726)	(100,419)	(448,336)	(632,180)	(9,506,268)
Interest expense	(23,832,765)	(34,439,978)	--	(4,391,722)	--	(45,057,163)	(19,745,204)	(97,074,882)
Changes in the investments at fair value through profit and loss	7,807,671	(353,743)	--	--	1,012,322	--	--	8,466,250
Foreign currencies differences	53,250,438	--	--	--	--	--	--	53,250,438
Net revenues	481,351,418	266,391,619	45,718,636	43,560,114	9,725,390	49,680,109	51,151,635	957,085,189
General administrative expenses	(190,685,875)	(168,836,721)	(31,337,012)	(13,348,369)	(8,428,277)	(6,126,052)	(32,337,062)	(460,605,636)

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	<b>Holding &amp; Treasury</b>	<b>Brokerage</b>	<b>Asset Management</b>	<b>Investment Banking</b>	<b>Private Equity</b>	<b>Leasing</b>	<b>Micro Finance</b>	<b>Adjustments</b>	<b>Total</b>
Provisions	(1,039,767)	(3,837,549)	(1,033,978)	(494,916)	(158,718)	--	(187,226)	--	(6,752,154)
Depreciation and amortization	(5,795,210)	(2,500,140)	(222,697)	(101,975)	(47,120)	(28,112,741)	(1,438,350)	--	(38,218,233)
Total expenses	(160,981,543)	(256,717,528)	(32,957,381)	(18,340,708)	(7,722,212)	(79,744,292)	(54,340,022)	30,391,950	(580,411,736)
Profit (loss) before income tax	283,830,566	91,217,209	13,124,949	29,614,854	1,091,275	15,441,316	17,188,997	--	451,509,166
Income tax expense	(58,873,711)	(22,333,280)	(72,843)	(56,349)	(49,156)	(3,304,785)	(4,023,433)	--	(88,713,557)
Profit for the period	224,956,855	68,883,929	13,052,106	29,558,505	1,042,119	12,136,531	13,165,564	--	362,795,609
Total assets	7,545,204,227	10,416,160,644	1,556,046,692	43,396,060	3,184,576,899	1,594,712,572	750,567,586	--	25,090,664,680
Total liabilities	1,303,269,016	7,434,083,333	154,449,128	85,830,302	401,424,531	1,430,200,301	241,557,024	--	11,050,813,635

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**(b) Geographical segments**

- The Group operates in three main geographical areas: Egypt, GCC and Lebanon. In presenting the geographic information, segment revenue has been based on the geographical location of operation and the segment assets were based on the geographical location of the assets. The group's operations are reported under geographical segments, reflecting their respective size of operation.
- The revenue analysis in the tables below is based on the location of the operating company, which is the same as the location of the major customers and the location of the operating companies.

**March 31, 2018**

	<b>Egypt</b>	<b>GCC</b>	<b>Lebanon</b>	<b>Other</b>	<b>Total</b>
Total revenues	943,389,556	213,009,590	--	35,148,117	1,191,547,263
Segment assets	16,499,147,395	16,464,289,679	1,294,416,575	401,989,899	34,659,843,548

**March 31, 2017**

	<b>Egypt</b>	<b>GCC</b>	<b>Lebanon</b>	<b>Other</b>	<b>Total</b>
Total revenues	665,809,414	212,288,369	136,837,376	16,985,743	1,031,920,902
Segment assets	11,226,416,233	11,329,502,407	2,349,299,590	185,446,450	25,090,664,680

**30- Tax status (the holding company)**

- As to Income Tax, the years till 2016 the competent Tax Inspectorate inspected the parent company's books and all the disputed points have been settled with the Internal Committee. As to year 2017, according to tax form of tax law no. 91 of 2005 the company has submitted the tax returns.
- As to Salaries Tax, the parent company's books had been examined till 2008 and all the disputed points have been settled with the Internal Committee and as to years 2009 / 2012 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.

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- 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 31/12/2016 has been inspected and all the disputed points have been settled with the competent Tax Inspectorate as to year 2017 have not been inspected yet.

**31- Group's entities**

The parent company owns the following subsidiaries:

	<b>Direct ownership</b>	<b>Indirect ownership</b>
	%	%
Financial Brokerage Group	99,87	0,09
Egyptian Fund Management Group	88,51	11,49
Egyptian Portfolio Management Group	66,33	33,67
Hermes Securities Brokerage	97,58	2,42
Hermes Fund Management	89,95	10,05
Hermes Corporate Finance	99,37	0,53
EFG - Hermes Advisory Inc.	100	--
EFG- Hermes Financial Management (Egypt) Ltd.	--	100
EFG - Hermes Promoting & Underwriting	99,88	--
Bayonne Enterprises Ltd.	100	--
EFG- Hermes Fixed Income	99	1
EFG- Hermes Management	96,3	3,7
EFG- Hermes Private Equity	1,59	63,41
EFG- Hermes Brokerage – UAE LLC.	--	100
Flemming CIIC Holding	100	--
Flemming Mansour Securities	--	99,33
Flemming CIIC Securities	--	96
Flemming CIIC Corporate Finance	--	74,92
EFG- Hermes UAE Ltd.	100	--
EFG- Hermes Holding - Lebanon	99	--
EFG- Hermes KSA	73,1	26,9
EFG- Hermes Lebanon	99	0,97
Mena Opportunities Management Limited	--	95

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	Direct ownership	Indirect ownership
	%	%
Mena (BVI) Holding Ltd.	--	95
EFG - Hermes Mena Securities Ltd.	--	100
Middle East North Africa Financial Investments W.L.L	--	100
EFG- Hermes Oman LLC	--	51
EFG- Hermes Regional Investment Ltd.	100	--
Offset Holding KSC **	--	50
EFG- Hermes IFA Financial Brokerage	--	63,084
IDEAVELOPERS	--	52
EFG- Hermes CB Holding Limited	--	100
EFG- Hermes Global CB Holding Limited	100	--
EFG - Hermes Syria LLC *	49	20,37
Sindyan Syria LLC *	97	--
Talas & Co. LLP *	--	97
EFG - Hermes Jordan	100	--
Mena Long-Term Value Feeder Holdings Ltd.	--	100
Mena Long-Term Value Master Holdings Ltd.	--	90
Mena Long-Term Value Management Ltd.	--	90
EFG - Hermes CL Holding SAL	--	100
EFG - Hermes Investment Funds Co.	99,998	--
EFG-Hermes IB Limited	100	--
EFG- Hermes Mutual Funds Co.	100	--
Beaufort Investments Company	100	--
EFG-Hermes Leasing	--	100
EFG Hermes-Direct Investment Fund	64	--
Tanmeyah Micro Enterprise Services S.A.E	--	95.118
EFG – Hermes Frontier Holdings LLC	100	--
EFG – Hermes USA	100	--
EFG Capital Partners III	--	65
Health Management Company	--	52.5
EFG – Hermes Kenya Ltd.	--	100
EFG Finance Holding	99	1
EFG - Hermes Pakistan Limited	--	51
EFG - Hermes UK Limited	--	100
OLT Investment International Company (B.S.C)	99.9	--
Frontier Investment Management Partners LTD **	--	50
EFG-Hermes SP limited	--	100
Valu	--	100
EFG-Hermes Factoring	--	100
Beaufort Asset Managers LTD	--	100

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\* Due to exposing Syrian Arab Republic to events have significantly impact on the economic sectors in general and lead to lose of control so, the company's management decided in 2016 to transfer these investments from investments in subsidiaries to available for sale investments.

\*\* The Holding Company has the power to govern the financial and operating policies of the mentioned companies then the investees Companies is classified as investments in subsidiaries.

### **32- 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.

#### **32-1 Market risk**

Market risk is defined as the potential loss in both on and off financial position resulting from movements in market risk factors such as foreign exchange rates, interest rates, and equity prices.

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.

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

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**32-2 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.
- The company has revalue assets and liabilities at the financial position date as disclosed in foreign currency accounting policy.

**32-3 Risk management**

In the ordinary course of business, the Group is exposed to a variety of risks, the most important of which are liquidity risk, interest rate risk, currency risk, credit risk and market risk. These risks are identified, measured and monitored through various control mechanisms in order to price facilities and products on a risk adjusted basis and to prevent undue risk concentrations.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

**32-4 Credit risk**

Credit risk is the risk of a person or an organization defaulting in the repayment of their obligations to the Group in respect of the terms and conditions of the credit facilities granted to them by the Group. The management minimizes this risk by spreading its loan portfolio overall economic sectors and by adopting appropriate procedures and controls to evaluate the quality of the credit facilities granted and the creditworthiness of the borrowers. The credit risk of connected accounts is monitored on a united basis. In addition, the effective credit appraisal procedure for examining applications for credit facilities followed by the Group, adopts as the main criteria the repayment capability and obtaining sufficient collateral. The continuous monitoring of credit accounts and the timely preventive action further minimize, to a large extent, the exposure to credit risk.

**32-5 Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind



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and monitors future cash flows and liquidity on daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of high marketable and diverse assets that can be easily liquidated in the event of an unforeseen interpretation of cash flow. In addition, the Group maintains statutory deposits with the Central Banks.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and to the Group in specific. The Group maintains a solid ratio of high liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking markets conditions into consideration.

#### **32-6 Interest rate risk**

Interest rate risk stems from the sensitivity of earnings to future movements in interest rates applied on assets and liabilities.

The Group's management closely monitors interest rate fluctuations on a continuous basis and ensures that assets and liabilities are matched and re-priced in a timely manner. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or are re-priced in a given period. The most important source of interest rate risk derives from the lending, funding and investing activities, where fluctuations in interest rates are reflected in interest margins and earnings.

#### **32-7 Equity price risk**

Equity price risk is the risk that the value of a portfolio will fall as a result of change in stock prices. Risk factors underlying this type of market risk are a whole range of various equity (and index) prices corresponding to different markets (and currencies/maturities), in which the Group holds equity-related positions.

The Group sets tight limits on equity exposures and the types of equity instruments that traders are allowed to take positions in. Nevertheless, depending on the complexity of financial instruments, equity risk is measured in first cash terms, such as the market value of a stock/index position, and also in price sensitivities, such as sensitivity of the value of a portfolio to changes in the underlying asset price. These measures are applied to an individual position and/or a portfolio of equity products.

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

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**32-8 Operational risk**

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an operational risk impact. The Group seeks to minimize actual or potential losses from operational risk failure through a framework of policies and procedures that identify, assess, control, manage, and report those risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

**32-9 Fair value of financial instruments**

The fair value of the financial instruments does not substantially deviated from its book value at the financial position date. According to the valuation basis applied, in accounting policies to the assets and liabilities.

**32-10 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 instruments.
- In accordance with an arrangement between the subsidiary, EFG-Hermes Mena Securities Limited Co. and its customers (“the customers”), the Company from time to time enters into fully paid Shares Swap Transaction Contracts (“the contracts”) with the customers. Under the contracts the customers pay to the Company a pre-determined price, which is essentially the market price at the trade date, in respect of certain reference securities. In return for such shares swap transactions the Company pays to the customers the mark to market price of the reference securities at a pre-determined date (normally after one year). However, the contracts can be terminated at any time by either of the parties, which shall be the affected party.

In order to hedge the price risks with respect to the reference securities under the contracts, the Company enters into back-to-back fully paid Share Swap Transaction Contracts with other subsidiaries, MENA Financial Investments W.L.L. (“MENA-F”) and EFG-Hermes KSA.

Accordingly, the Share Swap Transactions are measured at fair value based on underlying reference securities under the contracts.

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### **33- Significant accounting policies applied**

#### **33-1 Business Combination**

- The Group accounts for business combinations using the acquisition method when control is transferred to the Group.
- The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.
- Any goodwill that arises is tested annually for impairment, any gain on a bargain purchase is recognized immediately in profit or loss
- Transaction costs are expensed as incurred, except if related to the issue of debtor equity securities.
- The consideration transferred doesn't include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.
- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

#### **33-2 Subsidiaries**

- Subsidiaries are entities controlled by the Group.
- The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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### **33-2-1 Non-controlling interests**

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### **33-2-2 Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### **33-3 Interests in equity-accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, where by the Group has rights to the net assets of the arrangement.

Rather than rights to its assets and obligations for its liabilities. Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

#### **33-3-1 Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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### **33-4 Foreign currency**

#### **33-4-1 Foreign currency 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. Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- Available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.

#### **33-4-2 Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

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When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### **33-5 Discontinued operation**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative period.

### **33-6 Revenue**

#### **33-6-1 Gain (loss) on sale of investments**

Gain (loss) resulting from sale of investments are recognized on transaction date and measured by the difference between cost and selling price less selling commission and expenses. In case of derecognizing of investments in associates, the difference between the carrying amount and the sum of both the consideration received and cumulative gain or loss that had been recognized in shareholders' equity shall be recognized in income statement.

#### **33-6-2 Dividend income**

Dividend income is recognized when declared.

#### **33-6-3 Custody fee**

Custody fees are recognized when the service is provided and the invoice is issued.

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**33-6-4 Interest income and expenses**

Interest income and expenses are recognized in the income statement under "Interest income" item or "Interest expenses" by using the effective interest rate method of all instruments bearing interest other than those classified held for trading or which have been classified at inception "fair value through income statement".

**33-6-5 Fee and commission income**

Fee related to servicing the loan or facility are recognized in income when performing the service while the fees and commissions related to non-performing or impaired loans are not recognized, instead, they are to be recorded in marginal records off the financial position. Then they are recognized within the income pursuant to the cash basis when the interest income is collected. As for fees which represent an integral part of the actual return on the financial assets, they are treated as an amendment to the rate of actual return.

**33-6-6 Brokerage commission**

Brokerage commission resulting from purchase of and sale of securities operations in favor of clients are recorded when operation is implemented and the invoice is issued.

**33-6-7 Management fee**

Management fee is calculated as determined by the management contract of each investment fund & portfolio and recorded on accrual basis.

**33-6-8 Incentive fee**

Incentive fee is calculated based on certain percentages of the annual return realized by the fund and portfolio, however these incentive fee will not be recognized until revenue realization conditions are satisfied and there is adequate assurance of collection.

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

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**33-6-9 Finance lease income**

Income resulted from lease contracts is recognized based on internal return rate resulted from lease contracts in addition to the equivalent amount of a periodical depreciation installment. The differences between the income recognized and accrued rental value for the same period is suspended in a separate account, and is to be settled with the carrying amount of the leased assets at the end of contract period.

**33-6-10 Investment property rental income**

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognized as other income.

**33-6-11 Revenue from micro-finance services**

- Revenue from micro-finance services is recognized based on time proportion taking into consideration the rate of return on asset. Revenue yield is recognized in the income statement using the effective interest method for all financial instruments that carry a yield, the effective interest method is the method of measuring the amortized cost of a financial asset and distributing the revenue over the life of time the relevant instrument. The effective interest rate is the rate that discounts estimated future cash receipts during the expected life of the financial instrument to reach the book value of the financial asset.



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- When classifying loans to customers as irregular, no income is recognized on its return and it is recognized in marginal records outside the financial statements and are recognized as revenue in accordance with the cash basis when it is collected.
- The commission income is represented in the value of the difference between the yield of the financing granted micro-enterprises and the accruals of the company's bank by deducting the services provided directly from the amounts collected from the entrepreneurs.
- The benefits and commissions resulting from the performance of the service are recognized, according to the accrual basis as soon as the service is provided to the client unless those revenues cover more of the financial period are recognized on a time proportion basis.
- An administrative commission of 8% of the loan granted to customers is collected on contracting in exchange for the issuance of the loan service and administrative commission revenue are proven in the income statement upon the issuance of the loan to the client.
- A commission delay in payments of premiums is collected at rates agreed upon within the contracts and are recognized as soon as customers delayed payment on the basis of the extended delay.

Notes to the interim consolidated financial statements for the period ended 31 March, 2018

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### **33-7 Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

#### **33-7-1 Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

#### **33-7-2 Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Taxable temporary differences arising on the initial recognition of goodwill.

Notes to the interim consolidated financial statements for the period ended 31 March, 2018

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Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

### **33-8 Property, plant and equipment**

#### **33-8-1 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.

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### **33-8-2 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.

### **33-8-3 Depreciation**

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

	<b>Estimated useful life</b>
- Buildings	33.3 - 50 years
- Office furniture, equipment & electrical appliances	2-16.67 years
- Computer equipment	3.33 - 5 years
- Transportation means	3.33 - 8 years

Leased assets are recorded at their historical cost after deducting the accumulated depreciation and any impairment in its value and are depreciated using the straight line method over the estimated productive life for each type of assets as follows:

	<b>Estimated useful life</b>
- Buildings and premises	20 years
- Equipment	5 -7 years
- Computer equipment	3 years
- Vehicles & transportation means	5 years

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

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

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#### **33-8-4 Reclassification to investment property**

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

#### **33-9 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.

#### **33-10 Intangible assets and goodwill**

##### **- Goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

##### **- Research and development**

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

##### **- Other intangible assets**

Other intangible assets, are measured at cost less accumulated amortisation and any accumulated impairment losses.

Notes to the interim consolidated financial statements for the period ended 31 March, 2018

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### **33-11 Investment property**

Investment property is measured at cost on initial recognition.

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

### **33-12 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.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. 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.

### **33-13 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.

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**33-13-1 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.

**33-13-2 Non-derivative financial assets – Measurement**  
**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.

Notes to the interim consolidated financial statements for the period ended 31 March, 2018

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#### **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.

#### **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.

#### **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.

### **33-13-3 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.



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### **33-13-4 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.

#### **33-13-4-1 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.

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### **33-14 Share capital**

#### **33-14-1 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.

#### **33-14-2 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.

### **33-15 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

### **33-16 Impairment**

#### **33-16-1 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;

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- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
  - Indications that a debtor or issuer will enter bankruptcy;
  - Adverse changes in the payment status of borrowers or issuers;
  - The disappearance of an active market for a security because of financial difficulties.
  - Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

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

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

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

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset,

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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.

#### **33-16-2 Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

The provision for doubtful debts is calculated on the investment cost of the leased assets (cost of leased assets in addition to its return at the date of calculating the provision) which are uncertainly collected i.e. (doubtful rent value) after deducting the credit deposits held by the Company. The Company's provisions committee specifies the provision percentage for each credit class which is calculated according to the risk rates of the doubtful rent values or according to the negative changes of the credit indicators, this provision is reviewed regularly or whenever there is a need to do so.

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### **33-17 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.

### **33-18 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.

### **33-19 Trade, and notes receivables, debtors and other debit balances**

- Trade, notes receivables, debtors and other debit balances are stated at nominal value less impairment losses.
- The Company's lessees and the leased assets are regularly classified & evaluated and their obligations are reduced by the rent value paid in each financial period, and with the assurance of the availability of adequate guarantee to collect the client's rent values.

### **33-20 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, cash on hand, cheques under collection and due from banks and financial institutions.

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### **33-21 Profit sharing to employees**

The holding 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.

### **33-22 Micro-enterprises Receivables**

#### **33-22-1 Credit policy**

##### **Funding Consideration**

- Funding are granted to clients who have previous experience not less than one year in his current activity which is confirmed by the client with adequate documentation and field inquiry.
- Funding are granted to the client which it's installment is suitable according to his predictable income activity and this done throw analyzing client's revenues and expenses and his foreseeable marginal income, and this done by the branches specialists of the company on the prepared form for this purpose(financial study form and credit decision).
- Before grant funding, a client activity field inquiry is done.
- Recording inquiries results about client and guarantor with inquiring forms of the company which reveal client's activity (visit form & Inquiry form).
- The company prohibit grant funding for new client unless the activity is existing with previous one year experience where the granted funds be within a minimum 1 000 EGP and maximum 30 000 EGP with loan duration of 12 months.
- Inquiries for clients are performed by I-Score Company before granting and in case of approval on granting. The credit limit of the client is considered when calculating the client's revenue and expenses.

##### **Client's Life Insurance**

The insurance process on the client is performed with the authorized companies from insurance supervisory authority.

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#### **Client's Following up**

The company keeps specialists in branches from following up all regular clients, and irregular with continuous application of that during finance period with judging on their commitment in paying the remaining installments and this done through recording visits for clients with daily basis and also with data base provided by computer system for all branches all over the republic.

#### **33-22-2 Impairment loss of micro financed loans**

The company at the date of the financial statements estimates the impairment loss of micro financed loans, in the light of the basis and rules of granting credit and forming the provisions according to the Board of Directors decision of the Financial Supervisory Authority No. (173) issued on December 21, 2014 to deal with the impairment loss.

#### **33-23 Operating segment**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segment.