



Hazem Hassan
Public Accountants & Consultants

EFG –Hermes Holding Company
(Egyptian Joint Stock Company)

Unconsolidated financial statements
for the period ended September 30, 2010
&
Review Report thereon

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Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

Review Report

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

Introduction

We have performed a limited review for the accompanying unconsolidated statement of financial position of EFG – Hermes Holding Company (Egyptian Joint Stock Company) as of September 30, 2010 and the related unconsolidated statements of income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial statements do not present fairly, in all material respects, the financial position of the Company as at 30 September 2010, and of its financial performance and its cash flows for the nine months then ended in accordance with Egyptian Accounting Standards.


KPMG Hazem Hassan


Cairo November 2, 2010

KPMG Hazem Hassan
Public Accountants and Consultants

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Unconsolidated statement of financial position
as at September 30, 2010

	note no.	30/9/2010 LE	31/12/2009 LE
Current assets			
Cash and cash equivalents	(4)	2 564 108 850	26 373 359
Treasury bills	(5)	1 055 969 499	-
Investments at fair value through profit and loss	(6)	4 313 038	627 837 531
Due from subsidiaries	(7)	1 902 738 350	1 076 955 597
Taxes withheld by others		9 188 865	11 152 096
Other debit balances	(9)	72 228 280	54 764 892
Total current assets		<u>5 608 546 882</u>	<u>1 797 083 475</u>
Current liabilities			
Due to subsidiaries	(10)	437 299 290	(876 312 984)
Tax Authority		756 826	14 740 639
Creditors and other credit balances	(11,23)	286 215 642	44 702 525
Dividends payable		15 738 394	-
Expected claims provision	(12)	9 853 751	453 751
Current portion of long term loans	(18)	38 286 000	37 758 000
Total current liabilities		<u>788 149 903</u>	<u>(778 658 069)</u>
Working capital		<u>4 820 396 979</u>	<u>2 575 741 544</u>
Non - current assets			
Loans to subsidiaries	(8,23)	100 000 000	175 000 000
Available -for- sale investments	(13)	168 524 115	22 487 676
Investments in subsidiaries & associates	(14)	1 325 407 725	3 882 325 391
Investments property	(15)	132 062 511	178 167 117
Projects under construction	(16)	10 495 268	227 306 583
Fixed assets (net)	(17)	296 568 611	27 059 603
Deferred tax assets	(24)	5 786 407	498 239
Total non - current assets		<u>2 038 844 637</u>	<u>4 512 844 609</u>
Total investment		<u>6 859 241 616</u>	<u>7 088 586 153</u>
Financed through :			
Shareholders' equity			
Issued & paid - in capital	(19)	1 913 570 000	1 913 570 000
Legal reserve		956 785 000	956 785 000
Other reserves		3 259 348 206	3 290 592 359
Retained earnings		463 008 043	356 343 573
		<u>6 592 711 249</u>	<u>6 517 290 932</u>
Net profit for the period / year		1 006 410 763	517 719 221
Interim dividend	(19)	(774 517 396)	-
Total shareholders' equity including net profit for the period / year		<u>6 824 604 616</u>	<u>7 035 010 153</u>
Non - current liabilities			
Long term loans	(18)	34 637 000	53 576 000
Total shareholders' equity and non - current liabilities		<u>6 859 241 616</u>	<u>7 088 586 153</u>

The accompanying notes from page (5) to page (24) are an integral part of these financial statements and are to be read therewith .


Mona Zulficar
Chair person


Yasser El Mallawany
Executive Managing Director

Review report "attached"

Hassan Heikal
Executive Managing Director

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Unconsolidated income statement
for the period ended September 30, 2010

	note no.	2010		2009	
		For the period	For the period	For the period	For the period
		from 1/7/2010	from 1/1/2010	from 1/7/2009	from 1/1/2009
		to 30/9/2010	to 30/9/2010	to 30/9/2009	to 30/9/2009
		LE	LE	LE	LE
Dividend income	(21)	53 132	10 196 005	80	504 210 965
Custody activity income		75 917	5 781 324	113 407	9 215 005
		129 049	15 977 329	113 487	513 425 970
Finance cost		(1 387 772)	(4 610 360)	(2 543 013)	(6 280 253)
General and administrative expenses	(23)	(65 518 066)	(201 510 431)	(40 896 351)	(118 975 553)
Fixed assets depreciation	(17)	(4 186 315)	(7 607 135)	(1 911 904)	(5 443 206)
Expected claims provision	(12)	3 000 000	(9 400 000)	-	-
Net activity's (loss) profit		(67 963 104)	(207 150 597)	(45 237 781)	382 726 958
Interest income	(23)	38 578 023	144 844 547	15 584 359	42 963 870
Changes in the fair value of investments at fair value through profit and loss		(889 268)	(1 332 007)	(9 931 708)	8 577 982
Changes in the fair value of investments property	(15)	-	(46 104 606)	-	-
Gains on sale of investments	(14-B)	4 555 207	1 244 026 940	45 603 216	50 835 442
Gain on sale of fixed assets		-	150 400	-	32 000
Foreign currencies differences		1 096 572	109 039 326	(18 684 952)	(831 511)
Other income	(23)	8 199 833	17 045 100	1 893 990	3 660 209
Net (loss) profit before tax		(16 422 737)	1 260 519 103	(10 772 876)	487 964 950
Current income tax		4 945 145	(253 672 478)	3 790 973	(13 616 458)
Deferred tax	(24)	(236 760)	(435 862)	52 656	107 938
Net (loss) profit for the period		(11 714 352)	1 006 410 763	(6 929 247)	474 456 430
Earnings per share	(25)	(0.03)	2.61	(0.02)	1.24

The accompanying notes from page (5) to page (24) are an integral part of these financial statements and are to be read therewith.

ERG - Hermes Holding Company
(Egyptian Joint Stock Company)

Unconsolidated statement of changes in equity
for the period ended September 30, 2010

note no.	Issued & paid-in capital	Legal reserve	Other reserves			Retained earnings	Treasury shares	Net profit for the year / period	Interim dividend	Total
			General reserve	Share premium	Fair value reserve					
	LE	LE	LE	LE	LE	LE	LE	LE	LE	
	1 939 320 000	969 660 000	158 271	3 345 518 887	(69 690)	53 975 373	(239 381 358)	520 263 700	-	6 595 114 917
Balance as at December 31, 2008										
2008 dividends payout	-	-	-	-	-	302 368 200	-	(520 263 700)	-	(217 895 500)
Effective portion of changes in fair value of cash flow hedges (net of tax)	(3-12)	-	-	-	(9 216 001)	-	-	-	-	(9 216 001)
Net change in the fair value of available-for-sale investments	-	-	-	-	118 434	-	-	-	-	118 434
Purchasing of treasury shares	-	-	-	-	-	-	(30 528 161)	-	-	(30 528 161)
Selling of treasury shares	-	-	-	4 768 788	-	-	175 064 356	-	-	179 833 144
Cancelling of treasury shares	(25 750 000)	(12 875 000)	-	(56 220 163)	-	-	94 845 163	-	-	-
Net profit for the period ended September 30, 2009								474 456 430	-	474 456 430
Balance as at September 30, 2009	1 913 570 000	956 785 000	158 271	3 294 067 512	48 744	356 343 573	-	474 456 430	-	6 991 883 263
Balance as at December 31, 2009	1 913 570 000	956 785 000	158 271	3 294 067 512	(87 157)	356 343 573	-	517 719 221	-	7 035 010 153
2009 dividends payout *	-	-	-	-	-	-	-	(517 719 221)	-	(411 054 751)
Effective portion of changes in fair value of cash flow hedges (net of tax)	(3-12)	-	-	-	-	106 664 470	-	-	-	(22 896 120)
Net change in the fair value of available-for-sale investments	-	-	-	-	(8 348 033)	-	-	-	-	(8 348 033)
Net profit for the period ended September 30, 2010								1 006 410 763	-	1 006 410 763
Interim dividend **	(19)	-	-	-	-	-	-	-	(774 517 396)	(774 517 396)
Balance as at September 30, 2010	1 913 570 000	956 785 000	158 271	3 294 067 512	(8 435 190)	463 008 043	-	1 006 410 763	(774 517 396)	6 824 604 616

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

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

The accompanying notes from page (5) to page (24) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Unconsolidated cash flows statement
for the period ended September 30, 2010

	For the period ended 30/9/2010 LE	For the period ended 30/9/2009 LE
Cash flows from operating activities		
Net profit before tax	1 260 519 103	487 964 950
Adjustments to reconcile net profit before tax to net cash provided by operating activities :		
Fixed assets depreciation	7 607 135	5 443 206
Expected claims provision	12 400 000	-
Amounts used from expected claims provision	-	(298 986)
Provisions no longer needed	(3 000 000)	-
Gains on sale of fixed assets	(150 400)	(32 000)
Gains on sale of available -for- sale investments	(963 754)	-
Gains on sale of investments in associates	(1 201 889 366)	-
Changes in the fair value of investments at fair value through profit and loss	1 332 007	(8 577 982)
Changes in the fair value of investments property	46 104 606	-
Operating profit before changes in working capital	<u>121 959 331</u>	<u>484 499 188</u>
Increase in treasury bills	(1 055 969 499)	(348 627 170)
Decrease in investments at fair value through profit and loss	622 192 485	176 959 841
(Increase) decrease in due from subsidiaries	(825 782 753)	86 523 863
Decrease in loans to subsidiaries	75 000 000	-
Decrease (increase) in taxes withheld by others	1 963 231	(6 024 469)
(Increase) decrease in other debit balances	(17 463 388)	203 205 630
Increase in due to subsidiaries	1 313 612 274	3 316 120
Decrease in tax authority	(4 642 318)	(637 663)
Decrease in creditors and other credit balances	(12 159 361)	(29 023 900)
Income tax paid	<u>(9 341 495)</u>	<u>(56 104 756)</u>
Net cash provided from operating activities	<u>209 368 507</u>	<u>514 086 684</u>
Cash flows from investing activities		
Payments to purchase fixed assets	(2 577 371)	(6 240 667)
Proceeds from sale of fixed assets	150 400	32 000
Payments for projects under construction	(57 727 456)	(44 192 205)
Payments to purchase available -for- sale investments	(155 354 044)	(3 710 371)
Proceeds from sale / redemption of available -for- sale investments	1 933 326	4 950 176
Payments to purchase investments in subsidiaries & associates	(39 888 996)	(199 571 058)
Proceeds from sale investments in subsidiaries & associates	<u>3 798 696 028</u>	<u>-</u>
Net cash provided from (used in) investing activities	<u>3 545 231 887</u>	<u>(248 732 125)</u>
Cash flows from financing activities		
Dividends paid	(1 169 833 753)	(217 895 500)
Payments to purchase treasury shares	-	(30 528 161)
Proceeds from selling of treasury shares	-	179 833 144
Change in reserves	(28 620 150)	(11 520 000)
Payments to long term loans	(18 411 000)	(17 539 000)
Net cash used in financing activities	<u>(1 216 864 903)</u>	<u>(97 649 517)</u>
Net change in cash and cash equivalents during the period	2 537 735 491	167 705 042
Cash and cash equivalents at the beginning of the period	<u>26 373 359</u>	<u>85 821 320</u>
Cash and cash equivalents at the end of the period	<u>2 564 108 850</u>	<u>253 526 362</u>

Non cash transactions

For the purpose of preparing the cash flows statement:

- An amount of LE 274 538 771 has been transferred from projects under construction to payments to purchase fixed assets. This amount was excluded from both items.

The accompanying notes from page (5) to page (24) are an integral part of these financial statements and are to be read therewith .

EFG- Hermes Holding Company
(Egyptian Joint Stock Company)
Notes to the unconsolidated financial statements
for the period ended September 30 ,2010

1- Description of business

1-1 Legal status

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

1-2 Purpose of the company

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

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

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

2- Basis of preparation

2-1 Statement of compliance

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

2-2 Basis of measurement

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

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

2-3 Functional and presentation currency

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

2-4 Use of estimates and judgments

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

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

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

- Note (12) – Expected claims provision.
- Note (14) – Investments in subsidiaries & associates.
- Note (20) – Valuation of financial instruments.
- Note (24) – Recognition of deferred tax assets and liabilities.

2-5 Consolidated financial statements

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

3- Significant accounting policies applied

The accounting policies set out below have been applied consistently with those applied in the previous period presented in these financial statements certain reclassifications have been made to some comparative figures in order to conform with current period presentation. (Note 27).

3-1 Translation of the foreign currencies transactions

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

3-2 Fixed assets depreciation

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

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

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

3-3 Projects under construction

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

3-4 Intangible assets

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

3-5 Investments

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

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

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

Available-for-sale financial assets are valued at fair value, with any resultant gain or loss being recognized in equity, except for impairment losses which is recognized in the income statement. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. The fair value of investments available for sale, identifies based on quoted price of the exchange market at the balance sheet

date, investments that are not quoted, and whose fair value can not be measured reliably, are stated at cost less impairment loss.

3-5-3 Investments in subsidiaries & associates

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

3-5-4 Investment property

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

3-6 Impairment

3-6-1 Financial assets

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

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

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

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

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

3-6-2 Non-financial assets

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

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

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

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

3-7 Cash and cash equivalents

Cash and cash equivalents are represented in the cash on hand, current accounts, time deposits with banks maturity less than three months and cheques under collection.

3-8 Interest-bearing borrowings

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

3-9 Provisions

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

3-10 Legal reserve

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

3-11 Issued capital

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

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

3-12 Derivative financial instruments

The company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

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

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

Fair value hedges

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

3-13 Revenue recognition

3-13-1 Gains (losses) on sale of investments

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

3-13-2 Dividend income

Dividend income is recognized when declared.

3-13-3 Custody fees

Custody fees are recognized when provide service and issue invoice.

3-13-4 Interest income

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

3-14 Expenses

3-14-1 Borrowing costs

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

3-14-2 Employees' pension

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

3-14-3 Taxation

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

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

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

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

3-15 Earning per share

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

3-16 Profit sharing to employees

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

4- Cash and cash equivalents

	30/9/2010	31/12/2009
	LE	LE
Cash on hand	501 771	63 519
Banks -current accounts	40 811 579	26 309 840
Banks -time deposits	2 522 789 500	--
Cheques under collection	6 000	--
	<hr/>	<hr/>
Balance	2 564 108 850	26 373 359
	<hr/> <hr/>	<hr/> <hr/>

5- Treasury bills

	30/9/2010	31/12/2009
	LE	LE
Treasury bills more than 91 days maturity	1 084 300 000	--
Less : unearned interest	(28 330 501)	--
	<hr/>	<hr/>
Balance	1 055 969 499	--
	<hr/> <hr/>	<hr/> <hr/>

6- Investments at fair value through profit and loss

	30/9/2010	31/12/2009
	LE	LE
Mutual fund certificates	--	490 069 367
Stocks	4 313 038	137 768 164
	<hr/>	<hr/>
Balance	4 313 038	627 837 531
	<hr/> <hr/>	<hr/> <hr/>

7- Due from subsidiaries

	30/9/2010	31/12/2009
	LE	LE
Financial Brokerage Group Co.	16 805 876	35 638 141
EFG – Hermes Private Equity	1 616 931	1 532 402
EFG – Hermes Fixed Income	3 085 119	1 546 987
EFG – Hermes Advisory Inc.	867 207 275	938 479 461
Flemming CIIC Holding	19 574 300	16 767 397
EFG- Hermes KSA	1 532 367	4 355 178
October Property Development Ltd. Co.	107 049 919	22 046 718
EFG-Hermes Holding-Lebanon	1 355 426	476 771
EFG- Hermes Lebanon	8 698 025	1 723 391
EFG- Hermes Qatar	146 753	2 168 995
EFG-Hermes Private Equity – BVI	3 882 819	23 654 022
Hermes Securities Brokerage	252 382 005	34 227 165
EFG-Hermes Promoting & Underwriting	38 823 586	(12 750 282)
EFG-Hermes UAE Ltd. Co.	3 255 860	7 089 251
EFG-Hermes Global CB Holding Limited	569 800 000	--
EFG-Hermes Jordan	641 822	--
Talas & Co. LLP	6 880 267	--
	<hr/>	<hr/>
Balance	1 902 738 350	1 076 955 597
	<hr/> <hr/>	<hr/> <hr/>

8- Loans to subsidiaries

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

Financial Brokerage Group Co. has settled an amount of LE 225 million and on February 4, 2010 the subordinated loan agreement has been renewed for two years that will due on February 7, 2012 and on March 1, 2010 the company has settled an amount of LE 25 million accordingly, the balance of the loan as at September 30, 2010 amounted to LE 50 million.

- On October 8, 2009 the company has lent a subordinated loan to Hermes Securities Brokerage (a subsidiary - 97.58%) with an amount of LE 100 million due on October 7, 2011. The purpose of the loan is to support the

subsidiary's financial accreditation required to its activity according to the rules of the Capital Market Authority in this regard.

Hermes Securities Brokerage Co. has settled an amount of LE 50 million on February 14, 2010 accordingly the balance of the loan as at September 30, 2010 amounted to LE 50 million.

9- Other debit balances

	30/9/2010	31/12/2009
	LE	LE
Accrued revenues	--	2 390 633
Deposits with others	1 222 143	1 046 246
Prepaid expenses	1 976 752	1 619 121
Employees Advances	7 557 906	11 937 550
Advanced payments to suppliers	89 280	89 280
Payments for purchase of investments *	28 802 202	17 749 980
Unrealized loss (gain) C- SWAP	1 666 661	(1 871 508)
Sundry debtors	30 913 336	23 469 672
	<hr/>	<hr/>
Total	72 228 280	56 430 974
Impairment loss on sundry debtors	--	(1 666 082)
	<hr/>	<hr/>
Net	<u>72 228 280</u>	<u>54 764 892</u>

* Payments for investments are represented in the following:

	30/9/2010	31/12/2009
	LE	LE
EFG- Hermes Mutual Funds	9 999 990	9 999 990
Financial Group for Real Estate	250 000	250 000
EFG-Hermes Securitization Company.	4 999 990	4 999 990
Arab Visual Company	2 500 000	2 500 000
EFG – Hermes Investment Funds	10 000 000	--
Egyptian Company for Funds Investments	400 200	--
Orascom Development Holding	652 022	--
	<hr/>	<hr/>
	<u>28 802 202</u>	<u>17 749 980</u>

10- Due to subsidiaries

	30/9/2010	31/12/2009
	LE	LE
Arab Visual Company	5 000 000	5 000 000
Hermes Corporate Finance	13 953 833	14 063 383
Hermes Fund Management	12 857 183	14 417 387
EFG- Hermes Financial Management Ltd	107 684 677	100 613 141
Egyptian Portfolio Management Group	27 744 139	18 478 720
Financial Group for Real Estate	235 000	235 000
EFG- Hermes Mutual Funds	10 000 000	10 000 000
EFG-Hermes Securitization Company.	5 000 000	5 000 000
EFG-Hermes Regional Investments Ltd.	79 386 085	27 788 359
Bayonne Enterprises Ltd.	135 895 387	(1 066 944 484)
EFG- Hermes Brokerage- UAE Ltd	7 474 845	(4 964 490)
Egyptian Fund Management Group.	27 452 124	--
EFG – Hermes Syria LLC	4 262 903	--
Sindyan Syria LLC	353 114	--
Balance	<u>437 299 290</u>	<u>(876 312 984)</u>

11- Creditors and other credit balances

	30/9/2010	31/12/2009
	LE	LE
Accrued interest & commission	901 051	418 869
Social Insurance Authority	242 730	189 164
Accrued expenses	265 286 962	22 924 481
Clients coupons - custody activity	7 828 594	18 568 157
Unearned Revenue (Note no. 23)	6 218 000	--
Sundry credit balances	5 738 305	2 601 854
Balance	<u>286 215 642</u>	<u>44 702 525</u>

12- Expected claims provision

	30/9/2010	31/12/2009
	LE	LE
Balance as at the beginning of the period / year	453 751	752 737
Amounts formed during the period / year	12 400 000	--
Amounts used during the period / year	--	(298 986)
Provisions no longer needed	(3 000 000)	--
Balance as at the end of the period / year	<u>9 853 751</u>	<u>453 751</u>

13- Available --for-- sale investments

	30/9/2010	31/12/2009
	LE	LE
El Araby Investment Company	2 500 000	2 500 000
EFG- Hermes ME. Tech. Fund	--	969 572
Axes Holding Co.	284 900	274 250
Egyptian Company for Marketing	500 000	500 000
International Project Management Company	2 849 000	2 742 500
Misr Clearance Company	2 064 068	2 064 068
Horus Private Equity Fund II	9 435 647	13 398 827
Commercial International Bank – CIB	12 870	8 202
Azadea Misr IIC	10 655	10 257
AAW Company for Infra Structure	20 000	20 000
Six of October Development and Investment (SODIC)	148 862 472	--
Infrared Infrastructure	1 984 503	--
	<hr/>	<hr/>
Balance	168 524 115	22 487 676
	<hr/> <hr/>	<hr/> <hr/>

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

	30/9/2010	31/12/2009
	LE	LE
Quoted investments	148 875 342	8 202
Non- quoted investments	19 648 773	22 479 474
	<hr/>	<hr/>
	168 524 115	22 487 676
	<hr/> <hr/>	<hr/> <hr/>

14- Investments in subsidiaries & associates

(A) Investments in subsidiaries

Company's name	Share percentage %	Balance as at 30/9/2010 LE	Balance as at 31/12/2009 LE
Financial Brokerage Group Co.	99.76	17 708 350	17 708 350
Egyptian Fund Management Group	88.51	3 099 633	3 099 633
Egyptian Portfolio Management Group	66.33	995 000	995 000
Hermes Securities Brokerage	97.58	24 606 769	24 606 769
Hermes Fund Management	89.95	6 439 709	6 439 709
Hermes Corporate Finance Co.	99.37	5 476 029	5 476 029
EFG- Hermes Advisory Inc.	100	5 400 000	5 400 000
EFG- Hermes Financial Management Ltd.	100	10 000	10 000
EFG- Hermes Promoting & Underwriting	99.88	7 990 000	7 990 000
EFG- Hermes Fixed Income	99	9 900 000	9 900 000
EFG- Hermes Private Equity	96.30	1 926 231	676 741
Flemming CIIC Holding	100	100 000 000	100 000 000
EFG- Hermes Private Equity- BVI *	1.59	39 975	39 975
EFG- Hermes – UAE Limited Company	100	23 000 000	23 000 000
EFG- Hermes Holding Lebanon – S.A.L.	99	153 713	153 713
EFG- Hermes – KSA	73.1	328 975 903	328 975 903
EFG- Hermes – Lebanon – S.A.L.	99	27 705 775	27 705 775
EFG- Hermes Regional Investments Ltd.	100	706 236 283	706 236 283
EFG- Hermes Qatar L.L.C	100	24 916 590	17 781 590
EFG-Hermes Jordan	100	31 504 506	--
		<hr/>	<hr/>
		1 326 084 466	1 286 195 470
Accumulated impairment		(676 741)	(676 741)
		<hr/>	<hr/>
Total (A)		1 325 407 725	1 285 518 729
		<hr/>	<hr/>

(B) Investments in associates
Company's name

	Share percentage %	Balance as at 30/9/2010 LE	Balance as at 31/12/2009 LE
Bank Audi- Lebanon Bank **	-	--	2 596 806 662
Total (B)		--	2 596 806 662
Total (A+ B)		<u>1 325 407 725</u>	<u>3 882 325 391</u>

Investments in subsidiaries and associates are represented in the following:

	30/9/2010 LE	31/12/2009 LE
Quoted investments	--	2 596 806 662
Non - quoted investments	1 325 407 725	1 285 518 729
	<u>1 325 407 725</u>	<u>3 882 325 391</u>

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

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

15- Investments property

Investment property presented in the balance sheet as at September 30, 2010 amounted to LE 132 062 511 represents the value of the area owned by the Holding Company in Nile City Building, changes in the fair value of investments property amounted to LE 46 104 606 during the period.

16- Projects under construction

- The balance of projects under construction presented in the balance sheet with an amount of LE 10 495 268 as at September 30, 2010, represents an amount of LE 2 560 422 the value of establishments on the Company's new head quarter in the Smart Village and an amount of LE 7 934 846 represents the value of preparation of alternative quarter to be used in emergency cases.
- An amount of LE 274 538 771 has been transferred from projects under construction to fixed assets due to the transfer of the company's headquarters and its subsidiaries to its new headquarters in smart village during May 2010.

17- Fixed assets (net)

	Land	Buildings	Office, Furniture & Equipment	Computer, Equipment	Vehicles & transportation Mean	Fixtures	Total
	LE	LE	LE	LE	LE	LE	LE
Balance as at 1/1/2010	--	12 099 418	4 835 182	25 592 584	7 602 176	3 374 383	53 503 743
Additions during the period	16 000 000	244 459 867	13 852 804	1 987 891	379 800	457 277	277 137 639
Disposal during the period	--	--	(24 800)	--	(681 096)	--	(705 896)
Total cost as at 30/9/2010	16 000 000	256 559 285	18 663 186	27 580 475	7 300 880	3 831 660	329 935 486
Accumulated depreciation as at 1/1/2010	--	725 966	3 235 184	14 652 172	6 045 406	1 785 412	26 444 140
Depreciation during the period	--	2 105 686	1 194 109	3 301 882	518 928	486 530	7 607 135
Accumulated Disposal	--	--	(3 304)	--	(681 096)	--	(684 400)
Accumulated depreciation as at 30/9/2010	--	2 831 652	4 425 989	17 954 054	5 883 238	2 271 942	33 366 875
Net cost as at 30/9/2010	16 000 000	253 727 633	14 237 197	9 626 421	1 417 642	1 559 718	296 568 611
Net cost as at 31/12/2009	--	11 373 452	1 599 998	10 940 412	1 556 770	1 588 971	27 059 603

18- Long term loans

A- On December 28, 2005, a loan agreement has been signed with International Finance Corporation "IFC" whereby the company is entitled to obtain long term loan with an amount of US\$ 20 million with an applied annual floating interest rate in order to Finance Regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of US\$ 2 million for each installment and the first installment was due on May 15, 2007 and the last installment will due on November 15, 2011 and the interest is due on May 15, and November 15 and the first interest was due on November 15, 2006. The loan agreement provides for that the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee and the company got the full amount of the loan amounted to US\$ 20 million on September 3, 2006. The company paid 7 installments which equivalent to US\$ 14 million accordingly, the loan balance amounted to US\$ 6 million (the equivalent amount of LE 34 188 000) as at September 30, 2010.

- The current portion (the amount that will due within one year) of that loan amounts to US\$ 4 million (the equivalent amount of LE 22 792 000).
- B- On December 29,2005 a loan agreement has been signed with the Foundation of (DEG)- DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT MBH whereby the company is entitled to obtain a long term loan with an amount of Euro 10 million with a variable annual interest rate in order to finance the regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of one million Euro per installment. The first installment was due on May 15, 2008 and the last installment will due on November 15, 2012 and the interest is due on May 15, November 15 each year. The first interest was due on November 15, 2006.
The loan agreement provides for that the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee. The company has obtained the full amount of the loan amounted Euro 10 million on September 17, 2006. The company has paid Euro 5 million accordingly, the loan balance as of September 30, 2010 amounted Euro 5 million (the equivalent amount of LE 38 735 000).
- The current portion (the amount that will due within one year) of the loan amounts to Euro 2 million (the equivalent amount of LE 15 494 000).

19- Capital

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

20- Contingent liabilities & commitments

- The company guarantees its subsidiaries – Financial Brokerage Group and Hermes Securities Brokerage against the credit facilities granted from banks and each of EFG- Hermes Brokerage – UAE for the purpose of issuance of the letters of guarantee amounting to AED 200 million (equivalent to LE 310 200 000) and EFG- Hermes KSA for the purpose of issuance credit facilities granted amounting to SAR 50 million (equivalent to LE 76 000 000).
- The company has executed C-SWAP contracts to cover its needs of foreign currencies with the banks which will be settled according to specific rates for the foreign currencies implied in such contracts. The mentioned contract is as follows:

Transaction date	Transaction	Amount	Currency	Expiry date
16/9/2010	Selling Euro	Euro 5 000 000	Buying US\$	18/10/2010

21- Dividend income

	2010		2009	
	For the period from 1/7/2010 to 30/9/2010	For the period from 1/1/2010 to 30/9/2010	For the period from 1/7/2009 to 30/9/2009	For the period from 1/1/2009 to 30/9/2009
	LE	LE	LE	LE
Income from investments in subsidiaries	--	906 300	--	405 388 420
Income from available - for- sale investments	--	--	--	2 347 709
Income from investments at fair value through profit and loss	53 132	9 289 705	80	76 886
Income from investments in associates	--	--	--	96 397 950
Total	<u>53 132</u>	<u>10 196 005</u>	<u>80</u>	<u>504 210 965</u>

22- Tax status

- The competent tax inspectorate examined the parent company's books for the period till year 2004 and disputed points have been agreed upon before the Internal Committee and the settlement procedures are currently taking place.
- As to years 2005/2009 the parent company has submitted its tax returns and paid the tax due according to the tax law No. 91 for 2005.
- As to salaries tax, the parent company's books had been examined till the year 2004 and all the disputed points have been agreed upon before the Internal Committee and the settlement procedures are currently taking place. and the years 2005/2009 have not been inspected yet.
- As to stamp tax, the parent company's books had been examined from year 1998 till 31/7/2006 and the disputed points had been transferred to Appeal Committee. And the period from 1/8/2006 till 31/12/2009 have not been inspected yet.

23- Related party transactions

- General administrative expenses item includes an amount of LE 187 500 represents management fees provided by EFG- Hermes Private Equity- BVI (A subsidiary company) to the Company during the financial period according to agreement signed in this regard.
- General administrative expenses item includes an amount of LE 269 880 represents the rent value of areas in the group's headquarter owned to Financial Brokerage Group (A subsidiary company - 99.76%).
- Interest income item presented in the income statement includes an amount of LE 4 480 023 represent the interests value on subordinated loan which granted from the company to Financial Brokerage Group Co. (a subsidiary – 99.76%) and includes interest with an amount of LE 4 770 044 represent the interests value on subordinated loan which granted from the company to Hermes Securities Brokerage (A subsidiary company - 97.58%) (note no. 8).
- Other income item presented in the income statement includes an amount of LE 9 042 700 which represents the value of rental spaces for some affiliated companies in addition to LE 5 238 640 which represents the value of

redemption of some expenses of the new headquarter that were allocated to the subsidiaries

- Loans to subsidiaries item as at September 30, 2010 is presented in the balance sheet represents in the loan granted to Financial Brokerage Group (one of subsidiaries – 99.76%) with an amount of LE 50 million and the loan granted to Hermes Securities Brokerage (A subsidiary company - 97.58%) with an amount of LE 50 million (note no. 8).
- Creditors and other credit balances item includes an amount of LE 6 218 000 represents the unearned revenues from the affiliated companies for rental of group's headquarter owned by the company.

24- Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	30/9/2010		31/12/2009	
	Assets	Liabilities	Assets	Liabilities
	LE	LE	LE	LE
Fixed assets depreciation	--	(1 636 933)	--	(1 201 071)
Expected claims provision	90 750	--	90 750	--
Impairment loss on assets	719 993	--	719 993	--
Total deferred tax assets (liabilities)	810 743	(1 636 933)	810 743	(1 201 071)
Net deferred tax liabilities		(826 190)		(390 328)

(B) Deferred tax recognized directly in equity

	30/9/2010	31/12/2009
	LE	LE
Changes in fair value of cash flow hedges	6 612 597	888 567

25- Earnings per share

	2010		2009	
	For the period from 1/7/2010 to 30/9/2010	For the period from 1/1/2010 to 30/9/2010	For the period from 1/7/2009 to 30/9/2009	For the period from 1/1/2009 to 30/9/2009
	LE	LE	LE	LE
Net (loss) profit for the period	(11 714 352)	1 006 410 763	(6 929 247)	474 456 430
Employees' portion	--	(9 089 396)	--	--
	(11 714 352)	997 321 367	(6 929 247)	474 456 430
Weighted average number of shares	382 714 000	382 714 000	382 714 000	383 922 309
	(0.03)	2.61	(0.02)	1.24

26- Financial instruments and management of related risks:

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

26/1 Market risk:

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

According to the company's investment policy, the following procedures are undertaken to reduce the effect of this risk.

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

26/2 Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As at the balance sheet date the company has assets and liabilities in foreign currencies equivalent to LE 3 643 702 998 and LE 448 853 158 respectively. The company's net exposures in foreign currencies are as follows:

	Surplus/(Deficit)
	LE
USD	3 193 965 126
Euro	(620 985)
GBP	260 798
AED	130 737
CHF	1 114 164

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

- The company executes SWAP and Hedge Agreements to cover its needs of foreign currencies and to hedge the exchange risk related thereto (note no. 20).

26/3 Financial instruments' fair value

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

26/4 Derivative financial instruments and hedge accounting

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

27- Comparative figures

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