

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

**Separate financial statements**  
**for the year ended December 31, 2013**

**&**

**Auditor's Report**

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## Hazem Hassan

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### AUDITOR'S REPORT

#### To the shareholders of EFG - Hermes Holding Company

#### *Report on the Financial Statements*

We have audited the accompanying separate financial statements of EFG - Hermes Holding Company (Egyptian Joint Stock Company) which comprise the separate balance sheet as at 31 December 2013, and the separate statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

These financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.



Hazem Hassan

*Opinion*

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of EFG - Hermes Holding Company as of December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

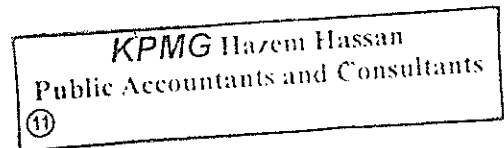
*Report on Other Legal and Regulatory Requirements*

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

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

Cairo, March 27, 2014


*Hassan Bar*  
KPMG Hazem Hassan




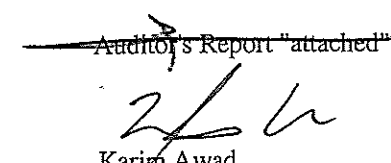
**EFG - Hermes Holding Company**  
**( Egyptian Joint Stock Company )**  
**Separate balance sheet**  
**as at 31 December , 2013**

	Note no.	31/12/2013 EGP	31/12/2012 EGP
<b>Current assets</b>			
Cash and cash equivalents	(4)	118 957 182	122 325 367
Investments at fair value through profit and loss	(5)	568 727 189	399 444 386
Due from subsidiaries	(6)	891 380 522	1 112 698 056
Other debit balances	(7)	41 059 297	45 342 138
Assets classified as held for sale	(13)	5 249 970	-
<b>Total current assets</b>		<u>1 625 374 160</u>	<u>1 679 809 947</u>
<b>Current liabilities</b>			
Due to subsidiaries	(8)	200 434 817	135 993 299
Tax authority		10 411 591	3 752 492
Creditors and other credit balances	(9,25)	129 327 500	50 490 320
Expected claims provision	(10)	7 270 286	7 270 286
<b>Total current liabilities</b>		<u>347 444 194</u>	<u>197 506 397</u>
<b>Working capital</b>		<u>1 277 929 966</u>	<u>1 482 303 550</u>
<b>Non - current assets</b>			
Loans to subsidiaries	(11)	-	45 000 000
Available -for- sale investments	(12)	1 082 545 408	795 127 349
Investments in subsidiaries	(13)	3 992 934 676	4 699 332 609
Investments property	(14)	252 754 473	132 062 511
Fixed assets (net)	(15)	165 962 958	277 893 420
Deferred tax assets	(23)	1 891 881	4 334 332
<b>Total non - current assets</b>		<u>5 496 089 396</u>	<u>5 953 750 221</u>
<b>Total investment</b>		<u>6 774 019 362</u>	<u>7 436 053 771</u>
<b>Financed through :</b>			
<b>Shareholders' equity</b>			
Issued & paid - in capital	(16)	2 867 422 500	2 391 473 750
Legal reserve		990 432 067	961 257 586
Other reserves		3 507 885 933	3 219 055 410
Retained earnings		324 567 840	287 696 024
		<u>7 690 308 340</u>	<u>6 859 482 770</u>
Treasury shares	(16-1)	-	( 6 918 613)
		<u>7 690 308 340</u>	<u>6 852 564 157</u>
Net (loss) profit for the year		( 916 288 978)	583 489 614
<b>Total shareholders' equity including net (loss) profit for the year</b>		<u>6 774 019 362</u>	<u>7 436 053 771</u>

The accompanying notes from page (5) to page (27) are an integral part of these financial statements and are to be read therewith.

  
Mona Zulficar  
Chairperson

  
Yasser El Mallawany  
Executive Managing Director

~~Auditor's Report "attached"~~  
  
Karim Awad  
Executive Managing Director

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate income statement**  
**for the year ended 31 December, 2013**

	Note no.	For the year ended 31/12/2013 EGP	For the year ended 31/12/2012 EGP
Dividend income	(18)	169 183 291	761 911 437
Custody activity income		7 369 519	10 350 643
		<hr/> 176 552 810	<hr/> 772 262 080
Finance cost		( 43 974)	( 249 017)
General and administrative expenses	(19,25)	( 258 802 633)	( 267 735 202)
Fixed assets depreciation	(15)	( 17 191 096)	( 18 369 218)
Impairment loss on assets	(20)	( 957 269 922)	-
Net activity's (losse) profit		<hr/> (1 056 754 815)	<hr/> 485 908 643
Interest income	(25)	8 397 890	25 786 388
Changes in the fair value of investments at fair value through profit and loss		61 407 702	37 230 818
Changes in the fair value of investment property		6 472 007	-
Gains on sale of investments		8 586 603	14 750 595
Gain from selling of investment in property		3 033 544	-
Foreign currencies differences		30 623 137	( 6 733 789)
Other income	(25)	26 745 707	27 029 002
Net (loss) profit before tax		<hr/> ( 911 488 225)	<hr/> 583 971 657
Income tax expense	(22)	( 2 358 302)	-
Deferred tax	(23)	( 2 442 451)	( 482 043)
Net (loss) profit for the year		<hr/> <hr/> ( 916 288 978)	<hr/> <hr/> 583 489 614

The accompanying notes from page (5) to page (27) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company  
(Egyptian Joint Stock Company)

Separate statement of changes in equity  
for the year ended 31 December, 2013

Note no.	Issued & paid-in capital	Legal reserve	Other reserves			Retained earnings	Treasury shares	Net profit (loss) for the year	Total
			General reserve	Share premium	Fair value reserve				
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	
Balance as at December 31, 2011	2 391 473 750	956 785 000	158 271	3 294 067 512	(129 796 465)	202 716 889	(6 918 613)	89 451 721	6 771 495 678
Carrying 2011 profit forward	-	4 472 586	-	-	-	84 979 135	-	(89 451 721)	-
Net change in the fair value of available-for-sale investments	-	-	-	81 068 479	-	-	-	-	81 068 479
Net profit for the year ended December 31, 2012	-	-	-	-	-	-	-	583 489 614	583 489 614
Balance as at December 31, 2012	2 391 473 750	961 257 586	158 271	3 294 067 512	(48 727 986)	287 696 024	(6 918 613)	583 489 614	7 436 053 771
Increase in paid in capital - 2012 dividends payout *	(16)	477 903 750	-	-	-	36 871 816	-	(583 489 614)	(39 539 567)
Cancelling of treasury shares	(16-1)	(1 955 000)	-	(4 963 613)	-	-	6 918 613	-	-
Net change in the fair value of available-for-sale investments	-	-	-	278 344 157	-	-	-	-	278 344 157
Fixed assets revaluation surplus	(3-6-4)	-	-	-	15 449 979	-	-	-	15 449 979
Net loss for the year ended December 31, 2013	-	-	-	-	-	-	-	(916 288 978)	(916 288 978)
Balance as at December 31, 2013	2 867 422 500	990 432 067	158 271	3 289 103 899	229 616 171	324 567 840	-	(916 288 978)	6 774 019 362

\* According to the company's ordinary general assembly held on July 7, 2013.

The accompanying notes from page (5) to page (27) are an integral part of these financial statements and are to be read therewith.

**EFG - Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Separate statement of cash flows**  
**for the year ended 31 December, 2013**

	Note no.	For the year ended 31/12/2013 EGP	For the year ended 31/12/2012 EGP
<b>Cash flows from operating activities</b>			
Net (loss) profit before tax		( 911 488 225)	583 971 657
<b>Adjustments to reconcile net (loss) profit before tax to net cash provided by operating activities :</b>			
Fixed assets depreciation		17 191 096	18 369 218
Provisions used		-	( 2 583 465)
Impairment loss on assets		957 269 922	-
Losses (gains) on sale of fixed assets		24 410	( 36)
Changes in the fair value of investments at fair value through profit and loss		( 61 407 702)	( 37 230 818)
Changes in the fair value of investments property		( 6 472 007)	-
(Gains) losses on sale of available -for- sale investments		( 196 457)	882 619
Gains on sale of investment property		( 3 033 544)	-
Foreign currencies differences		<u>( 30 623 137)</u>	<u>6 733 789</u>
Operating (loss) profit before changes in working capital		( 38 735 644)	570 142 964
Increase in investments at fair value through profit and loss		( 107 875 101)	( 133 028 442)
Decrease in due from subsidiaries		35 629 103	608 968 450
Increase in other debit balances		( 4 607 435)	( 5 271 108)
Increase (decrease) in due to subsidiaries		64 441 518	( 110 257 620)
Increase (decrease) in tax authority		4 300 797	( 258 683)
Increase (decrease) in creditors and other credit balances		70 520 163	( 58 762 610)
Income tax paid		<u>-</u>	<u>( 20 069 144)</u>
Net cash provided from operating activities		<u>23 673 401</u>	<u>851 463 807</u>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets		( 4 059 020)	( 2 114 962)
Proceeds from sale of fixed assets		4 000	1 123
Proceeds from loans to subsidiaries		45 000 000	265 000 000
Payments to loans to subsidiaries		-	( 260 000 000)
Payments to purchase available -for- sale investments		( 9 942 184)	( 590 102 855)
Proceeds from sale available -for- sale investments		1 638 956	10 177 735
Payments to purchase investments in subsidiaries		( 1 756 325)	( 241 606 298)
Proceeds from sale investments in subsidiaries		10 000	31 992 317
Payments to purchase investments property		<u>( 57 337 600)</u>	<u>-</u>
Net cash used in investing activities		<u>( 26 442 173)</u>	<u>( 786 652 940)</u>
<b>Cash flows from financing activities</b>			
Paid dividends		( 31 222 550)	( 1 333 365)
Payments to long term loans		-	( 15 584 600)
Net cash used in financing activities		<u>( 31 222 550)</u>	<u>( 16 917 965)</u>
Net change in cash and cash equivalents during the year		( 33 991 322)	47 892 902
Cash and cash equivalents at the beginning of the year	(21)	<u>152 948 504</u>	<u>74 432 465</u>
Cash and cash equivalents at the end of the year	(21)	<u>118 957 182</u>	<u>122 325 367</u>

**Non cash transactions**

- An amount of EGP 60 371 144 has been excluded from payments to purchase available-for-sale investments and proceeds from sale investment in property represents the amount transferred from investment in property (Index Tower-Dubai) to available for sale investment during the year.
- An amount of EGP 98 769 976 has been excluded from proceeds from sale of fixed assets and payments to purchase investments property represents the amount transferred from fixed assets to investments property during the year.
- An amount of EGP 5 249 970 has been excluded from non-current assets held for sale and investments in subsidiaries represents the amount transferred during the year.

The accompanying notes from page (5) to page (27) are an integral part of these financial statements and are to be read therewith.



**EFG- Hermes Holding Company**  
**(Egyptian Joint Stock Company)**  
**Notes to the separate financial statements**  
**for the year ended 31 December, 2013**

**1- Description of business**

**1-1 Legal status**

EFG-Hermes holding S.A.E “the company” is an Egyptian joint stock company subject to the provisions of the Capital Market Law No.95 of 1992 and its executive regulations. The company’s registered office is located in Smart Village building No. B129, phase 3, KM 28 Cairo Alexandria Desert Road, 6 October 12577 Egypt.

**1-2 Purpose of the company**

The company is a universal bank with a lead position in the Arab world in investment banking, securities brokerage, asset management, private equity and research. The purpose of the company also includes the participation in the establishment of companies which issue securities or in increasing their share capitals, custody activities and margin trading.

**1-3 Authorization of the Financial Statements**

The financial statements were authorized for issue in accordance with a resolution of the board of directors on March 26, 2014.

**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.
- Investments property.

**2-3 Functional and presentation currency**

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

#### **2-4 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 (13) – Investments in subsidiaries.
- Note (23) – 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 29).

#### **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 (Note3-8). Depreciation is charged to the income statement over the estimated useful-life of each asset using the straight-line method. The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

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

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

### 3-3 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 balance sheet net of the unearned income.

### 3-4 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.

### 3-5 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses (note 3-8). Amortization is recognized in the income statement on a straight – line basis over the estimated useful lives of intangible assets.

### **3-6 Investments**

#### **3-6-1 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.

#### **3-6-2 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 valued by an accepted valuation techniques including the use of new objective techniques or discounted cash flow analysis or option pricing models or other valuation techniques – if the company can not estimate the fair value, it can be stated at cost less impairment loss.

#### **3-6-3 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 3-8). The impairment value is to be charged to the income statement for every investment individually.

#### **3-6-4 Investments property**

- Investment property is recorded at cost upon initial recognition, the company valued the investment property at fair value on balance sheet date, any gain or loss arising from a change in the fair value of investment property shall be recognized in income statement for the period in which it arises.

- Transfer from owner-occupied property to investment property carried at fair value, any impairment result in carrying amount of property is recognized in the income statement, any surplus is recognized in the statement of changes in equity in case of subsequent disposal of the investment property, fixed assets revaluation surplus is transfer to retained earnings.

### **3-7 Non-current assets held for sale**

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in income statement. Gains are not recognized in excess of any cumulative impairment loss.

### **3-8 Impairment**

#### **3-8-1 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 to the 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.

### **3-8-2 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.

### **3-9 Cash and cash equivalents**

For the purpose of preparing the cash flow statement, cash and cash equivalent includes the balances, which maturity not exceeding three months from the date of acquisition and the balances included cash on hand, current accounts ,time deposits with banks and checks under collection .

### **3-10 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.

### **3-11 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.

### **3-12 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.

### **3-13 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.

### **3-14 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.

### **3-15 Revenue recognition**

#### **3-15-1 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.

#### **3-15-2 Dividend income**

Dividend income is recognized when declared.

#### **3-15-3 Custody fees**

Custody fees are recognized when provide service and issue invoice.

#### **3-15-4 Interest income**

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

### **3-16 Expenses**

#### **3-16-1 Borrowing costs**

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



### **3-16-2 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.

### **3-16-3 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.

### **3-17 Earnings per share**

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

### 3-18 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

	31/12/2013	31/12/2012
	EGP	EGP
Cash on hand	205 091	430 889
Banks -current accounts	45 108 560	52 532 478
Banks -time deposits	73 537 400	69 362 000
Cheques under collection	106 131	--
Balance	<u>118 957 182</u>	<u>122 325 367</u>

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

	31/12/2013	31/12/2012
	EGP	EGP
Mutual fund certificates	563 720 897	395 710 391
Stocks	5 006 292	3 733 995
Balance	<u>568 727 189</u>	<u>399 444 386</u>

#### 6- Due from subsidiaries

	31/12/2013	31/12/2012
	EGP	EGP
Hermes Securities Brokerage	13 776 669	175 824 819
EFG- Hermes Management	634 301	536 801
Financial Brokerage Group Co.	2 597 175	(2 118 683)
Hermes Fund Management	255 907	5 243 864
EFG- Hermes Brokerage- UAE Ltd	832 862	41 616
EFG – Hermes Advisory Inc.*	720 734 007	655 288 290
Flemming CIIC Holding *	25 492 734	20 822 071
October Property Development Ltd. Co.	86 496 902	86 259 087
EFG- Hermes Lebanon	398 165	1 327 256
EFG- Hermes Qatar	2 117 655	454 011
EFG-Hermes Global CB Holding Limited	96 213 706	219 686 577
EFG-Hermes Jordan	325 834	323 309
Fixed Income Investment Limited	11 791 344	10 625 372
EFG- Hermes Oman LLC	2 533 882	2 280 097

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>EGP</b>	<b>EGP</b>
EFG – Hermes Mena Securities Ltd.	1 079 475	--
EFG- Hermes IFA Financial Brokerage	3 988 796	328 540
Talas & Co. LLP	--	7 680 814
EFG-Hermes Promoting & Underwriting	29 281 940	(68 482 090)
EFG- Hermes KSA	78 517 600	(3 423 695)
	<u>1 077 068 954</u>	<u>1 112 698 056</u>
Accumulated impairment loss on due from subsidiaries *	(185 688 432)	--
Balance	<u><u>891 380 522</u></u>	<u><u>1 112 698 056</u></u>

**7- Other debit balances**

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>EGP</b>	<b>EGP</b>
Accrued revenues	7 180 249	8 299 827
Taxes withheld by others	1 443 921	1 045 687
Deposits with others	1 120 304	1 075 089
Prepaid expenses	2 383 316	7 870 785
Employees advance	570 352	1 001 616
Down payments to suppliers	9 604 600	89 280
Payments for investments *	4 467 600	4 140 000
Sundry debtors **	23 179 231	21 819 854
	<u>49 949 573</u>	<u>45 342 138</u>
Accumulated impairment loss **	(8 890 276)	--
Balance	<u><u>41 059 297</u></u>	<u><u>45 342 138</u></u>

\* Payments for investments are represented in the following:

Company	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>EGP</b>	<b>EGP</b>
Arab Visual Company	2 500 000	2 500 000
International Company for Projects Management	--	1 000 000
EFG --Hermes Direct Fund Management	640 000	640 000
Egyptian Fund Management Group	1 327 600	--
Balance	<u><u>4 467 600</u></u>	<u><u>4 140 000</u></u>

**8- Due to subsidiaries**

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>EGP</b>	<b>EGP</b>
Arab Visual Company	5 000 000	5 000 000
Hermes Corporate Finance	10 122 572	10 277 639
EFG – Hermes Fixed Income	5 648 939	5 575 248
EFG-Hermes Holding-Lebanon	1 229 838	1 229 342
Financial Group for Real Estate	162 924	210 000
EFG- Hermes Mutual Funds	9 955 691	10 000 000
EFG-Hermes Securitization Company.	4 901 028	5 000 000
EFG-Hermes Regional Investments Ltd.	116 407 448	1 682 775
Bayonne Enterprises Ltd.	15 373 717	11 305 368
Egyptian Fund Management Group.	1 877 159	58 412 874
EFG – Hermes Syria LLC	10 704 233	17 544 472
Sindyam Syria LLC	--	212 818
Egyptian Portfolio Management Group	5 563 860	5 118 099
EFG- Hermes Private Equity BVI	12 513	(182 973)
EFG- Hermes Financial Management (Egypt) Ltd	5 573 581	3 828 438
EFG-Hermes UAE Ltd. Co.	7 901 314	779 199
	<hr/>	<hr/>
Balance	200 434 817	135 993 299
	<hr/> <hr/>	<hr/> <hr/>

**9- Creditors and other credit balances**

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>EGP</b>	<b>EGP</b>
Social Insurance Authority	201 861	210 816
Accrued expenses	99 754 091	40 006 648
Clients coupons - custody activity	5 703 077	6 926 835
Unearned Revenue (Note no. 25)	12 319 930	2 487 200
Dividends payable	8 317 017	--
Sundry credit balances	3 031 524	858 821
	<hr/>	<hr/>
Balance	129 327 500	50 490 320
	<hr/> <hr/>	<hr/> <hr/>

**10- Expected claims provision**

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>EGP</b>	<b>EGP</b>
Balance at the beginning of the year	7 270 286	9 853 751
Amounts used during the year	--	(2 583 465)
Balance	<u>7 270 286</u>	<u>7 270 286</u>

**11- Loans to subsidiaries**

- On May 24, 27, 2012 the company has lent a subordinated loan to Hermes Securities Brokerage. (a subsidiary – 97.58%) an amount of EGP 60 million (the first loan) and EGP 170 million (the second loan). The purpose of the loan is to support the subsidiary's financial accredit required to its activity according to the rules of the Capital Market Authority in this regard. The loan interest will be paid annually and calculated based on a percentage equal to the average rate on the last bid on treasury bills of 364 days issued by the Central Bank of Egypt during the year plus a percentage of 0.125%. The loan is matured on May 23,26, 2014, on November 20, 2012 the company has paid the full amount of (the second loan), on December 4, 2012 the company has settled an amount of EGP 30 million, on September 5, 2013 the company has paid the remaining amount of (the first loan).
- On May 24, 2012 the company has lent a subordinated loan to Financial Brokerage Group Co. (a subsidiary – 99.87%) an amount of EGP 30 million. The purpose of the loan is to support the subsidiary's financial accredit required to its activity according to the rules of the Capital Market Authority in this regard. The loan interest will be paid annually and calculated based on a percentage equal to the average rate on the last bid on treasury bills of 364 days issued by the Central Bank of Egypt during the year plus a percentage of 0.125%. The loan interest will be calculated starting from 24 May, 2012 and the loan is matured on May 24, 2014, on November 20, 2012 the company has settled an amount of EGP 15 million, on August 27, 2013 the company has paid the remaining amount.

## 12- Available –for– sale investments

	31/12/2013	31/12/2012
	EGP	EGP
Stocks	311 150 413	264 584 160
Mutual fund certificates	831 191 922	530 543 189
	<u>1 142 342 335</u>	<u>795 127 349</u>
Accumulated impairment loss on Available –for– sale investments	(59 796 927)	--
Balance	<u><u>1 082 545 408</u></u>	<u><u>795 127 349</u></u>

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

	31/12/2013	31/12/2012
	EGP	EGP
Quoted investments	91 372 052	82 158 064
Non- quoted investments	991 173 356	712 969 285
	<u>1 082 545 408</u>	<u>795 127 349</u>

## 13- Investments in subsidiaries

Company's name	Share percentage	Balance as at 1/1/2013	Addition / (Disposal) during the year	Impairment during the year	Balance as at 31/12/2013
	%	EGP	EGP	EGP	EGP
Financial Brokerage Group Co. *	99.87	41 838 060	--	--	41 838 060
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	219 763 969	--	--	219 763 969
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	6	--	--	6
EFG- Hermes Financial Management Ltd. *	--	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 Management	96.30	1 249 490	--	--	1 249 490
Flemming CIIC Holding	100	100 000 000	--	(100 000 000)	--
EFG- Hermes Private Equity ***	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	--	(210 268 549)	118 707 354

EFG - Hermes Holding Company  
Notes to the separate financial statements  
for the year ended 31/12/2013 (Cont'd)

Company's name	Share percentage	Balance as at 1/1/2013	Addition / (Disposal) during the year	Impairment during the year	Balance as at 31/12/2013
	%	EGP	EGP	EGP	EGP
EFG- Hermes – Lebanon – S.A.L.	99	27 564 787	--	--	27 564 787
EFG- Hermes Regional Investments Ltd. */***	100	679 643 960	--	(361 502 656)	318 141 304
EFG- Hermes Qatar L.L.C *	100	30 944 090	1 756 325	(31 123 083)	1 577 332
EFG-Hermes Jordan *	100	33 610 631	--	--	33 610 631
EFG – Hermes Investment Funds Co *	99.998	9 999 800	--	--	9 999 800
EFG-Hermes Global CB Holding Limited**	100	3 137 096 006	--	--	3 137 096 006
EFG – Hermes Syria LLC ****	49	15 941 253	--	--	15 941 253
Sindyan Syria LLC ****	97	350 635	--	--	350 635
EFG – Hermes Investment Funds Co.	99.999	9 999 990	--	--	9 999 990
Financial Group for Real Estate Co. *****	99.992	249 980	(249 980)	--	--
EFG-Hermes Securitization Company*****	99.999	4 999 990	(4 999 990)	--	--
Balance		4 699 332 609	(3 503 645)	(702 894 288)	3 992 934 676

\* Note no (27).

\*\* During 2010, EFG-Hermes Holding Company purchased 63.739% a controlling stake in Credit Libanais SAL (the Bank) through its wholly owned subsidiary EFG – Hermes CL Holding SAL for an amount of USD 577.8 million. The company obtained the approval of the Central Bank Of Lebanon for the acquisition transaction and the transfer of title has been completed.

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

\*\*\*\* The Company owns 20.37 % of EFG - Hermes Syria LLC with indirect ownership through one of its subsidiaries - Sindyan Syria LLC (97%).

\*\*\*\*\* The company reclassified its investment in Financial Group for Real Estate Co. and EFG-Hermes Securitization Company to non-current assets held for sale according to the decision of liquidation approved by the Extraordinary General Assembly of those companies.

- Investments in subsidiaries are represented in non - quoted investments.

**14- Investment property**

	31/12/2013	31/12/2012
	EGP	EGP
Nile City Building	156 754 473	132 062 511
Smart Village Building	96 000 000	--
Balance	252 754 473	132 062 511

## 15- Fixed assets (net)

	Land	Buildings	Office, Furniture & Equipment	Computer Equipment	Vehicles & transportatio n Means	Fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 1/1/2013	16 000 000	257 970 285	22 194 648	43 982 194	6 590 711	6 027 362	352 765 200
Additions during the year	--	784 926	381 928	2 892 166	--	--	4 059 020
Disposals during the year	--	--	(3 607 318)	(8 475 613)	--	(1 728 886)	(13 811 817)
Transfer to investment property*	(6 000 000)	(104 595 340)	--	--	--	--	(110 595 340)
<b>Total cost as at 31/12/2013</b>	<b>10 000 000</b>	<b>154 159 871</b>	<b>18 969 258</b>	<b>38 398 747</b>	<b>6 590 711</b>	<b>4 298 476</b>	<b>232 417 063</b>
Accumulated depreciation as at 1/1/2013	--	20 155 430	12 864 274	31 508 055	6 209 409	4 134 612	74 871 780
Depreciation during the year	--	7 749 049	3 673 018	4 918 215	280 023	570 791	17 191 096
Disposals' accumulated depreciation	--	--	(3 604 431)	(8 465 917)	--	(1 713 059)	(13 783 407)
Transfer to investment property*	--	(11 825 364)	--	--	--	--	(11 825 364)
<b>Accumulated depreciation as at 31/12/2013</b>	<b>--</b>	<b>16 079 115</b>	<b>12 932 861</b>	<b>27 960 353</b>	<b>6 489 432</b>	<b>2 992 344</b>	<b>66 454 105</b>
<b>Net book value as at 31/12/2013</b>	<b>10 000 000</b>	<b>138 080 756</b>	<b>6 036 397</b>	<b>10 438 394</b>	<b>101 279</b>	<b>1 306 132</b>	<b>165 962 958</b>
<b>Net book value as at 31/12/2012</b>	<b>16 000 000</b>	<b>237 814 855</b>	<b>9 330 374</b>	<b>12 474 139</b>	<b>381 302</b>	<b>1 892 750</b>	<b>277 893 420</b>

\* On December 30, 2013 the company's board of directors approved to transfer part of Nile City building and part of Smart Village building which owned by the company to investment property.

## 16- Capital

- The company's authorized capital amounts EGP 3 200 million and issued and paid in capital amounts EGP 1 913 570 000 distributed on 382 714 000 shares of par value EGP 5 per share.
- The company's Extraordinary General Assembly approved in its session held on June 13, 2011 to increase the company's share capital from EGP 1 913 570 000 to EGP 2 391 473 750 with an increase amount of EGP 477 903 750 through distributing of 95 580 750 stock dividends at one share to each four shares outstanding at the declaration date, this increase are financed from retained earnings according to the decision of the company's Ordinary General Assembly in its session held at the same date and the required procedures had been taken and this increase have been registered in the Commercial Register on September 6, 2011.



- The company's Ordinary General Assembly approved in its session held on July 7, 2013 to increase the company's share capital with an amount of EGP 477 903 750 through distributing stock dividends by one share to every outstanding five shares from retained earnings presented on December 31, 2012.
- The Egyptian Financial Supervisory Authority approved on September 1, 2013 to cancel a number of 391 000 shares of the company's shares. The company's issued shares became 573 484 500 shares with an amount of EGP 2 867 422 500 and the cancelation have been registered in the Commercial Register on September 4, 2013.

#### 16-1 Treasury shares

- The company's board of directors approved in its session held on April 27, 2011 to purchase a number of 5 million shares of the company's shares and the company has purchased a number of 391 000 shares from Egyptian Stock Exchange Market at cost of EGP 6 918 613.
- The company's Extraordinary General Assembly approved in its session held on July 25, 2013 to decrease the company's issued capital through cancelling a number of 391 000 shares of the company's shares which was thereon approved by The Egyptian Financial Supervisory Authority on September 1, 2013.

#### 17- Contingent liabilities & commitments

The company guarantees its subsidiaries – Financial Brokerage Group and Hermes Securities Brokerage against the credit facilities granted from banks and EFG-Hermes Brokerage – UAE against the credit facilities granted from banks amounting to AED 97 670 000 (equivalent to EGP 180 962 976).

#### 18- Dividend income

	<b>For the year ended 31/12/2013</b>	<b>For the year ended 31/12/2012</b>
	<b>EGP</b>	<b>EGP</b>
Income from investments in subsidiaries	160 714 820	753 084 114
Income from available - for- sale investments	5 995 432	3 741 924
Income from investments at fair value through profit and loss	2 473 039	5 085 399
	<hr/>	<hr/>
Total	169 183 291	761 911 437
	<hr/> <hr/>	<hr/> <hr/>

**19- General administrative expenses**

	<b>For the year ended 31/12/2013 EGP</b>	<b>For the year ended 31/12/2012 EGP</b>
Wages , salaries and similar items	188 604 455	171 814 564
Consultancy	20 223 034	32 621 543
Travel , accommodation and transportation	4 973 593	6 199 696
Leased line and communication	5 252 019	6 747 992
Rent and utilities expenses	7 914 304	7 727 961
Other expenses	31 835 228	42 623 446
Total	<u>258 802 633</u>	<u>267 735 202</u>

**20- Impairment loss on assets**

	<b>For the year ended 31/12/2013 EGP</b>	<b>For the year ended 31/12/2012 EGP</b>
Investments in subsidiaries ( Note 13)	702 894 288	--
Available for sale investments ( Note 12)	59 796 927	--
Due from subsidiaries ( Note 6)	185 688 431	--
Other debit balances ( Note 7)	8 890 276	--
Total	<u>957 269 922</u>	<u>--</u>

**21- Cash and cash equivalents**

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

	<b>For the year ended 31/12/2013 EGP</b>	<b>For the year ended 31/12/2012 EGP</b>
Cash and cash equivalents as presented in the balance sheet	118 957 182	122 325 367
Effect of exchange rate changes	--	30 623 137
Cash and cash equivalents (adjusted)	<u>118 957 182</u>	<u>152 948 504</u>

**22- Reconciliation of effective tax rate**

	31/12/2013	31/12/2012
	EGP	EGP
(Loss) profit before tax	(911 488 225)	583 971 657
Add / (deduct):		
Non deductible expenses	480 926	--
Fixed assets depreciation	(1 968 851)	(1 928 134)
Capital loss (gains)	24 410	(36)
Impairment loss on assets	957 269 922	--
Loss on dealing in securities listed in the stock exchange	94 701	--
Cost of financing and investment opposite to exempted revenues	92 270 199	--
Tax exemptions	(114 717 901)	(582 043 487)
Net tax base	<u>21 965 181</u>	<u>--</u>
Tax due	<u>5 491 295</u>	<u>--</u>
Prior year adjustments	<u>(3 132 993)</u>	<u>--</u>
Current income tax	<u><u>2 358 302</u></u>	<u><u>--</u></u>

**23- Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	31/12/2013		31/12/2012	
	Assets	Liabilities	Assets	Liabilities
(A) Deferred tax	EGP	EGP	EGP	EGP
Fixed assets' depreciation	--	(7 204 753)	--	(4 762 302)
Expected claims provision	90 750	--	90 750	--
Impairment loss on assets	2 393 287	--	2 393 287	--
Total deferred tax assets (liabilities)	<u>2 484 037</u>	<u>(7 204 753)</u>	<u>2 484 037</u>	<u>(4 762 302)</u>
Net deferred tax liabilities		<u><u>(4 720 716)</u></u>		<u><u>(2 278 265)</u></u>

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

	31/12/2013	31/12/2012
	EGP	EGP
Changes in fair value of cash flow hedges *	<u><u>6 612 597</u></u>	<u><u>6 612 597</u></u>

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

**24- Tax status**

- As to Income Tax, the years from starting the operations to 31/12/2010 the competent tax inspectorate inspected the parent company's books and all the disputed points have been settled with the internal committee and as to year 2011 has been inspected which was objected thereon on the due date and as to 2012, according to tax form of tax law no. 91 of 2005 the company has submitted the tax return and paid the tax due.
- 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 the due amount has been paid and as to years 2009 / 2012, the parent company's books have not been inspected yet.
- As to Stamp Tax, the parent company's books had been examined from 1998 till 31/7/2006 and paid the due tax according to the resolution of Appeal Committee which was objected thereon in the courts, and the period from 1/8/2006 till 31/12/2012 have not been inspected yet.

**25- Related party transactions**

The company deals with related parties on the same basis it deals with third parties and related parties transactions are represented in the following :

- General administrative expenses item includes an amount of EGP 250 000 represents management fees provided by EFG- Hermes Private Equity (A subsidiary company) to the Company during the period according to agreement signed in this regard.
- Interest income item presented in the income statement includes an amount of EGP 1 281 269 represent the interests value on subordinated loan which granted from the company to Financial Brokerage Group Co. (a subsidiary – 99.87%) and includes interest with an amount of EGP 2 558 340 represent the interests value on subordinated loan which granted from the company to Hermes Securities Brokerage (A subsidiary company - 97.58%) (note no. 11).
- Other income item presented in the income statement includes an amount of EGP 14 923 200 which represents the value of rental spaces for some affiliated companies in addition to EGP 9 756 130 which represents the value of redemption of some expenses of the new headquarter that were allocated to the subsidiaries.
- Creditors and other credit balances item includes an amount of EGP 2 487 200 represents the unearned revenues from the affiliated companies for rental of group's headquarter owned by the company.

**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. Notes (No. 2&3) 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:**

**A. Foreign currencies risk**

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As at the financial position date the company has assets and liabilities in foreign currencies equivalent to EGP 1 428 259 548 and EGP 161 109 382 respectively. The company's net exposures in foreign currencies are as follows:

	<b>Surplus</b>
	<b>EGP</b>
USD	1 165 834 707
Euro	98 496 921
AED	1 695 968
GBP	403 904
CHF	718 666

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

**B. Interest rate risk**

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

### **C. Price risk**

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

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

#### **26/2 Credit risk**

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

#### **26/3 Liquidity risk**

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

#### **26/4 Capital risk**

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

#### **26/5 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. (13) 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.

#### **26/6 Derivative financial instruments and hedge accounting**

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their

fair value according to the valuation basis applied, in accounting policies to derivative financial instrument, (note no. 3-14).

**27- Strategic alliance with QInvest L.L.C.**

- EFG Hermes Holding Company's Extraordinary General Assembly agreed at the meetings dated June 2, 2012 and September 16, 2012 to enter into a strategic alliance with QInvest through its subsidiary EFG Hermes Qatar LLC which will be 60% owned by QInvest and 40% owned by EFG Hermes Holding. The agreement involves the moving of the following business lines, Brokerage, Research, Asset Management, Investment Banking and the Infrastructure Fund businesses to EFG Hermes Qatar LLC - note no. (13).
- On May 1, 2013 EFG Hermes Holding Company's and QInvest, announced that the long-stop date for the satisfaction of the conditions precedent for their joint venture agreement to proceed had been reached without receiving the necessary regulatory approvals from the Egyptian Financial Supervisory Authority (EFSA). As a result of the long-stop date being reached, the joint venture agreement will automatically terminate.

**28- Subsequent Events**

The company's board of directors meeting held on January 8, 2014 approved to purchase treasury shares by a billion Egyptian pounds during the first nine months of year 2014 on two phases , the first phase have been implemented through purchase of 36 956 522 shares at EGP 11.5 per share and the second phase aims to purchase shares with an amount of approximately EGP 575 million during the period between the end of the second quarter or the third quarter of 2014.

**29- Comparative figures**

Certain reclassification and adjustments have been made to some comparative figures in order to conform with the current year presentation. These adjustments are attributable to the following:

	(as reported)		(Amended)
	For the		For the
	year ended	Adjustments	year ended
	31/12/2012		31/12/2012
	EGP	EGP	EGP
Due from subsidiaries	1 186 905 498	(74 207 442)	1 112 698 056
Other debit balances	48 261 625	(2 919 487)	45 342 138
Due to subsidiaries	210 200 740	(74 207 441)	135 993 299
Creditors and other credit balances	53 409 808	(2 919 488)	50 490 320