EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 30 June 2010
&
Review Report

KPMG

Hazem Hassan
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Review Report

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

Introduction

We have performed a limited review for the accompanying consolidated balance sheet of EFG – Hermes Holding Company and its subsidiaries as at 30 June 2010 and the related consolidated statements of income, changes in equity and cash flows for the six-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 consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 June 2010, and of its consolidated financial performance and its consolidated cash flows for the six-months then ended in accordance with Egyptian Accounting Standards.

Hazem Hassan

KPMG Hazem Hassan
Public Accountants and Consultants
(11)

Cairo, August 11 , 2010

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated balance sheet
as at 30 June 2010

	Note no.	30/6/2010 LE	31/12/2009 LE
Current assets			
Cash and cash equivalents	(4)	4 578 823 713	1 611 733 824
Treasury bills	(5)	1 496 192 310	-
Investments at fair value through profit and loss	(6)	678 282 811	975 145 174
Accounts receivables (net)		857 830 569	709 416 855
Due from EFG- Hermes Employee Trust (current tranche)		125 134 792	15 994 202
Other debit balances	(7)	386 336 011	353 090 657
Other brokerage companies		54 544 278	(77 721 540)
Total current assets		8 177 144 484	3 587 659 172
Non - current assets			
Fixed assets (net)	(10)	462 727 663	180 047 673
Projects under construction	(11)	96 048 036	311 851 122
Available -for- sale investments	(12)	989 804 663	778 037 826
Investments in subsidiaries & associates	(13)	11 789 500	4 741 031 854
Investment property	(14)	132 062 511	178 167 117
Settlement Guarantee Fund	(15)	29 424 584	24 109 233
Due from EFG- Hermes Employee Trust (non-current tranche)		266 362 977	396 201 410
Intangible assets	(16)	701 045 484	701 037 040
Long term lending	(17)	45 424 664	38 959 565
Deferred tax assets	(25)	9 335 107	3 587 988
Total non - current assets		2 744 025 189	7 353 030 828
Total assets		10 921 169 673	10 940 690 000
Current liabilities			
Accounts receivables - credit balances		843 134 103	779 945 169
Creditors and other credit balances	(8)	1 260 452 131	316 986 065
Due to related parties		15 235 000	15 235 000
Provisions	(9)	185 660 578	190 851 153
Current portion of long term loans	(18)	36 696 000	37 758 000
Total current liabilities		2 341 177 812	1 340 775 387
Shareholders' equity			
Share capital	(20)	1 913 570 000	1 913 570 000
Legal reserve		956 785 000	956 785 000
Share premium		3 294 067 512	3 294 067 512
Other reserves		132 842 375	577 373 286
Other equity	(19)	(607 200 000)	(607 200 000)
Retained earnings		2 225 446 236	2 049 605 610
Shareholders' equity		7 915 511 123	8 184 201 408
Net profit for the period / year		580 282 469	551 810 628
Interim dividends	(20)	(774 517 396)	-
Shareholders' equity including net profit for the period / year		7 721 276 196	8 736 012 036
Non - controlling interests		184 340 303	206 075 609
Total shareholders' equity		7 905 616 499	8 942 087 645
Non - current liabilities			
Long term loans	(18)	32 260 000	53 576 000
Long term liabilities	(19)	642 115 362	604 250 968
Total non - current liabilities		674 375 362	657 826 968
Total shareholders' equity and liabilities		10 921 169 673	10 940 690 000

The accompanying notes from page (5) to page (25) are an integral part of these financial statements and are to be read therewith.

Review report "attached"

Mona Zulficar
Chairperson

Yasser El Mallawany
Executive Managing Director

Hassan Heikal
Executive Managing Director

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated income statement
for the period ended 30 June 2010

	Note no.	2010 For the period from 1/4/2010 to 30/6/2010 LE	2010 For the period from 1/1/2010 to 30/6/2010 LE	2009 For the period from 1/4/2009 to 30/6/2009 LE	2009 For the period from 1/1/2009 to 30/6/2009 LE
Income from fees, commission & management of investments		204 559 776	450 199 090	219 559 846	370 099 289
Share of profit of associate - Bank Audi - Lebanon	(3-1-2, 13)	-	-	108 802 157	193 823 519
Interest income		68 844 274	122 170 106	31 375 756	73 251 651
Dividend income		12 159 664	12 273 833	10 528 013	10 531 622
Gains on sale of investments	(13)	30 245 687	782 381 226	27 397 733	38 208 381
Gain on sale of fixed assets		196 800	196 800	256 100	257 078
Foreign currencies differences		125 514 309	117 334 550	(8 139 317)	19 005 039
Other income		2 723 019	5 950 462	2 304 655	7 875 969
Total revenues		444 243 529	1 490 506 067	392 084 943	713 052 548
Deduct:					
General administrative expenses		205 526 692	416 094 326	158 483 557	301 479 793
Finance costs		19 355 593	30 597 636	7 994 247	15 599 980
Provisions	(9)	(88 733)	16 521 603	7 060 159	13 947 771
Fixed assets depreciation	(10)	9 867 349	19 675 557	8 365 719	16 313 170
Changes in the fair value of investments at fair value through profit and loss		71 600 218	32 501 552	1 652 524	(11 346 386)
Changes in the fair value of investment property	(14)	-	46 104 606	-	-
Impairment loss on assets	(23)	339 326	47 770 687	3 612 437	3 612 437
Total expenses		306 600 445	609 265 967	187 168 643	339 606 765
Net profit before income tax		137 643 084	881 240 100	204 916 300	373 445 783
Income tax expense	(24)	(29 242 511)	(290 800 879)	(15 849 886)	(34 924 998)
Net profit for the period		108 400 573	590 439 221	189 066 414	338 520 785
Equity holders of the parent		96 683 257	580 282 469	176 408 794	316 502 218
Non - controlling interests		11 717 316	10 156 752	12 657 620	22 018 567
		108 400 573	590 439 221	189 066 414	338 520 785
Earnings per share	(26)	0.25	1.50	0.46	0.83

The accompanying notes from page (5) to page (25) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Consolidated statement of changes in equity

for the period ended 30 June,2010

	Note no.	Share capital	Legal reserve	Share premium	Other reserves							Other equity	Retained earnings	Treasury shares	Net profit for the year / period	Interim Dividends	Total
					General reserve	Special reserve	Translation reserve	Fair value reserve	Hedging reserve	Cumulative adjustments	Company's share of items recognized in associate equity						
		LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 31 December,2008		1 939 320 000	969 660 000	3 345 518 887	158 271	-	5 081 503	(784 971)	5 669 734	(51 314 320)	151 002 944	(607 200 000)	1 520 753 047	(239 381 358)	933 497 922	-	7 971 981 659
Foreign currencies translation differences		-	-	-	-	-	(11 106 601)	-	-	-	-	-	-	-	-	-	(11 106 601)
Effective portion of changes in fair value of cash flow hedges (net of tax)		-	-	-	-	-	-	-	(9 216 001)	-	-	-	-	-	-	-	(9 216 001)
Company's share of items recognized in associate equity		-	-	-	-	-	-	-	-	-	(93 558 832)	-	-	-	-	-	(93 558 832)
Net changes in the fair value of available -for-sale investments		-	-	-	-	-	-	99 602 660	-	-	-	-	-	-	-	-	99 602 660
Cumulative adjustments		-	-	-	-	-	-	-	-	1 063 885	-	-	-	-	-	-	1 063 885
Purchasing of treasury shares		-	-	-	-	-	-	-	-	-	-	-	-	(30 528 161)	-	-	(30 528 161)
Selling of treasury shares		-	-	4 768 788	-	-	-	-	-	-	-	-	-	175 064 356	-	-	179 833 144
2008 dividend payout		-	-	-	214 875	74 100 000	-	-	-	-	-	-	618 432 635	-	(933 497 922)	-	(240 750 412)
Net profit for the period ended 30 June, 2009		-	-	-	-	-	-	-	-	-	-	-	-	-	316 502 218	-	316 502 218
Balance as at 30 June, 2009		1 939 320 000	969 660 000	3 350 287 675	373 146	74 100 000	(6 025 098)	98 817 689	(3 546 267)	(50 250 435)	57 444 112	(607 200 000)	2 139 185 682	(94 845 163)	316 502 218	-	8 183 823 559
Balance as at 31 December,2009		1 913 570 000	956 785 000	3 294 067 512	373 146	74 100 000	3 106 228	150 913 189	(3 546 267)	(53 645 190)	406 072 180	(607 200 000)	2 049 605 610	-	551 810 628	-	8 736 012 036
Transfer a part of the special reserve to retained earnings		-	-	-	-	(32 500 000)	-	-	-	-	-	-	32 500 000	-	-	-	-
Foreign currencies translation differences		-	-	-	-	-	(16 308 833)	-	-	-	-	-	-	-	-	-	(16 308 833)
Effective portion of changes in fair value of cash flow hedges (net of tax)		-	-	-	-	-	-	-	(22 896 120)	-	-	-	-	-	-	-	(22 896 120)
Company's share of items recognized in associate equity		-	-	-	-	-	-	-	-	-	(406 072 180)	-	-	-	-	-	(406 072 180)
Net changes in the fair value of available -for-sale investments		-	-	-	-	-	-	15 283 850	-	-	-	-	-	-	-	-	15 283 850
Cumulative adjustments		-	-	-	-	-	-	-	-	17 962 372	-	-	-	-	-	-	17 962 372
2009 dividends payout		-	-	-	-	-	-	-	-	-	-	-	143 340 626	-	(551 810 628)	-	(408 470 002)
Net profit for the period ended 30 June, 2010		-	-	-	-	-	-	-	-	-	-	-	-	-	580 282 469	-	580 282 469
Interim dividends *	(20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(774 517 396)	(774 517 396)
Balance as at 30 June, 2010		1 913 570 000	956 785 000	3 294 067 512	373 146	41 600 000	(13 202 605)	166 197 039	(26 442 387)	(35 682 818)	-	(607 200 000)	2 225 446 236	-	580 282 469	(774 517 396)	7 721 276 196

* Accordance to the general ordinary assembly meeting of the holding company held on 14 June, 2010.

The accompanying notes from page (5) to page (25) are an integral part of these financial statements and are to be read therewith.

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

	For the period ended 30/6/2010 LE	For the period ended 30/6/2009 LE
Cash flows from operating activities		
Net profit before income tax	881 240 100	373 445 783
Adjustments to reconcile net profit to net cash provided by operating activities		
Fixed assets depreciation	19 675 557	16 313 170
Povisions formed	16 521 603	13 947 771
Provisions used	(22 518 213)	(26 065 389)
Provisions no longer needed	(860 175)	(1 913 376)
Gains on sale of fixed assets	(196 800)	(257 078)
Gains on sale of available -for- sale investments	(1 918 698)	(3 225 597)
Gains on sale of investments in associates	(739 403 104)	-
Changes in the fair value of investments at fair value through profit and loss	32 501 552	(11 346 386)
Changes in the fair value of investment property	46 104 606	-
Impairment loss on assets	47 770 687	3 612 437
Interest expense	7 810 703	-
Foreign currency translation differences	35 476 318	15 526 673
Share of profit of associates - Bank Audi - Lebanon	-	(193 823 519)
Operating profit before changes in working capital	322 204 136	186 214 489
(Increase) decrease in other debit balances	(124 622 391)	153 026 980
Decrease in creditors and other credit balances	(50 066 165)	(216 581 016)
Income tax paid	(32 476 064)	(136 058 442)
Increase in accounts receivables - (debit balances)	(144 075 322)	(117 309 507)
Increase (decrease) in accounts receivables - (credit balances)	109 458 796	(74 760 545)
(Increase) decrease in due from related parties	(364 071 827)	423 490 637
Increase (decrease) in due to related parties	377 291 948	(469 771 753)
Decrease in investments at fair value through profit and loss	195 670 490	10 683 697
Increase in due from EFG- Hermes Employee Trust (current tranche)	(109 140 590)	(65 403 000)
Decrease (increase) in due from EFG- Hermes Employee Trust (non - current tranche)	147 800 805	(37 585 831)
(Increase) decrease in other brokerage companies	(127 336 891)	126 376 919
Net cash provided from (used in) operating activities	200 636 925	(217 677 372)
Cash Flows from Investing Activities		
Payments to purchase fixed assets	(8 918 667)	(17 313 549)
Proceeds from sale of fixed assets	299 208	312 449
Payments for projects under construction	(64 001 749)	(26 550 471)
Payments to purchase available -for- sale investments	(241 702 124)	(3 690 371)
Payments to purchase treasury bills	(1 496 192 310)	(31 614 219)
Proceeds from sale of available -for- sale investments	1 294 433	54 255 489
Proceeds from sale of investments in subsidiaries and associates	5 042 203 927	-
(Payments to) proceeds from companies' share in Settlement Guarantee Fund	(5 130 725)	2 298 844
Net cash provided from (used in) investing activities	3 227 851 993	(22 301 828)
Cash flows from financing activities		
Purchasing of treasury shares	-	(30 528 161)
Proceeds from sale of treasury shares	-	179 833 144
Changes in retained earnings	23 905 338	119 349 985
payments to bank overdraft	-	(201 986)
Paid dividends	(434 338 248)	(246 409 522)
Payments to long term loans	(22 345 969)	(17 552 899)
Changes in reserves	(28 620 150)	(11 520 000)
Net cash used in financing activities	(461 399 029)	(7 029 439)
Net change in cash and cash equivalents during the period	2 967 089 889	(247 008 639)
Cash and cash equivalents at the beginning of the period	1 611 733 824	1 891 078 295
Cash and cash equivalents at the end of the period (note no. 4)	4 578 823 713	1 644 069 656

Non cash transactions:

For the purpose of preparing the cash flows statement:

- An amount of LE 6 928 551 has been transferred from other debit balances to payments to purchase fixed asstes. This amount was excluded from both items.
- An amount of LE 274 378 171 has been transferred from projects under construction to payments to purchase fixed asstes. This amount was excluded from both items.

The accompanying notes from page (5) to page (25) are an integral part of these financial statements and are to be read therewith.

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

1- General

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.

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.

2- Basis of preparation

2-1 Statement of compliance

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

2-2 Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except for the following assets and liabilities which are measured as 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 consolidated financial statements are presented in Egyptian pounds (LE) which is the Company's functional currency.

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. Actual results may differ from these estimates.

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 (9) – provisions.
- Note (21) – Contingent liabilities, valuation of financial instruments.
- Note (25) – recognition of deferred tax assets and liabilities.

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 consolidated financial statements and applied consistently by Group's entities.

3-1 Basis of consolidation

The consolidated financial statements include the following companies:

3-1-1 Subsidiaries

- The consolidated financial statements include all subsidiaries that are controlled by the parent company and which the management intends to continue to control. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
- Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. EAS 24 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.
- Non - controlling interests shall be presented in the consolidated balance sheet within equity, separately from the parent shareholder's equity. Non - controlling interests in the profit or loss of the group shall also be separately disclosed.
- A parent loses control when it loses the power to govern the financial and operating policies of an investee so as to obtain benefit from its activities.

3-1-2 Associates

Investments in associates are stated at equity method. Under the equity method the investment in associates is initially recognize at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition. Distributions received from associates reduce the carrying amount of the investment.

Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of the acquisition over the Company's share of the net faire value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3-2 Translation of the foreign currencies transactions

The holding company and some of its subsidiaries maintain their books of 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.

3-3 Translation of the foreign subsidiaries' financials

As at the balance sheet date the assets and liabilities of these consolidated subsidiaries are translated to Egyptian Pound at the prevailing rate as at the year end, and the shareholders' equity accounts are translated at historical rates, where as the income statement items are translated at the average exchange rate prevailing during the year of the consolidated financial statements. Currency translation differences are recorded in the shareholders' equity section of the balance sheet as translation reserves adjustments.

3-4 Derivative financial instruments

The Group 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 faire value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

3-5 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (Note 3-10). 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
- Office furniture, equipment & electrical appliances	2-16.67	years
- Computer equipment	3.33 - 5	years
- Transportation means	3.33 - 4	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.

3-6 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.

3-7 Intangible assets

3-7-1 Goodwill

Goodwill (positive and negative) represents amounts arising on acquisition of subsidiaries, associates. Goodwill (positive and negative) represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired at acquisition date.

- Positive goodwill is stated at cost less impairment losses (note 3-10).
- While negative goodwill arose from business combinations after applying International Financial Reporting Standards (IFRS3) will be recognized directly in the income statement.

- Goodwill resulting from further acquisitions after control is obtained is determined on the basis of the cost of the additional investment and the carrying amount of net assets at the date of acquisition, accordingly, no fair value adjustments would be recognized.

3-7-2 Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses (note 3-10). Amortization is recognized in the income statement on a straight – line basis over the estimated useful lives of intangible assets.

3-7-3 Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3-8 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.

3-9 Investments

3-9-1 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.

3-9-2 Available-for-sale financial investments

Available-for-sale financial investments 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.

3-9-3 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.

3-10 Impairment

3-10-1 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.

3-10-2 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.

3-11 Cash and cash equivalents

For the purpose of preparing the cash flow statement, cash and cash equivalent are represented in the cash on hand, cheques under collection, current accounts, call accounts and time deposits with banks.

3-12 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.

3-13 Other debit balances

Other debit balances are recognized at cost less impairment losses (note 3-10).

3-14 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.

3-15 Legal reserve

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

3-16 Share capital

3-16-1 Repurchase of share 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.

3-16-2 Dividends

Dividends are recognized as a liability in the year in which they are declared.

3-17 Revenue recognition

3-17-1 Gain (loss) on sale of investments

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

3-17-2 Dividend income

Dividend income is recognized when declared.

3-17-3 Custody fees

Custody fees are recognized when provide service and issue invoice.

3-17-4 Interest income

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

3-17-5 Brokerage commission

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

3-17-6 Management fee

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

3-17-7 Incentive fee

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

3-18 Long term lending

Long term lending is recognized at cost net of any impairment loss. The company evaluates the loans at the balance sheet date, and in case of impairment in the redeemable value of the loan the loan is reduced by the value of impairment loss which is recognized in income statement.

3-19 Expenses

3-19-1 Borrowing costs

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

3-19-2 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.

3-19-3 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.

3-20 Earnings per share

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

3-21 Profit sharing to employees

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

4- Cash and cash equivalents

	30/6/2010 LE	31/12/2009 LE
Cash on hand	1 471 620	1 147 416
Cheques under collection	1 971 710	526 795
Banks - current accounts	1 075 657 109	956 645 345
Banks - call accounts	3 324 587	5 608 683
Banks - time deposits	3 496 398 687	647 805 585
Balance	4 578 823 713	1 611 733 824

5- Treasury Bills

	30/6/2010 LE	31/12/2009 LE
Treasury Bills more than 91 days maturity	1 570 102 784	--
Unearned income	(73 910 474)	--
Net	1 496 192 310	--

6- Investments at fair value through profit and loss

	30/6/2010	31/12/2009
	LE	LE
Companies' Mutual Fund certificates	509 035 367	757 112 691
Companies' Stocks	141 851 853	171 715 218
Companies' bonds	27 395 591	46 317 265
Balance	678 282 811	975 145 174

7- Other debit balances

	30/6/2010	31/12/2009
	LE	LE
Deposits with others *	27 641 926	30 244 626
Down payments to suppliers	12 448 375	13 363 669
Prepaid expenses	27 724 024	21 987 187
Employees' advances	15 825 195	20 532 306
Accrued revenues	16 263 394	41 058 212
Taxes withheld by others	50 278 701	62 613 068
Unrealized swap losses (gains)	34 400	(1 871 508)
Payments for investments	77 614 138	20 729 100
Receivables – sale of investments	69 330 082	68 062 677
Perching Brokerage	8 737 996	5 366 842
Due from Ara inc. company	15 085 839	11 117 294
Due from Horus Tourism Investment Company Ltd.	14 240 000	13 712 500
Sundry debtors	54 459 358	51 188 183
	389 683 428	358 104 156
Accumulated impairment	(3 347 417)	(5 013 499)
Net	386 336 011	353 090 657

* The balance of deposits with others includes an amount of LE 20 696 000 in the name of the subsidiaries, Financial Brokerage Group Company and Hermes Securities Brokerage Company which represents the blocked deposit for Same Day Trading Operations Settlement takes place in the Egyptian Stock Exchange. Both companies are not entitled to use this amount without prior approval from Misr Clearance Company.

8- Creditors and other credit balances

	30/6/2010	31/12/2009
	LE	LE
Tax Authority	7 212 694	54 076 283
Social Insurance Association	592 767	524 675
Unearned revenues	--	5 667 833
Accrued interest & commission	275 405	418 869
Suppliers	1 360 000	1 656 372
Accrued expenses	410 723 978	167 569 890
Clients' coupons- Custody Activity	10 765 961	18 568 157
Clients' payments under subscription	--	25 038 985
Industry Modernization Center	13 151 680	12 635 893
Dividends payable *	807 369 908	19 678 875
Sundry creditors	8 999 738	11 150 233
Balance	1 260 452 131	316 986 065

* Including LE 774 517 396 interim dividends declared by the general assembly of the holding company held on 14 June, 2010.

9- Provisions

	Expected claims provision	Severance pay provision	Total
	LE	LE	LE
Balance at the beginning of the period	169 148 844	21 702 309	190 851 153
Formed during the period	12 808 000	3 713 603	16 521 603
Foreign currency differences	--	806 035	806 035
Amounts used during the period	(22 374 342)	(143 871)	(22 518 213)
Balance at the end of the period	159 582 502	26 078 076	185 660 578

10- Fixed assets (net)

Particular	Land LE	Buildings LE	Leasehold Improvements LE	Office furniture, equipment & electrical appliances LE	Computer equipment LE	Vehicles LE	Total LE
Balance as at 1/1/2010	5 360 000	107 341 228	16 686 347	92 525 365	55 827 576	12 178 091	289 918 607
Additions	16 000 000	252 459 867	2 743 242	16 963 034	9 378 990	782 473	298 327 606
Disposals	--	--	--	(33 484)	(146 734)	(792 802)	(973 020)
Foreign currency translation difference	--	2 862 067	189 290	2 320 484	935 524	70 462	6 377 827
Total cost as at 30/6/2010	21 360 000	362 663 162	19 618 879	111 775 399	65 995 356	12 238 224	593 651 020
Accumulated depreciation as at 1/1/2010	--	10 571 456	4 548 728	49 122 831	37 130 532	8 497 387	109 870 934
Depreciation	--	1 625 508	2 644 388	8 039 067	6 607 335	759 259	19 675 557
Disposals' accumulated depreciation	--	--	--	(36 733)	(49 446)	(792 802)	(878 981)
Foreign currency translation difference	--	227 480	46 558	1 294 526	648 439	38 844	2 255 847
Accumulated depreciation as at 30/6/2010	--	12 424 444	7 239 674	58 419 691	44 336 860	8 502 688	130 923 357
Carrying amount as at 30/6/2010	21 360 000	350 238 718	12 379 205	53 355 708	21 658 496	3 735 536	462 727 663
Carrying amount as at 31/12/2009	5 360 000	96 769 772	12 137 619	43 402 534	18 697 044	3 680 704	180 047 673

11- Projects under construction

	30/6/2010 LE	31/12/2009 LE
New headquarters of the group in Smart Village - Egypt *	1 936 721	219 371 737
Preparation of alternate headquarters in emergency - Egypt	7 934 846	7 934 846
Office spaces in Egypt	15 244 500	17 650 000
New headquarters - United Arab Emirates	64 189 597	61 811 787
Preparation of alternate headquarters in emergency - United Arab Emirates	6 742 372	5 082 752
Balance	96 048 036	311 851 122

* An amount of LE 274 378 171 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.

12- Available - for- sale investments

	30/6/2010 LE	31/12/2009 LE
Quoted investments	609 663 804	355 559 815
Non - quoted investments	380 140 859	422 478 011
Balance	989 804 663	778 037 826

13- Investments in subsidiaries & associates

	Ownership %	30/6/2010 LE	31/12/2009 LE
Arab Visual Company *	74.99	3 749 500	3 749 500
Bank Audi Sal – Lebanon **	-	--	4 729 242 354
EFG- Hermes Securitization *	100	5 000 000	5 000 000
AAW Company for Infrastructure *	50	3 040 000	3 040 000
Balance		11 789 500	4 741 031 854

* The investee companies have not yet started their activities and no financial statements have been issued.

** On January 21,2010 the company and its subsidiaries sold the entire investment in Audi – Lebanon Bank (an associate – 29.16%) which was represented in 10 037 182 shares with share price of US $ 91 each, the consolidated selling gain amounted to LE 739 403 104 after eliminating the effects of the equity method applied in the accounting for the investment.

14- Investment property

Investment property amounted LE 132 062 511 represents the fair value of the area owned by the Holding Company in Nile City Building and changes in the fair value of investments property amounted LE 46 104 606 charged to the income statements during the period.

15- Settlement Guarantee Fund

	30/6/2010 LE	31/12/2009 LE
Financial Brokerage Group	10 292 846	6 516 025
Hermes Securities Brokerage	13 289 367	11 937 527
Vision Securities Co. (LLC) – Oman	749 295	684 586
EFG- Hermes IFA Financial Brokerage - (KSC)	4 912 250	4 798 250
Flemming CIIC group (S.A.E) – Egypt	180 826	172 845
Balance	29 424 584	24 109 233

16- Intangible assets

	30/6/2010	31/12/2009
	LE	LE
Goodwill	698 899 943	698 899 943
Other intangible assets	2 145 541	2 137 097
Balance	701 045 484	701 037 040

16-1 Goodwill is relating to the acquisition of the following subsidiaries:

	30/6/2010	31/12/2009
	LE	LE
Flemming CIIC group (S.A.E) – Egypt	63 483 756	63 483 756
Vision Securities Co. (LLC) – Oman	66 039 857	66 039 857
EFG- Hermes IFA Financial Brokerage Company (KSC) - Kuwait	567 776 330	567 776 330
IDEAVELOPERS – Egypt	1 600 000	1 600 000
Balance	698 899 943	698 899 943

16-2 Other intangible assets are represented in brokerage license acquired by the subsidiary Vision Securities Co. (51%) from Oman Capital Market Authority and software acquired by the group's entities.

17- Long term lending

EFG-Hermes Private Equity (BVI), a subsidiary – 65% granted a long term loan of US$ 7 016 750 to Horus Tourism Investment Company Limited with annual interest rate 20% that will be calculated daily and added to the loan principal each three months. The loan is due on December 31, 2011. The interest charged on the loan till June 30, 2010 amounted to US$ 958 086 (the equivalent amount of LE 5 457 256) accordingly, the loan balance as of June 30, 2010 amounted to US$ 7 974 836 (the equivalent amount of LE 45 424 664).

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 34 176 000) as at June 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 22 784 000).

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 June 30, 2010 amounted Euro 5 million (the equivalent amount of LE 34 780 000).

- The current portion (the amount that will due within one year) of the loan amounts to Euro 2 million (the equivalent amount of LE 13 912 000).

19- Long term liabilities

	30/6/2010 LE	31/12/2009 LE
Excepted consideration to be paid (liability) *	641 179 735	603 350 000
Other liabilities	935 627	900 968
Balance	642 115 362	604 250 968

* EFG – Hermes Regional Investments Ltd. – a wholly owned subsidiary - entered through the parent company, EFG- Hermes Holding Company into call/ put option agreement with a minority shareholder who holds 35% interest in a subsidiary. As per the agreement, the options are exercisable throughout the

period from March 1st, 2010 to February 28th, 2013. The call option's exercise price is US$ 130 million whereas the put option's exercise price is US$ 110 million, both options carry an annual interest 7%.

In line with EAS 25 requirements the Group has accounted for the present value of the put option as a financial liability with a corresponding debt to equity using the Present Access Method of accounting. Changes in the fair value of the put option are recognized in equity whereas changes in the present value of the financial liability are recognized in the income statement.

20- Share 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.

21- Contingent liabilities

- 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 308 400 000) and EFG- Hermes KSA against the credit facilities granted from banks amounting to SAR 50 million (equivalent to LE 75 950 000).

- 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
14/6/2010	Selling Euro	Euro 5 000 000	Buying US.$	14/7/2010

- Hermes Corporate Finance Company (a subsidiary – 99.37%) issued by a bank a letter of guarantee with an amount of LE 292 500 in favor of Egyptian Electricity Authority. The issuer bank has blocked the company's time deposit which amounts LE 614 201 on June 30, 2010 as a margin for this letter of guarantee.

22- Incentive fee revenue

Due to inadequate assurance concerning the revenue recognition conditions and collection of the incentive fee on managing investment funds and portfolios, the assets management companies (subsidiaries) deferred the recognition of Incentive Fee with an amount of LE 662 776 till June 30, 2010 versus an amount of LE 5 524 199 till June 30, 2009 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	For the period ended 30/6/2010 LE	30/6/2009 LE
Egyptian Portfolio Management Group Company	630 742	5 524 199
Hermes Fund Management	32 034	--
Total	662 776	5 524 199

23- Impairment loss on assets

	2010		2009	
	For the period from 1/4/2010 to 30/6/2010 LE	For the period from 1/1/2010 to 30/6/2010 LE	For the period from 1/4/2009 to 30/6/2009 LE	For the period from 1/1/2009 to 30/6/2009 LE
Impairment loss on accounts receivables & debit accounts	339 326	398 797	--	--
Impairment loss on available –for– sale investments	--	47 371 890	3 612 437	3 612 437
Total	339 326	47 770 687	3 612 437	3 612 437

24- Income tax expense

	2010		2009	
	For the period from 1/4/2010 to 30/6/2010 LE	For the period from 1/1/2010 to 30/6/2010 LE	For the period from 1/4/2009 to 30/6/2009 LE	For the period from 1/1/2009 to 30/6/2009 LE
Current income tax	28 972 808	290 823 260	8 108 183	22 253 652
Deferred tax	269 703	(22 381)	7 741 703	12 671 346
Total	29 242 511	290 800 879	15 849 886	34 924 998

25- Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30/6/2010		31/12/2009	
(A) Deferred tax	Assets LE	Liabilities LE	Assets LE	Liabilities LE
Fixed assets depreciation	--	1 935 595	--	1 772 304
Expected claims provision	3 114 649	--	3 033 049	--
Impairment loss on assets	3 861 148	--	3 893 400	--
Previous years losses forward	137 032	--	--	--
Company's share in affiliate's profits	--	2 454 724	--	2 454 724
Total deferred tax assets / liabilities	7 112 829	4 390 319	6 926 449	4 227 028
Net deferred tax assets	2 722 510		2 699 421	

(B) Deferred tax recognized directly in equity

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

26- Earnings per share

	2010		2009	
	For the period from 1/4/2010 to 30/6/2010	For the period from 1/1/2010 to 30/6/2010	For the period from 1/4/2009 to 30/6/2009	For the period from 1/1/2009 to 30/6/2009
	LE	LE	LE	LE
Net profit for the period	96 683 257	580 282 469	176 408 794	316 502 218
Employees' share	--	(9 089 396)	--	--
	96 683 257	571 193 073	176 408 794	316 502 218
Weighted average number of shares	382 714 000	382 714 000	382 714 000	383 028 189
Earnings per share	0.25	1.50	0.46	0.83

27- 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.
- 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 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.

28- Group's entities

EFG- Hermes Holding company, the parent company, owns the following subsidiaries:

	Direct ownership %	Indirect ownership %
Financial Brokerage Group	99.76	0.04
Egyptian Fund Management Group	88.51	11.49
Egyptian Portfolio Management Group	66.33	33.67
Hermes Securities Brokerage	97.58	2.42
Hermes Fund Management	89.95	10.05
Hermes Corporate Finance	99.37	0.53
EFG - Hermes Advisory Inc.	100	--
EFG- Hermes Financial Management (Egypt) Ltd.	100	--
EFG – Hermes Promoting & Underwriting	99.88	--
Bayonne Enterprises Ltd.	--	100
EFG- Hermes Fixed Income	99	1
EFG- Hermes Private Equity (Egypt)	96.3	3.7
EFG- Hermes Private Equity (BVI)	1.59	63.41
EFG- Hermes Brokerage – UAE Ltd.	--	90
Flemming CIIC Holding	100	--
Flemming Mansour Securities	--	99.33
Flemming CIIC Securities	--	96
Flemming Corporate Finance	--	74.92
EFG- Hermes UAE Ltd.	100	--
EFG- Hermes Holding - Lebanon	100	--
EFG- Hermes KSA	73.1	26.9
October Property Development Ltd.	94.10	--
EFG- Hermes Lebanon	99	0.97
Mena Opportunities Management Limited	--	66.5
EFG- Hermes Mena (Caymen) Holding	--	100
Mena (BVI) Holding Ltd.	--	66.5
EFG – Hermes Mena Securities Ltd.	--	100
Mena Financial Investments W.L.L	--	100
EFG – Hermes Qatar LLC	100	--
Vision Securities Company LLC	--	51
EFG- Hermes Regional Investment Ltd.	100	--
Offset Holding KSC	--	50
EFG- Hermes IFA Financial Brokerage	--	45
EFG- Hermes Securitization	99.99	0.01
IDEAVELOPERS	--	52
Arab Visual Company	50	24.99
AAW Company for Infrastructure	0.33	49.67

29- Financial instruments and management of related risks:

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while financial liabilities include loans and creditors. 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.

29-1 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.

29-2 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 disclosed in note (3-2) the company has used the prevailing exchange rates to revaluate monetary assets and liabilities at the balance sheet date.
- As disclosed in note no. (21) the company has executed Currency SWAP agreements and Hedge agreement to cover its needs of foreign currencies and meet the risks of exchange rate and interest rates related thereto.

29-3 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. (13) of the notes to financial statements disclose the fair values of investments, which are reported at cost.

29-4 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 instruments, (note no. 3-4).
- In accordance with an arrangement between the subsidiary, EFG Hermes MENA Securities Limited Co. and its customers ("the customers"), the Company from time to time enters into fully paid Shares Swap Transaction Contracts ("the Contracts") with the customers. Under the Contracts the customers pay to the Company a pre-determined price, which is essentially the market price at the trade date, in respect of certain reference securities. In return for such shares swap transactions the Company pays to the customers the mark to market price of the reference securities at a pre-determined date (normally after one year). However, the Contracts can be terminated at any time by either of the parties, which shall be the affected party.

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

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

30- Corresponding Figures

Certain corresponding figures have been reclassified to conform with the current period presentation.