

**ALLIED FOR ACCOUNTING & AUDITING
(EY)**

**ARAB CHARTERED ACCOUNTANTS
(RSM EGYPT)**

**TALAAAT MOSTAFA GROUP HOLDING COMPANY
"TMG HOLDING" (S.A.E)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020
TOGETHER WITH REVIEW REPORT**

Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)
Interim Consolidated Period Financial Statements
For The Nine-Month Period Ended 30 September 2020

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**REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF TALAAT MOSTAFA GROUP HOLDING
COMPANY "TMG HOLDING" (S.A.E)**

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** as of 30 September 2020 as well as the related statements of consolidated profit or loss, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. 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 consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the Egyptian Standard on review engagement no. (2410) "Review of interim financial information performed by the independent Auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian standards on auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Consequently; we do not express an audit opinion on these consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements does not give a true and fair view, in all material respects, of the consolidated financial position of the Company as at 30 September 2019, and of its consolidated financial performance and its consolidated cash flows for the nine-month period then ended in accordance with Egyptian Accounting Standards.

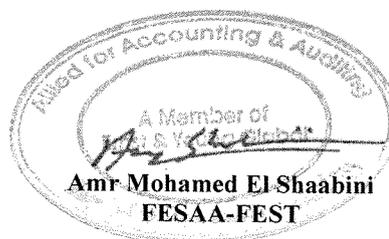
Cairo: 14 November 2020



Tarek Hashish
FESAA-FEST
(RAA. 9473)
(CMAR. 118)

(RSM EGYPT) CHARTERED ACCOUNTANTS

Auditors



Amr Mohamed El Shaabini
FESAA-FEST
(RAA. 9365)
(CMAR. 103)

ALLIED FOR ACCOUNTING & AUDITING (EY)

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

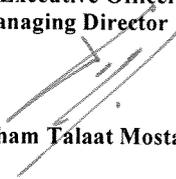
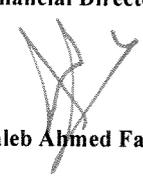
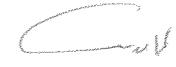
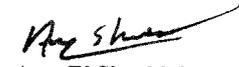
As of 30 September 2020

	Notes	30 September 2020 LE	31 December 2019 LE
Assets			
Non-current Assets			
Fixed Assets	(4)	5,994,030,507	5,714,696,534
Investment properties	(5)	39,627,334	114,745,004
Intangible assets	(6)	1,120,171	784,747
Fixed assets under construction	(7)	5,178,911,735	4,092,823,582
Goodwill	(8)	12,504,761,726	12,504,761,726
Investments in associates	(9)	53,459,483	3,636,822
Available for sale investments	(10)	30,060,462	32,819,070
Held to maturity investments	(11)	3,501,498,582	3,559,914,874
Total non-current assets		27,303,470,000	26,024,182,359
Current assets			
Development properties	(14)	39,621,633,336	36,480,865,818
Inventory	(15)	1,074,283,750	1,002,034,248
Accounts and notes receivable	(13)	31,359,427,300	30,772,812,679
Prepaid expenses and other debit balances	(16)	6,600,805,725	5,306,729,793
Available for sale investments	(10)	8,958,275	12,023,983
Held to maturity investments	(11)	1,595,863,864	67,717,566
Financial assets at fair value through profit and loss	(12)	38,479,444	3,172,475
Cash and cash equivalent	(17)	4,613,084,656	4,211,695,693
Total current assets		84,912,536,350	77,857,052,255
Total assets		112,216,006,350	103,881,234,614
Equity and liabilities			
Equity			
Authorized capital	(22)	30,000,000,000	30,000,000,000
Issued and paid up capital	(22)	20,635,622,860	20,635,622,860
Legal reserve	(23)	313,531,168	289,974,198
General reserve	(24)	61,735,404	61,735,404
Foreign currency translation reserve		2,425,548	2,425,548
Retained earnings		9,883,169,028	8,264,250,467
Net profit for the period/ year		1,569,143,664	1,872,246,700
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		32,465,627,672	31,126,255,177
Non-controlling interests		1,092,017,612	1,104,689,651
TOTAL EQUITY		33,557,645,284	32,230,944,828

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As of 30 September 2020

Non-current liabilities			
Loans and facilities	(25)	3,057,828,669	3,018,975,585
Long term liabilities	(26)	1,867,958,516	1,867,958,516
Sukuk Ijarah	(27)	2,000,000,000	-
Deferred tax liabilities	(28)	9,752,899	4,596,022
Total non-current liabilities		<u>6,935,540,084</u>	<u>4,891,530,123</u>
Current liabilities			
Banks overdraft		17,310,865	26,812,859
Credit facilities	(25)	1,260,633,763	1,242,105,267
Loans and facilities - current portion	(25)	312,975,618	402,747,194
Creditors and notes payable	(18)	19,778,610,549	15,826,402,114
Customers' advance payments	(19)	38,334,605,572	39,115,103,716
Dividends payable	(20)	161,090,106	341,246,915
Income tax payable	(28)	791,175,899	924,806,669
Accrued expenses and other credit balances	(21)	11,066,418,611	8,879,534,929
Total current liabilities		<u>71,722,820,982</u>	<u>66,758,759,663</u>
Total liabilities		<u>78,658,361,067</u>	<u>71,650,289,786</u>
Total equity and liabilities		<u>112,216,006,350</u>	<u>103,881,234,614</u>

Chairman	Chief Executive Officer & Managing Director	Financial Director	Auditors	
				
Tarek Talaat Mostafa	Hesham Talaat Mostafa	Ghaleb Ahmed Fayed	Tarek Hashish	Amr El Shaabini

- The attached notes (1) to (37) are an integral part of these Interim Consolidated financial statements.
- Review report attached.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

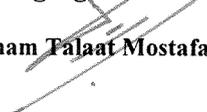
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For The Nine - Month Period Ended 30 September 2020

	Notes	For the nine-month period ended 30 September 2020	For the nine-month period ended 30 September 2019	For the three-month period ended 30 September 2020	For the three-month period ended 30 June 2019
		LE	LE	LE	LE
Real estate development revenue	(29)	8,895,355,401	5,091,704,878	5,590,057,497	2,052,703,163
Real estate development costs	(29)	(5,819,759,891)	(3,228,386,147)	(3,821,786,853)	(1,448,296,493)
Gross profit from real estate development		3,075,595,510	1,863,318,731	1,768,270,644	604,406,671
Hospitality revenue	(29)	437,898,416	1,191,024,162	114,024,959	406,664,064
Cost of hospitality	(29)	(491,529,695)	(772,948,549)	(157,398,628)	(264,910,911)
Gross profit from hospitality		(53,631,279)	418,075,613	(43,373,669)	141,753,153
Recurring & services activities revenue	(29)	1,079,014,516	1,476,567,106	125,913,499	357,459,439
Cost of recurring & services activities revenue	(29)	(782,726,468)	(910,832,464)	(108,924,325)	(121,193,439)
Gross profit of Recurring & Services Activities revenue		296,288,048	565,734,641	16,989,174	236,266,000
TOTAL GROSS PROFIT		3,318,252,279	2,847,128,985	1,741,886,149	982,425,823
General and marketing expenses		(573,062,071)	(546,991,925)	(217,667,478)	(134,195,607)
Donations and governmental expenses		(171,611,170)	(90,088,382)	(115,466,952)	(37,478,560)
Health insurance contribution		(27,118,941)	(39,743,490)	(1,202,846)	(3,492)
Other income	(30)	204,905,231	329,564,749	24,307,036	100,152,856
Fixed assets disposal gain	(4)	1,714,743	1,831,911	1,515,717	9,791
Board of directors allowances		(906,720)	(811,800)	(248,120)	(271,250)
Foreign exchange differences		14,690,210	(163,968,984)	16,384,839	(32,533,986)
NET PROFIT FOR THE PERIOD BEFORE IMPAIRMENTS, FINANCE COST AND DEPRECIATION		2,776,863,561	2,336,921,065	1,449,508,345	878,105,576
Depreciation and amortization	(4,5,6)	(225,821,692)	(220,782,379)	(78,748,734)	(85,490,114)
Finance cost		(396,976,904)	(297,382,989)	(155,141,594)	(42,191,882)
Impairment of available for sale Investments		(2,758,605)	(17,126,226)	(419,663)	(17,126,226)
NET PROFIT FOR THE PERIOD BEFORE TAX		2,141,306,360	1,801,629,471	1,215,198,354	733,297,353
Income tax	(28)	(592,297,461)	(432,188,910)	(351,589,608)	(216,093,268)
NET PROFIT FOR THE PERIOD		1,549,008,899	1,369,440,561	863,608,747	517,204,085
Attributable to:					
Parent company		1,569,143,664	1,312,175,269	863,290,484	499,829,161
Non-controlling interests		(20,134,765)	57,265,292	318,262	17,374,924
		1,549,008,899	1,369,440,561	863,608,747	517,204,085

Chairman

Tarek Talaat Mostafa

Chief Executive Officer & Managing Director

Hesham Talaat Mostafa

Financial Director

Ghalib Ahmed Fayed

- The attached notes (1) to (37) are an integral part of these Interim Consolidated financial statements

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

STATEMENT OF INTERIM CONSOLIDATED COMPREHENSIVE INCOME

For The Nine-Month Period Ended 30 September 2020

	For the nine- month period ended 30 September 2020	For the nine- month period ended 30 September 2019	For the three- month period ended 30 September 2020	For the three- month period ended 30 September 2019
	LE	LE	LE	LE
Net profit for the period	1,549,008,899	1,369,440,561	863,786,086	499,829,161
Other comprehensive income				
(Loss) of revaluation of available for sale Investments	-	(46,327,304)		(46,179,679)
Comprehensive income after tax		(46,327,304)		(46,179,679)
Total comprehensive income for the period	<u>1,549,008,899</u>	<u>1,323,113,257</u>	<u>863,786,086</u>	<u>453,649,482</u>
Attributable to:				
Parent company	1,569,143,664	1,265,847,965	863,290,485	436,274,558
Non-controlling interests	(20,134,765)	57,265,292	318,262	17,374,924
	<u>1,549,008,899</u>	<u>1,323,113,257</u>	<u>863,608,747</u>	<u>453,649,482</u>

- The attached notes (1) to (37) are an integral part of these Interim Consolidated financial statements

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

STATEMENT OF INTERIM CONSOLIDATED CHANGES IN EQUITY

For The Nine-Month Period Ended 30 September 2020

	Issued and paid up capital	Legal reserve	General reserve	Accumulated translation adjustments	Retained earnings	Net profit for the year	Total	Non- controlling Interests	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 1 January 2020	20,635,622,860	289,974,198	61,735,404	2,425,548	8,264,250,467	1,872,246,700	31,126,255,177	1,104,689,653	32,230,944,831
Transferred to retained earnings and legal reserve	-	23,556,970	-	-	1,848,689,730	(1,872,246,700)	-	-	-
Comprehensive income (loss) for the period	-	-	-	-	-	1,569,143,664	1,569,143,664	(20,134,765)	1,549,008,899
Dividends	-	-	-	-	(188,500,000)	-	(188,500,000)	-	(188,500,000)
Adjustment of dividends paid to employees in subsidiaries	-	-	-	-	(41,271,169)	-	(41,271,169)	-	(41,271,169)
Adjustment on non-controlling interests*	-	-	-	-	-	-	-	7,462,724	7,462,724
Balance as at 30 September 2020	20,635,622,860	313,531,168	61,735,404	2,425,548	9,883,169,028	1,569,143,664	32,465,627,672	1,092,017,612	33,557,645,284

* Resulted from elimination entries among subsidiaries and dividends paid to non- controlling interests in subsidiaries.

- The attached notes (1) to (37) are an integral part of these Interim Consolidated financial statements

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

STATEMENT OF INTERIM CONSOLIDATED CHANGES IN EQUITY

For The Nine-Month Period Ended 30 September 2020

	Issued and paid up capital	Legal reserve	General reserve	Unrealized gain on available for sale assets	Accumulated translation adjustments	Retained earnings	Net profit for the year	Total	Non- controlling Interests	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 1 January 2019	20,635,622,860	274,484,336	61,735,404	46,327,304	2,425,548	6,735,370,039	1,704,780,713	29,460,746,204	1,036,732,077	30,497,478,281
Transferred to retained earnings and legal reserve	-	15,489,862	-	-	-	1,689,290,851	(1,704,780,713)	-	-	-
Total comprehensive income (loss) for the year	-	-	-	(46,327,304)	-	-	-	(46,327,304)	-	(46,327,304)
Net profit for the year	-	-	-	-	-	-	1,312,175,267	1,312,175,267	57,265,292	1,369,440,559
Dividends	-	-	-	-	-	(371,000,000)	-	(371,000,000)	-	(371,000,000)
Adjustment of dividends paid to employees in subsidiaries	-	-	-	-	-	300,126,142	-	300,126,142	-	300,126,142
Adjustment on non-controlling interests*	-	-	-	-	-	-	-	-	(5,658,913)	(5,658,913)
Balance as at 30 September 2019	20,635,622,860	289,974,198	61,735,404	-	2,425,548	8,353,787,032	1,312,175,267	30,655,720,309	1,088,338,456	31,744,058,765

* Resulted from elimination entries among the subsidiaries and dividends paid to non-controlling interests in subsidiaries.

- The attached notes (1) to (37) are an integral part of these Interim Consolidated financial statements

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

STATEMENT OF INTERIM CONSOLIDATED CASH FLOWS
For The Nine-Month Period Ended 30 September 2020

	Notes	For the nine - months ended 30 September 2020 LE	For the nine- months ended 30 September 2019 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period before tax and non-controlling interest		2,141,306,360	1,801,629,469
Adjustment to reconcile net profit with cash flow from operating activities:			
Depreciation & amortization	(4,5,6)	225,822,413	220,782,379
Health insurance contribution		27,118,941	39,743,490
Other income	(30)	(204,727,892)	(329,564,749)
Impairment of available for sale investment	(10)	2,758,605	17,126,226
Fixed assets disposal gain	(4)	(1,714,743)	(1,831,911)
Foreign Exchange difference		(14,690,210)	163,968,984
Operating profit before changes in working capital		2,175,873,474	1,911,853,888
Change in Development properties	(14)	(3,140,767,518)	(3,403,618,758)
Change in Inventory	(15)	(72,249,502)	(504,137,479)
Change in Accounts and notes receivable	(13)	(586,614,621)	(2,397,538,438)
Change in Prepaid expenses and other debit balances	(16)	(1,195,073,622)	1,918,484,812
Change in Creditors and notes payable		3,952,208,435	171,682,794
Change in Long Term Liabilities		-	213,540,110
Change in Advance payments from customers		(780,498,144)	4,227,366,905
Change in Financial assets at fair value through profit and loss	(12)	(35,306,969)	(644,444)
Income tax paid	(27)	(721,147,464)	(391,543,528)
Change in other credit balances	(21)	2,159,764,741	471,335,308
Net cash flow from operating activities		1,756,188,810	2,216,781,171
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of property and equipment, intangible assets and for projects under construction	(4,6,7)	(1,518,620,978)	(1,759,349,649)
Proceeds from disposal of fixed assets	(4)	3,873,428	3,268,001
Proceeds from disposal of investment available for sale investments		3,065,708	485,135
(Payment) for Investments in associates		(50,000,000)	(1,594,425)
(Payments)/proceed for/ from Heald to maturity investments	(11)	(1,469,730,006)	52,946,955
Credit interests and income from treasury bills received	(30)	105,902,921	185,004,083
Net cash flow (used in) investing activities		(2,925,508,927)	(1,519,239,900)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Sukuk Ijarah		2,000,000,000	-
Change in dividends payable		(180,156,809)	(47,382,754)
Dividends paid		(188,500,000)	(371,000,000)
(Payments)/proceed for/ from loans and facilities	(25)	(32,389,996)	432,863,505
Net cash flow from financing activities		1,598,953,195	14,480,751
Foreign exchange difference		14,690,210	(163,968,984)
NET INCREASE IN CASH EQUIVALENTS DURING THE Period		444,323,288	548,053,038
*Non Cash adjustments		(33,432,330)	188,642,450
Cash and cash equivalent at the beginning of the period		4,184,882,834	4,871,924,584
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(17)	4,595,773,791	5,608,620,072

* Resulted from elimination entries among the subsidiaries and dividends paid to non-controlling interest in subsidiaries.

- The attached notes (1) to (37) are an integral part of these Interim Consolidated financial statements

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

1 BACKGROUND

- Talaat Mostafa Group Holding TMG Holding S,A,E, was established on 13 February 2007 under the provisions of law 95 of 1992 and its executive regulations and registered in Egypt under Commercial Registration numbered 187398 by date 3 April 2007, and the company period is 25 years.
- The main objective of the Company is participating in the incorporation of shareholding companies or participating in the capital increase of those companies.
- The company headquarter and legal place is 36, Mosadek st, Dokki – Giza – Arabic republic of Egypt.
- The consolidated interim financial statements for the nine- month period ended 30 September 2020 were approved on 11 November 2020 according to the board of directors’ resolution issued on the same date.

2 Basis of preparing the financial statements and the significant accounting policies

- The consolidated interim financial statements of the company and its subsidiaries (the group) have been prepared in accordance with the Egyptian Accounting Standards and the prevailing laws and local regulations.
- The consolidated interim financial statements are presented in Egyptian Pound.
- The consolidated interim financial statements are prepared under the historical cost basis except for available for sale investments, and financial assets measured at the fair value through the profit or loss.

2-1 Basis of consolidating the financial statements

- Eliminate all the inter-company accounts and transactions as well as unrealized profit (loss) resulted from the transactions with the subsidiaries.
- The non-controlling interest is presented as a separate line item on the Consolidated balance sheet and the non-controlling interest share in the net results of the subsidiaries is presented as a separate line item on the Consolidated income statement.
- Transactions with non-controlling interests that do not result in the Parent losing control are treated as transactions with equity owners of the Group. In case a portion of the non-controlling interests was acquired, any difference between the amount paid and the non-controlling interests acquired is recognized in equity. Any gain or loss resulting from a sale of a non-controlling interest is recognized in equity.
- The Consolidated financial statements include the assets, liabilities and the results of Talaat Mostafa holding company (the company) and all its subsidiaries stated below (together the “Group”). A subsidiary is a company in which the holding company owns directly or indirectly a long term investment of more than 50% of the capital that gives the right to vote or that which the company has practical control. The same accounting policies are applied in all companies.
- The subsidiaries are included in the Consolidated financial statements starting from acquisition date to the date that control is lost.
- Acquisition method is used to account for acquiring subsidiaries and the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of profit or loss.
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Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

2-1 Basis of consolidating the financial statements (Continued)

The Consolidated financial statements include the subsidiaries which are controlled by Talaat Mostafa Group Company "TMG Holding" with ownership percentage of more than 50% of the subsidiaries' capital.

The following are the subsidiaries that are included in the Interim Consolidated financial statements:

Arab company for projects and urban development (S.A.E)	99.99%
Alexandria company for real estate investment (S.A.E)*	97.93%
San Stefano company for real estate investment (S.A.E)	72.18%
Alexandria for urban projects Company (S.A.E)***	40%

*Arab company for projects and urban development acquires 1.66% of Alexandria company for real estate investment. and contributes in the following companies:

	Contribution
El rehab for management(S.A.E)	98%
Engineering for developed systems of building (S.A.E)	83.36%
El rehab for securitization(S.A.E)	100%
Arab Egyptian company for entertainment projects(S.A.E)	50%
Madinaty for electromechanically power (S.A.E)	85%
Madinaty for project management(S.A.E)	91%
Swiss Green Company- Switzerland	70%
Alexandria for coordinating and garden maintenance	93.95%
Atrium for contracting	100%

** Alexandria company for real estate investment acquires 60% of Alexandria for urban projects Company. and contributes in the following companies:

	Contribution
El rabwa for entertainment services (S.A.E)	95.5%
El masria for development and real estate projects(S.A.E)	96.51%
which contributes in Marsa el Sadied for real estate development	99.9%
Arab company for tourism and hotels investments (S.A.E) and its subsidiaries as follows:	83.30%
Nova park - Cairo(S.A.E)	99.99%
Alexandria Saudi for tourism projects (S.A.E)	99.88%
San Stefano for tourism investment (S.A.E)	94.33%
El Nile for hotels (S.A.E)	100%
Luxor for urban and tourism development (S.A.E)	100%

*** The company acquires with an indirect way 27.82% of San Stefano Company for real estate investment through its subsidiary (Arab company for projects and urban development. Alexandria Company for real estate investment. Alexandria for urban projects Company), San Stefano Company for real estate investment acquired 62.5 % of the shares of Alexandria for Projects Management.

**** Alexandria for urban development (S.A.E) contributes in the following companies:

	Contribution
May fair for entertainment services (S.A.E)	95.5%
Port Venice for tourism development(S.A.E)	90.27%

2-2 Summary of the significant accounting policies

Foreign currency translation

The group's records are maintained in Egyptian pound, Transactions in foreign currencies during the year are recorded using the exchange rates prevailing on the transaction date, At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Egyptian pound using the exchange rates prevailing on that date, Translation differences are recorded in the statement of income.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

Significant Accounting Policies (Continued)

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value, Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	Years
Buildings & constructions	20-80
Motor Vehicles	5
Tools & equipment	3 - 8
Furniture and other assets	5- 10
Computers	3 - 8
Marina Equipment's	2 - 10

Assets under construction are depreciated when it is ready for use in the place and the condition of operating, then to be reclassified to the fixed assets category.

Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of fixed assets, all other expenditure is recognised in the Interim Consolidated income statement as the expense is incurred.

Intangible assets

Intangible assets are initially recognized at cost

After the initial recognition, intangible assets are recorded at cost net of the accumulated amortization and impairment losses.

Intangible assets are amortized using straight line basis method over the estimated useful lives (5 years).

Goodwill

Goodwill represents the excess of the acquisition cost of the subsidiaries over the company's share in the fair value of the identifiable net assets of those companies at the date of acquisition, Goodwill resulted from acquisition of subsidiaries is recorded as noncurrent assets and the goodwill resulted from acquisition of investments in associates recorded within the investments in associates, at the end of each financial year the goodwill is tested for impairments and to be presented at cost after deducting the impairment loss if any.

Assets under construction:

Assets under construction represent the amounts that are paid for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets, Assets under construction are valued at cost.

Investment Property

Investment properties are properties (land and buildings or both) which are held to earn rental or for capital appreciation or both.

Investments properties are measured at cost including all attributable cost or construction cost or any other related direct cost.

After initial recognition, investment properties are measured similar to fixed assets in accordance with Egyptian Accounting Standard no (10)

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

Significant Accounting Policies (Continued)

Investments

Investments in associates

Investments in associates are the companies over which the company has a significant influence and are not subsidiaries or joint ventures, except for when the investment is classified as non-current asset held for sale according to the Egyptian accounting standards No, 32, significant influence is assumed when the company directly or indirectly through its subsidiaries hold 20% or more of the voting rights in the investee, except when it is clear that the company does not have a significant influence .

Investments in associates are accounted for, in the consolidated financial statements, using the equity method. At the initial recognition, the investment is recognized at cost and to be adjusted in the subsequent periods with the change of the group's share in the net assets of the associate company. The group's profit or loss includes its share of the associates' results, and the group's comprehensive income includes its share of the associate company comprehensive income .

Available-for-sale investments

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or investments at fair value through profit or loss.

Available for sale investments are initially recognized at fair value inclusive directly attributable expenses.

After initial measurement, available for sale investments are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the statement of profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the statement of profit or loss.

Investments in equity instruments with no quoted prices in active market and its fair value cannot be reliably measured are carried at cost.

If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

Financial assets at fair value through profit or loss

Investments at fair value through profit and loss are financial assets classified as either held for trading acquired for the purpose of selling in the near term or financial assets designated upon initial recognition at fair value through profit and loss.

Investments are designated at fair value through profit and loss when the criteria in the Egyptian standard no. 26 are met and this does not apply to the non-current financial investments for which fair value cannot be measured reliably.

After initial measurement , these investments are carried at fair value and any gain or loss is recognized in the Consolidated statement of profit or loss .

Financial assets held to maturity

Investments in financial assets held to maturity are non- derivative financial assets with fixed or determinable payments with fixed maturity date and the management has the intention and capability to hold it to maturity,

Upon the initial recognition, financial assets, are recorded at fair value including attributable direct costs.

After initial recognition held to maturity investments are recorded at amortized cost using the effective interest method, Gains or losses due to the disposal of the financial assets or due to the impairment of the financial assets to be recognized in the statement of income, gain or loss of investment is recognized in profit or loss when the investments are derecognized or impaired impairment is recovered, as well as through the amortization process.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

Significant Accounting Policies (Continued)

Non-current assets held for sale

Non-current assets held for sale are assets in which its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Those assets are measured at the lower of the book value or the fair value less the cost of disposal.

In case of impairment of non-current assets held for sale, the carrying amount is adjusted by the value of this impairment and are charged to the statement of income.

Impairment losses to be reversed in the period when occurred, and to the extent to the amount of book value that was previously reduced unless the impairment loss was recognized in the previous years.

Treasury bills

Treasury bills are initially recorded at cost. After the initial recognition, the difference between the acquisition cost and the actual cost during the period from the acquisition date to the maturity date are amortized at fixed instalments using the effective interest rate.

Development properties

Properties acquired, constructed or in the course of construction for sale are classified as Development properties, Unsold properties are stated at the lower of cost or net realizable value, Properties in the course of development for sale are stated at cost, The cost of development properties includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress, Net sales value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed

Management reviews the cost of the work in progress on yearly basis.

Finished units

Finished units are stated at the lower of cost or net realizable value, the Interim Consolidated income statement includes any decreases in the net realized value to the book value.

Inventories

Inventories are stated at the lower of cost or net realizable value,

The inventory of hotels suppleness since the opening of the hotel and required for the operation to be measured in the fair value and the decrease of the fair value to be recorded in the Interim Consolidated income statements.

Accounts receivable, Debtors and notes receivable

Accounts receivable and other receivables are stated at original invoice amount net of any impairment losses.

Impairment losses are measured as the difference between the accounts and other receivables, prepayments and other receivables carrying amount and the present value of estimated future cash flows. The impairment loss is recognized in the statement of profit or loss. Reversal of impairment losses are recognized in the statement of profit or loss in the period in which it occurs.

Credit Balances and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Separation of assets and liabilities to short-and long-term

Assets which worth collected during the year after the date of financial statements is included within current assets either the assets that collectible date exceed the year date of financial statements be included within long-term assets.

Related party transactions

Pricing policies and terms of these transactions are approved by the Boards of Directors.

Employees' Pension Plan

The company participates in the social insurance scheme in accordance to the social insurance laws no, 79 for the year 1975 and its amended and the company share in the social insurance cost to be charged to the Interim Consolidated income statement according to the accrual basis.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made, Provisions are reviewed at the balance sheet date and adjusted to reflect the current best estimate, Where the effect of the time value of money is material, The amount of a provision should be the present value of the expected expenditures required to settle the obligation.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

Significant Accounting Policies (Continued)

Legal reserve

According to the Company's article of association, 5% of the net profits of the year are to be transferred to the legal reserve until this reserve reaches 50 % of the issued capital, the reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

Revenue recognition

Revenues results from the sale of units are recognized upon the actual or constructive delivery of the units to the buyers, which is the point that all risks and rewards will transfer from the company to the buyers.

The company uses full contract methods in recognize revenue for the all sold units, which required to capitalize the costs under work in progress account till the salable units are completed and delivered to the customer, then revenue is recognized and match it with the related operation cost.

The revenue results from the sale of villas is recognized in the income statement according to the revenue recognized , where the selling amount of the land of the villa will be totally recognized upon choosing the client the land that will be built on it, the selling amount of the building and related construction amount of the villas will be recorded by uses full contract methods in recognize revenue upon delivering the villas to the client.

Hotels revenue is recognized according to the company' shares from the profit of the hotels.

Revenue from share dividend recorded when there is right to receive it.

Share of results of the associates is recognised according to the equity methods and based on the latest approved financial statements of those associates.

Interest income of the financial instruments is recognised in the Interim Consolidated income statement by using effective interest rate methods except for the financial instruments classified as for trade or financial assets at fair value through profit or loss.

Dividend income from financial assets at fair value through profit or loss or available for sale is recorded when there is right to receive it.

Recording the operational cost

Delivery minutes with the customers of the sellable units to the customers and revenue recognized of those units are the bases to record the operational cost related to those units which includes:

The direct and indirect costs

The construction cost of the sellable units according to the payment certificates of the contractors and suppliers that approved by the technical department of the company is recoded in work in progress account and the costs to be distributed to the sold units according to the following basis:

- Unit share of the land cost and units share of the land cost which was distributed as the land area of each units to the total area of the units in the project
- The unit share from the actual and estimated costs that distributed based on the contracts and invoices of each sector from units , villas and retails in each phase
- The units share from the indirect actual and estimated costs are distributed based on the direct cost of each sector in each phase

Impairment of financial assets

The Company assesses at each consolidated statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

Significant Accounting Policies (Continued)

Impairment of non-financial assets

The Company assesses at each consolidated statement of financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

Treasury shares

The treasury shares (Company shares) are recorded with the cost and deducted from the owners' equity in the balance sheet, any profit or loss proceeds of disposing these treasury stocks are being recorded within the owners' equity.

Accounting estimates

The preparation of consolidated financial statements in accordance with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial years. Actual results could differ from these estimates.

Estimates are reviewed on regularly basis and any differences in the estimates in the date of examining those estimates will affect only the audited period and if those differences will affect the current period and the coming periods those differences are to be recorded in the current and future periods.

Income tax

Income tax is calculated in accordance with the Egyptian tax law,

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the balance sheet (accounting base) using the applicable tax rate,

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

Cash flow statement

The cash flow statement is prepared using the indirect method, for the purpose of preparing the cash flow statements , the cash and cash equivalent include cash on hand , cash at bank , short term deposits , treasury bills with maturity date Year or less deducting the bank overdraft – if any.

Borrowing

Borrowings are initially recognized at the value of the consideration received, Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding twelve months after the balance sheet date, then the loan balance should be classified as long term liabilities.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

Significant Accounting Policies (Continued)

Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of income in the financial year in which these expenses were incurred.

Cash & cash equivalent

For the purpose of preparing the consolidated cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts at banks and time deposits maturing within three months.

Dividends

Dividends recognized as liability in the period in which the company General Assembly meeting decided to distribute profits.

Fair values

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- level 2 – Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2-3 Changes in the accounting policies and disclosures

The accounting policies applied this period are those applied in the previous year.

During September 2020, the Decision of the Prime Minister No. 1871 for the year 2020 was issued to postpone the application of The Egyptian Accounting Standards No. (47) - Financial Instruments, and (48) revenue from contracts with customers and (49) lease contracts for the financial periods beginning January 1, 2021.

3 - Segment information

The major segments in the company are the real estate and tourism segments, the profit and investments related to other segments are not significant and not required to be reported in accordance to accounting standard No. 41 and are not disclose separately in the financial statements.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

4 PROPERTY AND EQUIPMENT - NET

	Lands LE	Buildings & Constructions LE	Motor Vehicles LE	Tools & Equipment LE	Furniture & Fixtures LE	Computers LE	Total LE
Cost							
As of 1 January 2020	1,087,171,370	4,598,580,512	300,381,552	550,610,490	716,041,071	84,736,944	7,337,521,938
Additions	-	292,900,014	29,040,782	67,001,387	56,968,166	46,532,376	492,442,726
Transfer from assets under construction	-	12,923,475	-	-	-	-	12,923,475
Disposals	-	-	(3,138,003)	(45,320)	(3,850,146)	(400,626)	(7,434,095)
As of 30 September 2020	1,087,171,370	4,904,404,001	326,284,331	617,566,557	769,159,091	130,868,694	7,835,454,044
Accumulated depreciation							
At 1 January 2020	-	(621,719,859)	(177,305,474)	(340,355,347)	(427,551,344)	(55,893,380)	(1,622,825,404)
Depreciation for the period	-	(89,199,122)	(31,781,334)	(41,455,515)	(46,247,849)	(15,818,002)	(224,501,822)
Disposals	-	-	2,735,754	31,898	2,791,844	344,193	5,903,689
As of 30 September 2020	-	(710,918,981)	(206,351,054)	(381,778,964)	(471,007,349)	(71,367,189)	(1,841,423,537)
Net book value As of 30 September 2020	1,087,171,370	4,193,485,020	119,933,277	235,787,593	298,151,742	59,501,505	5,994,030,507

- First degree mortgage on the land and the building of four season hotel sharm el sheik in shark bay – sharm el sheik owned by Alexandria Saudi Co, for tourism investment.
- First degree mortgage on the land and the building of four season hotel Nile plaza, Cairo owned by Nova Park Co. excluding the total sold or available for sale units and its share in the land.
- First degree mortgage of first class property on the land of the Nile Hotel owned by Nile Hotels Company, located at 12 Ahmed Ragheb Street - Garden City - Nile Palace - Cairo and the land of the garage and the Club Kempinski attached to the hotel and located at 4 Ahmed Ragheb Street - Garden City - Nile Palace - Cairo and on the hotel buildings, club and garage attached to it.

Proceed from sale of fixed assets	LE	LE	The depreciation are allocated to the following:	LE
Cost of disposed fixed assets	(7,434,095)	3,873,428	Depreciation expenses at the statement of profit or loss	<u>146,247,328</u>
Accumulated depreciation of sold assets	<u>5,275,410</u>			
Net book value of fixed assets' disposed		<u>(2,158,685)</u>		
Fixed Assets Disposal Gain		<u>1,714,743</u>		

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

4-PROPERTY AND EQUIPMENT (Continued)

	Lands LE	Buildings & Constructions LE	Motor Vehicles LE	Tools & Equipment LE	Furniture & Fixtures LE	Computers LE	Total LE
Cost							
As of 1 January 2019	820,472,346	3,426,564,696	249,762,813	483,152,520	630,621,707	64,565,040	5,675,139,122
Non cash adjustments	65,863,027	685,801,689	-	-	-	-	751,664,716
Additions	-	72,552,385	54,848,516	68,063,989	102,620,232	20,422,674	318,507,795
Transfer from investment properties item	200,835,997	427,070,808	-	(4,679,076)	-	(159,461)	623,068,268
Disposals	-	(1,231)	(4,229,976)	(8,715,583)	(17,820,063)	(91,000)	(30,857,853)
As of 31 December 2019	1,087,171,370	4,611,988,347	300,381,353	537,821,849	715,421,876	84,737,253	7,337,522,048
Accumulated depreciation							
At 1 January 2019	-	(517,195,364)	(144,534,455)	(303,114,426)	(387,127,412)	(39,547,814)	(1,391,519,471)
Depreciation for the period	-	(107,223,864)	(36,833,957)	(43,271,069)	(55,222,004)	(16,379,331)	(258,930,225)
Disposals	-	352,999	4,062,940	8,100,645	15,073,944	33,655	27,624,183
As of 31 December 2019	-	(624,066,229)	(177,305,473)	(338,010,081)	(427,275,472)	(55,893,490)	(1,622,825,514)
Net book value As of 31 December 2019	1,087,171,370	3,987,922,118	123,075,880	199,536,999	288,146,404	28,843,763	5,714,696,534

- First degree mortgage on the land and the building of four season hotel sharm el sheik in shark bay – sharm el sheik owned by Alexandria Saudi Co, for tourism investment.
- First degree mortgage on the land and the building of four season hotel Nile plaza, Cairo owned by Nova Park Co. excluding the total sold or available for sale units and its share in the land.

Proceed from sale of fixed assets	LE	LE	The depreciation are allocated to the following:	LE
Cost of disposed fixed assets	(30,857,853)	3,650,572	Depreciation expenses at the statement of profit or loss	<u>258,955,835</u>
Accumulated depreciation of sold assets	<u>27,624,183</u>			
Net book value of fixed assets' disposal		<u>(3,233,670)</u>		
Fixed Assets Disposal Gain		<u>416,902</u>		

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

5 – INVESTMENT PROPERTIES

	Land	Buildings & Constructions	Total
Cost	LE	LE	LE
As of 1 January 2020	30,214,479	108,145,301	138,359,780
Additions	-	4,718,425	4,718,425
Disposal	(23,550,257)	(67,560,727)	(91,110,984)
As of 30 September 2020	6,664,222	45,302,999	51,967,221
Accumulated depreciation			
At 1 January 2020	-	(23,614,776)	(23,614,776)
Depreciation charge	-	(666,026)	(666,026)
Disposal	-	11,940,915	11,940,915
As of 30 September 2020	-	(12,339,887)	(12,339,887)
Net book value As of 30 September 2020	6,664,222	32,963,112	39,627,334
Net book value As of 31 December 2019	103,683,541	11,061,463	114,745,004

6 – INTANGIBLE ASSETS

	30 September 2020	31 December 2019
	LE	LE
Computers and Software	8,361,653	7,160,512
Additions	989,267	-
Accumulated Amortisation at the beginning of period / year	(7,576,906)	(5,493,018)
Amortization	(653,843)	(882,746)
Balance at the end of period / year	1,120,171	784,746

7 – FIXED ASSETS UNDER CONSTRUCTIONS

	30 September 2020	31 December 2019
	LE	LE
Sharm El Sheik Project Extension	4,003,961,406	3,350,639,132
Transfer To Fixed assets (Sharm El sheik Project)		
Hotel Assets	968,066,917	584,246,339
Villa – Sednawy	72,795,409	73,606,541
Luxor Project	18,744,257	72,533,460
Administration Office	15,914,342	11,798,110
Administration Space at Four season Nile plaza	99,429,404	
	5,178,911,735	4,092,823,582

8- GOODWILL

	30 September 2020	31 December 2019
	LE	LE
Arab Company for Projects and Urban Development	10,461,612,484	10,461,612,484
Alexandria Company for Real Estate Investment	2,043,149,242	2,043,149,242
	12,504,761,726	12,504,761,726

Goodwill is tested annually for impairment.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

9- INVESTMENTS IN ASSOCIATES

	Percentage	30 September 2020 LE	31 December 2019 LE
Hill / TMG for Projects and Construction Management*	49%	2,751,983	2,929,322
Cairo Medical City Co.	10%	7,500	7,500
Bedaya for Real State Lease	33,3%	50,000,000	-
Atrium for advanced buildings systems	1,50%	700,000	700,000
		53,459,483	3,636,822

*The Board of directors agreed for the liquidation of Hill /TMG for constructions and projects management and the liquidation procedures under process.

10- AVAILABLE FOR SALE INVESTMENTS

	30 September 2020 LE	31 December 2019 LE
Available for sale investment – current		
Housing Insurance Company	6,600,000	6,600,000
Egyptian For Real Estate refinance Company	1,762,500	2,055,560
Egyptian Company for Marketing and Distribution	500,000	500,000
Other Companies	95,775	2,868,423
	8,958,275	12,023,983
Available for sale investment – non current		
Hermes investment fund	17,382,862	20,141,470
El Tameer for Real Estate Finance Company	12,565,100	12,565,100
Orion for utilities and services management	112,500	112,500
	30,060,462	32,819,070

Available for sale investments that have no market price and its fair value can't be properly determined due to the nature of the unpredictable future cash flows; therefore it was recorded at cost.

The available for sale investments are classified into current and non-concurrent assets based on the purpose of the investment whether the acquisition for keeping the investments.

Hermes investment fund amounted USD 1,104,375 equivalent to LE 17,802,530 as of 30 September 2020 and accounted at cost and the balance is valued and this investment is recorded at cost and the balance in foreign currency is valued and the valuation differences is presented in the other comprehensive income statement.

11- INVESTMENTS IN FINANCIAL ASSETS HELD TO MATURITY

Non - Current Investment

This item amounted to LE 3,501,498,582 as of 30 September 2020 consists of:-
- 2,555,126 bond as follows:

No.	Face Value	Yield	Maturity
105,669	160,114,000	15%	2021
66,025	91,000,000	17%	2022
115,096	210,800,000	16.1%	2023
363,584	447,307,000	15%	2024
503,792	741,046,000	15%	2025
238,223	461,212,000	16.4%	2026
373,634	507,500,000	16.8%	2027
289,070	359,000,000	16.4%	2028
460,033	493,400,000	14.0%	2029
40,000	40,000,000	14.0%	2030
2,555,126	3,511,379,000		

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

11- INVESTMENTS IN FINANCIAL ASSETS HELD TO MATURITY (Continued)

The balance of bonds discounting issue amounted to 11,489,574 as of 30 September 2020 and it is amortized at the maturity date of the interest.

	30 September 2020	31 December 2019
	LE	LE
Historical cost	3,511,379,000	3,570,932,000
Bonds issue discount	(11,489,574)	(13,217,536)
Amortized value	3,499,889,426	3,557,714,464
Amortization of Bonds issue discount during the period	1,609,156	2,200,410
Balance of bonds	3,501,498,582	3,559,914,874

Current Investment

This item amounted to LE 1,595,863,864 as of 30 September 2020 consists of Treasury Bills and maturity date in Jan 2021.

12- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2020	31 December 2019
	LE	LE
Investment Funds - Juman	2,982,181	3,157,863
Investment Fund – Charity Education	5,000,000	-
Egyptian Cables Company	23,653	14,612
Investment Funds- Audi Bank	30,473,610	-
	38,479,444	3,172,475

13- ACCOUNTS AND NOTES RECEIVABLE

	30 September 2020	31 December 2019
	LE	LE
Accounts Receivables	2,663,202,280	631,799,459
Notes Receivables	28,696,225,020	30,141,013,220
	31,359,427,300	30,772,812,679

14- DEVELOPMENT PROPERTIES

	30 September 2020	31 December 2019
	LE	LE
Beginning balance	36,480,865,818	33,830,088,112
Additions and adjustments for the period / year	8,002,296,087	8,272,122,064
Capitalized costs during the Period / year	958,231,322	627,020,310
Costs of delivered units that accounted to the income statement	(5,819,759,891)	(5,621,344,358)
Transfer to Fixed Assets(Finance Lease)	-	(627,020,310)
Ending balance for the period / year	39,621,633,336	36,480,865,818

It presents the real estates that purchased, built or in the construction process to be sold in the ordinary business of the group and to be classified as real estate's development and includes the following components:

- Land.
- Amounts paid to contractors including the cost of infra structures.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

14- DEVELOPMENT PROPERTIES (Continued)

- Capitalized interests, designs, planning, site preparation, legal expenses and any indirect costs.
- The cost of the infra structures are allocated to the projects and present part of the estimates cost to complete the project, this estimated costs is used to determine the cost of the recorded revenue.
- The duration of the projects is more than 10 years.
- According to the contract with the new urban communities' authority, Arab company for projects and urban development received 8,000 Fadden to build Madinaty project on several phases against 7% of the total built up area of the apartments' buildings of the land project.
- The company recognizes the cost of the land as an asset against the obligations due to the new urban communities' authority in accordance to the estimated cost calculated according to the expected delivered units related to the phase that work started in it.
- In 2010 a verdict was issued for the case raised against the new urban communities' authority to cancel the contract of selling the land of Madinaty, A committee was formed by a resolution from the prime minster to adjust the legal situation of the land of Madinaty , the committee reached to a decision to resell the land of Madinaty to Arab company for projects and urban development with a new contract dated 8 November 2010 and the in kind amount should not be less than LE 9.979 billion, based on that the value of the land of Madinaty recorded above , will be considered up on signing the final contract of the land and in accordance to the actual cost that will be bearded due to the execution of the new contract, the project includes six phases and it is required to have the approval of the new urban communities' authority before start any phase and therefore the cost of the first phase of LE 4.2 billion is recorded and the estimated cost of the remaining phases will be recorded up on the approval of the new urban communities' authority and start the execution of that phase.
- A verdict was issued to accept the requests of the case no, 15777 for the year 65 J to accept the form and the subject to recognize the contract dated 8 November 2010 between the new urban communities' authority and the Arab Company for projects and urban development, and the court stated that the high committee for valuation in the general authority for governmental services to reevaluate the area that not yet booked and sold to the others.
- The Arab company for projects and urban development (one of subsidiaries) signed on 25 February 2015 the agreement with the New Urban Communities Authority (NUCA), and the adoption of the Cabinet to this agreement, Under this agreement, all disputes related to interpretation of mechanism, implementation, and determination of the 7% of the total built up area has been resolved, which present in-kind payment - the in kind amount should not be less than LE 9,979 Billion due to NUCA for the value of Madinaty land based on the contract concluded with NUCA in 2010 (all terms and conditions remain the same and unchanged), The 7% is calculated at 3,195 million sq., m of fully finished apartments that is currently under delivery and the remaining to be delivered over the life time of the project based on Madinaty land contract mentioned above, It was agreed also to pay a premium for the privilege of increasing the percentage of the regional services area while keeping the remaining components of the project the same, the amount to be paid is LE 1,122 Billion on installments for ten years.

15- INVENTORY

	30 September 2020	31 December 2019
	LE	LE
Hotels Operating Equipment's & Supplies	1,070,536,774	149,022,307
Units inventory	4,358,871	853,985,989
	1,074,895,645	1,003,008,290
Amortized Hotel Inventory	(611,895)	(974,048)
	1,074,283,750	1,002,034,248

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
30 September 2020

16 – PREPAID EXPENSES AND OTHER DEBIT BALANCES

	As of 30 September 2020 LE	31 December 2019 LE
Advance Payment and Storage - Contractors and Accounts Payable	3,086,525,152	2,923,344,505
Contractors	659,454,814	612,831,709
Hotels Current Accounts	324,158,417	603,325,071
Withholding taxes	442,643,343	292,024,550
Deposit with Others	869,483,560	363,751,299
Claim Debtors Water & Electricity	589,077,784	147,144,716
Other Debit Balances	101,698,640	5,651,362
Letter of credit	9,305,826	5,989,052
Other Debtors	207,083,417	161,131,123
Prepaid expenses	40,953,025	39,041,325
Amounts paid for investments in companies under incorporation	27,468,679	8,544,324
	<u>6,357,852,657</u>	<u>5,162,779,033</u>
Accrued Revenue	242,953,068	143,950,758
	<u><u>6,600,805,725</u></u>	<u><u>5,306,729,793</u></u>

17 - CASH ON HAND AND AT BANKS

	Local Currency LE	Foreign Currency LE	30 September 2020 LE	31 December 2019 LE
Time Deposits	189,734,087	1,986,698,919	2,176,433,006	2,199,210,565
Banks Current Accounts	2,243,871,133	135,480,191	2,379,351,324	1,958,807,511
Cash on Hand	41,715,481	15,584,845	57,300,326	48,602,237
Cheques under collections	-	-	-	4,084,481
T-Bills	-	-	-	990,899
	<u>2,475,320,701</u>	<u>2,137,763,955</u>	<u>4,613,084,656</u>	<u>4,211,695,693</u>

- Time deposits established within three months.
- Cheques under collection represent banks cheques and accepted cheques.

For the purpose of preparing cash flow statement, the cash and cash equivalents consists of:

	30 September 2020 LE	31 December 2019 LE
Cash on Hand and at Banks	4,613,084,656	4,211,695,693
Banks Overdraft	(17,310,865)	(26,812,859)
Cash and Cash Equivalents	<u>4,595,773,791</u>	<u>4,184,882,834</u>

18- CREDITORS AND NOTES PAYABLE

	30 September 2020 LE	31 December 2019 LE
Contractors and Suppliers	1,872,755,345	2,336,682,336
Notes Payables	17,905,855,204	13,489,719,778
	<u>19,778,610,549</u>	<u>15,826,402,114</u>

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

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As of 30 September 2020

19- CUSTOMERS ADVANCE PAYMENT

	30 September 2020	31 December 2019
	LE	LE
Customers down payment (Al Rehab Project)	1,265,855,527	1,466,899,799
Customers down payment (Al Rehab extension Project)	4,423,350,412	3,903,737,959
Customers down payment (Madinaty Project)	21,684,270,116	22,765,555,305
Customers down payment (Celia Project)	10,933,899,107	10,953,360,678
Customers down payment (Al Rabwa Project)	16,774,410	20,193,975
Customers down payment (San Stefano Project)	10,456,000	5,356,000
	<u>38,334,605,572</u>	<u>39,115,103,716</u>

20- DIVIDEND PAYABLE

	30 September 2020	31 December 2019
	LE	LE
Shareholders share	1,149,337	1,149,337
Employees share	159,925,994	340,082,803
Board of directors share	14,775	14,775
	<u>161,090,106</u>	<u>341,246,915</u>

21- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	30 September 2020	31 December 2019
	LE	LE
Customer Units Deposits	7,116,166,462	6,543,119,971
Retentions	2,266,213,221	1,574,313,679
Other Credit Balances	556,690,363	479,032,701
Accrued Expenses and Creditors	766,874,266	33,034,892
Insurance for Other	189,802,909	131,949,452
Due to Customers	27,167,653	26,128,199
Club Subscriptions	143,503,737	91,956,035
	<u>11,066,418,611</u>	<u>8,879,534,929</u>

22 – CAPITAL

The company's authorized capital amounted to LE 50,000,000 and the issued and paid up capital LE 60,000,000 divided over 6,000,000 share of LE 10 par value each in 3 April 2007,

According to the extra ordinary general assembly meeting dated 6 October 2007, the company's authorized capital was increased by LE 29,950,000,000 to become LE 30,000,000,000 and the issued and paid capital was amended to be LE 18,152,035,500 divided over 1,815,203,550 share of LE 10 par value each through share swap with the subsidiaries companies,

According to the extra ordinary general assembly meeting dated 28 October 2007, the company's issued and paid capital was increased to be LE 20,302,035,500 divided over 2,030,203,550 shares recorded in the commercial register on 25 November 2007,

The amount increased amounted to 2,150,000,000 was paid with a premium share amounted to LE 1,6 per share by total amount LE 344,000,000.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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22 – CAPITAL (Continued)

According to the extra ordinary general assembly resolution dated 24 March 2010, The issued capital was reduced by the three hundred treasury stocks amounted of LE 169,720,520 par value as more than one year passed from the date of purchase and the issued capital is LE 20,132,314,980 (Twenty milliard and one hundred and thirty two million and fourteen thousand and nine hundred and eighty pound) Distributed to 2,013,231,498 shares, recorded in the commercial register on 18 May 2010.

The extra ordinary general assembly resolution dated 31 March 2011 concent on increase the issued capital by issuing bonus shares deducted from the retained earnings to be LE 20,635,622,860 par value LE 10 per share dividend to 2,063,562,286 shares, recorded in the commercial register on 24 May 2011.

23 – LEGAL RESERVE

Legal reserve amounted to 313,531,168 as of 30 September 2020 represents the transferred amount of the shares Premium amounted to LE 344,000,000, and LE 1,6 per share, part of the premium amounted to LE 185,880,702 was used to cover the IPO expenses, the remaining balance of LE 158,119,298 was transferred to the legal reserve, as well 5% of the net profit of the retained earnings of the prior years was also transferred to the legal reserve.

24- GENERAL RESERVES

The general reserve balance amounted LE 61,735,404 as of 30 September 2020 includes amount of LE 25,747,613 represents the different results from shares swap of the company with the subsidiaries amounted according to the Extra Ordinary General Assembly Meeting dated 6 October 2007 to transfer the different to general reserve.

In addition to amount of LE 35,987,791 represent the difference between the par value and the book value of the treasury stocks that were redeemed according to the extraordinary general assembly resolution dated 24 March 2010.

25- LOANS AND FACILITIES

	Short Term LE	Long Term LE	30 September 2020 LE	31 December 2019 LE
Banks Facilities	1,260,633,763	-	1,260,633,763	1,242,105,267
Loans *	312,975,618	3,057,828,669	3,370,804,287	3,421,722,779
	1,573,609,381	3,057,828,669	4,631,438,050	4,663,828,046

The loans and bank facilities are:

	Bank facilities LE	Loans LE	Amount in original currency
Bank Audi	163,454,559	-	-
Abou Dhabi Islamic bank	270,573,721	-	-
Qatar national bank	36,772,031	-	-
National bank of Egypt	89,452,917	-	-
Misr Iran Bank	11,658,253	-	-
Arab bank	212,306,116	-	-
Emirates Dubai national bank	39,294,992	-	-
Arab investment bank	39,179,709	-	-
Export development bank	94,988,663	-	-
Bank Misr	2,952,802	-	-
Misr Iran Bank	300,000,000	-	-
Kuwait national bank	-	312,975,618	-
Al Ahly united bank – Euro	-	189,146,633	10,229,672 €
Al Ahly united bank – Dollar	-	2,868,682,036	182,138,542 \$
	1,260,633,763	3,370,804,287	

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

25- LOANS AND FACILITIES (Continued)

* The instalments due within the following period is recorded in the current liabilities and the loans are granted with commercial papers and financial securities in addition to fixed assets as follows:

- First degree mortgage of first class property on the land of the Nile Hotel owned by Nile Hotels Company, located at 12 Ahmed Ragheb Street - Garden City - Nile Palace - Cairo and the land of the garage and the Club Kempinski attached to the hotel and located at 4 Ahmed Ragheb Street - Garden City - Nile Palace - Cairo and on the hotel buildings, club and garage attached to it.
- First degree mortgage on the land and the building of four season hotel sharm el sheik in shark bay – sharm el sheik owned by Alexandria Saudi Co, for tourism investment.
- First degree mortgage on the land and the building of four season hotel Nile plaza, Cairo owned by Nova Park Co, excluding the total sold or available for sale units and its share in the land.

26- NON -CURRENT LIABILITIES

	30 September 2020	31 December 2019
	LE	LE
New Urban Communities Authority	1,867,958,516	1,867,958,516
	<u>1,867,958,516</u>	<u>1,867,958,516</u>

27- IJARA INSTRUMENTS

The Arab Company for Projects and Urban Development (subsidiaries) has issued leasing instruments that comply with Islamic sharia law and are non-transferable to shares on a single issue worth 2 billion Egyptian pounds and the nominal value of the instrument: 100 (100) Egyptian pounds and the number of sukuk issued 20,000.0 00 (twenty million) instruments, the duration of the issuance of 57 months starting from the date of issuance of April 2020 and a maximum of 31/12/2024, those instruments with a variable return in Egyptian pounds calculated based on the net average rate of return on treasury bills for six months after tax.

28- INCOME TAX AND DEFERRED TAX LIABILITY

The income tax was calculated as follows:

	30 September 2020	31 December 2019
	LE	LE
Net book profit before tax	2,141,306,360	1,801,629,469
Adjustments to the net book profit to reach the net tax profit	468,878,949	(74,638,350)
Net taxable profit	<u>2,610,185,309</u>	<u>1,726,991,119</u>
Income Tax with rate 22,5%	587,516,694	388,573,002
Income Tax of other comprehensive income	-	-
Income tax for the period	<u>587,516,694</u>	<u>388,573,002</u>

Accrued income tax movement during the period:

	30 September 2020	31 December 2019
	LE	LE
Balance at the beginning of the period / year	924,806,669	671,122,747
Additions during the period / year	587,516,694	771,866,568
Paid amounts	(721,147,465)	(518,182,646)
Balance at the end of the period / year	<u>791,175,899</u>	<u>924,806,669</u>

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

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28- INCOME TAX AND DEFERRED TAX LIABILITY (Continued)

The balance of deferred tax liabilities in 30 September 2020 is LE 4,780,768 which represents the different between accounting basis and tax basis and it's calculation as follow:

	30 September 2020 LE	31 December 2019 LE
Balance at the beginning of the year	(4,596,022)	(120,083,542)
Impact of EAS 49 Finance Lease adaptation	(376,109)	105,824,783
Deferred tax current	(4,780,768)	9,662,737
Balance at the end of the period/year	<u>(9,752,899)</u>	<u>(4,596,022)</u>
	30 September 2020 LE	30 September 2020 LE
Current income tax	587,516,694	388,573,002
Deferred income tax	4,780,768	43,615,908
Balance at the end of the Period	<u>592,297,461</u>	<u>432,188,910</u>

29- REVENUE AND COST OF REVENUE

	30 September 2020 LE	30 September 2019 LE
-Revenue from Sold Units	8,895,355,401	5,091,704,879
- Revenue from Hotels Operation	437,898,416	1,191,024,162
- Recurring & Services activities revenues	1,079,014,516	1,476,567,105
Total Revenues *	<u>10,412,268,333</u>	<u>7,759,296,146</u>
-Cost of Sold Units	5,819,759,891	3,228,386,147
- Cost of Hotels Operation	491,529,695	772,948,549
- Cost of Recurring & Services activities	782,726,468	875,832,464
Total Cost *	<u>7,094,016,054</u>	<u>4,877,167,160</u>

* Supervision Revenues and Costs amounting to EGP 6,472,099 were eliminated

Herein under the sectors analysis:

	Real Estate& other recurring revenues LE	Tourism LE	General LE	30 September 2020 LE	31 December 2019 LE
Revenue	9,974,369,917	437,898,416	-	10,412,268,333	11,743,571,187
Cost of goods sold	6,602,486,359	491,529,695	-	7,094,016,054	7,231,784,711
Gross Profit	<u>3,371,883,558</u>	<u>(53,631,279)</u>	-	<u>3,318,252,279</u>	<u>4,511,786,476</u>
Depreciation	142,279,906	81,610,013	1,932,495	225,822,413	261,598,824
Other Revenue and fixed assets gain	-	-	203,861,369	203,861,369	430,297,702
Income Tax	-	-	(592,297,461)	(592,297,461)	(762,203,832)
Total Profits	<u>1,703,347,152</u>	<u>(137,351,991)</u>	<u>(16,986,263)</u>	<u>1,549,008,889</u>	<u>1,872,246,700</u>
Assets	84,681,449,519	9,801,474,995	-	94,482,924,514	87,180,876,842
Financial Investment	-	-	5,228,320,110	5,228,320,110	3,679,284,789
Unallocated Assets	-	-	12,504,761,726	12,504,761,726	13,021,072,981
Total Assets	<u>84,681,449,519</u>	<u>9,801,474,995</u>	<u>17,733,081,836</u>	<u>112,216,006,350</u>	<u>103,881,234,613</u>
Liabilities	75,202,762,868	3,435,421,229	-	78,638,184,096	71,557,741,446
Unallocated Liabilities	-	-	20,176,971	20,176,971	92,548,339
Total Liabilities	<u>75,202,762,868</u>	<u>3,435,421,229</u>	<u>20,176,971</u>	<u>78,658,361,067</u>	<u>71,650,289,786</u>

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As of 30 September 2020

30- OTHER INCOME

	30 September 2020	30 June 2019
	LE	LE
Credit interest revenue	134,689,860	275,321,366
Other operating revenue, rents from rental units and usufruct	10,196,949	42,059,999
Revenue from financial assets held to maturity	50,196,415	11,572,149
Revenue of financial assets at fair value through profit or loss	5,106,675	255,213
Others	4,892,671	376,596
Revenue (loss) from affiliated companies	(177,339)	(20,574)
Total	<u>204,905,231</u>	<u>329,564,749</u>

31-TAX SITUATION

Talaat Mostafa Group Holding Company

a. Corporate tax

The tax return was presented on time and inspection has carried out till year 2012.

b. Salary tax

The company pays the deducted income tax of the employees on monthly basis and the quarterly income tax returns are presented to the tax authority on time and inspection has carried out till year 2011.

c. Stamp tax

The company pays the stamp tax on time to the tax authority specially the stamp tax due to the advertising expenses.

d. Real Estate tax

The company has not any submission for the real estate tax as, there is no any properties the company owns in that regard.

Arab Company for Projects and Urban Development

a. Corporate tax

- The company submits its tax returns regularly and in a timely manner sanctioned by the law, Inspection for the years until 2002 was carried out and the company received form (9-a) and settled the due amounts while appealing the form's assessment for year 1996 (period before incorporation).
- Inspection was carried out for years 2003-2006 and the company has been notified about tax claims and appealed the decision.
- For years 2007-2013 the company received tax form (19) and the file was transferred to internal tax committee.
- Inspection for years 2014-2017 was not yet carried out.
- According to the court appeal no 4233 dated 25 July 2004, the company's project is tax exempted beginning 1 January 1997 for the phase I, beginning 1 January 1998 for the phase II and phase III, for a period of ten years while phases IV and V are also exempted.

b. Salary tax

- The company settles income tax deducted from employee salaries on a regular basis, And tax returns were submitted and settled in a timely manner sanctioned by the law.
- The company's records until 2004 were inspected and claims until this date were settled.
- Tax returns for years 2013-2015 were submitted and the company didn't receive any notification from the tax authority.
- Inspection of records for years 2016-2017 was not yet carried out.

c. Stamp tax

- Tax inspection of the company's records for years until 2013 was carried out and all tax claims were settled.
- Tax returns for years 2014-2015 were submitted and the company didn't receive any notification from the tax authority.
- Inspection of records for years 2016-2017 was not yet carried out.

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31-TAX SITUATION(Continued)

San Stefano Company for real estate investments

a. Corporate tax

- Inspection of the company's records until 2004 was carried out and tax claims until that date were settled.
- Inspection of a sample of the company's records for year 2005 was suspended as per circular no. 3 for the year 2011 issued by the Tax Authority.
- Inspection of the company's records until 2006 was carried out, the claims were issued and appealed by company.
- Tax arbitration committee issued a decision regarding appeal for the year 2006 and legal proceedings pertaining to this decision are underway.
- Claims for years 2007 & 2008 has been tax arbitration committee that issued a decision for collecting the due amounts and the company took the legal proceedings pertaining to this decision are underway.
- Inspection of the company's records for years 2009-2014 is being carried out by the Large Taxpayer Office.
- The company submits its tax returns regularly and in a timely manner sanctioned by the law.

b. Salary tax

- Inspection of the company's records until 2005 was carried out and claims until year 2005 have been settled.
- Salary tax fir years 2006-2007 was calculated, tax claim was received and appealed, New inspection for years 2006 and 2007 is underway.
- Inspection of the company's records for years 2008-2018 is being carried out by the Large Taxpayer Office.
- The company submits its tax returns regularly and in a timely manner sanctioned by the law.

c. Stamp tax

- Inspection of the company's records until year 2015 was carried out and tax claims were received and settled.
- Inspection of the company's records for years 2014-2016 is being carried out by the Large Taxpayer Office.

Alexandria for Projects Management

a. Corporate tax

- Inspection of the company's records until 2009 was carried out and tax claims until that date were settled.

b. Salary tax

- Inspection of the company's records until 2014 was carried out and tax claims until that date were settled.

Alexandria Company for Real Estate Investments

a. Corporate tax

- The company submits its tax returns regularly and in a timely manner sanctioned by the law.
- Inspection of the company's until 2011 was carried out and tax claims were settled.
- Inspection of the company's records for years 2012-2013 was carried out and settlement of tax claims is underway.
- Inspection of the company's records for years 2014-2016 has not yet been carried out.

b. Salary tax

- Inspection of the company's records since inception until year 2007 was carried out and tax claims were settled.
- Inspection of the company's records for years 2009-2016 has not yet been carried out.

c. Stamp tax

- Inspection of the company's records until 30 April 2006 was carried out and tax claims were settled.
- Inspection of the company's records for the period from 1 May 2006 until 31 December 2016 has not yet been carried out.

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32-TAX SITUATION(Continued)

Arab Company for Hotels and Tourism Investments

a. Corporate tax

- The company submits its tax returns before the end of April of each year, as sanctioned by the Corporate Tax Law no. 91 of 2005 and settles tax claims on operating results annually.
- Inspection of the company's until 2011 was carried out and payment of tax claims is underway.

b. Salary tax

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax returns accompanied by payroll records and adjustments, The company received tax form no. (38) For years 2005-2010 and appealed the form within legal timeline, the appeal was accepted and inspection of the company's records for years 2005-2010 is underway.

c. Stamp tax

- The company settles stamp tax in accordance with law no. 111 of 1980 and its amendments.
- Inspection of the company's records until year 2016 was carried out and the tax claims were settled.

Alexandria for Urban Projects

a. Corporate tax

- The company submits its tax returns regularly and in a timely manner sanctioned by the law.
- Inspection of the company's records until 2007 was carried out and tax claims were settled.

b. Salary tax

- The company deducts income tax on employee salaries in a timely manner sanctioned by the law.

c. Sales tax

- Inspection of the company's records until 31 December 2012 was carried out and tax claims until that date have been settled.

Al Rabwa for Entertainment Services

a. Corporate tax

- The company submits its tax returns regularly and in a timely manner sanctioned by the law.
- Inspection of the company's records until 2004 was carried out.
- The company enjoys a tax holiday under the New Urban Communities law.

b. Salary tax

- The company deducts income tax on employee salaries in a timely manner sanctioned by the law.
- Inspection of the company's records until 2006 was carried out and tax claims were settled.

c. Stamp tax

- No tax inspection was carried out until 2007.
- The company's records until 2001 were inspected and tax claims were settled.

d. Sales tax

- The company submits its tax returns and settles claims regularly and in a timely manner sanctioned by the law.

Al Masria for Development and Real Estate Projects

a. Corporate tax

- The company submits its tax returns regularly and in a timely manner sanctioned by the law.
- The company submits its tax returns before the end of April of each year, as sanctioned by the Corporate Tax Law no. 91 of 2005 and settles tax claims on operating results annually.
- The company received tax form no. (19) for year 2010 and appealed the form within legal timeline, the appeal was accepted and inspection of the company's records for years 2010-2014 is underway.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

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As of 30 September 2020

32-TAX SITUATION(Continued)

b. Salary tax

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax returns accompanied by payroll records and adjustments, The company received tax form no. (38) for years 2005-2011 and appealed the form within legal timeline, the appeal was accepted and inspection of the company's records for years 2005-2011 is underway.

c. Stamp tax

- The company settles stamp tax in accordance with law no. 111 of 1980 and its amendments.
- Inspection of the company's records until 2014 was carried out and settled.

d. VAT

- The company is not subject to Value Added Tax (VAT), formerly sales tax.

El Nile for Hotels company

a. Corporate tax

- The company submits its tax returns before the end of April of each year, as sanctioned by the Corporate Tax Law no. 91 of 2005 and settles tax claims on operating results annually.
- The company received tax form no. (19) for years 2010-2012 and appealed the form within legal timeline.

b. Salary tax

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax returns accompanied by payroll records and adjustments, Inspection of the company's records until 2011 was carried out and tax claims have been settled.

c. Stamp tax

- The company settles stamp tax in accordance with law no. 111 of 1980 and its amendments and inspection of the company's records until 2010 was carried out and tax claims have been settled.

d. VAT

- The company is subject to Value Added Tax (VAT), formerly sales tax, and submits relevant tax forms monthly.

San Stefano for Tourism Investment

a. Corporate tax

- The company submits its tax returns before the end of April of each year, as sanctioned by the Corporate Tax Law no. 91 of 2005 and settles tax claims on operating results annually.
- Inspection of the company's records until 2011 was carried out and the company has not yet been notified of its results.

b. Salary tax

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax returns accompanied by payroll records and adjustments.
- Inspection of the company's records until 2011 was carried out and company appealed against the tax authority.

c. Stamp tax

- The company settles stamp tax in accordance with law no. 111 of 1980 and its amendments, The company received tax form no. (19) for years 2011-2015 and appealed the form within legal timeline.

d. VAT

- The company is subject to Value Added Tax (VAT), formerly sales tax, and submits relevant tax forms monthly, Inspection of the company's records until 2015 was carried out and tax claims were settled.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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31-TAX SITUATION(Continued)

Nova Park Cairo company

a. Corporate tax

- The company submits its tax returns before the end of April of each year, as sanctioned by the Corporate Tax Law no. 91 of 2005 and settles tax claims on operating results annually.
- Inspection of the company's records until 2010 was carried out and the company has not yet been notified of its results.

b. Salary tax

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax returns accompanied by payroll records and adjustments, Inspection of the company's records until 2013 was carried out and the company has not yet been notified of its results.

c. Stamp tax

- The company settles stamp tax in accordance with law no. 111 of 1980 and its amendments, Inspection of the company's records until 2013 was carried out and the company has not yet been notified of its results.

d. VAT

- The company is subject to Value Added Tax (VAT), formerly sales tax, and submits relevant tax forms monthly, Inspection of the company's records until 2014 and the company appealed the authority's estimates.

Alexandria Saudi Company for Tourism Projects

a. Corporate tax

- The company submits its tax returns before the end of April of each year, as sanctioned by the Corporate Tax Law no. 91 of 2005 and settles tax claims on operating results annually.
- Inspection of the company's records until 2014 was carried out and the company has appealed against the tax authority.

b. Salary tax

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax returns accompanied by payroll records and adjustments.
- Inspection of the company's records until 2013 was carried out and the company has not yet been notified of its results.

c. Stamp tax

- The company settles stamp tax in accordance with law no. 111 of 1980 and its amendments, Inspection of the company's records until 2014 was carried out and tax claims have been settled.

d. VAT

- The company is subject to Value Added Tax (VAT), formerly sales tax, and submits relevant tax forms monthly, Inspection of the company's records until 2015 and the company appealed the authority's estimates.

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As of 30 September 2020

31-TAX SITUATION(Continued)

Luxor for Urban and Touristic Development Company

a. Corporate tax

- The company submits its tax returns before the end of April of each year, as sanctioned by the Corporate Tax Law no. 91 of 2005 and settles tax claims on operating results annually.
- Inspection of the company's records has not yet been carried out by the Investment Tax Authority.

b. Salary tax

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax returns accompanied by payroll records and adjustments, The company received tax form no. (38) for years 2011-2014 and appealed the form within legal timeline.

c. Stamp tax

- The company settles stamp tax in accordance with law no. 111 of 1980 and its amendments. Inspection of the company's records until 2014 was carried out and tax claims have been settled.

d. VAT

- The company is not subject to Value Added Tax (VAT), formerly sales tax.

Mayfair Company for Entertainment Services

a. Corporate tax

- The company commenced operations in 2005 and no tax inspection was carried out until now. The company enjoys a tax holiday under the New Urban Communities law.

b. Salary tax

- The company settles income tax deducted from employee salaries in a timely manner sanctioned by the law and now inspection of the company's records has been carried out to date.

c. Stamp tax

- No tax inspection was carried out to date of issuing the financial statements.

d. Sales tax

- The company submits its tax returns and settles claims regularly and in a timely manner sanctioned by the law.

Port Venice for Tourism Development

a. Corporate tax

- The company has not yet commenced operations and enjoys a tax holiday under the provisions of Investments Guarantees and Incentives Law but the company submits annual tax returns in accordance to the income tax law no. 91 of 2005.

b. Salary tax

- There is no amounts subject to income tax on salaries as the company is inactive and no tax inspection was carried out yet.

c. Sales tax

- The company is not subject to sales tax.

d. Stamp tax

- No tax inspection was carried out to date of issuing the financial statements.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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32- RELATED PARTY TRANSACTIONS

To accomplish the company's objectives, the company deals with some related companies with the same terms of the other parties, it delegates some assignments in El Rehab City's project to them, and it may as well Pay off or settle some balances on behalf of them, these transactions balances appeared in the Assets and Liabilities in the financial position.

Alexandria Company for construction S.A.E is the main contractor for the companies' projects under the contracts signed by the companies.

TMG Company for real estate and tourism investment - some of the board members participate in it – owns 43.16% of Talaat Mostafa Group Holding.

Short term benefits paid from the parent company amounted to LE 2,132,825 in 30 September 2020 as salaries and rewards according to paragraph no. 17 of EAS no.15.

The related party transactions that is included in the balance sheet statement:

	30 September 2020	31 December 2019
	Notes payable	Notes payable
Alexandria for Constructions Company	98,173,143	155,379,468

33- CONTINGENT AND OTHER CONTRACTUAL COMMITMENTS

There are no contingent obligations or contractual commitments not included in the financial statements.

34-FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Company has exposure to the following risks from its use of financial instruments:

- a) Credit risk.
- b) Market risk.
- c) Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Parent Company on their activities.

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally from its receivables from customers, due from related parties, other receivables and from its financing activities, including deposits with banks and financial institutions.

Trade and notes receivables

The Company has entered into contracts for the sale of residential and commercial units on an instalment basis. The instalments are specified in the contracts. The Company is exposed to credit risk in respect of instalments due. However, the legal ownership of residential and commercial units is transferred to the buyer only after all the instalments are recovered. In addition, instalment dues are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

34-FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES(Continued)

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, the demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk, The Company earns its revenues from a large number of customers.

Other financial assets and cash deposits

With respect to credit risk arising from the other financial assets of the Company, which comprise bank balances and cash, financial assets at amortised cost, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Credit risk from balances with banks and financial institutions is managed by local Company's treasury supported by the Parent Company. The Company limits its exposure to credit risk by only placing balances with international banks and local banks of good repute. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

Due from related parties

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Company's income. Financial instruments affected by market risk include interest-bearing loans and borrowings, and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company does not hold or issue derivative financial instruments.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations with floating interest rates and interest bearing time deposits.

Interest on financial instruments having floating rates is re-priced at intervals of less than one year.

Since the interest rate on the loans and financial obligations is a floating interest rate, the effect of the change in the interest rate will display in the financial statements of the company.

Exposure to foreign currency risk

The company exposed to the foreign currency risk mainly for the long term loans in us dollars. The company's exposure to foreign currency changes for all other currencies is not material.

c) Liquidity risk

The cash flows, funding requirements and liquidity of the Company are monitored by company management. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

35-FAIR VALUE OF THE FINANCIAL INSTRUMENTS

The financial instruments are represented in financial assets and financial liabilities, the financial assets include cash on hand and at banks, account receivable, debtors and other debit balances, the financial liabilities include banks overdrafts, accounts payable, creditors and other credit balances.

The fair value of the financial assets and financial liabilities are not substantially differed from the recorded book value unless it is mentioned.

36-LEGAL STATUS

According to the legal consultant opinion, the probability of winning the following lawsuits filed against and from the group companies is probable:

- Appeal #6913 for the law year 58 from Arab company for projects and urban development in the case # 5087,15777/65 Administration Cairo rose regarding the validate of Madinaty land contract dated 8/11/2011 and the reprice the unused part of the land , and the case is suspended till receive the supreme court decision regarding the legibility of the law.
- Appeal # 41817/66 administrative Cairo rose from Mr. Ahmed Abdel Baseir against Arab company for projects and urban development and ready for justification.
- Case #66/5324 rose from Hamdy Al Fakharany to cancel the resolution of the contract dated 8/11/2010 between the new urban communities' authority and the Arab company for projects and urban development, is booked for the report and the case is not yet rescheduled.
- Case # 314/2011 from the governor of south Sinai against the Egyptian company for development and real estate projects.

37- MAJOR EVENTS

Some major global events occurred, which included the Arab Republic of Egypt as well, coronavirus spread, and the World Health Organization "WHO" announced that the outbreak of the virus can be characterized as a global pandemic. The government has imposed various measures to combat the disease, including travel restrictions ,quarantines, business closures, and other locations. These governmental measures and their corresponding impact are still evolving and are expected to impact the economic climate which in turn, could expose the company to various risks, including a significant drop in revenues, and impairment of assets and other risks. The impact of these events was considered in the financial statements of the company as of 30 September 2020 and may affect the financial statements for future financial periods. It is difficult to determine the extent of the impact of these events on the Company's activity during the said period. However the impact will occur in future financial statements. The magnitude of the impact varies according to the expected term, the time period during which those events are expected to end.

The group's revenues comprises of three main sectors: real estate sector, hotels sector, recurring income and services activities sector, e.g. malls, clubs' memberships, as well as infrastructure and public transportation activity.

Since the outbreak of COVID-19 crisis, the Group's executive management took a set of measures and procedures which had a positive effect in mitigating the severity of the crisis, and the group's tolerance of any potential fluctuations in all the activities.

Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2020

37- MAJOR EVENTS (Continued)

First: Real Estate Sector

1. The real estate sector achieved revenues during the first nine months of 2020 around EGP 8,895 million compared to EGP 5,091 million in the same period of the previous year. The increase is due to one-off deal amounted to about EGP 4 billion , its impact primarily reflected on the achieved sales during the period and the increase of cash collections, whereas EGP 2.25 billion of the deal was collected in September 2020.
2. Actual undelivered sales amounted to EGP 49.8 billion as of 30 September 2020. This amount enjoys a stable position and good quality of customers and will be fully financed by those customers, thus providing a clear view of cash flows and future profits. Moreover total collections of those sales amounted to EGP 38.3 billion representing around 77% of the amount of those sales (in cash and postdated cheques from customers). According to a careful monitoring of the collection rates during the current period, it is still at its normal rates compared to the pervious years 2017-2018-2019, moreover, the company has collected a stock of units of nearly completed Buildings that may generate sales in the coming period without any need of additional spending, which in turn might boast the volume of non-delivered sales and future cash flows.
3. The completion rates for the group's projects are in accordance with the prepared time plan and the management is keen to cautious to deliver to its customers their units according to the agreed deadlines.

Second: Hotel Sector

Hotel sector companies achieved revenues, during the first nine month period of 2020, amounted to EGP 437,898,416 compared to EGP 1,191,024,162 in the same period of the previous year, and achieved operating losses of EGP 53 million in the first nine months of 2020 compared to operating profits amounted to EGP 418 million in the same period of the previous year due to the impact of COVID-19 .

Given the achieved losses from the hotel sector are primarily due to the impact of the Covid-19 pandemic on all tourism and aviation activities in all over the world, which had its impact on Egypt, therefore it is considered a casual event and it is not solely limited to the group's companies, thus it is expected, when the impact of the pandemic is over and the return to normal tourism and aviation rates around the world, the group's hotels should regain its ability to make profits again as previous due to its distinctive elements.

Immediately after the outbreak of the COVID-19 pandemic, the Executive Management in cooperation with the management companies of the Four Seasons Hotels Nile Plaza, Four Seasons Sharm El Sheikh, Four Seasons San Stefano and Nile Kempinski Hotel, and as a result of the multiple meetings, took several measures, as shown below, to mitigate the impact of COVID-19 on operational activities.

1. Maintaining cash balance available in hotels and speed up customers' collection to maintain the cash balance at each hotel.
2. Rationalizing costs in various aspects of operation and work on a strategy to reduce fixed and operational costs while maintaining hotels' assets.
3. The resumption of the hotels operations with a gradual capacity up to 50% and abiding by the measures of the World Health Organization and the Egyptian Ministry of Health and Population in this regard. The results of hotels operation showed good signs of return during the third quarter, especially at the Four Seasons Hotel San Stefano in Alexandria after the inauguration of beach facilities, villas and beach cabins for operation during the summer, resulting in an increase in the average room price and net profit during the third quarter.
4. Benefiting from the Central Bank of Egypt initiative to mitigate the impacts of COVID 19 on economic activities in deferring interest on outstanding loans of the companies for six months (from March to September).

Third: Recurring Income and Services Activities Sector

Recurring income and services activities sector achieved revenue amounted to EGP 1,079 million during the first nine month period of 2020 compared to EGP 1,476 million during the same period of last year. As a result of the impact of the precautionary measures against Covide-19 pandemic, which affected the operations of those activities and the generated revenues , however, the company has a strong financial position, in addition to the excellent liquidity and The ability to cover any potential deficit. The Management's focus remains on reducing those impacts.