

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

**ARAB CHARTERED ACCOUNTANTS
(RSM EGYPT)**

**TALAAAT MOSTAFA GROUP HOLDING COMPANY
"TMG HOLDING" (S.A.E)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 SEPTEMBER 2016
TOGETHER WITH REVIEW REPORT**

Talaat Mostafa Group Holding Company "Tmg Holding" (S.A.E)
Consolidated Financial Statements
For The Period From 1 January 2016 To 30 September 2016

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translation of review report
originally issued in Arabic

**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 financial position of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** as at 30 September 2016 and the related statements of consolidated profit or loss, comprehensive income, changes in equity and consolidated cash flows for the nine months ended in that date, and summary of the main accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with the 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim consolidated financial statements are not prepared, in all material respects for the financial position of the company as at 30 September 2016, and its financial performance and cash flows for the three months ended in that date in accordance with Egyptian accounting standards.

Cairo: 10 November 2016

Auditors



Magdy Hashish
Magdy Hashish & Co
(RAA. 1626)
(RCMA 117)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 September 2016

	Notes	30/9/2016 LE	31 /12/2015 LE
Non-Current Assets			
Property and Equipment	(4)	3,909,364,987	3,940,105,212
Intangible Assets	(5)	992,234	3,005,967
Projects Under Constructions	(6)	1,713,744,794	1,553,958,615
Goodwill	(7)	14,646,653,099	14,646,653,099
Investments in Associates	(8)	2,421,299	4,823,984
Available for Sale Investments	(9)	52,557,686	47,137,342
Investments in Financial Assets Held to Maturity	(10)	1,869,861,964	1,598,493,043
Total Non-Current Assets		22,195,596,063	21,794,177,262
Current Assets			
Work in Progress	(13)	20,031,599,391	19,214,437,756
Inventory	(14)	28,213,391	36,406,252
Finished Unites		23,108,613	23,108,613
Accounts and Notes Receivable	(12)	15,177,442,091	15,272,825,351
Prepayments and Other Debit Balances	(15)	2,223,839,327	2,003,610,082
Available for Sale Investments	(9)	27,491,897	27,491,897
Investments in Financial Assets Held to Maturity	(10)	538,251,438	463,167,759
Financial assets at fair value through profit and loss	(11)	59,776,712	66,676,753
Cash on Hand and at Banks	(16)	1,800,966,080	1,541,478,907
Total Current Assets		39,910,688,940	38,649,203,370
Total Assets		62,106,285,003	60,443,380,632
Equity			
Authorized Capital	(21)	30,000,000,000	30,000,000,000
Issued and Paid up Capital	(21)	20,635,622,860	20,635,622,860
Legal Reserve	(22)	236,367,496	220,633,894
General Reserve	(23)	61,735,404	61,735,404
Net unrealized gain on available for sale investments	(24)	15,935,791	11,735,024
Accumulative translation adjustment		378,125	378,125
Retained earning		5,503,713,154	5,062,917,270
Net profit for the period / year		616,396,790	761,576,314
TOTAL PARENT COMPANY SHAREHOLDERS EQUITY		27,070,149,620	26,754,598,891
Non-Controlling Intrest		902,016,016	900,990,061
TOTAL SHAREHOLDERS' EQUITY		27,972,165,636	27,655,588,952

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

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As of 30 September 2016

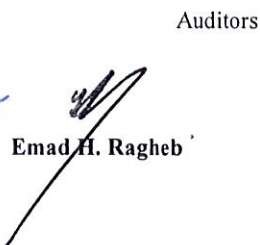
	Notes	30/9/2016 LE	31 /12/2015 LE
Non-current Liabilities			
Non-current Loans	(25)	1,619,633,885	1,733,699,976
Non-current Liabilities	(26)	1,794,562,877	1,804,013,215
Deferred Tax Liability	(27)	78,361,711	69,824,319
Total Non- Current Liabilities		<u>3,492,558,473</u>	<u>3,607,537,510</u>
 Banks Overdraft		 14,804,720	 10,475,294
Creditors and Notes Payable	(17)	3,462,139,111	4,107,698,872
Bank Facilities	(25)	764,242,205	854,938,020
Current Portion of Loans and Facilities	(25)	592,277,931	366,469,448
Customers Advance Payment	(18)	20,919,032,185	19,317,708,695
Dividends Creditors	(19)	34,031,610	89,869,957
Accrued income tax	(27)	188,398,248	438,025,128
Accrued Expense and Other Credit Balances	(20)	4,666,634,884	3,995,068,756
Total Current Liabilities		<u>30,641,560,894</u>	<u>29,180,254,170</u>
Total Equity and Liabilities		<u>62,106,285,003</u>	<u>60,443,380,632</u>

Chairman

Tarek Talaat Mostafa

Financial Director

Ghaleb Ahmed Fayed

Auditors

Emad H. Ragheb


Magdy Hashish

-The attached notes (1) to (39) are an integral part of these consolidated financial statements.
-Review report attached.

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


CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from 1 January 2016 to 30 September 2016

	Notes	From 1/1/2016 to 30/9/2016 LE	From 1/1/2015 to 30/9/2015 LE	From 1/7/2016 to 30/9/2016 LE	From 1/7/2015 to 30/9/2015 LE
Revenue	(28)	3,932,025,169	3,653,363,748	1,007,475,160	745,538,237
Cost of revenue	(28)	(2,632,673,459)	(2,550,265,413)	(643,634,676)	(524,260,297)
GROSS PROFIT		1,299,351,710	1,103,098,335	363,840,484	221,277,940
General and administrative expenses, marketing and sales expenses		(395,282,657)	(204,020,379)	(131,395,826)	(79,242,047)
Depreciation and amortization	(4,5)	(101,819,400)	(96,756,246)	(34,795,777)	(35,190,651)
Credit interest	(32)	52,367,760	46,823,623	17,270,279	13,770,961
Interest on bonds	(32)	4,050,926	13,414,823	2,635,059	1,278,791
Bonds amortization	(10)	426,594	578,853	(520,817)	252,560
Income from treasury bills	(32)	35,522,811	29,649,847	12,395,287	9,403,583
Notes receivable factoring without recourse expenses		(120,118,646)	(288,425,482)	-	-
Finance cost		(46,186,248)	(71,473,378)	(15,567,704)	(16,783,451)
Dividends revenue from financial assets at fair value through profit and loss	(29)	2,113,101	4,382,295	45,000	746,742
(Loss) Gain on sale of financial assets at fair value through profit and loss	(30)	(1,611,199)	7,170,562	799,672	3,053,388
Gain (Loss) of revalue financial assets at fair value through profit and loss	(11)	7,458,729	(13,213,474)	3,575,664	(8,603,675)
Share of (loss) gain of associates	(8)	(2,402,685)	(535,192)	146,210	(901,513)
Other income	(31)	51,148,991	58,162,484	10,521,117	15,008,555
Capital gain	(4)	543,824	1,109,455	47,298	(389,736)
Board of directors allowances		(402,250)	(423,400)	(102,450)	(115,900)
Foreign exchange gain / (loss)		43,429,632	23,818,853	(9,544,504)	9,170,617
NET PROFIT FOR THE PERIOD BEFORE TAX		828,590,993	613,361,579	219,348,992	132,736,164
Income tax	(27)	(199,781,123)	(117,311,749)	(27,903,560)	(11,926,663)
Deferred tax	(27)	(8,537,390)	9,415,401	(3,307,943)	18,085,504
NET PROFIT FOR THE PERIOD		620,272,480	505,465,231	188,137,489	138,895,005
NET PROFIT FOR:					
Parent Company Shareholders		616,396,790	532,120,701	181,746,363	137,107,722
Non-Controlling Interest		3,875,690	(26,655,470)	6,391,126	1,787,283
		620,272,480	505,465,231	188,137,489	138,895,005

Chairman

Tarek Talaat Mostafa

Financial Director

Ghaleb Ahmed Fayed

-The attached notes (1) to (39) are an integral part of these financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME STATEMENT

For the period from 1 January 2016 to 30 September 2016

	Notes	From 1/1/2016 to 30/9/2016 LE	From 1/1/2015 to 30/9/2015 LE	From 1/7/2016 to 30/9/2016 LE	From 1/7/2015 to 30/9/2015 LE
Net profit for the period		616,396,790	532,120,701	181,746,363	137,107,722
Other Comprehensive Income					
Forgien body translation		-	101,447	-	-
Revaluation of available for Sale Investments	(9)	5,420,344	3,081,252	-	625,040
Income tax of other comprehensive income		(1,219,577)	(716,107)	-	(76,693)
Comprehensive Income After Tax		4,200,767	2,466,592	-	548,347
Total Comprehensive Income For The Period		<u>620,597,557</u>	<u>534,587,293</u>	<u>181,746,363</u>	<u>137,656,069</u>
Total Comprehensive Income For:					
Parent Company Shareholders		620,597,557	534,587,293	181,746,363	137,656,069
Non-Controlling Interest		3,875,690	(26,655,470)	6,391,126	1,787,283
		<u>624,473,247</u>	<u>507,931,823</u>	<u>188,137,489</u>	<u>139,443,352</u>

-The attached notes (1) to (39) are an integral part of these financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from 1 January 2016 to 30 September 2016

	Issued and Paid up Capital	Legal Reserves	General Reserves	Net unrealized gain on available for sale	Accumulative translation adjustments	Retained Earning	Net Profit for the period	Total	Minority interest	Total
	LE	LE	LE	LE	LE	LE		LE	LE	LE
Balance at 1 January 2016	20,635,622,860	220,633,894	61,735,404	11,735,024	378,125	5,062,917,270	761,576,314	26,754,598,891	900,990,061	27,655,588,952
Transferred to retained earnings and legal reserve	-	15,733,602	-	-	-	745,842,712	(761,576,314)	-	-	-
Total Comprehensive Income For The Period **	-	-	-	4,200,767	-	-	-	4,200,767	-	4,200,767
Net Profit	-	-	-	-	-	-	616,396,790	616,396,790	3,875,690	620,272,480
Dividends	-	-	-	-	-	(303,075,000)	-	(303,075,000)	-	(303,075,000)
Reconciliation on retained earning	-	-	-	-	-	(1,971,828)	-	(1,971,828)	-	(1,971,828)
Reconciliation on minority interest*	-	-	-	-	-	-	-	-	(2,849,735)	(2,849,735)
Balance as of 30 September 2016	20,635,622,860	236,367,496	61,735,404	15,935,791	378,125	5,503,713,154	616,396,790	27,070,149,620	902,016,016	27,972,165,636

* Results from the elimination entries among the subsidiaries and the dividend paid to minority interest in subsidiaries (Arab Company for Tourism and Hotel Investments)

** Accumulative translation adjustments is due to translation of the financial statements of Swiss Green Co. as a foreign operation

- The attached notes (1) to (39) are an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from 1 January 2015 to 30 September 2015

	Issued and Paid up Capital	Legal Reserves	General Reserves	Net unrealized gain on available for sale	Accumulative translation adjustments	Retained Earning	Net Profit for the period	Total	Minority interest	Total
	LE	LE	LE	LE	LE	LE		LE	LE	LE
Balance at 1 January 2015	20,635,622,860	219,401,938	61,735,404	8,653,772	312,343	4,748,192,162	681,804,117	26,355,722,596	898,537,461	27,254,260,057
Transferred to retained earnings and legal reserve	-	1,231,956	-	-	-	680,572,161	(681,804,117)	-	-	-
Total Comprehensive Income For The Period**	-	-	-	2,387,970	78,622	-	-	2,466,592	-	2,466,592
Net Profit	-	-	-	-	-	-	532,120,701	532,120,701	(26,655,470)	505,465,231
Dividends	-	-	-	-	-	(303,075,000)	-	(303,075,000)	-	(303,075,000)
Reconciliation on retained earning	-	-	-	-	-	11,573,471	-	11,573,471	-	11,573,471
Reconciliation on minority interest*	-	-	-	-	-	-	-	-	(4,819,774)	(4,819,774)
Balance as of 30 September 2015	20,635,622,860	220,633,894	61,735,404	11,041,742	390,965	5,137,262,794	532,120,701	26,598,808,360	867,062,217	27,465,870,577

* Results from the elimination entries among the subsidiaries and the dividend paid to minority interest in subsidiaries (Arab Company for Tourism and Hotel Investments)

** Accumulative translation adjustments is due to translation of the financial statements of Swiss Green Co. as a foreign operation

- The attached notes (1) to (39) are an integral part of these consolidated financial statements.

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

CONSOLIDATED CASH FLOW STATEMENT

For the period from 1 January 2016 to 30 September 2016

	Notes	From 1/1/2016 to 30/9/2016 LE	From 1/1/2015 to 30/9/2015 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period before tax and minority interest		828,590,993	613,361,579
Adjustment to reconciliation net profit with cash flow operating activities:			
Depreciation & Amortization	(4,5)	101,819,400	96,756,246
(Discount) Financial Assets Held to Maturity Amortization	(10)	(426,594)	(578,853)
Credit Interests and Treasury Bills revenue	(32)	(91,941,497)	(89,888,293)
Dividends (revenue) of Financial Assets at Fair Value through Profit and Loss	(29)	(2,113,101)	(4,382,295)
Loss (Gain) from selling Financial Assets at Fair Value through Profit and Loss	(30)	1,611,199	13,213,474
(Gain) Loss of revalue Financial Assets at Fair Value through Profit and Loss	(11)	(7,458,729)	(7,170,562)
Share of loss (profit) of Associates	(8)	2,402,685	535,192
Capital (Gain) Loss	(4)	(543,824)	(1,109,455)
Foreign Exchange (Gain)		(43,429,632)	(23,818,853)
Operating profit before changes in working capital		788,510,900	596,918,180
Change in Work in Progress	(13)	(817,161,635)	(3,069,274,918)
Change in Finished Unites		-	(18,960,968)
Change in Inventory	(14)	8,192,861	(4,930,462)
Change in Accounts and Notes Receivables	(12)	95,383,260	923,303,310
Change in Prepayments and Other Debit Balances	(15)	(212,626,442)	(229,954,092)
Change in Creditors and Notes Payable		(645,559,761)	1,639,141,485
Change in long term Liabilities		(9,450,338)	(2,462,443)
Change in Customers Advance Payment		1,601,323,490	1,095,467,769
Change in Dividends Creditors		(55,838,347)	(436,427)
Change in Financial Assets at Fair Value through Profit and Loss	(11,30)	12,747,571	23,958,062
Paid of accrued income tax	(27)	(450,627,580)	(464,287,121)
Change in Other Credit Balances	(20)	671,566,128	(142,833,068)
Net Cash flows provided from Operating Activities		986,460,107	345,649,307
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payment) on Purchasing of Fixed Assets, Intangible Assets and Projects Under	(4,5,6)	(229,371,425)	(165,618,461)
Proceeds from sale Fixed Assets	(4)	1,063,629	2,324,333
(Payment) for Financial Assets Held to Maturity	(10)	(346,026,006)	(70,853,115)
Proceeds from Current assets held for sale		-	945,853
Proceeds from Dividends revenue	(29)	2,113,101	4,382,295
Net Cash flows (used in) provided from Investing Activities		(572,220,701)	(228,819,095)
CASH FLOWS FROM FINANCING ACTIVITIES			
Collected Credit Interests and Treasury Bills Revenue	(32)	84,338,694	63,264,878
Cash Dividends		(303,075,000)	(303,075,000)
Proceeds from Loans and Facilities	(25)	21,046,577	6,292,288
Net Cash flows (used in) Financing Activities		(197,689,729)	(233,517,834)
Foreign Exchange Impact		43,429,632	23,818,853
NET CASH AND CASH EQUIVALENTS DURING THE PERIOD		259,979,309	(92,868,769)
Cash Adjustments*		(4,821,562)	6,855,357
Cash and Cash Equivalents at the beginning of the period		1,531,003,613	1,630,161,724
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(16)	1,786,161,360	1,544,148,312

*The Cash Adjustments transaction represents the eliminations among subsidiaries and the foreign currency impacts for foreign bodies.

- The attached notes (1) to (39) are an integral part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

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 financial statements for the period ended 30 September 2016 were approved on 9 November 2016 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 financial statements of the holding company and the subsidiaries have been prepared according to the Egyptian Accounting Standards and the prevailing laws and local regulations.
- The financial statements have been presented in Egyptian Pound.
- The financial statements are prepared under the historical cost convention modified to include the measurement at of the fair value of financial investment, and financial assets valued at the fair value through the profit and losses.

2-1 Basis of consolidating the financial statements

- Eliminate all the Inter-company accounts and transactions as well as unrealized profit (loss) results from the transactions with the subsidiaries
- The non controlling interest is presented as a separate item in the consolidated balance sheet and the minority share in the net results of the subsidiaries is presented as a separate item in the consolidated income statement, in the case of the increase of minority share in the loss of the subsidiaries over there share in the net assets of those companies, the increase or any additional loss related to the minority to be recorded in the holding company share in the net results of those companies except the amount of loss that the minority approved before to bear it, in case of the subsidiaries achieved profit in the following periods of the above mentioned loss, the total profit to be recorded to the holding company share in results of the subsidiaries until all previously recorded loss is redeemed.
- The company treat the transactions with the minority partners the same treatment with external parties, Profit or loss from the sale of share of the company to the minority to be recorded in the income statements, and purchase share from the minority results in as goodwill due to the different between the purchase price and the share in net assets acquired and the different between the book value and the net fair value of the assets acquired to be recorded in the equity.
- The consolidated financial statements include the assets, liabilities and the results of Talaat Mostafa holding company (the company) and all its subsidiaries that stated below, The subsidiary is the company that the holding company owns direct or indirect long term investment more than 50% of the capital that give the right to vote or have control.
- The subsidiaries are included in the consolidated financial statements starting from acquisition date to the date that control is stopped.
- Purchase methods is used to account for acquiring subsidiaries and the acquisition cost is measured by the fair value or the return that the company gave from assets, equity instruments or liabilities bear it or liabilities committed to bear it on behalf of the acquire at the date of swab plus the additional costs related directly to the acquisition process , the net acquired assets including the proper liabilities are to be measured to determined its fair value at the date of acquisition despite any rights to minorities, the increase in the acquisition cost to the fair value of the company share in net assets is considered goodwill and if the cost of acquisition is less that above mentioned fair value of the nest assets the different to recoded in the consolidated income statement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

The consolidated financial statements include the subsidiaries which controlled by Talaat Mostafa Group Company "TMG Holding" as a share bigger than 50% of the subsidiaries' paid capital,

The following are the subsidiaries that are included in the 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, 64% of Alexandria company for real estate investment, and contributes in the following companies:

	Contribution
El Masria for trading services(S.A.E)	99%
El rehab for management(S.A.E)	98%
Engineering for developed systems of building (S.A.E)	82.5%
El rehab for securitization(S.A.E)	100%
El Tayseer for real estate financing (S.A.E)	90%
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 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:	77.91%
Nova park - Cairo(S.A.E)	99.99%
Alexandria Saudi for tourism projects(S.A.E)	99.87%
San Stefano for tourism investment (S.A.E)	84.44%
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 CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

Significant Accounting Policies (continue)

Property, plant and equipment

Property, plant and equipment is 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 & equipments	3 - 8
Furniture and other assets	5- 10
Computers	3 - 8
Marina Equipments	2 - 10

Projects 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 property, plant and equipment, all other expenditure is recognised in the consolidated income statement as the expense is incurred.

Intangible assets

Intangible assets are initially be recognized by cost

After the internal recognition, intangible assets are recorded by cost deducting the accumulated amortization and impairment losses.

Intangible assets represent the software's and related licenses and to be amortized with straight line basis methods over the estimated useful lives (5 years)

Goodwill

Goodwill represents the increase of the acquisition cost of the shares of the subsidiaries companies with the company share in the fair value of the net assets of those companies at the date of acquisition, Goodwill results from purchase subsidiaries is recorded as noncurrent assets and the goodwill results from purchase investments in associates recorded as investments in associates, at the end of each financial year the goodwill is tested for impairments and to be displayed at cost after deducting the impairment loss if exist.

Project under construction:

Projects 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. Projects under construction are valued at cost.

Investment Property

Investment properties are the real estate's (Buildings, Lands or both) that are kept for renting or increase in its value; they are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date, Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investments

Investments in associates

Investments in associates are accounted for using the Equity method except for when investment are classified as available for sale according to the Egyptian accounting standards No, 32 None current assets held for sale and discontinued operations, these associates companies are those companies which the company has a major influence and which are not subsidiaries or joint venture, Investments in associates are recorded in the Balance sheet with cost.

in addition to company share of any changes in the net assets of associates company after deducting any impairment losses, the company's consolidated income statement reflect its share in the result of associates companies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

Significant Accounting Policies (continue)

Available-for-sale investments

Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Company becomes, or ceases to be, a party to the contractual provisions of the instrument; they are included in noncurrent assets unless management intends to dispose of the investments within 12 months of the balance sheet date.

Investments designated as available-for-sale investments are initially recorded at cost (except for non listed investments in the capital exchange market) and subsequently measured at fair value. Changes in fair value are reported as a separate component of equity. Upon elimination of investments, the previously reported as "cumulative changes in fair value" within equity is to be included in the consolidated income statement for the period, except for impairments loss, and for non listed investments is to be recorded at cost less impairment loss.

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 at fair value through profit and loss are initially recognized at fair value including the direct attributable expenses.

Investments at fair value through profit and loss are carried in the balance sheet at fair value with gains or losses recognized in the statement of income.

Gain or loss of investment is recognized at fair value through income statement.

Financial assets held to maturity

Investments in financial assets held to maturity with fixed or determinable payments that are quoted in an active market and the management has the intention and capability to hold it to maturity.

Up on the initial measurement of the financial assets, it will be recorded with its fair value including the direct costs,

The investments to be recorded at amortized cost by using the effective rate method carried, Gains or losses due to execute the assets or due to the impairment of the 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.

Non-current assets held for sale

Non-current assets held for sale is the non-current assets that is expected to regain its book value basically from sale agreement not from the use of those assets

Those assets are measured by the lower of the book value or the fair value after deducting the sales cost.

Non-current assets held for sale in case of impairment, the carrying amount to be 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 previously reduced unless the impairment loss was recognized in the previous years.

Work in progress

Properties acquired, constructed or in the course of construction for sale are classified as work in progress, Unsold properties are stated at the lower of cost or net sales 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.

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Significant Accounting Policies (continue)

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 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 consolidated income statements

Accounts receivable. Debtors and notes receivable

Accounts receivable are stated at original invoice amount. All those amounts are reviewed annually to decide wither there is an indicator for impairment possibility in the assets value.

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

Related party transactions performed by the Company within its normal business transactions are recorded based on the conditions set by the board of directors.

Employees Pension Plan

The company participates in the social insurance system 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 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.

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 rewards and risks will transfer from the company to the buyers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

Significant Accounting Policies (continue)

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 incurred, where the selling amount of the land of the villa will be totally recognized upon choosing the client the land that will be build 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 profit 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 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 regularly assesses whether there is an indication that an asset could be impaired.

The impairment loss of financial assets that was measured with the amortized cost is to be measured as the different between the amortized cost of the book value and the present value of the projected cash flow by using the effective rate.

The impairment loss related to financial assets available for sale to be calculated by using the present fair value.

The remaining financial assets are estimated according to the groups level that have the same credit risk characterises.

Impairment loss is recognized in the consolidated income statement any subsequent reversal of an impairment loss is recognized in profit and loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

Significant Accounting Policies (continue)

If the available for sale asset is impaired, an amount comprising the difference between its cost and its fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to consolidated income statement, Reversal in respect of equity instruments classified as available for sale are recognised directly in the equity.

A previously recognized impairment loss is reversed when there is a change in the recoverable amount of the asset to the extent of the previously recognized loss.

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired, An asset's recoverable amount is higher of an asset's or cash – generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, In assessing value in use, the estimated future cash flows are discounted to their present value using a pre –tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset, Impairment losses of continuing operations are recognised in the consolidated income statement in those expenses categories consistent with the function of impairment asset except for the property previously revaluated where the revaluation was taken to equity; In this case the impairment is also recognised in equity up to the amount of any previous revaluated.

Treasury stocks

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 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.

Those estimates are reviewed on regularly basis and any differences in the estimates in the date of examining those estimates will affect only the period under examination and if those differences will affect the current period and the coming periods those differences 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 three months 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

Significant Accounting Policies (continue)

Borrowing costs

Borrowing costs are recorded in the statement of income as financing expenses except the borrowing costs directly related to the acquisition, construction or production of a qualifying assets which is included as part of the cost of the asset, the borrowing cost amount that will be capitalized is determined based on the actual borrowing cost.

Suspend capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Cease capitalizing of the borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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 consolidated cash flow statement, cash and cash equivalent at banks and on hands , time deposits treasury bills maturity date within three months , checks under collection (banks checks and accepted checks) and banks overdraft that will be paid on demand that consider a part of the assets management system in the company

Dividends

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

Fair values

Fair Value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between two participants in the market at the measurement date. And the fair value measurement is assumed that that the transaction will be occur in the main market of the asset or the liability or the market with the most benefit to the asset or the liability ,

The fair Value measured using the assumptions that the participant in the market will use to price the asset or the liability, assuming that the participants will work for their economic benefits.

The fair value measurement of non-financial asset considers the market participant ability to generate economic benefits but using the asset to the maximum acceptable level or by selling the asset to another market participant who will use the asset with its maximum power.

For the current assets in an active market, the fair value is measured base on the quoted market 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 equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The company uses the appropriate valuation methods, in accordance to the related circumstances, in which sufficient information available to measure the fair value, therefore use the related inputs that can be considered and minimise the use of the inputs that cannot be considered.

The assets and liabilities that are measured at fair value or that disclosed in the financial statements in major categories are classified as all:

- Level one: using the quoted prices of the assets and liabilities in active markets.
- Level two: using the inputs that can be considered directly (quoted price) or indirectly (extract from the prices) to the asset or the liability.
- Level three: using the valuation methods that use inputs not based on the market information.

Regarding The assets and liabilities that will be recognize in the financial statement on regularly basis, the company determine wither there is a transfer from one level to another that occurs due to the reclassification of those items at the end of reporting period.

For fair value disclosures, the company classified its assets and liabilities based on their nature, characterise and related risks and to the above displayed levels.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2-3 Changes in accounting policies

The accounting policies applied are the same accounting policies applied last year, except the changes results from the implementation of the new Egyptian accounting standards issued in 2015 and have become effective since 1/1/2016, and herein under are the significant changes that applied to the company and its effect on the financial statements – if any:

Revised Egyptian accounting standard (1) Financial Statements presentation: required to disclose all profits and expenses of the period in two separate statements, the first statement presents the components of the profit & losses(Income statement), the second statement starts with the net Profit or losses, then the components of the other comprehensive income (Comprehensive income statement), the standard requires additional statement to the financial position statement including the comparative figures of the beginning period in case of there is a retroactive implementation of an accounting policy or reclassifications of the component of the financial statement, the standard no longer requires to the display the working capital in the financial position statement.

The company prepared the comprehensive income statement and presents the financial statements in accordance to the adjusted presentation rules, and no required retroactive changes in the financial position that includes the beginning balances of the comparative figures.

Revised Egyptian accounting standard (10) Fixed assets and its depreciations: The standard canceled the alternative treatment of remeasuring the fixed assets using the revaluation model, the revised standard requires to treat the major spare parts and substitute equipments as a fixed assets when the company expected to use it for more than one period, and there was no affect due to this adjustment on the financial statements of the company.

Revised Egyptian accounting standard (14) Borrowing costs: The standard canceled the previous standard treatment of recognizing the borrowing costs direct to the income statement, the revised standard requires capitalizing the borrowing costs to its qualified assets, and there was no affect due to this adjustment on the financial statements of the company.

Revised Egyptian accounting standard (23) Intangible assets: The standard canceled the alternative treatment of remeasuring the fixed assets using the revaluation mode, and there was no affect due to this adjustment on the financial statements of the company.

Revised Egyptian accounting standard (34) Investment properties: The standard canceled the alternative treatment of measuring the investment properties using the fair value and the fair value measurement to be used for disclosure purposes only, and there was no affect due to this adjustment on the financial statements of the company.

Revised Egyptian accounting standard (38) Employees benefits: The standard required to immediately recognize the cumulative actuarial profit or loss due to determined benefit plans and to be recorded in the other comprehensive income, the standard required also to record the cost of previous services to the nearest date of; a) when the plan adjusted or reduced or b) the company execute a plan for major restructuring of its activities and recognize the cost of restructuring which includes end of services payment.

Revised Egyptian accounting standard (40) Financial Instruments (Disclosures): A new Egyptian standard is issued to include all disclosures required for the financial instruments,

Revised Egyptian accounting standard (41) Operational segments: The Egyptian accounting standard (33) segment reports is replaced with The standard (41) Operational segments, accordingly the segments reports systems that required disclosure is depending basically on the information on the segments in accordance to methods used by operational decision maker and as explain in notes 3 the company has still three segments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

Revised Egyptian accounting standard (45) Fair Value Measurement: A new Egyptian standard is issued and is implemented to all other accounting standards that allow or use the fair value measurement, and the standard aims to define the fair value and put a frame to measure the fair value in one standard and to determine the required disclosures to measure the fair value, and the company disclosed the necessary disclosures in according to the standards.

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 that standard, the company considered all its revenues for the period ended 30 September 2016 based on one separate operational segment and disclose for the major segments in the accompanied notes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

4 PROPERTY AND EQUIPMENT

Cost	Lands LE	Buildings & Constructions LE	Motor Vehicles LE	Tools & Equipments LE	Furniture & Fixtures LE	Computers LE	Total LE
As of 1 January 2016	583,775,149	3,338,657,003	138,912,336	363,647,025	505,214,455	22,887,485	4,953,093,453
Additions	-	7,160,356	15,429,249	22,972,487	12,863,209	10,720,933	69,146,234
Disposals	-	-	(1,228,047)	(246,576)	(4,224,268)	(357,451)	(6,056,342)
As of 30 September 2016	583,775,149	3,345,817,359	153,113,538	386,372,936	513,853,396	33,250,967	5,016,183,345
Accumulated depreciation							
At 1 January 2016	-	(401,515,420)	(86,531,298)	(223,572,120)	(285,212,869)	(16,156,533)	(1,012,988,240)
Depreciation charge	-	(33,575,142)	(12,995,815)	(19,756,946)	(30,174,423)	(2,864,329)	(99,366,655)
Disposals	-	-	884,395	225,286	4,078,993	347,863	5,536,537
As of 30 September 2016	-	(435,090,562)	(98,642,718)	(243,103,780)	(311,308,299)	(18,672,999)	(1,106,818,358)
Net book value As of 30 September 2016	583,775,149	2,910,726,797	54,470,820	143,269,156	202,545,097	14,577,968	3,909,364,987
Net book value As of 31 December 2015	583,775,149	2,937,141,583	52,381,038	140,074,905	220,001,585	6,730,952	3,940,105,212

- First degree mortgage on the land of san Stefano project - Alexandria at 339 El gheish road, - san Stefano- el raaml , Alexandria and all the building on it that owned by both san Stefano for real estate investment and san Stefano for tourism investments

- First degree mortgage on the land of el Nile hotel, garden city - Cairo and all the building on it that to El Nile Co, also the garage and club land at 4 Ahmed Raghib St, garden city - Cairo

- 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
Cost of disposal fixed assets	(6,056,342)	1,063,629
Accumulated depreciation of sold assets	5,536,537	
Net cost of fixed assets' disposal	(519,805)	
Capital Gain	543,824	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5 – INTANGIBLE ASSETS

	30/9/2016	31/12/2015
	LE	LE
Computers and Software	3,005,967	5,784,691
Additions	439,012	450,063
Amortization	(2,452,745)	(3,228,787)
	<u>992,234</u>	<u>3,005,967</u>

6 - PROJECTS UNDER CONSTRUCTIONS

	30/9/2016	31/12/2015
	LE	LE
Villa – Sednawy	73,606,541	73,606,541
Hotel Assets	3,566,863	5,033,984
Dubai Site	15,098,008	15,034,576
Luxor Project	71,712,085	71,313,738
Sharm El Sheik Project Extension	1,549,761,297	1,388,969,776
	<u>1,713,744,794</u>	<u>1,553,958,615</u>

7- GOODWILL

	30/9/2016	31/12/2015
	LE	LE
Arab Company for Projects and Urban Development	12,083,503,857	12,083,503,857
Alexandria Company for Real Estate Investment	2,563,149,242	2,563,149,242
	<u>14,646,653,099</u>	<u>14,646,653,099</u>

Goodwill is tested on yearly basis to ensure if there is any decrease in its book value.

8- INVESTMENTS IN ASSOCIATES

	Percentage	30/9/2016	31/12/2015
		LE	LE
Hill / TMG for Projects and Construction Management*	49%	2,029,989	2,029,989
Alexandria for coordinating and garden maintenance	47.5%	2,786,495	985,207
Cairo Medical City Co,		7,500	7,500
Share of profits in Associates		(2,402,685)	1,801,288
		<u>2,421,299</u>	<u>4,823,984</u>

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

8- INVESTMENTS IN ASSOCIATES (CONTINUE)

	30/9/2016	31/12/2015
	LE	LE
The associates companies assets & liabilities:		
Long term assets	1,820,683	1,773,713
Current assets	31,988,099	47,447,523
Current liabilities	36,377,799	39,205,760
The associates companies profit & losses:		
Revenues	25,920,012	20,764,016
Net loss / profit	(10,039,314)	1,699,400

9- AVAILABLE FOR SALE INVESTMENTS

	30/9/2016	31/12/2015
	LE	LE
Available for sale investment – current		
Housing Insurance Company	6,600,000	6,600,000
Sahara North Marine Company	18,240,562	18,240,562
Egyptian For Real Estate refinance Company	2,055,560	2,055,560
Egyptian Company for Marketing and Distribution	500,000	500,000
Other Companies	95,775	95,775
	<u>27,491,897</u>	<u>27,491,897</u>
Available for sale investment – non current		
Hermes investment fund	45,840,626	40,420,282
El Tameer for Real Estate Finance Company	6,717,060	6,717,060
	<u>52,557,686</u>	<u>47,137,342</u>
	<u>80,049,583</u>	<u>74,629,239</u>

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 5,162,232 \$ equivalent to LE 45,840,626 as of 30 September 2016 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 deference is presented in the financial position in equity side.

10- FINANCIAL ASSETS HELD TO MATURITY

Non - Current Investment

This item amounted to LE 1,869,861,964 as of 30 September 2016 consists of:-

- 1729225 bonds as follows:

No,	Face Value	Yield	Maturity
45000	45,000,000	15%	2018
30000	30,000,000	15%	2019
190000	190,000,000	13%	2020
142762	142,762,000	14%	2021
91000	91,000,000	17%	2022
125800	125,800,000	15%	2023
444307	444,307,000	15%	2024
597046	597,046,000	15%	2025
60310	60,310,000	17%	2026
1729225	1,729,225,000		

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30 September 2016

10- FINANCIAL ASSETS HELD TO MATURITY (CONTINUE)

The balance of bonds discounting issue amounted to 12,363,036 as of 30 September 2016 and it is amortized at the maturity date of the interest.

	30/9/2016	31/12/2015
	LE	LE
Historical cost	1,729,225,000	1,457,044,000
Bonds issue discount	(12,745,873)	(12,409,013)
Amortized value	1,716,479,127	1,444,634,987
Amortization of Bonds issue discount during the period	382,837	858,056
Balance of bonds	1,716,861,964	1,445,493,043

- 153000 Suez Canal Certificates amounted to LE 153,000,000 and maturity date is 2019 with 12% interest rate.

Current Investment

This item amounted to LE 538,251,438 as of 30 September 2016 as follows:

- Treasury Bills are 5,872 T-Bills with nominal value LE 25000 per T-Bill and maturity date in 2016 and 14,806 maturity date in 2017 .

	30/9/2016	31/12/2015
	LE	LE
Treasury Bills	490,269,583	419,171,530
Governmental Bonds- historical cost	48,000,000	44,000,000
Amortization of Bonds issue discount	(61,902)	(16,502)
Amortized value	538,207,681	463,155,028
Amortization of Bonds issue discount during the period/year	43,757	12,731
	538,251,438	463,167,759

11- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	30/9/2016	31/12/2015
	LE	LE
Certificate of Deposit and Investment Funds	21,955,126	32,835,603
Financial Portfolios*	37,813,479	33,832,160
Egyptian Cables Company	8,107	8,990
	59,776,712	66,676,753
Market value	30/9/2016	30/6/2015
	LE	LE
Book value of marketable securities before revaluation	(52,317,983)	(73,354,701)
Market value	59,776,712	60,141,227
Differences as in income statement	7,458,729	(13,213,474)

* Managed by of Hermes for Assets Management, the portfolios has several stocks for companies listed in Egyptian capital market

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12- ACCOUNTS AND NOTES RECEIVABLE

	30/9/2016	31/12/2015
	LE	LE
Accounts Receivables	270,684,299	201,611,375
Notes Receivables	14,909,391,757	15,073,923,584
Provision for general Risk	(2,633,965)	(2,709,608)
	<u>15,177,442,091</u>	<u>15,272,825,351</u>

Notes receivable represent mainly the collected checks from customers against advance payments.

The break down of accounts and notes receivable edging as follow:

	Balance	Year	More than a year	More than 2 Years	More than 3 years	More than 4 years	More than 5 years
30 September 2016	15,177,442,091	4,417,591,507	2,823,886,120	2,241,421,481	1,790,017,050	1,282,163,093	2,622,362,840
31 December 2016	15,282,825,351	4,782,799,606	2,641,850,667	2,094,195,737	1,669,388,869	1,250,074,957	2,834,515,515

The general risk provision is determined according to the authorized percentages determined by the Egyptian Financial supervisory Authority.

General Risk provision as follow:

	30/9/2016	31/12/2015
	LE	LE
Balance 1/1/2016	2,709,608	2,721,033
Used during the period	(75,643)	(11,425)
Balance 30/9/2016	<u>2,633,965</u>	<u>2,709,608</u>

13-WORK IN PROGRESS

	30/9/2016	31/12/2015
	LE	LE
Land	6,661,105,539	6,920,458,007
Consultations and Designs	196,513,366	434,167,654
Construction Work	9,241,304,954	8,154,542,484
Indirect Cost	3,932,675,532	3,705,269,611
	<u>20,031,599,391</u>	<u>19,214,437,756</u>

- 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 9,9 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 3 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.

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13-WORK IN PROGRESS (CONTINUE)

- 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 8/11/2010 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 sqm 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. The Arab Company for Projects and Urban Development has challenged New Urban Communities Authority (NUCA) in the Economical Court to reduce the applied interest rate on the due amounts, as it is higher than interest rates applied on the governmental transactions, the Economical Court transferred the case to the specialized administrative court.

14- INVENTORY

	30/9/2016	31/12/2015
	LE	LE
Hotels Operating Equipments & Supplies	9,766,467	11,108,023
Goods Stock	19,817,934	26,639,785
Additions during the period	-	745,755
	<u>29,584,401</u>	<u>38,493,563</u>
Amortized Hotel Inventory	<u>(1,371,010)</u>	<u>(2,087,311)</u>
	<u>28,213,391</u>	<u>36,406,252</u>

15 – PREPAID EXPENSES AND OTHER DEBIT BALANCES

	30/9/2016	31/12/2015
	LE	LE
Advance Payment and Storage - Contractors and Accounts Payable	1,332,283,416	1,109,632,994
Contractors – Tashwinat	188,455,321	183,723,330
Hotels Current Accounts	255,000,953	104,905,380
Withholding taxes	15,889,073	13,153,265
Deposit with Others	52,779,327	29,408,543
Other Debit Balances	82,133,961	258,095,572
Letter of credit	110,604,353	92,020,457
Loans to Employees	383,653	387,589
Other Debtors	83,742,495	157,396,942
Prepaid expenses	42,809,919	3,144,669
Amounts paid for investments in companies under incorporation	2,144,479	1,731,767
	<u>2,166,226,950</u>	<u>1,953,600,508</u>
Accrued Revenue	<u>57,612,377</u>	<u>50,009,574</u>
	<u>2,223,839,327</u>	<u>2,003,610,082</u>

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16 - CASH AND CASH EQUIVALENTS

	Local Currency LE	Foreign Currency LE	30/9/2016 LE	31/12/2015 LE
Time Deposits	131,168,270	1,317,503,649	1,448,671,919	1,273,265,805
Banks Current Accounts	287,627,003	41,771,288	329,398,291	230,948,795
Cash on Hand	18,949,716	15,060	18,964,776	15,242,337
Treasury Bills	-	-	-	5,015,244
Cheques Under Collection	3,931,094	-	3,931,094	17,006,726
	<u>441,676,083</u>	<u>1,359,289,997</u>	<u>1,800,966,080</u>	<u>1,541,478,907</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:

	30/9/2016 LE	30/9/2015 LE
Cash on Hand and at Banks	1,800,966,080	1,559,669,403
Banks Overdraft	(14,804,720)	(15,521,091)
Cash and Cash Equivalents	<u>1,786,161,360</u>	<u>1,544,148,312</u>

17- CREDITORS AND NOTES PAYABLE

	30/9/2016 LE	31/12/2015 LE
Contractors and Suppliers	733,468,070	424,794,771
Notes Payables	<u>2,728,671,041</u>	<u>3,682,904,101</u>
	<u>3,462,139,111</u>	<u>4,107,698,872</u>

18- CUSTOMERS ADVANCE PAYMENT

	30/9/2016 LE	31/12/2015 LE
Customers down payment (Al Rehab Project)	1,466,654,082	1,136,886,181
Customers down payment (Al Rehab 2 Project)	6,206,839,879	5,947,124,954
Customers down payment (Madinaty Project)	12,698,361,698	11,645,272,125
Customers down payment (Al Rabwa Project)	541,685,806	588,425,435
Customers down payment (San Stefano Project)	<u>5,490,720</u>	<u>-</u>
	<u>20,919,032,185</u>	<u>19,317,708,695</u>

19- DIVIDEND CREDITORS

	30/9/2016 LE	31/12/2015 LE
Employees share	483,822	1,721,682
Board of directors share	32,912,258	87,512,745
Shareholders share	<u>635,530</u>	<u>635,530</u>
	<u>34,031,610</u>	<u>89,869,957</u>

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20- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	30/9/2016	31/12/2015
	LE	LE
Retention	649,088,045	587,015,760
Other Credit Balances	564,348,084	414,426,106
Accrued Expenses and Creditors	251,355,902	188,196,869
Insurance for Other	70,414,522	64,866,108
Due to Customers	5,883,692	10,749,659
Contribution to the establishment - renew the club	41,327,405	41,327,405
Club Subscriptions	642,104,149	574,482,335
Units Insurance	2,442,113,085	2,114,004,514
	<u>4,666,634,884</u>	<u>3,995,068,756</u>

21 – CAPITAL

The company's authorized capital amounted to LE 50,000,000 and the issued and paid up capital LE 6,000,000 divided over 600000 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.

According to the extra ordinary general assembly resolution dated 24 March 2010, The issued capital was reduced by the 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 2013231498 shares, recorded in the commercial register on 18 May 2010.

The extra ordinary general assembly resolution dated 31 March 2011 consent 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.

22 – LEGAL RESERVE

Legal reserve amounted to 236,367,496 as of 30 September 2016 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.

23- GENERAL RESERVES

The general reserve balance amounted LE 61,735,404 as of 30 September 2016 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.

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24- NET UNREALIZED GAIN ON AVAILABLE FOR SALE INVESTMENTS

The revaluation of available for sale investments balance amounted LE 15,935,751 as of 30 September 2016 represents the foreign exchange impact due valuation of the foreign available for sale investments as follows:

	30/9/2016 LE	31/12/2015 LE
Net unrealized gain on available for sale investment	<u>15,935,791</u>	<u>11,735,024</u>

25- LOANS AND FACILITIES

	Short Term LE	Long Term LE	30/9/2016 LE	31/12/2015 LE
Banks Facilities	764,242,205	-	<u>764,242,205</u>	854,938,020
Loans *	<u>592,277,931</u>	<u>1,619,633,885</u>	<u>2,211,911,816</u>	<u>2,100,169,424</u>
	<u>1,356,520,136</u>	<u>1,619,633,885</u>	<u>2,976,154,021</u>	<u>2,955,107,444</u>

* 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 disclosed in fixed assets disclosure.

26- NON -CURRENT LIABILITIES

	30/9/2016 LE	31/12/2015 LE
New Urban Communities Authority	<u>1,791,199,539</u>	1,804,013,215
General authority for tourism development	<u>3,363,338</u>	-
	<u>1,794,562,877</u>	<u>1,804,013,215</u>

27- INCOME TAX AND DEFERRED TAX LIABILITY

The income tax was calculated as follows:

	30/9/2016 LE	30/9/2015 LE
Net book profit before tax	<u>828,590,993</u>	613,361,579
Adjustments to the net book profit to reach the net tax profit	<u>59,325,109</u>	(91,976,028)
Net taxable profit	<u>887,916,102</u>	521,385,551
Income Tax with rate 22.5%	<u>199,781,123</u>	117,311,749
Income Tax of other comprehensive income	<u>1,219,577</u>	716,107
Income tax for the period	<u>201,000,700</u>	<u>118,027,856</u>

Accrued income tax movement during the period:

	30/9/2016 LE	31/12/2015 LE
Balance at the beginning of the period / year	<u>438,025,128</u>	530,325,747
Additions during the period / year	<u>201,000,700</u>	342,136,603
Paid amounts	<u>(450,627,580)</u>	(434,440,222)
Balance at the end of the period / year	<u>188,398,248</u>	<u>438,025,128</u>

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The balance of deferred tax liabilities in 30 September 2016 is LE 78,361,709 which represents the different between accounting basis and tax basis and it's calculation as follow:

	30/9/2016	31/12/2015
	LE	LE
Balance at the beginning of the period / year	(69,824,319)	(74,195,145)
Deferred tax current	(8,537,390)	4,370,826
Balance at the end of the period / year	<u>(78,361,709)</u>	<u>(69,824,319)</u>

28- REVENUE AND COST OF REVENUE

	30/9/2016	30/6/2015
	LE	LE
-Revenue from Sold Units	2,996,235,821	2,830,490,435
- Revenue from Hotels Operation	542,705,627	530,428,421
- Services Revenues	393,083,721	292,444,892
Total Revenues *	<u>3,932,025,169</u>	<u>3,653,363,748</u>
-Cost of Sold Units	2,089,402,754	1,986,918,386
- Cost of Hotels Operation	334,043,687	331,925,338
- Cost of Sold Services	209,227,018	231,421,689
Total Cost **	<u>2,632,673,459</u>	<u>2,550,265,413</u>

* The supervision revenue has been eliminated in amount LE 148,593,197

** The supervision cost has been eliminated in amount LE 172,965,104

Herein under the sectors analysis:

	Real Estate & Services	Tourism	General	30/9/2016	31/12/2015
	LE	LE	LE	LE	LE
Revenue	3,389,319,542	542,705,627	-	3,932,025,169	6,180,404,807
Cost of goods sold	(2,298,629,772)	(334,043,687)	-	(2,632,673,459)	(4,051,738,027)
Gross Profit	<u>1,090,689,770</u>	<u>208,661,940</u>	<u>-</u>	<u>1,299,351,710</u>	<u>2,128,666,780</u>
Depreciation	32,642,115	69,177,285	-	101,819,400	(129,417,278)
Credit Interest	-	-	52,367,760	52,367,760	61,977,726
Investments Revenue	-	-	43,910,036	43,910,036	54,243,816
Other Revenue	-	-	51,148,991	51,148,991	77,757,741
Income Tax	-	-	(199,781,123)	(199,781,123)	(337,768,777)
Total Profits	<u>567,197,342</u>	<u>139,484,656</u>	<u>(90,285,208)</u>	<u>616,396,790</u>	<u>761,576,314</u>
Assets	40,273,599,776	4,606,547,454	-	44,880,147,230	41,432,394,438
Financial Investment	-	-	2,550,360,995	2,550,360,995	2,207,790,778
Unallocated Assets	-	-	14,627,447,964	14,627,447,964	16,803,195,416
Total Assets	<u>40,273,599,776</u>	<u>4,606,547,454</u>	<u>17,167,808,959</u>	<u>62,106,285,003</u>	<u>60,443,380,632</u>
Liabilities	31,777,760,680	2,127,889,878	-	33,905,650,558	32,721,946,797
Unallocated	-	-	-	-	-
Liabilities	-	-	228,468,809	228,468,809	65,844,883
Total Liabilities	<u>31,777,760,680</u>	<u>2,127,889,878</u>	<u>228,468,809</u>	<u>34,134,119,367</u>	<u>32,787,791,680</u>

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29- Dividends from financial investment

	30/9/2016	30/9/2015
	LE	LE
Sahara North Al Baharia	476,666	3,552,033
CIB Bank	101,250	264,000
Escan for Insurance	445,500	-
EL Swedy Electric	100,000	-
EL Tameer For Real Estate refinance Co.	579,913	399,846
Palm Hills Co.	105,000	-
Sidi Krir Co.	105,000	-
Telecom Egypt Co.	112,500	-
Other companies	87,272	166,416
	<u>2,113,101</u>	<u>4,382,295</u>

30- (LOSS) REVENUE FROM SALE FINANCIAL INVESTMENTS

	30/9/2016	30/9/2015
	LE	LE
Sale price of financial investments	15,275,735	57,806,916
Book value of sold financial investments	(16,886,934)	(50,636,354)
	<u>(1,611,199)</u>	<u>7,170,562</u>

31- OTHER INCOME

	30/9/2016	30/9/2015
	LE	LE
Net revenue from El Rehab Club and Madinaty Club operation	4,082,892	7,577,593
Rents from rental units and usufruct	1,800,000	2,550,000
Other revenue	30,973,034	37,794,934
British school	14,293,065	10,239,957
	<u>51,148,991</u>	<u>58,162,484</u>

32-CREDIT INTEREST, BONDS, T-BILL REVENUES

	30/9/2016	30/9/2015
	LE	LE
Credit interest	52,367,760	46,823,623
Bonds	4,050,926	13,414,823
Treasury Bills	35,522,811	29,649,847
	<u>91,941,497</u>	<u>89,888,293</u>
Change in accrued revenues (note 15)	(7,602,803)	(26,623,415)
	<u>84,338,694</u>	<u>63,264,878</u>

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33-TAX SITUATION

Arab company for projects and urban development

a. Corporate tax

- The company presents its tax returns regularly and according to the legal times, the years till 2002 were examined and form no, (9-a) are received and the company paid the amounts due taking into consideration
- That the company protest against what is stated in those forms regarding year 1996 (period before incorporation).
- 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 ten years also the phase IV and Phase V are exempted.

b. Salary tax

- The company pays the deducted income tax of the employees on regularly basis, The Company's records were inspected for the years 1996 till 2000 and settlement is done to that date.
- The Company's records were inspected for the years 2001 till 2003 and paid the amount due.
- For the years 2004 till 2009 the tax returns are presented and amounts due are paid within the legal dates.

c. Stamp tax

- Tax inspection took place for the Company's records for the years till 2005 and all tax due were paid; the company pays the stamp tax due on monthly basis according to law no, 11 for the year 1980 and adjusted by law no, 143 for the year 2006.

San Stefano Company for real estate investments

a. Corporate tax

- The Company's records were inspected till 2004 and paid the amount due; the tax returns are submitted within the legal dates.

b. Salary tax

- The Company's records were inspected till 2004 and paid the amount due, the following years are under inspection.
- The company presents the tax returns and pays the amounts due within the legal dates.

c. Stamp tax

- Tax inspection took place for the Company's records for the years till 2005 and all tax due were paid.

Alexandria Company for real estate investments

a. Corporate tax

- The company submits the tax returns within the legal dates.
- The Company's records were inspected till 2001 and paid the amount due.
- No tax inspection took place for the years 2002 till 2007.
- Under the new urban societies law, the company's Projects in Virginia Beach resort in north coast and al rabwa in sheik zaid city enjoy a tax holiday for each project.

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33-TAX SITUATION (CONTINUE)

b. Salary tax

- The Company's records were inspected till 1997 and paid the amount due.
- The Company's records were inspected for the years 1998 till 2001 and the tax assessment is not yet received.
- Tax inspection took place for the years 2002 till 2004.
- The company pays the tax due on regularly basis to the tax authority.

c. Stamp tax

- The Company's records were inspected and settled till 2004 and the tax due was paid.
- No tax inspection took place for the years 2004 till 2010.

Arab company for hotels and tourism investments

a. Corporate tax

- No tax inspection took place till 2008 and the company submits the annual tax return according to form (28) within the legal dates and paid the amounts due accordingly.

b. Salary tax

- The Company's records were inspected and settled till 2007 and the tax due was paid.
- The company submits the tax returns within the legal dates.

c. Stamp tax

- No tax inspection took place for the years 2005 till 2010.

Alexandria for Urban projects

a. Corporate tax

- The company submits the tax returns within the legal dates.
- The Company's records were inspected and settled till 2006 and the tax due was paid; the company enjoy a tax holiday under the new urban societies law.

b. Salary tax

- The company pays the deducted income tax of the employees on regularly basis within the legal dates and the tax return was presented according to law no, 91 for the year 2005.

Al rabwa for entertainment services

a. Corporate tax

- The company submits the tax returns within the legal dates.
- The Company's records were inspected and settled till 2004.
- The company enjoy a tax holiday under the new urban societies law.

b. Salary tax

- The company pays the deducted income tax of the employees on regularly basis within the legal dates.

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33-TAX SITUATION (CONTINUE)

c. Stamp tax

- No tax inspection took place till 2007.
- The Company's records were inspected and settled till 2001 and the tax due was paid.

d. Sales tax

- The company submits the sales tax returns within the legal dates.

Al Masria for development and real estate projects

a. Corporate tax

- The company submits the tax returns within the legal dates.
- The Company's records were inspected till 2004 and the tax assessment is not yet received.
- Tax inspection took place for 2005.
- No tax inspection took place till 2009.

b. Salary tax

- The Company's records were inspected till 2000 and paid the amount due.
- The Company's records were inspected for the years 2001 till 2004 and the tax assessment is not yet received.
- No tax inspection took place from 2005 till 2009.

c. Stamp tax

- The Company's records were inspected and settled till 2004 and the tax due was paid,
- No tax inspection took place for the years till 2009,

El Nile for hotels

- The company submits the tax returns within the legal dates and the tax due is paid if exists.

San Stefano For tourism investment

- The company enjoy a tax holiday for 5 years from operation date and No tax inspection took place.
- The company submits the tax returns within the legal dates.

Nova Park –Cairo Company

a. Corporate tax

- The Company's records were inspected and settled till 2004 and the tax due was paid.
- The company submits the tax returns within the legal dates and paid the amounts due accordingly.

b. Salary tax

- The Company's records were inspected and settled till 2004 and the tax due was paid.
- The company pays the deducted income tax of the employees on regularly basis within the legal dates; the company submits the quarterly salary tax return within the legal dates.

c. Stamp tax

- The Company's records were inspected and settled till 2004 and the tax due was paid.
- The company pays the stamp tax on time specially the stamp tax due to the advertising expenses.

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33-TAX SITUATION (CONTINUE)

Alexandria Saudi company for tourism projects

a. Corporate tax

- The Company's records were inspected and settled till 2004 and the tax due was paid.
- The company submits the tax returns within the legal dates and paid the amounts due accordingly.
- The company enjoy a tax holiday for 10 years ended in 31 December 2011.

b. Salary tax

- The Company's records were inspected and settled till 2004 and the tax due was paid.
- The company pays the deducted income tax of the employees on regularly basis within the legal dates; the company submits the quarterly salary tax return within the legal dates.

c. Stamp tax

- The Company's records were inspected and settled till 2006 and the tax due was paid.
- The company pays the stamp tax on time specially the stamp tax due to the advertising expenses.

Mayfair Company for entertainment services

a. Corporate tax

- The company starts operation in 2005 and no tax inspection took place till the date of issuing the financial statements and the company enjoy a tax holiday under the new urban societies, law.

b. Salary tax

- The company pays the deducted income tax of the employees on regularly basis within the legal dates.

c. Stamp tax

- No tax inspection took place till to the date of issuing the financial statements.

d. Sales tax

- The company submits and pays the sales tax returns on monthly basis.

Port Venice for tourism development

a. Corporate tax

- The company does not start its activities yet and enjoy a tax holiday under the investments guarantees and bonus law but the company submits the annual tax return according to the income tax law no,91 for the year 2005.

b. Salary tax

- There is no amount subject to income tax for the salaries as the company does not start its activities yet and no tax inspection took place yet.

c. Stamp tax

- No tax inspection took place till to the date of issuing the financial statements.

d. Sales tax

- The company is not subject to sales tax law.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34- 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 Balance Sheet.

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 44.6% of Talaat Mostafa Group Holding.

Total transactions

	30/9/2016 Transaction volume LE	31/12/2015 Transaction volume LE	Type of Transaction
Virginia Owners Union	-	127,865	Management
El basateen company	-	21,155,688	Service
Alexandria for Construction	26,996,766	2,585,085,213	Contractor

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

	30/9/2016	31/12/2015
	Notes payable	Notes payable
Alexandria for Constructions Company	27,424,481	2,527,965
	Debit balance	Debit balance
Alexandria for Constructions Company	3,184,647	3,917,003
	Credit balance	Credit balance
Alexandria for Constructions Company	207,845,243	18,877,201

35- CONTINGENT AND OTHER OBLIGATION CONTRACTED

There's no any contingent obligations unrecorded in the financial statements

36-FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Company is exposed to the following risks that rose due to the use of the financial instruments:

- Credit Risk
- Market Risk
- Liquidity Risk

The significant accounting policies applied for the recognition and measurement of the above mentioned financial assets and liabilities and the related income and expenses

Herein under the significant risk related to the financial instruments as well as the significant policies and procedures that applied by the company to reduce those risks.

A- Credit Risk

Credit risk represents the risk of default of the customers from not paying the amounts due, this risk is limited due to the expand number of customers that the company deals with and having sufficient guarantees to reduce the risk of default a customer , also follow up the customers through specific departments.

B- Market Risk

Market risk is the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market price. Market risk comprised three types of risks: currency risk, interest risk and price risk and those risks might affect the company net incomes, the purpose of the market risk management is to manage those risks and control it to acceptable level and the company does not have derivatives.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 September 2016

36-FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUE)

Foreign currency risk.

The risk that the value of the financial assets and liabilities and the related cash inflows, and out flows in foreign currencies will fluctuate due to changes in foreign currency exchange rates, this risk is limited as most of the company's transactions are in local currency.

As indicated in note (39), the foreign exchange rates floated on 3 November 2016 and accordingly that may outcomes to net foreign exchange losses using the stated rate on that date .

Interest Rate Risk

The company mitigates the impact of the interest rate changes on its operational results and the value of its financial assets and liabilities, the company policy is to maintain almost 100% of its borrowing in fixed interest bearing debt instruments.

As indicated in note (39), the interest rates increased by 3% on 3 November 2016.

C- Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts.

The company has sufficient cash liquidity to pay its expected operational expenses which include the financial liabilities

37-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

38-Legal Status

According to the legal consultant opinion, the following suites that rose from others are properly won:

- 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 reprise the unused part of the land , and the postdated to May 2016.
- 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 sainai against the Egyptian company for development and real estate projects.
- Appeal # 838/83 rose from Soliman salman salim against the Egyptian company for development and real estate projects.
- Case #25/107 rose from Mostafa Kamal Abdel Rehim against government of south Sinai at the court of sharm el sheikh.
- Case # 30/25 rose the Egyptian company for development and real estate projects against the governor of south sauna
- Appeal # 2015/54 rose from Alexandria Saudi Company for tourism projects against the government of south Sinai at the court of el tour.

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39-SUBSEQUENT EVENTS

On 3 November 2016, the Central Bank stated that foreign exchange rate is to be determined by supply and demand, adding that the move will be accompanied by 3% rise in interest rates. The central bank indicated that there are no restrictions to foreign deposits and withdrawals, but non-essential goods importers will be subject to foreign limits. The interbank market will be reviewed and banks will be free to set bid/ask for the USD:EGP based on the forces of supply and demand. When the interbank market dynamics do not allow for a clearing price, the central bank will intervene to facilitate "price discovery".

These events do not have an impact on the financial statements as of 30 September 2016, but may impact the financial statements of future periods. While it is difficult to quantify this effect at this point in time, the impact will become visible in the future financial statements.