

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

**ARAB CHARTERED ACCOUNTANTS
(RSM EGYPT)**

**TALAAAT MOSTAFA GROUP HOLDING COMPANY
"TMG HOLDING" (S.A.E) AND ITS SUBSIDIARIES COMPANIES
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021
TOGETHER WITH REVIEW REPORT**

Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E) and its Subsidiaries
Interim Consolidated Financial Statements
For The Three and Nine-Month Periods Ended 30 September 2021

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

Introduction

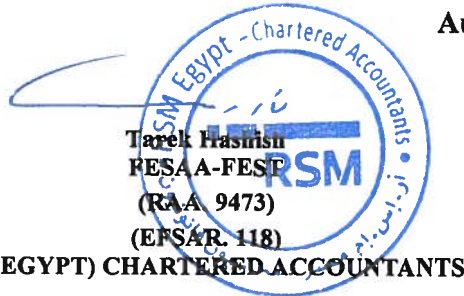
We have reviewed the accompanying interim consolidated statement of financial position of Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E) ("The Company" or "Parent company") and its subsidiaries (The Group) as of 30 September 2021 as well as the related interim consolidated statements of profit or loss and comprehensive income for the three and nine-month periods then ended, and the interim consolidated statements of changes in equity and 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 interim 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 interim consolidated financial position of the group as of 30 September 2021, and of its interim consolidated financial performance and its interim consolidated cash flows for the nine-month period then ended in accordance with Egyptian Accounting Standards.



Cairo: 15 November 2021

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 September 2021

	Notes	30 September 2021 LE	31 December 2020 LE
Assets			
Non-current Assets			
Fixed Assets	(4)	5,390,044,590	5,792,004,451
Investment properties	(5)	358,464,925	371,952,513
Intangible assets	(6)	2,930,266	2,433,463
Fixed assets under construction	(7)	7,857,717,588	5,824,104,060
Goodwill	(8)	12,504,761,726	12,504,761,726
Investments in associates	(9)	52,713,175	52,713,175
Available for sale investments	(10)	491,280,943	266,089,969
Time deposits and Held to maturity investments	(11)	4,169,113,271	3,698,009,727
Deferred Tax Assets	(28)	58,668,360	-
Total non-current assets		30,885,694,844	28,512,069,084
Current assets			
Development properties	(14)	54,141,206,507	46,202,851,945
Inventory	(15)	1,262,282,708	1,119,398,991
Accounts and notes receivable	(13)	33,700,653,365	31,112,105,729
Prepaid expenses and other debit balances	(16)	6,026,682,253	6,403,884,294
Held to maturity investments	(11)	1,944,594,844	1,831,996,747
Financial assets at fair value through profit and loss	(12)	8,281,903	8,087,461
Cash on hand and at banks	(17)	3,412,803,675	2,705,091,404
Total current assets		100,496,505,255	89,383,416,571
Total assets		131,382,200,099	117,895,485,655
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)	337,884,636	313,531,168
General reserve	(24)	61,735,404	61,735,404
Foreign currency translation reserve		(16,799,695)	2,425,548
Retained earnings		12,865,443,072	11,513,122,654
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		33,883,886,277	32,526,437,634
Non-controlling interests		1,094,513,979	1,089,845,936
TOTAL EQUITY		34,978,400,256	33,616,283,570


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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As of 30 September 2021

	Notes	30 September 2021	31 December 2020
		LE	LE
Non-current liabilities			
Loans	(25)	4,341,782,308	3,127,439,205
Other Long term liabilities	(26)	20,725,152,399	16,869,023,343
Sukuk Ijarah	(27)	2,000,000,000	2,000,000,000
Deferred tax liabilities	(28)	-	5,084,141
Total non-current liabilities		<u>27,066,934,707</u>	<u>22,001,546,689</u>
Current liabilities			
Banks overdraft		8,911,234	21,097,833
Credit facilities	(25)	1,515,945,087	1,544,486,575
Loans and facilities - current portion	(25)	234,836,072	12,522,105
Creditors and notes payable	(18)	6,148,397,784	10,604,451,296
Customers' advance payments	(19)	47,156,623,447	37,870,038,187
Dividends payable	(20)	60,948,319	155,774,319
Income tax payable	(28)	988,108,846	996,166,500
Accrued expenses and other credit balances	(21)	13,223,094,347	11,073,118,581
Total current liabilities		<u>69,336,865,136</u>	<u>62,277,655,396</u>
Total liabilities		<u>96,403,799,843</u>	<u>84,279,202,085</u>
Total equity and liabilities		<u>131,382,200,099</u>	<u>117,895,485,655</u>

Chairman

Tarek Talaat Moustafa

**Chief Executive Officer &
Managing Director**

Hesham Talaat Moustafa

**Executive Vice President,
Financial Sector**


Ghalib Ahmed Fayed

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

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For The Three and Nine-Month Periods Ended 30 September 2021

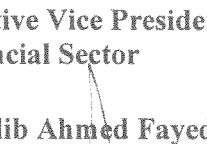
		For the three months ended 30 September 2021	For the three months ended 30 September 2020	For the nine months ended 30 September 2021	For the nine months ended 30 September 2020
	Notes	LE	LE	LE	LE
Real estate development revenue	(29)	4,966,087,773	5,590,057,497	9,103,592,030	8,895,355,401
Real estate development costs	(29)	(3,318,871,559)	(3,761,152,219)	(5,953,443,246)	(5,819,759,891)
Gross profit from real estate development		1,647,216,214	1,828,905,278	3,150,148,784	3,075,595,510
Hospitality revenue	(29)	391,977,596	114,024,959	824,516,497	437,898,416
Cost of hospitality	(29)	(253,935,188)	(157,398,628)	(632,818,153)	(491,529,695)
Gross profit from hospitality		138,042,408	(43,373,669)	191,698,344	(53,631,279)
Recurring and services activities revenue	(29)	463,100,246	378,089,569	1,384,862,494	1,079,014,516
Cost of recurring and services activities revenue	(29)	(364,087,628)	(318,580,771)	(993,678,774)	(782,726,468)
Gross profit of Recurring and Services Activities revenue		99,012,618	59,508,798	391,183,720	296,288,048
TOTAL GROSS PROFIT		1,884,271,240	1,845,040,407	3,733,030,848	3,318,252,279
Marketing expenses		(95,066,538)	(38,310,200)	(147,797,449)	(38,310,200)
General and administration expenses		(145,860,228)	(179,357,278)	(490,336,014)	(534,751,871)
Donations and governmental expenses		(177,743,149)	(116,669,797)	(346,436,112)	(198,730,111)
Other income	(30)	58,787,733	24,307,036	227,715,900	204,905,231
Fixed assets disposal (losses) / gains	(4)	708,954	1,515,717	2,808,281	1,714,743
Board of directors' allowances		(289,200)	(248,120)	(958,700)	(906,720)
Foreign currency exchange Gain / (Loss)		(2,378,955)	16,384,839	2,620,294	14,690,210
NET PROFIT FOR THE PERIOD BEFORE IMPAIRMENTS, FINANCE COST AND DEPRECIATION		1,522,429,857	1,552,662,604	2,980,647,048	2,766,863,561
Depreciation and amortization charges	(4,5,6)	(82,168,984)	(78,748,734)	(238,912,444)	(225,821,692)
Finance cost		(210,391,120)	(258,295,853)	(383,103,688)	(396,976,904)
Impairment in value of available of sale investments		624,521	(419,663)	450,105	(2,758,605)
NET PROFIT FOR THE PERIOD BEFORE TAX		1,230,494,274	1,215,198,354	2,359,081,021	2,141,306,360
Income tax	(28)	(383,656,122)	(351,589,607)	(655,631,009)	(592,297,461)
NET PROFIT FOR THE PERIOD		846,838,152	863,608,747	1,703,450,012	1,549,008,899
Attributable to:					
Parent company		829,400,760	843,155,720	1,698,781,969	1,569,085,251
Non-controlling interests		17,437,392	20,453,027	4,668,043	(20,076,352)
		846,838,152	863,608,747	1,703,450,012	1,549,008,899

Chairman

Tarek Talaat Moustafa

**Chief Executive Officer &
Managing Director**

Hesham Talaat Moustafa

**Executive Vice President,
Financial Sector**

Ghalib Ahmed Fayed

- The attached notes (1) to (36) are an integral part of these interim consolidated financial statements

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Three and Nine-Month Periods Ended 30 September 2021

	For the three months ended 30 September 2021	For the three months ended 30 September 2020	For the nine months ended 30 September 2021	For the nine months ended 30 September 2020
	LE	LE	LE	LE
Net profit for the period	846,838,152	863,608,747	1,703,450,012	1,549,008,899
Other comprehensive income Items can be classified later to the statement of profit or loss:				
Foreign currency translation differences from translation of foreign operations	(19,225,243)	-	(19,225,243)	-
Total comprehensive income for the period	827,612,909	863,608,747	1,684,224,769	1,549,008,899
Attributable to:				
Parent company	810,175,517	843,155,720	1,679,556,726	1,569,085,251
Non-controlling interests	17,437,392	20,453,027	4,668,043	(20,076,352)
	827,612,909	863,608,747	1,684,224,769	1,549,008,899

- The attached notes (1) to (36) are an integral part of these interim consolidated financial statements

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Nine-Month Period Ended 30 September 2021

	Issued and paid up capital	Legal reserve	General reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling Interest	Total
	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	10,136,497,168	31,126,255,178	1,104,689,653	32,230,944,831
Transferred to legal reserve	-	23,556,970	-	-	(23,556,970)	-	-	-
Dividends	-	-	-	-	(222,308,445)	(222,308,445)	-	(222,308,445)
Total comprehensive income for the period	-	-	-	-	1,569,143,664	1,569,143,664	(20,134,765)	1,549,008,899
Balance as at 30 September 2020	20,635,622,860	313,531,168	61,735,404	2,425,548	11,459,775,417	32,473,090,397	1,084,554,888	33,557,645,285

	Issued and paid up capital	Legal reserve	General reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling Interests	Total
	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 1 January 2021	20,635,622,860	313,531,168	61,735,404	2,425,548	11,513,122,654	32,526,437,634	1,089,845,936	33,616,283,570
Transferred to legal reserve	-	24,353,468	-	-	(24,353,468)	-	-	-
Dividends	-	-	-	-	(322,108,083)	(322,108,083)	-	(322,108,083)
Total comprehensive income for the period	-	-	-	(19,225,243)	1,698,781,969	1,679,556,726	4,668,043	1,684,224,769
Balance as at 30 September 2021	20,635,622,860	337,884,636	61,735,404	(16,799,695)	12,865,443,072	33,883,886,277	1,094,513,979	34,978,400,256

- The attached notes (1) to (36) are an integral part of these interim consolidated financial statements

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For The Nine-Month Period Ended 30 September 2021

	Notes	For the period ended 30 September 2021	For the period ended 30 September 2020
		LE	LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period before tax and non-controlling interest		2,359,081,021	2,141,306,360
Adjustments to			
Depreciation & amortization	(4,5,6)	238,912,444	225,821,692
Other (revenue)	(30)	(227,715,900)	(204,727,892)
(Impairment cancelation) / Impairment in value of available for sale investment	(10)	(450,105)	2,758,605
(Gain) from sale of fixed assets	(4)	(2,808,281)	(1,714,743)
Foreign currency exchange differences		(2,620,294)	(14,690,210)
		<u>2,364,398,885</u>	<u>2,148,754,532</u>
Change in development properties	(14)	(7,938,354,563)	(3,140,767,518)
Change in inventory	(15)	(142,883,717)	(72,249,502)
Change in accounts and notes receivable	(13)	(2,588,547,636)	(586,614,621)
Change in prepaid expenses and other debit balances	(16)	291,690,383	(1,195,073,622)
Change in creditors and notes payable		(599,924,456)	3,952,208,435
Change in advance payments from customers		9,286,585,260	(780,498,144)
Change in financial assets at fair value through profit and loss	(12)	(194,442)	(35,306,969)
Change in other credit balances	(21)	2,108,080,766	2,186,883,682
Income tax paid	(28)	(685,546,163)	(721,147,464)
Net cash flows provided from operating activities		<u>2,095,304,317</u>	<u>1,756,188,810</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment to acquire fixed assets, investment in property, intangible assets and fixed assets under construction	(4,6,7)	(1,858,675,367)	(1,518,620,978)
Proceeds from sale of fixed assets	(4)	3,908,321	3,873,428
(Payments) for investments in associates		-	(50,000,000)
Payments in available for sale investments		(224,740,869)	-
Proceeds from available for sale investments		-	3,065,708
(Payments) for Time deposits and held to maturity investments	(11)	(583,701,641)	(1,469,730,006)
Credit interests and income from investments and treasury bills received	(30)	313,227,559	105,902,921
Net cash flows (used in) investing activities		<u>(2,349,981,997)</u>	<u>(2,925,508,927)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Sukuk Ijarah		-	2,000,000,000
Dividend Paid from holding company		(322,108,083)	(222,308,447)
Dividends Paid		(94,826,000)	(179,780,693)
Proceeds from / (Payments of) loans and facilities	(25)	1,408,115,582	(32,389,996)
Net cash flow provided from financing activities		<u>991,181,499</u>	<u>1,565,520,864</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD			
		736,503,819	396,200,747
Foreign currency exchange differences		2,620,294	14,690,210
Non Cash adjustments *		(19,225,243)	-
Cash and cash equivalent at the beginning of the period		2,683,993,571	4,184,882,834
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(17)	<u>3,403,892,441</u>	<u>4,595,773,791</u>

* Resulted from translation differences of foreign currency exchange

- The attached notes (1) to (36) 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 2021

1 BACKGROUND

- Talaat Mostafa Group Holding TMG Holding S.A.E. ("**The Company**" or "**the parent company**") was established on 13 February 2007 under the provisions of law 95 of 1992 and its executive regulations.
- The company was registered with the commercial register number 187398 on April 3, 2007.
- The company has a term of 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 interim consolidated financial statements For the nine-month Period Ended 30 September 2021 were approved on 11 November 2021 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 interim consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards and the prevailing laws and local regulations.
- The interim consolidated financial statements are presented in Egyptian Pound, it is the company's functional currency.
- The interim consolidated financial statements are prepared under the historical cost basis, except for available for sale investments, and financial assets measured at fair value through the profit or losses.
- The results for the interim period ended 30 September 2021 may not be an accurate indication for the expected results for the fiscal year ended 31 December 2021.

2.1 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021.

Despite the adoption of these amendments for the first time in 2021, however they do not have a substantial impact on the retained earnings of interim consolidated financial statements.

The Company elected to adopt the new standards using the modified retrospective method that requires recognising the cumulative effect of initially applying the new standards as an adjustment to the opening balance of retained earnings at 1 January 2021, and by not restating the comparative information.

- Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers"
- Egyptian Accounting Standard No. 49 "Leases"

Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers"

Egyptian Accounting Standard No. (48) supersedes Egyptian Accounting Standard No. (8) "Construction Contracts" and Egyptian Accounting Standard No. (11) "Revenues. The standard was adopted at 1 January 2021.

The new standards introduced a 5-step model in which revenue is recognized when control of goods or services is transferred to a customer. The 5-step model as follows:

1. Identify the contracts with customers.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price.
5. Recognise revenue when the performance obligations are satisfied.

The standard requires management to make accounting estimates, considering all relevant facts and circumstances when applying each step of the model on the contracts with customers. The standard also specifies the accounting for incremental costs of obtaining a contract with customers and for the costs incurred to fulfil a contract with a customer.

The company applied the new accounting policy mentioned in disclosure (2-3) and there have been no substantial impact on the retained earnings or the revenue recognition represented in:

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

2.1 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- Real estate sale revenue
- Electricity revenues
- Transportation revenues
- Water revenues
- Clubs revenues
- Hotels revenue

On November 11, 2021, the Financial Supervisory Authority issued a circular regarding the study of the various applications of real estate development companies and of Standard 48 and other associated standards (among them the processing of notes receivables and the corresponding obligations).

According to this circular, it was agreed to allow the delay of effecting the accounting impact of applying Egyptian Accounting Standard No. 48, partially or completely, mentioned in the first paragraph until the end of December 2021, and therefore the notes receivable received from customers related to units that were not delivered to customers until the date of preparing the financial statement within the items of the company's financial position.

Egyptian Accounting Standard No. (49) "Leases"

Egyptian Accounting Standard No. (49) supersedes Egyptian Accounting Standard No. (20)

The company as a lessee Egyptian Accounting Standard No. (49) "Leases" requires lessees to account for all leases under a single on-balance sheet model where the lessee recognizes the assets representing the right to use the underlying assets and a liability, at the present value of the minimum lease payments. Taking into consideration that leases are not classified for the tenant as an operating lease or as a financing lease. There are optional exemptions for short-term leases and leases for low-value assets.

The Company as a lessor: A lessor should classify each of its leases as either an operating lease or finance lease.

leases classified as finance lease, a lessor should recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease

leases classified as operating lease, a lessor should recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis.

The company applied the new accounting policy mentioned in disclosure (2-3) and there have been no substantial impact on the retained earnings as at 1 January 2021.

The Company applied the following transitional provisions:

The company as a lessee:

Finance lease:

Applied starting from 2019 according to the transitional provisions of EAS 49

Operating lease:

Recognizes the assets representing the right to use the underlying assets and a liability, at the present value of the minimum lease payments, considering any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position directly prior to the initial application date, and not to apply any modifications when moving to apply the standards' requirements for leases for which the underlying asset is of low value.

The company elects to apply the following practical expedients:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Not to apply the requirements to leases for which the term ends within 12 months of the date of initial application.

The company as a lessor:

The Company classified each of its leases as either an operating lease or finance lease.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

2.1 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

STANDARDS ISSUED BUT NOT EFFECTIVE

Egyptian Accounting Standard No. (47) "Financial Instruments"

Egyptian Accounting Standard No. (47) that replaces EAS 26 Financial Instruments: Recognition and Measurement. EAS 47 is issued in April 2019 and is effective for annual periods beginning on or after 1 January 2021 in Egypt, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company elected not to early adopt EAS 47.

The Company's financial assets would appear to satisfy the conditions for classification as either amortized cost or fair value through other comprehensive income or fair value through profit or loss.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under EAS 26. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under EAS 48 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments.

The new standard requires the Company to review its accounting procedures and internal controls relating to the financial instruments for which reports are being issued. These changes have not yet been finalized.

According to the resolution of the higher committee of Egyptian accounting standards, It was allowed to postpone the application of the accounting impact of the application of EAS No. 47 "Financial Instruments" on the interim financial statements until no later than the date of preparing the annual financial statements at December 31st, 2021 and the inclusion of the combined impact for the whole year starting from January 1st, 2021 until December 31st, 2021 and the full disclosure.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at and for the year ended 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Voting rights and potential voting rights are considered in assessing whether the group has power over a subsidiary. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The Group re-assess whether or not it controls an investee if facts and circumstances indicates that there are changes to one or more of the three elements of controls. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Transactions with Non-controlling interest

Transactions with non-controlling interests that do not result in the loss of control by the Parent company are treated as transactions with the equity owners of the group. If a non-controlling interest is purchased, any difference between the amount paid and this non-controlling interest is recorded in equity, and any profits or losses resulting from the disposal of non-controlling interests are also recorded in the equity.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

BASIS OF CONSOLIDATION (CONTINUED)

Business combination

Accounting for business combination under EAS 29 only applies if it is considered that a business has been acquired. For acquisitions meeting the definition of a business, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Parent Company. 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 Non-controlling 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 consolidated statement of profit or loss.

The following steps are followed in preparing the consolidated financial statements:

- a- Eliminate the carrying amount of the Parent Company investment in each subsidiary and the Parent Company share of equity of each subsidiary.
- b- Identify the non-controlling interest in the profit or loss of the consolidated subsidiaries for the reporting period.
- c- Identify the non-controlling interests in the net assets of consolidated subsidiaries and presented in the consolidated financial statement separately from the Parent ownership interests. Non-controlling interests in the net assets consist of:
 - (1) The amount of non-controlling interests as of the original date of combination.
 - (2) The non-controlling interests' share of changes in equity since the date of the combination.
- d- Intergroup balances and transactions, revenues and expenses are eliminated.
 - The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same date.
 - The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events with similar circumstances.

Non-controlling interests are presented in the consolidated financial position within equity, separately from the equity of the owners of the Parent Company, and the non-controlling interests share in the group profit or loss is presented separately.

The Consolidated financial statements include the subsidiaries which are controlled by Talaat Mostafa Group Company "TMG Holding". 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 1.66% 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%
Arab Company for Urban Investment Company	99.97%
Arab International Investment Company	100%
Atrium for Development system company	99%
Oraion company for infra- structure and services management	90%

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

BASIS OF CONSOLIDATION (CONTINUED)

** 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%
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%

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currencies

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate prevailing at the financial position date. All differences are recognized in the statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

The financial statements of the subsidiaries denominated in foreign currency are translated to the Parent company's functional currency which is the Egyptian pound as follows:

- A) Assets and liabilities for each Financial position presented are translated at the closing rate at the date of that Financial position.
- B) Income and expenses for each statement of profit or loss presented are translated at exchange rates at the dates of the transactions or using average rate for the period when more practical.
- C) All resulting exchange differences are included in the owner's equity as a separate line item as foreign currency translation differences.

Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset 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

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset is included in the statement of profit or loss when the asset is derecognized.

The company assess the residual value for the assets, its economic useful life and the depreciation method at the end of each fiscal year.

The Company assesses at each financial position date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset 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 reversed only 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, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally generated intangible assets are not capitalized and expenditure is reflected in the statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Useful lives and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets represent the computer programs and the related licenses and are amortized using the straight-line method over their estimated useful lives.

Goodwill

Goodwill is recognized as an asset at the acquisition date of a business combination. Goodwill is initially measured at cost, which represents the excess of the consideration transferred in the business combination over the Company's interest in the fair value of the assets, liabilities and contingent liabilities recognized.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed assets under construction

Fixed 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. Fixed assets under construction are valued at cost net of impairment loss (if any).

Investment properties

Investment properties are land and buildings which are held to earn rental or for capital appreciation or both. Investment properties are measured at cost including acquisition cost or construction cost or any other related direct cost. After initial recognition Investment properties are measured at cost less accumulated depreciation and any accumulated impairment value depreciation is completed using the straight line method according to the estimated useful life of the assets

Investments in associates

Investments in associates are those 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 owns directly or indirectly through its subsidiaries companies 20% or more of the voting rights in the investee, unless it can be clearly demonstrated that this ownership does not represent significant influence .

Investments in associates are accounted for, in the separate financial statements, at 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. If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

a) Equity investments: where there is an evidence of impairment, the cumulative loss is removed from the equity and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in the fair value after impairment are recognized directly in equity.

b) Debt investments: where there is an evidence of impairment, loss is removed from the equity and recognized in the statement of profit or loss and interest continues to be accrued at original rate on the reduced carrying amount of the asset. If the fair value of the debt investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

This classification requires using high degree of professional judgment and to achieve that, the company evaluate its intention of keeping these investments till maturity date. If not, except in some rare circumstances such as selling of insignificant investments prior to maturity date then, all held to maturity investments re-classified to available for sale investments. Accordingly, Investments will be measured at fair value not amortized cost and cease any classification of investments.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held to maturity investments (continued)

Held to maturity investments are initially recognized at fair value inclusive direct attributable expenses.

After initial recognition, the held to maturity investments are measured at amortized cost using the effective interest method less impairment. Gains and losses are recognized in statement of 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 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.

Development Properties

Properties acquired, constructed 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.

The cost of development properties includes the cost of land and other related expenditure which are capitalized when activities that are necessary to get the properties ready for sale are in progress.

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 and other debit balances

Accounts receivable and other debit balances are stated at book less any impairment losses.

Impairment losses are measured as the difference between the 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 is recognized in the statement of profit or loss in the year in which it occurs.

Trade payables and accrued expenses

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

Related party transactions

Related parties represent in major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the boards of directors.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Social Insurance

The Company makes contributions to the General Authority for Social Insurance under the provisions of social insurance law 79 of year 1975. The Company's obligations are limited to these contributions, which are expensed when due.

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 financial position 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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

The Company recognizes revenue from contracts with customers by applying a five-step model as depicted within EAS no. 48:

Step 1: Identify the contract(s) with a customer. The contract is defined as an agreement between two or more parties that creates enforceable rights and obligation, and set the criteria that should be satisfied for each contract,

Step 2: Identify the performance obligations in the contract.

Performance obligation is a promise in a contract with a customer to transfer to the customer either: a good or service

Step 3: Determine the transaction price.

Transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract.

If the contract contains more than one performance obligation, the company will allocate the transaction price to each obligation at an amount reflecting the consideration to which the company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) the entity's performance does not create an asset with an alternative use and the entity has an enforceable right to payment for performance completed to date

b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced

c) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs

As for performance obligation, the Company recognizes revenue over time, if one of the above criteria is met.

When the company satisfies a performance obligation by transferring a promised service, it is originally established based on the contract against the amount of the contract corresponding to the performance obligation, when the amount against the contract received from the client exceeds the amount of revenue generated resulting in payments from the client (contract obligation).

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, when appropriate, can be measured reliably

Satisfaction of performance obligations

For each performance obligation, an entity shall determine whether it satisfies the performance obligation over time or at a point in time, requiring professional judgement, to determine the most appropriate method to recognize revenue.

Determining the transaction

- The company should determine the transaction related to its contracts with customers. The company estimates the impact of any variable consideration in the contract.

Transfer of control in contract with customers

If the company satisfies the performance obligation at a point in time, revenue is recognized when the customer obtains a control the asset

significant financing component

the company should adjust the promised amount of consideration to reflect time value of money if the contract contains a significant financing component. **Revenue of sale of completed development property**

The Company recognises revenue of sale of residential, professional, commercial and administrative property when the risks and rewards of ownership of the property have been transferred to the buyer which occurs when the units are delivered either actually or implied, at the value that reflects the expected value of the company against those units and the revenue is recognized at a point of time when the units have been transferred to the customers.

Revenue of sale of land

The Company recognises revenue of sale of property when the risks and rewards of ownership of the property have been transferred to the buyer which occurs when the units are actually delivered, provided the completion of utilities' work.

Dividends

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

Finance income

Finance income is recognised as it accrues using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Customers' charges

Income arising from providing utilities to customers is recognised when rendered. Customer charges revenues are included in other income in the Statement of Profit or Loss.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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

Leases:

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee:

The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term using the implicit interest rate in the lease if readily determinable, or the incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets . The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received (if any) , in addition to an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, a lessee shall measure the right-of-use asset at cost , less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on the lease term, if ownership of the leased asset transferred to the Company at the end of the lease term or if the Company will exercise the purchase option. Otherwise, Right-of-use assets are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

The Company elected not to apply the standard for leases of 'low-value' assets.

The Company as a lessor:

The Company classifies each of its leases as either an operating lease or finance lease.

A lease is classified as a finance lease if f the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Finance lease: the Company recognizes assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease

The Company shall use the interest rate implicit in the lease to measure the net investment in the lease
The net investment in the lease comprise the payments for the right to use of the underlying asset during the lease term that are not received at the commencement date.

The Company shall recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Operating lease: the Company shall recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

All the Company's leased are being classified as operating leases.

Impairment of assets

Impairment of financial assets

The Company assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets are 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.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) 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 inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU 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 the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Treasury shares

Treasury shares are recorded with the acquisition cost and deducted from the owners' equity in the balance sheet; any gain or loss proceeds of buying or selling these treasury shares are being recorded in the owner's 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.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority.

Deferred income tax

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 financial position (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.

Current and deferred tax shall be recognized as income or an expense and included in the statement of profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different year, directly in equity.

Borrowing

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

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the assets. All other borrowing costs are expensed in the year in which they are incurred. The borrowings costs are represented in interest and other finance costs that company pay to obtain the funds.

Expenses

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

Cash and cash equivalent

For the purpose of preparing the consolidated cash flow statement, cash and cash equivalent consist of cash at banks and cash in hand, time deposits and treasury bills that will due within three months and cheques less bank overdraft balances that due upon request which considered a part of the company's assets management system

Dividends

Dividends are recognized as an obligation for the period when the general assembly issues the decision.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorised 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 recognised in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation 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.

3 - Segment information

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

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

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As of 30 September 2021

4 FIXED ASSETS - NET

	Lands	Buildings & Constructions	Motor Vehicles	Tools & Equipment	Furniture & Fixtures	Computers	Total
	LE	LE	LE	LE	LE	LE	LE
Cost							
As of 1 January 2021	1,048,816,134	4,661,531,058	351,272,518	668,232,414	781,941,741	99,326,073	7,611,119,938
Additions	-	76,331,416	39,287,017	31,259,479	16,993,826	17,530,125	181,401,863
Transfer from / (to) assets under construction	-	(89,360,108)	173,193	6,118,673	-	-	(83,068,242)
Transfer from development properties	(20,751,781)	(292,993,583)	-	-	-	-	(313,745,364)
Disposals	-	-	(7,566,080)	(132,292)	(5,599,037)	(142,878)	(13,440,287)
As of 30 September 2021	1,028,064,353	4,355,508,783	383,166,648	705,478,274	793,336,530	116,713,320	7,382,267,908
Accumulated depreciation							
As of 1 January 2021	-	(690,851,400)	(217,083,196)	(375,678,854)	(467,674,219)	(67,827,818)	(1,819,115,487)
Depreciation for the period	-	(81,086,324)	(57,813,888)	(44,760,116)	(25,683,589)	(14,676,408)	(224,020,325)
Accumulated depreciation of transferred assets	-	38,572,242	-	-	-	-	38,572,242
Accumulated depreciation of disposals	-	-	6,688,071	432,045	5,081,505	138,629	12,340,250
As of 30 September 2021	-	(733,365,481)	(268,209,013)	(420,006,925)	(488,276,303)	(82,365,597)	(1,992,223,318)
Net book value As of 30 September 2021	1,028,064,353	3,622,143,302	114,957,635	285,471,350	305,060,227	34,347,723	5,390,044,590
Net book value As of 31 December 2020	1,048,126,479	3,978,863,017	133,641,493	268,963,935	318,573,244	43,836,283	5,792,004,451

Mortgaged assets:

- 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 Company for Tourism Investment.
- First degree mortgage on the land and the building of Four Season Hotel Nile Plaza, Cairo owned by Nova Park Company, excluding the total sold or available for sale units and its share in the land.
- First degree mortgage 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.

	LE	LE		LE
Proceed from sale of fixed assets		3,908,321	The depreciation are allocated to the following:	
Cost of disposed fixed assets	(13,440,287)		Depreciation expenses at the statement of profit or loss	224,020,325
Accumulated depreciation of sold assets	<u>12,340,250</u>			
Net book value of fixed assets' disposed		<u>(1,100,040)</u>		
Fixed Assets Disposal Gain		<u>2,808,281</u>		

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

4-FIXED ASSETS - NET (CONTINUED)

	Lands	Buildings & Constructions	Motor Vehicles	Tools & Equipment	Furniture & Fixtures	Computers	Total
	LE	LE	LE	LE	LE	LE	LE
Cost							
As of 1 January 2020	1,048,625,103	4,272,008,514	300,381,353	537,821,849	715,421,876	84,737,253	6,958,995,948
Additions	-	398,290,047	53,724,149	126,763,256	93,409,658	32,914,358	705,101,468
Transfer from investment properties item	-	12,923,475	-	-	-	-	12,923,475
Disposals	(498,624)	(5,656,898)	(5,451,081)	(22,812,654)	(18,165,496)	5,943,392	(46,641,361)
As of 31 December 2020	1,048,126,479	4,677,565,138	348,654,421	641,772,451	790,666,038	123,595,003	7,630,379,530
Accumulated depreciation							
At 1 January 2020	-	(595,205,972)	(177,305,473)	(338,284,849)	(427,275,472)	(55,893,490)	(1,593,965,256)
Depreciation for the period	-	(104,038,268)	(42,472,614)	(44,398,357)	(61,996,205)	(27,987,427)	(280,892,871)
Disposals	-	542,119	4,765,159	9,874,690	17,178,883	4,122,197	36,483,048
As of 31 December 2020	-	(698,702,121)	(215,012,928)	(372,808,516)	(472,092,794)	(79,758,720)	(1,838,375,079)
Net book value As of 31 December 2020	1,048,126,479	3,978,863,017	133,641,493	268,963,935	318,573,244	43,836,283	5,792,004,451

Mortgaged assets:

- 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 Company 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 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		LE
Cost of disposed fixed assets	(46,641,361)	9,635,648	The depreciation are allocated to the following:	
Accumulated depreciation of sold assets	36,483,048		Depreciation expenses at the statement of profit or loss	<u>280,892,871</u>
Net book value of fixed assets' disposal		<u>(10,158,313)</u>		
Fixed Assets Disposal Gain		<u>(522,665)</u>		

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

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As of 30 September 2021

5 – INVESTMENT PROPERTIES

	Land	Buildings & Constructions	Total
Cost	LE	LE	LE
As of 1 January 2021	45,210,489	385,282,832	430,493,321
As of 30 September 2021	45,210,489	385,282,832	430,493,321
Accumulated depreciation			
At 1 January 2021	-	(58,540,808)	(58,540,808)
Depreciation charge	-	(13,487,588)	(13,487,588)
As of 30 September 2021	-	(72,028,396)	(72,028,396)
Net book value As of 30 September 2021	45,210,489	313,254,436	358,464,925
Net book value As of 31 December 2020	38,546,267	333,406,246	371,952,513

6 – INTANGIBLE ASSETS

	30 September 2021 LE	31 December 2020 LE
Computers and Software	23,837,536	22,806,576
Additions of the period /year	1,901,336	1,030,960
Accumulated amortization at the beginning of the period /year	(21,404,072)	(18,040,655)
Amortization charge period /year	(1,404,534)	(3,363,418)
Balance at the end of the period /year	<u>2,930,266</u>	<u>2,433,463</u>

7 – FIXED ASSETS UNDER CONSTRUCTIONS

	30 September 2021 LE	31 December 2020 LE
Sharm El Sheik Extension Project	5,671,598,385	4,348,885,340
Porto Venice Project	357,956,752	293,765,787
Hotel Assets	1,044,463,013	651,614,242
Villa – (Sednawy)	73,606,541	73,606,541
Luxor Project	79,239,134	72,855,330
Administrative Space at Four season Nile plaza	425,917,377	333,044,953
Administrative Offices	204,936,386	50,331,867
	<u>7,857,717,588</u>	<u>5,824,104,060</u>

8- GOODWILL

	30 September 2021 LE	31 December 2020 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
	<u>12,504,761,726</u>	<u>12,504,761,726</u>

Goodwill is tested annually for impairment. The impairment test study resulted in no impairment in the value of goodwill as of 31 December 2020 resulted from the acquisition of the subsidiaries.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

9- INVESTMENTS IN ASSOCIATES

	Percentage	30 September 2021 LE	31 December 2020 LE
Hill / TMG for Projects and Construction Management*	49%	2,705,675	2,705,675
Cairo Medical City Co.	10%	7,500	7,500
Bedaya Home Finance	33,3%	50,000,000	50,000,000
		<u>52,713,175</u>	<u>52,713,175</u>

*The Board of directors approved on the liquidation of Hill /TMG for Constructions and Projects Management. Liquidation process still in progress.

10- AVAILABLE FOR SALE INVESTMENTS

	30 September 2021 LE	31 December 2020 LE
Hermes Investment Fund "third fund"	14,354,763	13,904,658
El Tameer for Real Estate Finance Company	12,565,100	12,565,100
Arab International Investment Company	-	229,875,934
TMI for Real Estate and Tourism Investment	227,381,801	-
TCA For real Estate Company	192,600,000	-
Aur Financial Services Investments Company	20,000,000	-
Housing Insurance Company	7,920,000	6,600,000
Atrim for Houses Developed Systems Company	-	1,762,500
Engineering Company for Advanced Building Systems	-	700,000
Atrim for Projects Management	2,940,000	-
Atrim for Real Estate Projects	12,750,000	-
Egyptian Company for Marketing and Distribution	500,000	500,000
Other Companies	269,279	181,777
	<u>491,280,943</u>	<u>266,089,969</u>

Available for sale investments that have no market price and its fair value cannot be reasonably determined due to the nature of the unpredictable future cash flows; are recorded at cost.

Hermes Investment Fund "third fund" amounted to LE 14,354,762 as of 30 September 2021, measured at fair value and impairment charged to statement of profits or loss amounted to L.E 450,114.

Despite that the company owns 45% of TCA Company, the management considers classifying this investment within the available for sale investments due to the lack of any significant influence of the company over TCA Company.

11- TIME DEPOSITS AND HELD TO MATURITY INVESTMENTS

	30 September 2021 LE	30 September 2021 LE
Current Investments	1,944,594,844	1,831,996,747
Non - Current Investment	4,169,113,271	3,698,009,727
	<u>6,113,708,115</u>	<u>5,530,006,474</u>

Current Investment

This item amounted to LE 1,944,594,844 as of 30 September 2021 consists of treasury bills with a maturity date maximum by September 2022 amounted to EGP 1,833,594,844, in addition to governmental bonds with a maturity dates till September 2022, with nominal value of LE 111,000,000 for 111000 bonds.

	30 September 2021 LE	31 December 2020 LE
Treasury bills and governmental bonds	1,944,594,844	1,831,996,747
	<u>1,944,594,844</u>	<u>1,831,996,747</u>

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As of 30 September 2021

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

Non - Current Investment

	30 September 2021 LE	30 September 2021 LE
Governmental Bonds	2,304,113,271	3,698,009,727
Time Deposits	<u>1,865,000,000</u>	-
	<u>4,169,113,271</u>	<u>3,698,009,727</u>

Governmental Bonds

This item amounted to LE 2,304,113,271 as of 30 September 2021 as follows:

No.	Nominal Value	Yield	Maturity
125800	125,800,000	17%	2023
238700	238,700,000	15%	2024
341749	341,749,000	14%-15%	2025
379500	379,500,000	17%	2026
507500	507,500,000	16%	2027
325000	325,000,000	16%	2028
351000	351,000,000	14%	2029
40000	<u>40,000,000</u>	14%	2030
	<u>2,309,249</u>		
	<u>2,309,249,000</u>		

	30 September 2021 LE	31 December 2020 LE
Cost	2,309,249,000	3,708,265,000
Bonds discount	<u>(5,135,729)</u>	<u>(10,255,273)</u>
Bonds balance	<u>2,304,113,271</u>	<u>3,698,009,727</u>

Non-Current deposits

	30 September 2021 LE	30 September 2021 LE
Time Deposits	1,865,000,000	-

12- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2021 LE	31 December 2020 LE
Investment Funds - Juman	3,277,766	3,055,760
Investment Fund – Charity Education	5,000,000	5,000,000
Egyptian Cables Company	<u>4,137</u>	<u>31,701</u>
	<u>8,281,903</u>	<u>8,087,461</u>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

13- ACCOUNTS AND NOTES RECEIVABLE

	30 September 2021	31 December 2020
	LE	LE
Accounts Receivables	808,090,788	2,721,681,924
Notes Receivables – During the year	8,232,855,441	7,762,717,663
Notes Receivables – more than one year	24,995,095,347	20,965,693,578
	34,036,041,576	31,452,438,595
Deduct the present value	(335,388,211)	(337,987,436)
	33,700,653,365	31,112,105,729

- On November 11, 2021, the Financial Supervisory Authority issued a circular regarding the study of the various applications of real estate development companies and of Standard 48 and other associated standards (among them the processing of notes receivables and the corresponding obligations).
- According to this circular, it was agreed to allow the delay of effecting the accounting impact of applying Egyptian Accounting Standard No. 48, partially or completely, mentioned in the first paragraph until the end of December 2021, and therefore the notes receivable received from customers related to units that were not delivered to customers until the date of preparing the financial statement within the items of the company's financial position.
- The notes receivables for the delivered units amounted to 3,614,358,682 pounds, and the value of the notes receivables to the undelivered units amounted to 29,278,203,895 pounds.

14- DEVELOPMENT PROPERTIES

	30 September 2021	31 December 2020
	LE	LE
Beginning balance	46,202,851,945	36,480,865,818
Additions and adjustments during the year	12,104,135,195	16,444,505,524
Capitalized borrowing costs during the year	1,825,725,170	1,612,928,275
Realized costs of delivered units charged on statement of profit or loss	(5,952,041,680)	(8,245,131,814)
Realized costs of recurring activities returns charged on statement of profit or loss	(39,464,123)	(77,392,383)
Transfer to fixed assets	-	(12,923,475)
Ending balance for the period/ year	54,141,206,507	46,202,851,945

It includes the following components:

- Land.
- Amounts paid to contractors, including infra-structure costs.
- Capitalized borrowing costs, designs, planning, site preparation, professional legal fees indirect and other costs.

Infra-structure costs are allocated on the projects and represent portion of the project's estimated cost to complete, to determine the cost of the recorded revenue.

15- INVENTORY

	30 September 2021	31 December 2020
	LE	LE
Inventory of units	1,259,086,604	1,115,733,027
Hotels' operating Equipment and Supplies	3,196,104	3,665,964
	1,262,282,708	1,119,398,991

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As of 30 September 2021

16 – PREPAID EXPENSES AND OTHER DEBIT BALANCES

	30 September 2021	31 December 2020
	LE	LE
Advance Payment - Contractors and Accounts Payable	2,799,271,840	2,943,280,936
Contractors "Storage"	1,020,459,170	975,876,700
Hotels - Current Accounts	484,285,721	336,441,764
Withholding taxes	208,107,031	152,855,247
Deposit with Others	549,288,365	604,006,267
Letter of credit	18,521,199	69,986,528
Other Debtors	645,141,954	683,559,988
Prepaid expenses	109,682,827	278,855,505
Amounts paid against "Investments of Companies Under Incorporation"	4,851,459	86,437,014
Accrued revenue	187,072,687	272,584,345
	<u>6,026,682,253</u>	<u>6,403,884,294</u>

17 - CASH ON HAND AND AT BANKS

	Local Currency	Foreign Currency	30 September 2021	31 December 2020
	LE	LE	LE	LE
Time deposits	155,614,873	1,720,256,960	1,875,871,833	1,874,246,055
Banks - current accounts	1,039,407,381	427,316,810	1,466,724,191	789,079,075
Cash on Hand	54,811,821	15,395,830	70,207,651	41,154,674
Cheques under collections	-	-	-	611,600
	<u>1,249,834,075</u>	<u>2,162,969,600</u>	<u>3,412,803,675</u>	<u>2,705,091,404</u>

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

	30 September 2021	31 December 2020
	LE	LE
Cash on hand and at banks	3,412,803,675	2,705,091,404
Banks overdraft	(8,911,234)	(21,097,833)
Cash and cash equivalents	<u>3,403,892,441</u>	<u>2,683,993,571</u>

18- CREDITORS AND NOTES PAYABLE

	30 September 2021	31 December 2020
	LE	LE
Contractors and suppliers	1,389,201,949	2,694,685,243
Notes Payables	5,590,341,000	8,762,102,796
	<u>6,979,542,948</u>	<u>11,456,788,039</u>
Deduct Present Value	(831,145,164)	(852,336,743)
	<u>6,148,397,784</u>	<u>10,604,451,296</u>

19- CUSTOMERS ADVANCE PAYMENT

	30 September 2021	31 December 2020
	LE	LE
Customers advance payment (<i>Al Rehab Project</i>)	1,014,099,805	1,092,840,625
Customers advance payment (<i>Al Rehab extension Project</i>)	1,742,577,568	4,156,441,900
Customers advance payment (<i>Madinaty Project</i>)	25,333,575,501	21,455,523,740
Customers advance payment (<i>Celia Project</i>)	12,269,667,696	10,729,122,095
Customers advance payment (<i>Nour Project</i>)	6,178,073,440	-
Customers advance payment (<i>Al Rabwa Project</i>)	16,774,410	16,774,410
Customers advance payment others	601,855,027	419,335,417
	<u>47,156,623,447</u>	<u>37,870,038,187</u>

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20- DIVIDEND PAYABLE

	30 September 2021	31 December 2020
	LE	LE
Dividends payable to shareholders and employees	60,933,544	155,759,544
Board of directors remuneration	14,775	14,775
	<u>60,948,319</u>	<u>155,774,319</u>

21- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	30 September 2021	31 December 2020
	LE	LE
Customers' maintenance and units Deposits	8,375,061,643	7,381,201,204
Retention guarantees	3,021,065,582	2,403,298,520
Customers - credit balances	1,026,214,418	775,501,505
Accrued expenses and creditors	526,555,702	394,309,050
Clubs' subscription (Deferred revenue)	274,197,002	118,808,302
	<u>13,223,094,347</u>	<u>11,073,118,581</u>

22 – CAPITAL

The company's authorized capital amounted to LE 50,000,000 (Fifty million Egyptian pound) and the issued and paid up capital amounted to LE 6,000,000 (Six million Egyptian pound) of LE 10 (Ten Egyptian Pound) par value each, on 3 April 2007.

According to the Extraordinary General Assembly Meeting dated on 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-up capital was increased to become LE 18,152,035,500 divided over 1,815,203,550 share of LE 10 par value each, through shares swap with the subsidiaries. It was recorded in the commercial register on 28 October 2007.

According to the Extraordinary General Assembly Meeting dated on 28 October 2007, the company's issued and paid up capital was increased through a public and private placement to become LE 20,302,035,500 divided over 2,030,203,550 shares. The increased amount of LE 2,150,000,000 was paid with a premium share amounted to LE 1,6 per share by total premium amount of LE 344,000,000, recorded in the commercial register on November 25, 2007.

According to the Extraordinary General Assembly Meeting dated on 24 March 2010, The issued capital was reduced by the treasury stocks amounted of LE 169,720,520 par value, and 1 year has elapsed since its acquisition. Issued capital becomes LE 20,132,314,980 (Twenty billion and one hundred and thirty two million and fourteen thousand and nine hundred and eighty pound) distributed over 2,013,231,498 shares. It was recorded in the commercial register on 18 May 2010.

The Extraordinary General Assembly Meeting dated 30 September 2011 approved to increase the issued and paid up capital through issuing bonus shares, deducted from the retained earnings, to become LE 20,635,622,860 dividend over 2,063,562,286 shares. It was recorded in the commercial register on 24 May 2011.

23 – LEGAL RESERVE

Legal reserve amounted to 337,884,636 as of 30 September 2021 represents the transferred amount of the shares Premium amounted to LE 344,000,000, and with LE 1,6 share premium 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 2021 represents the amount of LE 25,747,613 of the different results from shares swap of the company shares with its subsidiaries amounted in accordance to the Extra Ordinary General Assembly Meeting dated 6 October 2007 to transfer the different to general reserve.

In addition to the amount of LE 35,987,791, represents 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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25- LOANS AND FACILITIES

	Short Term LE	Long Term LE	30 September 2021 LE	31 December 2020 LE
Banks facilities	1,515,945,087	-	1,515,945,087	1,544,486,575
Loans *	234,836,072	4,341,782,308	4,576,618,380	3,139,961,310
	<u>1,750,781,159</u>	<u>4,341,782,308</u>	<u>6,092,563,467</u>	<u>4,684,447,885</u>

The loans and bank facilities are:

	Bank facilities LE	Loans LE	Amount in original currency
Bank Audi – Tahrir	46,006	-	-
Abu Dhabi Islamic Bank	7,037,443	-	-
Qatar National Bank Alahli	41,936,143	-	-
National Bank of Egypt	445,029,375	1,300,000,000	-
Emirates National Bank of Dubai	103	-	-
Arab Investment Bank	1,291,171	11,620,537	-
Export Development Bank – Madinty	603,835,742	-	-
Banque Misr	375,000,000	-	-
Blom Bank – Egypt	17,473,449	-	-
Faisal Islamic Bank – Giza	-	24,836,072	-
Abu Dhabi Islamic Bank	24,295,655	-	-
Ahly United Bank	-	197,534,226	10,865,469 €
Ahly United Bank	-	3,042,627,545	193,921,450 \$
	<u>1,515,945,087</u>	<u>4,576,618,380</u>	

*The instalments of loans and bank facilities which are due within a year from the date of issuing the financial statements are recorded in the current liabilities and those loans are granted with commercial papers and financial securities in addition to fixed assets as follows:

- First degree mortgage 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 Company 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- OTHER LONG TERM LIABILITIES

	30 September 2021 LE	31 December 2020 LE
New Urban Communities Authority	6,514,781,555	6,514,781,555
Notes Payable – more than one year	15,650,231,975	11,765,243,069
Deduct present value	(1,439,861,131)	(1,411,001,281)
	<u>20,725,152,399</u>	<u>16,869,023,343</u>

27- SUKUK AL-IJARAH

The “Arab Company for Projects and Urban Development” (subsidiary) has issued Islamic sukuk that comply with Islamic sharia law and are non-transferable to shares, worth 2 billion Egyptian pounds, and the nominal value of the instrument: is LE 100 (one hundred Egyptian pound). The number of issued sukuk is 20,000,000 (twenty million) instruments, its duration is 57 months starting from the date of issuance of April 2020 and an amount of EGP 250 million will mature at the end of 2022, an amount EGP 350 million mature in 2023, and EGP 1,400 million mature on 31 December 2024. Those instruments have a variable return in Egyptian pounds calculated based on the net average rate of return on treasury bills for six months, net of tax.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

28- INCOME TAX AND DEFERRED TAX LIABILITY

The income tax was calculated as follows:

	30 September 2021	30 September 2020
	LE	LE
Net Profits for the period before tax	2,359,081,021	2,141,306,360
Adjustments on the profits to reach to taxable profits	838,179,024	469,878,949
Net taxable profit	3,197,260,045	2,611,185,309
Income tax at 22,5%	719,383,509	587,516,693
Income tax within other comprehensive income	-	-
Current income tax for the period	719,383,509	587,516,693

Accrued income tax movement during the period/year:

	30 September 2021	31 December 2020
	LE	LE
Balance at the beginning of the period/year	996,166,500	924,806,669
Additions during the period/year	719,383,509	956,782,744
Tax paid	(727,441,163)	(885,422,913)
Balance at the end of the period/year	988,108,846	996,166,500

The Transactions on the deferred tax liabilities during the period as follow:

The balance of deferred tax assets at 30 September 2021 is LE 58,668,360 which represents the difference between the fixed assets accounting basis and fixed assets tax basis. It is calculated as follow:

	30 September 2021	31 December 2020
	LE	LE
Balance at the beginning of the period/year	(5,084,141)	(4,596,022)
Impact of adoption of EAS 49	-	91,906
Deferred tax income during the period/year	73,547,819	72,792,000
Deferred tax expense during the period/year	(9,795,318)	(73,372,025)
Balance at the end of the period/year	58,668,360	(5,084,141)

	30 September 2021	30 September 2020
	LE	LE
Current income tax	(719,383,509)	(587,516,693)
Deferred income tax	63,752,501	(4,780,768)
	(655,631,009)	(592,297,461)

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

29- REVENUE AND COST OF REVENUE

	30 September 2021	30 September 2020
	LE	LE
-Revenue from sold units	9,103,592,030	8,895,355,401
- Revenue from Hotels' operation	824,516,497	437,898,416
-Recurring & services activities revenues	1,384,862,494	1,079,014,516
Total Revenues *	11,312,971,021	10,412,268,333
-Cost of sold Units	5,953,443,246	5,819,759,891
- Cost of Hotels' Operation	632,818,153	491,529,695
- Cost of recurring & services activities	993,678,774	782,726,468
Total Cost *	7,579,940,173	7,094,016,054

Hereunder the sectors' analysis:

	Real Estate& other recurring revenues	Tourism	General	30 September 2021	31 December 2020
	LE	LE	LE	LE	LE
Revenue	10,488,454,524	824,516,497	-	11,312,971,021	14,097,789,855
Cost of goods sold	6,947,122,020	632,818,153	-	7,579,940,173	9,984,386,773
Gross Profit	3,541,332,504	191,698,344	-	3,733,030,848	4,113,403,082
Depreciation & amortization	160,061,904	76,962,264	1,888,275	238,912,444	302,262,980
Other income & capital gain	222,439,593	-	8,084,587	230,524,181	474,780,315
Income tax	-	-	(655,631,009)	(655,631,009)	(957,362,769)
Profits	1,715,603,666	(12,153,654)	-	1,703,450,012	1,671,973,444
Assets	100,135,811,621	12,075,642,616	-	112,211,454,237	100,135,811,621
Financial investments	-	-	6,665,984,136	6,665,984,136	-
Un-allocated Assets	-	-	12,504,761,726	12,504,761,726	-
Group Total Assets	100,135,811,621	12,075,642,616	19,170,745,861	131,382,200,099	100,135,811,621
Liabilities	89,212,333,336	3,435,421,229	-	92,647,754,565	92,945,364,184
Un-allocated Liabilities	3,733,030,848	-	23,014,431	3,756,045,279	3,733,030,848
Group Total Liabilities	92,945,364,184	3,435,421,229	23,014,431	96,403,799,843	92,945,364,184

30- OTHER INCOME

	30 September 2021	30 September 2020
	LE	LE
Finance Income	102,081,477	134,689,860
Income from financial assets held to maturity	62,328,608	10,196,949
Other operating revenue, rental units and usufruct	62,857,724	50,196,415
Income from financial assets at fair value through profit or loss	194,443	5,106,675
Other income	253,648	4,715,332
	227,715,900	204,905,231

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

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.
- The following years are still under tax inspection.

b. Salary tax

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

c. Stamp tax

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

Arab Company for Projects and Urban Development

a. Corporate tax

- The company provides tax approval regularly and on legal dates to the competent authority, which has been examined and paid for the years from the beginning of the activity until 2017.
- Years from 2018-2020 are under tax inspection.

b. Salary tax

- The company supplies taxes deducted from wage and salary check workers regularly and the declarations and payments are submitted on official dates, which has been checked and paid since the beginning of the company's activity until 2012.
- Company's records for the years from 2013 to 2020 are currently being inspected.

c. Stamp duty

- Company's records were inspected for the years till 2015 and the taxes due were paid.
- Company's records for the years from 2016 to 2019 are currently being inspected and did not receive the tax claim.

d. VAT

- The company submits tax returns on time and payments are made on time. Inspection and payment have been carried out from the 2016 value-added law to 2017.

San Stefano Company for real estate investments

a. Corporate tax

- The company provides tax approval regularly and on legal dates to the competent authority, which has been examined and paid for the years from the beginning of the activity until 2008.
Company's records were inspected for the years from 2009 to 2014.

b. Salary tax

- The company supplies taxes deducted from first-time employees and quarterly declarations are submitted on time, and tax checks and payments have been carried out until 2005.
- Company's records were inspected for the years till 2018 and the taxes due were paid.

c. Stamp tax

- The inspection and payment of taxes until 2015 has been completed and the taxes due to the company have been paid in full to date.

Alexandria for Projects Management

a. Corporate tax

- The company is subject to the provisions of income tax law No. 91 of 2005, this company has been examined for 2016 and settled with the tax authority.

b. Salary tax

- The examination and payment until 2016 was carried out by the tax authority.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

31-TAX SITUATION (CONTINUED)

Alexandria for Projects Management (continued)

c. Stamp tax

- The inspection and payment of taxes until 2011 has been completed .

d. VAT

- The company submits tax returns on time and payments are made on time.
- Inspection and payment have been carried out since the issuance of the value add tax law in 2016 to 2018.

Alexandria Company for Real Estate Investments

a. Corporate tax

- The company submits its tax returns regularly and in a timely manner .
- Inspection of the company's until 2013 was carried out and tax claims were settled.
- Inspection of the company's records for years 2014-2017 has not yet been carried out.

b. Salary tax

- Inspection of the company's records since inception until year 2016 was carried out and tax claims were settled.
- Inspection of the company's records for years 2017 -2018 has not yet been carried out.

c. Stamp tax

- Inspection of the company's records until 2012 was carried out and tax claims were settled.

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 tax expenses are annually paid based on the company results.
- The company has been examined by the Joint Stock Corporation Tax Authority until 2016 and is on the process of adjusting and paying the tax due.

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 .
- Inspection of the company's records until 2010 was carried out and tax claims were settled.
- The years from 2013 to 2016 were examined.

b. Salary tax

- The company deducts income tax on employee salaries in a timely manner, and inspected for the years till 2016.

c. VAT

- Company's records were inspected for the years till 2014.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

31-TAX SITUATION (CONTINUED)

Al Rabwa for Entertainment Services

a. Corporate tax

- The company submits its tax returns regularly and in a timely manner .
- Inspection of the company's records until 2014 was carried out.
- The company enjoys a tax exemption under the New Urban Communities law.

b. Salary tax

- The company deducts income tax on employee salaries in a timely manner .
- Company's records were inspected for the years till 2010..

c. Stamp tax

- No tax inspection was carried out until 2007.
- Company's records were inspected for the years till 2006 and the taxes due were paid.

d. VAT

- The company submits its tax returns and settles claims regularly and in a timely manner and Company's records were inspected for the years till 2013 and tax claim were received.

Al Masria for Development and Real Estate Projects

a. Corporate tax

- The company submits its tax returns regularly and in a timely manner .
- 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 tax expenses are due and paid annually based on the company operating results.
- Inspection of the company's records was conducted for years 2010-2014 and to be settled with 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 2005-2011 and appealed the form within legal timeline.
- The appeal was accepted and reinspection of the company's records for years 2005-2011 was conducted and the taxes due were paid.

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.

a. VAT

- The company is not registered under the VAT

El Nile for Hotels company

b. 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
- tax expenses are annually paid based on the company results. The company received tax form no. (19) for years 2010-2012 and appealed the form within legal timeline.

c. 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.

d. 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.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

31-TAX SITUATION (CONTINUED)

El Nile for Hotels company (continued)

e. 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 tax expenses are annually paid based on the company results.
- The company received tax form no. (19) for years 2012-2016 and appealed the form within legal timeline, the authority accepted the appeal and currently preparing for re-inspection by the related 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 till 2014 and appealed the form within legal timeline and currently preparing for re-inspection for the years from 2012 till 2017.

c. Stamp tax

- The company settles stamp tax in accordance with law no. 111 of 1980 and its amendments.
- Company's records were inspected for the years till 2015 and the taxes due were paid.

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.

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 tax expenses are annually paid based on the company results.
- Company's records were inspected for the years from 2011 till 2014 and the taxes due were paid.

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 2018 was carried out.

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 settled.
- Inspection of the company's records for years 2014 -2018 has not yet been carried out the company has not yet been notified of its results.

d. VAT

- The company is registered with VAT (formerly sales) and submit the monthly tax declaration according to tax authority form and the tax amount is paid if any according to the monthly tax return, and the examination was carried out until 2017 and the tax due was paid and settlement with the Tax authority.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

31-TAX SITUATION (CONTINUED)

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 tax expenses are annually paid based on the company results.
- The company received tax form no. (19) for years 2011-2014 and appealed the form within legal timeline and currently preparing for re-inspection by the related 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 2018 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 2019 was conducted and settled to that date.

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).

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 subjects to a tax exemption under the New Urban Communities law The inspection till 2016 was carried out and an internal committee is ongoing.

b. Salary tax

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

31-TAX SITUATION (CONTINUED)

Mayfair Company for Entertainment Services (continued)

c. Stamp tax

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

d. VAT

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

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. VAT

- The company is not subject to sales tax.

d. Stamp tax

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

32- RELATED PARTY TRANSACTIONS

To accomplish the company's objectives, the company deals with the related parties at the same terms with the other parties through delegating the implementation of some assignments and contracts in subsidiaries projects, as well as paying some amounts on behalf of those companies and settling some amounts paid from or to other parties, the balances resulted from these transactions recorded within the assets and liabilities in the statement of financial position. *Alexandria Company For Construction S.A.E* is the main contractor for the company's projects according to the contracts signed with the companies.

The amount charged by senior executives charged in general and administrative on the income statement amounted to EGP 52 million, other than what was capitalized in the work under implementation. Non-executive board members earn EGP 858,700.

TMG Company For Real Estate and Tourism Investment –a company owned by some of the *Board Members* of *Talaat Mostafa Group Holding* - owns 43.16% of *Talaat Mostafa Group Holding*

The most significant related party balances that is included in the statement of financial position:

	Contractors	Guaranties	Contractors "Storage"	Advance payments	Due from
	LE	LE	LE	LE	LE
Alexandria for construction company as of 30 September 2021	796,486,154	2,060,812,092	563,160,492	1,453,698,049	98,173,143
	Contractors	Guaranties	Contractors "Storage"	Advance payments	Due from
	LE	LE	LE	LE	LE
Alexandria for construction company as of 31 December 2020	1,062,701,089	1,720,049,770	478,901,496	1,800,790,005	98,173,143

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

33-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 Company has full responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management is responsible for setting and monitoring the risk management policies.

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, due from related parties 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 are transferred to the buyer only after all the instalments are settled. In addition, instalment dues are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

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 finance department . The Company limits its exposure to credit risk by depositing balances with local banks of good reputation. Given the profile of its bankers, the Company's management does not expect any counterparty to default 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, interest bearing 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.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

33-FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

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 due borrowings and financial liabilities is a floating interest rate, the effect of the change in the interest rate is displayed on the financial statements of the company.

Exposure to foreign currency risk

The company exposed to the foreign currency risk generally from the assets and the liabilities and mainly for the long term loans in US dollars.

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.

34-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 and notes receivable, debtors and other debit balances, held to maturity investments, and due from related parties.

The financial liabilities include banks overdrafts, loans, accounts payable, creditors and other credit balances, land purchase liability, due to related parties and retention payable..

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

35-LEGAL STATUS

According to the legal consultant opinion, the likely wining lawsuits, filed against and by the group companies, as follows:

Appeals # 6913,7032 and 7308 for the year 58 brought forward by "Arab Company For Projects And Urban Development" regarding the case # 5087,15777/65 Administration Cairo about the validity of the contract dated 8/11/2011 and the reprice the unused part of the land and not yet scheduled.

Appeal # 41817/66 administrative Cairo rose from Mr. Ahmed Abdel Baseir against Arab company for projects and urban development, is booked for the report and the case is not yet scheduled.

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 scheduled.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2021

36- 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 spread of the virus, 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 2021 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 impact on mitigating the severity of the crisis, in addition to the Group's enduring of any potential fluctuations in all the activities.

The balance of backlog (actual sales that not yet recognized) till 30 September 2021 amounted to EGP 63.3 billion, compared to EGP 49.8 billion for the same period of the previous year, which will be recognized as revenues and profits over the next 5 years.