

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

**ARAB CHARTERED ACCOUNTANTS
(RSM EGYPT)**

**TALAAAT MOSTAFA GROUP HOLDING COMPANY
"TMG HOLDING" (S.A.E)
CONSOLIDATED INERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019
TOGETHER WITH REVIEW REPORT**

**Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)
Consolidated Financial Statements
For The Six Months Ended 30 June 2019**

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

Introduction

We have reviewed the accompanying interim consolidated financial position of Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E) as at 30 June 2019 and the related statements of consolidated income (profit or loss), comprehensive income, changes in equity and consolidated cash flows for the six months ended in that date, and summary of the main accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with the Egyptian accounting standards, our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

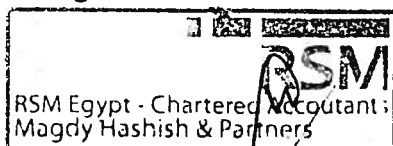
Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim consolidated financial statements are not prepared, in all material respects for the financial position of the company as at 30 June 2019, and its financial performance and cash flows for the six months ended in that date in accordance with Egyptian accounting standards.

Cairo: 08 August 2019



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

**CHARTERED ACCOUNTANTS
(RSM EGYPT)
Magdy Hashish & Co**

Auditors



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

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

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

As of 30 June 2019

	Notes	30 June 2019 LE	31 December 2018 LE
Assets			
Non-current Assets			
Property and equipment	(4)	4,025,359,952	4,283,619,651
Investment properties	(5)	115,637,932	116,530,856
Intangible assets	(6)	1,226,119	1,667,492
Fixed assets under construction	(7)	3,625,127,982	3,169,865,846
Goodwill	(8)	13,066,761,726	13,066,761,726
Investments in associates	(9)	4,572,396	2,957,396
Available for sale investments	(10)	92,746,974	98,220,467
Investments in financial assets held to maturity	(11)	2,948,685,867	3,067,113,771
Total non-current assets		23,880,118,948	23,806,737,205
Current assets			
Development properties	(14)	33,618,043,235	33,558,996,965
Inventory	(15)	625,284,276	368,426,070
Accounts and notes receivable	(13)	27,458,382,548	26,525,176,570
Prepaid expenses and other debit balances	(16)	11,362,324,667	7,114,534,400
Available for sale investments	(10)	9,251,335	9,251,335
Financial assets held to maturity	(11)	359,213,656	14,757,466
Financial assets at fair value through profit and loss	(12)	2,978,060	2,431,923
Cash and cash equivalents	(17)	4,906,957,042	4,873,237,376
Total current assets		78,342,434,819	72,466,812,105
Total assets		102,222,553,767	96,273,549,310
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)	289,974,198	274,484,336
General reserve	(24)	61,735,404	61,735,404
Unrealized gain on available for sale investments	(25)	40,853,811	46,327,304
Accumulative translation adjustment		2,425,548	2,425,548
Retained earnings		7,962,619,135	6,735,370,039
Net profit for the year		812,346,104	1,704,780,713
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		29,805,577,060	29,460,746,204
Non-controlling interests		1,073,417,297	1,036,732,077
TOTAL EQUITY		30,878,994,357	30,497,478,281

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

STATEMENT OF CONSOLIDATED
FINANCIAL POSITION (Continued)
As of 30 June 2019

Non-current liabilities

Long-term loans	(26)	2,659,871,789	2,995,310,901
Non-current liabilities	(27)	4,282,902,308	3,247,507,724
Deferred tax liability	(28)	122,799,996	120,083,542
Total non-current liabilities +.		<u>7,065,574,093</u>	<u>6,362,902,167</u>

Current liabilities

Banks overdraft		4,778,946	1,312,790
Bank facilities	(26)	1,935,866,044	1,744,967,762
Short-term loans	(26)	567,849,046	407,461,574
Creditors and notes payable	(18)	14,778,415,979	14,659,723,945
Advance payments from customers	(19)	36,555,333,943	33,788,925,092
Dividends payable	(20)	563,790,959	385,219,685
Accrued income tax	(28)	471,669,329	671,122,747
Accrued expenses and other credit balances	(21)	9,400,281,071	7,754,435,267
Total current liabilities		<u>64,277,985,317</u>	<u>59,413,168,862</u>
Total liabilities		<u>71,343,559,410</u>	<u>65,776,071,029</u>
Total equity and liabilities		<u>102,222,553,767</u>	<u>96,273,549,310</u>


Chairman

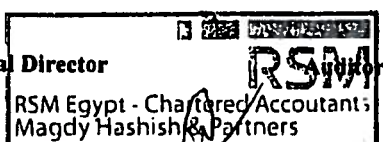

Tarek Talaat Mostafa

Chief Executive Officer &
Managing Director


Hisham Talaat Mostafa

Financial Director


Ghaleb Ahmed Fayed




Tarek Hashish


Amr El Shaabini

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

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

STATEMENT OF CONSOLIDATED INCOME (PROFIT OR LOSS)

For the Six Months Ended 30 June 2019

	Notes	For the six months ended 30 June 2019	For the six months ended 30 June 2018	For the three months ended 30 June 2019	For the three months ended 30 June 2018
		LE	LE	LE	LE
Real estate development revenues	(29)	3,039,001,715	2,775,162,425	1,838,165,217	1,684,945,723
Real estate development costs	(29)	(1,780,089,654)	(1,636,200,598)	(1,055,939,811)	(983,982,589)
Gross profit from real estate development		1,258,912,061	1,138,961,827	782,225,406	700,963,134
Hospitality revenues	(29)	784,360,098	748,231,862	409,305,365	352,741,623
Cost of hospitality	(29)	(508,037,638)	(425,449,528)	(269,334,843)	(211,787,094)
Gross profit from hospitality		276,322,460	322,782,334	139,970,522	140,954,529
Recurring Revenues	(29)	396,044,104	189,381,690	129,956,232	82,690,283
Cost of Recurring Revenues	(29)	(149,354,376)	(102,625,181)	(95,360,387)	(56,695,155)
Gross profit of Recurring Revenues		246,689,728	86,756,509	34,595,845	25,995,128
Services Revenue	(29)	723,063,562	254,991,385	363,915,725	234,052,988
Cost of Services activities	(29)	(640,284,649)	(246,454,811)	(324,953,971)	(225,659,137)
Total of Services Activates		82,778,913	8,536,574	38,961,754	8,393,851
TOTAL GROSS PROFIT		1,864,703,162	1,557,037,244	995,753,527	876,306,642
Marketing and selling expenses		(15,261,625)	(15,437,900)	(12,569,458)	(9,439,301)
General and administrative expenses		(397,534,693)	(401,758,830)	(139,844,835)	(207,259,399)
Donations and governmental expenses	h	(52,609,822)	(45,947,133)	(12,988,350)	(3,552,048)
Capital gain finance lease		106,830,571	-	106,830,571	-
Provisions		(40,011,073)	-	(11,073)	-
Provision no longer required		271,075	-	271,075	-
Other Revenue	(30)	229,411,893	196,646,806	104,507,401	93,656,455
Capital Gains	(4)	1,822,120	30,743	1,242,773	37,828
Board of directors allowances		(540,550)	(541,650)	(272,250)	(393,400)
Foreign exchange revenue		(131,434,998)	9,571,346	(60,524,550)	14,330,458
NET PROFIT FOR THE PERIOD BEFORE IMPAIRMENTS, FINANCE COST AND DEPRECIATION		1,565,646,060	1,299,600,626	982,394,835	763,687,237
Depreciation and amortization	(4,5,6)	(92,630,901)	(71,548,544)	(37,778,009)	(32,661,876)
Expenses of factoring notes receivable without recourse					
Finance cost		(250,351,093)	(304,440,647)	(181,503,269)	(209,893,337)
Finance lease expense		(154,331,948)	-	(154,331,948)	-
NET PROFIT FOR THE PERIOD BEFORE TAX		1,068,332,118	923,611,437	608,781,608	521,132,024
Income tax	(28)	(213,344,951)	(145,694,039)	(129,480,150)	(86,501,023)
Deferred tax	(28)	(2,750,695)	(3,707,378)	(1,766,047)	(1,021,743)
NET PROFIT FOR THE PERIOD		852,236,472	774,210,018	477,535,411	433,609,256
Attributable to:					
Parent company shareholders		812,346,104	731,733,952	451,145,896	422,342,797
Non-controlling interests		39,890,368	42,476,066	26,389,515	11,226,461
		852,236,472	774,210,018	477,535,411	433,609,256

Chairman

Tarek Talaat Mostafa

Chief Executive Officer &
Managing Director

Hisham Talaat Mostafa

Financial Director

Ghaleb Ahmed Fayed

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

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

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2019

	For the six months ended 30 June 2019	For the six months ended 30 June 2018	For the three months ended 30 June 2019	For the three months ended 30 June 2018
	LE	LE	LE	LE
Net profit for the period	812,346,104	731,733,952	451,145,893	422,382,795
Other comprehensive income				
(Loss) Gain of revaluation of available for sale Investments	(5,473,493)	(147,625)	(5,325,868)	1,112,300
Comprehensive income after tax	(5,473,493)	(147,625)	(5,325,868)	1,112,300
Total comprehensive income for the period	806,872,611	731,586,327	445,820,025	423,495,095
Attributable to:				
Parent company shareholders	806,872,611	731,586,327	445,820,025	423,495,095
Non-controlling interests	39,890,368	42,476,066	26,389,515	11,226,461
	846,762,979	774,062,393	472,209,540	434,721,556

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

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

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
for the Six Months Ended 30 June 2019

	Issued and paid up capital	Legal reserve	General reserve	Unrealized gain on available for sale assets	Accumulated translation adjustments	Retained earnings	Net profit for the year	Total	Non- controlling Interest	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 1 January 2019	20,635,622,860	274,484,336	61,735,404	46,327,304	2,425,548	6,735,370,039	1,704,780,713	29,460,746,204	1,036,732,077	30,497,478,281
Transferred to retained earnings and legal reserve	-	15,489,862	-	-	-	1,689,290,851	(1,704,780,713)	-	-	-
Total comprehensive income (loss) for the year	-	-	-	(5,473,493)	-	-	-	(5,473,493)	-	(5,473,493)
Net profit for the year	-	-	-	-	-	-	812,346,104	812,346,104	39,890,368	852,236,472
Dividends	-	-	-	-	-	(371,000,000)	-	(371,000,000)	-	(371,000,000)
Reconciliation of dividends paid to employees in subsidiaries	-	-	-	-	-	(91,041,755)	-	(91,041,755)	-	(91,041,755)
Reconciliation on non-controlling interests*	-	-	-	-	-	-	-	-	(3,205,148)	(3,205,148)
Balance as at 30 June 2019	20,635,622,860	289,974,198	61,735,404	40,853,811	2,425,548	7,962,619,135	812,346,104	29,805,577,060	1,073,417,297	30,878,994,357

* Results from elimination entries among subsidiaries and dividends paid to minority shareholders in subsidiaries.

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

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

**STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
for the Six Months Ended 30 June 2018**

	Issued and paid up capital	Legal reserve	General reserve	Unrealized gain on available for sale assets	Accumulated translation adjustments	Retained earnings	Net profit for the year	Total	Non- controlling Interest	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 1 January 2019	20,635,622,860	230,250,347	61,735,404	46,852,929	2,437,495	5,810,239,156	1,326,833,010	28,133,971,201	1,018,951,794	29,152,922,995
Transferred to retained earnings and legal reserve	-	24,233,989	-	-	-	1,302,599,021	(1,326,833,010)	-	-	-
Total comprehensive income (loss) for the year	-	-	-	(147,625)	-	-	-	(147,625)	-	(147,625)
Net profit for the year	-	-	-	-	-	-	731,733,952	731,733,952	42,476,066	774,210,018
Dividends	-	-	-	-	-	(350,805,589)	-	(350,805,589)	-	(350,805,589)
Reconciliation	-	-	-	-	-	(58,200,930)	-	58,200,930	-	58,200,930
Reconciliation on non-controlling interests*	-	-	-	-	-	-	-	-	(26,838,510)	(26,838,510)
Balance as at 30 June 2019	20,635,622,860	274,484,336	61,735,404	46,705,304	2,437,495	6,820,233,518	731,733,952	28,572,952,869	1,034,589,350	29,607,542,219

* Results from elimination entries among the subsidiaries and dividends paid to minority shareholders in subsidiaries.

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

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

STATEMENT OF CONSOLIDATED INTERIM CASH FLOWS
for the Six Months Ended 30 June 2019

	Notes	For the year ended 30 June 2019	For the year ended 30 June 2018
		LE	LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year before tax and non-controlling interest		1,068,332,118	923,611,435
Adjustment to reconciliation net profit with cash flow			
Depreciation & amortization	(4,5,6)	92,630,901	82,030,929
(Credit) interests and income from treasury bills	(30)	(229,411,893)	(196,679,418)
Capital gain	(4)	(1,822,120)	(30,743)
Foreign Exchange revenue		131,434,998	(9,571,346)
Operating profit before changes in working capital		1,061,164,004	799,360,857
Change in Development properties	(14)	(59,046,270)	(8,236,093,969)
Change in Inventory	(15)	(256,858,206)	(244,668,762)
Change in Accounts and notes receivable	(13)	(933,205,978)	(481,695,886)
Change in Prepaid expenses and other debit balances	(16)	(3,826,409,239)	(2,370,701,004)
Change in Creditors and notes payable	(18)	118,692,034	7,703,232,928
Change in Long-term liabilities		1,035,394,584	1,024,633,967
Change in Advance payments from customers	(19)	2,766,408,851	3,847,038,904
Change in Dividends payable	(20)	178,571,274	(4,122,353)
Change in Financial assets at fair value through profit and loss	(12)	(546,136)	1,083,989
Accrued income tax paid		(412,798,369)	(396,978,160)
Change in other credit balances	(21)	1,645,845,804	1,016,538,056
Net cash flow from operating activities		1,317,212,353	2,657,628,567
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of property and equipment, intangible assets and	(4,6,7)	(605,585,283)	(1,057,190,037)
Proceeds from disposal of fixed assets	(4)	2,171,728	11,824,042
(Payment) proceeds from disposal of available for sale	(10)		(132,529)
(Purchase) of financial assets held to maturity	(9)	(1,615,000)	-
(Payment)/received from / to financial investments due to value date	(11)	(226,028,286)	249,258,328
Net cash flow (used in) investing activities		(831,056,841)	(796,240,196)
CASH FLOWS FROM FINANCING ACTIVITIES			
Credit interests and income from treasury bills received	(30)	125,317,107	202,212,165
Dividends paid		(371,000,000)	(350,805,589)
Payments for/ Proceeds from loans and facilities	(26)	15,846,641	(178,260,059)
Net cash flow from financing activities		(229,836,252)	(326,853,483)
Net foreign exchange difference		(131,434,998)	9,571,346
NET INCREASE IN CASH EQUIVALENTS DURING THE YEAR		124,884,262	1,544,106,234
Cash adjustments	(31)	(94,630,750)	31,362,421
Cash and cash equivalents at the beginning of the year		4,871,924,584	3,337,246,025
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(17)	4,902,178,096	4,912,714,682

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

1 BACKGROUND

- Talaat Mostafa Group Holding TMG Holding S,A,E, was established on 13 February 2007 under the provisions of law 95 of 1992 and its executive regulations and registered in Egypt under Commercial Registration numbered 187398 by date 3 April 2007, and the company period is 25 years.
- The main objective of the Company is participating in the incorporation of shareholding companies or participating in the capital increase of those companies.
- The company headquarter and legal place is 36, mosadek st, Dokki – Giza – Arabic republic of Egypt.
- The financial statements for the year ended 30 June 2019 were approved on 06 August 2019 according to the board of directors' resolution issued on the same date.

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

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

2-1 Basis of consolidating the financial statements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

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

The following are the subsidiaries that are included in the consolidated financial statements:

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

*Arab company for projects and urban development acquires 1.66% 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)	82.5%
El rehab for securitization(S.A.E)	100%
El Tayseer for real estate financing (S.A.E)	90%
Arab Egyptian company for entertainment projects(S.A.E)	50%
Madinaty for electromechanically power (S.A.E)	85%
Madinaty for project management(S.A.E)	91%
Swiss Green Company- Switzerland	70%
Alexandria for coordinating and garden maintenance	93.95%
Atrium Quality Contractors	100%

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

	Contribution
El rabwa for entertainment services (S.A.E)	95.5%
El masria for development and real estate projects(S.A.E)	96.51%
which contributes in Marsa el Sadied for real estate development	99.9%
Arab company for tourism and hotels investments (S.A.E) and its subsidiaries as follows:	83.30%
Nova park - Cairo(S.A.E)	99.99%
Alexandria Saudi for tourism projects(S.A.E)	99.87%
San Stefano for tourism investment (S.A.E)	84.44%
El Nile for hotels (S.A.E)	100%
Luxor for urban and tourism development (S.A.E)	100%

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

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

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

2-2 Summary of the significant accounting policies

Foreign currency translation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

Significant Accounting Policies (Continued)

Property, plant and equipment

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

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

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

Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment, all other expenditure is recognised in the consolidated income statement as the expense is incurred.

Intangible assets

Intangible assets are initially be recognized by cost

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

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

Goodwill

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

Project under construction:

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

Investment Property

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

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

Investments

Investments in associates

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

Investments in subsidiaries are accounted for at cost inclusive transaction cost in occurrence to paragraph 10 from Egyptian accounting standard # (18) as an consolidated financial statements are prepared for public use and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of income for each investment separately, Impairment losses to be reversed in the period when occurred and to the extent to the amount of book value that previously reduced unless the impairment loss was recognized in the previous years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

Significant Accounting Policies (Continued)

Available-for-sale investments

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

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

Investments in equity instruments that are not listed in an active market and cannot be reliably measured are measured at cost.

Financial assets at fair value through profit or loss

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

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

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

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

Financial assets held to maturity

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

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

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

Gain or loss of investment is recognized in profit or loss when the investments are derecognized or impaired impairment is recovered, as well as through the amortization process.

Non-current assets held for sale

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

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

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

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

Treasury Share

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Significant Accounting Policies (Continued)

Development properties

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

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

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

Sale and leaseback assets

Gains or losses arising from the difference between financial lease value and book value of an asset subject to the financial lease agreement are amortised over the duration of this agreement. Once the leased asset is repurchased from the lessor upon lease expiry, no gains or losses are charged to the income statement.

Finished units

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

Inventories

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

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

Accounts receivable, Debtors and notes receivable

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

Credit Balances and accruals

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

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

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

Related party transactions

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

Employees' Pension Plan

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

Provisions

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

Legal reserve

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

Significant Accounting Policies (Continued)

Revenue recognition

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

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

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

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

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

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

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

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

Recording the operational cost

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

The direct and indirect costs

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

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

Impairment of financial assets

The Company regularly assesses whether there is an indication that an asset could be impaired, The impairment loss of financial assets that was measured with the amortized cost is to be measured as the different between the amortized cost of the book value and the present value of the projected cash flow by using the effective rate.

The impairment loss related to financial assets available for sale to be calculated by using the present fair value, The remaining financial assets are estimated according to the groups level that have the same credit risk characterises,

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

Significant Accounting Policies (Continued)

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

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

Impairment of non-financial assets

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

Treasury stocks

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

Accounting estimates

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

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

Income tax

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

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

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

Cash flow statement

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

Borrowing

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Significant Accounting Policies (Continued)

Borrowing costs

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

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

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

Expenses

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

Cash & cash equivalent

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

Dividends

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

Fair values

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

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

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

For the current assets in an active market, the fair value is measured base on the quoted market prices,

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

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows,

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

3 - Segment information

The major segments in the company are the real estate and tourism segments, the profit and investments related to other segments are not significant and not required to be reported in accordance to that standard, the company considered all its revenues for the period ended 30 June 2019 based on one separate operational segment and disclose for the major segments in the accompanied notes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2019

4 PROPERTY AND EQUIPMENT - NET

Cost	Lands		Buildings & Constructions		Motor Vehicles		Tools & Equipment		Furniture & Fixtures		Computers		Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
As of 1 January 2019	821,162,001		3,422,525,699		252,903,579		481,677,177		623,954,746		67,799,383		5,670,022,585
Additions	-		56,668,576		18,008,519		20,947,940		43,461,293		11,236,820		150,323,148
Transfer from investment properties item	-		1,427,936,609		-		-		-		-		1,427,936,609
Assets Transferred- Finance Lease	(158,372,077)		(1,588,597,254)		-		-		-		-		(1,834,071,331)
Disposals	-		-		(1,982,484)		-		(981,819)		(159,461)		(3,123,764)
As of 30 June 2019	662,789,924		3,231,431,631		268,929,614		502,625,117		666,434,220		78,876,742		5,411,087,248
Accumulated depreciation													
At 1 January 2019	-		(514,637,488)		(145,392,052)		(302,533,091)		(383,556,911)		(40,283,393)		(1,386,402,935)
Depreciation for the period	-		(22,505,591)		(16,162,722)		(20,183,413)		(26,065,625)		(6,379,252)		(91,296,603)
Assets transferred depreciation	-		89,198,086		-		-		-		-		89,198,086
Accumulated depreciation of disposals	-		-		2,740,475		-		8,437		25,244		2,774,156
As of 30 June 2019	-		(447,944,993)		(158,814,299)		(322,716,504)		(409,614,099)		(46,637,401)		(1,385,727,296)
Net book value As of 30 June 2019	662,789,924		2,783,486,638		110,115,315		179,908,613		256,820,121		32,239,341		4,025,359,952

- First degree mortgage on the land of el Nile hotel, garden city – Cairo, located in 12 Ahmed Raghib St, and all the building on it that to El Nile Co, also the garage and club land at 4 Ahmed Raghib St, garden city – Cairo
- First degree mortgage on the land and the building of four season hotel sharm el sheik in shark bay – sharm el sheik owned by Alexandria Saudi Co, for tourism investment.
- First degree mortgage on the land and the building of four season hotel Nile plaza, Cairo owned by Nova Park Co, excluding the total sold or available for sale units and its share in the land.
- Depreciation of recurring activities in comparative figures of 30 June 2018 amounting LE 10,482,385 is reclassified.

	LE	LE	The depreciation are allocated to the following:	LE
Proceed from sale of fixed assets		2,171,728	Depreciation expenses at the statement of profit or loss	91,296,603
Cost of disposal fixed assets	(3,123,764)			
Accumulated depreciation of sold assets	2,774,156			
Net cost of fixed assets' disposal		(349,608)		
Capital Gain		1,822,120		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2019

4-PROPERTY AND EQUIPMENT (Continued)

Cost	Lands LE	Buildings & Constructions LE	Motor Vehicles LE	Tools & Equipment LE	Furniture & Fixtures LE	Computers LE	Total LE
As of 1 January 2018	607,593,430	3,264,406,828	181,770,035	397,764,003	566,337,009	44,624,345	5,062,495,650
Additions	224,529,916	1,100,188,131	71,896,180	81,941,460	69,209,171	20,349,454	1,573,114,312
Disposals	(11,651,000)	(938,030,263)	(3,903,402)	(1,552,944)	(4,924,473)	(408,759)	(960,470,840)
As of 31 December 2018	820,472,346	3,426,564,696	249,762,813	478,152,519	630,621,707	64,565,040	5,675,139,122
Accumulated depreciation							
At 1 January 2018	-	(473,617,844)	(118,770,959)	(270,032,061)	(342,337,714)	(23,848,723)	(1,228,607,301)
Depreciation for the period	-	(43,707,020)	(29,082,719)	(34,454,883)	(48,539,113)	(16,053,226)	(171,836,961)
Disposals	-	129,500	3,319,223	1,372,518	3,749,415	354,135	8,924,791
As of 31 December 2018	-	(517,195,364)	(144,534,455)	(303,114,426)	(387,127,412)	(39,547,814)	(1,391,519,471)
Net book value As of 31 December 2018	820,472,346	2,909,369,332	105,228,358	175,038,093	243,494,295	25,017,226	4,283,619,651

- First degree mortgage on the land of el Nile hotel, garden city – Cairo, located in 12 Ahmed Raghib St, and all the building on it that to El Nile Co, also the garage and club land at 4 Ahmed Raghib St, garden city – Cairo
- First degree mortgage on the land and the building of four season hotel sharm el sheik in sharm bay – sharm el sheik owned by Alexandria Saudi Co, for tourism investment
- First degree mortgage on the land and the building of four season hotel Nile plaza, Cairo owned by Nova Park Co, excluding the total sold or available for sale units and its share in the land.

	LE	LE	LE
Proceed from sale of fixed assets		953,140,148	
Cost of disposal fixed assets	(960,470,840)		
Accumulated depreciation of sold assets	8,924,791		
Net cost of fixed assets' disposal		(951,546,049)	
Capital Gain		<u>1,594,099</u>	
			171,836,961

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2019

5 – INVESTMENT PROPERTIES

	Buildings & Constructions	Furniture & Fixtures	Total
Cost	LE	LE	LE
As of 1 January 2018	124,749,487	13,610,293	138,359,780
As of 30 June 2019	124,749,487	13,610,293	138,359,780
Accumulated depreciation			
At 1 January 2019	(19,447,692)	(2,381,232)	(21,828,924)
Depreciation charge	(809,124)	(83,800)	(892,924)
As of 30 June 2019	(20,256,816)	(2,465,032)	(22,721,848)
Net book value As of 30 June 2019	104,492,671	11,145,261	115,637,932
Net book value As of 31 December 2018	105,301,795	11,229,061	116,530,856

6 – INTANGIBLE ASSETS

	30 June 2019	31 December 2018
	LE	LE
Computers and Software	1,667,492	2,305,812
Additions	-	200,000
Amortization	(441,374)	(838,320)
	1,226,118	1,667,492

7 – FIXED ASSETS UNDER CONSTRUCTIONS

	30 June 2019	31 December 2018
	LE	LE
Villa – Sednawy	73,738,541	73,823,269
Hotel Assets	176,998,183	87,203,152
Port Vinice	214,736,545	-
El Rabwa Club	15,897,191	-
Central area Mayfair	1,726,529	-
Administration Office Zezenya	2,635,472	-
Luxor Project	72,303,349	72,176,551
Sharm El Sheik Project Extension	3,067,092,172	2,936,662,874
	3,625,127,982	3,169,865,846

8- GOODWILL

	30 June 2019	31 December 2018
	LE	LE
Arab Company for Projects and Urban Development	11,023,612,484	11,023,612,484
Alexandria Company for Real Estate Investment	2,043,149,242	2,043,149,242
	13,066,761,726	13,066,761,726

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2019

9- INVESTMENTS IN ASSOCIATES

	Percentage	30 June 2019 LE	31 December 2018 LE
Hill / TMG for Projects and Construction Management*	49%	2,949,896	2,949,896
Cairo Medical City Co.		7,500	7,500
Atrium		625,000	-
El masria for trading services		990,000	-
		<u>4,572,396</u>	<u>2,957,396</u>

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

	30 June 2019 LE	31 December 2018 LE
The associates companies assets & liabilities:		
Current assets	8,568,230	8,568,230
Current liabilities	2,544,135	2,544,135
The associates companies profit & losses:		
Net profit	-	-

10- AVAILABLE FOR SALE INVESTMENTS

	30 June 2019 LE	31 December 2018 LE
Available for sale investment – current		
Housing Insurance Company	6,600,000	6,600,000
Egyptian For Real Estate refinance Company	2,055,560	2,055,560
Egyptian Company for Marketing and Distribution	500,000	500,000
Other Companies	95,775	95,775
	<u>9,251,335</u>	<u>9,251,335</u>
Available for sale investment – non current		
Hermes investment fund	80,181,876	85,655,369
El Tameer for Real Estate Finance Company	12,565,098	12,565,098
	<u>92,746,974</u>	<u>98,220,467</u>
	<u>101,998,309</u>	<u>107,471,802</u>

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

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

Hermes investment fund amounted USD 4,801,310 equivalent to LE 80,181,876 as of 30 June 2019 and accounted at cost and the balance is valuated and this investment is recorded at cost and the balance in foreign currency is valuated and the valuation differences is presented in the other comprehensive income statement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2019

11- INVESTMENTS IN FINANCIAL ASSETS HELD TO MATURITY

Non - Current Investment

This item amounted to LE 2,948,685,867 as of 30 June 2019 consists of:-
- 2967979 bonds as follows:

No.	Face Value	Yield	Maturity
190,000	190,000,000	13%	2020
160,114	160,114,000	14%	2021
91,000	91,000,000	17%	2022
210,800	210,800,000	15%	2023
466,307	466,307,000	15%	2024
657,046	657,046,000	15%	2025
288,212	288,212,000	17%	2026
417,500	417,500,000	16%	2027
487,000	487,000,000	15%	2028
2,967,979	2,967,979,000		

The balance of bonds discounting issue amounted to 19,293,133 as of 30 June 2019 and it is amortized at the maturity date of the interest.

	30 June 2019 LE	31 December 2018 LE
Historical cost	2,967,979,000	2,934,979,000
Bonds issue discount	(19,331,109)	(20,933,033)
Amortized value	2,948,647,891	2,914,045,967
Amortization of Bonds issue discount during the period	37,976	67,804
Balance of bonds	2,948,685,867	2,914,113,771
Suez Canal Certificates *	-	153,000,000
	2,948,685,867	3,067,113,771

* 153000 Suez Canal Certificates maturity date is 2019 with 15.5% interest rate.

Current Investment

This item amounted to LE 359,213,656 as of 30 June 2019 as follows:

- Treasury Bills are 7629 T-Bills with nominal value LE 25,000 per T-Bill and maturity date in 2019.

	30 June 2019 LE	31 December 2018 LE
Treasury Bills	176,243,341	14,757,466
Governmental Bonds- historical cost	30,000,000	-
Bonds issue discount	(29,685)	-
Amortized value	206,213,656	14,757,466
Suez Canal Certificates *	153,000,000	-
	359,213,656	14,757,466

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12- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 LE	31 December 2018 LE
Investment Funds - Juman	2,959,369	2,418,083
Egyptian Cables Company	18,691	13,840
	<u>2,978,060</u>	<u>2,431,923</u>

13- ACCOUNTS AND NOTES RECEIVABLE

	30 June 2019 LE	31 December 2018 LE
Accounts Receivables	629,212,967	343,227,751
Notes Receivables	26,831,991,156	26,184,770,394
Provision for general Risk	(2,821,575)	(2,821,575)
	<u>27,458,382,548</u>	<u>26,525,176,570</u>

The accounts and notes receivable are due at 30 June 2019 the ageing analysis:

	Balance	One Year	> One Year	> 2 Years	> 3 Years	> 4 Years	> 5 Years
30 Jun 2019	27,458,382,548	6,228,969,710	5,411,585,657	4,927,272,363	2,977,083,120	2,316,362,078	5,597,109,621
31 Dec 2018	26,525,176,570	7,030,992,436	6,174,757,070	4,899,517,961	3,123,001,158	1,966,353,014	3,330,554,931

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

General Risk provision as follow:

	30 June 2019 LE	31 December 2018 LE
Beginning balance for the Period / year	2,977,139	2,977,139
Additions during the Period / year	-	-
Used during the Period / year	(155,564)	(155,564)
Ending balance for the Period / year	<u>2,821,575</u>	<u>2,821,575</u>

14- DEVELOPMENT PROPERTIES

	30 June 2019 LE	31 December 2018 LE
Beginning balance	33,558,996,965	24,410,371,594
Additions for the period / year	3,115,725,013	13,977,429,427
Capitalized costs during the Period / year	374,162,093	364,792,192
Costs of delivered unites that accounted to the income statement	(1,968,140,998)	(5,193,596,248)
	(34,763,229)	-
	(1,427,936,609)	-
Ending balance for the period / year	<u>33,618,043,235</u>	<u>33,558,996,965</u>

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14- DEVELOPMENT PROPERTIES (Continued)

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

- Land.
- Amounts paid to contractors including the cost of infra structures.
- Capitalized interests, designs, planning, site preparation, legal expenses and any indirect costs.
- The cost of the infra structures are allocated to the projects and present part of the estimates cost to complete the project, this estimated costs is used to determine the cost of the recorded revenue.
- The duration of the projects is more than 10 years.

	30 June 2019	31 December 2018
	LE	LE
Land	16,607,559,564	16,545,337,191
Consultations and Designs	500,863,700	387,158,083
Construction Work	13,849,953,163	13,990,180,410
Indirect Cost	2,659,666,808	2,636,321,281
	<u>33,618,043,235</u>	<u>33,558,996,965</u>

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

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15- INVENTORY

	30 June 2019 LE	31 December 2018 LE
Hotels Operating Equipment's & Supplies	5,332,919	6,524,629
Goods Stock	620,462,917	363,093,151
	<u>625,795,836</u>	<u>369,617,780</u>
Amortized Hotel Inventory	(511,560)	(1,191,710)
	<u>625,284,276</u>	<u>368,426,070</u>

16 – PREPAID EXPENSES AND OTHER DEBIT BALANCES

	30 June 2019 LE	31 December 2018 LE
Advance Payment and Storage - Contractors and Accounts Payable	2,915,507,559	2,667,246,962
Contractors – Tashwinat	495,865,005	356,658,904
Hotels Current Accounts	602,857,305	688,285,784
Withholding taxes	283,481,131	170,403,867
Deposit with Others	639,784,011	242,964,369
Claim Debtors Water & Electricity	106,834,286	78,340,779
Other Debit Balances	529,985,456	579,462,558
Letter of credit	131,313,329	28,629,231
Loans to Employees	299,188	366,096
Other Debtors	43,734,320	45,699,003
Prepaid expenses	85,666,391	35,972,997
Deferred finance lease expense	5,401,983,120	2,199,901,919
Amounts paid for investments in companies under incorporation	5,244,426	4,927,576
	<u>11,242,555,527</u>	<u>7,098,860,045</u>
Accrued Revenue	119,769,141	15,674,355
	<u>11,362,324,668</u>	<u>7,114,534,400</u>

17 - CASH ON HAND AND AT BANKS

	Local Currency LE	Foreign Currency LE	30 June 2019 LE	31 December 2018 LE
Time Deposits	45,589,039	2,240,664,718	2,286,253,757	2,057,678,219
Banks Current Accounts	2,410,187,376	130,632,826	2,540,820,202	2,782,435,665
Cash on Hand	79,345,937	2,906	79,348,843	21,527,492
Cheques under collections	-	534,240	534,240	11,596,000
	<u>2,535,122,352</u>	<u>2,371,834,690</u>	<u>4,906,957,042</u>	<u>4,873,237,376</u>

The foreign cash balances at banks are valued as follow:

	30 June 2019 LE	31 December 2018 LE
Egyptian pound	2,535,122,353	2,362,014,736
American Dollar	2,370,268,050	2,504,883,780
Sterling pound	287,849	433,549
Euro	1,009,778	1,935,126
Saudi Rayal	6,427	12,576
Swiss frank	259,958	3,900,141
Emirate dirham	1,479	40,172
Canadian Dollar	1,148	17,296
	<u>4,906,957,042</u>	<u>4,873,237,376</u>

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

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17 - CASH ON HAND AND AT BANKS (Continued)

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

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

	30 June 2019 LE	30 June 2018 LE
Cash on Hand and at Banks	4,906,957,042	4,929,819,616
Banks Overdraft	(4,778,946)	(17,104,934)
Cash and Cash Equivalents	<u>4,902,178,096</u>	<u>4,912,714,682</u>

18- CREDITORS AND NOTES PAYABLE

	30 June 2019 LE	31 December 2018 LE
Contractors and Suppliers	4,215,522,812	1,299,652,289
Notes Payables	<u>10,562,893,167</u>	<u>13,360,071,656</u>
	<u>14,778,415,979</u>	<u>14,659,723,945</u>

19- CUSTOMERS ADVANCE PAYMENT

	30 June 2019 LE	31 December 2018 LE
Customers down payment (Al Rehab Project)	1,511,349,936	1,616,017,481
Customers down payment (Al Rehab extension Project)	3,851,135,539	3,833,079,659
Customers down payment (Madinaty Project)	21,426,516,670	20,801,211,722
Customers down payment (Al Rabwa Project)	37,299,665	40,436,745
Customers down payment (San Stefano Project)	-	486,300
Customers down payment (Celia Project)	<u>9,729,032,133</u>	<u>7,497,693,185</u>
	<u>36,555,333,943</u>	<u>33,788,925,092</u>

20- DIVIDEND PAYABLE

	30 June 2019 LE	31 December 2018 LE
Shareholders share	182,983,822	483,822
Employees share	379,871,607	384,100,333
Board of directors share	<u>935,530</u>	<u>635,530</u>
	<u>563,790,959</u>	<u>385,219,685</u>

21- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	30 June 2019 LE	31 December 2018 LE
Retentions	1,368,689,602	1,229,426,167
Other Credit Balances	328,444,165	316,316,751
Accrued Expenses and Creditors	408,159,690	54,946,248
Insurance for Other	6,459,993	7,463,807
Due to Customers	4,882,255	891,253
Club Subscriptions	665,082,767	565,118,620
Deferred revenue for leased assets	1,280,201,949	668,741,885
Insured units	<u>5,338,360,650</u>	<u>4,911,530,536</u>
	<u>9,400,281,071</u>	<u>7,754,435,267</u>

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22 – CAPITAL

The company's authorized capital amounted to LE 50,000,000 and the issued and paid up capital LE 6,000,000 divided over 600000 share of LE 10 par value each in 3 April 2007.

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

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

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

According to the extra ordinary general assembly resolution dated 24 March 2010, The issued capital was reduced by the three hundred treasury stocks amounted of LE 169,720,520 par value as more than one year passed from the date of purchase and the issued capital is LE 20,132,314,980 (Twenty milliard and one hundred and thirty two million and fourteen thousand and nine hundred and eighty pound) Distributed to 2.013.231.498 shares, recorded in the commercial register on 18 May 2010.

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

23 – LEGAL RESERVE

Legal reserve amounted to 289,974,198 as of 30 June 2019 represents the transferred amount of the shares Premium amounted to LE 344,000,000, and LE 1, 6 per share, part of the premium amounted to LE 185,880,702 was used to cover the IPO expenses, the remaining balance of LE 158,119,298 was transferred to the legal reserve, as well 5% of the net profit of the retained earnings of the prior years was also transferred to the legal reserve.

24- GENERAL RESERVES

The general reserve balance amounted LE 61,735,404 as of 30 June 2019 includes amount of LE 25,747,613 represents the different results from shares swap of the company with the subsidiaries amounted according to the Extra Ordinary General Assembly Meeting dated 6 October 2007 to transfer the different to general reserve.

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

25- UNREALIZED GAIN ON AVAILABLE FOR SALE INVESTMENTS

The revaluation of available for sale investments balance amounted LE 40,853,811 as of 30 June 2019 represents the foreign exchange impact due valuation of the foreign available for sale investments as follows:

	30 June 2019 LE	31 December 2018 LE
Net unrealized gain on available for sale investment	<u>40,853,811</u>	<u>46,327,304</u>
	<u>40,853,811</u>	<u>46,327,304</u>

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26- LOANS AND FACILITIES

	Short Term LE	Long Term LE	30 June 2019 LE	31 December 2018 LE
Banks Facilities	1,935,866,044	-	1,935,866,44	1,744,967,762
Loans *	567,849,046	2,659,871,789	3,227,720,835	3,402,772,475
	<u>2,503,715,090</u>	<u>2,659,871,789</u>	<u>5,163,586,879</u>	<u>5,147,740,237</u>

The loans and bank facilities are:

	Bank facilities LE	Loans LE	Amount in original currency
Bank Audi	195,279,206	-	-
Abou Dhabi Islamic bank	441,923,938	-	-
Qatar national bank	200,856,012	-	-
National bank of Egypt	48,732,176	-	-
Arab bank	595,734,026	-	-
Emirates Dubai national bank	169,273,226	-	-
Kuwait national bank	66,482,553	286,036,546	-
Arab investment bank	5,492,605	-	-
Export development bank	23,573,626	-	-
Bank Misr	188,518,676	-	-
Al Ahly united bank – Euro	-	189,800,000	10,000,000 €
Al Ahly united bank – Dollar	-	2,751,884,289	168,833,490\$
	<u>1,935,866,044</u>	<u>3,227,720,835</u>	

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

- First degree mortgage on the land of san Stefano project – Alexandria at 339 El gheish road, - san Stefano- el raaml , Alexandria and all the building on it that owned by both san Stefano for real estate investment and san Stefano for tourism investments.
- First degree mortgage on the land of el Nile hotel, garden city – Cairo, located in 12 Ahmed Raghib St, and all the building on it that to El Nile Co, also the garage and club land at 4 Ahmed Raghib St, garden city – Cairo
- First degree mortgage on the land and the building of four season hotel sharm el sheik in shark bay – sharm el sheik owned by Alexandria Saudi Co, for tourism investment.
- First degree mortgage on the land and the building of four season hotel Nile plaza, Cairo owned by Nova Park Co, excluding the total sold or available for sale units and its share in the land.

27- NON -CURRENT LIABILITIES

	30 June 2019 LE	31 December 2018 LE
Notes Payable	1,035,836,418	-
New Urban Communities Authority	3,247,065,890	3,247,507,724
	<u>4,282,902,308</u>	<u>3,247,507,724</u>

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28- INCOME TAX AND DEFERRED TAX LIABILITY

The income tax was calculated as follows:

	30 June 2019 LE	30 June 2018 LE
Net book profit before tax	1,068,332,117	923,611,435
Adjustments to the net book profit to reach the net tax profit	<u>(120,132,336)</u>	<u>(276,082,375)</u>
Net taxable profit	<u>948,199,781</u>	<u>647,529,060</u>
Income Tax with rate 22.5%	213,344,951	145,694,039
Income Tax of other comprehensive income	-	-
Income tax for the period	<u>213,344,951</u>	<u>145,694,039</u>

Accrued income tax movement during the period:

	30 June 2019 LE	31 December 2018 LE
Balance at the beginning of the period / year	671,122,747	515,148,715
Additions during the period / year	213,344,951	616,823,644
Paid amounts	<u>(884,467,698)</u>	<u>(460,849,612)</u>
Balance at the end of the period / year	<u>471,669,329</u>	<u>671,122,747</u>

The balance of deferred tax liabilities in 31 December 2018 is LE 122,799,996 which represents the different between accounting basis and tax basis and it's calculation as follow:

	30 June 2019 LE	31 December 2018 LE
Balance at the beginning of the year	(120,083,543)	(108,304,599)
Adjustments on beginning balance of year 2018	34,241	-
Deferred tax current	<u>(2,750,694)</u>	<u>(11,778,943)</u>
Balance at the end of the year	<u>(122,799,996)</u>	<u>(120,083,542)</u>

29- REVENUE AND COST OF REVENUE

	30 June 2019 LE	30 June 2018 LE
-Revenue from Sold Units	3,039,001,715	2,775,162,425
- Revenue from Hotels Operation	784,360,098	748,231,862
- recurring revenues	396,044,104	189,381,690
- Services Revenues	<u>723,063,562</u>	<u>254,991,385</u>
Total Revenues *	<u>4,942,469,479</u>	<u>3,967,767,362</u>
-Cost of Sold Units	1,780,089,654	1,636,200,598
- Cost of Hotels Operation	508,037,638	425,449,528
- Cost of recurring revenues	149,354,376	102,625,181
- Cost of Sold Services	<u>640,284,649</u>	<u>246,454,811</u>
Total Cost **	<u>3,077,766,317</u>	<u>2,410,730,118</u>

* The supervision revenue has been eliminated in amount LE 6,899,641

** The supervision cost has been eliminated in amount LE 188,083,544

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29- REVENUE AND COST OF REVENUE (Continued)

Herein under the sectors analysis:

	Real Estate& other recurring revenues LE	Tourism LE	General LE	30 June 2019 LE	30 June 2018 LE
Revenue	4,158,109,382	784,360,098	-	4,942,469,480	3,967,767,362
Cost of goods sold	2,569,728,679	508,037,638	-	3,077,766,317	2,400,247,733
Gross Profit	1,588,380,703	276,322,460	-	1,864,703,163	1,567,519,629
Depreciation	44,908,294	47,055,934	666,673	92,630,901	82,030,929
Other Revenue	-	-	229,411,893	229,411,893	205,685,101
Income Tax	-	-	216,095,646	216,095,646	149,401,417
Total Profits	609,653,700	229,266,526	13,316,247	852,236,472	774,210,021
Assets	77,867,994,070	7,376,079,146	-	85,244,073,217	67,362,120,813
Financial Investment	300,000	-	3,417,148,287	3,417,448,287	2,933,737,798
Unallocated Assets	-	-	13,561,032,264	13,561,032,264	16,454,495,305
Total Assets	77,868,294,070	7,376,079,146	16,978,180,550	102,222,553,767	86,750,353,916
Liabilities	67,703,257,364	3,435,421,229	-	71,138,678,593	56,186,660,684
Unallocated Liabilities	4,158,109,382	784,360,098	204,880,817	204,880,817	956,151,009
Total Liabilities	67,703,257,364	3,435,421,229	204,880,817	71,343,559,410	57,142,811,693

30- OTHER INCOME

	30 June 2019 LE	30 June 2018 LE
Credit interest revenue	185,745,249	110,914,387
Revenue from financial assets held to maturity	7,644,573	29,964,312
Dividends revenue	356,022	563,794
Revenue of financial assets at fair value through profit or loss	169,825	210,225
Other	35,496,224	54,994,088
	229,411,893	196,646,806
Change in accrued revenues (Note 16)	(104,094,786)	16,015,134
	125,317,107	212,661,940

31- Non -Cash Adjustments

Net non-cash adjustments amounting EGP (94,289,830) is due to the elimination of transactions among subsidiaries, dividends distribution in the subsidiaries, as well as the changes in non-controlling interests, as follows:

- Employee appropriations and adjustments in Arab company for projects and urban development and its subsidiaries amounting to EGP (146,709,704).
- Adjustments due to the increase of San Stefano Co. for Real Estate shares in Arab Company for tourism and Hotels Investments (ICON) and its subsidiaries amounting to EGP 73,358,682.
- Change in non-controlling interests in Arab Company for Touristic and Hotel Investments (ICON) and its subsidiaries amounting to EGP (21,279,722).

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32-TAX SITUATION

Talaat Mostafa Group Holding Company

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

d. Real Estate tax

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

Arab Company for Projects and Urban Development

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

San Stefano Company for real estate investments

a. Corporate tax

- Inspection of the company's records until 2004 was carried out and tax claims until that date were settled.
- Inspection of a sample of the company's records for year 2005 was suspended as per circular no. 3 for the year 2011 issued by the Tax Authority.
- Inspection of the company's records until 2006 was carried out, the claims were issued and appealed by company.
- Tax arbitration committee issued a decision regarding appeal for the year 2006 and legal proceedings pertaining to this decision are underway.

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30 June 2019

32-TAX SITUATION (Continued)

- Claims for years 2007 & 2008 has been tax arbitration committee that issued a decision for collecting the due amounts and the company took the legal proceedings pertaining to this decision are underway.
- Inspection of the company's records for years 2009-2014 is being carried out by the Large Taxpayer Office.
- The company submits its tax returns regularly and in a timely manner sanctioned by the law.

b. Salary tax

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

c. Stamp tax

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

Alexandria for Projects Management.

a. Corporate tax

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

b. Salary tax

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

Alexandria Company for Real Estate Investments

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

32-TAX SITUATION (Continued)

Arab Company for Hotels and Tourism Investments

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

Alexandria for Urban Projects

a. Corporate tax

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

b. Salary tax

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

c. Sales tax

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

Al Rabwa for Entertainment Services

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

d. Sales tax

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

32-TAX SITUATION (Continued)

Al Masria for Development and Real Estate Projects

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

d. VAT

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

El Nile for Hotels company

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

d. VAT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

32-TAX SITUATION (Continued)

San Stefano for Tourism Investment

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

d. VAT

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

Nova Park Cairo company

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

d. VAT

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2019

32-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 settles tax claims on operating results annually.
- Inspection of the company's records until 2014 was carried out and the company has appealed against the tax authority.

b. Salary tax

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

c. Stamp tax

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

d. VAT

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

Luxor for Urban and Touristic Development Company

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

d. VAT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

32-TAX SITUATION (Continued)

Mayfair Company for Entertainment Services

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

d. Sales tax

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

Port Venice for Tourism Development

a. Corporate tax

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

b. Salary tax

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

c. Sales tax

- The company is not subject to sales tax.

d. Stamp tax

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

33- RELATED PARTY TRANSACTIONS

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

33- RELATED PARTY TRANSACTIONS (Continued)

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

	30 June 2019	31 December 2018
	Notes payable	Notes payable
Alexandria for Constructions Company	-	14,949,096
	Debit balance	Debit balance
Alexandria for Constructions Company	24,415,693	-
	Credit balance	Credit balance
Alexandria for Constructions Company	-	102,144,364

34- CONTINGENT AND OTHER OBLIGATION CONTRACTED

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

35-FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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

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

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

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

a) Credit risk

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

Trade and notes receivables

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2019

35-FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Other financial assets and cash deposits

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

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

Due from related parties

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

b) Market risk

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

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations with floating interest rates and interest bearing time deposits, Interest on financial instruments having floating rates is re-priced at intervals of less than one year. Since the interest rate on the loans and financial obligations is a floating interest rate, the effect of the change in the interest rate will display in the financial statements of the company.

	31 December 2018		31 December 2018	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
Financial asset	+1%	22,862,538	+1%	20,576,782
	- 1%	(22,862,538)	- 1%	(20,576,782)
Financial liability	+1%	(32,277,208)	+1%	(51,477,402)
	- 1%	32,277,208	- 1%	51,477,402

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

35-FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Exposure to foreign currency risk

The company exposed to the foreign currency risk mainly for the long term loans in us dollars, the following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR, GBP, SAR and AED exchange rates, with all other variables held constant, The company's exposure to foreign currency changes for all other currencies is not material.

	30 June 2019 Change in rate	Effect on profit before tax EGP	31 December 2018 Change in rate	Effect on profit before tax EGP
USD	+10%	237,026,805	+10%	250,488,378
	-10%	(237,026,805)	-10%	(250,488,378)
EUR	+10%	100,978	+10%	193,513
	-10%	(100,978)	-10%	(193,513)
GBP	+10%	28,785	+10%	43,355
	-10%	(28,785)	-10%	(43,355)
SAR	+10%	642	+10%	1,258
	-10%	(642)	-10%	(1,258)
SF	+10%	25,996	+10%	390,014
	-10%	(25,996)	-10%	(390,014)
AED	+10%	148	+10%	4,017
	-10%	(148)	-10%	(4,017)
CAD	+10%	115	+10%	1,729
	-10%	(115)	-10%	(1,729)

c) Liquidity risk

The cash flows, funding requirements and liquidity of the Company are monitored by local company management supported by the Parent Company, 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.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Financial liabilities

	Less than 3 Months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 30 June 2019					
Bank Facilities	-	1,935,866,044	1,612,166,786	-	1,935,866,044
Loans	67,635,000	500,214,046	9,741,472,189	1,047,705,033	3,227,720,835
Retentions	45,815,076	3,811,330,236	1,292,013,294	2,215,634,897	15,814,252,398
Creditors and Notes Payable	-	76,676,308	-	-	1,368,689,602
Accrued Expense and Other Credit Balances	4,882,255	204,854,726	1,203,291,890	-	1,413,028,871
Insured units	-	-	154,367,657	5,338,360,650	5,338,360,650
Income tax payable	-	317,301,672	-	-	471,669,329
		6,846,243,032	14,003,311,816	8,601,700,550	29,569,587,730

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

35-FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	Less than 3 Months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 December 2018					
Bank Facilities	-	1,744,967,763	-	-	1,744,967,763
Loans	-	407,461,574	2,330,558,071	664,752,830	3,402,772,475
Creditors and Notes Payable	994,971,815	10,041,082,257	3,083,867,079	549,802,794	14,659,723,945
Retentions	43,175	1,606,193,654	7,229,788	-	1,613,466,617
Accrued Expense and Other Credit Balances	301,286,569	810,755,231	1,165,339,486	-	2,277,381,286
Insured units	-	-	-	4,911,530,536	4,911,530,536
Income tax payable	708,019	664,320,987	6,093,741	-	671,122,747
	<u>1,297,009,578</u>	<u>15,274,781,466</u>	<u>6,583,088,165</u>	<u>6,126,086,160</u>	<u>29,280,965,369</u>

36-FAIR VALUE OF THE FINANCIAL INSTRUMENTS

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

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

37-LEGAL STATUS

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

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