

**ALLIED FOR ACCOUNTING & AUDITING  
(E&Y)**

**ARAB CHARTERED ACCOUNTANTS  
(RSM INTERNATIONAL)**

**TALAAAT MOSTAFA GROUP HOLDING COMPANY  
"TMG HOLDING"  
(S.A.E)  
SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2013  
TOGETHER WITH REVIEW REPORT**

originally issued in Arabic

Translation of Review Report

**REPORT ON REVIEW OF INTRIEM SEPERATE 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 separate balance sheet of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** as at 30 June 2013 and the related separate statements of income, changes in equity and 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 financial statements in accordance with the Egyptian accounting standards, our responsibility is to express a conclusion on these interim separate 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.

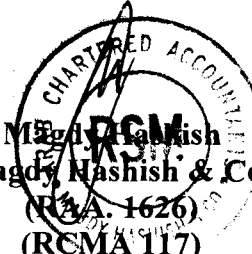
**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim separate financial statements are not prepared, in all material respects for the separate financial position of the company at 30 June 2013, and its financial performance and cash flows for the six months ended in that date in accordance with Egyptian accounting standards.

As indicated in note (4) the company has investments in subsidiaries and prepares consolidated financial statements as of 30 June 2013 for better understanding of the company's financial position as of 30 June 2013 and its financial performance and its cash flows for the period then ended, the matter necessitates reference to the consolidated financial statements.

**Cairo: 6 August 2013**

**Auditors**  
  
Emad H. Ragheb  
Member of  
FESAA-FEST  
& Ernst & Young (Global)  
(RAA. 3678)  
(RCMA 42)

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

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### SEPARATE BALANCE SHEET

As of 30 June 2013

	Notes	30/6/2013 LE	31/12/2012 LE
<b>Non-current assets</b>			
Property and equipment	(3)	11,223,322	11,385,384
Investments in subsidiaries	(4)	19,034,281,712	19,034,281,712
Amounts paid under capital increase in affiliated	(5)	145,583,000	145,583,000
Investments in associates	(7)	1,470,000	1,470,000
Available for sale investments	(8)	56,240,000	51,120,000
Deferred Tax Asset	(22)	59,881	46,842
<b>Total non-current assets</b>		<b>19,248,857,915</b>	<b>19,243,886,938</b>
<b>Current assets</b>			
Investments in financial assets held to maturity	(6)	311,498,201	314,271,247
Non-current assets held for sale	(9)	93,830,684	93,830,684
Financial assets at fair value through profit and loss	(10)	25,870,505	33,799,096
Notes Receivable – Related parties	(23)	1,407,924,298	1,407,804,298
Prepaid expenses and other debit balances	(11)	481,721,265	469,178,861
Cash on hand and at banks	(12)	6,432,278	2,021,381
<b>Total current assets</b>		<b>2,327,277,231</b>	<b>2,320,905,567</b>
<b>Current liabilities</b>			
Notes payable		317,114	1,063,956
Accrued income tax	(22)	166,175	-
Accrued expenses and other credit balances	(13)	1,905,499	2,935,609
<b>Total current liabilities</b>		<b>2,388,788</b>	<b>3,999,565</b>
<b>WORKING CAPITAL</b>		<b>2,324,888,443</b>	<b>2,316,906,002</b>
<b>TOTAL INVESTMENTS</b>		<b>21,573,746,358</b>	<b>21,560,792,940</b>
<b>Financed as follows</b>			
<b>EQUITY</b>			
Issued and paid up capital	(14)	20,635,622,860	20,635,622,860
Legal reserve	(15)	218,227,661	216,758,638
General reserve	(16)	61,735,404	61,735,404
Net unrealized gains on available for sale investments	(17)	11,720,000	6,600,000
Retained earning		638,607,015	610,695,578
Net profit for the period /year		7,833,418	29,380,460
<b>TOTAL EQUITY</b>		<b>21,573,746,358</b>	<b>21,560,792,940</b>
<b>Total Equity and non-current Liabilities</b>		<b>21,573,746,358</b>	<b>21,560,792,940</b>

Chairman

Financial Director

Auditors

Tarek Talaat Mostafa

Ghaleb Ahmed Fayed

Emad H. Ragheb

Magdy Hashish

- The attached notes (1) to (27) are an integral part of these financial statements,  
- Review report attached.

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### SEPARATE INCOME STATEMENT

For the period 1 January to 30 June 2013

	Note	From 1/1/2013 to 30/06/2013	From 1/4/2013 to 30/06/2013	From 1/1/2012 to 30/06/2012	From 1/4/2012 to 30/06/2012
	s	LE	LE	LE	LE
Credit Interest	(21)	227,311	134,077	195,730	116,047
Interest from financial assets held to maturity	(21)	13,182,429	6,599,165	13,201,722	6,581,885
Treasury Bills Interest	(21)	304,851	168,429	145,916	81,761
Amortization of financial assets held to maturity	(6)	693,506	351,223	638,327	326,875
(Loss) Revenue from valuation of financial assets at fair value through profit and loss	(10)	(2,116,916)	(1,136,882)	3,639,579	(1,958,973)
Revenue from selling financial assets at fair value through profit and loss	(19)	193,255	76,946	1,812,266	1,142,496
Dividends revenue of financial assets at fair value through profit and loss	(20)	755,875	755,875	527,468	491,196
(Loss) foreign exchange		(120,809)	(31,563)	(20,323)	(11,242)
<b>Total revenue</b>		<b>13,119,502</b>	<b>6,917,270</b>	<b>20,140,685</b>	<b>6,770,045</b>
Administrative expenses		(4,410,821)	2,707,495	(15,694,060)	7,339,580)
Depreciation	(3)	(164,626)	82,244	(167,579)	(82,515)
Finance costs		(14,190)	3,324	(8,040)	(3,170)
Board of directors allowances		(96,000)	(30,000)	(132,000)	(48,000)
<b>NET PROFIT FOR THE PERIOD BEFORE TAX</b>		<b>8,433,865</b>	<b>4,094,207</b>	<b>4,139,006</b>	<b>(703,221)</b>
Income tax	(22)	(613,486)	(408,007)	-	-
Deferred tax Revenue	(22)	13,039	504	8,162	3,826
<b>NET PROFIT (LOSS)FOR THE PERIOD AFTER TAX</b>		<b>7,833,418</b>	<b>3,686,704</b>	<b>4,147,168</b>	<b>(699,395)</b>
<b>EARNING PER SHARE</b>	(18)	<b>0.003</b>	<b>0.001</b>	<b>0.001</b>	<b>(0,0003)</b>

Chairman

Tarek Talaat Mostafa

Financial Director

Ghaleb Ahmed Fayed

- The attached notes (1) to (27) are an integral part of these financial statements,

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the period 1 January to 30 June 2013

	Capital share	Legal reserve	General reserve	Net unrealized Gain on available for sale investments	Retained earning	Profit for the year	Total
	LE	LE	LE	LE	LE	LE	LE
<b>Balance at 1 January 2013</b>	20,635,622,860	216,758,638	61,735,404	6,600,000	610,695,578	29,380,460	<b>21,560,792,940</b>
Transfer to retained earning	-	-	-	-	27,911,437	(27,911,437)	-
Transfer to Legal Reserve	-	1,469,023	-	-	-	(1,469,023)	-
Net unrealized gain on available for sale investments	-	-	-	5,120,000	-	-	<b>3,440,000</b>
Profit for the year	-	-	-	-	-	7,833,418	7,833,418
<b>Balance As of 30 June 2013</b>	<b>20,635,622,860</b>	<b>218,227,661</b>	<b>61,735,404</b>	<b>11,720,000</b>	<b>638,607,015</b>	<b>7,833,418</b>	<b>21,573,746,358</b>
Balance at 1 January 2012	20,635,622,860	216,645,653	61,735,404	3,800,000	608,548,861	2,259,702	21,528,612,480
Transfer to retained earning	-	-	-	-	2,146,717	(2,146,717)	-
Transfer to Legal Reserve	-	112,985	-	-	-	(112,985)	-
Net unrealized gain on available for sale investments	-	-	-	240,000	-	-	240,000
Profit for the year	-	-	-	-	-	4,147,168	4,147,168
<b>Balance As of 30 June 2012</b>	<b>20,635,622,860</b>	<b>216,758,638</b>	<b>61,735,404</b>	<b>4,040,000</b>	<b>610,695,578</b>	<b>4,147,168</b>	<b>21,532,999,648</b>

- The attached notes (1) to (27) are an integral part of these financial statements,

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### CASH FLOW SEPARATE STATEMENT

For the period 1 January to 30 June 2013

	Notes	From 1/1/2013 to 30/06/2013 LE	From 1/1/2012 to 30/06/2012 LE
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit for the period before tax		8,433,865	4,139,006
Depreciation	(3)	164,626	167,579
Amortization of Financial Assets Held to Maturity	(6)	(693,506)	(638,327)
Interest revenue , Interest revenue from Financial Assets Held to Maturity, Interest revenue from T-Bills	(21)	(13,714,591)	(14,181,695)
Dividend revenue	(20)	(755,875)	(527,468)
(Revenue) Loss from valuation of financial assets at fair value through profit and loss	(10)	2,116,916	(3,639,579)
(Revenue) Loss from selling financial assets at fair value through profit and loss	(19)	(193,255)	(1,812,266)
Loss foreign exchange		120,809	20,323
<b>Operating loss before changing in working capital</b>		<b>(4,521,011)</b>	<b>(15,834,100)</b>
Change in prepayments and other debit balances	(11)	(12,970,830)	601,483
Change in notes Receivable		(120,000)	3,134
Change in creditors and notes payable		(746,842)	13,593
Change in accrued income tax	(22)	(447,311)	-
Change in accrued expenses and other credit balances	(13)	(1,030,110)	4,314,890
Change in financial assets at fair value through profit and loss	(10,19)	6,004,930	1,200,017
<b>Net cash flow (used in ) operating activities</b>		<b>(13,831,174)</b>	<b>(9,700,983)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment on Purchasing of Property and Equipment	(3)	(2,564)	-
Proceeds from selling T-Bill		3,466,552	13,581,232
Proceeds from T-Bill , Bonds, Time Deposits revenues	(21)	14,143,017	527,468
Proceeds from Dividends revenue	(20)	755,875	-
<b>Net cash flow received from investing activities</b>		<b>18,362,880</b>	<b>14,108,700</b>
Foreign exchange impact		(120,809)	(20,323)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>		<b>4,410,897</b>	<b>4,387,394</b>
Cash and cash equivalents at the beginning of the period		2,021,381	4,927,641
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	(12)	<b>6,432,278</b>	<b>9,315,035</b>

# Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

30 June 2013

### 1 BACKGROUND

- Talaat Mostafa Group Holding TMG Holding S,A,E, was established on 13 February 2007 under the provisions of law 95 of 1992 and its executive regulations and registered in Egypt under Commercial Registration numbered 187398 by date 3 April 2007, and the company period is 25 years,
- The main objective of the Company is participating in the incorporation of shareholding companies or participating in the capital increase of those companies,
- The company headquarter and legal place is 36, Mosadek st, Dokki – Giza – Arabic republic of Egypt,
- The financial statements for the Period ended 30 June 2013 were approved on 13 May 2013 according to the board of directors' resolution issued on the same date.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The financial statements have been prepared under the going concern assumption on a historical cost basis, except for investment property and available for sale financial assets that have been measured at fair value.

#### Statement of compliance

The financial statements of the company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

#### Foreign currency transaction translation

The financial statements are prepared and presented in Egyptian pound, which is the company's functional currency,

Transactions in foreign currencies are initially recorded using the exchange rate prevailing on the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate prevailing at the balance sheet date; all differences are recognized in the statement of income,

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

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

#### Property, plant and equipment

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

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

	Years
Motor Vehicles	5
Computers equipments	3-8
Furniture and other assets	5-10
Tools & equipments	3-5

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

30 June 2013

#### **Significant Accounting Policies (continued)**

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

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end.

The post acquisition costs to be capitalized only to increase the future economic benefit related to the fixed assets and to be accounted for as a new assets, the book value of the replaced or renewed assets to be derecognized and all other expenditures to be recorded as expenses in the income statement.

The Company assesses at each balance sheet date whether there is an indication that fixed assets may be impaired, Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, Impairment losses are recognized in the statement of income.

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

#### **Investments**

##### **Investment in subsidiaries**

Investments in subsidiaries are investments in entities which the company has control, Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the investee, unless, in exceptional circumstances, it can be clearly demonstrated that this is not the case.

Investments in subsidiaries are accounted for at cost inclusive transaction cost 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.

##### **Investments in associates**

Investments in associates are investments in entities which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture, except for the investment that reclassified as non-current asset held for sales according to Egyptian accounting standard No.(32), Significant influence is presumed to exist when the company holds, directly or indirectly through subsidiaries 20 % or more of the voting power of the investee, unless it can be clearly demonstrated that this is not the case.

Investments in associates are recorded in cost according paragraph G from article 13 from Egyptian accounting standard (18) when public use consolidated financial statements are prepared, in case the investment is impaired, the carrying amount to be 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.

##### **Available-for-sale investments**

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

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

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

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



## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

30 June 2013

#### **Significant Accounting Policies (continued)**

##### **Financial assets at fair value through profit or loss**

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

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

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

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

##### **Financial assets held to maturity**

Investments in financial assets held to maturity with fixed or determinable payments that are quoted in an active market and the management has the intention and capability to hold it to maturity, Up on the initial measurement of the financial assets, it will be recorded with its fair value including the direct costs.

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

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

##### **Non-current assets held for sale**

Non-current assets held for sale is the non-current assets that is expected to regain its book value basicly 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 Bills**

Treasury bills are initially recognized at cost and the difference between acquiring cost and the realizable value during the period from acquiring date to maturity date stated by strait line method using the actual interest rate.

##### **Debtors and Notes Receivable**

Accounts receivable and other receivables are stated at original invoice amount net of any impairment losses (if it exist).

Impairment losses are measured as the difference between the receivables carrying amount and the present value of estimated future cash flows, the impairment loss is recognized in the statement of income in the period in which it occurs.

Impairment loss is recovered in the period in which it occurs to only the book value that was impaired before unless the impairment loss is recognized.

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

30 June 2013

#### **Significant Accounting Policies (continued)**

##### **Cash and cash equivalents**

For the purpose of preparing the cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts with banks, and time deposits maturing and treasury bills within three months less bank overdraft balances (if-exist).

##### **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 between short and long term assets and liabilities**

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

##### **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made, Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

##### **Revenue recognition**

Revenue from the share of results in the subsidiaries to be recognised to the extent of the company's share of dividend of the investees after the acquisition date and from the date of declaring dividend by the general assembly of those companies.

The interest income of the financial instruments is recorded by the effective rate methods except for the financial instruments classified as trade investments or at fair value through profit and loss.

##### **Legal reserve**

According to the Company's article of association, 5% of the net profits of the year is 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.

##### **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.

##### **Impairment of Assets**

###### **a- Impairment of financial assets**

The Company regularly assesses whether there is an indication that an asset could be impaired. The impairment loss of a financial asset 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, Impairment test is applied to the significant financial assets to the level of each asset.

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

30 June 2013

#### **Significant Accounting Policies (continued)**

Impairment loss is recognized in the income statement, The remaining financial assets are estimated according to the groups level that have the same credit risk characterises, 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.

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 income statement, is transferred from equity to income statement, Reversal in respect of equity instruments classified as available for sale are recognised directly in the equity.

#### **b- 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 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.

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.

#### **Treasury stocks**

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

#### **Employees' directors' compensation and motivation**

Employees and managers compensation and motivation system is according to the company's articles of association and applied with proposal of the board of directors by one of the following methods:

- Giving the employees free shares
- Giving the employees shares with special price
- Giving promise of sale of the shares after specific period and according to certain conditions that stated in the company promise of sale

#### **Income tax**

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

#### **Current income tax**

The income tax assets and liabilities for the current and previous periods are evaluated according to the expected amount to be recovered from or paid to tax authority.

#### **Deferred income tax**

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

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

30 June 2013

#### **Significant Accounting Policies (continued)**

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

Current and deferred income tax are recorded as revenue or expense in the income statement except for the results from transaction or event in the same period or other period to be recorded in the equity.

#### **Cash flow statement**

The statement of cash flows is prepared using the indirect method, for the purpose of preparing the cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts with banks, and time deposits maturing and treasury bills within three months less bank overdraft balances (if-exist).

#### **Related party transactions**

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

#### **Employee's pension plan**

The company corporate in the social insurance system for its employee under provisions of social insurance law 79 of year 1975 and this corporation incurs to the income statement according to the principal of merit.

#### **Borrowing**

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

#### **Borrowing costs**

Borrowing costs 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.

#### **Dividends**

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

#### **Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period (if it exist).

#### **Fair values**

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

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

For unquoted 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.

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS 30 June 2013

#### 3 PROPERTY AND EQUIPMENT

	Land LE	Motor Vehicles LE	Computers & Software LE	furniture LE	Tools LE	Total LE
<b>Cost</b>						
At 1 January 2013	10,043,066	1,060,250	507,060	1,125,025	7,639	12,743,040
Additions					1,299	
As of 30 June 2013	10,043,066	1,060,250	507,060	1,125,025	8,938	12,745,604
<b>Accumulated depreciation</b>						
At 1 January 2013	-	(397,237)	(504,039)	(450,615)	(5,765)	(1,357,656)
Depreciation charge	-	(106,025)	(1,513)	(56,311)	(707)	(164,556)
Additions Depreciation	-	-	(70)	-	-	(70)
As of 30 June 2013	-	(503,262)	(505,622)	(506,926)	(6,472)	(1,522,282)
<b>Net Book Value As of 30 June 2013</b>	<b>10,043,066</b>	<b>556,988</b>	<b>2,703</b>	<b>618,099</b>	<b>2,466</b>	<b>11,223,322</b>
31 December 2012	10,043,066	663,013	3,021	674,410	1,874	11,385,384

- There is no mortgage on the fixed assets

#### 4 INVESTMENT IN SUBSIDIARIES

The company on October 2007 acquired 99.9% of capital share Arab company for projects and urban development, 96.9% of capital share of Alexandria for real estate investment and 71.05% of capital share of san Stefano for real estate investment and 40% of Alexandria for urban projects through share swap with the capital increase of Talaat Mostafa group holding TMG Holding. The company has been shared in capital increase in both of Alexandria Company for real state in mount LE 543,768,900 and san Stefano for real estate Company in amount LE 243,000,000 and Alexandria for urban projects Company in amount LE 145,583,000. The following are the subsidiaries:

No	Company	Capital share LE	No, of shares	No. of acquired shares	Ownership percentage
1	Arab company for projects and urban development (S.A.E)	738,009,600	7380096	7380016	99.9%
2	Alexandria company for real estate investment (S.A.E)*	925,451,950	18509039	18125500	96.93%
3	San Stefano company for real estate investment (S.A.E)**	878,000,000	878000	7337565	72.18%
4	Alexandria for urban projects Company (S.A.E)***	133,500,000	1335000	533770	40%

\*Arab company for projects and urban development acquires 1.64% of Alexandria Company for real estate investment.

\*\* 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 (S.A.E), Alexandria Company for real estate investment (S.A.E), Alexandria for urban projects Company (S.A.E).

\*\*\* Alexandria company for real estate investment (S.A.E) acquires 60% of Alexandria for urban projects Company.

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS 30 June 2013

The total cost of the investments in the subsidiaries is amounted LE 19,034,281,712 as follows:

	<b>30/6/2013</b>	31/12/2012
	<b>LE</b>	LE
Arab company for projects and urban development (S,A,E)	<b>14,423,155,064</b>	14,423,155,064
Alexandria company for real estate investment (S,A,E)	<b>3,447,454,940</b>	3,447,454,940
San Stefano company for real estate investment (S,A,E)	<b>1,029,936,482</b>	1,029,936,482
Alexandria company for urban projects (S,A,E)	<b>133,735,226</b>	133,735,226
	<b><u>19,034,281,712</u></b>	<u>19,034,281,712</u>

#### 5 AMOUNTS PAID UNDER CAPITAL INCREASE IN AFFILIATED

The balance includes the amount paid under investments increase in subsidiaries as follows:

	<b>30/6/2013</b>	31/12/2012
	<b>LE</b>	LE
Alexandria company for urban projects	<b>145,583,000</b>	145,583,000
	<b><u>145,583,000</u></b>	<u>145,583,000</u>

#### 6 INVESTMENT IN FINNACIAL ASSETS HELD TO MATURITY

This item amount LE 311,498,201 as of 30 June 2013 as follows:

- Bonds held to maturity in governmental bonds are amounted to LE 307,184,102 in 309700 bonds with nominal value LE 1000 per bond and maturity date is November 2013 with 8,55% interest rate, the interests is due semi annually, the balance of bonds discounting issue amounted to 515,897 and it is amortized at the maturity date of the interest, there are 309000 bonds are used as a collateral by el Watany bank for development as a guaranty for a loan received by Arab company for projects and urban development (subsidiary company).
- Treasury Bills are 102 T-Bills with nominal value LE 25000 per T-Bill and maturity date in 2013.

	<b>30/6/2013</b>	31/12/2012
	<b>LE</b>	LE
Treasury Bills	<b>2,314,098</b>	5,780,650
Bonds historical cost	<b>309,700,000</b>	309,700,000
Bonds issue discount	<b>(1,209,403)</b>	(2,517,084)
Amortized value	<b>308,490,596</b>	307,182,916
Amortization of discounting bonds	<b>693,505</b>	1,307,681
	<b><u>311,498,201</u></b>	<u>314,271,247</u>

#### 7 INVESTMENT IN ASSOCIATIONS

	<b>Percenta</b>	<b>No, of shares</b>	<b>30/6/2013</b>	31/12/2012
	<b>ge</b>		<b>LE</b>	LE
*Hill /TMG for constructions and projects management (under liquidation)	<b>49%</b>	147000	<b>1,470,000</b>	1,470,000
			<b><u>1,470,000</u></b>	<u>1,470,000</u>

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

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS 30 June 2013

#### 8 AVAILABLE FOR SALE INVESTMENTS

Available for sale investments is amounted to 8,000,000 \$ that equivalent to LE 56,240,000 as of 30 June 2013 includes Investments in Horus Fund the third which managed by EFG-HERMAS, the Fund period is 4 years and is accounted for by the cost method and the balance in foreign currency to be evaluated and record the valuation results in the shareholders equity.

#### 9 NON- CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are amounted to LE 93,830,684 in 30 June 2013 represent the company share in issued and paid capital of thabat for real estate development company with 25000000 shares represent 50% of the issued capital and areez Arabian limited company with 405000 shares represent 1% of the issued capital, Due to the intention of the company to sell its share in capital of those companies, these investments have been reclassified as a non-current assets held for sale in accordance to Egyptian accounting standard No (32) and the transaction is expected to be executed in 2013.

	Percentage	No, of shares	30/6/2013 LE	31/12/2012 LE
Thabat for Real Estate Development	49%	25000000	89,375,000	89,375,000
Areez Arab Limited Company	1%	4050	4,455,684	4,455,684
			<b>93,830,684</b>	<b>93,830,684</b>

#### 10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

The Financial assets at fair value through profit and loss are amounted to LE 28,798,927 after their valuation according to the market price at 30 June 2013 as follows:

Investments Type	No, of shares / certificates	Amount before valuation LE	Variances in 30/6/2013 LE	Market Value 30/6/2013 LE	Market Value 31/12/2012 LE
*Investment Fund- Hermes	2551253	23,903,305	(2,322,002)	21,581,303	22,908,120
Mutual investment fund – Juman Fund	30000	4,084,116	205,086	4,289,202	10,890,976
		<b>27,987,421</b>	<b>(2,116,916)</b>	<b>25,870,505</b>	<b>33,799,096</b>

\* Investments in 30 June 2013 include 2551253 shares of different companies listed in the Egyptian capital market.

#### 11 PREPPAID EXPENSES AND OTHER DEBIT BALANCES

	30/6/2013 LE	31/12/2012 LE
Other debtors (Note no. 23)	476,029,004	463,004,668
Deposits by others - the Egyptian Financial supervisory Authority	2,063,562	2,063,562
Other debit balances	7,058	25,230
Prepaid expenses	25,136	32,597
Tax-Authority	478,124,760	5,473
Accrued revenue	3,596,505	465,131,530
	<b>481,721,265</b>	<b>4,047,331</b>
		<b>469,178,861</b>

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS 30 June 2013

#### 12 CASH ON HANDS AND AT BANKS

	<b>30/6/2013</b>	31/12/2012
	<b>LE</b>	LE
<b>A- Local Currency</b>		
Cash on hand	132	9,520
Banks current accounts	1,696,568	1,217,424
Time deposits	2,995,000	780,000
T.Bills	1,684,008	-
	<u>6,375,708</u>	<u>2,006,944</u>
<b>B- Foreign Currency</b>		
Banks current accounts	56,570	14,437
	<u>6,432,278</u>	<u>2,021,381</u>

#### 13 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	<b>30/6/2013</b>	31/12/2012
	<b>LE</b>	LE
Creditors (Note no. 23)	35,522	29,485
Accrued expenses	-	1,348,700
Other Credit balances	1,869,977	1,557,424
	<u>1,905,499</u>	<u>2,935,609</u>

#### 14 CAPITAL SHARE

The company's authorized capital amounted to LE 50,000,000 (fifty million Egyptian pound) and the issued and paid up capital LE 6,000,000 (six million Egyptian pound) LE 10 par value.

According to the extra ordinary general assembly meeting dated 6 October 2007, the company's authorized capital was increased by LE 29,500,000 to become LE 30 billion (thirty billion) and the issued and paid capital was amended to be LE 18,152,035,500 divided over 1815203550 share of LE 10 par value each through share swap with the subsidiaries companies in 28 october2007.

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 2030203550 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 and it was recorded in commercial register in 25 November 2007.

According to the extra ordinary general assembly resolution dated 24 March 2010, The issued capital was reduced by the treasury stocks amounted of LE 169,720,520 par value as more than one year passed from the date of purchase and the issued capital is LE 20,132,314,980 (Twenty milliard and one hundred and thirty two million and fourteen thousand and nine hundred and eighty pound) Distributed to 2013231498 shares, recorded in the commercial register on 18 May 2010.

The extra ordinary general assembly resolution dated 31 March 2011 consent on increase the issued capital by issuing bonus shares deducted from the retained earnings to be LE 20,635,622,860 par value LE 10 per share divided over 2063562286 shares, recorded in the commercial register on 24 May 2011.



## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS 30 June 2013

#### 15 LEGAL RESERVE

Legal reserve amounted to 218,227,661 which 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, this in accordance with law no 159 of 1981.

#### 16 GENERAL RESERVES

The general reserve balance amounted LE 61,735,404 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.

#### 17 NET UNREALIZED GAIN ON AVAILABLE FOR SALE

The revaluation of available for sale investments resulted to unrealized gain amounted to 11,720,000 LE which represented in the variation between the foreign exchange impact and the cost of the available for sale investments 30 June 2013.

#### 18 EARNINGS PER SHARE

Earnings per share for the year is LE 0.003 the basic earnings per share is calculated by dividing the net profit of the year to the number of the ordinary outstanding shares during the year (without taking into consideration any future dividends for employees or the Board of directors related to the year ended in 30 June 2013. according to the following:

	<b>From 1 /1/ 2013 to 30/6/2013</b>	From 1 /1/ 2012 to 30/6/2012
	LE	LE
Net profit for the year	<b>7,833,418</b>	4,147,168
Estimated shares of employees and BOD	<b>(783,341)</b>	(414,716)
Net profit for the year less the shares of employees and BOD	<b>7,050,076</b>	3,732,452
Weighted average number of shares	<b>2,063,562,286</b>	2,063,562,286
Earnings per share (L.E./share)	<b>0.003</b>	0,0018

#### 19 REVENUE FROM SELLING FINNACIAL SECUIRITIES

	<b>From 1 /1/ 2013 to 30/6/2013</b>	From 1 /1/ 2012 to 31/3/2012
	LE	LE
Financial securities selling price	<b>8,470,064</b>	3,009,055
Financial securities Book value	<b>(8,276,809)</b>	(2,339,285)
	<b>193,255</b>	669,770

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS 30 June 2013

#### 20 DIVIDENDS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	From 1 /1/ 2013 to 30/6/2013 LE	From 1 /1/ 2012 to 30/6/2012 LE
Egyptain company For Telecommunications.	164,897	175,801
Sidi Kirier company	121,982	126,048
Commercial International Bank	203,952	146,550
Other Companies	265,044	79,069
	<u>755,875</u>	<u>527,468</u>

#### 21 T-BILL, BONDS, TIME DEPOSIT REVENUE

	From 1 /1/ 2013 to 30/6/2013 LE	From 1 /1/ 2012 to 30/6/2012 LE
Credit interest.	227,311	195,730
Bonds	13,182,429	13,201,722
Treasury Bills	304,851	145,916
	<u>13,714,591</u>	<u>13,543,368</u>
Change in accrued revenue (Note 11)	428,426	37,864
	<u>14,143,017</u>	<u>13,581,232</u>

#### 22 INCOME TAX AND DEFERRED TAX

Income tax calculated as followed:

	From 1 /1/ 2013 to 30/6/2013 LE	From 1 /1/ 2012 to 30/6/2012 LE
Net book profit before tax	8,433,865	4,139,006
Adjustments to the net book profit to reach the net tax profit	(15,601,644)	(19,506,273)
Net tax profit	(7,167,779)	(15,367,267)
Tax rate	20%	20%
Income tax for the period	<u>-</u>	<u>-</u>

Accrued income tax movement during the period:

	30/6/2013 LE	31/12/2012 LE
Balance at the beginning of the period	-	-
Additions during the period	613,483	-
Paid amounts	(447,308)	-
Balance at the end of the period/year	<u>166,175</u>	<u>-</u>

Deferred tax assets in 30 June 2013 amounted to LE 59,881 represents the difference between accounting basis and tax basis and it's calculation as follow:

	From 1 /1/ 2013 to 30/6/ 2013 LE	From 1 /1/ 2012 to 30/6/ 2012 LE
Accounting basis	(1,180,256)	(1,589,807)
Tax Basis	1,479,661	1,703,303
Taxes differences	299,405	196,010
Tax rate	20%	20%
Deferred tax assets – 30 June 2013	<u>59,881</u>	<u>39,202</u>
Deferred tax assets – 31 Dec 2012	46,842	31,040
Deferred tax – 30 June 2013	<u>13,039</u>	<u>8,162</u>

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS 30 June 2013

#### 23 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 may as well Pay off or settle some balances on behalf of them. These transactions balances appeared in the Assets and Liabilities in the Balance Sheet.
- Short term fringe benefits for the personnel amounted to LE 1,572,433 as salaries and rewards according to paragraph no. 16 of EAS no.15 in 30 June 2013.

The transactions with related parties that includes in the financial statements are:

	<b>30/6/2013</b>	31/12/2012	Nature of transactions
	<b>transactions</b>	transactions	
Alexandria company for real estate investment	-	23,670	Debit balances
San Stefano for real estate	-	10,116	Debit balances
Arab company for projects and urban development	<b>13,014,224</b>	8,935,076	Debit balances
	<b>30/6/2013</b>	31/12/2012	Nature of transactions
	<b>Debit balances</b>	Debit balances	
Areez Arab Limited Company	<b>402,824,070</b>	402,819,030	Debit balances
Arab company for projects and urban development	<b>21,883,797</b>	8,864,501	Debit balances
Hill /TMG for constructions and projects management	<b>28,408</b>	28,408	Debit balances
Thabat for Real Estate Improvement Company	<b>51,292,728</b>	51,292,728	Debit balances
	<b>30/6/2013</b>	31/12/2012	Nature of transactions
	<b>Credit balances</b>	Credit balances	
Alexandria company for real estate investment	<b>30,242</b>	29,485	Credit balances
	<b>30/6/2013</b>	31/12/2012	
	<b>Notes receivables</b>	Notes receivables	
Alexandria company for real estate investment	<b>100,405,015</b>	100,405,015	
Arab company for projects and urban development	<b>1,107,609,858</b>	1,107,489,858	
San Stefano for real estate	<b>199,909,425</b>	199,909,425	

TMG Company for Real Estate and Investments owns approximately 47% of the shares of Talaat Mostafa Group Holding Company.

#### 24 TAX SITUATION

##### a. Corporate tax

The tax return was presented on time and no tax inspection yet.

##### 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.

##### c. Stamp tax

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

## Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

30 June 2013

#### 25 CONTINGENT LIABILITY

There are no contingent liabilities or contingent capital commitments.

#### 26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are represented in financial assets and financial liabilities, the financial assets include cash on hand and at banks, investments, debtors and debit balances, the financial liabilities include creditors, the significant accounting policies applied for the recognition and measurement of the above mentioned financial assets and liabilities and related income and expenses.

##### **A, Credit Risk**

Credit risk represents the risk of default of the customers from not paying the amounts due, this risk is limited due to the expand number of customers; the main objective of the company is establish companies.

##### **B, Foreign currency risk**

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

##### **C, Interest Rate Risk**

The company mitigates the impact of the interest rate changes on its operational results this risk is considered low as the company has no loans.

##### **D, Liquidity risk**

Liquidity risk is the risk of the deficit in cash to pay the short term liabilities and this risk is considered limited due to continues plans prepared by the company to find the financial alternative to reduce the risk.

#### 27 IMPORTANT EVENTS

Still Arab Republic of Egypt during the first quarter of 2011 events has significant impact on the economic sectors in general and led to significant reduction of economic activities, It is therefore possible that the events referred to has a material impact on assets, liabilities and redemption value as well as the results of business during the coming period, and still is not possible at present to quantify this influence on assets and liabilities included the financial statements present, where the impact size of the events referred to depends on the expected extend and the period time which is expected the end of those events and their effects.