

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

**ARAB CHARTERED ACCOUNTANTS  
(RSM EGYPT)**

**TALAAAT MOSTAFA GROUP HOLDING COMPANY  
"TMG HOLDING" (S.A.E) AND ITS SUBSIDIARIES  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022  
TOGETHER WITH THE REVIEW REPORT**

**Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E) and its Subsidiaries**  
**Interim Consolidated Financial Statements**  
**For The Three Months and Nine Months Period Ended 30 September 2022**

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

**Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E) "The Company"** and its subsidiaries (**The Group**) as of 30 September 2022 as well as the related interim consolidated statements of profit or loss and comprehensive income for the three and nine-month periods then ended, and the interim consolidated statements of changes in equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes, Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards, and applicable Egyptian Laws, and the decision and interpretations issued by Financial Regulatory Authority (FRA). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

**Scope of review**

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

**Conclusion**

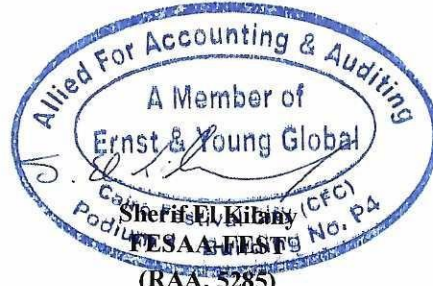
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements does not give a true and fair view, in all material respects, of the interim consolidated financial position of the group as of 30 September 2022, and of its interim consolidated financial performance and its interim consolidated cash flows for the nine-month period then ended in accordance with Egyptian Accounting Standards and applicable Egyptian Laws, and the decision and interpretations issued by Financial Regulatory Authority (FRA)



(EFSAR. 118)

(RSM EGYPT) CHARTERED ACCOUNTANTS

**Auditors**



(EFSAR. 83)

ALLIED FOR ACCOUNTING & AUDITING (EY)

Cairo: 14 November 2022

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As of 30 September 2022

	Notes	30 September 2022 LE	31 December 2021 LE
<b>Assets</b>			
<b>Non-current Assets</b>			
Fixed Assets	(4)	5,325,400,500	5,412,067,946
Investment Properties	(5)	393,375,863	419,714,385
Factoring advances	(6-1)	572,522,384	687,026,859
Intangible assets	(7)	3,469,326	3,595,117
Fixed assets under construction	(8)	10,343,329,695	8,603,208,774
Goodwill	(9)	12,066,073,726	12,066,073,726
Investments in associates	(10)	68,936,673	68,936,673
Financial assets at fair value through other comprehensive income.	(11)	530,128,517	500,214,812
Time deposits and financial assets at amortized cost	(12)	4,335,284,503	4,334,497,958
Deferred tax assets	(31)	46,024,638	46,024,638
<b>Total non-current assets</b>		<b>33,684,545,825</b>	<b>32,141,360,888</b>
<b>Current assets</b>			
Development properties	(16)	72,087,840,617	58,839,947,633
Inventory	(17)	1,175,268,540	1,095,952,748
Accounts and notes receivable	(14)	3,591,275,308	4,029,242,525
Notes receivable for units not yet delivered	(1/15)	26,472,536,984	31,190,331,707
Time deposits and financial assets at amortized cost	(12)	1,683,279,407	2,242,884,268
Prepaid expenses and other debit balances	(18)	5,861,173,235	5,773,079,655
Financial assets at fair value through profit and loss	(13)	121,046,390	111,577,661
Cash on hand and at banks	(19)	5,185,035,277	3,293,464,398
<b>Total current assets</b>		<b>116,177,455,758</b>	<b>106,576,480,595</b>
<b>Total assets</b>		<b>149,862,001,583</b>	<b>138,717,841,483</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Authorized capital	(24)	30,000,000,000	30,000,000,000
Issued and paid-up capital	(24)	20,635,622,860	20,635,622,860
Legal reserve	(25)	364,990,669	337,884,636
General reserve	(26)	61,735,404	61,735,404
Foreign currency translation reserve		26,979,530	(2,929,359)
Financial assets valuation differences through other comprehensive income		7,512,483	7,512,483
Retained earnings		14,444,281,445	12,894,276,521
<b>Equity attributable to shareholders of the parent</b>		<b>35,541,122,391</b>	<b>33,934,102,545</b>
Non-controlling interests		1,075,143,769	1,109,392,830
<b>Total equity</b>		<b>36,616,266,160</b>	<b>35,043,495,375</b>



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


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As of 30 September 2022

	Notes	30 September 2022 LE	31 December 2021 LE
<b>Non-current liabilities</b>			
Loans	(27)	5,058,369,934	4,307,164,817
Other Long-term liabilities	(28)	18,707,258,581	21,471,040,005
Liabilities against factoring advances	(6-2)	513,546,467	659,260,067
Sukuk Al-Ijarah	(29)	1,750,000,000	1,750,000,000
Deferred tax liabilities	(31)	294,297,487	192,820,440
<b>Total non-current liabilities</b>		<b>26,323,472,469</b>	<b>28,380,285,329</b>
<b>Current liabilities</b>			
Banks overdraft		43,756,269	5,972,470
Credit facilities	(27)	1,177,116,500	1,522,717,934
Loans - current portion	(27)	763,668,979	1,579,988,521
Sukuk Al-Ijarah - current portion	(29)	250,000,000	250,000,000
Creditors and notes payable	(20)	10,263,750,198	7,775,393,539
Customers' advance payments	(21)	32,951,611,165	20,017,539,862
Liabilities against checks received from customers – undelivered units	(2/15)	26,472,536,984	31,190,331,707
Dividends payable	(22)	76,343,296	102,666,482
Provisions	(30)	294,640,733	183,809,310
Income tax payable	(31)	975,077,858	1,135,591,523
Accrued expenses and other credit balances	(23)	13,653,760,972	11,530,049,431
<b>Total current liabilities</b>		<b>86,922,262,954</b>	<b>75,294,060,779</b>
<b>Total liabilities</b>		<b>113,245,735,423</b>	<b>103,674,346,108</b>
<b>Total equity and liabilities</b>		<b>149,862,001,583</b>	<b>138,717,841,483</b>

Chief Financial Officer  
  
Tarek El Nagar

Chief Executive Officer &  
Managing Director  
  
Hesham Talaat Moustafa

Chairman  
  
Tarek Talaat Moustafa

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

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
For The Three-Month and Nine-Month Perioded Ended 30 September 2022

	Notes	For the three months ended 30 September 2022	For the three months ended 30 September 2021	For the period Ended 30 September 2022	For the period Ended 30 September 2021
		LE	LE		
Real estate development revenue	(32)	5,623,978,895	4,966,087,773	10,679,773,858	9,103,592,030
Real estate development costs	(32)	(3,975,068,441)	(3,318,871,559)	(7,487,898,863)	(5,953,443,246)
<b>Gross profit from real estate development</b>		<b>1,648,910,454</b>	<b>1,647,216,214</b>	<b>3,191,874,995</b>	<b>3,150,148,784</b>
Hospitality revenue	(32)	515,509,788	391,977,596	1,482,983,395	824,516,497
Cost of hospitality	(32)	(310,218,178)	(253,935,188)	(851,265,228)	(632,818,153)
<b>Gross profit from hospitality</b>		<b>205,291,610</b>	<b>138,042,408</b>	<b>631,718,167</b>	<b>191,698,344</b>
Recurring and services activities revenue	(32)	682,540,122	463,100,246	1,752,668,385	1,384,862,494
Cost of recurring and services activities revenue	(32)	(526,655,197)	(364,087,629)	(1,234,350,360)	(993,678,774)
<b>Gross profit of recurring and services activities revenue</b>		<b>155,884,925</b>	<b>99,012,617</b>	<b>518,318,025</b>	<b>391,183,720</b>
<b>Total gross profit</b>		<b>2,010,086,989</b>	<b>1,884,271,239</b>	<b>4,341,911,187</b>	<b>3,733,030,848</b>
Marketing expenses		(66,517,131)	(95,066,538)	(195,300,244)	(147,797,449)
General and administration expenses		(108,393,905)	(145,860,228)	(478,974,782)	(490,336,014)
Donations and governmental expenses		(105,087,675)	(72,190,234)	(377,395,077)	(227,153,684)
Provision	(30)	(129,054,124)	(91,000,000)	(129,054,124)	(91,000,000)
Health contributions		(17,157,426)	(14,552,914)	(36,333,869)	(28,282,428)
Other income	(33)	59,527,557	58,787,733	314,128,262	227,715,900
Fixed assets disposal gains	(4)	182,614	708,954	1,571,425	2,808,281
Board of directors' allowances		(272,300)	(289,200)	(1,395,200)	(958,700)
Foreign currency exchange gains		27,056,653	(2,378,955)	193,898,703	2,620,294
<b>Net profit for the period before depreciation, finance cost, and impairment</b>		<b>1,670,371,252</b>	<b>1,522,429,857</b>	<b>3,633,056,281</b>	<b>2,980,647,048</b>
Depreciation and amortization charges	(7,5,4)	(84,666,994)	(82,168,984)	(248,271,108)	(238,912,444)
Finance cost		(267,250,363)	(208,225,978)	(525,361,874)	(367,206,068)
Bank charges		(35,279,636)	(2,165,142)	(55,956,373)	(15,897,620)
Expected credit losses		(2,978,877)	-	(9,017,962)	-
Impairment in available for sale investment		-	624,521	-	450,105
<b>Net profit for the period before tax</b>		<b>1,280,195,382</b>	<b>1,230,494,274</b>	<b>2,794,448,964</b>	<b>2,359,081,021</b>
Income tax	(31)	(401,149,636)	(383,656,122)	(828,989,720)	(655,631,009)
<b>Net profit for the period after tax</b>		<b>879,045,746</b>	<b>846,838,152</b>	<b>1,965,459,244</b>	<b>1,703,450,012</b>
Attributable to:					
Parent company		387,418,749	829,400,760	1,999,708,305	1,698,781,969
Non-controlling interests		(8,373,003)	17,437,392	(34,249,061)	4,668,043
		<b>879,045,746</b>	<b>846,838,152</b>	<b>1,965,459,244</b>	<b>1,703,450,012</b>

Chief Financial Officer



Tarek El Nagar

Chief Executive Officer &  
Managing Director



Hesham Talaat Moustafa

Chairman



Tarek Talaat Moustafa

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

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For The Three-Month and Nine-Month Perioded Ended 30 September 2022

	<b>For the three months ended 30 September 2022</b>	For the three months ended 30 September 2021	<b>For the period Ended 30 September 2022</b>	For the period Ended 30 September 2021
Notes	<b>LE</b>	LE		
Net profit for the period	<b>879,045,746</b>	846,838,152	<b>1,965,459,244</b>	1,703,450,012
<b>Other comprehensive income</b>				
Foreign currency translation differences from translation of foreign operations	<b>5,588,357</b>	(19,225,243)	<b>29,908,889</b>	(19,225,243)
<b>Total comprehensive income for the period</b>	<b><u>884,634,103</u></b>	<u>827,612,909</u>	<b><u>1,995,368,133</u></b>	<u>1,684,224,769</u>
<b>Attributable to:</b>				
Parent company	<b>893,007,106</b>	810,175,517	<b>2,029,617,194</b>	1,679,556,726
Non-controlling interests	<b>(8,373,003)</b>	17,437,392	<b>(34,249,061)</b>	4,668,043
	<b><u>884,634,103</u></b>	<u>827,612,909</u>	<b><u>1,995,368,133</u></b>	<u>1,684,224,769</u>

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

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

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For The Nine-Month Period Ended 30 September 2022

	Issued and paid-up capital	Legal reserve	General reserve	Foreign currency translation reserve	Financial assets valuation differences through OCI LE	Retained earnings	Total	Non- controlling Interests	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as of 1 January 2022	20,635,622,860	337,884,636	61,735,404	(2,929,359)	7,512,483	12,894,276,521	<b>33,934,102,545</b>	1,109,392,830	<b>35,043,495,375</b>
Transferred to legal reserve	-	27,106,033	-	-	-	(27,106,033)	-	-	-
Total comprehensive income for the period	-	-	-	29,908,889	-	1,999,708,305	<b>2,029,617,194</b>	(34,249,061)	<b>1,995,368,133</b>
Dividends	-	-	-	-	-	(422,597,348)	<b>(422,597,348)</b>	-	<b>(422,597,348)</b>
<b>Balance as of 30 September 2022</b>	<b><u>20,635,622,860</u></b>	<b><u>364,990,669</u></b>	<b><u>61,735,404</u></b>	<b><u>26,979,530</u></b>	<b><u>7,512,483</u></b>	<b><u>14,444,281,445</u></b>	<b><u>35,541,122,391</u></b>	<b><u>1,075,143,769</u></b>	<b><u>36,616,266,160</u></b>

\* The holding company has paid dividends to shareholders amounting to 366 million in accordance with the Ordinary General Assembly meeting held on March 31, 2022.

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



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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Nine-Month Period Ended 30 September 2021

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

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

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For The Nine-Month Period Ended 30 September 2022

	Notes	For the Nine-Month ended 30 September 2022	For the Nine-Month ended 30 September 2021
		LE	LE
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the period before tax and non-controlling interest		2,794,448,964	2,359,081,021
<b>Adjustments to</b>			
Depreciation & amortization	(7,5,4)	248,271,108	238,912,444
Finance income	(33)	(98,930,130)	(165,387,292)
Gains from financial assets at amortized cost	(33)	(124,330,426)	(62,328,608)
Provision	(30)	129,054,124	91,000,000
Investment impairment		-	(450,105)
(Gain) / losses from sale of fixed assets	(4)	(1,571,425)	(2,808,281)
Expected credit loss		9,017,962	-
Foreign currency exchange		(193,898,703)	(2,620,294)
		<u>2,762,061,474</u>	<u>2,455,398,885</u>
Change in development properties		(13,270,703,903)	(7,938,354,563)
Change in inventory		(79,315,792)	(142,883,717)
Change in accounts and notes receivable		431,369,810	(2,588,547,636)
Change in prepaid expenses and other debit balances		(24,924,925)	291,690,383
Change in creditors and notes payable		2,488,356,659	(599,924,456)
Change in advance payments from customers		12,934,071,303	9,286,585,260
Change in long term liabilities		(2,763,781,424)	-
Change in financial assets at fair value through profit and loss		(9,468,729)	(194,442)
Change in accrued expense and other credit balances		2,123,711,541	2,017,080,766
Provision used	(30)	(18,222,701)	-
Income tax paid	(31)	(888,026,338)	(685,546,163)
<b>Net cash flows provided from operating activities</b>		<u>3,685,126,975</u>	<u>2,095,304,317</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Payment) to acquire fixed assets, investment in property, intangible assets and fixed assets under construction		(1,859,861,398)	(1,858,675,367)
Proceeds from sale of fixed assets	(4)	3,215,432	3,908,321
(Payments) for financial assets at fair value through other comprehensive income		(29,913,705)	(224,740,869)
Proceeds (Payments) for Time deposits and financial assets at amortized cost		558,818,316	(583,701,641)
Credit interests and income from investments and treasury bills received		157,379,636	313,227,559
<b>Net cash flows (used in) investing activities</b>		<u>(1,170,361,719)</u>	<u>(2,349,981,997)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Payments) / proceeds from loans and bank facilities		(410,715,859)	1,408,115,582
Dividends paid		(448,920,534)	(416,934,083)
<b>Net cash flow (used in) provided from financing activities</b>		<u>(859,636,393)</u>	<u>991,181,499</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>		<u>1,655,128,863</u>	<u>736,503,819</u>
Foreign currency exchange		168,457,618	2,620,294
Foreign currency translation differences from translation of foreign operations		29,908,889	(19,225,243)
Cash and cash equivalent at the beginning of the period	(19)	3,288,073,610	2,683,993,571
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	(19)	<u>5,141,568,980</u>	<u>3,403,892,441</u>

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**1 BACKGROUND**

- Talaat Mostafa Group Holding TMG Holding S.A.E. ("**The Company**" or "**the parent company**") was established on 13 February 2007 under the provisions of law 95 of 1992 and its executive regulations.
- The company was registered with the commercial register number 187398 on April 3, 2007.
- The company has a term of 25 years.
- The main objective of the Company is participating in the incorporation of shareholding companies or participating in the capital increase of those companies.
- The company's headquarter and the legal place is 36, Mosadek st, Dokki – Giza – Arabic republic of Egypt.
- The consolidated financial statements For the period ended 30 September 2022 were approved on November 2022 according to the board of directors' resolution issued on the same date.

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

- The interim consolidated financial statements are prepared under the historical cost basis, except for Financial assets at fair value through other comprehensive income, and financial assets measured at fair value through the profit or losses.
- The interim consolidated financial statements are presented in Egyptian Pound, it is the company's functional currency.

**Compliance with the Egyptian accounting standards and the instructions of the Financial Regulator Authority:**

- The interim consolidated financial statements have been prepared in accordance with Egyptian accounting standards considering the Egyptian laws and regulations and the instructions of the Financial Regulatory Authority issued in January 2022 regarding "*Notes receivable for units not yet delivered*", and the authority instructions over securitization treatments.

The Financial Regulatory Authority issued and declared a statement for some accounting treatments that address real estate development activity in January 2022. The Supreme Committee for Accounting and Auditing Standards decided to take into consideration the various implementation of real estate development companies to grant an option for a specific transitional period of time authorizing the accounting treatment for real estate developers recognizing checks received from clients before delivering the property to the client based on the sales contracts entered into till 31 December 2022, until the delivery of those properties to the clients, under the following conditions:

- Allocating a separate account to be presented within the financial assets of the statement of financial position at the date of receiving the checks from clients and before delivery of properties delivery "*Notes receivable for units not yet delivered*" and recognizing financial liabilities within the statement of financial position "*Liabilities against checks received from customers*"
- Recognizing the collected amounts by reducing the balance of "*Notes receivable for units not yet delivered*" and transferring an equivalent amount from the "*Liabilities against checks received from customers*" account to "*advances from customers*" account

The provisions of Articles (41) to (41) 8 of the Capital Market Law No. 95 of 1992 are applied to securitization treatments within the financial statements.

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.1 CHANGES IN ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the ended 31 December 2021.

**2.2 BASIS OF CONSOLIDATION**

The interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at and for the period ended 30 September 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

The Group re-assess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

**Transactions with Non-controlling interest**

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

**Business combination**

Accounting for business combination under EAS 29 only applies if it is considered that a business has been acquired. For acquisitions meeting the definition of a business, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Parent Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of profit or loss.



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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.2 BASIS OF CONSOLIDATION (CONTINUING)**

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

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

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

The Consolidated financial statements include the subsidiaries which are controlled by Talaat Mostafa Group Company "TMG Holding". The following are the subsidiaries that are included in the Consolidated financial statements:

<b>Subsidiary Name</b>	<b>Contribution</b>
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 to the following companies:

El Rehab for Management (S.A.E)	98%
Engineering for developed systems of a building (S.A.E)	83.36%
El Rehab for Securitization (S.A.E)	100%
Arab Egyptian company for entertainment projects (S.A.E)	50%
Madinaty for electromechanically power (S.A.E)	85%
Madinaty for project management (S.A.E)	91%
Swiss Green Company- Switzerland	70%
Alexandria for coordinating and garden maintenance	93.95%
Atrium for contracting	100%
Arab Company for Urban Investment Company	99.97%
Arab International Investment Company	100%
Atrium for Development system company	99%
Oraion company for infra- structure and services management	90%

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.2 BASIS OF CONSOLIDATION (CONTINUING)**

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

	Contribution
El Rabwa for entertainment services (S.A.E)	95.5%
Arab Company for Tourism and Hotels Investments (S.A.E) and its subsidiaries as follows:	83.30%
Nova park - Cairo (S.A.E)	99.99%
Alexandria Saudi for tourism projects (S.A.E)	99.88%
San Stefano for tourism investment (S.A.E)	94.33%
El Nile for hotels (S.A.E)	100%
Luxor for urban and tourism development (S.A.E)	100%

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

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

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

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Foreign currencies**

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

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

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

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

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

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

**Fixed assets**

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

On April 27, 2022, the Prime Minister's decision was issued to amend some of the Egyptian Accounting Standards by adding Appendix (B) accompanying the Egyptian Accounting Standard No. (13) regarding the effects of changes in foreign exchange rates contained in the Egyptian Accounting Standards accompanying the Minister of Investment Decision No. 110 of the year 2015

The appendix aims to develop a special accounting treatment to deal with the effects of the exceptional economic decision to move the exchange rate by placing an additional, temporary option for paragraph No. 28 of the amended Egyptian Accounting Standard No. 13, which requires the recognition of currency differences within the income statement for the period in which this arises. Alternatively, it is allowed for an entity that has outstanding Liabilities in foreign currency at the date of the exchange rate movement linked to fixed assets, properties investments, intangible assets (except for goodwill), and exploration and evaluation assets acquired during the period from the beginning of January 2020 until the date of changing the exchange rate, by recognizing the debit currency differences resulting from the translation of these obligations at the date of moving the exchange rate within the cost of these assets.

**Intangible assets**

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

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

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

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

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Goodwill**

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

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

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

**Fixed assets under construction**

Fixed assets under construction represent the amounts that are paid for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets. Fixed assets under construction are valued at cost net of the impairment loss (if any).

**Investment Properties**

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

**Investments in associates**

Investments in associates are those companies over which the Company has a significant influence and are not subsidiaries or joint ventures, except for when the investment is classified as a non-current asset held for sale according to the Egyptian accounting standards No. 32. Significant influence is assumed when the company owns directly or indirectly through its subsidiaries companies 20% or more of the voting rights in the investee. unless it can be clearly demonstrated that this ownership does not represent significant influence.

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

**Financial instruments**

A financial instrument is any contract that creates a financial asset for one entity and a financial liability or equity instrument for another entity.

- **Financial assets**
- **Initial recognition**

Upon initial recognition, the financial assets are classified according to each of the company's business models for managing the financial assets, and contractual cash flow characteristics of the financial asset. The company initially measures the financial assets at fair value in addition to transaction costs if they are financial assets that are not classified at fair value through profits or losses, except for customer balances, which do not include a significant financing component.



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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**• Subsequent measurement**

For the purposes of subsequent measurement, financial assets are classified into four categories:

- 1- Financial assets at amortized cost (debt instruments)
- 2- Financial assets at fair value through other comprehensive income with reinvesting of accumulated profits and losses (debt instruments)
- 3- Financial assets classified at fair value through other comprehensive income with un-reinvesting of accumulated profits and losses on disposal (equity instruments)
- 4- Financial assets at fair value through profit or loss.

**Business Model Evaluation**

The company's management assesses the objectives of retaining financial assets, which reflects the way the management evaluates the performance of financial investments. The information to be obtained to evaluate the business model includes the following:

- The company's investment policy, is based on achieving returns on investment in the form of interest or selling profits
- The investment period that is commensurate with the administration's need for the necessary liquidate
- Reports needed to evaluate investment performance
- The risks that affect the performance of the business model and how to manage it
- The company's previous experience in dealing with these investments, the duration of their retention, and cash flows.
- How to reward investment directors and whether it is based on the fair value of the investment or the cash flows received

**Financial assets at amortized cost (Debt instruments)**

The company classifies financial assets at amortized cost if each of the following two conditions is met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows.
- The contractual terms of the financial asset need to give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are subsequently measured at amortized cost using the effective interest rate method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognised, modified, or impaired.

The company's financial assets that are measured at amortized cost include accounts and notes receivable, treasury bills and government bonds, other debit balances, and due from related parties.

**Financial assets at fair value through other comprehensive income (Debt instruments)**

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation, and impairment losses or reversals are recognized in the statement of profit or loss and are computed in the same manner as for financial assets measured at amortized cost. The remaining changes in fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial assets at fair value through other comprehensive income (Equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its investment in equity instruments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under EAS 25 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument by instrument basis. Gains and losses from these financial assets are never recycled into profit or loss. Dividends are recognized as income in the statement of profit or loss when the right to payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset.

Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment. The Group has elected to classify irrevocably its non-listed equity investments under this category.

**Financial assets at fair value through Profit or losses**

Financial assets at fair value through profit or loss are included in the statement of financial position at fair value with the recognition of net changes in fair value in profit or loss.

**Expected credit losses**

The company recognizes the expected credit losses for the following financial assets:

- Financial assets that are measured at amortized cost
- Investments in debt instruments that are measured at fair value through comprehensive income.

The company measures the expected credit losses over the lifetime of the financial asset, except for the following financial assets, which are measured as 12-month expected credit losses:

- Debt instruments that have low credit risk at the reporting date.
- Bank balances and debt instruments that its credit risk has not changed since the first recognition.

The company assumes that an increase in the expected credit risk is associated with a delay in debt collection more than 30 days from the maturity date, that the financial asset has failed to pay when the debt is more than 90 days past due, and that it is not expected to pay the financial dues without resorting to liquidation of the guarantee.

The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted approximately to the original effective interest rate.

For clients and contract assets, the company applies the simplified approach in calculating expected credit losses. Therefore, the company does not trace changes in credit risk but instead recognizes a loss provision based on lifetime Expected credit loss at each reporting date. The company has established a provision matrix based on its historical experience of credit loss while adjusting for looking forward factors specific to customers and the economic environment.

The allowance for credit losses for financial assets is presented in the financial statements by deducting it from the balance of the financial asset.

**Disposal**

A financial asset (as applicable, part of a financial asset or part of a group of similar financial assets) is disposal when:

- The contractual rights to the cash flows from the financial asset are redeemed; or
- The company transfers its rights to receive cash flows from the asset or has accepted an obligation to pay the received cash flows in full without material delay to a third party through a pass-through contract; And either (a) the company has transferred substantially all of the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the company transfers its rights to receive cash flows from an asset or enters a pass-through contract, it assesses whether, and to what extent, it has retained the risks and benefits of ownership. When it neither transfers nor retains substantially all the risks and rewards of the asset, or transfers control of the asset, the Company continues to recognize

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

the transferred asset to the extent of its continuing involvement. In this case, the company also recognizes a corresponding liability. The transferred asset and the corresponding liabilities are measured on a basis that reflects the rights and obligations that the company has retained

**Financial obligations**

**Initial recognition and measurement**

On initial recognition, the financial liabilities are designated at fair value through profit or loss or loans and facilities or suppliers and notes payables or other liabilities.

All financial liabilities are initially recognized at fair value and in the case of loans and facilities and credit balances direct transaction costs are deducted.

The Company's financial obligations include suppliers, notes payables, other credit balance, loans, and credit facilities including bank overdraft and other liabilities.

**Subsequent - measurement**

The measurement of financial liabilities depends on their classification as shown below:

**Financial obligations at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities classified upon initial recognition at fair value through profit or loss.

**Financial obligations at amortized cost (loans)**

The most relevant category to the company. After initial recognition, loans and advances are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognised and through the effective interest rate amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is recognized as a finance cost in the statement of profit or loss. This category generally applies to loans and facilities.

**Disposal**

A financial liability is a disposal when the obligation under the obligation is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the related carrying amounts is recognized in the statement of profit or loss.

**Notes receivable for undelivered units and Liabilities due to received checks – Account Receivables**

The company recognizes notes receivable for non-delivered units within its financial assets at the total undiscounted value of those checks, and in return, it recognizes a liability for checks received from customers with the same undiscounted value within its financial obligations.

When checks are collected before real estate is delivered, the collected amounts are recognized by reducing the balance of checks receivable for undelivered units against the cash collected and transferring part of the corresponding commitment to the checks in the account of obligations for checks with the same value of the collected amounts to the account of advances from customers.

When real estate revenue is established, the receipts related to the proven revenues are recognized by reducing the balance of checks receivables for undelivered units with the value of the receivables related to the proven units, closing part of the commitment corresponding to the checks in the account of liabilities for checks of the same value.

**Securitization**

The company excludes notes receivable that are sold during securitization operations from the accounting books and recognize the difference between the present value and the cash value received through securitization operations within the financing expenses in the statement of profit and loss.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 net realizable value is estimated at the selling price in normal conditions, minus the expected cost of selling expenses for that inventory.

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 Statement Of Profit or Loss.

**Accounts receivable and other debit balances**

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

**Trade payables and accrued expenses**

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

**Related party transactions**

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

**Social Insurance**

The Company makes contributions to the General Authority for Social Insurance under the provisions of social insurance law 79 of the year 1975. The Company's obligations are limited to these contributions, which are expensed when due on 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 financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**Legal reserve**

Referring to Law 159 of the year 1981 and 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 not illegible for distribution.

**Revenue recognition**

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

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

**Step 2:** Identify the performance obligations in the contract.

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



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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Step 3:** Determine the transaction price.

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

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

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

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

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

- a) the entity's performance does not create an asset with an alternative use and the entity has an enforceable right to payment for performance completed to date
- b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- c) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

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

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

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

**Satisfaction of performance obligations**

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

**Determining the transaction prices**

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

**Transfer of control in contract with customers**

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

**significant financing component**

The company must adjust an amount against the promised contract against the time value of money if the contract includes a significant financing component.

**Revenue recognition**

**Real estate sales - sale of completed units**

Revenue from the sale of contracted residential, professional, commercial and administrative units is recognized when control is transferred to customers, whether these units have been fully or partially implemented at a value that reflects the expected value of the company against those units. control for clients.

**Revenue of sale of land**

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

**Investment dividends**

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Finance income**

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

**Customers' charges**

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

**Recording the real estate costs**

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 include:

**Direct and indirect costs**

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

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

**Leases:**

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

**The Company as a lessee:**

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

**Lease liabilities**

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

**Right-of-use assets**

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

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

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

The Company elected not to apply the standard for leases of 'low-value' assets or short-term period contracts.

**The Company as a lessor:**

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

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

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

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### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

#### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

#### **Impairment of assets**

##### **Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

#### **Treasury shares**

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

#### **Accounting estimates**

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

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

#### **Income tax**

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

#### **Current income tax**

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred income tax**

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

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

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

**Borrowing**

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

**Borrowing cost**

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

**Expenses**

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

**Cash and cash equivalent**

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

**Dividends**

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

**Fair value measurement**

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

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

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

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

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

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

**3 - Segment information**

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

4 FIXED ASSETS - NET

	Lands LE	Buildings & Constructions LE	Motor Vehicles LE	Tools & Equipment LE	Furniture & Fixtures LE	Computers LE	Total LE
<b>Cost</b>							
As of 1 January 2022,	1,029,043,012	4,333,390,305	379,617,712	717,570,895	881,945,537	140,151,084	7,481,718,545
Additions	-	5,406,175	11,369,753	48,294,984	38,504,944	14,816,278	118,392,134
Transfer to development properties	-	(266,515)	-	-	-	-	(266,515)
Foreign currency exchange*	-	25,441,085	-	-	-	-	25,441,085
Disposals	-	-	(4,090,040)	(1,280,052)	(1,512,582)	(2,683,091)	(9,565,765)
<b>As of 30 September 2022,</b>	<b>1,029,043,012</b>	<b>4,363,971,050</b>	<b>386,897,425</b>	<b>764,585,827</b>	<b>918,937,899</b>	<b>152,284,271</b>	<b>7,615,719,484</b>
<b>Accumulated depreciation</b>							
As of 1 January 2022,	-	(773,018,181)	(254,509,782)	(434,933,967)	(517,414,656)	(89,774,013)	(2,069,650,599)
Depreciation for the period	-	(68,080,392)	(37,514,846)	(54,179,222)	(48,663,578)	(20,279,749)	(228,717,787)
Accumulated depreciation of transferred assets	-	127,644	-	-	-	-	127,644
Accumulated depreciation of disposals	-	-	3,983,136	634,210	1,332,790	1,971,622	7,921,758
<b>As of 30 September 2022,</b>	<b>-</b>	<b>(840,970,929)</b>	<b>(288,041,492)</b>	<b>(488,478,979)</b>	<b>(564,745,444)</b>	<b>(108,082,140)</b>	<b>(2,290,318,984)</b>
<b>Net book value as 30 September 2022</b>	<b>1,029,043,012</b>	<b>3,523,000,121</b>	<b>98,855,933</b>	<b>276,106,848</b>	<b>354,192,455</b>	<b>44,202,131</b>	<b>5,325,400,500</b>
<b>Net book value as of 31 December 2021</b>	<b>1,029,043,012</b>	<b>3,560,372,124</b>	<b>125,107,930</b>	<b>282,636,928</b>	<b>364,530,881</b>	<b>50,377,071</b>	<b>5,412,067,946</b>

**Mortgaged assets:**

- First degree mortgage on the land and the building of Four-Season Hotel Sharm El Sheik in shark bay – Sharm El Sheik owned by Alexandria Saudi Company for Tourism Investment.
- First degree mortgage on the land and the building of Four-Season Hotel Nile Plaza, Cairo owned by Nova Park Company, excluding the total sold or available for sale units and its share in the land.
- First degree mortgage on the land of the Nile Hotel owned by Nile Hotels Company, located at 12 Ahmed Ragheb Street - Garden City - Nile Palace - Cairo and the land of the garage and the Club Kempinski attached to the hotel and located at 4 Ahmed Ragheb Street - Garden City - Nile Palace - Cairo and on the hotel buildings, club and garage attached to it.

	LE	LE
Proceed from sale of fixed assets		3,215,432
Cost of disposed fixed assets	(9,565,765)	
Accumulated depreciation of disposed assets	7,921,758	
Net book value of fixed assets disposed		(1,644,007)
Fixed Assets Disposal Gain		<u>1,571,425</u>

\* Foreign currency differences represent the change from existing obligations in foreign currency on the date of changing the exchange rate linked to fixed assets during the period from the beginning of January 2020 until the date of changing the exchange rate.

\* Debit currency differences resulting from translating these obligations at the date of moving the exchange rate were recognized in the cost of these assets, in accordance with the decision of the Prime Minister to amend some of the Egyptian Accounting Standards by adding Appendix (B) accompanying the Egyptian Accounting Standard No. (13).

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

4-FIXED ASSETS - NET (CONTINUED)

	<b>Lands</b>	<b>Buildings &amp; Constructions</b>	<b>Motor Vehicles</b>	<b>Tools &amp; Equipment</b>	<b>Furniture &amp; Fixtures</b>	<b>Computers</b>	<b>Total</b>
	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>
<b>Cost</b>							
As of 1 January 2021,	1,050,255,346	4,670,860,208	354,736,067	657,715,893	782,275,969	107,679,965	7,623,523,448
Additions	978,659	16,720,292	36,443,570	60,067,050	59,980,442	32,730,398	206,920,411
Transfer from / (to) assets under construction	-	(49,998,468)	-	4,051,201	49,859,913	-	3,912,646
Transfer to development properties	(22,190,993)	(304,191,309)	-	-	-	-	(326,382,302)
Disposals	-	(418)	(11,561,925)	(4,263,249)	(10,170,787)	(259,279)	(26,255,658)
<b>As of 31 December 2021,</b>	<b>1,029,043,012</b>	<b>4,333,390,305</b>	<b>379,617,712</b>	<b>717,570,895</b>	<b>881,945,537</b>	<b>140,151,084</b>	<b>7,481,718,545</b>
<b>Accumulated depreciation</b>							
As of 1 January 2021,	-	(704,612,922)	(217,369,080)	(375,795,013)	(467,718,778)	(67,977,115)	(1,833,472,908)
Depreciation for the year	-	(108,897,373)	(47,290,840)	(62,918,726)	(59,170,580)	(22,049,121)	(300,326,640)
Accumulated depreciation of transferred assets	-	40,492,055	-	-	-	-	40,492,055
Accumulated depreciation of disposals	-	59	10,150,138	3,779,772	9,474,702	252,223	23,656,894
<b>As of 31 December 2021,</b>	<b>-</b>	<b>(773,018,181)</b>	<b>(254,509,782)</b>	<b>(434,933,967)</b>	<b>(517,414,656)</b>	<b>(89,774,013)</b>	<b>(2,069,650,599)</b>
<b>Net book value as 31 December 2021</b>	<b>1,029,043,012</b>	<b>3,560,372,124</b>	<b>125,107,930</b>	<b>282,636,928</b>	<b>364,530,881</b>	<b>50,377,071</b>	<b>5,412,067,946</b>

**Mortgaged assets:**

- First degree mortgage on the land and the building of Four-Season Hotel Sharm El Sheik in shark bay – Sharm El Sheik owned by Alexandria Saudi Company for Tourism Investment.
- First degree mortgage on the land and the building of Four-Season Hotel Nile Plaza, Cairo owned by Nova Park Company, excluding the total sold or available for sale units and its share in the land.
- First degree mortgage on the land of the Nile Hotel owned by Nile Hotels Company, located at 12 Ahmed Ragheb Street - Garden City - Nile Palace - Cairo and the land of the garage and the Club Kempinski attached to the hotel and located at 4 Ahmed Ragheb Street - Garden City - Nile Palace - Cairo and on the hotel buildings, club and garage attached to it.

	<b>LE</b>	<b>LE</b>
Proceed from sale of fixed assets		7,426,325
Cost of disposed fixed assets	(26,255,658)	
Accumulated depreciation of disposed assets	23,656,894	
Net book value of fixed assets disposed		(2,598,764)
Fixed Assets Disposal Gain		4,827,561

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

5 – INVESTMENT PROPERTIES

	<b>Land</b>	<b>Buildings &amp; Constructions</b>	<b>Total</b>
<b>Cost</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>
As of 1 January 2022,	43,771,277	435,866,431	479,637,708
Transfer to development properties	<u>(800,436)</u>	<u>(8,893,133)</u>	<u>(9,693,569)</u>
As of 30 September 2022,	42,970,841	426,973,298	469,944,139
<b>Accumulated depreciation</b>			
On 1 January 2022	-	(59,923,323)	(59,923,323)
Depreciation charge	-	(18,079,187)	(18,079,187)
Accumulated depreciation of transferred assets	<u>-</u>	<u>1,434,234</u>	<u>1,434,234</u>
As of 30 September 2022,	<u>-</u>	<u>(76,568,276)</u>	<u>(76,568,276)</u>
<b>Net book value as of 30 September 2022</b>	<b><u>42,970,841</u></b>	<b><u>350,405,022</u></b>	<b><u>393,375,863</u></b>
Net book value as of 31 December 2021	<u>43,771,277</u>	<u>375,943,108</u>	<u>419,714,385</u>

The fair value of the real estate investment on 31 December 2021 amounted to 1,237,141,000 Egyptian pounds using the comparative sales method, according to a report submitted by an independent appraisal expert, "New Mega Company", which issued his report dated February 10, 2022, and company believes that there is no significant change in the fair value as of 30 September 2022.

	<b>Land</b>	<b>Buildings &amp; Constructions</b>	<b>Total</b>
<b>Cost</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>
As of 1 January 2021,	43,771,277	374,914,431	418,685,708
Additions	<u>-</u>	<u>60,952,000</u>	<u>60,952,000</u>
As of 31 December 2021,	43,771,277	435,866,431	479,637,708
<b>Accumulated depreciation</b>			
On 1 January 2021	-	(44,779,284)	(44,779,284)
Depreciation charge	<u>-</u>	<u>(15,144,039)</u>	<u>(15,144,039)</u>
As of 31 December 2021,	<u>-</u>	<u>(59,923,323)</u>	<u>(59,923,323)</u>
<b>Net book value as of 31 December 2021</b>	<b><u>43,771,277</u></b>	<b><u>375,943,108</u></b>	<b><u>419,714,385</u></b>
Net book value as of 31 December 2020	<u>43,771,277</u>	<u>330,135,147</u>	<u>373,906,424</u>

6-FACTORING ADVANCES AND LIABILITIES AGAINST FIXING FACTORING ADVANCES

On 6 June, 2021, The Arab Urban Investment Company, one of the subsidiaries, entered into a contractual agreement with Banque Misr, National Bank of Egypt and Banque du Caire. The company requested the banks to fix the rate of return in order to obtain the present value of the commercial papers withdrawn to the buyers of the sold project units by factoring the commercial papers of its project clients.

6-1 Advance payments under discounting – Assets

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>LE</b>	<b>LE</b>
Advance payments to banks under factoring	<b>687,026,859</b>	763,363,179
Amortization advance payments for the period	<b>(114,504,475)</b>	(76,336,320)
<b>Factoring advances</b>	<b><u>572,522,384</u></b>	<u>687,026,859</u>

6-2 Liabilities against factoring advances

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>LE</b>	<b>LE</b>
Liabilities against factoring advances	<b>845,875,013</b>	994,810,290
Discounted present value	<b>(186,614,946)</b>	(231,447,111)
Accrued interest during the period	<b>57,440,815</b>	44,832,165
Payment during the period	<b>(203,154,415)</b>	(148,935,277)
<b>Liabilities against factoring advances</b>	<b><u>513,546,467</u></b>	<u>659,260,067</u>



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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**7 – INTANGIBLE ASSETS**

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	LE
Computers and Software	<b>26,787,097</b>	23,837,536
Additions of the period / year	<b>1,348,343</b>	2,949,561
Accumulated amortization at the beginning of the year	<b>(23,191,980)</b>	(21,404,073)
Amortization charge period / year	<b>(1,474,134)</b>	(1,787,907)
Balance at the end of the period / year	<b><u>3,469,326</u></b>	<u>3,595,117</u>

**8 – FIXED ASSETS UNDER CONSTRUCTIONS**

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	LE
Sharm El Sheik Extension Project	<b>7,708,223,025</b>	6,389,626,893
Porto Venice Project	<b>504,951,483</b>	408,353,423
Hotel Assets	<b>1,161,982,017</b>	985,188,314
Villa – (Sednawy)	<b>73,606,541</b>	73,606,541
Luxor Project	<b>130,745,513</b>	90,187,999
Administrative Space at Four season Nile Plaza	<b>428,069,218</b>	425,917,377
Administrative Offices	<b>335,751,898</b>	230,328,227
	<b><u>10,343,329,695</u></b>	<u>8,603,208,774</u>

**9- GOODWILL**

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	LE
Arab Company for Projects and Urban Development	<b>10,022,924,484</b>	10,022,924,484
Alexandria Company for Real Estate Investment	<b>2,043,149,242</b>	2,043,149,242
	<b><u>12,066,073,726</u></b>	<u>12,066,073,726</u>

Goodwill is tested annually to determine whether there is a decrease in its book value.

**10- INVESTMENTS IN ASSOCIATES**

	Percentage	<b>30 September 2022</b>	31 December 2021
		<b>LE</b>	LE
Hill / TMG for Projects and Construction Management*	49%	<b>2,679,273</b>	2,679,273
Cairo Medical City Co.	10%	<b>7,500</b>	7,500
Bedaya Home Finance	33,3%	<b>59,999,900</b>	59,999,900
Atrium for Real estate investment	25%	<b>6,250,000</b>	6,250,000
		<b><u>68,936,673</u></b>	<u>68,936,673</u>

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**11- FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	LE
Investments in stocks (note 37)	<u>530,128,517</u>	<u>500,214,812</u>
	<u><b>530,128,517</b></u>	<u><b>500,214,812</b></u>

\* Although the company owns 45% of TCA Real Estate amounting to EGP 241,728,750, the management considers classifying this investment within investments in fair value through other comprehensive income due to the lack of any effective influence of the company on TCA Real Estate in addition to the absence of any representation of the group within the board of directors' company.

**12- TIME DEPOSITS AND FINANCIAL ASSETS WITH AMORTIZED COST**

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	LE
Short term Investments of treasury bills and governmental bonds	<u>1,683,279,407</u>	<u>2,242,884,268</u>
Time deposits and long term Investments	<u>4,335,284,503</u>	<u>4,334,497,958</u>
	<u><b>6,018,563,910</b></u>	<u><b>6,577,382,226</b></u>

**Current Investment**

This item amounted to LE 1,683,279,407 as of 30 September 2022 and consists of treasury bills with a maturity date maximum of 30 September 2023.

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	LE
Treasury bills and governmental bonds	<u>1,683,279,407</u>	<u>2,242,884,268</u>
	<u><b>1,683,279,407</b></u>	<u><b>2,242,884,268</b></u>

**Non-Current Investment**

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	LE
Governmental Bonds	<u>2,470,284,503</u>	<u>2,469,497,958</u>
Long-Term-Time Deposits	<u>1,865,000,000</u>	<u>1,865,000,000</u>
	<u><b>4,335,284,503</b></u>	<u><b>4,334,497,958</b></u>

**Governmental Bonds**

This item amounted to LE 2,474,249,000 as of 30 September 2022 as follows:

Maturity	Yield	Nominal Value	No.
2023	17%	125,800,000	90006
2024	15%	238,700,000	238700
2025	14%-15%	341,749,000	341749
2026	17%	544,500,000	544500
2027	16%	507,500,000	507500
2028	16%	325,000,000	325000
2029	14%	351,000,000	351000
2030	14%	40,000,000	40000
		<u><b>2,474,249,000</b></u>	<u><b>2438455</b></u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**12- TIME DEPOSITS AND FINANCIAL ASSETS WITH AMORTIZED COST (CONTINUED)**

	<b>30 September 2022</b>	31 December 2021
	LE	LE
Face value	<b>2,474,249,000</b>	2,474,249,000
Bonds discount	<b>(3,964,497)</b>	(4,751,042)
<b>Bonds balance</b>	<b><u>2,470,284,503</u></b>	<u>2,469,497,958</u>

**TIME DEPOSITS**

	<b>30 September 2022</b>	31 December 2021
	LE	LE
20 June 2032	<b>373,000,000</b>	373,000,000
20 June 2033	<b>373,000,000</b>	373,000,000
20 June 2034	<b>373,000,000</b>	373,000,000
20 June 2035	<b>373,000,000</b>	373,000,000
20 June 2036	<b>373,000,000</b>	373,000,000
<b>Total</b>	<b><u>1,865,000,000</u></b>	<u>1,865,000,000</u>

**13- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>30 September 2022</b>	31 December 2021
	LE	LE
Investments in funds	<b>21,844,954</b>	19,218,340
Investments in stocks	<b>3,918</b>	4,138
Investments in investment certificates	<b>99,197,518</b>	92,355,183
	<b><u>121,046,390</u></b>	<u>111,577,661</u>

**14- ACCOUNTS AND NOTES RECEIVABLE**

	<b>30 September 2022</b>	31 December 2021
	LE	LE
Accounts Receivables	<b>1,105,618,481</b>	697,857,217
Notes Receivables	<b>2,822,683,623</b>	3,644,937,659
	<b>3,928,302,104</b>	4,342,794,876
Deduct the present value	<b>(317,693,016)</b>	(300,815,978)
Expected credit loss of Notes Receivables	<b>(971,594)</b>	(948,269)
Expected credit loss of Account Receivables	<b>(18,362,186)</b>	(11,788,104)
	<b><u>3,591,275,308</u></b>	<u>4,029,242,525</u>

Notes receivables' s maturity dates analysis as follows :

	Total	One Year	More than one year	More than Two year	More than Three year	More than Four year	More than Five year
	LE	LE	LE	LE	LE	LE	LE
<b>2022</b>	<b><u>2,822,683,622</u></b>	<u>573,621,332</u>	<u>529,139,546</u>	<u>455,059,757</u>	<u>529,761,005</u>	<u>303,493,289</u>	<u>431,608,693</u>
2021	<u>3,644,937,659</u>	<u>1,594,067,039</u>	<u>818,602,708</u>	<u>531,304,309</u>	<u>338,762,605</u>	<u>125,455,605</u>	<u>236,745,393</u>

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**15/1- NOTES RECEIVABLES FOR NON-DELIVERED UNITES**

Notes receivables` s maturity dates for non-delivered units analysis as follows :

	Total	One Year	More than one year	More than Two year	More than Three year	More than Four year	More than Five year
	LE	LE	LE	LE	LE	LE	LE
2022	<u>26,472,536,984</u>	<u>3,040,582,471</u>	<u>2,284,057,583</u>	<u>2,378,329,230</u>	<u>3,098,829,208</u>	<u>2,370,957,941</u>	<u>13,299,780,551</u>
2021	<u>31,190,331,707</u>	<u>4,636,961,396</u>	<u>4,076,513,711</u>	<u>3,303,207,802</u>	<u>3,455,458,949</u>	<u>3,643,615,224</u>	<u>12,074,574,625</u>

**15/2- LIABILITIES AGAINST CHECKS RECEIVED FROM CUSTOMERS FOR NON-DELIVERED UNITES**

**LIABILITIES FOR POSTPONED CHECKS**

	30 September 2022	31 December 2021
	LE	LE
Advance payments to customers (Al Rahab Project)	360,858,965	636,924,888
Advance payments to customers (Madinaty Project)	10,750,505,723	11,634,370,109
Advance payments to customers (Celia Project)	1,935,113,246	8,916,431,117
Advance payments to customers (Nour Project)	13,426,059,050	10,002,605,593
	<u>26,472,536,984</u>	<u>31,190,331,707</u>

**16- DEVELOPMENT OF PROPERTIES**

	30 September 2022	31 December 2021
	LE	LE
Beginning balance for the period/year	58,839,947,633	46,202,851,945
Additions and transfers from fixed assets during the period/year	17,386,231,429	19,044,047,087
Capitalized borrowing costs during the period/year	3,390,052,269	1,775,784,258
Realized costs of delivered units charged on the statement of profit or loss	(7,487,898,863)	(8,098,579,606)
Realized costs of recurring activities return charged on the statement of profit or loss	(40,491,851)	(84,156,051)
<b>Ending balance for the period/ year</b>	<u>72,087,840,617</u>	<u>58,839,947,633</u>

It includes the following components:

- Land.
  - Amounts paid to contractors, including infrastructure costs.
  - Capitalized borrowing costs, designs, planning, site preparation, professional legal fees indirect and other costs.
- Infra-structure costs are allocated on the projects and represent the portion of the project`s estimated cost to complete, to determine the cost of the recorded revenue.

**17- INVENTORY**

	30 September 2022	31 December 2021
	LE	LE
Inventory of units	1,172,435,297	1,092,924,897
Hotels` operating Equipment and Supplies	2,833,243	3,027,851
	<u>1,175,268,540</u>	<u>1,095,952,748</u>

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**18 – PREPAID EXPENSES AND OTHER DEBIT BALANCES**

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	<b>LE</b>
Advance Payments - Contractors and Accounts Payable	<b>2,465,992,168</b>	2,674,847,511
Contractors' "Storage"	<b>873,185,731</b>	883,232,553
Hotels - Current Accounts	<b>478,189,924</b>	461,741,076
Withholding taxes	<b>320,344,746</b>	202,071,721
Deposit with Others	<b>273,841,065</b>	332,222,562
Letter of credit	<b>78,138,982</b>	44,631,431
Other Debtors	<b>810,801,435</b>	708,520,693
Prepaid expenses	<b>320,364,085</b>	286,577,368
Amounts paid against "Investments of Companies Under Incorporation"	<b>2,763,163</b>	4,851,459
	<b>5,623,621,299</b>	5,598,696,374
Accrued revenue	<b>246,192,688</b>	180,311,768
Expected credit loss for the Debit balances	<b>(8,640,752)</b>	(5,928,487)
	<b>5,861,173,235</b>	5,773,079,655

**19 - CASH ON HAND AND AT BANKS**

	Local Currency	Foreign Currency	<b>30 September 2022</b>	31 December 2021
	LE	LE	LE	LE
Time deposits	<b>56,739,767</b>	<b>2,305,704,656</b>	<b>2,362,444,423</b>	1,724,846,275
Banks - current accounts	<b>2,394,901,422</b>	<b>188,655,150</b>	<b>2,583,556,572</b>	1,508,574,968
Cash on Hand	<b>232,450,731</b>	<b>6,873,523</b>	<b>239,324,254</b>	60,624,837
<b>Cash on hand and at banks</b>	<b>2,684,091,920</b>	<b>2,501,233,329</b>	<b>5,185,325,249</b>	3,294,046,080
Expected credit loss for Time Deposits	<b>(6,964)</b>	<b>(283,008)</b>	<b>(289,972)</b>	(581,682)
<b>Cash on hand and at banks - Net</b>	<b>2,684,084,956</b>	<b>2,500,950,321</b>	<b>5,185,035,277</b>	3,293,464,398

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

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	<b>LE</b>
Cash on hand and at banks	<b>5,185,325,249</b>	3,294,046,080
Banks overdraft	<b>(43,756,269)</b>	(5,972,470)
<b>Cash and cash equivalents</b>	<b>5,141,568,980</b>	3,288,073,610

**20- CREDITORS AND NOTES PAYABLE**

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	<b>LE</b>
Contractors and suppliers	<b>4,029,926,595</b>	2,752,580,809
Notes Payables – during the period/year	<b>7,419,573,533</b>	5,975,640,967
	<b>11,449,500,128</b>	8,728,221,776
Present value discount	<b>(1,185,749,930)</b>	(952,828,237)
	<b>10,263,750,198</b>	7,775,393,539

**21- CUSTOMERS ADVANCE PAYMENT**

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	<b>LE</b>
Customers advance payment (Al Rehab Project)	<b>2,900,802,470</b>	1,422,823,094
Customers advance payment (Madinaty Project)	<b>19,027,023,086</b>	12,592,053,648
Customers advance payment (Celia Project)	<b>8,878,755,199</b>	3,745,057,320
Customers advance payment (Nour Project)	<b>2,108,573,155</b>	1,208,937,526
Customers advance payment others	<b>36,457,255</b>	1,048,668,274
	<b>32,951,611,165</b>	20,017,539,862

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**22- DIVIDEND PAYABLE**

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	LE
Dividends payable to shareholders and employees	<b>75,165,459</b>	101,517,145
Board of directors' allowance	<b>1,177,837</b>	1,149,337
	<b><u>76,343,296</u></b>	<u>102,666,482</u>

**23- ACCRUED EXPENSES AND OTHER CREDIT BALANCES**

	<b>30 September 2022</b>	31 December 2021
	<b>LE</b>	LE
Maintenance deposits and units guarantees	<b>9,400,768,698</b>	8,579,404,381
Retention guarantees	<b>3,150,964,017</b>	2,129,601,155
Customers - credit balances	<b>230,511,265</b>	257,738,822
Accrued expenses and creditors	<b>417,723,159</b>	382,457,468
Clubs' subscription (Deferred revenue)	<b>453,793,833</b>	180,847,605
	<b><u>13,653,760,972</u></b>	<u>11,530,049,431</u>

**24 – CAPITAL**

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

According to the Extraordinary General Assembly Meeting dated on 6 October 2007, the Company's authorized capital was increased by LE 29,950,000,000 to become LE 30,000,000,000 and the issued and paid-up capital was increased to become LE 18,152,035,500 divided over 1,815,203,550 shares of LE 10-par value each, through shares swap with the subsidiaries. It was recorded in the commercial register on 28 October 2007.

According to the Extraordinary General Assembly Meeting dated on 28 October 2007, the company's issued and paid-up capital was increased through a public and private placement to become LE 20,302,035,500 divided over 2,030,203,550 shares.

The increased amount of LE 2,150,000,000 was paid with a premium share amounted to LE 1,6 per share by total premium amount of LE 344,000,000, recorded in the commercial register on November 25, 2007.

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

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

**25 – LEGAL RESERVE**

Legal reserve amounted to 364,990,669 as of 30 September 2022 represents the transferred amount of the shares Premium amounted to LE 344,000,000, and with LE 1,6-share premium per share, part of the premium amounted to LE 185,880,702 was used to cover the IPO expenses, the remaining balance of LE 158,119,298 was transferred to the legal reserve, as well 5% of the net profit of the retained earnings of the prior years was also transferred to the legal reserve.

**26- GENERAL RESERVES**

The general reserve balance amounted LE 61,735,404 as of 30 September 2022 represents the amount of LE 25,747,613 of the different results from shares swap of the company shares with its subsidiaries amounted in accordance with the Extra Ordinary General Assembly Meeting dated 6 October 2007 to transfer the difference to general reserve.

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

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27- LOANS AND FACILITIES

	Short Term LE	Long Term LE	30 September 2022 LE	31 December 2021 LE
Banks facilities	1,177,116,500	-	1,177,116,500	1,522,717,934
Loans	763,668,979	5,058,369,934	5,822,038,913	5,887,153,338
	<u>1,940,785,479</u>	<u>5,058,369,934</u>	<u>6,999,155,413</u>	<u>7,409,871,272</u>

The loans and bank facilities are:

	Bank facilities LE	Loans LE	Amount in original currency
Qatar National Bank Alahli	105,249,577	-	
National Bank of Egypt	627,028,695	1,160,000,000	
Banque Misr	9,469,093	-	
Emirates National Bank of Dubai	193,948,248	-	
Faisal Islamic Bank – Giza	28,810,289	-	
Arab Investment Bank	184,788	243,535,373	
Ahly United Bank	-	219,201,321	€ 11,464,504
Ahly United Bank	-	4,022,712,759	\$ 205,555,072
Export Development Bank	42,021,572	-	
Abu Dhabi Islamic Bank	428,235	-	
Abu Dhabi Commercial Bank	-	170,133,606	
Other Banks	169,976,003	6,455,854	
	<u>1,177,116,500</u>	<u>5,822,038,913</u>	

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

- First degree mortgage property on the land of the Nile Hotel owned by Nile Hotels Company, located at 12 Ahmed Ragheb Street - Garden City - Nile Palace - Cairo and the land of the garage and the Club Kempinski attached to the hotel and located at 4 Ahmed Ragheb Street - Garden City - Nile Palace - Cairo and on the hotel buildings, club and garage attached to it.
- First degree mortgage on the land and the building of Four-Season Hotel Sharm El Sheik in shark bay – Sharm El Sheik owned by Alexandria Saudi Company for Tourism Investment.
- First degree mortgage on the land and the building of Four-Season Hotel Nile Plaza, Cairo owned by Nova Park Co, excluding the total sold or available for sale units and its share in the land.

28- OTHER LONG-TERM LIABILITIES

	30 September 2022 LE	31 December 2021 LE
Notes Payable – more than one year	13,024,289,524	16,338,959,609
New Urban Communities Authority	7,250,401,707	7,250,401,707
Present value discount	(1,567,432,650)	(2,118,321,311)
	<u>18,707,258,581</u>	<u>21,471,040,005</u>

29- SUKUK AL-IJARAH

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

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**30- PROVISION FOR EXPECTED LIABILITIES**

	<b>30 September 2022</b>	31 December 2021
	LE	LE
Opening balance period / year	<b>183,809,310</b>	198,201,179
Additions during period / year	<b>129,054,124</b>	143,210,699
Used during period / year	<b>(18,222,701)</b>	(157,602,568)
Ending balance period / year	<b>294,640,733</b>	183,809,310

**31- INCOME TAX AND DEFERRED TAX LIABILITY**

The income tax was calculated as follows:

	<b>30 September 2022</b>	30 September 2021
	LE	LE
Net Profits for the year before tax	<b>2,794,448,964</b>	2,359,081,021
Adjustments on the profits to reach taxable profits	<b>438,940,694</b>	838,179,024
Net taxable profit	<b>3,233,389,658</b>	3,197,260,045
<b>Income tax at rate 22.5%</b>	<b>727,512,673</b>	719,383,509

Accrued income tax movement during the period / year:

	<b>30 September 2022</b>	31 December 2021
	LE	LE
Balance at the beginning of the period/year	<b>1,135,591,523</b>	996,166,500
Additions during the period/year	<b>727,512,673</b>	937,076,910
Tax paid	<b>(888,026,338)</b>	(797,651,887)
Balance at the end of the period/year	<b>975,077,858</b>	1,135,591,523

**Transactions on the deferred tax liabilities / Assets during the year as follow:**

The balance of deferred tax assets on 30 September 2022 is LE 46,024,638 and the balance of deferred tax liabilities is LE 294,297,487 for fixed assets, which represents the difference between the fixed assets accounting basis and fixed assets tax basis. It is calculated as follows:

**Deferred tax liabilities**

	<b>30 September 2022</b>	31 December 2021
	LE	LE
Balance at the beginning of the period/year	<b>(192,820,440)</b>	(5,084,141)
Impact of adoption of EAS 48	-	(14,619,101)
Income tax related to OCI	-	(15,530,010)
Deferred tax expense during the period/year	<b>(101,477,047)</b>	(157,587,188)
<b>Balance at the end of the period/year</b>	<b>(294,297,487)</b>	(192,820,440)

**Deferred tax assets**

	<b>30 September 2022</b>	31 December 2021
	LE	LE
Deferred tax assets Balance	<b>46,024,638</b>	46,024,638

	<b>30 September 2022</b>	30 September 2021
	LE	LE
Current income tax	<b>727,512,673</b>	719,383,509
Deferred Expenses / (Revenue ) tax	<b>101,477,047</b>	(63,752,501)
	<b>828,989,720</b>	655,631,008



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32- REVENUE AND COST OF REVENUE

	30 September 2022	30 September 2021
	LE	LE
-Revenue from sold units	10,679,773,858	9,103,592,030
- Revenue from hotels' operation	1,482,983,395	824,516,497
- Recurring & services activities revenues	1,752,668,385	1,384,862,494
<b>Total Revenues *</b>	<b>13,915,425,638</b>	<b>11,312,971,021</b>
-Cost of sold units	7,487,898,863	5,953,443,246
- Cost of hotels' operation	851,265,228	632,818,153
- Cost of recurring & services activities	1,234,350,360	993,678,774
<b>Total Cost *</b>	<b>9,573,514,451</b>	<b>7,579,940,173</b>

Hereunder the sectors' analysis:

	Real Estate& other recurring revenues	Tourism	General	30 September 2022	30 September 2021
	LE	LE	LE	LE	LE
Revenue	12,432,442,243	1,482,983,395	-	13,915,425,638	11,312,971,021
Cost of goods sold	(8,722,249,223)	(851,265,228)	-	(9,573,514,451)	(7,579,940,173)
<b>Gross Profit</b>	<b>3,710,193,020</b>	<b>631,718,167</b>	<b>-</b>	<b>4,341,911,187</b>	<b>3,733,030,848</b>
Depreciation & amortization	(157,698,404)	(88,673,839)	(1,898,865)	(248,271,108)	(238,912,444)
Other income & capital gain	308,157,842	-	7,541,845	315,699,687	230,524,181
Income tax	-	-	(828,989,720)	(828,989,720)	(655,631,009)
Profits	1,964,748,043	711,204	-	1,965,459,247	1,703,450,012
Assets	118,331,836,946	12,725,415,417	-	131,057,252,363	112,211,454,237
Financial investments	6,119,167,828	-	619,507,666	6,738,675,494	6,665,984,136
Un-allocated Assets	-	-	12,066,073,726	12,066,073,726	12,504,761,726
<b>Group Total Assets</b>	<b>124,451,004,774</b>	<b>12,725,415,417</b>	<b>12,685,581,392</b>	<b>149,862,001,583</b>	<b>131,382,200,099</b>
Liabilities	108,265,854,429	4,536,341,260	-	112,802,195,689	92,647,754,565
Un-allocated Liabilities	101,981,874	-	341,557,860	443,539,734	3,756,045,279
<b>Group Total Liabilities</b>	<b>108,367,836,303</b>	<b>4,536,341,260</b>	<b>341,557,860</b>	<b>113,245,735,423</b>	<b>96,403,799,844</b>

33- OTHER INCOME

	30 September 2022	30 September 2021
	LE	LE
Finance income	98,930,130	102,081,477
Income from financial assets designated at amortised cost	124,330,426	62,328,608
Other operating revenue, rental units, and usufruct	87,480,862	62,857,724
Dividends	518,115	-
Income from financial assets designated at fair value	2,868,729	194,443
Other revenue	-	253,648
	<b>314,128,262</b>	<b>227,715,900</b>

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**34-TAX SITUATION**

**Talaat Mostafa Group Holding Company**

**a. Corporate tax**

- The tax return was presented on time and inspection has carried out till the year 2012.
- The following years are still under tax inspection.

**b. Salary tax**

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

**c. Stamp tax**

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

**Arab Company for Projects and Urban Development**

**a. Corporate tax**

- The company provides tax approval regularly and on legal dates to the competent authority, which has been examined and paid for the years from the beginning of the activity until 2017.
- Years from 2018-2019 are under tax inspection.

**b. Salary tax**

- The company supplies taxes deducted from wage and salary check workers regularly and the declarations and payments are submitted on official dates.
- Inspection and payment have been carried out till 2016.
- Company's records for the years from 2017 to 2019 are currently being inspected.

**c. Stamp tax**

- Company's records were inspected for the years till 2019 and the taxes due were paid.

**d. VAT**

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

**San Stefano Company for real estate investments**

**a. Corporate tax**

- The company provides tax approval regularly and on legal dates to the competent authority.
- Company's records were inspected for the years from 2009 to 2019.

**b. Salary tax**

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

**c. Stamp tax**

- The inspection and payment of taxes until 2015 have been completed and the taxes due to the company have been paid in full to date.
- Company's records for the years from 2016 to 2019 are currently being inspected.

**Alexandria for Projects Management**

**a. Corporate tax**

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

**b. Salary tax**

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

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As of 30 September 2022

**34-TAX SITUATION (CONTINUED)**

**Alexandria for Projects Management (continued)**

**c. Stamp tax**

- The inspection and payment of taxes until 2012 have been completed.

**d. VAT**

- The company submits tax returns on time and payments are made on time.
- Inspection and payment have been carried out since the issuance of the value-add tax law in 2016.
- Company's records for the years from 2016 to 2019 are currently being inspected.

**Alexandria Company for Real Estate Investments**

**a. Corporate tax**

- The company submits its tax returns regularly and in a timely manner.
- Inspection of the companies until 2013 was carried out and tax claims were settled.
- Inspection of the company's records for the years 2014-2019 has not yet been carried out.

**b. Salary tax**

- Inspection of the company's records since inception until the year 2016 was carried out and tax claims were settled.
- Inspection of the company's records for the years 2017 -2019 has not yet been carried out.

**c. Stamp tax**

- Inspection of the company's records until 2012 was carried out and tax claims were settled.
- Inspection of the company's records for the years 2013 -2019 has not yet been carried out.

**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 Corporate Tax Law no. 91 of 2005, and tax expenses are annually paid based on the company results.
- The company has been examined by the Joint Stock Corporation Tax Authority until 2016 and is in the process of adjusting and paying the tax due.

**b. Salary tax**

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15<sup>th</sup> day of each month in which the tax is incurred as per the 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 the years 2005-2010 and appealed the form within the legal timeline, the appeal was accepted and an inspection of the company's records for the 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 the year 2016 was carried out and the tax claims were settled.

**Alexandria for Urban Projects**

**a. Corporate tax**

- The company submits its tax returns regularly and in a timely manner.
- Inspection of the company's records until 2013 was carried out and tax claims were settled.
- The years from 2014 to 2016 were examined.
- Company's records for the years from 2017 to 2019 are currently being inspected.

**b. Salary tax**

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

**c. VAT**

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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**34-TAX SITUATION (CONTINUED)**

**Al Rabwa for Entertainment Services**

**a. Corporate tax**

- The company submits its tax returns regularly and in a timely manner.
- Inspection of the company's records until 2016 was carried out.
- The company enjoys a tax exemption under the New Urban Communities law.
- Company's records for the years from 2017 to 2019 are currently being inspected.

**b. Salary tax**

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

**c. Stamp tax**

- Company's records were inspected for the years till 2006 and the taxes due were paid.

**d. VAT**

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

**Al Masria for Development and Real Estate Projects**

**a. Corporate tax**

- The company submits its tax returns regularly and in a timely manner.
- The company submits its tax returns before the end of April of each year, as sanctioned by Corporate Tax Law no. 91 of 2005, and tax expenses are due and paid annually based on the company operating results. inspection of the company's records for the years 2010-2014 is done and to be settled with the tax authority.

**b. Salary tax**

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15<sup>th</sup> day of each month in which the tax is incurred as per the 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 the years 2005-2011 and appealed the form within the legal timeline, the appeal was accepted and the inspection of the company's records for the years 2005-2011 is underway and the taxes due were paid.

**c. Stamp tax**

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

**d. VAT**

- The company is not registered under the VAT

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

**b. Salary tax**

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15<sup>th</sup> day of each month in which the tax is incurred as per the 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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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**34-TAX SITUATION (CONTINUED)**

**El Nile for Hotels company (continued)**

**d. VAT**

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

**San Stefano for Tourism Investment**

**a. Corporate tax**

- The company submits its tax returns before the end of April of each year, as sanctioned by Corporate Tax Law no. 91 of 2005, and tax expenses are annually paid based on the company results.
- The company received tax form no. (19) for years 2012-2016 and appealed the form within the legal timeline, the authority accepted the appeal and currently preparing for re-inspection by the related tax authority.

**b. Salary tax**

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per the forms approved by the Tax Authority and submits its annual tax returns accompanied by payroll records and adjustments.
- The company received tax form no. (38) for years till 2014 and appealed the form within legal timeline and currently preparing for re-inspection for the years from 2012 till 2017.

**c. Stamp tax**

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

**d. VAT**

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

**Nova Park Cairo company**

**a. Corporate tax**

- The company submits its tax returns before the end of April of each year, as sanctioned by Corporate Tax Law no. 91 of 2005, and tax expenses are annually paid based on the company results.
- Company's records were inspected for the years from 2011 till 2014 and the taxes due were paid.

**b. Salary tax**

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15<sup>th</sup> day of each month in which the tax is incurred as per the forms approved by the Tax Authority and submits its annual tax returns accompanied by payroll records and adjustments, Inspection of the company's records until 2018 was carried out.

**c. Stamp tax**

- The company settles stamp tax in accordance with law no. 111 of 1980 and its amendments, Inspection of the company's records until 2013 was carried out and settled.
- The Inspection of the company's records for the years 2014 -2018 has not yet been carried out the company has not yet been notified of its results.

**d. VAT**

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**34-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 Corporate Tax Law no. 91 of 2005, and tax expenses are annually paid based on the company results.
- The company received tax form no. (19) for years 2011-2014 and appealed the form within legal timeline and currently preparing for re-inspection by the related tax authority.

**b. Salary tax**

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15<sup>th</sup> day of each month in which the tax is incurred as per the forms approved by the Tax Authority and submits its annual tax returns accompanied by payroll records and adjustments.
- Inspection of the company's records until 2018 was carried.

**c. Stamp tax**

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

**d. VAT**

- The company is subject to Value Added Tax (VAT), formerly sales tax, and submits relevant tax forms monthly, Inspection of the company's records until 2019 and settled to that date.

**Luxor for Urban and Touristic Development Company**

**a. Corporate tax**

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

**b. Salary tax**

- The company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15<sup>th</sup> day of each month in which the tax is incurred as per the 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 the years 2011-2014 and appealed the form within the legal timeline.

**c. Stamp tax**

- The company settles stamp tax in accordance with law no. 111 of 1980 and its and no tax inspection was carried out to date of issuing the financial statements.

**d. VAT**

- The company is not subject to Value Added Tax (VAT).

**Mayfair Company for Entertainment Services**

**a. Corporate tax**

- The company commenced operations in 2005 and no tax inspection was carried out until now. The company enjoys a tax exemption under the New Urban Communities Law The inspection till 2016 was carried out and tax claims were settled.

**b. Salary tax**

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**34-TAX SITUATION (CONTINUED)**

**Mayfair Company for Entertainment Services (continued)**

**c. Stamp tax**

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

**d. VAT**

- The company submits its tax returns and settles claims regularly and the tax inspection was carried out until 2016.

**Port Venice for Tourism Development**

**a. Corporate tax**

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

**b. Salary tax**

- There are no amounts subject to salary tax as the company is inactive, and no tax inspection was carried out yet.

**c. VAT**

- The company is not subject to sales tax.

**d. Stamp tax**

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

**35- RELATED PARTY TRANSACTIONS**

Related parties represent major shareholders, executives, and senior executives, and also represent companies that are controlled or mutually controlled or under material control by these related parties, terms and pricing policies of transactions with related parties are approved by the board of directors.

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

The amount charged by senior executives charged in general and administrative on the income statement amounted to EGP 41 million, other than what was capitalized in the work under implementation. Non-executive board members earn EGP 4.5 million, in addition to the disbursement amounts to companies or offices in which some non-executive members of the board of directors contribute to return for performing some advisory, legal and financial services to the group of companies, which amounted to EGP 5 Million for these services.

Alexandria Company for Construction S.A.E is presented as a related party as there are mutual board members of the two companies.

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**35- RELATED PARTY TRANSACTIONS(CONTINUED)**

	<b>Contractors</b>	<b>Guaranties</b>	<b>Contractors' "Storage"</b>	<b>Advance payments</b>	<b>Due from</b>
	<i>LE</i>	<i>LE</i>	<i>LE</i>	<i>LE</i>	<i>LE</i>
Alexandria for construction company as of 30 September 2022	1,331,379,610	1,285,509,884	348,985,652	806,416,837	98,173,143
	<b>Contractors</b>	<b>Guaranties</b>	<b>Contractors' "Storage"</b>	<b>Advance payments</b>	<b>Due from</b>
	<i>LE</i>	<i>LE</i>	<i>LE</i>	<i>LE</i>	<i>LE</i>
Alexandria for construction company as of 31 December 2021	1,454,158,655	1,316,509,094	481,188,626	1,154,756,795	98,173,143

**36-FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES**

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

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

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

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

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

**a) Credit risk**

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

**Trade and notes receivables**

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

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

**Other financial assets and cash deposits**

With respect to credit risk arising from the other financial assets of the Company, which comprise bank balances and cash, financial assets at amortised cost, the Company's exposure to credit risk arises from the 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 the finance department. The Company limits its exposure to credit risk by depositing balances with local banks of good reputation. Given the profile of its bankers, the Company's management does not expect any counterparty to default to meet its obligations.



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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**36-FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)**

**Due from related parties**

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

**b) Market risk**

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

**Exposure to interest rate risk**

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

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

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

**Exposure to foreign currency risk**

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

**c) Liquidity risk**

The cash flows, funding requirements, and liquidity of the Company are monitored by company management. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Company manages liquidity risk by maintaining adequate reserves and borrowing and 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.

**37-FAIR VALUE OF THE FINANCIAL INSTRUMENTS**

The financial instruments are represented in financial assets and financial liabilities, the financial assets include cash on hand and at banks, account receivable and notes receivable, debtors and other debit balances, financial assets designated at amortized cost, and due from related parties.

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

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

The assumptions used to determine the fair value of assets are presented in the fair value section in Note 2-3: Summary of Significant Accounting Policies.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2022

**37-FAIR VALUE OF THE FINANCIAL INSTRUMENTS (CONTINUED)**

**Financial Instruments:**

The group holds financial assets valued at fair value through other comprehensive income as follows:

	<b>Level 1 EGP</b>	<b>Level 2 EGP</b>	<b>Level 3 EGP</b>	<b>Total EGP</b>
<b>30 September 2022</b>				
Investments in stocks (note 11)	466,305,110	63,241,630	581,777	530,128,517
<b>31 December 2021</b>				
Investments in stocks (note 11)	436,391,405	63,241,630	581,777	500,214,812

The group also holds financial assets valued at fair value through the profit or loss as follows:

	<b>Level 1 EGP</b>	<b>Level 2 EGP</b>	<b>Total EGP</b>
<b>30 September 2022</b>			
Investments in funds (note 13)	16,844,954	5,000,000	21,844,954
Investments in stocks (note 13)	3,918	-	3,918
Investments in certificates (note 13)	-	99,197,518	99,197,518
	16,848,872	104,197,518	121,046,390
<b>31 December 2021</b>			
Investments in funds (note 13)	14,218,340	5,000,000	19,218,340
Investments in stocks (note 13)	4,138	-	4,138
Investments in certificates (note 13)	-	92,355,183	92,355,183
	14,222,478	97,355,183	111,577,661

**38-LEGAL STATUS**

According to the legal consultant's opinion, the lawsuits, filed against and by the group, it is possible that the actions will succeed.

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**39- MAJOR EVENTS**

Some major global events occurred, which included the Arab Republic of Egypt as well, coronavirus spread, and the World Health Organization "WHO" announced that the outbreak of the virus can be characterized as a global pandemic. The government has imposed various measures to combat the spread of the virus, including travel restrictions, quarantines, business closures, and other locations. These governmental measures and their corresponding impact are still evolving and are expected to impact the economic climate which in turn, could expose the company to various risks, including a significant drop in revenues, impairment of assets, and other risks.

The impact of these events was considered in the financial statements of the company as of 30 September 2022 and may affect the financial statements for future financial years. It is difficult to determine the extent of the impact of these events on the Company's activity during the said year. However, the impact will occur in future financial statements. The magnitude of the impact varies according to the expected term, and the time year during which those events are expected to end.

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

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

The Egyptian central bank has decided on 21 March 2022 to increase the borrowing and deposit rate per night by 100 points to be 9.25%,10,25% and 9,75% respectively, and also increased the discount and credit rate by 100 points as well to be 9.75%. The company is currently studying the effect of the decision on the subsequent financial statements.

The Egyptian central bank has decided on 19 May 2022 to increase the borrowing and deposit rate per night by 200 points to be 11.25%,12.25%, and 11.75% respectively, also increased discount and credit rate by 200 points as well to be 11.75%. The company is currently studying the effect of the decision on the subsequent financial statements.

Egyptian pound exchange rate against US dollar and other currencies has decreased in the subsequent period of the date of financial statements , The company is currently studying the effect of the decision on the subsequent financial statements.