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| **ALLIED FOR ACCOUNTING & AUDITING (EY)** | **CHARTERED ACCOUNTANTS (RSM EGYPT)** |

# TALAAT MOSTAFA GROUP HOLDING COMPANY "TMG HOLDING" (S.A.E) AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 TOGETHER WITH AUDITORS' REPORT

**Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E) and its Subsidiaries**
**Consolidated Financial Statements**
**For The Year Ended 31 December 2022**

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Translation of Auditor's report
Originally issued in Arabic

# AUDITORS' REPORT TO THE SHAREHOLDERS OF TALAAT MOSTAFA GROUP HOLDING COMPANY "TMG HOLDING" (S.A.E)

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements **of TALAAT MOSTAFA GROUP HOLDING COMPANY "TMG HOLDING" (S.A.E)** and its subsidiaries (the group), represented in the consolidated financial position as at 31 December 2022, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Management's Responsibility for the Financial Statements

These consolidated financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and applicable Egyptian laws, and the decisions and interpretations issued by Financial Regulatory Authority (FRA). Management responsibility includes designing, implementing and maintaining internal control relevant to preparation and fair presentation of the financial statements that are free of material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial Statements .

**Opinion**

In our opinion, the consolidated financial statements referred to above, give a true and fair view, in all material respects, of the consolidated financial position of **The Group** as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations and the decisions and interpretations issued by Financial Regulatory Authority (FRA).

**Auditors**

| | |
|---|---|
| **Tarek Hashish** | **Sherif El Kilany** |
| **FESAA-FEST** | **FESAA-FEST** |
| **(RAA. 9473)** | **(RAA. 5285)** |
| **(EFSAR. 118)** | **(EFSAR. 83)** |
| **(RSM EGYPT) CHARTERED ACCOUNTANTS** | **ALLIED FOR ACCOUNTING & AUDITING (EY)** |

**Cairo: 16 February 2023**

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

| | Notes | 31 December 2022 LE | 31 December 2021 LE |
|---|---|---|---|
| **Assets** | | | |
| **Non-current Assets** | | | |
| Fixed assets | (4) | 6,359,609,675 | 5,412,067,946 |
| Investment properties | (5) | 2,264,425,638 | 419,714,385 |
| Advances on account of factoring | (1-6) | 534,354,225 | 687,026,859 |
| Intangible assets | (7) | 3,277,186 | 3,595,117 |
| Fixed assets under construction | (8) | 10,517,533,912 | 8,603,208,774 |
| Goodwill | (9) | 11,461,073,726 | 12,066,073,726 |
| Investments in associates | (10) | 96,845,534 | 68,936,673 |
| Investments at fair value through other comprehensive income | (11) | 621,973,121 | 500,214,812 |
| Time deposits and financial investments at amortized cost | (12) | 4,209,758,129 | 4,334,497,958 |
| Deferred tax assets | (31) | 75,750,474 | 46,024,638 |
| **Total non-current assets** | | 36,144,601,620 | 32,141,360,888 |
| **Current assets** | | | |
| Development properties | (16) | 73,745,950,597 | 58,839,947,633 |
| Inventory | (17) | 971,586,075 | 1,095,952,748 |
| Receivables and notes receivable | (14) | 4,696,214,796 | 4,029,242,525 |
| Notes receivable for units not yet delivered | (1/15) | 33,186,047,687 | 31,190,331,707 |
| Time deposits and financial investments at amortized cost | (12) | 1,680,127,230 | 2,242,884,268 |
| Prepaid expenses and other debit balances | (18) | 6,220,759,829 | 5,773,079,655 |
| Financial assets at fair value through profit and loss | (13) | 242,974,595 | 111,577,661 |
| Cash on hand and bank balances | (19) | 5,829,807,839 | 3,293,464,398 |
| **Total current assets** | | 126,573,468,648 | 106,576,480,595 |
| **Total assets** | | 162,718,070,268 | 138,717,841,483 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| 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 | | 111,954,850 | (2,929,359) |
| Valuation differences on financial assets through other comprehensive income | | 19,918,673 | 7,512,483 |
| Retained earnings | | 14,699,206,136 | 12,894,276,521 |
| **Equity attributable to shareholders of the Holding Company** | | 35,893,428,592 | 33,934,102,545 |
| Non-controlling interests | | 1,034,903,175 | 1,109,392,830 |
| **Total equity** | | 36,928,331,767 | 35,043,495,375 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2022

| | Notes | 31 December 2022 LE | 31 December 2021 LE |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Loans | (27) | 5,423,811,519 | 4,307,164,817 |
| Other long-term liabilities | (28) | 14,046,661,991 | 21,471,040,005 |
| Liabilities against advances on account of factoring | (2-6) | 470,585,399 | 659,260,067 |
| Sukuk Al-Ijarah | (29) | 1,400,000,000 | 1,750,000,000 |
| Deferred tax liabilities | (31) | 351,853,244 | 192,820,440 |
| **Total non-current liabilities** | | 21,692,912,153 | 28,380,285,329 |
| **Current liabilities** | | | |
| Bank overdrafts | | 47,244,928 | 5,972,470 |
| Credit facilities | (27) | 1,371,901,063 | 1,522,717,934 |
| Loans - current portion | (27) | 251,091,697 | 1,579,988,521 |
| Sukuk Al-Ijarah - current portion | (29) | 350,000,000 | 250,000,000 |
| Suppliers, contractors and notes payable | (20) | 16,197,742,386 | 7,775,393,539 |
| Customers' advance payments | (21) | 36,467,835,179 | 20,017,539,862 |
| Liabilities against cheques received from customers on undelivered units | (2/15) | 33,186,047,687 | 31,190,331,707 |
| Dividends payable | (22) | 98,402,635 | 102,666,482 |
| Provisions for expected liabilities | (30) | 306,014,918 | 183,809,310 |
| Income tax payable | (31) | 1,057,570,763 | 1,135,591,523 |
| Accrued expenses and other credit balances | (23) | 14,762,975,092 | 11,530,049,431 |
| **Total current liabilities** | | 104,096,826,348 | 75,294,060,779 |
| **Total liabilities** | | 125,789,738,501 | 103,674,346,108 |
| **Total equity and liabilities** | | 162,718,070,268 | 138,717,841,483 |

| Head of Financial Sector | Chief Executive Officer & Managing Director | Chairman |
|---|---|---|
| Tarek Al-Naggar | Hesham Talaat Moustafa | Tarek Talaat Moustafa |

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

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For The Year Ended 31 December 2022

| | Notes | For the year ended 31 December 2022 | For the year ended 31 December 2021 |
|---|---|---|---|
| | | LE | LE |
| Real estate development revenue | (32) | 14,671,464,755 | 12,107,503,280 |
| Real estate development costs | (32) | (10,446,379,120) | (8,098,579,606) |
| **Gross profit from real estate development business** | | 4,225,085,635 | 4,008,923,674 |
| Hospitality revenue | (32) | 2,565,557,386 | 1,269,151,551 |
| Hospitality costs | (32) | (1,403,595,953) | (903,067,600) |
| **Gross profit from hospitality business** | | 1,161,961,433 | 366,083,951 |
| Revenues from activities with periodic yield and service activities | (32) | 2,633,428,629 | 1,971,314,681 |
| Costs of activities with periodic yield and service activities | (32) | (1,781,830,927) | (1,352,548,154) |
| **Gross profit of activities with periodic yield and service activities** | | 851,597,702 | 618,766,527 |
| **Gross profit** | | 6,238,644,770 | 4,993,774,152 |
| Marketing expenses | | (280,606,661) | (95,294,939) |
| General and administrative expenses | | (784,939,284) | (655,725,206) |
| Donations and governmental charges | | (593,005,782) | (352,371,282) |
| Provisions | (30) | (172,695,050) | (143,210,699) |
| Takaful contribution | | (53,912,970) | (50,792,693) |
| Other income | (33) | 503,586,607 | 542,358,058 |
| Gains on sale of fixed assets | (4) | 4,118,875 | 4,827,561 |
| Board of directors' allowances | | (1,797,100) | (1,230,985) |
| Foreign currency evaluation differences | | 350,066,397 | 3,591,617 |
| **Net profit for the year before depreciation, finance cost, and impairment** | | 5,209,459,802 | 4,245,925,584 |
| Depreciation and amortization | (7،5،4) | (343,733,348) | (317,258,586) |
| Finance expenses | | (817,100,008) | (635,871,760) |
| Bank charges | | (65,232,164) | (24,725,442) |
| Reversal of expected credit losses | | (5,562,364) | 2,444,455 |
| Impairment of Goodwill | (9) | (605,000,000) | (438,688,000) |
| **Net profit for the year before tax** | | 3,372,831,918 | 2,831,826,251 |
| Income tax | (31) | (1,142,814,919) | (1,048,639,460) |
| **Net profit for the year after income tax** | | 2,230,016,999 | 1,783,186,791 |
| **Attributable to:** | | | |
| Shareholders of the Parent Company | | 2,304,506,654 | 1,761,651,051 |
| Non-controlling interests | | (74,489,655) | 21,535,740 |
| | | 2,230,016,999 | 1,783,186,791 |

| Head of Financial Sector | Chief Executive Officer & Managing Director | Chairman |
|---|---|---|
| Tarek Al-Naggar | Hesham Talaat Moustafa | Tarek Talaat Moustafa |

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

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2022

| | Notes | For the year ended 31 December 2022 LE | For the year ended 31 December 2021 LE |
|---|---|---|---|
| **Profit for the year** | | **2,230,016,999** | 1,783,186,791 |
| **Other comprehensive income** | | | |
| Foreign currency translation differences on translation of foreign operations | | **114,884,209** | (5,354,907) |
| Valuation of investments at fair value through other comprehensive income | **(38)** | **7,254,260** | 23,042,493 |
| Income tax related to other comprehensive income | **(31)** | **5,151,930** | (15,530,010) |
| **Total comprehensive income for the year** | | **2,357,307,398** | 1,785,344,367 |
| **Attributable to:** | | | |
| Holding Company | | **2,431,797,053** | 1,763,808,627 |
| Non-controlling interests | | **(74,489,655)** | 21,535,740 |
| | | **2,357,307,398** | 1,785,344,367 |

| | | |
|---|---|---|
| **Head of Financial Sector** | **Chief Executive Officer & Managing Director** | **Chairman** |
| **Tarek Al-Naggar** | **Hesham Talaat Moustafa** | **Tarek Talaat Moustafa** |

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

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Year Ended 31 December 2022

| | **Issued and paid-up capital LE** | **Legal reserve LE** | **General reserve LE** | **Foreign currency translation reserve LE** | **Valuation differences on investments through OCI LE** | **Retained earnings LE** | **Total LE** | **Non-controlling Interests LE** | **Total Equity LE** |
|---|---|---|---|---|---|---|---|---|---|
| Balance as at 1 January 2022 | 20,635,622,860 | 337,884,636 | 61,735,404 | (2,929,359) | 7,512,483 | 12,894,276,521 | **33,934,102,545** | 1,109,392,830 | **35,043,495,375** |
| Transferred to legal reserve | - | 27,106,033 | - | - | - | (27,106,033) | - | - | - |
| Total comprehensive income | - | - | - | 114,884,209 | 12,406,190 | 2,304,506,654 | **2,431,797,053** | (74,489,655) | **2,357,307,398** |
| Dividends* | - | - | - | - | - | (472,471,006) | **(472,471,006)** | | **(472,471,006)** |
| **Balance as at 31 December 2022** | **20,635,622,860** | **364,990,669** | **61,735,404** | **111,954,850** | **19,918,673** | **14,699,206,136** | **35,893,428,592** | **1,034,903,175** | **36,928,331,767** |

* The Holding Company has distributed dividends to shareholders with an amount of LE 366 million in accordance with the resolution of the ordinary general assembly meeting held on 31 March 2022.

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## For The Year Ended 31 December 2022

| | Issued and paid-up capital LE | Legal reserve LE | General reserve LE | Foreign currency translation reserve LE | Valuation differences on investments through OCI LE | Retained earnings LE | Total LE | Non-controlling Interests LE | Total Equity LE |
|---|---|---|---|---|---|---|---|---|---|
| Balance as at 1 January 2021 | 20,635,622,860 | 313,531,168 | 61,735,404 | 2,425,548 | - | 11,513,122,654 | **32,526,437,634** | 1,089,845,936 | **33,616,283,570** |
| Impact of applying accounting standard No. 48 | - | - | - | - | - | 50,354,678 | **50,354,678** | - | **50,354,678** |
| Impact of applying accounting standard No. 47 | - | - | - | - | - | (21,690,997) | **(21,690,997)** | - | **(21,690,997)** |
| Balance at 1 January 2021 after the impact of applying accounting standards | 20,635,622,860 | 313,531,168 | 61,735,404 | 2,425,548 | - | 11,541,786,335 | **32,555,101,315** | 1,089,845,936 | **33,644,947,251** |
| Transferred to the legal reserve | - | 24,353,468 | - | - | - | (24,353,468) | - | - | - |
| Total comprehensive income for the year | - | - | - | (5,354,907) | 7,512,483 | 1,761,651,051 | **1,763,808,627** | 21,535,740 | **1,785,344,367** |
| Dividends | - | - | - | - | - | (384,807,397) | **(384,807,397)** | (1,988,846) | **(386,796,243)** |
| **Balance at 31 December 2021** | **20,635,622,860** | **337,884,636** | **61,735,404** | **(2,929,359)** | **7,512,483** | **12,894,276,521** | **33,934,102,545** | **1,109,392,830** | **35,043,495,375** |

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended 31 December 2022

| | Notes | 31 December 2022<br>LE | 31 December 2021<br>LE |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net profit for the year before tax and non-controlling interest | | **3,372,831,918** | 2,831,826,251 |
| **Adjustments to:** | | | |
| Depreciation and Amortization | (7،5،4) | **343,733,348** | 317,258,586 |
| Impairment of goodwill | (9) | **605,000,000** | 438,688,000 |
| Finance (income) | (33) | **(153,522,969)** | (170,498,893) |
| (Income) financial investments at amortized cost | (33) | **(141,405,142)** | (252,344,558) |
| Provisions for contingent commitments | | **172,695,050** | 143,210,699 |
| Increase (decrease) in the Parent Company's share in associates | | **(24,908,861)** | (9,973,498) |
| Impairment of investments | | **-** | - |
| Loss (gain) on sale of fixed assets | (4) | **(4,118,875)** | (4,827,561) |
| Reversal of expected credit losses | | **5,562,364** | (2,444,455) |
| Foreign currency valuation differences | | **(350,066,397)** | (3,591,617) |
| | | **3,825,800,436** | 3,287,302,954 |
| Change in development properties | | **(16,809,648,376)** | (12,313,998,454) |
| Change in inventory | | **124,366,673** | 23,446,243 |
| Change in receivables and notes receivable | | **(666,894,591)** | 4,351,022,160 |
| Change in prepaid expenses and other debit balances | | **(395,214,990)** | 532,603,575 |
| Change in suppliers and notes payable | | **8,422,348,847** | (2,829,057,757) |
| Change in advance payments from customers | | **16,450,295,317** | 4,866,606,346 |
| Change in long term liabilities | | **(7,424,378,014)** | 4,602,016,662 |
| Change in financial asset investments at fair value through profit or loss | | **(131,396,934)** | (103,490,200) |
| Change in accrued expenses and other credit balances | | **3,232,925,661** | 655,132,029 |
| Provisions used | (30) | **(50,489,442)** | (157,602,568) |
| Income tax paid | (31) | **(1,086,376,781)** | (797,651,887) |
| **Net cash flows from operating activities** | | **5,491,337,806** | 2,116,329,103 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| (Payment) to acquire fixed assets, real estate investment, intangible assets and fixed assets under construction | | **(3,189,474,416)** | (3,053,839,332) |
| Proceeds from sale of fixed assets | (4) | **11,243,132** | 7,426,325 |
| (Payments) for investments in associates | | **(3,000,000)** | (6,250,000) |
| (Payments) for investments at fair value through other comprehensive income | | **(114,504,049)** | (211,082,350) |
| Proceeds/ (Payments) for time deposits and financial investments at amortized cost | | **687,496,867** | (1,047,375,752) |
| Finance income and yields of financial investments and treasury bills received | | **237,311,393** | 515,116,028 |
| **Net cash flows (used in) investing activities** | | **(2,370,927,073)** | (3,796,005,081) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from loans and bank facilities | | **(363,066,993)** | 2,725,423,387 |
| Dividends | | **(476,734,853)** | (439,904,080) |
| (Payments) for Sukuk Al-Ijarah | | **(250,000,000)** | - |
| **Net cash flow (used in) from financing activities** | | **(1,089,801,846)** | 2,285,519,307 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR** | | **2,030,608,887** | 605,843,329 |
| Foreign currency valuation differences | | **350,066,397** | 3,591,617 |
| Foreign currency translation differences from translation of foreign operations | | **114,884,209** | (5,354,907) |
| Cash and cash equivalent at the beginning of the year | (19) | **3,288,073,610** | 2,683,993,571 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | (19) | **5,783,633,103** | 3,288,073,610 |

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

## 1 Overview of the Company and its activities

- Talaat Mostafa Group Holding TMG Holding S.A.E. **("Company" or "Parent Company")** was established on 13 February 2007 under the provisions of law 95 of 1992 and its executive regulation.
- 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 such companies.
- The Company's headquarters and legal domicile is 36, Mosadek st., Dokki – Giza – Arabic Republic of Egypt.
- The consolidated financial statements of the Company and its subsidiaries ("Group") for the fiscal year ended 31 December 2022 were issued on 15 February 2023 according to the Board of Directors' resolution issued at that date.

## 2 Basis of preparation for the consolidated financial statements and the significant accounting policies applied

- The consolidated financial statements are prepared under the historical cost basis, except for the valuation at fair value for investments at fair value through other comprehensive income, and financial assets at fair value through profit or loss.
- The consolidated financial statements are presented in Egyptian Pound which is the Group's functional currency.

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

- The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards considering the Egyptian laws and regulations as well as the instructions of the Financial Regulatory Authority issued in January 2022 regarding "*Notes receivable for undelivered units*", and the authority's 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 implementations 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 cheques received from customers before delivering the property to the customer based on the sales contracts entered into till 31 December 2022, until the delivery of those properties to the customers, under the following conditions:

- Allocating a separate account, at the date of receiving the cheques from clients before the delivery of the property, which is to be presented within the financial assets in the consolidated statement of financial position as "*Notes receivable for undelivered units*" and recognizing financial liabilities within the consolidated statement of financial position as "*Liabilities against cheques received from customers*".

- Recognizing the collected amounts by reducing the cheque balance in "*Notes receivable for undelivered units"* and transferring an equivalent amount from "*Liabilities against cheques received from customers*" account to "*advances from customers"* account.

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

## 2.1 CHANGES IN ACCOUNTIING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, except for the following:

On 27 April 2022, a Prime Minister's resolution was issued to amend certain Egyptian Accounting Standards by the addition of annex (B), attached to the resolution, to the Egyptian Accounting Standard No. (13) on the impact of changes in foreign exchange rates included in the Egyptian Accounting Standards accompanying the resolution of Minister of Investment No. (110) of 2015. The annex aims to establish a special accounting treatment to deal with the consequences of the exceptional economic decision related to moving exchange rate by establishing a temporary additional option to Paragraph No. (28) of the amended Egyptian Accounting Standard No. (13). The said paragraph requires currency differences to be recognized in the income statement for the period during which these differences arise. Instead, the entity, which has outstanding liabilities in foreign currency at the date of unpegging the exchange rates related to fixed assets, real estate investments, intangible assets (except for goodwill), exploration and valuation assets acquired during the period from the beginning of January 2020 until the date of unpegging the exchange rate, is allowed to recognize the receivable currency differences resulting from the translation of such liabilities in the cost of these assets, at the date of unpegging the exchange rate.

## 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at and for the year ended 31 December 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 another entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period 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 interests**
Transactions with non-controlling interests that do not result in the loss of control by the Holding Company are treated as transactions with the equity holders 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 equity.

**Business combination**
Business combination shall apply in accordance with EAS (29) only when "business" is acquired. The acquisition accounting method is used for accounting for business combination when subsidiaries are acquired by the Group. The acquisition cost is measured as the fair value of assets, liabilities, equity, and contingent liabilities at the acquisition date. The value of assets, liabilities, and contingent liabilities are determined at fair value regardless of the non-controlling interest share. While excess of the acquisition cost over the Group's share is recognized in the fair value of the net assets as goodwill. In case the acquisition cost is less than the fair value of net assets, the difference is directly recognized in the consolidated statement of profit or loss.

## 2.2 BASIS OF CONSOLIDATION (CONTINUED)

**Business combination (continued)**

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

a) The investment's book value of the Parent Company in each subsidiary is eliminated against the parent company's share in the equity of each subsidiary.
b) Identifying the non-controlling interest in the net consolidated profit or loss of the subsidiaries during the reported period.
c) The non-controlling interest is identified within the net assets of the consolidated subsidiaries and separately presented in shareholders' equity of the Holding Company, that is composed of the non-controlling interests' rights in net assets from:
   (1) The amount of non-controlling interests as at the original date of consolidation.
   (2) The non-controlling interests' share in the changes in equity since the date of the consolidation.
d) Intergroup balances and transactions, revenues and expenses are eliminated.

The financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as at the same date.

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 statement of financial position within equity, separately from the equity of the shareholders of the Parent Company, and the non-controlling interests' share in the Group's profit or loss is presented separately.

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

| | |
|---|---|
| Arab Company for Projects and Urban Development (S.A.E) * | 99.99% |
| Alexandria Company for Real Estate Investment (S.A.E) ** | 97.93% |
| San Stefano Company for Real Estate Investment (S.A.E) *** | 72.18% |
| Alexandria for Urban Projects Company (S.A.E) **** | 40% |

*Arab Company for Projects and Urban Development owns 1.66% of Alexandria Company for Real Estate Investment and contributes to the following companies:

| | Contribution |
|---|---|
| El Rehab for Management (S.A.E) | 98% |
| Engineering for developed systems of building (S.A.E) | 83.36% |
| El Rehab for Securitization (S.A.E) | 100% |
| Arab Egyptian Company for entertainment projects (S.A.E) | 50% |
| Madinaty for electromechanical 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% |
| Orion Company for infra- structure and services management | 90% |

## 2.2 BASIS OF CONSOLIDATION (CONTINUED)

**Business combination (continued)**

** Alexandria Company for Real Estate Investment owns 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 indirectly owns 27.82% of San Stefano Company for Real Estate Investment through its subsidiaries (Arab Company for Projects and Urban Development, Alexandria Company for Real Estate Investment, Alexandria for Urban Projects Company) and San Stefano Company for Real Estate Investment owns 62.5% of the shares of Alexandria for Projects Management Company.

**** Alexandria for Urban Projects Company (S.A.E) directly contributes to the following companies:

| | Contribution |
|---|---|
| May Fair for Entertainment Services (S.A.E) | 95.50% |
| Port Venice for Tourism Development (S.A.E) | 90.27% |

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Foreign currency translation**
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 consolidated statement of financial position date. All differences are recognized in the consolidated statement of profit or loss.

Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the date of the initial recognition.

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

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

A) Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position.
B) Income and expenses for each statement of profit or loss presented are translated at exchange rates at the dates of the transactions or using average rate for the year, when more practical.
C) All resulting exchange differences on exchange changes are included as a separate line item within equity, as foreign currency translation differences.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fixed assets and depreciation**
Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of fixed assets 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 fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss when they arise.

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:

| Asset description | Years |
|---|---|
| Premises & constructions | 20-80 |
| Means of transport and transportation | 5 |
| Tools & equipment | 3 - 8 |
| Furniture and fittings | 5- 10 |
| Computers | 3 - 8 |
| Marine equipment | 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 the asset is included in the consolidated statement of profit or loss when the asset is derecognized.

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

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 consolidated 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 consolidated statement of profit or loss.

On 27 April 2022, a Prime Minister's resolution was issued to amend certain Egyptian Accounting Standards by the addition of annex (B), attached to the resolution, to the Egyptian Accounting Standard No. (13) on the impact of changes in foreign exchange rates included in the Egyptian Accounting Standards accompanying the resolution of Minister of Investment No. (110) of 2015. The annex aims to establish a special accounting treatment to deal with the consequences of the exceptional economic decision related to moving exchange rate by establishing a temporary additional option to Paragraph No. (28) of the amended Egyptian Accounting Standard No. (13). The paragraph requires currency differences to be recognized in the statement of income for the period during which these differences arise. Instead, the entity, which has outstanding liabilities in foreign currency at the date of unpegging the exchange rates related to fixed assets, real estate investments, intangible assets (except for goodwill), exploration and valuation assets acquired during the period from the beginning of January 2020 until the date of unpegging the exchange rate, is allowed to recognize the receivable currency differences resulting from the translation of such liabilities in the cost of these assets, at the date of unpegging the exchange rate.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 consolidated 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. The useful life 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 computer programs and related licenses and are amortized using the straight-line method over their estimated useful lives.

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

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

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

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

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

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

**Investments in associates**

Associates are those companies over which the Company has a significant influence and are not subsidiaries or joint ventures, except for when the investment is classified as non-current asset held for sale according to the Egyptian accounting standard No. 32. Significant influence is assumed when the Company owns, directly or indirectly through its subsidiaries, 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 consolidated financial statements, using the equity method. At the initial recognition, the investment is recognized at cost and to be adjusted in the subsequent period with the change of the group's share in the net assets of the associate. The Group's profit or loss includes its share of the associates' profit or loss, and the group's comprehensive income includes its share of the associate's other 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 and measurement**

Upon initial recognition, the financial assets are classified according to both the Company's business model for managing the financial assets, and the 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 profit or loss, except for customer balances, which do not include a significant financing component.

**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 recycling accumulated profits and losses (debt instruments)

3- Financial assets classified at fair value through other comprehensive income without recycling accumulated profits and losses on derecognition (equity instruments)

4- Financial assets at fair value through profit or loss.

**Business model assessment**

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

- The Company's investment policy, which is based on achieving returns on investment in the form of interests or selling profits
- The investment period that is commensurate with the management's need for the necessary liquidity
- 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 holding and cash flows.
- How to reward investment managers and whether it is based on the fair value of the investment, or the cash flows collected

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

**Financial instruments (Continued)**
**Financial assets (Continued)**

**Subsequent measurement (Continued)**

**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 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 consolidated 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 receivables, notes receivable, Company's investments in treasury bills and governmental 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 consolidated 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.

**Financial assets at fair value through other comprehensive income (equity instruments)**
Upon initial recognition, the Group can elect to irrevocably classify its investments 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 to profit or loss. Dividends are recognized as income in the consolidated 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 loss**
Financial assets at fair value through profit or loss are included in the consolidated statement of financial position at fair value with the recognition of net changes in fair value in the 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 other comprehensive income.

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

**Financial instruments (Continued)**
**Financial assets (Continued)**
**Subsequent measurement (Continued)**

**Expected credit losses (Continued)**
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 whose credit risk have not changed since the initial recognition.

The Company assumes that an increase in the expected credit risk is associated with a delay in debt collection for 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 collateral.

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 receivables and contract assets, the Company applies the simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk but instead recognizes a loss provision based on lifetime expected credit losses 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 the customers and economic environment.

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

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

• The contractual rights to the cash flows from the financial asset expire; 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 arrangement; 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 arrangement, 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 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

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

**Financial instruments (Continued)**
**Financial liabilities**

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

All financial liabilities are initially recognized at fair value and in the case of loans, borrowings, and credit balances, net of directly attributable transaction costs.

The Company's financial liabilities include suppliers, notes payable, other credit balances, loans, facilities including bank overdraft and other financial liabilities.

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

**Financial liabilities 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 liabilities 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 consolidated 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 consolidated statement of profit or loss. This category generally applies to loans and facilities.

**Derecognition**
A financial liability is derecognized when the obligation under the liability 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 a derecognition of the original liability and recognition of a new liability. The difference in the related carrying amounts is recognized in the consolidated statement of profit or loss.

**Notes receivable for undelivered units and liabilities on cheques received from customers**
The Company recognizes notes receivable for undelivered units within its financial assets at the total undiscounted value of those cheques, and in return, it recognizes a liability for cheques received from customers with the same undiscounted value within its financial liabilities.

When cheques are collected before the property is delivered, the collected amounts are recognized by reducing the balance of cheques receivable for undelivered units against the cash collected and transferring part of the liability corresponding for the cheques in the account of liabilities for cheques 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 recognized revenues are recognized by reducing the balance of cheque receivables for undelivered units with the value of the receivables related to the recognized units, closing part of the liability corresponding to the cheques in the account of liabilities for cheques of the same value.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Securitization**

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

**Finished units**

Finished units are stated at the lower of cost or net realizable value. The net realizable value is estimated at the selling price under normal circumstances less the expected cost of selling expenses for that inventory, and any decrease in the selling value from the book cost is charged to the consolidated statement of profit or loss.

**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, less the expected cost of selling expenses for that inventory.

The inventory of supplies for hotels bought since the opening of the hotel and required for operation is to be measured at fair value and the decrease of the fair value to be recorded in the consolidated statement of profit or loss.

**Receivables, sundry receivables and notes receivable**

Receivables and sundry receivables are stated at amortized cost less any impairment losses.

**Suppliers and accrued expenses**

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

**Related party transactions**

Related parties are represented 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 Board of Directors.

**Pension scheme for workers**

The Company makes contributions to the General Authority for Social Insurance scheme under the provisions of social insurance law 79 of 1975. The Company's contribution is charged to the consolidated statement of income according to the accrual basis, and according to this scheme, the Company's obligation is limited to the value of that contribution.

**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 (present value) is used, the increase in the provision due to the passage of time is recognized in the consolidated statement of profit or loss as a finance cost.

**Legal reserve**

Referring to the provisions of Law 159 of year 1981 and according to the Company’s Articles of Association, 5% of the net profits of the year is to be transferred to the legal reserve until this reserve reaches 50% of the issued capital. The reserve is not distributable.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**Step 2:** Identify the performance obligations in the contract. Performance obligation is a promise in a contract with a customer to transfer to the customer either: a good or service

**Step 3:** Determine the transaction price. Transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

**Step 4:** Allocate the transaction price to the performance obligations in the contract. If the contract contains more than one performance obligation, the Company will allocate the transaction price to each obligation at an amount reflecting the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

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

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

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

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

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

- As for performance obligations, the Company recognizes revenues 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 over 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.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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. Revenue for these units is recognized at a point in time, net, for units over which control has been transferred to customers.

**Sales of lands**
-The Company recognises revenue on sale of lands when the control of ownership has been transferred to the buyer which occurs when the units are actually delivered, provided the completion of utility works. Revenue from lands is recognized at a point in time for lands for which the control has been transferred to customers.

**Investment revenues**
Revenue from share dividends is recorded when there is right to receive it.

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

**Income from services rendered to customers**
Income arising from providing services to customers is recognised when services are rendered. Income from services provided to customers is included in the periodic yield revenues in the consolidated statement of profit or loss.

**Recognition of real estate activity costs**
The minutes of handing over saleable units to customers and realizing activity revenues for those units are the basis on which the activity costs related to them are recognized, which are as follows:

**Direct and indirect costs**
The construction costs of the saleable units according to the payment certificates of the contractors and suppliers that are approved by the Company’s department of technical affairs are recoded in “work in progress” item and the costs to be distributed to the sold units according to the following basis:

- A villa’s share in the land cost and the unit’s share in the land cost which were distributed based on land area of each unit to the total area of the units in the project.
- The unit’s share in the actual and estimated costs that were distributed based on the contracts and invoices of each sector of units, villas and shops in each phase.
- The unit’s share in the indirect actual and estimated costs which was distributed based on the direct costs of each sector in each phase.

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

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

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

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Leases: (Continued)**
**The Company as a lessee (Continued)**

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

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

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

-The Company elected not to apply the standard for leases of 'low-value' assets 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 f the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

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

**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 leases are currently classified as operating leases.

**Impairment**

**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.

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

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.

**Significant accounting judgements and estimates**
The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the amounts of revenues, expenses, assets and liabilities, accompanying disclosures, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimates and their associated assumptions are reviewed on a regular basis. Amendments to these estimates are recognized in the period during which these estimates are reviewed.

Significant judgements and estimates that have a significant effect on the consolidated financial statements of the Company are discussed below.

**Judgements**

**Revenue recognition of selling completed units and lands**
When making its judgements, the management took into consideration the detailed requirements of recognizing revenue arising from selling goods as stated in Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers", including deciding whether significant risks and rewards have been transferred.

**Estimation**
**impairment of receivables and other receivables**
An estimate of the collectible amount of receivables, notes receivables and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

**Useful lives of fixed assets**
The Company's management determines the estimated useful lives fixed assets for calculating amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the estimated useful lives and amortization method on a regular basis to ensure that the amortization method and period are consistent with the expected pattern of future economic benefits arising from these assets.

**Taxes**
The Company is subject to income tax imposed in Egypt. Significant judgements must be made in order to determine the total current and deferred tax provisions. The Company based its provisions upon reasonable estimates, taking into consideration the potential consequences of inspection operations conducted by Egyptian tax authorities. The amount of this provision is based on a number of factors including experience in previous tax inspections and varying interpretations of tax regulations by the Company and the responsible tax authority. Such differences in interpretation may arise on several topics in accordance with the circumstances prevailing in Egypt at the time.

Deferred tax assets for unused and retained tax losses are recognized so that they are expected to be offset by taxable profits that could be covered using such losses. Significant management judgements must determine the amount of deferred tax assets that could be recognized, based on the potential timing and level of future taxable profits, besides future tax planning strategies.

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

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Significant accounting judgements and estimates (Continued)**
**Judgements (Continued)**

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

**Deferred income tax**
Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and it is 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 consolidated 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 borrowings costs are represented in interest and other finance costs that Company pay to obtain the funds.

**Expenses**
All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the consolidated statement of income 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 on hand, time deposits and treasury bills that will be due within three months and bank cheques under collection, payable upon request which are considered a complementary part of the Company's assets management system less bank overdrafts.

**Dividends**
Dividends are recognized as an obligation for the year when the general assembly issues the decision to make distributions.

**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.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fair value measurement (Continued)**
For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

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

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

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

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

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

For assets and liabilities that are recognised in the consolidated 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 real estate, tourism and periodic-yield income sectors (Note 32). Profit and investments related to other segments are currently insignificant and not required to be reported in accordance to accounting standard No. 41 and are not disclosed separately in the consolidated financial statements.

**4 – FIXED ASSETS - NET**

| | Lands | Premises & constructions | Means of transport and transportation | Tools & equipment | Furniture & fittings | Computers | Total |
|---|---|---|---|---|---|---|---|
| | LE | LE | LE | LE | LE | LE | LE |
| **Cost** | | | | | | | |
| At 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 | - | 41,084,678 | 211,643,944 | 94,576,488 | 60,235,277 | 24,918,786 | 432,459,173 |
| Transfer from projects under construction | - | 738,888,165 | - | 69,649,314 | 7,055,830 | - | 815,593,309 |
| Transfer to development properties | - | (266,515) | - | - | - | - | (266,515) |
| Foreign exchange valuation differences* | - | 25,441,085 | - | - | - | - | 25,441,085 |
| Disposals | - | (53,960) | (7,556,413) | (18,772,980) | (6,366,630) | (2,743,176) | (35,493,159) |
| At 31 December 2022 | 1,029,043,012 | 5,138,483,758 | 583,705,243 | 863,023,717 | 942,870,014 | 162,326,694 | 8,719,452,438 |
| Accumulated depreciation | | | | | | | |
| At 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 year | - | (97,986,569) | (49,353,307) | (78,280,699) | (63,888,450) | (29,179,685) | (318,688,710) |
| Accumulated depreciation of transferred assets | - | 127,644 | - | - | - | - | 127,644 |
| Accumulated depreciation of disposals | - | 10,941 | 7,251,178 | 13,184,230 | 5,890,852 | 2,031,701 | 28,368,902 |
| At 31 December 2022 | - | (870,866,165) | (296,611,911) | (500,030,436) | (575,412,254) | (116,921,997) | (2,359,842,763) |
| **Net book value at 31 December 2022** | **1,029,043,012** | **4,267,617,593** | **287,093,332** | **362,993,281** | **367,457,760** | **45,404,697** | **6,359,609,675** |
| Net book value at 31 December 2021 | 1,029,043,012 | 3,560,372,124 | 125,107,930 | 282,636,928 | 364,530,881 | 50,377,071 | 5,412,067,946 |

**4 –FIXED ASSETS – NET (CONTINUED)**

**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 |
|---|---|---|
| Proceeds from sale of fixed assets | | 11,243,132 |
| Cost of disposed fixed assets | (35,493,159) | |
| Accumulated depreciation of disposed assets | 28,368,902 | |
| Net book value of fixed assets disposed | | (7,124,257) |
| Fixed Assets Disposal Gain | | 4,118,875 |

* It is represented in the receivable currency differences resulting from outstanding liabilities in foreign currency at the date of unpegging the exchange rate linked to fixed assets during the period from the beginning of January 2020 until the date of unpegging the exchange rate.

**4 – FIXED ASSETS – NET (CONTINUED)**

The receivable currency differences resulting from the translation of these liabilities were recognized on the date of unpegging the exchange rate within the cost of these assets, in accordance with the decision of the Prime Minister to amend some provisions of the Egyptian accounting standards by adding Annex (B) accompanying the decision to EAS No. (13).

| | Lands | Premises & constructions | Means of transport and transportation | Tools & equipment | Furniture & fittings | Computers | Total |
|---|---|---|---|---|---|---|---|
| | LE | LE | LE | LE | LE | LE | LE |
| **Cost** | | | | | | | |
| At 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 fixed 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) |
| At 31 December 2021 | 1,029,043,012 | 4,333,390,305 | 379,617,712 | 717,570,895 | 881,945,537 | 140,151,084 | 7,481,718,545 |
| Accumulated depreciation | | | | | | | |
| At 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 |
| At 31 December 2021 | - | (773,018,181) | (254,509,782) | (434,933,967) | (517,414,656) | (89,774,013) | (2,069,650,599) |
| Net book value | | | | | | | |
| At 31 December 2021 | 1,029,043,012 | 3,560,372,124 | 125,107,930 | 282,636,928 | 364,530,881 | 50,377,071 | 5,412,067,946 |

**Mortgaged assets:**

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

**4 – FIXED ASSETS - NET (CONTINUED)**

| | LE | LE |
|---|---|---|
| Proceeds 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 disposed fixed assets | | (2,598,764) |
| Gains on disposal of fixed assets | | 4,827,561 |

**5 – INVESTMENT PROPERTIES**

| **Cost** | **Land LE** | **Premises & constructions LE** | **Total LE** |
|---|---|---|---|
| **At 1 January 2022** | 43,771,277 | 435,866,431 | 479,637,708 |
| Transferred from development properties | 239,300,000 | 1,785,595,955 | 2,024,895,955 |
| Transferred to development properties | (15,846,952) | (175,418,516) | (191,265,468) |
| **At 31 December 2022** | 267,224,325 | 2,046,043,870 | 2,313,268,195 |
| **Accumulated depreciation** | | | |
| **At 1 January 2022** | - | (59,923,323) | (59,923,323) |
| Depreciation for the year | - | (23,070,996) | (23,070,996) |
| Accumulated depreciation of transferred assets | - | 34,151,762 | 34,151,762 |
| **At 31 December 2022** | - | (48,842,557) | (48,842,557) |
| **Net book value at 31 December 2022** | **267,224,325** | **1,997,201,313** | **2,264,425,638** |
| Net book value at 31 December 2021 | 43,771,277 | 375,943,108 | 419,714,385 |

The fair value of property investments amounted to LE 3,738,997,000 (31 December 2021: LE 1,237,141,000) using the comparative sales method, according to a report submitted by an independent appraisal expert, "New Mega Company", which issued his report dated February 5, 2023.

| **Cost** | **Lands LE** | **Premises & constructions LE** | **Total LE** |
|---|---|---|---|
| At 1 January 2021 | 43,771,277 | 374,914,431 | 418,685,708 |
| Additions | - | 60,952,000 | 60,952,000 |
| **At 31 December 2021** | 43,771,277 | 435,866,431 | 479,637,708 |
| **Accumulated depreciation** | | | |
| At 1 January 2021 | - | (44,779,284) | (44,779,284) |
| Depreciation for the year | - | (15,144,039) | (15,144,039) |
| **At 31 December 2021** | - | (59,923,323) | (59,923,323) |
| **Net book value at 31 December 2021** | **43,771,277** | **375,943,108** | **419,714,385** |
| Net book value at 31 December 2020 | 43,771,277 | 330,135,147 | 373,906,424 |

## 6 - ADVANCES AND LIABILITIES AGAINST FIXING FACTORING RATE

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 Advances on account of factoring – Assets

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Advance payments to banks on account of factoring | **687,026,859** | 763,363,179 |
| Amortization of advance payment for the year | **(152,672,634)** | (76,336,320) |
| **Advances on account of factoring** | **534,354,225** | 687,026,859 |

### 6-2 Liabilities against advances on account of factoring

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Liabilities against advances on account of factoring | **845,875,013** | 994,810,290 |
| Discounted present value | **(186,614,946)** | (231,447,111) |
| Accrued interest during the year | **72,714,229** | 44,832,165 |
| Payment during the year | **(261,388,897)** | (148,935,277) |
| **Liabilities against advance payments to banks on account of factoring** | **470,585,399** | 659,260,067 |

## 7 – INTANGIBLE ASSETS

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Computer software | **26,787,097** | 23,837,536 |
| Additions for the year | **1,655,711** | 2,949,561 |
| | **28,442,808** | 26,787,097 |
| Accumulated amortization at the beginning of the year | **(23,191,980)** | (21,404,073) |
| Amortization for the year | **(1,973,642)** | (1,787,907) |
| | **(25,165,622)** | (23,191,980) |
| **Balance at the end of the year** | **3,277,186** | 3,595,117 |

**8 – FIXED ASSETS UNDER CONSTRUCTION**

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Sharm El Sheik Extension Project | **8,436,593,722** | 6,389,626,893 |
| Porto Venice Project | **545,235,282** | 408,353,423 |
| Hotel and touristic assets | **478,575,584** | 985,188,314 |
| Villa – (Sednawy) | **73,606,541** | 73,606,541 |
| Luxor Project | **189,461,750** | 90,187,999 |
| Administrative Space at Four season Nile Plaza | **425,917,377** | 425,917,377 |
| Administrative premises | **368,143,656** | 230,328,227 |
| | **10,517,533,912** | 8,603,208,774 |

**9- GOODWILL**

| | 31 December 2021 LE | Impairment of goodwill LE | **31 December 2022 LE** |
|---|---|---|---|
| Arab Company for Projects and Urban Development | 9,417,924,484 | (605,000,000) | **10,022,924,484** |
| Alexandria Company for Real Estate Investment | 2,043,149,242 | - | **2,043,149,242** |
| | 11,461,073,726 | (605,000,000) | **12,066,073,726** |

**Impairment test for goodwill**

The Group performed its annual impairment test for goodwill in December 2022. The recoverable amount of the goodwill has been determined based on a value in use calculation of the cash generating unit (CGU), using cash flow projections approved by senior management covering a ten-year period. The pre-tax discount rate of 18.28% applied to cash flow projections beyond the ten-year period are extrapolated using a terminal growth rate of 5%. The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin. The Group recorded an impairment of goodwill amounting to LE 605,000,000.

**9 - GOODWILL (CONTINUED)**

**Impairment test for goodwill (continued)**

**Key assumptions used in value in use calculations and sensitivity to changes in assumptions**

- Annual revenue growth rate during the forecast period
- Discount rate
- Long-term growth rates (terminal value) used to extrapolate cash flows beyond the forecast period

*Annual revenue growth rate during the forecast period*

Annual revenue growth rate assumptions are based on average growth rates achieved in the year preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

*Discount rates*

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

*Growth rate estimates*

Assumptions are based on published industry research.

***Sensitivity to changes in assumptions***

With respect to management's assessment of value in use of the cash generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

**10- INVESTMENTS IN ASSOCIATES**

| | Shareholding percentage | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|---|
| Hill / TMG for Projects and Construction Management* | %49 | **2,679,273** | 2,679,273 |
| Cairo Medical City Co. | %10 | **7,500** | 7,500 |
| Bedaya Home Finance | %33,3 | **84,908,761** | 59,999,900 |
| Atrium for Real estate investment | %25 | **6,250,000** | 6,250,000 |
| Beymen Company | %16,66 | **3,000,000** | - |
| | | **96,845,534** | 68,936,673 |

*The Board of directors approved on the liquidation of Hill /TMG for Constructions and Projects Management.

| | 1 January 2022 LE | Additions LE | Company's share in investments LE | **31 December 2022 LE** |
|---|---|---|---|---|
| Investments in associates | 68,936,673 | 3,000,000 | 24,908,861 | **96,845,534** |

Liquidation process still in progress through judicial liquidator.

** Although the Company owns less than 20% in certain companies, the management considers classifying this investment within investments in associates due to the significant influence the Company has over these companies, in addition to the Group's representation in the company's Board of Directors.

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

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Investments in shares (Note 38) | **621,973,121** | 500,214,812 |
| | **621,973,121** | 500,214,812 |

* Although the Company owns 45% of TCA Real Estate Co. with a value of LE 241,728,750, the management considers classifying this investment within investments at fair value through other comprehensive income due to the lack of any significant influence of the Company on TCA Real Estate Co.in addition to the absence of any representation of the Group within the **in** the company's Board of Directors.

**12 - TIME DEPOSITS AND FINANCIAL INVESTMENTS AT AMORTIZED COST**

| | **31 December 2022 LE** | **31 December 2021 LE** |
|---|---|---|
| Short-term investments in treasury bills and governmental bonds | **1,680,127,230** | 2,242,884,268 |
| Term deposits and long-term investments | **4,209,758,129** | 4,334,497,958 |
| | **5,889,885,359** | 6,577,382,226 |

**Short Term Investment**

This item amounted to LE 1,680,127,230 at 31 December 2022 and it consists of treasury bills with a maturity date by maximum 31 December 2023.

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Treasury bills and governmental bonds | **1,680,127,230** | 2,242,884,268 |
| | **1,680,127,230** | 2,242,884,268 |

**Long-term investments**

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Governmental bonds | **2,344,758,129** | 2,469,497,958 |
| Long-term deposits | **1,865,000,000** | 1,865,000,000 |
| Long-term investments | **4,209,758,129** | 4,334,497,958 |

## 12 - TIME DEPOSITS AND FINANCIAL INVESTMENTS AT AMORTIZED COST (CONTINUED)

**Governmental bonds**
This item amounted to LE 2,474,249,000 at 31 December 2022 as follows:

| No. | Nominal Value | Yield | Maturity |
|---|---|---|---|
| 238700 | 238,700,000 | %15 | 2024 |
| 341749 | 341,749,000 | %15-%14 | 2025 |
| 544500 | 544,500,000 | %17 | 2026 |
| 507500 | 507,500,000 | %16 | 2027 |
| 325000 | 325,000,000 | %16 | 2028 |
| 351000 | 351,000,000 | %14 | 2029 |
| 40000 | 40,000,000 | %14 | 2030 |
| **2348449** | **2,348,449,000** | | |

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Face value | **2,348,449,000** | 2,474,249,000 |
| Issuance discount | **(3,690,871)** | (4,751,042) |
| **Balance of governmental bonds** | **2,344,758,129** | 2,469,497,958 |

**TIME DEPOSITS**

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| 20 June 2032 | **373,000,000** | 373,000,000 |
| 20 June 2033 | **373,000,000** | 373,000,000 |
| 20 June 2034 | **373,000,000** | 373,000,000 |
| 20 June 2035 | **373,000,000** | 373,000,000 |
| 20 June 2036 | **373,000,000** | 373,000,000 |
| **Total** | **1,865,000,000** | 1,865,000,000 |

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

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Investment in funds | **87,533,595** | 19,218,340 |
| Investment in shares | **5,241** | 4,138 |
| Investment policies | **155,435,759** | 92,355,183 |
| | **242,974,595** | 111,577,661 |

## 14 - RECEIVABLES AND NOTES RECEIVABLE

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Receivables | **1,343,595,410** | 697,857,217 |
| Notes Receivables | **3,631,063,925** | 3,644,937,659 |
| | **4,974,659,335** | 4,342,794,876 |
| Less: present value | **(265,785,846)** | (300,815,978) |
| Expected credit loss of notes receivable | **(936,801)** | (948,269) |
| Expected credit loss of receivables | **(11,721,892)** | (11,788,104) |
| | **4,696,214,796** | 4,029,242,525 |

The maturity date analysis of receivables and notes receivable is as follows:

| | **Total** LE | **One year** LE | **More than one year** LE | **More than two years** LE | **More than three years** LE | **More than four years** | **More than five years** LE |
|---|---|---|---|---|---|---|---|
| **2022** | **4,974,659,335** | **2,453,568,158** | **690,270,438** | **516,059,277** | **488,069,690** | **431,160,797** | **395,530,975** |
| 2021 | 4,342,794,876 | 2,291,924,256 | 818,602,708 | 531,304,309 | 338,762,605 | 125,455,605 | 236745393 |

## 15/1- NOTES RECEIVABLE FOR UNDELIVERED UNITES

The maturity date analysis of notes receivables for undelivered units is as follows:

| | **Total** LE | **One year** LE | **More than one year** LE | **More than two years** LE | **More than three years** LE | **More than four years** | **More than five years** LE |
|---|---|---|---|---|---|---|---|
| **2022** | **33,186,047,687** | **3,345,549,357** | **3,046,822,288** | **2,825,541,902** | **3,667,229,508** | **3,250,308,047** | **17,050,596,585** |
| 2021 | 31,190,331,707 | 4,636,961,396 | 4,076,513,711 | 3,303,207,802 | 3,455,458,949 | 3,643,615,224 | 12,074,574,625 |

## 15/2- LIABILITIES AGAINST CHEQUES RECEIVED FROM CUSTOMERS FOR UNDELIVERED UNITES

| **LIABILITIES FOR POSTONED CHEQUES** | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Advance payments - customers (Al Rehab Project) | **628,803,444** | 636,924,888 |
| Advance payments - customers (Madinaty Project) | **15,303,966,585** | 11,634,370,109 |
| Advance payments - customers (Celia Project) | **1,857,916,874** | 8,916,431,117 |
| Advance payments - customers (Noor Project) | **15,395,360,784** | 10,002,605,593 |
| | **33,186,047,687** | 31,190,331,707 |

## 16- DEVELOPMENT PROPERTIES

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Balance at the beginning of the year | **58,839,947,633** | 46,202,851,945 |

| | | |
|---|---|---|
| Additions and transferred from fixed assets during the year | **25,776,680,530** | 19,044,047,087 |
| Capitalized finance costs during the year | **1,690,456,454** | 1,775,784,258 |
| Realized costs of delivered units charged to the consolidated statement of profit or loss | **(10,446,379,120)** | (8,098,579,606) |
| Realized costs of activities with periodic yields charged to the consolidated statement of profit or loss | **(89,858,945)** | (84,156,051) |
| Assets transferred to property investment (Note 9) | **(2,024,895,955)** | - |
| **Balance at the end of the year** | **73,745,950,597** | 58,839,947,633 |

It includes the following costs:

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

Infrastructure costs are allocated on the projects and represent a portion of the project's estimated cost to complete, to determine the cost of the recognized revenue.

**17 - INVENTORY**

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Inventory of units | **968,736,543** | 1,092,924,897 |
| Hotels' operating equipment and supplies | **2,849,532** | 3,027,851 |
| | **971,586,075** | 1,095,952,748 |

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

| | **31 December 2022 LE** | 31 December 2021 **LE** |
|---|---|---|
| Advance payments - contractors and suppliers | **2,456,045,327** | 2,674,847,511 |
| Contractors - "storage" | **899,737,095** | 883,232,553 |
| Current accounts - hotels | **611,664,402** | 461,741,076 |
| Withholding taxes - Tax Authority | **173,225,038** | 202,071,721 |
| Deposits with others | **782,049,691** | 332,222,562 |
| Documentary credits | **21,111,619** | 44,631,431 |
| Sundry receivables | **901,656,983** | 708,520,693 |
| Prepaid expenses | **145,658,046** | 286,577,368 |
| Amounts paid on the account of "Investments of Companies Under Incorporation" | **2,763,163** | 4,851,459 |
| | **5,993,911,364** | 5,598,696,374 |
| Accrued revenues | **237,928,486** | 180,311,768 |
| Expected credit losses for debit balances | **(11,080,021)** | (5,928,487) |
| | **6,220,759,829** | 5,773,079,655 |

**19 - CASH ON HAND AND BANK BALANCES**

| | **Local Currency LE** | **Foreign Currency LE** | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|---|---|
| Time deposits | **154,513,472** | **3,025,146,393** | **3,179,659,865** | 1,724,846,275 |
| Banks - current accounts | **2,346,426,250** | **179,365,877** | **2,525,792,127** | 1,508,574,968 |

| | | | | |
|---|---|---|---|---|
| Cash on Hand | **122,351,856** | **3,074,183** | **125,426,039** | 60,624,837 |
| **Cash on hand and at banks** | **2,623,291,578** | **3,207,586,453** | **5,830,878,031** | 3,294,046,080 |
| Expected credit losses for time deposits | **(52,005)** | **(1,018,187)** | **(1,070,192)** | (581,682) |
| **Cash on hand and at banks - Net** | **2,623,239,573** | **3,206,568,266** | **5,829,807,839** | 3,293,464,398 |

For the purpose of preparing the consolidated statement of cash flows, the cash and cash equivalents consist of the following:

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Cash on hand and at banks | **5,830,878,031** | 3,294,046,080 |
| Bank overdrafts | **(47,244,928)** | (5,972,470) |
| **Cash and cash equivalents** | **5,783,633,103** | 3,288,073,610 |

**20- SUPPLIERS, CONTRACTORS AND NOTES PAYABLE**

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Contractors and suppliers | **3,830,221,656** | 2,752,580,809 |
| Notes payable | **13,444,685,631** | 5,975,640,967 |
| | **17,274,907,287** | 8,728,221,776 |
| Less: present value | **(1,077,164,901)** | (952,828,237) |
| | **16,197,742,386** | 7,775,393,539 |

**21- ADVANCE PAYMENTS - CUSTOMERS**

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Advance payments - customers (Al Rehab Project) | **975,031,506** | 1,422,823,094 |
| Advance payments - customers (Madinaty Project) | **23,065,887,223** | 13,395,588,037 |
| Advance payments - customers (Celia Project) | **9,619,328,974** | 3,745,057,320 |
| Advance payments - customers (Noor Project) | **2,426,140,136** | 1,208,937,526 |
| Advance payments – customers, others | **381,447,340** | 245,133,885 |
| | **36,467,835,179** | 20,017,539,862 |

**22- DIVIDENDS PAYABLE**

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Dividends payable to shareholders and employees | **97,923,094** | 101,517,145 |
| Directors' remuneration | **479,541** | 1,149,337 |

| | | |
|---|---|---|
| | **98,402,635** | 102,666,482 |

## 23 - ACCRUED EXPENSES AND OTHER CREDIT BALANCES

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Maintenance deposits and units guarantees | **10,012,277,685** | 8,579,404,381 |
| Retention guarantees | **3,399,150,845** | 2,129,601,155 |
| Customers - credit balances | **98,664,936** | 257,738,822 |
| Accrued expenses and creditors | **666,349,780** | 382,457,468 |
| Clubs' subscriptions (deferred revenues) | **586,531,846** | 180,847,605 |
| | **14,762,975,092** | 11,530,049,431 |

**24 – CAPITAL**

The Company’s authorized capital amounts 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 pounds) 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 pound) distributed over 2,013,231,498 shares. It was recorded in the commercial register on 18 May 2010.

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

**25 – LEGAL RESERVE**

Legal reserve amounting to LE 364,990,669 at 31 December 2022 represents the transferred amount of the share’s premium amounted to LE 344,000,000, 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 RESERVE**

The general reserve balance amounting LE 61,735,404 at 31 December 2022 represents the amount of LE 25,747,613 resulting from shares swap of the Company’s shares in accordance with the Extra Ordinary General Assembly Meeting dated 6 October 2007 to transfer the difference on excess resulting from shares swap of the Company’s shares with its subsidiaries to the general reserve, in addition, the amount of LE 35,987,791, which represents the difference between the par value and the book value of the treasury shares that were written off according to the extraordinary general assembly resolution dated 24 March 2010, was added to the General reserve.

## 27- LOANS AND CREDIT FACILITIES

| | Short Term LE | Long Term LE | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|---|---|
| Facilities | **1,371,901,063** | **-** | **1,371,901,063** | 1,522,717,934 |
| Loans | **251,091,697** | **5,423,811,519** | **5,674,903,216** | 5,887,153,338 |
| | **1,622,992,760** | **5,423,811,519** | **7,046,804,279** | 7,409,871,272 |

The loans and credit facilities are analysed as follows:

| | Facilities LE | Loans LE | Amount in original currency |
|---|---|---|---|
| Qatar National Bank Alali | **79,787,450** | **-** | **-** |
| National Bank of Egypt | **473,143,714** | **-** | **-** |
| Emirates National Bank of Dubai | **490,582,091** | **-** | **-** |
| Faisal Islamic Bank | **85,477,289** | **-** | **-** |
| Arab Investment Bank | **205** | **103,310,028** | **-** |
| Ahli United Bank | **-** | **306,096,919** | € 11,464,504 |
| Ahli United Bank | **-** | **5,187,844,669** | $ 209,949,197 |
| Export Development Bank | **4,086,867** | **-** | |
| Abu Dhabi Islamic Bank | **95,787,214** | **-** | **-** |
| Abu Dhabi Commercial Bank | **-** | **76,360,429** | **-** |
| Other banks | **143,036,233** | **1,291,171** | **-** |
| | **1,371,901,063** | **5,674,903,216** | **-** |

*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.
- The average effective interest rate on loans and facilities was 50 points above the corridor.

**28- OTHER LONG-TERM LIABILITIES**

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Notes Payable – more than one year | **8,703,883,442** | 16,338,959,609 |
| New Urban Communities Authority | **6,705,645,326** | 7,250,401,707 |
| Less: present value | **(1,362,866,777)** | (2,118,321,311) |
| | **14,046,661,991** | 21,471,040,005 |

**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 pound). The number of issued sukuk is 20,000.000 (twenty million) instruments, its duration is 57 months starting from the date of issuance of April 2020 and an amount of EGP 250 million will mature at the end of 2022, an amount EGP 350 million mature in 2023, and EGP 1,400 million mature on 31 December 2024. Those instruments have a variable return in Egyptian pounds calculated based on the net average rate of return on treasury bills for six months, net of tax.

**30- PROVISION FOR EXPECTED LIABILTIES**

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Balance at the beginning of the year | **183,809,310** | 198,201,179 |
| Provided during the year | **172,695,050** | 143,210,699 |
| Utilized during the year | **(50,489,442)** | (157,602,568) |
| Balance at the end of the year | **306,014,918** | 183,809,310 |

## 31- CURRENT INCOME TAX AND DEFERRED TAX

**Income tax**

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Net accounting profit for the year before tax | **3,372,831,918** | 2,831,826,251 |
| Adjustments to net accounting profit to reach net taxable profit | **1,108,750,398** | 1,332,960,016 |
| Net taxable profit | **4,481,582,316** | 4,164,786,267 |
| Tax at 22.5% | **1,008,356,021** | 937,076,910 |

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Current income tax | **1,008,356,021** | 937,076,910 |
| Deferred income tax revenue | **(29,725,836)** | (46,024,638) |
| Deferred income tax expense | **164,184,734** | 157,587,188 |
| | **1,142,814,919** | 1,048,639,460 |

The movement in payable income tax during the year is as follows:

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Balance at the beginning of the year | **1,135,591,523** | 996,166,500 |
| Provided during the year | **1,008,356,021** | 937,076,910 |
| Payable income tax paid | **(1,086,376,781)** | (797,651,887) |
| Balance at the end of the year | **1,057,570,763** | 1,135,591,523 |

**Movement of deferred tax assets / liabilities during the year is as follows:**

The balance of deferred tax liabilities is LE 351,853,244 and the deferred tax assets amount to L.E 75,750,474 at December 31, 2022, as follows:

## 31- CURRENT INCOME TAX AND DEFERRED TAX (CONTINUED)

### Deferred tax liabilities

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Balance at the beginning of the year | **(192,820,440)** | (5,084,141) |
| Impact of adoption of EAS 48 | **-** | (14,619,101) |
| Income tax related to OCI | **5,151,930** | (15,530,010) |
| Deferred tax expense during the year | **(164,184,734)** | (157,587,188) |
| Balance at the end of the year | **(351,853,244)** | (192,820,440) |

### Deferred tax assets

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Balance at the beginning of the year | **46,024,638** | - |
| Deferred tax expense during the year | **29,725,836** | 46,024,638 |
| Balance at the end of the year | **75,750,474** | 46,024,638 |

## 32- REVENUE AND COST OF ACTIVITY

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Revenue from sold units | **14,671,464,755** | 12,107,503,280 |
| Revenue from hotels' operation | **2,565,557,386** | 1,269,151,551 |
| Revenue from activities with periodic yields and service activities | **2,633,428,629** | 1,971,314,681 |
| **Total Revenues** | **19,870,450,770** | 15,347,969,512 |
| Cost of sold units | **10,446,379,120** | 8,098,579,606 |
| Cost of hotels' operation | **1,403,595,953** | 903,067,600 |
| Cost of activities with periodic yields and service activities | **1,781,830,927** | 1,352,548,154 |
| **Total cost of revenues** | **13,631,806,000** | 10,354,195,360 |

### 32- REVENUE AND COST OF ACTIVITY (CONTINUED)

**Below is the sectors' analysis:**

| | Real Estate & services LE | Tourism LE | General LE | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|---|---|---|
| Revenues | 17,304,893,384 | 2,565,557,386 | - | **19,870,450,770** | 15,347,969,512 |
| Cost of sales | (12,228,210,047) | (1,403,595,953) | - | **(13,631,806,000)** | (10,354,195,360) |
| **Business result** | **5,076,683,337** | **1,161,961,433** | - | **6,238,644,770** | 4,993,774,152 |
| Depreciation & amortization | (221,331,996) | (119,870,856) | (2,530,496) | **(343,733,348)** | (317,258,586) |
| Other income & capital gains | 459,203,500 | - | 48,501,982 | **507,705,482** | 542,358,059 |
| Income taxes | - | - | (1,142,814,919) | **(1,142,814,919)** | (1,048,639,460) |
| **Profits** | 2,290,244,842 | (60,227,843) | - | **2,230,016,999** | 1,783,186,791 |
| Assets | 131,679,902,513 | 12,725,415,417 | - | **144,405,317,930** | 116,283,020,721 |
| Financial investments | 6,026,540,601 | - | 825,138,011 | **6,851,678,612** | 10,368,747,036 |
| Unallocated assets | - | - | 11,461,073,726 | **11,461,073,726** | 12,066,073,726 |
| **Group's total assets** | **137,706,443,114** | **12,725,415,417** | **12,286,211,737** | **162,718,070,268** | 138,717,841,483 |
| Liabilities | 120,695,221,463 | 4,536,341,260 | - | **125,231,562,723** | 102,692,030,280 |
| Unallocated Liabilities | 101,981,874 | - | 456,193,904 | **558,175,778** | 982,315,828 |
| **Group's total liabilities** | **120,797,203,337** | **4,536,341,260** | **456,193,904** | **125,789,738,501** | 103,674,346,108 |

### 33 - OTHER INCOME

| | **31 December 2022 LE** | 31 December 2021 LE |
|---|---|---|
| Finance income | **153,522,969** | 170,498,893 |
| Revenue from financial investments at amortised cost | **141,405,142** | 252,344,558 |
| Operating revenue, rental units and usufruct | **139,613,386** | 89,468,922 |
| Dividends | **7,035,803** | 585,543 |
| Income from investments in financial assets at fair value | **37,100,446** | 19,486,644 |
| Company's share in investments in associates | **24,908,861** | 9,973,498 |
| | **503,586,607** | 542,358,058 |

### 34-TAX SITUATION

**<u>Talaat Mostafa Group Holding Company</u>**

**a. Corporate tax**

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

**b. Salary tax**

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

**c. Stamp tax**

The Company pays the stamp tax due including the notifications made on time to the tax authority.

**34 -TAX SITUATION (CONTINUED)**

**Arab Company for Projects and Urban Development**

**a. Corporate tax**

- The Company provides tax declaration regularly and on legal dates to the competent authority, and the inspection and settlement were made for the years from the beginning of the activity until 2017. Inspection for the years 2018-2019 is still in progress.

**b. Salary tax**

- The Company pays taxes deducted from wage and salary check workers regularly and the declarations and payments are submitted on the official dates.
- Company’s records of the years till 2016 were inspected, assessed and paid
- Company’s records of years from 2017 till 2019 were inspected, assessed and paid.

**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 declarations on time and payments are made on time.
- Inspection and payment have been carried out from the value-added law release year on 2016 to 2017.
- Years of 2018/2019 are under inspection.

**San Stefano Company for real estate investments**

**a. Corporate tax**

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

**b. Salary tax**

- The Company pays taxes deducted from employees immediately. Quarterly declarations are submitted on time, and tax inspection and payments have been carried out until 2005.
- The Company’s records were inspected for the years till 2018 and tax assessment was received.

**c. Stamp tax**

- The inspection and payment of taxes until 2015 has been completed and the taxes payable by the Company have been paid in full up to that date.
- The Company’s records for the years 2016/2019 were inspected, assessed and taxes were paid

**Alexandria for Projects Management**

**a. Corporate tax**

- The Company is subject to the provisions of income tax law No. 91 of 2005, the Company’s records have been examined for 2016 and a settlement was reached with the tax authority.
- The years 2017/2019 are under inspection.

**b. Salary tax**

- The inspection and settlement until 2016 were carried out by the tax authority.
- The years 2017/2019 are under inspection.

**c. Stamp tax**

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

**d. VAT**

- The Company submits tax declarations 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 2015.
- The years 2016-2019 are under inspection.

**34 -TAX SITUATION (CONTINUED)**

**Alexandria Company for Real Estate Investments**

**a. Corporate tax**

- The Company submits its tax declarations regularly and in a timely manner.
- Inspection of the Company's records until 2013 was carried out and taxes were settled.
- Inspection of the Company's records for years 2014-2019 has been completed and taxes were settled.

**b. Salary tax**

- Inspection of the Company's records since inception until year 2016 was carried out and taxes were settled.
- Inspection of the Company's records for years 2017 -2019 has been carried out.

**c. Stamp tax**

- Inspection of the Company's records until 2012 was carried out and taxes were settled.
- Inspection of the years 2013 to 2019 is in progress.

**Arab Company for Hotels and Tourism Investments**

**a. Corporate tax**

- The Company submits its tax declarations before the end of April of each year, as sanctioned by the Income Tax Law no. 91 of 2005 and tax expenses are annually paid based on the business results.
- The Company has been inspected by the Joint Stock Corporation Tax Authority until 2016 and is on the process of adjusting and paying the tax due.

**b. Salary tax**

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

**c. Stamp tax**

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

**Alexandria for Urban Projects Co.**

**a. Corporate tax**

- The Company submits its tax declarations regularly and in a timely manner.
- Inspection of the Company's records until 2013 was carried out and due taxes were settled.
- The years from 2014 to 2016 were inspected.
- Years of 2017-2019 are under inspection.

**b. Salary tax**

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

**c. VAT**

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

**d. Stamp Tax**

- The Company's records till 2016 were inspected and assessed, and the taxes were paid.

**34 -TAX SITUATION (CONTINUED)**

**Al Rabwa for Entertainment Services Co.**

**a. Corporate tax**

- The Company submits its tax declarations 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.
- Years of 2017- 2019 are under inspection.

**b. Salary tax**

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

**c. Stamp tax**

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

**d. VAT**

- The Company submits its tax declarations and settles taxes regularly and in a timely manner. The Company's records were inspected for the years till 2013 and tax assessment was received for years till 2013.

**34 -TAX SITUATION (CONTINUED)**

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

**a. Corporate tax**

- The Company submits its tax declarations regularly and in a timely manner to the respective authority.
- The Company submits its tax declaration before the end of April of each year, as sanctioned by the Income Tax Law no. 91 of 2005 and tax expenses are due and paid annually based on the Company's business.
- Inspection of the Company's records for years 2010-2014 has been carried out and to be settled with tax authority.

**b. Salary tax**

- The Company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax declarations accompanied by payroll records and adjustments, The Company received tax form no. (38) for years 2005-2011 and appealed the form within legal timeline. The appeal was accepted and inspection of the Company's records for years 2005-2011 is in progress 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. The inspection of the Company's records until 2014 was carried out and due taxes were settled.

**d. VAT**

- The Company is not registered under the VAT

**El Nile for Hotels company**

**a. Corporate tax**

- The Company submits its tax declarations before the end of April of each year, as sanctioned by the Corporate Tax Law no. 91 of 2005 and taxes are annually paid based on the Company's results.
- The Company received tax form no. (19) for 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 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax declarations accompanied by payroll records and adjustments. Inspection of the Company's records until 2011 was carried out and due taxes 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 taxes have been settled.

**d. VAT**

- The Company is registered with value-added tax and submits the tax declaration monthly with the form prepared for that by the Authority, and the tax, if any, is supplied with the monthly declaration to the competent tax authority.

**34 -TAX SITUATION (CONTINUED)**

**San Stefano for Tourism Investment Co.**

**a. Corporate tax**

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

**b. Salary tax**

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

**c. Stamp tax**

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

**34 -TAX SITUATION (CONTINUED)**

**Nova Park Cairo Company**

a. **Corporate tax**

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

b. **Salary tax**

- The Company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax declarations 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 taxes were settled. Inspection of the company's records for years 2014 -2018 has not yet been carried out the Company has not yet been notified of its results.

d. **VAT**

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

**34 -TAX SITUATION (CONTINUED)**

**Alexandria Saudi Company for Tourism Projects**

**a. Corporate tax**

- The Company submits its tax declaration before the end of April of each year, as sanctioned by the Income Tax Law no. 91 of 2005 and taxes are annually paid based on the Company's results.
- The Company received tax form no. (19) for years 2011-2014 and appealed the form within the legal timeline and the relevant tax authority is currently preparing for re-inspection.

**b. Salary tax**

- The Company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax declarations accompanied by payroll records and adjustments. Inspection of the Company's records until 2018 was carried out and the Company has not yet been notified of its results.

**c. Stamp tax**

- The Company settles stamp tax in accordance with law no. 111 of 1980 and its amendments. Inspection of the Company's records until 2014 was carried out and taxes 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 has been carried out and a settlement was reached to that date.

**34 -TAX SITUATION (CONTINUED)**

**Luxor for Urban and Touristic Development Company**

**a. Corporate tax**

- The Company submits its tax declarations before the end of April of each year, as sanctioned by the Income Tax Law no. 91 of 2005 and settles taxes on the business's results annually.
- Inspection of the Company's records has not yet been carried out by the Investment Tax Authority.

**b. Salary tax**

- The Company deducts income tax on employee salaries on monthly basis and settles the amounts before the 15th day of each month in which the tax is incurred as per forms approved by the Tax Authority and submits its annual tax declarations accompanied by payroll records and adjustments, The Company received tax form no. (38) for 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 amendments. The Inspection of the Company's records has not been carried out by the authority.

**d. VAT**

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

**34 -TAX SITUATION (CONTINUED)**

**Mayfair Company for Entertainment Services**

**a. Corporate tax**

- The Company commenced operations in 2005 and no tax inspection was carried out until now. The Company enjoys a tax exemption under the New Urban Communities Law. The inspection till 2016 was carried out. The Company's taxes have been paid.

**b. Salary tax**

- The Company settles income tax deducted from employee salaries in a timely manner and no inspection of the Company’s records has been carried out to that date.

**c. Stamp tax**

- No tax inspection was carried out till the date of the financial position.

**d. VAT**

- The Company submits its tax declarations in the specified monthly dates and settles taxes regularly. 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 its annual tax declaration in accordance with the Income Tax Law no. 91 of 2005 and amendments thereto.

**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 has been registered with VAT starting from March 2022. It is committed to submitting monthly declarations on the legal timelines.

**d. Stamp tax**

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

## 35- RELATED PARTIES

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

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

The amount charged by senior executives charged to general and administrative expenses on the consolidated statement of income amounted to LE 99 million, other than what was capitalized within the work under progress. Non-executive board members receive LE 7,2 million, in addition to the amounts disbursed to companies or offices in which some non-executive members of the Board of Directors contribute in return for performing some advisory, legal and financial services to the group of companies, amounting to LE 9.5 million in exchange for these services.

Alexandria for Construction Company was presented among related parties, due to the presence of joint members in the senior management 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 the shares of the company.

**Transactions with related parties**

The most significant related party balances that are included in the consolidated statement of financial position are as follows:

| | **Contractors** | **Guaranties** | **Contractors' "Storage"** | **Advance payments** | **Due from** |
|---|---|---|---|---|---|
| | ***LE*** | ***LE*** | ***LE*** | ***LE*** | ***LE*** |
| Alexandria for Construction Company - 31 December 2022 | **954,346,247** | **1,852,986,964** | **336,533,034** | **1,031,569,150** | **98,173,143** |
| | Contractors | Guaranties | Contractors' "“Storage | Advance payments | Due from |
| | ***LE*** | ***LE*** | ***LE*** | ***LE*** | ***LE*** |
| Alexandria for Construction Company - 31 December 2021 | 1,454,158,655 | 1,316,509,094 | 481,188,626 | 1,154,756,795 | 98,173,143 |

**36 - EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit for the year attributable to the ordinary shareholders of the Company by the weighted average number of shares outstanding during the year.

| | **31 December 2022 LE** | **31 December 2021 LE** |
|---|---|---|
| Profit for the year | **2,304,506,654** | 1,761,651,051 |
| **Less:** | | |
| Staff’s share in profits | **(207,405,599)** | (176,165,105) |
| Board of Directors’ renumeration | **(3,600,000)** | (3,000,000) |
| | **2,093,501,055** | 1,582,485,946 |
| Weighted average number of shares outstanding during the year | **2,063,562,286** | 2,063,562,286 |
| Basic and diluted earnings per share | **1.01** | 0.77 |

* The earnings per share have been calculated assuming the calculation of the staff’s share in profits and the Board of Directors’ renumeration in a discretionary manner in accordance with the Company's Articles of Association.

* Since there are no diluted instruments outstanding, basic and diluted earnings per share are identical.

**37 - 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, notes receivables, prepaid expenses, sundry receivables, other receivables, due from related parties and from its financing activities, including deposits with banks and financial institutions.

**Receivables and notes receivable**
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 due instalments. However, the legal ownership of residential and commercial units is transferred to the buyer only after all the instalments are settled. In addition, due instalments are monitored on an ongoing basis with the result that the Company’s exposure to bad debts is not significant.

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

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

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

Credit risk from balances with banks and financial institutions is managed by the Company's Finance Department. The Company limits its exposure to credit risk by depositing balances with local banks of good reputation. Given the profile of its bankers, the Company's management does not expect any counterparty to default to meet its obligations.

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

**a) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Company's income. Financial instruments affected by market risk include interest-bearing loans, and 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 majority of the financial liabilities and loans due by the Group is a floating interest rate, accordingly, the effect of the change in the interest rate is displayed on the financial statements of the Group.

| | **31 December 2022** | | 31 December 2021 | |
|---|---|---|---|---|
| | **Change in interest rate** | **Effect on profits before tax LE** | Change in interest rate | Effect on profits before tax LE |
| Financial assets | **+1%** | **32,075,865** | +1% | 20,951,500 |
| | **-1%** | **(32,075,865)** | -1% | (20,951,500) |

**Exposure to foreign currency risk**

The Company are exposed to the risk of changes in the foreign currency generally from the financial assets and the liabilities and mainly for the long-term liabilities, i.e., loan balances in US dollars.

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

**b) Market risk (continued)**

| | **31 December 2022** | | 31 December 2021 | |
|---|---|---|---|---|
| | **Change in interest rate** | **Effect on profits before tax LE** | Change in interest rate | Effect on profits before tax LE |
| USD | +10% | **319,205,428** | +10% | 200,903,503 |
| | -10% | **(319,205,428)** | -10% | (200,903,503) |
| Euro | +10% | **1,020,953** | +10% | 2,977,083 |
| | -10% | **(1,020,953)** | -10% | (2,977,083) |
| SAR | +10% | **148,722** | +10% | 251,238 |
| | -10% | **(148,722)** | -10% | (251,238) |
| CHF | +10% | **105,041** | +10% | 1,736 |
| | -10% | **(105,041)** | -10% | (1,736) |
| AED | +10% | **159,323** | +10% | 306,597 |
| | -10% | **(159,323)** | -10% | (306,597) |
| GBP | +10% | **199,051** | +10% | 67,462 |
| | -10% | **(199,051)** | -10% | (67,462) |

**Equity price risk**

The Group’s exposure to equity securities price risk arises from an investment held by the Group and classified as at fair value through profit or loss (FVTPL). The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group’s senior management on a regular basis. The Group’s senior management reviews and approves all major equity investment decisions.

At the reporting date, there is no material impact resulting from the exposure to risks for investments in shares at fair value listed on a stock market.

**c) Liquidity risk**

The cash flows, funding requirements and liquidity of the Company are monitored by the Company’s 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 expenses of financial liabilities.

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

The financial instruments are represented in financial assets and financial liabilities. The financial assets of the Group include cash on hand and at banks, accounts receivable and notes receivable, and certain other debit balances, investments designated at amortized cost, and due from related parties. The financial liabilities of the Group include credit facilities, loans, accounts payable, creditors and other credit balances, land purchase liability, due to related parties and guarantee payable. The fair value of the financial assets and financial liabilities are not substantially different from the recorded book value unless it is mentioned.

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

**Financial instruments**
The Group holds the following financial assets at fair value through other comprehensive income:

| | **Level 1 LE** | **Level 2 LE** | **Level 3 LE** | **Total LE** |
|---|---|---|---|---|
| ***31 December 2022*** | | | | |
| Equity investments (Note 11) | **339,318,432** | **282,072,912** | **581,777** | **621,973,121** |

| | Level 1 LE | Level 2 LE | Level 3 LE | Total LE |
|---|---|---|---|---|
| *31 December 2021* | | | | |
| Equity investments (Note 11) | 194,662,655 | 304,970,380 | 581,777 | 500,214,812 |

The Group also maintains financial assets valued at fair value through the following profits or losses:

The Group holds the following financial assets at fair value through profit or loss:

| | **Level 1 LE** | **Level 2 LE** | **Total LE** |
|---|---|---|---|
| **31 December 2022** | | | |
| Investments in funds (Note 13) | **82,533,595** | **5,000,000** | **87,533,595** |
| Investments in shares (Note 13) | **5,241** | **-** | **5,241** |
| Investments in policies (Note 13) | **-** | **155,435,759** | **155,435,759** |
| | **82,538,836** | **160,435,759** | **242,974,595** |

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

| | Level 1<br>LE | Level 2<br>LE | Total<br>LE |
|---|---|---|---|
| *31 December 2021* | | | |
| Investments in funds (Note 13) | 14,218,340 | 5,000,000 | 19,218,340 |
| Investments in shares (Note 13) | 4,138 | - | 4,138 |
| Investments in policies (Note 13) | - | 92,355,183 | 92,355,183 |
| | 14,222,478 | 97,355,183 | 111,577,661 |

**39- SIGNIFICANT EVENTS**

- Some major global events occurred, which included the Arab Republic of Egypt as well, where 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, closure of business and other locations. These governmental measures and their corresponding impact are still evolving and are expected to impact the economic climate which in turn, could expose the Company to various risks, including a significant drop in revenues, and impairment of assets and other risks.

- The impact of these events was considered in the consolidated financial statements of the Company at 31 December 2022 and may affect the consolidated 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, the time year during which those events are expected to end.

- The Group's revenues comprise of three main sectors: real estate sector, hotels sector, activities with period yield and service activity sector, (e.g., malls, clubs’ memberships, as well as infrastructure and public transportation activity).

**39- SIGNIFICANT EVENTS (CONTINUED)**

Since the beginning of the crisis, the executive management of the Group has been keen to take a set of measures and procedures, which had a positive impact in mitigating the severity of the impacts of the crisis, and the Group's ability to bear any potential fluctuations in the various activities resulting from that pandemic.

- On March 21, 2022, the CBE decided to increase the overnight deposit and gearing rates and the price of the CBE main operation by 100 basis points, to reach 9.25%, 10.25%, and 9.75%, respectively. The credit and discount rate were also raised by 100 basis points, to reach 9.75%. The Company is studying the impact on the subsequent consolidated financial statements.

- On May 19, 2022, the CBE decided to increase the overnight deposit and gearing rates, and the price of the CBE main operation by 200 basis points, to reach 11.25%, 12.25%, and 11.75%, respectively. The credit and discount rate were also raised by 200 basis points, to reach 11.75%. The Company is studying the impact on the subsequent consolidated financial statements.

- On October 27, 2022, the CBE decided to increase the overnight deposit and gearing rates, and the price of the CBE main operation by 200 basis points, to reach 13.25%, 14.25% and 15.75% respectively. The credit and discount rate were also raised by 200 basis points, to reach 13.75%. The Company is studying the impact on the subsequent consolidated financial statements.

- On December 22, 2022, the CBE decided to increase the overnight deposit and gearing rates, and the price of the CBE main operation by 300 basis points, to reach 16.25%, 17.25% and 18.75% respectively. The credit and discount rate were also raised by 200 basis points, to reach 17.75%. The Company is studying the impact on the subsequent consolidated financial statements.

- On October 27, 2022, the CBE floated the exchange rate of EGP against other foreign currencies, which led to a slide in the value of EGP against other foreign currencies.

- The exchange rates of the EGP declined against the dollar and some other currencies in the period following the date of the financial statements. The Company is studying the impact on the subsequent consolidated financial statements.