

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

**ARAB CHARTERED ACCOUNTANTS  
(RSM EGYPT)**

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

**TALAAT MOSTAFA GROUP HOLDING COMPANY  
"TMG HOLDING "(S.A.E)**

**Separate Interim Financial Statements  
For The Six Months Ended 30 June 2019**

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**INTERIM REVIEW REPORT**

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

**Introduction**

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

**Scope of Review**

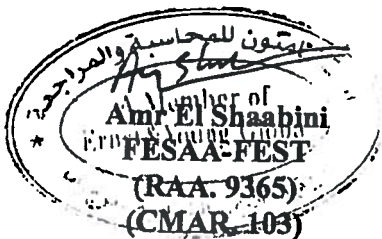
We conducted our review in accordance with the Egyptian Standard on Review Engagement no. (2410) "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

**Conclusion**

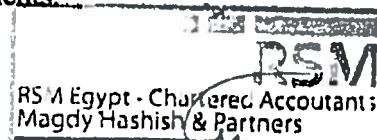
Based on our review, nothing has come to our attention that causes us to believe that accompanying interim separate financial statements are not prepared, in all material respects for the separate financial position of the company at 30 June 2019, and its financial performance and cash flows for the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

As indicated in note (4) the company has investments in subsidiaries and prepares consolidated financial statements as of 30 June 2019 for better understanding of the company's financial position as of 30 June 2019 and its financial performance and its cash flows for the period then ended, the matter necessitates reference to the consolidated financial statements.

Cairo: 08 August 2019



**Auditors**



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

**ALLIED FOR ACCOUNTING & AUDITING  
(EY)  
Amr El Shaabini**

**CHARTERED ACCOUNTANTS  
(RSM EGYPT)**

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

SEPARATE STATEMENT OF INTERIM FINANCIAL POSITION

As of 30 June 2019

	Notes	30 June 2019	31 December 2018
		LE	LE
<b>Non-Current Assets</b>			
Property and equipment	(3)	59,538,878	10,180,502
Fixed assets under constructions		132,000	132,000
Investments in subsidiaries	(4)	16,696,111,059	16,696,111,059
Investments in associates	(5)	1,470,000	1,470,000
Available for sale investments	(6)	80,181,876	85,655,369
Deferred tax assets		-	22,344
<b>Total Non-Current Assets</b>		<b>16,837,433,813</b>	<b>16,793,571,274</b>
<b>Current Assets</b>			
Financial assets at fair value through profit or loss	(7)	2,583,058	2,418,083
Notes receivable	(20)	2,158,047,774	2,600,511,361
Due from subsidiaries		1,645,518,932	1,003,480,380
Dividend debtors		501,295,526	854,990,732
Prepaid expenses and other debit balances	(8)	2,119,602	2,175,797
Cash on hand and banks	(9)	166,764,179	202,078,222
<b>Total Current Assets</b>		<b>4,476,329,071</b>	<b>4,665,654,575</b>
<b>Total Assets</b>		<b>21,313,762,884</b>	<b>21,459,225,849</b>
<b>Equity</b>			
Issued and paid up capital	(12)	20,635,622,860	20,635,622,860
Legal reserve	(13)	289,974,198	274,484,336
General reserve	(14)	61,735,404	61,735,404
Net unrealized gain on available for sale investments	(15)	40,853,811	46,327,304
Retained earning		29,297,575	105,990,207
Net profit for the period / year.		56,258,177	309,797,230
<b>Total Equity</b>		<b>21,113,742,025</b>	<b>21,433,957,341</b>
<b>Current Liabilities</b>			
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	(19)	11,419	-
<b>Total Non-Current Liabilities</b>		<b>11,419</b>	<b>-</b>
Notes payable		749,588	322,439
Dividends payable	(10)	185,800,000	-
Tax authority	(19)	7,310,690	14,259,572
Accrued expenses and other credit balances	(11)	6,149,162	10,686,497
<b>Total Current Liabilities</b>		<b>200,009,440</b>	<b>25,268,508</b>
<b>Total Equity and Liabilities</b>		<b>21,313,762,884</b>	<b>21,459,225,849</b>

Chairman

Tarek Talaat Mostafa

Chief Executive Officer  
& Managing Director

Hisham Talaat Mostafa

Financial Director

Ghaleb Ahmed Fayed

Auditors

RSM  
RSM Egypt - Chartered Accountants  
Tarek Hashish & Partners

Amr El Shaabini Tarek Hashish


- The attached notes (1) to (23) are an integral part of these separate financial statements.
- Review report attached.

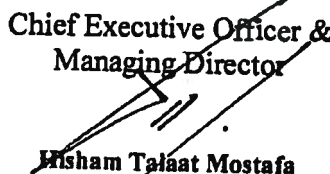
Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)

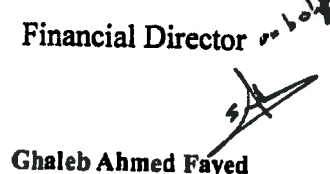
SEPARATE STATEMENT OF INTERIM INCOME (PROFIT OR LOSS)

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 LE	For the six months ended 30 June 2018 LE	For the three months ended 30 June 2019 LE	For the three months ended 30 June 2018 LE
Dividends from subsidiaries	(18)	73,800,160	-	36,900,080	7,756,719
Credit Interest	(17)	9,382,553	10,645,753	4,417,855	4,098,773
Treasury Bills Interest	(17)	-	20,679,232	-	-
Gain of revalue financial assets at fair value through profit or loss	(7)	164,975	144,459	81,810	73,411
Gain foreign exchange		(3,441,758)	849,757	(1,832,659)	678,450
<b>Total revenue</b>		<b>79,905,930</b>	<b>32,319,201</b>	<b>39,567,086</b>	<b>12,607,353</b>
Administrative expenses		(8,361,240)	(8,841,210)	(4,226,577)	(3,094,456)
Universal health care act contribution		(118,967)	-	(14,097)	-
Depreciation	(3)	(666,673)	(39,717)	(645,836)	(19,389)
Bank charges		(18,752)	(16,140)	(5,430)	(7,232)
Board of Directors allowances		(330,000)	(174,000)	(180,000)	(90,000)
<b>NET PROFIT FOR THE PERIOD BEFORE TAX</b>		<b>70,410,298</b>	<b>23,248,134</b>	<b>34,495,146</b>	<b>9,396,276</b>
Income tax	(19)	(14,118,358)	(5,182,443)	(9,776,788)	(1,963,732)
Deferred tax	(19)	(33,763)	(3,259)	3,001	(1,514)
<b>NET PROFIT FOR THE PERIOD AFTER TAX</b>		<b>56,258,177</b>	<b>18,062,432</b>	<b>24,721,359</b>	<b>7,431,030</b>
<b>EARNING PER SHARE</b>	(16)	<b>0.024</b>	<b>0.008</b>	<b>0.011</b>	<b>0.003</b>

Chairman  
  
Tarek Talaat Mostafa

Chief Executive Officer &  
Managing Director  
  
Hisham Talaat Mostafa

Financial Director  
  
Ghaleb Ahmed Fayed

- The attached notes (1) to (23) are an integral part of these separate financial statements.

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

SEPARATE STATEMENT OF INTERIM COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	<b>For the six months ended 30 June 2019 LE</b>	<b>For the six months ended 30 June 2018 LE</b>	<b>For the three months ended 30 June 2019 LE</b>	<b>For the three months ended 30 June 2018 LE</b>
Profit for the period	56,258,177	18,062,432	24,721,359	7,431,030
<b>Other Comprehensive Income</b>				
Revaluation of available for sale investments	<u>(5,473,493)</u>	<u>(147,625)</u>	<u>(2,928,799)</u>	<u>1,112,300</u>
<b>Comprehensive Income After Tax</b>	<u>(5,473,493)</u>	<u>(147,625)</u>	<u>(2,928,799)</u>	<u>1,112,300</u>
<b>Total Comprehensive Income for The period</b>	<u><b>50,784,684</b></u>	<u><b>17,914,807</b></u>	<u><b>21,792,560</b></u>	<u><b>8,543,330</b></u>

- The attached notes (1) to (23) are an integral part of these interim separate financial statements.

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

### SEPARATE STATEMENT OF INTERIM CHANGES IN EQUITY

For the six months ended 30 June 2019

	Capital share		Legal reserve		General reserve		Unrealized gain on available for sale investments		Retained earning		Profit for the year		Total	
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance at 1 January 2019	20,635,622,860	274,484,336	61,735,404	46,327,304	105,990,207	309,797,230	21,433,957,341							
Transferred to retained earnings and legal reserve	-	15,489,862	-	-	294,307,368	(309,797,230)	-							
Total other comprehensive income for the year	-	-	-	(5,473,493)	-	-	(5,473,493)							
Profit for the year	-	-	-	-	-	56,258,177	56,258,177							
Dividends	-	-	-	-	(371,000,000)	-	(371,000,000)							
<b>Balance As of 30 June 2019</b>	<b>20,635,622,860</b>	<b>289,974,198</b>	<b>61,735,404</b>	<b>40,853,811</b>	<b>29,297,575</b>	<b>56,258,177</b>	<b>21,113,742,025</b>							

- The attached notes (1) to (23) are an integral part of these separate financial statements.

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

**SEPARATE STATEMENT OF INTERIM CHANGES IN EQUITY**

For the six months ended 30 June 2019

	Capital share		Legal reserve		General reserve		Unrealized gain on available for sale investments		Retained earning		Profit for the period		Total	
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance at 1 January 2018	20,635,622,860		250,250,347		61,735,404		46,852,929		34,431,357		450,248,428		21,479,141,325	
Transferred to retained earnings and legal reserve	-		24,233,989		-		-		426,014,439		(450,248,428)		-	
Total other comprehensive income for the period	-		-		-		(147,625)		-		-		(147,625)	
Profit for the year	-		-		-		-		-		18,062,432		18,062,432	
Dividends	-		-		-		-		(354,455,589)		-		(354,455,589)	
Balance As of 30 June 2018	<u>20,635,622,860</u>		<u>274,484,336</u>		<u>61,735,404</u>		<u>46,705,304</u>		<u>105,990,207</u>		<u>18,062,432</u>		<u>21,142,600,543</u>	

- The attached notes (1) to (23) are an integral part of these separate financial statements.



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

### SEPARATE INTERIM STATEMENT OF CASH FLOW

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 LE	For the six months ended 30 June 2018 LE
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit for the year before tax		70,410,298	23,248,134
Depreciation	(3)	666,673	39,717
Interest (revenue) from T-Bill, Time Deposits	(17)	(9,382,553)	(31,324,985)
Dividends from subsidiaries	(18)	(73,800,160)	-
loss (Gain) of revalue financial assets at fair value through profit or loss	(7)	(164,975)	(144,459)
(Gain) from foreign exchange		3,441,758	(849,757)
<b>Operating (loss) before changing in working capital</b>		<b>(8,828,959)</b>	<b>(9,031,350)</b>
Change in prepayments and other debit balances	(8)	56,195	(17,739,757)
Change in notes Receivable	(20)	516,263,747	3,470,824,827
Change in notes payable		427,149	1,555,257
Paid of accrued income tax	(19)	(21,067,240)	(19,177,614)
Change in due from subsidiaries		(642,038,552)	(3,242,397,876)
Change in dividend debtors		353,695,206	-
Change in accrued expenses and other credit balances	(11)	(4,537,334)	(2,098,138)
<b>Net cash flow provided from operating activities</b>		<b>193,970,212</b>	<b>181,935,276</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
(Payment) to purchase fixed assets	(3)	(50,025,050)	(18,400)
Proceeds from available for sale investments		-	267,471
Proceeds (Payment) from /for financial assets held to maturity		-	436,885,177
Proceeds from T-Bills, Time Deposits revenues	(17)	9,382,553	31,323,907
<b>Net cash flow (used in) provided from investing activities</b>		<b>(40,642,497)</b>	<b>468,458,155</b>
<b>CASH FLOW FROM FINANCE ACTIVITIES</b>			
<b>Receipts from issuance of share capital</b>			
Cash dividends		(185,200,000)	(354,455,589)
<b>Net cash flow provided from finance activities</b>		<b>(185,200,000)</b>	<b>(354,455,589)</b>
Foreign exchange impact		(3,441,758)	849,757
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>		<b>(35,314,043)</b>	<b>296,787,599</b>
Cash and cash equivalents at the beginning of the period		202,078,222	100,515,162
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	(9)	<b>166,764,179</b>	<b>397,302,761</b>

- The attached notes (1) to (23) are an integral part of these separate financial statements.

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

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### 1 BACKGROUND

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

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

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

#### 2-1 Summary of the significant accounting policies

##### Foreign currency transaction translation

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

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

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

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

##### Property, plant and equipment

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

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

	Years
Motor Vehicles	5
Computers & software	3-8
Furniture	5-10
Tools	3-5

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

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### Significant Accounting Policies (Continued)

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

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

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

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

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

#### Investments

##### Investment in subsidiaries

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

Investments in subsidiaries are accounted for at cost inclusive transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of income for each investment separately, Impairment losses to be reversed in the period when occurred, and to the extent to the amount of book value that previously reduced unless the impairment loss was recognized in the previous years.

##### Investments in associates

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

Investments in associates are recorded in cost according paragraph G from article 13 from Egyptian accounting standard (18) when public use consolidated financial statements are prepared, In case the investment is impaired, the carrying amount to be adjusted by the value of this impairment and is charged to the statement of income for each investment separately.

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

##### Available-for-sale investments

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

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

After initial measurement, available for sale investments are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is to be recognized in the statement of income, Impairment losses to be reversed in the period when occurred, and to the extent to the amount of book value that previously reduced unless the impairment loss was recognized in the previous years.

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

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

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### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### Significant Accounting Policies (Continued)

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

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

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

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

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

##### Financial assets held to maturity

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

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

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

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

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

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

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

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

##### Treasury Bills

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

##### Debtors and Notes Receivable

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

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

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

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

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### Significant Accounting Policies (Continued)

##### Cash and cash equivalents

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

##### Credit balances and accruals

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

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

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

##### Provisions

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

##### Revenue recognition

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

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

##### Legal reserve

According to the Company's article of association, 5% of the net profits of the year are to be transferred to the legal reserve until this reserve reaches 50 % of the issued capital, the reserve is used upon a decision from the General Assembly Meeting based on the proposal of the Board of Directors.

##### Accounting estimates

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

##### Impairment of Assets

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

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

The impairment loss related to financial assets available for sale to be calculated by using the present fair value, Impairment test is applied to the significant financial assets to the level of each asset.

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

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### Significant Accounting Policies (Continued)

Impairment loss is recognized in the income statement, The remaining financial assets are estimated according to the groups level that have the same credit risk characterises, Any subsequent reversal of an impairment loss is recognized in profit and loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

#### b- Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired, An asset's recoverable amount is higher of an asset's or cash – generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre –tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses of continuing operations are recognised in the income statement in those expenses categories consistent with the function of impairment asset except for the property previously revaluated where the revaluation was taken to equity; In this case the impairment is also recognised in equity up to the amount of any previous revaluated.

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

#### Treasury stocks

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

#### Employees' directors' compensation and motivation

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

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

#### Income tax

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

#### Current income tax

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



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

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### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS 30 June 2019

#### **Significant Accounting Policies (Continued)**

##### **Deferred income tax**

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

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

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

##### **Cash flow statement**

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

##### **Related party transactions**

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

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

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

##### **Borrowing**

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

##### **Borrowing costs**

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

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

##### **Expenses**

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

##### **Dividends**

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

##### **Earnings per share**

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

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

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### Significant Accounting Policies (Continued)

##### Fair values

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

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

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

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

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

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

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

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

- Level one: using the quoted prices of the assets and liabilities in active markets,
  - Level two: using the inputs that can be considered directly (quoted price) or indirectly (extract from the prices) to the asset or the liability.
  - Level three: using the valuation methods that use inputs not based on the market information,
- Regarding The assets and liabilities that will be recognize in the financial statement on regularly basis, the company determine wither there is a transfer from one level to another that occurs due to the reclassification of those items at the end of reporting period.

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



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

**NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS**  
30 June 2019

**3 PROPERTY AND EQUIPMENT**

Cost	Land	Buildings	Transportation and Motor Vehicles	Computers & Software	Furniture	Tools	Total
	LE	LE	LE	LE	LE	LE	LE
At 1 January 2019	10,043,066	-	875,000	645,562	1,210	30,382	11,595,220
Additions for Year	-	50,025,050	-	-	-	-	50,025,050
As of 30/06/2019	<u>10,043,066</u>	<u>50,025,050</u>	<u>875,000</u>	<u>645,562</u>	<u>1,210</u>	<u>30,382</u>	<u>61,620,270</u>
Accumulated depreciation							
At 1 January 2019	-	-	(809,447)	(588,421)	(1,210)	(15,640)	(1,414,718)
Depreciation	-	(625,000)	(20,700)	(17,399)	-	(3,575)	(666,674)
As of 30 June 2019	-	<u>(625,000)</u>	<u>(830,147)</u>	<u>(605,820)</u>	<u>(1,210)</u>	<u>(19,215)</u>	<u>(2,081,392)</u>
Net Book Value As of 30 June 2019	<u>10,043,066</u>	<u>49,400,050</u>	<u>44,853</u>	<u>39,742</u>	-	<u>11,167</u>	<u>59,538,878</u>

- There is no mortgage on the fixed assets

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

**NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS**  
30 June 2019

**3 PROPERTY AND EQUIPMENT (Continued)**

Cost	Land	Transportation and	Computers &	Furniture	Tools	Total
	LE	Motor Vehicles LE	Software LE	LE	LE	LE
At 1 January 2018	10,043,066	1,088,000	627,162	1,210	20,977	11,780,415
Additions	-	-	18,400	-	9,405	27,805
Disposals	-	(213,000)	-	-	-	(213,000)
As of 31 December 2018	10,043,066	875,000	645,562	1,210	30,382	11,808,220
Accumulated depreciation						
At 1						
January 2018	-	(981,047)	(554,012)	(1,210)	(10,320)	(1,546,589)
Depreciation	-	(41,400)	(34,409)	-	(5,320)	(81,129)
Disposals at the year	-	213,000	-	-	-	213,000
As of 31 December 2018	-	(809,447)	(588,421)	(1,210)	(15,640)	(1,606,882)
Net Book Value As of 31 December 2018	10,043,066	65,553	57,141	-	14,742	10,180,502

- There is no mortgage on the fixed assets

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

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### 4 INVESTMENT IN SUBSIDIARIES

The company on October 2007 acquired 99.9% of capital share Arab Company for Projects and Urban Development, 96.9% of capital share of Alexandria for Real Estate Investment and 71.05% of capital share of San Stefano for Real Estate Investment and 40% of Alexandria for Urban Projects through share swap with the capital increase of Talaat Mostafa Group Holding "TMG Holding", the company has been shared in capital increase in both of Alexandria Company for real estate investment in amount LE 543,768,900 and San Stefano for Real Estate Company in amount LE 243,000,000 and Alexandria for Urban Projects Company in amount LE 145,583,000.

The following are the subsidiaries:

No	Company	Capital share LE	No, of shares	No, of acquired shares	Ownership percentage
1	Arab Company for Projects and Urban Development (S.A.E) *	738,009,600	7,380,096	7,380,016	99.9%
2	Alexandria Company for Real Estate Investment (S.A.E) *	925,451,950	18,509,039	18,125,500	97.92%
3	San Stefano Company for Real Estate Investment (S.A.E) **	878,000,000	878,000	6,337,565	72.18%
4	Alexandria for Urban Projects Company (S.A.E)***	133,500,000	1,335,000	533,770	40%

\*Arab Company for Projects and Urban Development acquires 1.66% of Alexandria Company for real estate investment.

\*\* The company acquires with an indirect way 27.82% of San Stefano Company for Real Estate Investment through its subsidiary (Arab Company for Projects and Urban Development (S.A.E), Alexandria Company for Real Estate Investment (S.A.E), Alexandria for Urban Projects Company (S.A.E).

\*\*\* Alexandria company for Real Estate Investment (S.A.E) acquires 60% of Alexandria for Urban Projects Company.

The total cost of the investments in the subsidiaries is amounted LE 16,696,111,059 as follows:

	30 June 2019 LE	31 December 2018 LE
Arab Company for Projects and Urban Development (S.A.E)	13,200,174,732	13,200,174,732
Alexandria Company for Real Estate Investment (S.A.E)	2,498,432,399	2,498,432,399
San Stefano Company for Real Estate investment (S.A.E)	933,598,687	933,598,687
Alexandria Company for Urban Projects (S.A.E)	63,905,241	63,905,241
	<u>16,696,111,059</u>	<u>16,696,111,059</u>

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

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### 5 INVESTMENT IN ASSOCIATES

	Percentage	No. of shares	30 June 2019	31 December 2018
			LE	LE
Hill /TMG for Constructions and Projects Management (under liquidation) *	49%	147000	1,470,000	1,470,000
			<u>1,470,000</u>	<u>1,470,000</u>

\* The Board of Directors agreed for the liquidation of Hill /TMG for Constructions and Projects Management and the liquidation procedures under process.

#### 6 AVAILABLE FOR SALE INVESTMENTS

Available for sale investments is amounted to USD 4,801,310 that equivalent to LE 80,181,876 as of 30 June 2019 Investments in Horus third Fund which managed by EFG-HERMAS.

As this investment does not have an active market, the fair value of this equity instrument cannot be reliably measured, the investment is carried at cost.

The balance in foreign currency to be evaluated and record the valuation results in the statement of comprehensive Income.

#### 7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Financial assets at fair value through profit and loss are amounted to LE 2,583,058 after their valuation according to the market price at 30 June 2019 as follows:

Investments Type	No. of shares / certificates	Amount before valuation	Variences in 30 June 2019	Market Value 30 June 2019	Market Value 31 December 2018
		LE	LE	LE	LE
Mutual investment fund – Juman Fund	9500	2,418,803	164,975	2,583,058	2,418,083
		<u>2,418,803</u>	<u>164,975</u>	<u>2,583,058</u>	<u>2,418,083</u>

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

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

**8 PREPPAID EXPENSES AND OTHER DEBIT BALANCES**

	30 June 2019 LE	31 December 2018 LE
Insurance with others - the Egyptian Financial Supervisory Authority	2,063,562	2,063,562
Prepaid expenses	10,852	32,011
Other debit balances	44,480	79,516
	<u>2,118,894</u>	<u>2,175,089</u>
Accrued revenue	708	708
	<u>2,119,602</u>	<u>2,175,797</u>

**9 CASH ON HANDS AND AT BANKS**

	30 June 2019 LE	31 December 2018 LE
<b>A- Local Currency</b>		
Cash on hand	7,707	626
Banks current accounts	111,193,038	143,269,468
Time deposits	30,000	30,000
	<u>111,230,745</u>	<u>143,300,094</u>
<b>B- Foreign Currency</b>		
Cash on hand	2,906	3,960
Banks current accounts	55,530,528	58,774,168
	<u>55,533,434</u>	<u>58,778,128</u>
	<u>166,764,179</u>	<u>202,078,222</u>

**10 DIVIDENDS PAYABLE**

	30 June 2019 LE	31 December 2018 LE
Shareholders share	182,500,000	-
Board of directors share	300,000	-
Employees share	3,000,000	-
	<u>185,800,000</u>	<u>-</u>

**11 ACCRUED EXPENSES AND OTHER CREDIT BALANCES**

	30 June 2019 LE	31 December 2018 LE
Accrued expenses	265,373	3,706,892
Vendors – services	5,559,449	6,685,853
Other credit balances	324,340	293,752
	<u>6,149,162</u>	<u>10,686,497</u>

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

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### 12 CAPITAL SHARE

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

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

According to the extra ordinary general assembly meeting dated 28 October 2007, the company issued and paid capital was increased to be LE 20,302,035,500 divided over 2030203550 shares recorded in the commercial register on 25 November 2007.

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

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

The extra ordinary general assembly resolution dated 30 June 2011 consent on increase the issued capital by issuing bonus shares deducted from the retained earnings to be LE 20,635,622,860 par value LE 10 per share divided over 2063562286 shares, recorded in the commercial register on 24 May 2011.

#### 13 LEGAL RESERVE

Legal reserve amounted to LE 289,974,198 as of 30 June 2019 represents the transferred amount of the shares Premium amounted to LE 344,000,000, and LE 1.6 per share, part of the premium amounted to LE 185,880,702 was used to cover the IPO expenses, the remaining balance of LE 158,119,298 was transferred to the legal reserve, as well 5% of the net profit of the retained earnings of the prior years was also transferred to the legal reserve, this in accordance with law no 159 of 1981.

#### 14 GENERAL RESERVES

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

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

#### 15 UNREALIZED GAIN ON AVAILABLE FOR SALE INVESTMENTS

The revaluation of available for sale investments resulted to unrealized gain amounted to LE 40,853,811 as of 30 June 2019 represented in the variation between the foreign exchange impact and the cost of the available for sale investments as follows:

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

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

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### 16 EARNINGS PER SHARE

Earnings per share for the period are LE 0.024 the basic earnings per share is calculated by dividing the net profit of the Year to the number of the ordinary outstanding shares during the Year (with taking into consideration any future dividends for employees or the Board of Directors related to the Year ended in 30 June 2019, according to the following:

	30 June 2019	30 June 2018
	LE	LE
Net profit for the period before deducting Shares of employees and BOD	56,258,177	18,062,432
Shares of employees and BOD (estimated)	<u>(5,625,818)</u>	<u>(1,806,243)</u>
Net profit for the period less the shares of employees and BOD	50,632,359	16,256,189
Weighted average number of shares	<u>2,063,562,286</u>	<u>2,063,562,286</u>
Earnings per share (L.E/share)	<u>0.024</u>	<u>0.008</u>

#### 17 T-BILLS, TIME DEPOSIT REVENUE

	30 June 2019	30 June 2018
	LE	LE
Credit interest	9,382,553	10,645,753
Treasury bills revenue	-	20,679,232
	<u>9,382,553</u>	<u>31,324,985</u>

#### 18 DIVIDENDS FROM SUBSIDIARIES

	30 June 2019	30 June 2018
	LE	LE
Arab Company for Projects and Urban Development (S.A.E)	73,800,160	-
	<u>73,800,160</u>	<u>-</u>

#### 19 INCOME TAX AND DEFERRED TAX

	30 June 2019	30 June 2018
	LE	LE
Net book profit before tax	70,410,298	23,248,134
Adjustments to the net book profit to reach the net tax profit	<u>(54,318,378)</u>	<u>(215,054)</u>
Net tax profit	16,091,920	23,033,080
Income tax with rate 22.5%	3,620,682	5,182,443
Dividends tax with rate 5%	3,690,008	-
Variance from the income tax return	6,807,668	-
Accrued income tax	14,118,358	5,182,443
Comprehensive income tax	-	-
<b>Total</b>	<u>14,118,358</u>	<u>5,182,443</u>

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

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### 19 INCOME TAX AND DEFERRED TAX (Continued)

Deferred tax liabilities in 30 June 2019 amounted to LE 14,419 represents the difference between accounting basis and tax basis and it's calculation as follow:

	30 June 2019	30 June 2018
	LE	LE
Accounting basis (note 3)	49,602,762	(137,436)
Tax Basis	<u>(49,552,009)</u>	236,743
Taxes differences	50,753	99,307
Tax rate	22.5%	22.5%
Deferred tax assets	<u>(11,419)</u>	22,344
Deferred tax assets –at the begging year	22,344	28,925
Deferred tax	<u><u>33,763</u></u>	<u><u>(6,581)</u></u>

#### 20 RELATED PARTY TRANSACTIONS

- To accomplish the company's objectives, the company deals with some related companies with the same terms of the other parties, it may as well Pay off or settle some balances on behalf of them, these transactions balances appeared in the Assets and Liabilities in the Balance Sheet.
- Short term fringe benefits for the personnel amounted to LE 3,493,179 as salaries and rewards according to paragraph no, 17 of EAS no.15 in 30 June 2019.

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

	Debit balance 30 June 2019	Debit balance 31 December 2018	Nature of transactions
Arab company for projects and urban development	501,295,526	854,990,732	Dividends
Arab company for projects and urban development	1,285,107,917	1,033,480,380	Debit balance
San Stefano for Real Estate	352,393,276	-	Debit balance
Alexandria company for real estate investment	7,989,330	-	Debit balance
Hill /TMG for constructions and projects management	28,409	28,409	Debit balance
	<b>Notes receivable 30 June 2019</b>	<b>Notes receivable 31 December 2018</b>	
Arab company for projects and urban development	33,250,202	46,500,201	
Alexandria company for real estate investment	1,707,256,279	1,707,256,279	
San Stefano for real estate investment	-	429,297,337	
Nova park Cairo	83,749	-	
Alexandria for urban projects	417,457,544	417,457,544	
	<u><u>2,158,047,774</u></u>	<u><u>2,600,511,361</u></u>	

TMG Company for Real Estate and Investments owns approximately 43.15 % of the shares of Talaat Mostafa Group Holding Company.



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

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### 21 TAX SITUATION

**a. Corporate tax**

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

**b. Salary tax**

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

**c. Stamp tax**

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

**d. Real Estate tax**

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

#### 22 CONTINGENT LIABILITY

There are no contingent liabilities or contingent capital commitments.

#### 23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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

**A- Credit Risk**

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

**B- Market risk**

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

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

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### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 June 2019

#### 23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

##### **Exposure to interest rate risk**

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

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

Since the interest rate on the loans and financial obligations is an inflating interest rate, the effect of the change in the interest rate will display in the financial statements of the company.

##### **C- Liquidity risk**

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