ALLIED FOR ACCOUNTING & AUDITING (E&Y)

ARAB CHARTERED ACCOUNTANTS (RSM INTERNATIONAL)

Translation of Auditors' Report originally issued in Arabic

AUDITORS REPORT TO THE BOARD OF DIRECTORIES OF TALAAT MOSTAFA GROUP HOLDING COMPANY "TMG HOLDING" (S.A.E)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **TALAAT MOSTAFA GROUP HOLDING COMPANY "TMG HOLDING" (S.A.E)**, represented in the balance sheet as at 31 December 2008, and the related statements of 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 consolidated financial statements in accordance with Egyptian Accounting Standards and applicable Egyptian laws. Management responsibility 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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.

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 **TALAAT MOSTAFA GROUP HOLDING COMPANY "TMG HOLDING" (S.A.E)** as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Cairo: 3 March 2009

Auditors

Emad H. Ragheb	**Magdy Hashish**
FESAA-FEST	**Magdy Hashish & Co**
(RAA. 3678)	**(RAA. 1626)**
(RCMA 42)	**(RCMA 117)**
ALLIED FOR ACCOUNTING & AUDITING (E&Y)	**ARAB CHARTERED ACCOUNTANTS (RSM INTERNATIONAL)**

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

CONSOLIDATED BALANCE SHEET
As of 31 December 2008

	Notes	31 December 2008 LE
Non-Current Assets		
Property and Equipment-Net	(4)	3,798,124,150
Projects Under Constructions	(5)	384,621,617
Goodwill	(6)	14,918,115,697
Available for Sale Investments	(7)	56,723,107
Investments in Associates	(8)	1,445,275
Bonds Held to Maturity	(10)	334,695,967
Notes Receivables – Long Term	(12)	14,855,602,408
Total Non-Current Assets		**34,349,338,221**
Current Assets		
Work in Progress	(13)	10,306,103,694
Finished Units	(14)	18,466,664
Inventory – Net	(15)	33,151,109
Accounts and Notes Receivable - Short Term	(12)	3,296,431,048
Prepayments and Other Debit Balances	(16)	2,636,054,227
Available for Sale Investments	(7)	23,627,960
Investment in companies under incorporation	(9)	1,306,200,161
Financial assets at fair value through profit and loss	(11)	405,891,519
Cash on Hand and at Banks	(17)	1,424,992,021
Total current assets		**19,450,918,403**
Current Liabilities		
Provisions	(28)	48,245,192
Banks Overdraft	(17)	110,891,401
Creditors and Notes Payable	(18)	457,589,456
Current Portion of Loans and Facilities	(25)	480,800,366
Current Portion of Long Term Liabilities	(26)	32,725,516
Customers Advance Payment	(19)	7,365,788,041
Dividends Creditors		1,978,096
Accrued Expense and Other Credit Balances	(20)	1,426,840,515
Total Current Liabilities		**9,924,858,583**
WORKING CAPITAL		**9,526,059,820**
TOTAL INVESTMENTS		**43,875,398,041**
Financed as follows:		
Owner's Equity		
Authorized Capital	(21)	30,000,000,000
Issued and Paid up Capital	(21)	20,302,035,500
Legal Reserves	(22)	158,119,298
General Reserves	(23)	25,747,613
Treasury Stocks	(24)	(169,899,138)
Net profit for the period		1,638,479,702
TOTAL MOTHER COMPANY SHAREHOLDERS EQUITY		**21,954,482,975**
Minority Interest		1,994,171,695
TOTAL EQUITY		**23,948,654,670**
Long Term Liabilities		
Loans and Facilities	(26)	1,295,968,157
Long Term Liabilities	(27)	18,570,611,942
Notes Payable – Long Term		48,286,290
Deferred Tax Liability	(29)	11,876,982
Total Long Term Liabilities		**19,926,743,371**
Total Equity and Long Term Liabilities		**43,875,398,041**

Chairman	Financial Director	Auditors	
Tarek Talaat Mostafa	Ghaleb Ahmed Fayed	Emad H. Ragheb	Magdy Hashish

-The attached notes 1 to 36 are an integral part of these consolidated financial statements.
-Auditors' report attached.

Translation of Financial Statements
originally issued in Arabic

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

CONSOLIDATED INCOME STATEMENT
For the period from 3 April 2007(Inception Date) to 31 December 2008

	Notes	From 3/4/2007 (Inception date) To 31/12/2008 LE
Revenue	(30)	5,852,301,564
Cost of Revenue	(30)	(3,752,573,966)
GROSS PROFIT		**2,099,727,598**
General and Administrative Expenses, Marketing and Sales Expenses		(149,451,921)
Depreciation		(102,628,875)
Provisions	(27)	(850,000)
Other Income	(31)	43,103,643
Bad Debts		(18,040,032)
Capital Gain		1,312,443
Board of Directors Allowances		(1,098,350)
Foreign Exchange Gain		12,809,998
Operating Profit		**1.884,884,504**
Dividends from financial investments	(32)	7,782,054
Credit Interest		160,647,513
Interest on Bonds		7,074,967
Income from Treasury Bills		32,648,944
share of (loss) in Associates		(9,505,255)
(Loss) on sale of financial investments		(29,931,864)
(Loss) of revaluate financial assets at fair value through profit and loss	(11)	(36,535,178)
NET PROFIT FOR THE PERIOD BEFORE TAX		**2,017,065,685**
Income Tax	(29)	(187,907,838)
Deferred Tax Expense	(29)	(8,863,407)
NET PROFIT FOR THE PERIOD AFTER TAX		**1,820,294,440**
Minority Interest		(181,814,738)
NET PROFIT FOR THE PERIOD(MOTHER COMPANY SHAREHOLDERS)		**1,638,479,702**
Earnings Per Share (LE//Share)	(33)	1.13

Chairman

Tarek Talaat Mostafa

Financial Director

Ghaleb Ahmed Fayed

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from 3 April 2007(Inception Date) to 31 December 2008

	Issued and Paid up Capital LE	Legal Reserves LE	General Reserves LE	Treasury Stocks LE	Net Profit for the Period LE	Total LE	Minority Interest LE	Total LE
Balance at 3 April 2007	6,000,000	-	-	-	-	6,000,000	-	**6,000,000**
Net profit for the period	-	-	-	-	1,638,479,702	1,638,479,702	181,814,738	**1,820,294,440**
General Reserves	-	-	25,747,613	-	-	25,747,613	-	**25,747,613**
Issue of Share Capital	20,296,035,500	-	-	-	-	20,296,035,500	-	**20,296,035,500**
Legal Reserves	-	158,119,298	-	-	-	158,119,298	-	**158,119,298**
Treasury Stocks	-	-	-	(169,899,138)	-	(169,899,138)	-	**(169,899,138)**
Minority Interest							1,812,356,957	**1,812,356,957**
Balance at 31 December 2008	**20,302,035,500**	**158,119,298**	**25,747,613**	**(169,899,138)**	**1,638,479,702**	**21,954,482,975**	**1,994,171,695**	**23,948,654,670**

-The attached notes 1 to 36 are an integral part of these consolidated financial statements.

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

CONSOLIDATED CASH FLOW STATEMENT
For the period from 3 April 2007(Inception Date) to 31 December 2008

	Notes	From 3 April 2007 (Inception date) to 31 December 2008 LE
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period before tax and minority interest		2,017,065,685
Depreciation		102,628,875
Loss of revaluate financial assets at fair value through profit and loss	(11)	36,535,178
Bad Debts		18,040,032
Provisions		48,245,192
Capital (Gain)		(1,312,443)
Foreign Exchange (Gain)		(12,809,998)
Operating profit before changes in working capital		**2,208,392,521**
(Increase) in work in progress		(10,306,103,694)
(Increase) in finished units		(18,466,664)
(Increase) in inventory		(33,151,109)
(Increase) in Accounts and Notes Receivables - Short Term		(3,296,431,048)
(Increase) in Prepayments and Other Debit Balances		(2,654,094,259)
(Increase) in Notes Receivable – Long Term		(14,855,602,408)
Increase in Creditors and Notes Payable- Short Term		260,818,211
Increase in current portion of loans and facilities		480,800,366
Increase in current portion of long term liabilities		32,725,516
Increase in Customers Advance Payment		7,365,788,041
Increase in Dividends Creditors		1.978.091
Increase in Accrued Expenses and Other Credit Balances		1,426,840,515
Increase in Creditors and Notes Payable - Long Term		48,286,290
proceeds from long term liabilities		18,582,488,924
Net Cash flows (used in) Operating Activities		**(755,730,707)**
CASH FLOWS FROM INVESTING ACTIVITIES		
(Payment) on Purchasing of Property and Equipment and Projects Under Construction		(4,285,374,642)
Gain from sale fixed assets		1,312,443
(Payment) on Purchasing of Bonds Held to Maturity		(334,695,967)
(Increase) in Available for Sale Investments		(80,361,067)
(Increase) in Investments in Associates		(1,445,275)
(Increase) in Financial assets at fair value through profit and loss		(442,426,697)
(increase) in Investments Under Incorporations		(1,306,200,161)
Net Cash flows (used in) Investing Activities		(6,449,191,366)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Proceeds from Issuing Shares		5,567,786,713
Increase in Minority Interest		1,812,356,957
(Payment) on Purchasing of Treasury Stocks		(169,899,138)
Cash proceeds from Loans and Facilities		1,295,968,157
Foreign Exchange results from valuating cash and cash equivalents balances		12,809,998
Net Cash flows provided from Financing Activities		**8,506,212,689**
NET CASH AND CASH EQUIVALENTS DURING THE PERIOD		**1,314,100,620**
Cash and Cash Equivalents at the beginning of the period		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(17)	**1,314,100,620**

-The attached notes 1 to 36 are an integral part of these consolidated financial statements.

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.

The main objective of the Company is participating in the incorporation of shareholding companies or participating in the capital increase of those companies.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparing the financial statements

- 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

Basis of consolidating the financial statements

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

Significant Accounting Policies (continue)

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

Arab company for projects and urban development (S,A,E)	99,9%
Alexandria company for real estate investment (S,A,E)*	96,9%
San Stefano company for real estate investment (S,A,E)**	74,52%
Alexandria for urban projects Company (S,A,E)***	40%

*Arab company for projects and urban development acquires 1, 64% of Alexandria company for real estate investment,
** The company acquires with an indirect way 25, 48% of San Stefano Company for real estate investment through its subsidiary (Arab company for projects and urban development, Alexandria Company for real estate investment, Alexandria for urban projects Company).
*** Alexandria company for real estate investment acquires 60% of Alexandria for urban projects Company

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

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

	Years
Buildings & constructions	20
Motor Vehicles	5
Tools & equipments	8
Furniture and other assets	8-10
Computers	3-8

Projects under construction are depreciated when it is ready for use in the place and the condition of operating, then to be reclassified to the fixed assets category.
Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment, all other expenditure is recognised in the consolidated income statement as the expense is incurred.

Reclassify the Real Estate Investments
Real estate's that built for future use is recorded as real estate investments under fixed assets class till it is finished, and then re-measure its fair value, recognising any profit or loss in the consolidated income statement.
The real estate that transferred from real estate occupied by the company to real estate investments to be re-measured with the fair value and reclassified as real estate investments.
The profit results from the re-measurement to be recognised in the equity and any loss to be recognised in the consolidated income statement.

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

Significant Accounting Policies (continue)

Investments

Investments in Associates

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

in addition to company share of any changes in the net assets of associates company after deducting any impairment losses, the company’s consolidated income statement reflect its share in the result of associates companies.

These investment include company’s share in the profit of subsidiaries according to their financial statements which ratified by their auditors and these investments are diluted by company share form the dividends declared according to investee's General Assembly Meeting decisions.

The losses or revenues results from the transactions between the company and its affiliates are eliminated in the range of the company’s share in the affiliated companies.

Available-for-Sale Investments

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

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

Financial Assets at Fair Value through profit or loss

Financial Assets at Fair Value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Trade investments is acquired mainly for sale or repurchased in short periods.

Management designate the investments as financial assets at fair value through profit or loss according to the Egyptian accounting standard No. 25 requirements and those requirements do not apply to the noncurrent financial investments which its fair value cannot be reliably measured.

After the initial recognition, those investments to be measured at fair value and any defences to be recorded in the consolidated income statement.

Investments in Bonds held to maturity

Investments in Bonds held to maturity with fixed or determinable payments that are not quoted in an active market, are carried at adjusted cost which represent the nominal value plus the bond premium or discount and the premium / discount to be amortized by using the effective rate method, the amortization amount to be added to the bonds revenue in the consolidated income statement.

Intangible Assets - Goodwill

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

Significant Accounting Policies (continue)

Work in Progress
Properties acquired, constructed or in the course of construction for sale are classified as work in progress. Unsold properties are stated at the lower of cost or net realizable value. Properties in the course of development for sale are stated at cost. The cost of development properties includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.
The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed
Management reviews the cost of the work in progress on yearly basis.

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

Inventories
Inventories are stated at the lower of cost or net realizable value.
The inventory of hotels suppleness since the opening of the hotel and required for the operation to be measured in the fair value and the decrease of the fair value to be recorded in the consolidated income statements

Accounts Receivable, Debtors and Notes Receivable
Accounts receivable are stated at original invoice amount. All those amounts are reviewed annually to decide wither there is an indicator for impairment possibility in the assets value.

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

Separation of Assets and Liabilities to Short-and Long-Term
Assets which worth collected during the year after the date of financial statements be included within current assets either the assets that collectible date exceed the year date of financial statements be included within long-term assets.

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

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

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

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

Significant Accounting Policies (continue)

Revenue Recognition

Revenue on sale of units is recognised on the delivery date of the units after all of the following conditions are met:

a) The company has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale
b) The Company does not have a substantial continuing involvement with the property
c) The revenue is reliably measurable
d) The company has a sufficient expectation for the economical flow accomplished to the transaction
e) Costs and the cost of the work to be completed is both easily measurable and accrued.

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

Revenue from selling villas is recognized in theconsolidated income statements according to the revenue achieved as recording the selling price of the villa's land that the company will constructed, the selling price of the buildings in villas the full contract methods will be applied and will not recorded until the work in the villa is completed and deliver it to the customer

Revenue from hotels operations is recognized according to the company share in the net operation profit of the hotel.

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

Revenue from the share of results in associates is recognized based on the last approved financial statements

Interest Revenue is recognised as the interest accrues using the effective interest method, except the financial instrument that acquired as trade investments or financial assets at fair value through profit or loss

Dividend distributed from of financial assets at fair value through profit or loss and available for sale investments when the right to receive it, is announced.

Recording the Real Estate Operational Cost

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

The Direct and Indirect Costs

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

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

Impairment of Financial Assets

The Company regularly assesses whether there is an indication that an asset could be impaired.

The impairment loss of a financial assets that was measured with the amortized cost is to be measured as the different between the amortized cost of the book value and the present value of the projected cash flow by using the effective rate

The impairment loss related to financial assets available for sale to be calculated by using the present fair value.

The remaining financial assets are estimated according to the groups level that have the same credit risk characterises.

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

Significant Accounting Policies (continue)

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

Impairment of Non-Financial Assets
The company assesses at each reporting date wither 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 theconsolidated income statement in those expenses categories consistent with the function of impairment asset except for the property previously revaluated where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluated.

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

Accounting Estimates
The preparation of financial statements in accordance with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial years, Actual results could differ from these estimates.
Those estimates are reviewed on regularly basis and any differences in the estimates in the date of examining those estimates will affect only the period under examination and if those differences will affect the current period and the coming periods those differences to be recorded in the current and future periods.

Income Tax
Income tax is calculated in accordance with the Egyptian tax law.
Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the balance sheet (accounting base) using the applicable tax rate.
Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.
Cash Flow Statement
The cash flow statement is prepared using the indirect method, for the purpose of preparing the cash flow statements , the cash and cash equivalent include cash on hand , cash at bank , short term deposits , treasury bills with maturity date three months or less deducting the bank over draft – if any.

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

Significant Accounting Policies (continue)

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.

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

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.

Fair Values
For investments traded in an active market, fair value is determined by reference to quoted market bid prices.
The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.
For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

Segment Information

Segment is a major part of the group that produce products, services(Operational segment) or produce products, services in special economical environment (Geographical segment) and its profit and loss are deferent from the profit and loss of the other segments **.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2008

4 PROPERTY AND EQUIPMENT-Net

	Buildings & Constructions LE	Motor Vehicles LE	Tools & Equipments LE	Furniture & Fixtures LE	Marine Equipment LE	Computers LE	Total LE
Cost							
At 3 April 2007	2,277,425,701	44,316,193	186,992,709	233,047,481	5,000,539	8,321,304	2,755,103,927
Additions	1,173,156,455	12,934,920	23,816,912	110,406,351	156,254	3,439,306	1,323,910,198
Disposals	-	(1,756,040)	(336,167)	(259,203)	-	-	(2,351,410)
At 31 December 2008	**3,450,582,156**	**55,495,073**	**210,473,454**	**343,194,629**	**5,156,793**	**11,760,610**	**4,076,662,715**
Accumulated depreciation							
At 3 April 2007	(73,566,093)	(20,992,629)	(44,714,927)	(56,727,170)	(1,144,681)	(2,604,146)	(199,749,646)
Depreciation charge	(33,206,865)	(7,959,888)	(16,813,851)	(20,992,454)	(618,829)	(1,322,250)	(80,914,137)
Disposals	-	1,693,567	425,064	6587	-	-	2,125,218
At 31 December 2008	(106,772,958)	(27,258,950)	(61,103,714)	(77,713,037)	(1,763,510)	(3,926,396)	(278,538,565)
Net carrying amount At 31 December 2008	**3,343,809,198**	**28,236,123**	**149,369,740**	**265,481,592**	**3,393,283**	**7,834,214**	**3,798,124,150**

5 - PROJECTS UNDER CONSTRUCTIONS

	31/12/2008 LE
Tahran Building	15,760,507
Computers and Software	9,362,984
Villa (Al Rehab – Madinaty)	1,215,396
Fixtures	2,664,623
Hotel Assets	10,588,106
Administration Office In Dubai	7,891,767
Luxor Project	1,228,132
Al Nile Hotel	335,910,102
	384,621,617

6- GOODWILL

	31/12/2008 LE
Arab Company for Projects and Urban Development	12,235,313,553
Alexandria Company for Real Estate Investment	2,516,634,364
San Stefano Company for Real Estate Investments	96,337,795
Alexandria Company for Urban Projects	69,829,985
	14,918,115,697

Goodwill is tested on yearly basis to ensure if there is any decrease in its book value and the management of the group hasn't found any decrease. In 30 Sep 2008, the Goodwill was revaluated by independent valuator and according to the independent valuator the book value of the goodwill was less than its revocable amount, the recoverable amount was determined based on the net fair value which the amount will be received from the selling units after deducting the selling cost .

7- AVAILABLE FOR SALE INVESTMENTS

	31/12/2008 LE
Available for sale investment – short term	
Housing Development Bank Securities	57,930
Dune Groasses Overseas	26,496
Tansy Finance	26,496
Rockland	26,496
Timber Lack Business Company	14,699,125
Housing Insurance Company	4,950,000
Egyptian Building Integrated Systems	1,100,000
Egyptian For Real Estate Finance Company	2,055,560
Free Zone Industry Area East Port Saied	16,287
Egyptian Company for Marketing and Distribution	500,000
	23,627,690
Available for sale investment – long term	
Alexandria for Tourism Projects	1,846,052
Credentials investment fund Horus	33,480,000
Tara Bas Universal Company	14,699,125
El Tameer for Real Estate Finance Company	6,650,000
Madinaty for Projects Management	227,500
	56,723,107
	80,361,067

8- INVESTMENTS IN ASSOCIATES

	31/12/2008 LE
Alexandria for Projects Management	1,445,275
	1,445,275

9- INVESTMENTS IN COMPANIES UNDER INCORPORATION

	31/12/2008 LE
Morsi El Sadid for Real Estate and Tourism Investment Company	807,050,302
Areez Arab Limited Company	403,947,937
Thabat for Real Estate Improvement	93,981,922
Hill & TMG for Projects and Construction Management	1,220,000
	1,306,200,161

10- BONDS HELD TO MATURITY

The balance of this account is LE 334,695,967 as follow:

- LE 98,220,991 represents 240,909 governmental bonds, the nominal value LE 1000 per-bond with interest rate 9, 05 % matured in 2013.
- LE 236,474,976 represents of 100,000 governmental bonds, the nominal value LE 1000 per-bond with interest rate 8, 55 % matured in 2013.

11- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31/12/2008 LE
Certificate of Deposit*	237,821,357
Financial Portfolio Managed by both of Hermes for Assets Management and Arab African international bank *	45,264,527
Financial Portfolio Managed by Hermes for assets management	25,252,500
Egyptian Cables Company	12,958
Investment Funds	97,540,177
	540,223,543

Market value	31/12/2008 LE
Egyptian Cables Co.	12,958
Investment Funds	97,540,177
Financial Portfolio Managed by both of Hermes for Assets Management and Arab African international bank *	45,264,527
	142,817,662

Book value before revaluation	179,352,840
Market value	142,817,662
	(36,535,178)

* The portfolio in 31 Dec 2008 has several stocks for companies listed in Egyptian capital market

12- ACCOUNTS AND NOTES RECEIVABLE

	31/12/2008 LE
Account and Notes Receivable – Short Term	3,296,431,048
Account and Notes Receivable – Long Term	14,855,602,408
	18,152,033,456

13-WORK IN PROGRESS

Project	Land	Consultations and Designs	Construction Work	Administrative Cost	Financing Costs	Licenses and Other Governments Fees	Operating Costs	Total in 31/12/2008 LE
Alexandria for Real Estate	312,243,864	60,906,196	661,195,392	22,107,868	37,053,765	42,746,534	11,933,220	1,148,186,839
San Stefano for Real Estate	58,574,332	36,686,684	521,278,424	93,152,921	74,837,876	15,640,814	-	800,171,050
Arab for Projects and Urban Development	3,833,100,548	267,974,031	2,385,343,169	24,889,946	-	77,395,291	1,769,042,819	8,357,745,804
	4,203,918,744	365,566,911	3,521,458,266	140,150,735	111,891,641	135,782,639	1,780,976,039	10,306,103,694

14- FINISHED UNITS

The balance of finished units is LE 18,466,664, represents the value of finished units returned from clients and available for sale.

15- INVENTORY-Net

	31/12/2008 LE
Hotels Operating Equipments & Supplies	70,456,184
Hotels Furniture	7,958,763
Food and Beverage Stock	172,407
El Rabwa Store	6,131
(Less) Amortized Hotel Inventory	(45,442,376)
	(33,151,109)

16 – PREPAID EXPENSES AND OTHER DEBIT BALANCES

	31/12/2008 LE
Advance Payment and Storage - Contractors and Accounts Payable	555,245,573
Contractors - Tashwinat	1,078,416,684
Hotels Current Accounts	76,405,204
Deposit with Others	361,440
Tax Authority	2,495,096
Other Debit Balances	39,150,797
Loans to Employees	369,624
Received from Abroad	5,158,796
Transfers – Cheques	990,006
Accrued Revenue	39,608,221
Other Debtors	120,371,161
Debtors Investments	717,481,625
	2,636,054,227

17 - CASH AND CASH EQUIVALENTS

	Local Currency	Foreign Currency	Total
			31/12/2008
	LE	LE	LE
Time Deposits	330,719,501	888,720	331,608,221
Banks Current Accounts	160,787,013	5,441,965	166,228,978
Cash on Hand	9,379,806	-	9,379,806
Treasury Bills	901,934,373	-	901,934,373
Cheques Under Collection	15,840,643	-	15,840,643
	1,418,661,336	**6,330,685**	**1,424,992,021**

For the purpose of preparing the statement of cash flows the cash and cash equivalents consists of:

	31/12/2008 LE
Cash on Hand and at Banks	1,424,992,021
Banks Overdraft	(110,891,401)
	1,314,100,620

18- CREDITORS AND NOTES PAYABLE

	31/12/2008 LE
Contractors and Suppliers	283,246,490
Notes Payables *	174,342,966
	457,589,456

* The due cheques were recorded after a year of the financial statements in the long term liabilities.

19- CUSTOMERS ADVANCE PAYMENT

	31/12/2008 LE
Customers down payment (Madinaty Project)	4,159,185,772
Customers down payment (Al Rehab Project)	887,073,118
Customers down payment (Al Rehab 2 Project)	1,535,904,486
Customers down payment (San Stefano Project)	351,865,506
Customers down payment (Al Rabwa Project)	431,759,159
	7,365,788,041

20- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31/12/2008 LE
Retention	318,792,468
Tax Authority	137,323,305
Other Credit Balances	31,471,240
Accrued Salaries and Expenses	2,030,768
Accrued Expenses and Creditors	275,946,855
Insurance for Other	100,296,553
Other Creditors	2,975,052
Due to Customers	9,432,875
Creditors Barriers	6,894,206
Due to Employees - treasury shares	36,505,000
Contribution to the establishment - renew the club	13,016,542
Club Subscriptions	331,889,475
Units Insurance	160,266,176
	1,426,840,515

21 – CAPITAL

The company's authorized capital amounted to LE 50,000,000 and the issued capital amounted to LE 6,000,000 divided over 600,000 share of LE 10 par value each.

According to the Extra Ordinary General Assembly Meeting dated 6 October 2007, the company's authorized capital was amended to be LE 30,000,000,000 and the issued and paid up capital was amended to be LE 18,152,035,500 divided over 1815203550 share of LE 10 par value each through share swap with the subsidiaries companies.

According to the Extra Ordinary General Assembly Meeting dated 28 October 2007, the company's issued and paid up capital was increased to be LE 20,302,035,500 divided over 2030203550 shares.
The increase was paid and amounted to LE 2,150,000,000 and the premium share amounted to LE 1.6 per share by total amount LE 344,000,000

22 – Legal Reserves
Net balance transfer from Premium share balance amounted to LE 158,119,297, represents LE 1.6 per share by total amount LE 344,000,000 and an amount of LE 185,880,703 was used to cover the IPO expenses and the net balance of the share premium is LE 158,119,298.

23- GENERAL RESERVES
According to the Extra Ordinary General Assembly Meeting dated 6 October 2007, the different results from shares swap of the company with the subsidiaries which amounted to LE 25,747,613 were transferred to the general reserve.

24- TREASURY STOCKS
In accordance to the extra ordinary General Assembly resolution dated 28 October 2007, the company purchased during the month of February the number of 2,919,000 stocks of its stocks at amount of LE 36,188,826, to be used in the incentives system of employees, and the approval from the related governmental authorities is ongoing.
According to the company's Board resolution dated 12 August 2008, the company purchased during the month of August and September the number of 20,460,016 stocks of its stocks at amount of LE 133,710,312, to be used for reselling, in the incentives system of employees or deducting the issued capital

25- LOANS AND FACILITIES
The balance on date of the financial statements is LE 1,776,768,523 which consists of:

	Short Term	Long Term	31/12/2008
	LE	LE	LE
Facilities	157,890,287	11,600,000	169,490,287
Loans *	322,910,079	1,284,368,157	1,607,278,236
	480,800,366	**1,295,968,157**	**1,776,768,523**

* The instalments due within the following year is recorded in the current liabilities and the loans are granted with commercial papers and financial securities.

26- LONG TERM LIABILITIES

	31 /12/ 2008
	LE
New Urban Communities Authority*	4,243,070,774
Customers advance payments – Rehab	892,138,742
Customers advance payments – Rehab 2	1,412,858,241
Customers advance payments – Madinaty	12,055,269,701
	18,603,337,458
Current Portion of Long Term Liabilities	(32,603,337,458)
Long Term Liabilities	**18,570,611,942**

27- CONTINGENT PROVISIONS

	31/12/2008
	LE
Expected loss from Investments in the Egyptian International for Medical Insurance	250,000
Overdue of Accounts Receivables of Alexandria for Real Estate Investment	600,000
	850,000

28 – TAXES PROVISIONS

The tax provisions include the expected tax to be paid by Alexandria Company for real estate investment as follows:

	31/12/2008
	LE
Alexandria Company for Real Estate Investment income tax	66,651,134
Deduct:	
Amounts paid under income tax	(19,005,942)
Add: Beginning balance	600,000
	48,245,192

29- INCOME TAX AND DEFERRED TAX LIABILITY

The income tax was calculated as follows:

	From 3 /4/ 2007 to 31 /12/2008
	LE
Net book profit before tax	2,017,065,686
Adjustments to the net book profit to reach the net tax profit	(1,077,526,496)
Net tax profit	939,539,190
Tax rate	20%
Income tax	**187,907,838**

Deferred Tax Liability as of 31 December 2008 amounted to LE 11,876,982 represents the deferred taxes of the fixed assets and related to difference between tax depreciation and accounting depreciation as follows:

	31 /12 / 2008
	LE
Accounting Depreciation	39,672,985
Tax Depreciation	(83,990,020)
Temporary Differences	(44,317,035)
Tax Rate	20%
Deferred tax – Liabilities in 31 December 2008	(8,863,407)
Deferred tax – Liabilities in 31 December 2007	(3,013,575)
Deferred tax – Liabilities in 31 December 2008	**(11,876,982)**

30- REVENUE AND COST OF REVENUE

	From 3 /4/ 2007 to 31 /12/2008 LE
-Revenue from Sold Units	5,421,507,843
-Net Revenue from Hotels Operation	315,449,554
-Services Revenues	115,344,167
Total Revenues *	**5,852,301,564**
-Cost of Sold Units	3,704,301,396
-Cost of Sold Services	48,272,570
Total Cost **	**3,752,573,966**

***** The supervision revenue has been eliminated in amount LE 651,139,417

****** The supervision cost has been eliminated in amount LE 586,539,743

The following is the segments information according to the company's main activities:

	Real Estate	**Tourism**	**Services**	**General**
Revenue	5,421,507,843	640,911,515	115,344,167	5,852,301,563
Cost of good sold	3,378,839,434	325,461,961	48,272,570	3,752,573,965
Work Results	1,717,206,447	315,449,554	67,071,597	2,099,727,597
Credit Interest				160,647,516
Investments Revenue				8,068,847
Other Revenue				43,103,643
Income Tax				187,907,837
Profit	1,203,049,881	203,435,032	20,174,784	211,820,006
Total Profit				1,638,479,703
Assets	46,823,262,923	3,791,306,167	40,772,202	50,655,341,292
Financial Investment				2,128,594,989
Unallocated Assets				1,017,044,977
Total Assets				53,800,275,715
Liabilities	27,947,613,273	358,601,100	44,839,361	29,757,024,375
Unallocated Liabilities				945,775,581
Total Liabilities				29,851,601,956

31 – OTHER INCOME

	From 3 /4/ 2007 to 31 /12/2008 LE
Net operating revenue of AL Rehab Club	17,319,625
Units Rent	19,729,582
Provisions redeemed	4,744,882
Others	1,309,554
	43,103,643

32 - DIVIDENS FROM FINNACIAL INVESTMENTS

	From 3 /4/ 2007 to 31 /12/2008
Orascom Company for Construction and Industry	6,602,153
Egyptian Company for Communication	115,000
Mobinile Company	147,980
Egyptian Company for Touristic Resorts	140,000
Other companies	776,921
	7,782,054

33- EARNINGS PER SHARE

Earnings per share are LE 1.13 according to the following:

	From 3 /4/ 2007 to 31 /12/2008 LE
Net profit	1,638,479,702
Weighted average number of shares	1,356,062,432
Earnings per share	1.13

34-TAX SITUATION

Talaat Mostafa Group Holding Company

a. Corporate tax

The company is subject to income tax law no,91 for the year 2005, since the company begin its operations in 3 April 2007 and therefore no tax return is presented to the tax authority yet

b. Salary tax

The company pays the deducted income tax of the employees on monthly basis and the quarterly income tax returns are submitted within the legal dates.

c. Stamp tax

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

Arab Company for Projects and Urban Development

a. Corporate tax

The company presents its tax returns regularly and according to the legal times, the years till 2002 were examined and form no. (9-a) are received and the company paid the amounts due taking into consideration that the company protest against what is stated in those forms regarding year 1996 (period before incorporation)
According to the court appeal no 4233 dated 25 July 2004 the company's project is tax exempted beginning 1 January 1997 for the phase I, beginning 1 January 1998 for the phase II and phase III for ten years also the phase IV and Phase V are exempted.

b. Salary tax

The company pays the deducted income tax of the employees on regularly basis**,** The Company's records were inspected for the years 1996 till 2000 and settlement is done to that date
The Company's records were inspected for the years 2001 till 2003 and paid the amount due
For the years 2004 till 2008 the tax returns are presented and amounts due are paid within the legal dates.

c. Stamp tax

Tax inspection took place for the Company's records for the years till 2005 and all tax due were paid; the company pays the stamp tax due on monthly basis according to law no. 11 for the year 1980 and adjusted by law no. 143 for the year 2006.

San Stefano Company for Real Estate Investments

a. Corporate tax

The Company's records were inspected till 2004 and paid the amount due; the tax returns are submitted within the legal dates.

b. Salary tax

Salary tax due are paid within the legal dates.

c. Stamp tax

Tax inspection took place for the Company's records for the years till 2005 and all tax due were paid.

Alexandria Company for Real Estate Investments

a. Corporate tax

- The company submits the tax returns within the legal dates.
- The Company's records were inspected till 2001 and paid the amount due
- No tax inspection took place for the years 2002 till 2007.
- Under the new urban societies law, the company's Projects in Virginia beach resort in north coast and Al Rabwa in sheik zaid city enjoy a tax holiday for each project.

b. Salary tax

The Company's records were inspected till 1997 and paid the amount due

- The Company's records were inspected for the years 1998 till 2002 and the tax assessment is not yet received.
- No tax inspection took place for the years 2003 till 2007.
- The company pays the tax due on regularly basis to the tax authority.

c. Stamp tax

- The Company's records were inspected and settled till 2004 and the tax due was paid.
- No tax inspection took place for the years 2004 till 2007.

Arab Company for Hotels and Tourism Investments

a. Corporate tax

No tax inspection took place till 2008 and the company submits the annual tax return according to form (28) within the legal dates and paid the amounts due accordingly.

b. Salary tax

- The company pays the deducted income tax of the employees on regularly basis within the legal dates, the company submits the quarterly salary tax return form (4-salary) plus the annual return within the legal dates
- No tax inspection took place for the years 2005 till 2008.

c. Stamp tax

- No tax inspection took place for the years 2005 till 2008.

Alexandria for Urban Projects

a. Corporate tax

- The company submits the tax returns within the legal dates.
- The Company's records were inspected and settled till 2002 and the tax due was paid; the company enjoy a tax holiday under the new urban societies law.

.

b. Salary tax

- The company pays the deducted income tax of the employees on regularly basis within the legal dates.

Al Rabwa for Entertainment Services

a. Corporate tax

- The company submits the tax returns within the legal dates.
- No tax inspection took place till 2008 and the company enjoy a tax holiday under the new urban societies law.

b. Salary tax

- The company pays the deducted income tax of the employees on regularly basis within the legal dates,

c. Stamp tax

- No tax inspection took place till 2007.

d. Sales tax

- The company submits the sales tax returns within the legal dates.

Al Masria for Development and Real Estate Projects

- The company submits the tax returns within the legal dates. No tax inspection took place till the issuing of the financial statements

.

El Nile for Hotels

- The company is subject to income tax article no,91 for the year 2005 and have not start operation yet

San Stefano For Tourism Investment

- The company enjoy a tax holiday for 5 years from opration date and No tax inspection took place .
- The company submits the tax returns within the legal dates.

Nova Park –Cairo Company

a. Corporate tax

- The Company's records were inspected and settled till 2004 and the tax due was paid
- The company submits the tax returns within the legal dates and paid the amounts due accordingly.

b. Salary tax

- The Company's records were inspected and settled till 2004 and the tax due was paid

- The company pays the deducted income tax of the employees on regularly basis within the legal dates, the company submits the quarterly salary tax return within the legal dates
- No tax inspection took place for the years 2005 till 2008.

c. Stamp tax

- The Company's records were inspected and settled till 2004 and the tax due was paid
- The company pays the stamp tax on time specially the stamp tax due to the advertising expenses.

Alexandria Saudi Company for Tourism Projects

a. Corporate tax

- The Company's records were inspected and settled till 2004 and the tax due was paid
- The company submits the tax returns within the legal dates and paid the amounts due accordingly.

b. Salary tax

- The Company's records were inspected and settled till 2004 and the tax due was paid
- The company pays the deducted income tax of the employees on regularly basis within the legal dates, the company submits the quarterly salary tax return within the legal dates

c. Stamp tax

- The Company's records were inspected and settled till 2006 and the tax due was paid
- The company pays the stamp tax on time specially the stamp tax due to the advertising expenses.

Mayfair Company for Entertainment Services

a. Corporate tax

- The company starts operation in 2005 and no tax inspection took place till the date of issuing the financial statements and the company enjoy a tax holiday under the new urban societies law.

b. Salary tax

- The company pays the deducted income tax of the employees on regularly basis within the legal dates,

c. Stamp tax

- No tax inspection took place till to the date of issuing the financial statements.

d. Sales tax

- The company submits and pays the sales tax returns on monthly basis.

Port Venice for Tourism Development

a. Corporate tax

- The company does not start its activities yet and enjoy a tax holiday under the investments guarantees and bonus law but the company submits the annual tax return according to the income tax law no,91 for the year 2005 .

b. Salary tax

There is no amount subject to income tax for the salaries as the company does not start its activities yet and no tax inspection took place yet

c. Stamp tax

- No tax inspection took place till to the date of issuing the financial statements.

d. Sales tax

- The company is not subject to sales tax law.

35- RELATED PARTY TRANSACTIONS

To accomplish the company's objectives, the company deals with some related companies with the same terms of the other parties. It delegates some assignments in El Rehab City's project to them. 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
Alexandria Company for construction S.A.E is the main contractor for the companies' projects under the contracts signed by the companies.
The related party transactions that is included in the consolidated income statement:

	Construction Works LE	Management fees LE	**Type of Transaction**
Alexandria for Construction	3,120,330,153	-	Contractor
El Basateen for Landscaping and Garden Maintenance	9,520,075	-	Contractor
Executive management group	-	94,791,454	Management
Virginia Owners Union	-	885,885	Management
	3,129,850,228	**95,677,339**	

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

	Notes payable LE
Alexandria for Touristic Projects	342,796
Alexandria for Constructions Company	7,558,000
	7,900,796

	Advance Payments (Debit) LE	**Credit Balances** LE	**Type of Transaction**
Alexandria for Constructions Company	15,542,024	4,674,906	**Contractor**
	15,542,024	**4,674,906**	

36-Financial Instruments and Risk Management

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

The significant accounting policies applied for the recognition and measurement of the above mentioned financial assets and liabilities and the related income and expenses
Herein under the significant risk related to the financial instruments as well as the significant policies and procedures that applied by the company to reduce those risks.

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 that the company deals with and having sufficient guarantees to reduce the risk of default a customer , also follow up the customers through specific departments.

B. Interest Rate Risk
The company mitigates the impact of the interest rate changes on its operational results and the value of its financial assets and liabilities.

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