

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

**ARAB CHARTERED ACCOUNTANTS  
(RSM INTERNATIONAL)**

**TALAAT MOSTAFA GROUP HOLDING COMPANY  
"TMG HOLDING"  
(S.A.E)  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2009 TO 30 SEPTEMBER 2009  
TOGETHER WITH REVIEW REPORT**

Translation of Review Report  
originally issued in Arabic

**REPORT ON REVIEW OF INTERIM CONSOLIDATED 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 consolidated balance sheet of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** as at 30 September 2009 and the related consolidated statements of income, consolidated changes in equity and consolidated cash flows for the nine 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 consolidated financial statements in accordance with the Egyptian accounting standards, our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

**Scope of review**

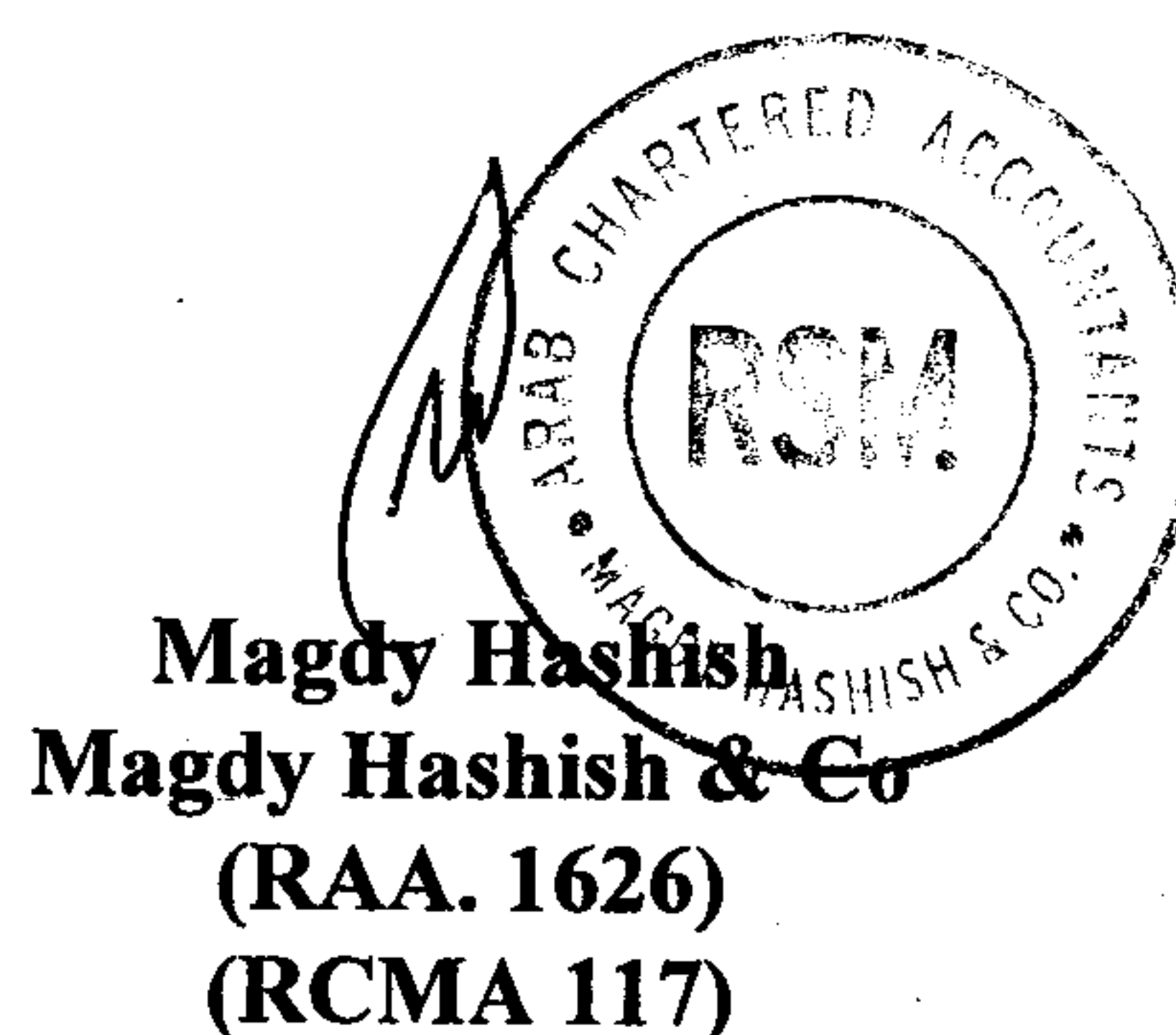
We conducted our review in accordance with the Egyptian Standard on review engagement no. (2410) "Review of interim financial information performed by the independent Auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim consolidated financial statements are not prepared, in all material respects for the consolidated financial position of the company as at 30 September 2009, and its financial performance and consolidated cash flows for the nine months ended in that date in accordance with Egyptian accounting standards.

Cairo: 9 November 2009

**Auditors**





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

**CONSOLIDATED BALANCE SHEET**

As of 30 September 2009

	Notes	30 September 2009 LE	31 December 2008 LE
<b>Non-Current Assets</b>			
Property and Equipment-Net	(4)	3,731,418,432	3,774,020,037
Projects Under Constructions	(5)	548,934,720	408,725,730
Goodwill	(6)	15,135,283,476	14,918,115,697
Available for Sale Investments	(7)	53,090,386	42,261,482
Investments in Associates	(8)	650,000	1,445,275
Bonds Held to Maturity	(11)	335,357,919	334,695,967
<b>Total Non-Current Assets</b>		<b>19,804,734,933</b>	<b>19,479,264,188</b>
<b>Current Assets</b>			
Work in Progress	(14)	10,656,839,786	10,306,103,694
Finished Units	(15)	18,466,664	18,466,664
Inventory – Net	(16)	28,668,912	33,151,109
Accounts and Notes Receivable	(13)	17,181,870,757	18,152,033,456
Prepayments and Other Debit Balances	(17)	3,251,953,742	2,636,054,227
Available for Sale Investments	(7)	8,701,335	23,400,460
Investment in companies under incorporation	(9)	1,490,000	1,220,000
Investment Debtors	(10)	1,331,050,482	1,319,679,286
Financial assets at fair value through profit and loss	(12)	479,810,027	405,891,517
Cash on Hand and at Banks	(18)	368,548,731	1,424,992,021
<b>Total current assets</b>		<b>33,327,400,436</b>	<b>34,320,992,436</b>
<b>Current Liabilities</b>			
Provisions	(28)	272,016	-
Banks Overdraft	(18)	55,372,214	110,891,401
Creditors and Notes Payable	(19)	757,928,555	505,875,746
Current Portion of Loans and Facilities – short term	(26)	592,395,388	480,800,366
Current Portion of Long Term Liabilities	(27)	65,451,032	32,725,517
Customers Advance Payment	(20)	19,906,168,500	21,726,054,725
Dividends Creditors		1,869,327	1,978,097
Accrued Expense and Other Credit Balances	(21)	1,596,077,469	1,475,085,707
<b>Total Current Liabilities</b>		<b>22,975,534,501</b>	<b>24,333,411,559</b>
<b>WORKING CAPITAL</b>		<b>10,351,865,935</b>	<b>9,987,580,877</b>
<b>TOTAL INVESTMENTS</b>		<b>30,156,600,868</b>	<b>29,466,845,066</b>
<b>Financed as follows:</b>			
<b>Owner's Equity</b>			
Authorized Capital	(22)	30,000,000,000	30,000,000,000
Issued and Paid up Capital	(22)	20,302,035,500	20,302,035,500
Legal Reserves	(23)	162,740,218	158,119,298
General Reserves	(24)	25,747,613	25,747,613
Treasury Stocks	(25)	(133,732,729)	(169,899,138)
Retained earning		1,703,243,156	-
Net profit for the period		938,778,798	1,638,479,702
<b>TOTAL MOTHER COMPANY SHAREHOLDERS EQUITY</b>		<b>22,998,812,556</b>	<b>21,954,482,975</b>
Minority Interest		1,658,684,520	1,994,171,695
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>24,657,497,076</b>	<b>23,948,654,670</b>
<b>Long Term Liabilities</b>			
Loans and Facilities – long term	(26)	1,303,191,711	1,295,968,157
Long Term Liabilities	(27)	4,177,619,742	4,210,345,257
Deferred Tax Liability		18,292,339	11,876,982
<b>Total Long Term Liabilities</b>		<b>5,499,103,792</b>	<b>5,566,476,685</b>
<b>Total Shareholders' Equity and Long Term liabilities</b>		<b>30,156,600,868</b>	<b>29,466,845,066</b>

Chairman  
Tarek Talaat Mostafa

Financial Director  
Ghaleb Ahmed Fayed

Auditors  
Emad H. Ragheb

Auditors  
Magdy Hashish

-The attached notes 1 to 37 are an integral part of these consolidated financial statements,

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

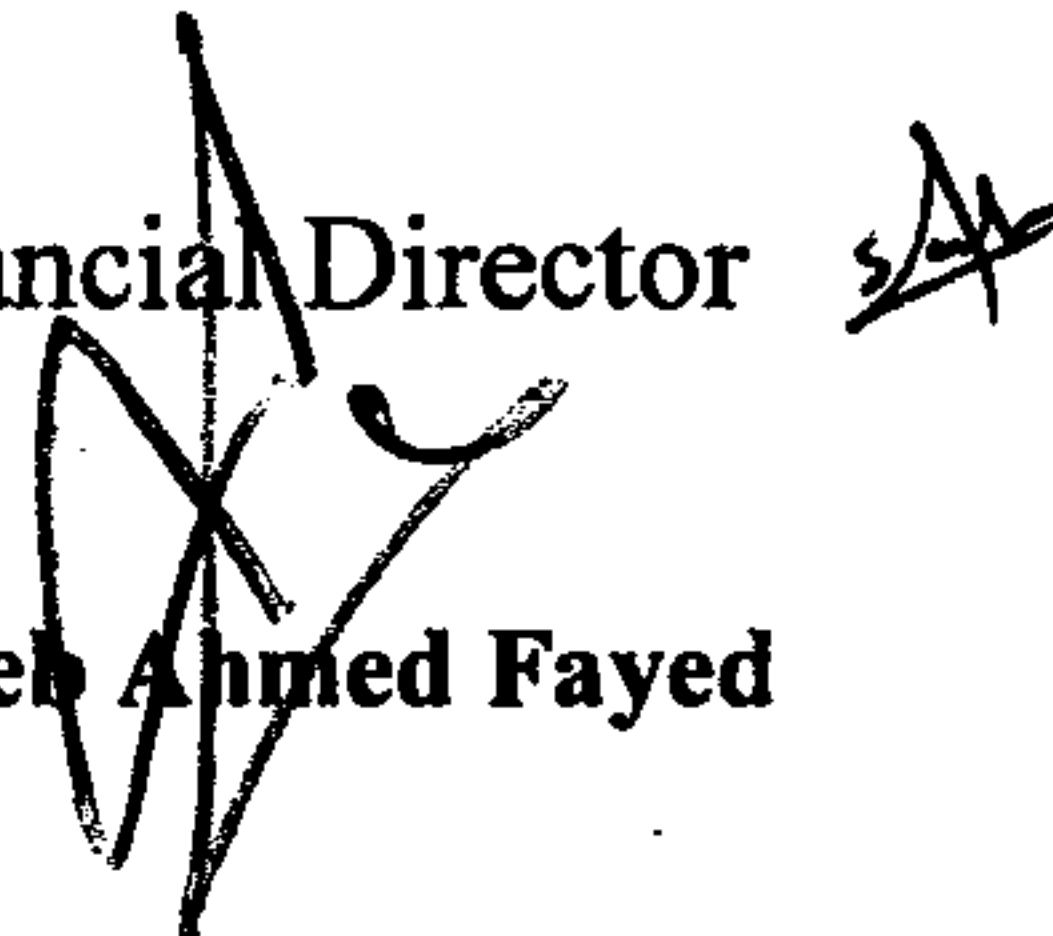
-Review report attached,

**CONSOLIDATED INCOME STATEMENT**

For the period from 1 January 2009 to 30 September 2009

	Notes	From 1/1/2009 to 30/9/2009 LE	From 1/7/2009 to 30/9/2009 LE	From 1/1/2008 to 30/9/2008 LE	From 1/7/2008 to 30/9/2008 LE
Revenue	(30)	4,354,663,564	1,167,995,613	5,038,520,602	1,876,966,461
Cost of Revenue	(30)	(3,070,489,501)	(737,266,484)	(3,238,723,113)	(1,186,253,919)
<b>GROSS PROFIT</b>		<b>1,284,174,063</b>	<b>430,729,129</b>	<b>1,799,797,488</b>	<b>690,712,541</b>
General and Administrative Expenses, Marketing and Sales Expenses		(208,658,022)	(74,805,147)	(126,658,158)	(52,649,201)
Depreciation		(71,609,008)	(22,680,605)	(56,720,228)	(21,201,860)
Provisions		(272,016)	-	-	-
<b>Operating Profit</b>		<b>1,003,635,017</b>	<b>333,243,377</b>	<b>1,616,419,102</b>	<b>616,861,480</b>
Credit Interest		26,419,739	175,616	84,778,339	22,706,112
Interest on Bonds		21,839,991	7,559,321	4,848,210	2,382,965
Income from Treasury Bills		3,871,617	1,055,612	19,528,851	5,601,858
Revenue on sale of financial investments	(31)	28,734,654	15,480,050	13,801,263	(18,544,141)
Revenue of revalue financial assets at fair value through profit and loss	(12)	21,757,127	9,572,705	(29,954,533)	(21,439,075)
Board of Directors Allowances		(552,600)	(151,900)	(852,120)	(611,950)
Other Income		20,619,536	5,762,973	68,598,743	22,320,586
Capital Gain		553,731	146,267	580,420	177,576
Foreign Exchange Gain		4,053,873	654,903	6,044,431	1,948,883
<b>NET PROFIT FOR THE PERIOD BEFORE TAX</b>		<b>1,130,932,685</b>	<b>373,498,925</b>	<b>1,783,792,707</b>	<b>631,404,295</b>
Income Tax	(29)	(139,987,612)	(55,742,924)	(229,155,449)	(139,609,089)
Deferred Tax Expense		(6,415,357)	(2,122,784)	(2,295,383)	(414,046)
<b>NET PROFIT FOR THE PERIOD AFTER TAX</b>		<b>984,529,716</b>	<b>315,633,217</b>	<b>1,552,341,875</b>	<b>491,381,160</b>
Minority Interest		(45,750,918)	(11,408,866)	(214,590,183)	(28,222,463)
<b>NET PROFIT FOR THE PERIOD(MOTHER COMPANY SHAREHOLDERS)</b>		<b>938,778,798</b>	<b>304,224,351</b>	<b>1,337,751,692</b>	<b>463,158,697</b>
Earnings Per Share (LE/Share)	(32)	0.47	0.15	0.66	0.23

Chairman  
  
Tarek Talaat Mostafa

Financial Director   
Ghaleb Ahmed Fayed

-The attached notes 1 to 37 are an integral part of these financial statements,



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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the period from 1 January 2009 to 30 September 2009

	Issued and Paid up Capital LE	Share Premium LE	General Reserves LE	Treasury Stocks LE	Retained Earning 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	-	-	-	-	-	874,592,996	874,592,996	-	874,592,996
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 Reserve	-	158,119,298	-	-	-	-	158,119,298	-	158,119,298
Treasury Stocks	-	-	-	(36,188,826)	-	-	(36,188,826)	-	(36,188,826)
Minority Interest								2,597,781,287	2,597,781,287
<b>Balance at 30 September 2008</b>	<b>20,302,035,500</b>	<b>158,119,298</b>	<b>25,747,613</b>	<b>(36,188,826)</b>	<b>-</b>	<b>874,592,996</b>	<b>21,324,306,581</b>	<b>2,597,781,287</b>	<b>23,922,087,868</b>
Balance at 1 January 2009	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
Net profit for the period	-	-	-	-	-	938,778,798	938,778,798	-	938,778,798
Reconciliation on retained earning					69,384,374	-	69,384,374		69,384,374
Reconciliation on minority interest	-	-	-	-	-	-		(381,238,093)	(381,238,093)
Legal Reserve	-	4,620,920	-	-	(4,620,920)	-	-	-	-
Treasury Stocks transferred to the incentives system of employees.	-	-	-	36,166,409	-	-	36,166,409	-	36,166,409
Minority Interest	-	-	-	-	-	-	-	45,750,918	45,750,918
<b>Balance at 30 September 2009</b>	<b>20,302,035,500</b>	<b>162,740,218</b>	<b>25,747,613</b>	<b>(133,732,729)</b>	<b>1,703,243,156</b>	<b>938,778,798</b>	<b>22,998,812,556</b>	<b>1,658,684,520</b>	<b>24,657,497,076</b>

- The reconciliations related basically to the purchase minority interest in the subsidiaries and increase the control percentage in the subsidiaries
- The attached notes 1 to 37 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 1 January 2009 to 30 September 2009

	Notes	From 1/1/2009 to 30/9/2009 LE	From 1/1/2008 to 30/9/2008 LE
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the period before tax and minority interest		1,130,932,685	1,783,792,707
Depreciation		71,609,008	56,720,228
Revenue from bonds amortization		(908,519)	-
Provisions		272,016	(5,988,201)
Revenue (Loss) of revalue financial assets at fair value through profit and loss		(21,757,125)	29,954,533
Credit Interest		(52,131,347)	(84,778,339)
Capital (Gain)		(553,731)	(580,420)
Foreign Exchange (Gain)		(4,053,873)	(6,044,431)
<b>Operating profit before changes in working capital</b>		<b>1,123,409,114</b>	<b>1,773,076,077</b>
(Increase) in work in progress		(350,736,092)	(2,178,331,175)
Decrease in Finished Units		-	555,823
Decrease in inventory		4,482,197	(27,127,912)
Decrease (Increase) in Accounts and Notes Receivables		970,162,699	(6,221,561,086)
(Increase) in Prepayments and Other Debit Balances		(623,850,236)	150,683,675
Increase (Decrease) in Creditors and Notes Payable- Short Term		288,219,217	169,541,231
Increase in current portion of long term liabilities		32,725,516	35,036,220
Increase (Decrease) in Customers Advance Payment		(1,819,886,225)	5,283,468,299
proceeds from long term liabilities		(32,725,516)	3,009,220,013
Increase in Dividends Creditors		(108,769)	(1,648,511)
(Decrease) in Accrued Expenses and Other Credit Balances		(18,995,850)	302,081,918
(Increase) financial assets at fair value through profit and loss		(52,161,381)	339,436,237
<b>Net Cash flows (used in) Operating Activities</b>		<b>(479,465,326)</b>	<b>2,634,430,807</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Payment) on Purchasing of Property and Equipment and Projects Under Construction		(169,221,743)	(1,298,375,491)
Gain from sale fixed assets		559,081	3,008,213
proceeds (Payment) on Purchasing of Bonds Held to Maturity		246,567	(334,443,473)
proceeds from Available for Sale Investments		3,870,221	59,037,322
proceeds from in Investments in Associates		795,275	(207,566)
(Payment) in Investment Debtors		(11,371,196)	-
(Payment) in companies under incorporation		(270,000)	(2,891,577,601)
<b>Net Cash flows (used in) Investing Activities</b>		<b>(175,391,795)</b>	<b>(4,462,558,596)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease) in Goodwill		(217,167,778)	(467,083,892)
(Decrease) Increase Minority Interest		(311,853,720)	460,669,249
(Payment) on Purchasing of Treasury Stocks		-	(166,889,841)
Collected Interest		60,082,069	56,134,155
proceeds (Payment) from Loans and Facilities		118,818,576	(198,174,653)
<b>Net Cash flows provided from Financing Activities</b>		<b>(350,120,853)</b>	<b>(315,344,982)</b>
Foreign Exchange Impact		4,053,873	6,044,431
<b>NET CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>		<b>(1,000,924,101)</b>	<b>(2,137,428,338)</b>
Cash and Cash Equivalents at the beginning of the period		1,314,100,618	3,438,150,190
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	(18)	<b>313,176,517</b>	<b>1,300,721,852</b>

The following accrued revenues and expenses are eliminated:

- Accrued Revenues amounted LE 7,950,721 from other debit balances
- Due amounts to tax authority amounted LE 139,987,612 from other credit balances
- Minority interest includes the amount of LE 325,999,479 paid to purchase the minority interest
- The attached notes 1 to 37 are an integral part of these consolidated financial statements,



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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

#### 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 Scope of the Consolidated Financial Statements

The consolidated financial statements include the subsidiaries which controlled by Talaat Mostafa Group Company "TMG Holding" as a share bigger than 50% of the subsidiaries' paid capital.

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

Arab company for projects and urban development (S,A,E)	99,99%
Alexandria company for real estate investment (S,A,E)*	98,57%
San Stefano company for real estate investment (S,A,E)**	100%
Alexandria for urban projects Company (S,A,E)***	100%

\*Arab company for projects and urban development acquires 1, 64% of Alexandria company for real estate investment.

\*\* The company acquires with an indirect way 28,63% 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

#### 3 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

##### 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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

### Significant Accounting Policies (continue)

- 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 acquiree 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,

### 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 -80
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,



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

### 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,



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

### 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,



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

### Significant Accounting Policies (continue)

#### Revenue recognition

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 share profit recorded when there is right to receive it,

#### Recording the 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:

- Unit 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,

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 the consolidated 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,



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

### Significant Accounting Policies (continue)

#### **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,

#### **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,



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

### Significant Accounting Policies (continue)

#### 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 ,

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

4 PROPERTY AND EQUIPMENT-Net

	Buildings & Constructions LE	Motor Vehicles LE	Tools & Equipments LE	Furniture & Fixtures LE	Marine Equipment LE	Computers LE	Total LE
<b>Cost</b>							
At 1 January 2009	3,426,478,042	55,495,073	210,473,454	343,194,637	5,156,793	11,760,610	4,052,558,609
Additions	13,539,823	2,589,233	5,074,836	6,211,228	182,420	1,427,664	29,025,204
Disposals	-	(778,403)	-	(3,997,532)	-	(17,352)	(4,793,287)
<b>At 30 September 2009</b>	<b>3,440,017,865</b>	<b>57,305,903</b>	<b>215,548,290</b>	<b>345,408,333</b>	<b>5,339,213</b>	<b>13,170,922</b>	<b>4,076,790,526</b>
<b>Accumulated depreciation</b>							
At 1 Jan 2009	(106,746,207)	(27,258,951)	(62,030,068)	(76,813,440)	(1,763,510)	(3,926,396)	(278,538,572)
Depreciation charge	(28,905,461)	(7,039,696)	(13,540,113)	(20,249,695)	(459,435)	(1,414,608)	(71,609,008)
Disposals	-	778,403	-	3,992,292	-	4,791	4,775,486
<b>At 30 September 2009</b>	<b>(135,651,668)</b>	<b>(33,520,244)</b>	<b>(75,570,181)</b>	<b>(93,070,843)</b>	<b>(2,222,945)</b>	<b>(5,336,213)</b>	<b>(345,372,094)</b>
<b>Net carrying amount At 30 September 2009</b>	<b>3,304,366,197</b>	<b>23,785,659</b>	<b>139,978,109</b>	<b>252,337,490</b>	<b>3,116,268</b>	<b>7,834,709</b>	<b>3,731,418,432</b>
<b>Net carrying amount At 31 December 2008</b>	<b>3,319,731,835</b>	<b>28,236,122</b>	<b>148,443,386</b>	<b>266,381,197</b>	<b>3,393,283</b>	<b>7,834,214</b>	<b>3,774,020,037</b>



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

5 - PROJECTS UNDER CONSTRUCTIONS

	30/9/2009	31/12/2008
	LE	LE
Tahran Building	19,066,693	15,760,507
Computers and Software	11,921,819	9,362,984
Villa (Al Rehab – Madinaty- Sednawy)	58,579,707	1,215,396
Fixtures	2,928,647	2,664,623
Mayfair Club	24,104,113	24,104,113
Hotel Assets	34,211,527	11,816,238
Administration Office In Dubai	7,891,767	7,891,767
Al Nile Hotel	390,230,447	335,910,102
	<u>548,934,720</u>	<u>408,725,730</u>

6- GOODWILL

	30/9/2009	31/12/2008
	LE	LE
Arab Company for Projects and Urban Development	12,235,313,553	12,235,313,553
Alexandria Company for Real Estate Investment	2,733,802,143	2,516,634,364
San Stefano Company for Real Estate Investments	96,337,795	96,337,795
Alexandria Company for Urban Projects	69,829,985	69,829,985
	<u>15,135,283,476</u>	<u>14,918,115,697</u>

\*Arab company for hotels and tourism investments (a subsidiary of Alexandria Company for Real Estate Investment) acquired the minority interest presents 39.31% of 82192 shares of the total shares 209088 in Alexandria Saudi company for touristic projects with total purchase price LE 325,999,479 and results in a goodwill amounted LE 217,084.529 represents the increase in the purchase cost to the book value of the acquired interest.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

7- AVAILABLE FOR SALE INVESTMENTS

	30/9/2009 LE	31/12/2008 LE
<b>Available for sale investment – short term</b>		
Dune groasses overseas	26,496	26,496
Tansy finance	26,496	26,496
Rockland	26,496	26,496
Timber Lack Business Company	-	14,699,125
Housing Insurance Company	4,950,000	4,950,000
Egyptian Building Integrated Systems	1,100,000	1,100,000
Egyptian For Real Estate Finance Company	2,055,560	2,055,560
Free Zone Industry Area East Port Saied	16,287	16,287
Egyptian Company for Marketing and Distribution	500,000	500,000
	<u>8,701,335</u>	<u>23,400,460</u>
<b>Available for sale investment – long term</b>		
Housing Development Bank Securities	57,930	57,930
Alexandria for Tourism Projects	1,862,456	1,846,052
Credentials investment fund Horus	44,520,000	33,480,000
El Tameer for Real Estate Finance Company	6,650,000	6,650,000
Madinaty for Projects Management	-	227,500
	<u>53,090,386</u>	<u>42,261,482</u>
	<u>61,791,721</u>	<u>65,661,942</u>

8- INVESTMENTS IN ASSOCIATES

	30/9/2009 LE	31/12/2008 LE
Alexandria for Projects Management	650,000	1,445,275
	<u>650,000</u>	<u>1,445,275</u>

9- INVESTMENTS IN COMPANIES UNDER INCORPORATION

	30/9/2009 LE	31/12/2008 LE
Hill / TMG for Projects and Construction Management	1,490,000	1,220,000
	<u>1,490,000</u>	<u>1,220,000</u>

10- INVESTMENT DEBTORS

	30/9/2009 LE	31/12/2008 LE
Morsi El Sadid for Real Estate and Tourism Investment Company	807,050,302	807,050,302
Areez Arab Limited Company	403,947,936	403,947,937
Thabat for Real Estate Improvement	93,981,922	93,981,922
Tara Bas Universal Company	26,070,322	14,699,125
	<u>1,331,050,482</u>	<u>1,319,679,286</u>



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

**11- BONDS HELD TO MATURITY**

Bonds held to maturity in governmental bonds are amounted to LE 335,357,919 in 340,909 bonds with nominal value LE 1000 per bond and maturity date is 2013 includes 100,000 bonds with 9, 05% interest rate and 240,909 bonds with 8, 55% interest rate, the interests are due semi annually.

**12- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS**

	30/9/2009	31/12/2008
	LE	LE
Certificate of Deposit and Investment Funds *	435,594,819	335,361,534
Financial Portfolio Managed by both of Hermes for Assets Management and Arab African international bank *	44,197,288	45,264,522
North Shara Al Baharia Ltd Co	-	25,252,500
Egyptian Cables Company	17,920	12,958
	<u>479,810,027</u>	<u>405,891,517</u>
<b>Market value</b>	<b>30/9/2009</b>	<b>30/9/2008</b>
	LE	LE
Book value of marketable securities before revaluation	(458,052,900)	(539,391,509)
Market value	<u>479,810,027</u>	<u>509,436,976</u>
	<u>21,757,127</u>	<u>(29,954,533)</u>

\* The portfolio in 30 September 2009 has several stocks for companies listed in Egyptian capital market

**13- ACCOUNTS AND NOTES RECEIVABLE**

	30/9/2009	31/12/2008
	LE	LE
Accounts	228,727,122	3,296,431,048
Notes Receivable	<u>16,953,143,635</u>	<u>14,855,602,408</u>
	<u>17,181,870,757</u>	<u>18,152,033,456</u>

**14-WORK IN PROGRESS**

	30/9/2009	31/12/2008
Land	3,584,309,088	4,203,918,744
Consultations and Designs	407,765,851	365,566,911
Construction Work	4,516,519,801	3,521,458,266
Indirect Expenses	<u>2,148,245,046</u>	<u>2,215,159,773</u>
	<u>10,656,839,786</u>	<u>10,306,103,694</u>

**15- 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,

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

16- INVENTORY-Net

	30/9/2009	31/12/2008
	LE	LE
Hotels Operating Equipments & Supplies	33,139,904	70,456,184
Hotels Furniture	-	7,958,763
Food and beverage stock	150,926	172,407
El Rabwa store	14,206	6,131
(Less) Amortized Hotel Inventory	(4,636,124)	(45,442,376)
	<u>28,668,912</u>	<u>33,151,109</u>

17 – PREPAID EXPENSES AND OTHER DEBIT BALANCES

	30/9/2009	31/12/2008
	LE	LE
Advance Payment and Storage - Contractors and Accounts Payable	1,022,504,401	555,245,573
Contractors - Tashwinat	965,639,567	1,078,416,684
Hotels Current Accounts	111,384,679	76,405,204
Deposit with Others	3,254,795	361,440
Tax Authority	13,182,444	2,495,096
Other Debit Balances	93,442,050	40,140,803
Latter of credit	752,528	-
Loans to Employees	433,719	369,624
Received from Abroad	9,559,120	5,158,796
Accrued Revenue	15,828,750	39,608,221
Other Debtors	244,658,452	120,371,161
Amounts paid for investments in companies under incorporation	771,313,237	717,481,625
	<u>3,251,953,742</u>	<u>2,636,054,227</u>

18 - CASH AND CASH EQUIVALENTS

	Local Currency	Foreign Currency	Total	Total
	LE	LE	30/9/2009 LE	31/12/2008 LE
*Time Deposits	160,852,360	34,531,877	195,384,237	331,608,221
Banks Current Accounts	45,787,716	5,103,212	50,890,928	166,228,978
Cash on Hand	24,603,117	-	24,603,117	9,379,806
Treasury Bills	97,670,449	-	97,670,449	901,934,373
Cheques Under Collection	-	-	-	15,840,643
	<u>328,913,642</u>	<u>39,635,089</u>	<u>368,548,731</u>	<u>1,424,992,021</u>

\*Time deposits due within three months

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

	30/9/2009	30/9/2008
	LE	LE
Cash on Hand and at Banks	368,548,731	1,418,794,496
Banks Overdraft	(55,372,214)	(118,072,644)
Cash and Cash Equivalents	<u>313,176,517</u>	<u>1,300,721,852</u>



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

19- CREDITORS AND NOTES PAYABLE

	30/9/2009	31/12/2008
	LE	LE
Contractors and suppliers	174,711,302	283,246,490
Notes Payables	583,217,253	222,629,256
	<u>757,928,555</u>	<u>505,875,746</u>

20- CUSTOMERS ADVANCE PAYMENT

	30/9/2009	31/12/2008
	LE	LE
Customers down payment ( Al Rehab Project )	890,822,849	1,779,211,860
Customers down payment ( Al Rehab 2 Project )	3,375,422,827	2,948,762,727
Customers down payment ( Madinaty Project )	14,961,337,200	16,214,455,473
Customers down payment ( Al Rabwa Project )	444,742,884	387,389,505
Customers down payment ( San Stefano Project )	233,842,740	352,544,756
Other Customers down payment	-	43,690,404
	<u>19,906,168,500</u>	<u>21,726,054,725</u>

21- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	30/9/2009	31/12/2008
	LE	LE
Retention	446,751,029	318,792,468
Tax Authority	174,267,936	185,568,497
Other Credit Balances	88,607,469	33,502,008
Accrued Expenses and Creditors	162,181,719	275,946,855
Insurance for Other	106,412,843	100,296,553
Other Creditors	6,305,618	3,050,052
Due to Customers	10,066,359	9,432,875
Creditors Barriers	7,596,022	6,894,206
Due to Employees - treasury shares	177,458	36,430,000
Contribution to the establishment - renew the club	13,016,542	13,016,542
Club Subscriptions	355,022,174	331,889,475
Units Insurance	225,672,300	160,266,176
	<u>1,596,077,469</u>	<u>1,475,085,707</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

**22 – 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.

**23 – Legal Reserves**

Legal reserve 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. 5% of the net profit of the retained earnings of the year 2008 amounted to LE 4,620,920 was also transferred to the legal reserve to be LE 162,740,218.

**24- 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,

**25- 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.

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 133,732,729, to be used for reselling, in the incentives system of employees or deducting the issued capital.

The issued capital will be reduce by the treasury stocks as more than one year passed from the date of purchase , after selling 6406964 stocks amounted LE 36,166,408 to the incentives system of employees.

**26- LOANS AND FACILITIES**

	Short Term	Long Term	30/9/2009	31/12/2008
	LE	LE	LE	LE
Facilities	271,843,280	46,782,711	318,625,991	169,490,287
Loans *	320,552,108	1,256,409,000	1,576,961,108	1,607,278,236
	<u>592,395,388</u>	<u>1,303,191,711</u>	<u>1,895,587,099</u>	<u>1,776,768,523</u>

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

**27- LONG TERM LIABILITIES**

	30/9/2009	31 /12/ 2008
	LE	LE
New Urban Communities Authority*	4,177,619,742	4,210,345,257
	<u>4,177,619,742</u>	<u>4,210,345,257</u>



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

**28- Provisions**

The provision amounted LE 272,016 is created to face the general risks from the granted finance to the customers (Real Estate Finance) as a percentage 1% of the total finance given to the customer for the first portfolio related to El Rehab units with total real estate finance granted to the customers' amounted LE 27,201,600.

**29- INCOME TAX AND DEFERRED TAX LIABILITY**

The income tax was calculated as follows:

	From 1 /1/ 2009 to 30/9/2009 LE	From 1 /1/ 2008 to 30/9/2008 LE
Net book profit before tax	1,130,936,943	1,783,792,707
Adjustments to the net book profit to reach the net tax profit	(430,998,884)	(638,015,463)
Net tax profit	699,938,059	1,145,777,244
Tax rate	20%	20%
Income tax	139,987,612	229,155,449

The balance of deferred tax liabilities in 30 September 2009 is LE 18,292,339 which represents the different between taxes depreciation and accounting depreciation to the fixed assets item and it's calculation as follow:

	30/9/2009 LE	30/9/2008 LE
Accounting depreciation for assets	36,094,351	20,335,471
Taxes depreciation	(68,171,134)	(33,769,926)
Taxes differs	(32,076,783)	(13,432,455)
Tax rate	20%	20%
Deferred tax liability – 30 September 2009	(6,415,357)	(2,686,891)
Deferred tax liability – 31 December 2008	(11,876,982)	(3,333,578)
Deferred tax liability – 30 September 2009	(18,292,339)	(6,020,469)

**30- REVENUE AND COST OF REVENUE**

	From 1 /1/ 2009 to 30/9/2009 LE	From 1 /1/ 2008 to 30/9/2008 LE
-Revenue from Sold Units	3,916,809,508	4,551,865,881
-Revenue from Hotels Operation	383,949,455	449,319,607
-Services Revenues	53,904,601	37,335,114
Total Revenues *	4,354,663,564	5,038,520,602
-Cost of Sold Units	2,827,364,772	2,960,146,558
-Cost of Hotels Operation	225,842,410	265,189,732
-Cost of Sold Services	17,282,318	13,386,823
Total Cost **	3,070,489,501	3,238,723,113

\* The supervision revenue has been eliminated in amount LE 237,123,460

\*\* The supervision cost has been eliminated in amount LE 187,056,336

Comparative figures were reclassified to record the total hotels revenues

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

31- REVENUE FROM SALE FINANCIAL INVESTMENTS

	30/9/2009	30/9/2008
	LE	LE
Sale price of financial investments	1,105,290,820	3,071,700,772
Book value of sold financial investments	(1,076,556,166)	(3,057,899,509)
	<u>28,734,654</u>	<u>13,801,263</u>

32- EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit of the period to the number of the ordinary outstanding shares during the period, without taking into consideration any future dividends for employees or the Board of directors related to the period ended in 30 September 2009, as there is no proposed dividends declared by the Board of directors. Earnings per share LE 0, 47 according to the following:

	From 1 /1/ 2009 to 30/9/2009 LE	From 1 /1/ 2008 to 30/9/2008 LE
Net profit	<u>938,778,799</u>	<u>1,337,751,696</u>
Weighted average number of shares	<u>2,007,889,841</u>	<u>2,007,889,841</u>
Earnings per share	<u>0.47</u>	<u>0.66</u>

33-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 tax return is presented on time and no tax inspection yet.

b. Salary tax

The company pays the deducted income tax of the employees on monthly basis and the quarterly income tax returns are 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)



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

---

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

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,

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

---

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

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,



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

---

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

30 September 2009

**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,

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

---

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

#### 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,

### 34- 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,

TMG company for real estate and tourism investment - some of the board members participate in it – owns 49,85% of Talaat Mostafa Group Holding



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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009

The related party transactions that is included in the consolidated income statement:

	30 September 2009		30 September 2008		Type of Transaction
	Construction Works	Management fees	Construction Works	Management fees	
	LE	LE	LE	LE	
Virginia Owners Union	-	750,000	-	6,664,413	Contractor Management
Alexandria for Construction	61,591,123	-	66,665,469	-	

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

	30 September 2009		31 December 2008	
	Notes Receivable	Notes payable	Notes Receivable	Notes payable
	LE	LE	LE	LE
Alexandria for Constructions Company	-	9,406,520	-	7,558,000
Alexandria for Touristic Projects	-	306,381	-	342,796

	30 September 2009		31 December 2008	
	Debit Balances	Credit Balances	Debit Balances	Credit Balances
	LE	LE	LE	LE
Alexandria for Constructions Company	9,665,684	6,183,825	15,542,024	4,674,906

And this is the analyses of the debit advanced payment balances below:

	30 September 2009	31 December 2008
	LE	LE
Advanced Payments	3,432,168	8,888,928
Material at site	6,233,516	6,653,096
	<u>9,665,684</u>	<u>15,542,024</u>

### 35- Contingent and other obligation contracted

There's no any contingent obligations unrecorded in the financial statements

### 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,

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

**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,

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

30 September 2009

**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,

**37- Comparison numbers**

The comparison numbers has been reclassified to the prior period to match the current period.

	31 December 2008	Reclassification	31 December 2008 After Reclassification	30 September 2009
Property and Equipment – net	3,798,124,150	(24,104,113)	3,774,020,037	3,731,418,432
Projects Under Constructions	384,621,617	24,104,113	408,725,730	548,934,720
Available for Sale Investments	56,723,107	(14,471,625)	42,251,482	53,090,386
Investment Debtors	1,306,200,161	14,471,625	1,320,671,786	1,331,050,482
Customers Advance Payment-Long term	18,570,611,942	(14,360,266,684)	4,210,345,258	4,177,619,742
Customers Advance Payment	7,365,788,041	14,360,266,684	21,726,054,725	19,906,168,500
Provisions	48,245,192	(48,245,192)	-	272016
Other credit balances	1,426,840,515	48,245,192	1,475,085,707	1,596,077,469