

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

**ARAB CHARTERED ACCOUNTANTS
(RSM INTERNATIONAL)**

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

Consolidated Financial Statements

As Of 31 December 2007

Together With Auditors' Report

Translation of Auditors' Report
originally issued in Arabic

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

We have audited the accompanying consolidated financial statements of Talaat Mostafa Group Holding "TMG Holding" (S.A.E) represented in the consolidated Balance Sheet as of 31 December 2007 and the related consolidated statement of income, changes in shareholders' equity and cash flows for the period from 3 April 2007 (inception date) to 31 December 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Egyptian Standards on Auditing and applicable Egyptian laws. The Egyptian Standards on Auditing require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We obtained all information and disclosures, which we considered necessary for the purpose of our audit. We believe that our audit provides a reasonable basis for our opinion on the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above, and the notes attached present fairly in all material respects, the consolidated financial position of the Company for the period from 3 April 2007 (inception date) to 31 December 2007, and the results of its operations and its cash flows, for the period then ended in conformity with the Egyptian Accounting Standards, taking into consideration what was mentioned in the notes to the consolidated financial statements and the related Egyptian applicable laws and regulations.

Cairo: 28 February 2008



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

CONSOLIDATED BALANCE SHEET

31 December 2007

| | Notes | 2007 LE |
|---|-----------|-----------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Property and Equipment | (3-3,4) | 2,555,349,521 |
| Projects under Constructions | (3-6,5) | 284,578,009 |
| Goodwill | (6) | 15,001,718,712 |
| Available for Sale Investments | (3-7,7) | 15,707,930 |
| Investments in Associates | (3-7,8) | 33,707,750 |
| Notes Receivables | (10) | 7,832,032,472 |
| Construction Work | (11) | 4,754,403,735 |
| | | 30,477,498,129 |
| Current Assets | | |
| Finished Units | (3-5,12) | 12,382,134 |
| Under Construction Work | (11) | 3,979,198,269 |
| Inventory (Net) | (3-8,13) | 22,203,776 |
| Accounts and Notes Receivable - Short Term | (10) | 1,730,606,871 |
| Prepayments and Other Debit Balances | (3-9,14) | 716,382,809 |
| Available for Sale Investments | (7) | 65,853,609 |
| Trading Investments | (3-7,9) | 909,614,313 |
| Cash on Hand and at Banks | (3-11,15) | 3,489,987,177 |
| Total current assets | | 10,926,228,958 |
| Current Liabilities | | |
| Provisions | (3-12,16) | 5,988,201 |
| Banks Overdraft | (3-20,15) | 51,836,987 |
| Creditors and Short Term Notes Payable | (17) | 301,849,083 |
| Current Portion of Loans and Facilities | (3-20,20) | 357,115,674 |
| Customers Down Payment | (18) | 2,039,458,162 |
| Other Credit Balances | (3-10,19) | 1,068,771,036 |
| Total Current Liabilities | | 3,825,019,143 |
| WORKING CAPITAL | | 7,101,209,815 |
| TOTAL INVESTMENTS | | 37,578,707,944 |
| Financed as follows: | | |
| Issued and Paid up Capital | (20) | 20,302,035,500 |
| Share Premium | (20) | 158,119,298 |
| General Reserves | (25) | 25,747,613 |
| Treasury Stocks | | (3,009,297) |
| Profit for the year | | 195,395,347 |
| TOTAL EQUITY | | 20,678,288,461 |
| Minority Interest | | 1,834,376,623 |
| Long Term Liabilities | | |
| Loans and Facilities | (3-20,21) | 1,706,925,363 |
| Long Term Liabilities | (22) | 13,336,806,163 |
| Notes Payable | | 18,977,755 |
| Deferred Tax Liability | (3-17,26) | 3,333,579 |
| Total Long Term Liabilities | | 15,066,042,860 |
| Total Equity and Long Term Liabilities | | 37,578,707,944 |

Chairman
Hesham Talaat Mostafa

Financial Director
Ghaleb A. Fayed

Auditors
Emad H. Ragheb

Magdy Hashish

-The attached notes from (1) to (29) are an integral part of these financial statements
-Auditor's report attached

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

CONSOLIDATED INCOME STATEMENT

For the period from 3 April 2007 (Inception Date) to 31 December 2007

| | Notes | 2007 LE |
|---|--------|--------------------|
| Revenue | (3-13) | 431,413,137 |
| Cost of Revenue | (3-22) | (175,446,620) |
| GROSS PROFIT | | 255,966,517 |
| Marketing and Sales Expenses | (3-22) | (66,798,256) |
| General and Administrative Expenses | (3-22) | (4,326,206) |
| Finance Expenses | | (16,899,917) |
| Credit Interest | | 19,926,251 |
| Other Income | | 9,846,378 |
| Investment Income | | (48,875) |
| Income from Treasury Stocks | | 5,374,044 |
| Capital Gain | | 52,710 |
| (Loss) on Sale of Investment | | (49,825,776) |
| Net Change in the Market Value of Investments | | 5,175,020 |
| Gain from Foreign Exchange Differences | | 2,022,690 |
| PROFIT BEFORE TAX | | 160,464,580 |
| Income Tax Expense | | (525,303) |
| Deferred Tax Expense | | (320,004) |
| NET PROFIT FOR THE YEAR AFTER TAX | | 159,619,273 |
| Minority Interest | | 35,776,074 |
| NET PROFIT FOR THE YEAR | | 195,395,347 |
| Earnings Per Share | (24) | 0.61 |

Chairman
Hesham Talaat Mostafa

Financial Director
Ghaleb A. Fayed

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 3 April 2007 (Inception Date) to 31 December 2007

| | Capital Share LE | Share Premium LE | General Reserves LE | Retained Earnings LE | Treasury Shares LE | Total LE |
|------------------------------------|-----------------------|---------------------|------------------------|-------------------------|-----------------------|-----------------------|
| Balance at 3 April 2007 | 6,000,000 | - | - | - | - | 6,000,000 |
| Profit for the period | - | - | - | 195,395,347 | - | 195,395,347 |
| General Reserves | - | - | 25,747,613 | - | - | 25,747,613 |
| Issue of Share Capital | 20,296,035,500 | - | - | - | - | 20,296,035,500 |
| Share Premium | - | 158,119,298 | - | - | - | 158,119,298 |
| Treasury Shares | - | - | - | - | (3,009,297) | (3,009,297) |
| Balance at 31 December 2007 | 20,302,035,500 | 158,119,298 | 25,747,613 | 195,395,347 | (3,009,297) | 20,678,288,461 |

-The attached notes from (1) to (29) are an integral part of these financial statements
Auditor's report attached

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

CONSOLIDATED CASH FLOW STATEMENT

For the period from 3 April 2007 (Inception Date) to 31 December 2007

| | Notes | 2007 LE |
|---|-------|-------------------------|
| OPERATING ACTIVITIES | | |
| Profit for the year | | 195,395,347 |
| Adjustments to reconcile net income (loss) to cash flows from operating activities | | |
| Depreciation | | 9,816,023 |
| Change in Market Value for Investments | | (5,175,020) |
| Income Tax | | 845,307 |
| Operating profit before changes in working capital: | | 200,881,657 |
| (Increase) in Inventory | | (22,203,776) |
| (Increase) in Finished Units | | (12,382,134) |
| (Increase) in Development Properties | | (8,733,602,004) |
| (Increase) in Short Term Accounts and Notes Receivables | | (1,730,606,871) |
| (Increase) in Long Term Accounts and Notes Receivable | | (7,832,032,472) |
| (Increase) in Prepayments and Other Debit Balances | | (716,382,809) |
| (Increase) in Available for Sale Investments | | (81,561,539) |
| (Increase) in Investments in Associates | | (33,707,750) |
| (Increase) in Trading Investments | | (904,439,295) |
| Increase in Short Term Accounts and Notes Payable | | 301,849,083 |
| Increase Long Term Notes Payable | | 18,977,755 |
| Increase in Current Portion of Loans and Facilities | | 357,115,674 |
| Increase in Customers Down Payment | | 2,039,458,162 |
| Increase in Other Credit Balances | | 1,067,925,727 |
| Increase in Provisions | | 5,988,201 |
| Net Cash from Operating Activities | | (16,074,722,390) |
| INVESTING ACTIVITIES | | |
| Purchase of Property and Equipment and Construction Work | | (2,849,743,550) |
| Purchase of Investments | | (15,001,718,712) |
| Net Cash used in Investing Activities | | (17,851,462,262) |
| FINANCING ACTIVITIES | | |
| Cash Proceeds from Issuing Shares | | 20,302,035,500 |
| Cash Proceeds from Premium Shares | | 158,119,298 |
| Increase in Minority Shareholders | | 1,834,376,623 |
| Purchase of Treasury Shares | | (3,009,297) |
| Reserves | | 25,747,613 |
| Cash Received from Loans and Facilities | | 1,706,925,363 |
| Cash Received from Long Term Liabilities | | 13,340,139,742 |
| Net Cash from (used in) Financing Activities | | 37,364,334,842 |
| INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD | | 3,438,150,190 |
| Cash and Cash Equivalents at the beginning of the priod | | - |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | 3,438,150,190 |
| (NOTE 15) | | |

-The attached notes from (1) to (29) are an integral part of these financial statements
Auditor's report attached

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

1 BACKGROUND

Talaat Mostafa Group Holding (S.A.E). registered in Egypt under Commercial Registration numbered 187397 under the provisions of law 92 of 1995 and its executive regulations in 13 February 2007. The Company was registered in 3 April 2007 under No. 187397.

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, that Talaat Mostafa group holding owns more than 50% of their issued capital, as follow

Shares participation

| | |
|---|--------|
| Arab company for projects and urban development | 99.9% |
| Alexandria for real estate investment | 98.6% |
| San Stefano for real estate investment | 98.34% |

The company owns indirect 27.32 % of San Stefano for real estate through its subsidiaries, Arab company for projects and urban development, Alexandria for real estate investment and Alexandria for Urban Projects.

3 ACCOUNTING POLICIES

The main accounting policies that used in preparing the consolidated financial statements are:

3-1 Basis of consolidating the financial statements

- The financial statements of the holding company and the subsidiaries have been prepared according to the cost method except for some investments that have been evaluated with fair value in accordance to the Egyptian Accounting Standards and the prevailing laws and local regulations

The same accounting policies and basis are used in preparing the interim financial statements .

- Similar assets, liabilities, revenues and expenses items were consolidated in the holding company and its subsidiaries after eliminating the following:
 - a) The Holding Company's cost of investment in every subsidiary company against decreased it from the equity in the subsidiary company at the acquisition date and record the different between the investment cost and the holding company share in the book value of the subsidiaries equity as goodwill.
On yearly basis at the consolidated balance sheet date , goodwill is to be revaluated to decide wither to reduce the value of the goodwill in case of the decrease of the holding company fair value in the subsidiaries equity and record the decrease in the consolidated income statement
 - b) The Inter-company transactions among the companies of the group especially:
 - The current accounts among the companies.
 - Notes Receivable /Payable among the companies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

- c) The sales, expenditures, revenue and dividends among the companies of the group during the period
- d) The unrealized profit at the consolidated balance sheet date among the companies of the group, which might appear in the assets balances in the consolidated balance sheet date as inventory and fixed assets.
- e) Any differences between debit and credit balances resulting from the inter-companies transactions, which were recorded in one company and not in the other company's records, were eliminated.
- f) The minority interest appears as a separate caption in the consolidated financial statements as a percentage calculated on the basis of the ownership of the holding company in the subsidiaries

3-2 Foreign Currency Translations

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date. All differences are taken to the income statement. Non monetary assets and non monetary liabilities valued at historical cost denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of transaction.

3-3 Property, plant and equipment

- a) Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

The cost includes all direct costs related to the acquiring of the asset, regarding the built internally assets, the cost includes the cost of materials, direct labour and all other direct costs that is required until it is ready to be used and also the cost of elimination the asset and fix the construction site

- b) Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

- 3-4 Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. 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 income statement as the expense is incurred.

3-5 Reclassify the real estate investments

Real estates 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 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 income statement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3-6 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.

3-7 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 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 income statement for the period, except for impairments loss, and for non listed investments is to be recorded at cost less impairment loss

Financial investments held for trading

Financial investments are classified as held for trading if they are acquired for the purpose of selling in the near term. They are measured at fair value, any gains or losses on investments held for trading are recognized in profit and loss.

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 amortized cost. Investment in bonds is classified as non current assets except for the bonds that due in the next financial period which will be classified as current assets

3-8 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined as follows:

- Raw materials, spare parts, supplies and packaging materials: at cost using the weighted average method.
- Work in Progress and Finished goods Inventory – supplies direct cost and wages addition to indirect expenses according to Normal activate level.
- Net excepted value to be determined based on the estimated sales price less additional expected cost it is built or sold

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3-9 Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

3-10 Accounts payable 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.

3-11 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts if any.

3-12 Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Provisions are evaluated in each balance sheet date and adjusted to provide the most reasonable estimate.

3-13 Revenue recognition

Revenue from sales is recognised when the significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

The revenue from services provided recorded when estimated the result transaction from completion transaction percentage in Balance Sheet date.

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

3-14 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

3-15 Impairment and uncollectability of financial assets

The Company regularly assesses whether there is an indication that an asset could be impaired. If any such indication exists, the recoverable amount of the asset is compared with its carrying amount, and when the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

3-16 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

3-17 Income tax

Taxation is provided in accordance with Egyptian fiscal regulations.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

3-18 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

3-19 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.

3-20 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

3-21 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.

3-22 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

4 PROPERTY AND EQUIPMENT

| | <i>Buildings & Constructions LE</i> | <i>Motor Vehicles LE</i> | <i>Tools & Equipments LE</i> | <i>Furniture & Fixtures LE</i> | <i>Marine Equipment LE</i> | <i>Computers LE</i> | <i>Total LE</i> |
|----------------------------|---|------------------------------|--|--|------------------------------------|-------------------------|----------------------|
| Cost | | | | | | | |
| At 1 January 2007 | 1,220,698,732 | 34,502,987 | 13,359,977 | 318,249,704 | 4,799,199 | 5,150,612 | 1,596,761,211 |
| Additions | 1,058,197,671 | 8,190,433 | 3,689,051 | 85,112,057 | 201,340 | 3,170,694 | 1,158,561,246 |
| Disposals | (66,090) | (1,301,460) | - | (379,660) | - | - | (1,747,210) |
| At 31 December 2007 | 2,278,830,313 | 41,391,960 | 17,049,028 | 402,982,101 | 5,000,539 | 8,321,306 | 2,753,575,247 |
| Accumulated depreciation | | | | | | | |
| At 1 January 2007 | (50,428,842) | (15,251,299) | (2,905,045) | (69,944,647) | (537,911) | (1,788,266) | (140,856,010) |
| Depreciation charge | (21,618,379) | (6,796,085) | (1,360,050) | (27,302,904) | (606,769) | (815,880) | (58,500,067) |
| Disposals | 13,548 | 1,054,924 | | 61,879 | | | 1,130,351 |
| At 31 December 2007 | (72,033,673) | (20,992,460) | (4,265,095) | (97,185,672) | (1,144,680) | (2,604,146) | (198,225,726) |
| Net carrying amount | | | | | | | |
| At 31 December 2007 | 2,206,796,640 | 20,399,500 | 12,783,933 | 305,796,429 | 3,855,859 | 5,717,160 | 2,555,349,521 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

5- PROJECTS UNDER CONSTRUCTIONS

| | 2007 LE |
|------------------------|--------------------|
| Tahran Building | 15,315,724 |
| Computers and Software | 3,883,703 |
| Villa (Al Rehab) | 3,130,245 |
| Fixtures | 2,373,015 |
| Al Nile Hotel | 259,875,322 |
| | <u>284,578,009</u> |

6- GOOD WILL

| | 2007 LE |
|---|-----------------------|
| Arab Company for Projects and Urban Development | 12,522,306,279 |
| Alexandria for Real Estate Investment | 1,982,306,076 |
| San Stefano for Real Estate Investments | 449,380,607 |
| Alexandria for Urban Projects | 47,725,750 |
| Total Good Will | <u>15,001,718,712</u> |

7- AVAILABLE FOR SALE INVESTMENTS

| | 2007 LE |
|--|---------------------|
| Current Investments | |
| Free Zone Industry Area East Port Saied | 16,287 |
| Egyptian International Medical Insurance | 250,000 |
| Egyptian Company for Marketing and Distribution | 500,000 |
| Suez Cement | 581,700 |
| Arab African Bank Bonds | 623,222 |
| Alexandria for Mineral Oil | 659,439 |
| Al Delta for Sugar | 1,621,971 |
| Housing and Development Bank | 1,903,043 |
| Sinaa Cement | 2,451,865 |
| Canal Maritime agency | 2,610,000 |
| Mobinil | 2,868,180 |
| Misr El Gedida for Housing and Development | 2,969,928 |
| CIB | 3,074,295 |
| Faisal Islamic Bank | 3,282,904 |
| Orascom Telecom | 3,334,640 |
| Elnaem for Holding Investments | 4,489,189 |
| Orascom for Constructions | 5,578,950 |
| Financial Group Hermes | 6,860,880 |
| 6 of October Company for Development and Investments | 10,927,116 |
| El Tayseer for Real Estate Finance Company | 11,250,000 |
| Non-Current Investments | |
| Housing Development Bank Securities | 57,930 |
| El Tameer for Real Estate Finance Company | 6,650,000 |
| Other Investments | 9,000,000 |
| Total | <u>81,561,539</u> |
| Current Investments | <u>(65,853,609)</u> |
| Long Term Investments | <u>15,707,930</u> |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8- INVESTMENTS IN ASSOCIATES

| | Participation % | 2007 LE |
|--|--------------------|-------------------|
| Arab Egyptian for Entertainment Projects | 50% | 125,000 |
| Alexandria for Projects Management | 32.5% | 1,027,000 |
| Nile Besfour company | 31.77% | 10,028,072 |
| Alexandria for Tourism Projects | 24.25% | 477,678 |
| Areez Arab Limited Company | 50% | 22,050,000 |
| | | <u>33,707,750</u> |

9- TRADING INVESTMENTS

| | 2007 LE |
|---|--------------------|
| Investments Fund | 13,000,048 |
| Horus Investment Fund | 16,950,000 |
| Themar Investment Fund | 674,553,037 |
| Export Development Bank Investment Fund | 49,999,932 |
| Dune grosses overseas | 80,094,663 |
| Antalis Business Corp | 75,000,000 |
| Egyptian Cables Company | 16,633 |
| | <u>909,614,313</u> |

10- NOTES RECEIVABLE

| | Short Term LE | Long Term LE | Total 2007 LE |
|---------------------|----------------------|----------------------|----------------------|
| Notes Receivable | 1,528,943,355 | 7,832,032,472 | 9,360,975,827 |
| Accounts Receivable | 201,663,516 | - | 201,663,516 |
| | <u>1,730,606,871</u> | <u>7,832,032,472</u> | <u>9,562,639,343</u> |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11-WORK IN PROGRESS

| Project | Land <i>LE</i> | Consultations and Designs <i>LE</i> | Construction Work <i>LE</i> | Contribution of Alexandria Governorate <i>LE</i> | Technical Management and Supervision Costs <i>LE</i> | Financing Costs <i>LE</i> | Licenses and Other Governments Fees <i>LE</i> | Indirect Costs <i>LE</i> | Current Portion <i>LE</i> | Non- Current Portion <i>LE</i> | Total in 31/12/2007 <i>LE</i> |
|--|----------------------|---|-----------------------------------|---|---|---------------------------------|---|--------------------------------|---------------------------------|---|-------------------------------------|
| Arab for Projects and Urban Development | 2,164,282,270 | 171,500,090 | 1,211,189,577 | - | 30,527,533 | - | 75,719,378 | 1,129,698,835 | 79,482,687 | 4,703,434,996 | 4,782,917,683 |
| San Stefano for Real Estate | 139,430,939 | 88,506,440 | 916,277,154 | 5,506,726 | - | 261,565,870 | 2,785,862 | 185,211,848 | 1,599,284,840 | - | 1,599,284,839 |
| Alexandria for Real Estate | 584,197,060 | 124,051,241 | 1,286,627,403 | - | - | 186,835,493 | - | 169,688,285 | 2,300,430,742 | 50,968,739 | 2,351,399,482 |
| | <u>2,887,910,269</u> | <u>384,057,771</u> | <u>3,414,094,134</u> | <u>5,506,726</u> | <u>30,527,533</u> | <u>448,401,363</u> | <u>78,505,240</u> | <u>1,484,598,968</u> | <u>3,979,198,269</u> | <u>4,754,403,735</u> | <u>8,733,602,004</u> |

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12-FINISHED UNITS

The balance of finished units is LE 12,382,134, represents the value of finished units returned from clients and available for sale.

13- INVENTORY

| | 2007 |
|-------------------------------------|-------------------|
| | LE |
| Equipment | 37,462,140 |
| Furniture | 8,053,890 |
| (Less) the Utilized Hotel Inventory | (23,312,254) |
| | <u>22,203,776</u> |

14- PREPAYMENT AND OTHER DEBIT BALANCES

| | 2007 |
|---|--------------------|
| | LE |
| Contractors and Accounts Payable Down Payment and Storage | 237,347,701 |
| Received from Abroad | 10,609,524 |
| Transfers – Cheques | 23,690,941 |
| Accrued Revenue | 18,878,797 |
| Hotels Current Accounts | 83,727,591 |
| Related Parties (Note No.(27)) | 54,658,456 |
| Investment Debtors | 31,557,822 |
| Diverse Debtors | 255,911,977 |
| | <u>716,382,809</u> |

15- CASH AND CASH EQUIVALENTS

| | Local Currency | Foreign Currency | TOTAL |
|--------------------------|----------------------|--------------------|----------------------|
| | LE | LE | 2007 LE |
| Time Deposits | 810,862,599 | 200,632,862 | 1,011,495,461 |
| Banks Current Accounts | 50,521,660 | 151,467 | 50,673,127 |
| Cash on Hand | 10,058,382 | - | 10,058,382 |
| Treasury Bills | 2,410,334,761 | - | 2,410,334,761 |
| Cheques under collection | 7,425,446 | - | 7,425,446 |
| | <u>3,289,202,848</u> | <u>200,784,329</u> | <u>3,489,987,177</u> |

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

| | 2007 |
|---------------------------|----------------------|
| | LE |
| Cash on Hand and at Banks | 3,489,987,177 |
| Banks Overdraft | (51,836,987) |
| | <u>3,438,150,190</u> |

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16- PROVISIONS:

| | 2007 |
|----------------------|------------------|
| | LE |
| Beginning Balance | 5,988,201 |
| Used during the year | - |
| Ending Balance | <u>5,988,201</u> |

17-CREDITORS AND SHORT TERM NOTES PAYABLE

| | 2007 |
|----------------------------------|--------------------|
| | LE |
| Contractors and Accounts Payable | 210,956,744 |
| Related parties (Note No.(27)) | 17,528,531 |
| Notes Payables * | <u>73,363,808</u> |
| | <u>301,849,083</u> |

* The earned cheques were recorded after a year of the financial statements in the long term liabilities (Note No. (22))

18- CUSTOMERS DOWN PAYMENT

| | 2007 |
|--|----------------------|
| | LE |
| Customers down payment (Al Rehab Project) | 346,641,269 |
| Customers down payment (Nile Plaza Project) | 118,905,307 |
| Customers down payment (Sharm El Sheikh Project) | 4,719,942 |
| Customers down payment (San Stefano Project) | 1,229,678,655 |
| Customers down payment (Al Rabwa Project) | <u>339,512,989</u> |
| | <u>2,039,458,162</u> |

19- OTHER CREDIT BALANCES

| | 2007 |
|---|----------------------|
| | LE |
| Dividend Payable | 5,032,556 |
| Retentions Payable | 157,394,623 |
| Accrued Salaries and Expenses | 3,348,400 |
| New Urban Authority | 4,726,851 |
| Subscription of the club | 175,493,905 |
| Accrued Consultant Fees | 16,343,983 |
| Club contribution for annual subscription renewal | 16,678,071 |
| Other Creditors | 488,851,138 |
| Treasury Stocks - Due to employees | 37,600,000 |
| Hotels Current Account – Renewal and Replacement | 12,646,487 |
| Units Insurance | <u>150,655,022</u> |
| | <u>1,068,771,036</u> |

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20 – SHARE CAPITAL

The company's authorized capital amounted to LE 50,000,000 and the issued capital amounted to LE 6,000,000 divided over 600000 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 1,815,203,550 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

- PREMIUM SHARE

Premium share amounted to LE 1.6 per share by total amount LE 344,000,000 and an amount of LE 185,880,702 was used to cover the IPO expenses and the net balance of the share premium is LE 158,119,298

21- LOANS AND FACILITIES

The balance on date of the financial statements is LE 2,064,041,037 which consists of:

| | Short Term | Long Term | Total 2007 |
|------------|--------------------|----------------------|----------------------|
| | LE | LE | LE |
| Facilities | 98,625,259 | 35,600,000 | 134,225,259 |
| Loans * | 258,490,415 | 1,671,325,363 | 1,929,815,778 |
| | <u>357,115,674</u> | <u>1,706,925,363</u> | <u>2,064,041,037</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

22- LONG TERM LIABILITIES

| | 2007 |
|--|-----------------------|
| | LE |
| Long Term Notes Payable | <u>18,977,755</u> |
| | <u>18,977,755</u> |
| Customer down payment (Madinaty Project) | 8,264,992,594 |
| Customer down payment (Al Rehab Project) | 1,700,877,729 |
| Customer down payment (Al Rehab Extension Project) | 1,238,086,236 |
| Urban Authority | <u>2,132,849,604</u> |
| | <u>13,336,806,163</u> |
| | <u>13,355,783,918</u> |

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23-SALES AND COST OF SALES

| | 2007 |
|-----------------------------------|--------------------|
| | LE |
| -Revenue from Sold Units | 332,569,212 |
| -Net Revenue from Hotel Operation | 57,465,428 |
| -Services Revenues | 41,378,498 |
| | <u>431,413,138</u> |
| -Operation Cost | |
| -Cost of Sold Units | 150,749,233 |
| -Cost of Sold Services | 24,697,387 |
| | <u>175,446,620</u> |

24-EARNINGS PER SHARE

Earnings per share are LE 0.61 according to the following:

| | 2007 |
|--|--------------------|
| | LE |
| Earnings: | |
| Net profit for the year attributable to equity holders of the Parent | <u>195,395,347</u> |
| Shares: | |
| Weighted average number of shares outstanding for calculating EPS | <u>320,750,592</u> |
| Earnings per share | <u>0.61</u> |

25-RESREVES

- GENERAL RESERVE

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.

26-DEFERRED TAX LIABILITY

Deferred Tax Liability as of 31 December 2007 amounted to LE 3,333,579 represents the deferred taxes of the fixed assets and related to difference between tax depreciation and accounting depreciation as follows:

| | 2007 |
|--------------|------------------|
| | LE |
| Fixed Assets | 3,333,579 |
| | <u>3,333,579</u> |

27- RELATED PARTY TRANSACTIONS

To accomplish the company's objectives, the company deals with some related companies with the same terms of the related 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 after the approval of the General Assembly of the Company.

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Alexandria Company for construction is the primary contractor for the companies' projects under the contracts signed by the companies.

Al Basatin Company for Gardening and Landscaping performs the job of gardening and landscape for the Rehab project under the contract signed with the company.

| Description | Advance Payments | Credit Balances | Type of Transaction |
|--|-------------------|-------------------|---------------------|
| Alexandria for Constructions Company | 53,649,352 | 16,764,035 | Contractor |
| Al-Basatin Company for Gardening and Landscaping | 1,009,104 | 764,496 | Contractor |
| | <u>54,658,457</u> | <u>17,528,531</u> | |

28-TAX SITUATION

The company is subject to Tax Law 91 for 2005, because the Company started it's activity in April 2007, the tax returns not yet submitted.

29-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