

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 3 APRIL 2007 TO 31 MARCH 2008  
TOGETHER WITH REVIEW REPORT**

Translation of Auditors' Report  
originally issued in Arabic

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

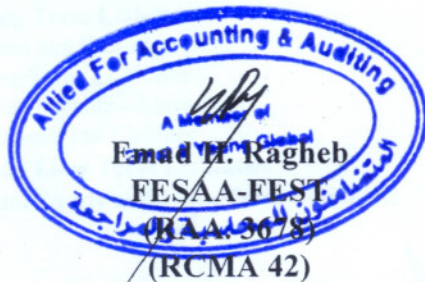
We have performed a review of the accompanying consolidated financial statements of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** represented in the financial position as of 31 March 2008 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the Period from 3 April 2007 to 31 March 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.


We conducted our review in accordance with the Egyptian Standard on Auditing concerning the review. This standard requires that we plan and perform the review to obtain reasonable assurance about whether the financial statements are free of material misstatement. A review is limited to the implementation of analytical procedures on the financial data and obtaining information from the Company's management, accordingly, it is limited in scope compared with the audit procedures that are performed under the Egyptian Standards on Auditing for the purpose of expressing an opinion on the financial statements, accordingly, we do not express such an opinion.

Based on our review of the consolidated financial statements of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** as of 31 March 2008, we did not note any material adjustments that should be made to the consolidated financial statements to conform to the Egyptian Accounting Standards.

This report is intended solely for management purposes and should not be used for any other purpose.

Cairo: 10 April 2008



  
**Magdy Hashish**  
**Magdy Hashish & Co**  
(RAA. 1626)  
(RCMA 117)





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

CONSOLIDATED BALANCE SHEET

31 March 2008

	Notes	31 March 2008 LE
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property and Equipment-Net	(4)	2,751,957,640
Projects Under Constructions	(5)	1,345,842,297
Goodwill	(6)	15,471,582,845
Available for Sale Investments	(7)	11,707,930
Investments in Associates	(8)	33,484,590
Bonds Held to Maturity		48,898,280
Accounts and Notes Receivables - Long Term	(10)	8,698,053,452
Work in Progress - Long Term	(11)	5,249,251,978
		<u>33,610,779,012</u>
<b>Current Assets</b>		
Finished Units	(12)	12,382,134
Work in Progress	(11)	2,173,605,860
Inventory - Net	(13)	51,672,589
Accounts and Notes Receivable - Short Term	(10)	2,227,418,825
Prepayments and Other Debit Balances	(14)	1,869,483,702
Available for Sale Investments	(7)	12,016,287
Trading Investments	(9)	2,232,996,455
Cash on Hand and at Banks	(15)	2,665,815,846
<b>Total current assets</b>		<u>11,245,391,698</u>
<b>Current Liabilities</b>		
Provisions	(16)	66,105,338
Banks Overdraft	(15)	689,631,645
Creditors and Notes Payable	(17)	192,379,938
Current Portion of Loans and Facilities	(20)	317,435,302
Current Portion of Long Term Liabilities		35,036,220
Customers Down Payment	(18)	1,471,103,882
Other Credit Balances	(19)	1,028,603,707
<b>Total Current Liabilities</b>		<u>3,800,296,032</u>
<b>WORKING CAPITAL</b>		<u>7,445,095,666</u>
<b>TOTAL INVESTMENTS</b>		<u>41,055,874,678</u>
<b>Financed as follows:</b>		
Issued and Paid up Capital	(20)	20,302,035,500
Share Premium	(20)	158,119,298
General Reserves	(25)	25,747,613
Treasury Stocks		(36,188,826)
Net profit for the period		621,811,793
<b>TOTAL EQUITY</b>		<u>21,071,525,378</u>
Minority Interest		2,597,781,287
<b>Long Term Liabilities</b>		
Loans and Facilities	(21)	1,677,758,643
Long Term Liabilities	(22)	15,660,776,079
Notes Payable - Long Term		45,585,062
Deferred Tax Liability	(26)	2,448,229
<b>Total Long Term Liabilities</b>		<u>17,386,568,013</u>
<b>Total Equity and Long Term Liabilities</b>		<u>41,055,874,678</u>

Chairman

Financial Director

Auditors

Hesham Talaat Mostafa

Ghaleb Ahmed Fayed

Emad H. Ragheb

Magdy Hashish

-The attached notes from (1) to (29) are an integral part of these financial statements.

-Review report attached.



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

CONSOLIDATED INCOME STATEMENT

For the period from 3 April 2007(Inception Date) to 31 March 2008

	Notes	From 1 /1/ 2008 to 31 /3/ 2008 LE	From 3 /4/ 2007 to 31 /3/ 2008 LE
Revenue	(23)	1,486,965,297	1,918,378,436
Cost of Revenue	(23)	(991,812,311)	(1,167,258,931)
<b>GROSS PROFIT</b>		495,152,988	751,119,505
Marketing and Sales Expenses		(6,987,180)	(68,146,466)
General and Administrative Expenses		(47,387,086)	(60,143,787)
Finance Expenses		(51,685,584)	(65,793,975)
Credit Interest		28,938,330	48,864,580
Other Income		11,005,554	20,527,090
Dividends from financial investments		-	3,649,999
Interest on Bonds		246,635	246,635
Income from Treasury Bills		9,135,738	13,915,185
Capital Gain		-	377,554
Gain (Loss) on Sale of Investment		1,999,430	(46,391,566)
Investment Revenue		24,112,181	19,496,117
Net Change in the Market Value of Investments		33,119,985	37,941,975
Foreign Exchange Gain		1,563,489	3,586,178
<b>NET PROFIT BEFORE TAX</b>		499,214,478	659,249,023
Income Tax Expense		(28,523,425)	(28,690,752)
Deferred Tax Expense		(19,976)	(339,982)
<b>NET PROFIT FOR THE PERIOD AFTER TAX</b>		470,671,077	630,218,289
Minority Interest		(45,245,822)	(8,406,496)
<b>NET PROFIT FOR THE PERIOD</b>		425,425,355	621,811,793
Earnings Per Share	(24)	0.49	0.75

Chairman  
Hesham Talaat Mostafa

Financial Director  
Ghaleb Ahmed Fayed

-The attached notes from (1) to (29) 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 3 April 2007(Inception Date) to 31 March 2008

	Capital Share LE	Share Premium LE	General Reserves LE	Treasury Shares LE	Retained Earnings LE	Total LE
Balance at 3 April 2007	6,000,000	-	-	-	-	6,000,000
Issue of Share Capital	20,296,035,500	-	-	-	-	20,296,035,500
General Reserves	-	-	25,747,613	-	-	25,747,613
Share Premium	-	158,119,298	-	-	-	158,119,298
Treasury Shares	-	-	-	(36,188,826)	-	(36,188,826)
Net profit for the period	-	-	-	-	621,811,793	621,811,793
<b>Balance at 31 March 2008</b>	<b>20,302,035,500</b>	<b>158,119,298</b>	<b>25,747,613</b>	<b>(36,188,826)</b>	<b>621,811,793</b>	<b>21,071,525,378</b>

-The attached notes from (1) to (29) are an integral part of these financial statements.



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

**CONSOLIDATED CASH FLOW STATEMENT**

For the period from 3 April 2007(Inception Date) to 31 March 2008

	Notes	31 March 2008 LE
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the period		621,811,792
<b>Adjustments to reconcile net income to cash flows from operating activities</b>		
Depreciation		17,067,724
Change in Market Value for Investments		37,941,975
Income Tax		28,690,752
<b>Operating profit before changes in working capital:</b>		<b>705,512,243</b>
(Increase) in Inventory		(51,672,589)
(Increase) in Finished Units		(12,382,134)
(Increase) in Work in Progress		(7,422,857,838)
(Increase) in Accounts and Notes Receivables - Short Term		(2,227,418,825)
(Increase) in Accounts and Notes Receivable - Long Term		(8,698,053,452)
(Increase) in Prepayments and Other Debit Balances		(1,869,483,702)
(Increase) in Available for Sale Investments		(23,724,217)
(Increase) in Investments in Associates		(33,484,590)
(Increase) in Trading Investments		(2,270,938,430)
Increase in Creditors and Notes Payable		192,379,938
Increase Notes Payable - Long Term		45,585,062
Increase in Current Portion of Loans and Facilities		317,435,302
Increase in Current Portion of Long Term Liabilities		35,036,220
Increase in Customers Down Payment		1,471,103,882
Increase in Other Credit Balances		999,912,954
Increase in Provisions		66,105,338
<b>Net Cash flows (used in) Operating Activities</b>		<b>(18,776,944,836)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Payment ) of Property and Equipment and Projects Under Construction		(4,114,867,661)
(Payment ) of Bonds Held to Maturity		(48,898,280)
(Payment ) of Investments		(15,471,582,845)
<b>Net Cash flows (used in) Investing Activities</b>		<b>(19,635,348,786)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash Proceeds from Issuing Shares		20,302,035,500
Cash Proceeds from Premium Shares		158,119,298
Increase in Minority Interest		2,597,781,287
(Purchase) of Treasury Shares		(36,188,826)
Reserves		25,747,613
Cash Received from Loans and Facilities		1,677,758,643
Cash Received from Long Term Liabilities		15,663,224,308
<b>Net Cash flows provided from Financing Activities</b>		<b>40,388,477,823</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>		<b>1,976,184,201</b>
Cash and Cash Equivalents at the beginning of the period		-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	(15)	<b>1,976,184,201</b>

-The attached notes from (1) to (29) are an integral part of these financial statements.



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008

**1 BACKGROUND**

Talaat Mostafa Group 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 187397 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, 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 company for real estate investment*	98.6%
San Stefano company for real estate investment*	98.34%

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

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

**3 SIGNIFICANT ACCOUNTING POLICIES**

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

**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 that are used in preparing the interim financial statements are applied.
- 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 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 Company "TMG Holding" S.A.E

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008

Significant Accounting Policies (continue)

- 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 .

**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.

**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:

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

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.

**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.

**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 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 Company "TMG Holding" S.A.E

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008

**Significant Accounting Policies (continue)**

**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.

**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.

**Trading Investments**

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 will be classified as current assets.

**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 Company "TMG Holding" S.A.E

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008

**Significant Accounting Policies (continue)**

**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.

**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.

**Cash and Cash Equivalents**

For the purpose of the cash flow statement, 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.

**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.

**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 prepaid service 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.

**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.

**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.

**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.

**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 Company "TMG Holding" S.A.E

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008

**Significant Accounting Policies (continue)**

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.

**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.

**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.

**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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008

## 4 PROPERTY AND EQUIPMENT-Net

	Buildings & Constructions LE	Motor Vehicles LE	Tools & Equipments LE	Furniture & Fixtures LE	Marine Equipment LE	Computers LE	Total LE
<b>Cost</b>							
At 3 April 2007	2,277,425,701	44,316,193	185,931,928	234,108,260	5,000,539	8,321,304	2,755,103,925
Additions	127,171,731	4,002,181	12,660,740	69,436,200	-	450,435	213,721,287
Disposals	-	(364,005)	(20,126)	(6,840)	-	-	(390,971)
<b>At 31 March 2008</b>	<u>2,404,597,432</u>	<u>47,954,369</u>	<u>198,572,542</u>	<u>303,537,620</u>	<u>5,000,539</u>	<u>8,771,739</u>	<u>2,968,434,241</u>
<b>Accumulated depreciation</b>							
At 3 April 2007	(73,566,093)	(20,992,629)	(44,714,928)	(56,727,169)	(1,144,681)	(2,604,146)	(199,749,646)
Depreciation charge	(7,014,216)	(1,806,585)	(3,475,252)	(4,304,985)	(158,578)	(308,107)	(17,067,723)
Disposals	-	316,005	20,126	4,637	-	-	340,768
<b>At 31 March 2008</b>	<u>(80,580,309)</u>	<u>(22,483,209)</u>	<u>(48,170,054)</u>	<u>(61,027,517)</u>	<u>(1,303,259)</u>	<u>(2,912,253)</u>	<u>(216,476,601)</u>
<b>Net carrying amount</b>							
<b>At 31 March 2008</b>	<u>2,324,017,123</u>	<u>25,471,160</u>	<u>150,402,488</u>	<u>242,510,103</u>	<u>3,697,280</u>	<u>5,859,486</u>	<u>2,751,957,640</u>



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008

5 - PROJECTS UNDER CONSTRUCTIONS

	31/3/2008
	LE
Tahran Building	17,382,817
Computers and Software	4,107,901
Villa (Al Rehab)	8,334,642
Fixtures	15,197,327
Four Season – San Stefano Hotel	1,037,963,399
Al Nile Hotel	262,856,211
	<u>1,345,842,297</u>

6- GOOD WILL

	31/3/2008
	LE
Arab Company for Projects and Urban Development	12,561,605,318
Alexandria Company for Real Estate Investment	2,425,848,557
San Stefano Company for Real Estate Investments	415,942,875
Alexandria Company for Urban Projects	68,186,095
	<u>15,471,582,845</u>

7- AVAILABLE FOR SALE INVESTMENTS

	31/3/2008
	LE
<b>Current Investments</b>	
Free Zone Industry Area East Port Saied	16,287
Egyptian International Medical Insurance	250,000
Egyptian Company for Marketing and Distribution	500,000
El Tayseer for Real Estate Finance Company	11,250,000
<b>Non-Current Investments</b>	
El Tameer for Real Estate Finance Company	6,650,000
El Rehab for securitization	5,000,000
Housing Development Bank Securities	57,930
<b>Total</b>	<u>23,724,217</u>
Current Investments	<u>(12,016,287)</u>
Long Term Investments	<u>11,707,930</u>



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008

8- INVESTMENTS IN ASSOCIATES

	Shares Participation	31/3/2008  LE
Arab Egyptian for Entertainment Projects	50%	125,000
Alexandria for Projects Management	32.5%	804,375
Nile Besfour company	31.77%	10,028,072
Alexandria for Tourism Projects	24.25%	477,143
Areez Arab Limited Company	50%	22,050,000
		<u>33,484,590</u>

9- TRADING INVESTMENTS

	31/3/2008 LE
D&T Investments Fund	93,080,000
Themar Investment Fund	596,050,616
Governmental Bonds	153,666,647
Credit Agricole Bank Investment Fund	1,153,528,727
Other financial investments	236,640,465
	<u>2,232,966,455</u>

10- ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable balance is LE 10,990,024,273 in 31 March 2008, include short term accounts and notes receivable amounted to LE 2,291,970,821 and long term accounts and notes receivables amounted to LE 8, 698,053,452 .



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 11-WORK IN PROGRESS

Project	Land	Consultations and Designs	Construction Work	Contribution of Alexandria Governorate	Technical Management and Supervision Costs	Financing Costs	Licenses and Other Governments Fees	Indirect Costs	Current Portion	Non-Current Portion	Total 31/3/20
Arab for Projects and Urban Development	2,143,817,179	182,659,203	1,317,388,701	-	33,662,975	-	65,592,155	1,284,791,215	84,767,743	4,943,143,685	5,027,911,428
San Stefano for Real Estate	88,062,268	56,541,937	743,538,642	5,506,726	2,685,829	239,814,036	5,164,898	147,400,530	1,288,714,866	-	1,288,714,866
Alexandria for Real Estate	342,753,610	56,565,784	521,719,464	-	3,091,992	57,752,631	49,181,461	75,166,602	800,123,251	306,108,293	1,106,231,544
	<u>2,574,633,057</u>	<u>295,766,924</u>	<u>2,582,646,807</u>	<u>5,506,726</u>	<u>39,440,796</u>	<u>297,566,667</u>	<u>119,938,514</u>	<u>1,507,358,347</u>	<u>2,173,605,860</u>	<u>5,249,251,978</u>	<u>7,422,857,831</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-Net

	31/3/2008
	LE
Hotels Operating Equipments & Supplies	69,124,450
Hotels Furniture	7,865,309
(Less) the Utilized Hotel Inventory	(25,317,170)
	<u>51,672,589</u>

14 - PREPAID EXPENSES AND OTHER DEBIT BALANCES

	31/3/2008
	LE
Contractors and Accounts Payable Down Payment and Storage	376,311,131
Received from Abroad	7,759,062
Transfers - Cheques	906,989,415
Accrued Revenue	5,327,203
Hotels Current Accounts	94,212,906
Investment Debtors	235,735,603
Other Debtors	243,148,381
	<u>1,869,483,702</u>

15 - CASH AND CASH EQUIVALENTS

	Local Currency	Foreign Currency	TOTAL
	LE	LE	LE
Time Deposits	2,461,851,894	6,530,405	2,468,382,299
Banks Current Accounts	54,504,860	50,079,234	104,584,094
Cash on Hand	12,823,451	-	12,823,451
Treasury Bills	71,676,802	-	71,676,802
Cheques under collection	8,349,200	-	8,349,200
	<u>2,609,206,207</u>	<u>56,609,639</u>	<u>2,665,815,846</u>

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

	31/3/2008
	LE
Cash on Hand and at Banks	2,665,815,846
Banks Overdraft	(689,631,645)
	<u>1,976,184,201</u>



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008

16- PROVISIONS

	31/3/2008
	LE
Beginning Balance	5,988,201
Used during the year	60,117,137
Ending Balance	<u>66,105,338</u>

17-CREDITORS AND NOTES PAYABLE

	31/3/2008
	LE
Contractors and Accounts Payable (Note 28)	178,535,797
Notes Payables *	13,844,141
	<u>192,379,938</u>

\* The earned cheques were recorded after a year of the financial statements in the long term liabilities (Note 22).

18- CUSTOMERS DOWN PAYMENT

	31/3/2008
	LE
Customers down payment ( Al Rehab Project )	112,591,930
Customers down payment ( Nile Plaza Project )	162,358,160
Customers down payment ( Sharm El Sheikh Project )	29,370,540
Customers down payment ( San Stefano Project )	783,114,050
Customers down payment ( Al Rabwa Project )	383,669,202
	<u>1,471,103,882</u>

19- OTHER CREDIT BALANCES

	31/3/2008
	LE
Dividend Payable	8,518,021
Retentions Payable	123,829,920
Accrued Salaries and Expenses	2,175,302
New Urban Authority	38,926,005
Subscription of the club	216,794,972
Club contribution for annual subscription renewal	21,450,012
Other Creditors	480,979,046
Treasury Stocks - Due to employees	36,430,000
Units Insurance	99,500,429
	<u>1,028,603,707</u>



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008

**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 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

**- 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 1,995,193,945 which consists of:

	Short Term	Long Term	Total
	LE	LE	31/3/2008 LE
Facilities	61,678,031	29,600,000	91,278,031
Loans *	255,757,271	1,648,158,643	1,903,915,914
	<u>317,435,302</u>	<u>1,677,758,643</u>	<u>1,995,193,945</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**

Long Term Liabilities balance in 31 March 2008 includes Notes Payable, Notes receivables and New Urban Authority is amounted to LE 15,706,361,141 (Note 17).



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23-SALES AND COST OF SALES

	31/3/2008
	LE
- Revenue from Sold Units	1,743,510,749
- Net Revenue from Hotels Operation	124,212,028
- Services Revenues	50,466,658
	<u>1,918,189,435</u>
- Operation Cost	
- Cost of Sold Units	1,140,939,652
- Cost of Sold Services	26,319,279
	<u>1,167,258,931</u>

24-EARNINGS PER SHARE

Earnings per share are LE 0.75 according to the following:

	From 3 /4/ 2007 to 31 /3/2008 LE
Net profit	621,811,793
Weighted average number of shares	<u>828,351,479</u>
Earnings per share	<u>0.75</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 March 2008 amounted to LE 2,448,229 represents the deferred taxes of the fixed assets and related to difference between tax depreciation and accounting depreciation as follows:

	31/3/2008 LE
Fixed Assets	2,448,229
	<u>2,448,229</u>

27-TAX SITUATION

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008

**28- 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.

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

Description	Advance Payments	Credit Balances	Type of Transaction
	LE	LE	
Alexandria for Constructions Company	18,838,027	1,202,299	Contractor
	<u>18,838,027</u>	<u>1,202,299</u>	

**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.