

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 June 2010 and the related statements of consolidated income, consolidated changes in equity and consolidated cash flows for the six months ended in that date, and summary of the main accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim 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 financial position of the company as at 30 June 2010, and its financial performance and cash flows for the six months ended in that date in accordance with Egyptian accounting standards.

Cairo: 11 August 2010

Auditors



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

CONSOLIDATED BALANCE SHEET

As of 30 June 2010

	Notes	2010 LE	31/12/2009 LE
<b>Non-Current Assets</b>			
Property and Equipment-Net	(4)	3,729,987,991	3,729,384,866
Projects Under Constructions	(5)	665,802,291	582,350,774
Goodwill	(6)	15,135,241,851	15,135,241,851
Available for Sale Investments	(7)	52,307,930	50,627,930
Investments in Associates	(8)	2,445,000	2,120,000
Bonds Held to Maturity	(10)	336,224,728	335,643,104
<b>Total Non-Current Assets</b>		<u>19,922,009,791</u>	<u>19,835,368,525</u>
<b>Current Assets</b>			
Work in Progress	(13)	11,928,437,852	11,718,189,283
Inventory – Net	(14)	30,559,472	28,613,092
Accounts and Notes Receivable	(12)	16,798,196,458	17,061,160,470
Prepayments and Other Debit Balances	(15)	3,093,763,658	3,073,022,407
Available for Sale Investments	(7)	7,601,335	7,601,335
Investment Debtors	(9)	1,305,304,298	1,304,980,161
Financial assets at fair value through profit and loss	(11)	273,478,780	461,101,260
Cash on Hand and at Banks	(16)	432,417,887	398,783,476
<b>Total current assets</b>		<u>33,869,759,740</u>	<u>34,053,451,484</u>
<b>Current Liabilities</b>			
Provisions	(27)	786,805	555,590
Banks Overdraft		59,052,257	48,644,960
Creditors and Notes Payable	(17)	1,068,431,794	604,004,564
Current Portion of Loans and Facilities	(25)	726,099,173	752,207,123
Current Portion of Long Term Liabilities	(26)	-	65,451,032
Customers Advance Payment	(18)	18,921,980,885	20,446,576,316
Dividends Creditors		17,949,393	1,890,973
Accrued Expense and Other Credit Balances	(19)	1,863,872,072	1,702,120,027
<b>Total Current Liabilities</b>		<u>22,658,172,378</u>	<u>23,621,450,585</u>
<b>WORKING CAPITAL</b>		<u>11,211,587,363</u>	<u>10,432,000,899</u>
<b>TOTAL INVESTMENTS</b>		<u>31,133,597,153</u>	<u>30,267,369,424</u>
<b>Financed as follows:</b>			
<b>Owner's Equity</b>			
Authorized Capital	(20)	30,000,000,000	30,000,000,000
Issued and Paid up Capital	(20)	20,132,314,980	20,302,035,500
Legal Reserves	(21)	164,999,734	162,740,218
General Reserves	(22)	61,735,404	25,747,613
Net unrealized gains (losses) on available for sale	(23)	1,080,000	(600,000)
Treasury Stocks	(24)	(30,089,758)	(133,977,325)
Retained earning		2,795,800,266	1,682,046,129
Net profit for the year		662,383,408	1,106,174,370
<b>TOTAL MOTHER COMPANY SHAREHOLDERS EQUITY</b>		<u>23,788,224,034</u>	<u>23,144,166,505</u>
Minority Interest		1,707,753,705	1,684,636,138
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>25,495,977,739</u>	<u>24,828,802,643</u>
<b>Long Term Liabilities</b>			
Loans and Facilities – long term	(25)	1,438,693,992	1,240,163,530
Long Term Liabilities	(26)	4,177,619,742	4,177,619,742
Deferred Tax Liability	(28)	21,305,680	20,783,509
<b>Total Long Term Liabilities</b>		<u>5,637,619,414</u>	<u>5,438,566,781</u>
<b>Total Shareholders' Equity and Long Term liabilities</b>		<u>31,133,597,153</u>	<u>30,267,369,424</u>

Chairman

Tarek Talaat Mostafa

Financial Director

Ghaleb Ahmed Fayed

Auditors

Emad H. Ragheb

Magdy Hashish

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

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

CONSOLIDATED INCOME STATEMENT

For the period from 1 January 2010 to 30 June 2010

	Notes	From 1/1/2010 to 30/6/2010 LE	From 1/4/2010 to 30/6/2010 LE	From 1/1/2009 to 30/6/2009 LE	From 1/4/2009 to 30/6/2009 LE
Revenue	(29)	3,529,962,616	1,923,325,348	3,186,667,951	1,638,236,268
Cost of revenue	(29)	(2,565,505,811)	(1,421,468,183)	(2,333,223,016)	(1,253,696,283)
<b>GROSS PROFIT</b>		<b>964,456,805</b>	<b>501,857,165</b>	<b>853,444,935</b>	<b>384,539,985</b>
General and administrative expenses, marketing and sales expenses		(111,129,787)	(57,019,840)	(133,852,874)	(59,226,430)
Depreciation		(49,060,421)	(25,952,553)	(48,928,403)	(24,520,760)
Provisions		(231,214)	-	(272,016)	(272,016)
<b>Operating Profit</b>		<b>804,035,383</b>	<b>418,884,772</b>	<b>669,990,942</b>	<b>300,520,779</b>
Credit interest		19,960,448	10,970,064	26,595,355	5,395,109
Interest on bonds		15,083,193	7,554,088	14,280,670	7,770,348
Income from treasury bills		1,425,999	674,392	2,816,005	396,820
Dividends revenue	(30)	1,415,056	1,097,865	1,162,405	1,014,571
Revenue on sale of financial investments	(31)	1,614,495	1,568,612	12,092,198	10,221,915
Revenue of revalue financial assets at fair value through profit and loss	(11)	2,070,791	(7,721,140)	12,184,422	10,376,624
Other income	(32)	14,221,459	4,668,559	14,509,584	109,291
Capital gain		516,363	59,158	407,464	111,430
Board of directors allowances		(421,550)	(141,600)	(400,700)	(222,850)
Foreign exchange gain		2,839,064	3,291,192	3,398,970	(285,019)
<b>NET PROFIT FOR THE PERIOD BEFORE TAX</b>		<b>862,760,700</b>	<b>440,905,962</b>	<b>757,438,015</b>	<b>335,409,018</b>
Income tax	(28)	(156,727,959)	(79,337,912)	(84,244,688)	(5,910,588)
Deferred tax expense		(524,237)	(1,217,665)	(4,292,573)	(2,261,428)
<b>NET PROFIT FOR THE PERIOD AFTER TAX</b>		<b>705,508,504</b>	<b>360,350,385</b>	<b>668,900,754</b>	<b>327,237,002</b>
Minority interest		(43,125,096)	(22,043,869)	(34,342,053)	(6,693,000)
<b>NET PROFIT FOR THE PERIOD(MOTHER COMPANY SHAREHOLDERS)</b>		<b>662,383,408</b>	<b>338,306,516</b>	<b>634,558,701</b>	<b>320,544,002</b>
Earnings per share (LE/Share)	(33)	0.33	0.17	0.31	0.16

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 2010 to 30 June 2010

	Issued and Paid up Capital	Legal Reserves	General Reserves	Net unrealized (losses) gains on available for sale	Treasury Stocks	Retained Earning	Net Profit for the period	Total	Minority Interest	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance at 1 January 2010	20,302,035,500	162,740,218	25,747,613	(600,000)	(133,977,325)	1,682,046,129	1,106,174,370	23,144,166,505	1,684,636,138	24,828,802,643
Transfer to retained earning	-	-	-	-	-	1,106,174,370	(1,106,174,370)	-	-	-
Net profit for the year	-	-	-	-	-	-	662,383,408	662,383,408	43,125,096	705,508,504
Reconciliation on retained earning	-	-	-	-	-	9,839,282	-	9,839,282	-	9,839,282
Reconciliation on minority interest	-	-	-	-	-	-	-	-	(20,007,529)	(20,007,529)
Legal Reserve	-	2,259,516	-	-	-	(2,259,516)	-	-	-	-
Treasury Stocks redemption	(169,720,520)	-	35,987,791	-	103,887,567	-	-	(29,845,162)	-	(29,845,162)
Net unrealized gains (losses) on available for sale	-	-	-	1,680,000	-	-	-	1,680,000	-	1,680,000
<b>Balance at 30 June 2010</b>	<b>20,132,314,980</b>	<b>164,999,734</b>	<b>61,735,404</b>	<b>1,080,000</b>	<b>(30,089,758)</b>	<b>2,795,800,265</b>	<b>662,383,408</b>	<b>23,788,224,034</b>	<b>1,707,753,705</b>	<b>25,495,977,739</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	-	-	-	-	-	-	634,558,701	634,558,701	-	634,558,701
Reconciliation on retained earning	-	-	-	-	-	64,724,798	-	64,724,798	-	64,724,798
Reconciliation on minority interest	-	-	-	-	-	-	-	-	(376,637,894)	(376,637,894)
Legal Reserve	-	4,620,920	-	-	-	(4,620,920)	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-	34,342,053	34,342,053
<b>Balance at 30 June 2009</b>	<b>20,302,035,500</b>	<b>162,740,218</b>	<b>25,747,613</b>	<b>-</b>	<b>(169,899,138)</b>	<b>1,698,583,580</b>	<b>634,558,701</b>	<b>22,653,766,474</b>	<b>1,651,875,854</b>	<b>24,305,642,328</b>

- 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 2010 to 30 June 2010

	Notes	From 1/1/2010 to 30/06/2010 LE	From 1/1/2009 to 30/06/2009 LE
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the period before tax and minority interest		862,760,700	757,438,015
Depreciation & Amortization		49,060,421	48,928,403
Revenue from bonds amortization	(10)	(581,624)	(631,477)
Provisions		231,215	(47,973,176)
(Revenue) of revalue financial assets at fair value through profit and loss	(11)	(2,070,791)	(12,184,422)
Credit Interests, bonds and treasury bills revenue		(36,469,640)	(43,692,029)
Reconciliation on retained earning and Minority Interest Capital (Gain)		(10,168,246)	(311,913,096)
Foreign Exchange (Gain)		(516,362)	(407,464)
		(2,839,064)	(3,398,970)
<b>Operating profit before changes in working capital</b>		<b>859,406,609</b>	<b>386,165,784</b>
Change in work in progress		(210,248,570)	34,663,057
Change in inventory		(4,538,358)	3,016,889
Change in Accounts and Notes Receivables		262,964,012	257,955,084
Change in Prepayments and Other Debit Balances		(2,946,957)	(583,933,072)
Change in Creditors and Notes Payable		464,427,230	277,023,861
Change in current portion of long term liabilities		(65,451,032)	34,668,608
Change in current portion of long term Loans and Facilities		(26,107,950)	99,541,259
Change in Customers Advance Payment		(1,524,595,431)	(1,331,105,079)
Change in long term liabilities		(2,067)	(32,725,516)
Change in Dividends Creditors		16,058,420	(10,800)
Change in financial assets at fair value through profit and loss		189,693,271	(57,103,264)
Change in Other Credit Balances		5,024,086	(52,788,885)
<b>Net Cash flows (used in) Operating Activities</b>		<b>(36,316,737)</b>	<b>(964,632,074)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Payment) on Purchasing of Property and Equipment and Projects Under Construction		(130,971,556)	(82,994,300)
Gain from sale fixed assets		964,834	411,209
proceeds (Payment) on Purchasing of Bonds Held to Maturity		-	246,567
Proceeds (Payment) from Available for Sale Investments		-	3,870,221
proceeds from Investments in Associates		(325,000)	795,275
(Payment) in Investment Debtors		(324,137)	(11,371,197)
<b>Net Cash flows (used in) Investing Activities</b>		<b>(130,655,859)</b>	<b>(89,042,225)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Increase) in Goodwill		-	(217,084,528)
(Payment) on Purchasing of Treasury Stocks		(29,845,162)	-
Collected Interest		18,675,346	39,438,636
proceeds (Payment) from Loans and Facilities		198,530,462	61,950,178
<b>Net Cash flows Results from (used in) Financing Activities</b>		<b>187,360,646</b>	<b>(115,695,714)</b>
Foreign Exchange Impact		2,839,064	3,398,970
<b>NET CASH AND CASH EQUIVALENTS DURING THE YEAR</b>		<b>23,227,114</b>	<b>(1,165,971,043)</b>
Cash and Cash Equivalents at the beginning of the YEAR		350,138,516	1,314,100,620
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	(16)	<b>373,365,630</b>	<b>148,129,577</b>

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

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The following accrued revenues and expenses are eliminated:

- Accrued Revenues amounted LE 17,794,294 from other debit balances
  - Due amounts to tax authority amounted LE 156,727,959 from other credit balances
- 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 June 2010

#### 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 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

#### 3 Basis of consolidating the financial statements

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

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)*	96.93%
San Stefano company for real estate investment (S,A,E)**	71.37%
Alexandria for urban projects Company (S,A,E)***	40%

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

#### Significant Accounting Policies (continue)

\*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

#### 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
Marina Equipments	2 - 10

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,

#### 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,



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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

#### **Significant Accounting Policies (continue)**

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,

#### **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 sales 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 sales 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,

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

**Significant Accounting Policies (continue)**

**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,

**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**

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

#### **Significant Accounting Policies (continue)**

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,

#### **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,

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

**Significant Accounting Policies (continue)**

**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,

**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 June 2010

4 PROPERTY AND EQUIPMENT-Net

	<b>Lands LE</b>	<b>Buildings &amp; Constructions LE</b>	<b>Motor Vehicles LE</b>	<b>Tools &amp; Equipments LE</b>	<b>Furniture &amp; Fixtures LE</b>	<b>Marine Equipment LE</b>	<b>Computers LE</b>	<b>Total LE</b>
<b>Cost</b>								
At 1 January 2010	450,257,272	2,999,385,701	58,199,764	216,985,361	354,617,413	5,412,713	13,360,744	<b>4,098,218,968</b>
Additions	39,800	1,591,779	15,316,340	14,124,257	15,817,036	289,336	341,491	<b>47,520,039</b>
Disposals	-	-	(1,625,211)	(125,570)	(445,633)	-	-	<b>(2,196,414)</b>
<b>At 30 June 2010</b>	<b>450,297,072</b>	<b>3,000,977,480</b>	<b>71,890,893</b>	<b>230,984,048</b>	<b>369,988,816</b>	<b>5,702,049</b>	<b>13,702,235</b>	<b>4,143,542,593</b>
<b>Accumulated depreciation</b>								
At 1 January 2010	-	(145,470,407)	(35,831,923)	(79,563,821)	(99,798,086)	(2,382,691)	(5,786,832)	<b>(368,833,760)</b>
Depreciation charge	-	(19,568,740)	(4,702,200)	(8,465,589)	(12,339,126)	(344,143)	(1,048,645)	<b>(46,468,442)</b>
Disposals	-	-	1,492,349	108,453	146,799	-	-	<b>1,747,601</b>
<b>At 30 June 2010</b>	<b>-</b>	<b>(165,039,147)</b>	<b>(39,041,774)</b>	<b>(87,920,957)</b>	<b>(111,990,413)</b>	<b>(2,726,834)</b>	<b>(6,835,477)</b>	<b>(413,554,602)</b>
<b>Net carrying amount At 30 June 2010</b>	<b>450,297,072</b>	<b>2,835,938,333</b>	<b>32,849,119</b>	<b>143,063,091</b>	<b>257,998,403</b>	<b>2,975,215</b>	<b>6,866,758</b>	<b>3,729,987,991</b>
<b>31 December 2009</b>	<b>450,257,272</b>	<b>2,853,914,949</b>	<b>22,367,842</b>	<b>137,431,165</b>	<b>254,809,705</b>	<b>3,030,022</b>	<b>7,573,911</b>	<b>3,729,384,866</b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
30 June 2010

**5 - PROJECTS UNDER CONSTRUCTIONS**

	<b>2010</b>	31/12/2009
	<b>LE</b>	LE
Computers and Software	<b>13,621,580</b>	12,915,709
Villa (Al Rehab – Madinaty- Sednawy)	<b>60,532,871</b>	60,288,378
Fixtures	<b>170,198</b>	2,664,623
Mayfair Club	<b>24,104,113</b>	24,104,113
Hotel Assets	<b>29,200,099</b>	25,877,343
Administration Office In Dubai	<b>7,891,767</b>	7,891,767
Luxor Project	<b>38,304,139</b>	27,863,827
Al Nile Hotel	<b>491,977,524</b>	420,745,014
	<b><u>665,802,291</u></b>	<u>582,350,774</u>

**6- GOODWILL**

	<b>2010</b>	31/12/2009
	<b>LE</b>	LE
Arab Company for Projects and Urban Development *	<b>12,235,313,553</b>	12,235,313,553
Alexandria Company for Real Estate Investment	<b>2,733,760,518</b>	2,733,760,518
San Stefano Company for Real Estate Investments	<b>96,337,795</b>	96,337,795
Alexandria Company for Urban Projects	<b>69,829,985</b>	69,829,985
	<b><u>15,135,241,851</u></b>	<u>15,135,241,851</u>

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

**7- AVAILABLE FOR SALE INVESTMENTS**

	<b>2010</b>	31/12/2009
	<b>LE</b>	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
Housing Insurance Company	4,950,000	4,950,000
Egyptian For Real Estate refinance 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>7,601,335</u>	<u>7,601,335</u>
<b>Available for sale investment – long term</b>		
Housing Development Bank Securities	57,930	57,930
Credentials investment fund Horus	45,600,000	43,920,000
El Tameer for Real Estate Finance Company	6,650,000	6,650,000
	<u>52,307,930</u>	<u>50,627,930</u>
	<u>59,909,265</u>	<u>58,229,265</u>

Available for sale investments that have no market price and its fair value can't be properly determined due to the nature of the unpredictable future cash flows, therefore it was recorded at cost.

The available for sale investments are classified into current and concurrent assets based on the purpose of the investment whether the acquisition for keeping the investments.

**8- INVESTMENTS IN ASSOCIATES**

	<b>Percentage</b>	<b>2010</b>	31/12/2009
		<b>LE</b>	LE
Hill / TMG for Projects and Construction Management	49%	1,470,000	1,470,000
Alexandria for Projects Management	32.5%	975,000	650,000
		<u>2,445,000</u>	<u>2,120,000</u>

**9- INVESTMENT DEBTORS**

	<b>2010</b>	31/12/2009
	<b>LE</b>	LE
Morsi El Sadid for Real Estate and Tourism Investment Company	807,352,835	807,050,302
Areez Arab Limited Company	403,956,451	403,954,847
Thabat for Real Estate Improvement	93,975,012	93,975,012
TMG for Commercial and Service projects	5,000	-
TMG for Commercial and Administrative Projects	5,000	-
TMG for Medical Projects	5,000	-
TMG for Entertainment Projects	5,000	-
	<u>1,305,304,298</u>	<u>1,304,980,161</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

30 June 2010

**10- BONDS HELD TO MATURITY**

Bonds held to maturity in governmental bonds are amounted to LE 336,224,728 in 340909 bonds with nominal value LE 1000 per bond and maturity date is 2013 with 8, 55% interest rate, the interests is due semi annually, the balance of bonds discounting issue amounted to 4,684,272 at 30 June 2010 and it is amortized at the maturity date of the interest

	<b>2010</b>	31/12/2009
	<b>LE</b>	LE
Historical cost	<b>340,909,000</b>	340,909,000
bonds discounting issue	<b>(5,265,895)</b>	(6,459,889)
Amortized value	<b>335,643,104</b>	334,449,111
Amortization of discounting bonds	<b>581,624</b>	1,193,993
Balance of bonds	<b>336,224,728</b>	335,643,104

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

	<b>2010</b>	31/12/31/12/2009
	<b>LE</b>	LE
Certificate of Deposit and Investment Funds *	<b>211,900,566</b>	225,898,018
Financial Portfolio Managed by both of Hermes for Assets Management and Arab African international bank *	<b>61,567,791</b>	61,019,399
Egyptian Cables Company	<b>10,423</b>	12,738
Treasury Bills	<b>-</b>	174,171,105
	<b>273,478,780</b>	461,101,260
<b>Market value</b>	<b>30/6/2010</b>	30/6/2009
	<b>LE</b>	LE
Book value of marketable securities before revaluation	<b>(271,407,989)</b>	(462,994,782)
Market value	<b>273,478,780</b>	475,179,204
	<b>2,070,791</b>	12,184,422

\* The portfolio in 30 June 2010 has several stocks for companies listed in Egyptian capital market

**12- ACCOUNTS AND NOTES RECEIVABLE**

	<b>2010</b>	31/12/2009
	<b>LE</b>	LE
Accounts Receivables	<b>193,894,313</b>	210,115,463
Notes Receivables	<b>16,604,302,145</b>	16,851,045,007
	<b>16,798,196,458</b>	17,061,160,470

**13-WORK IN PROGRESS**

	<b>2010</b>	31/12/2009
	<b>LE</b>	LE
<b>Land</b>	<b>3,411,331,897</b>	3,539,476,360
<b>Consultations and Designs</b>	<b>473,097,263</b>	332,049,032
<b>Construction Work</b>	<b>5,882,992,774</b>	5,693,045,761
<b>Indirect Expenses</b>	<b>2,161,015,918</b>	2,153,618,130
	<b>11,928,437,852</b>	11,718,189,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

**14- INVENTORY-Net**

	<b>30/6/2010</b>	31/12/2009
	<b>LE</b>	LE
Hotels Operating Equipments & Supplies	<b>27,058,695</b>	32,987,635
Goods Stock	<b>6,092,755</b>	1,652,570
(Less) Amortized Hotel Inventory	<b>(2,591,978)</b>	(6,027,113)
	<b><u>30,559,472</u></b>	<u>28,613,092</u>

**15 – PREPAID EXPENSES AND OTHER DEBIT BALANCES**

	<b>30/6/2010</b>	31/12/2009
	<b>LE</b>	LE
Advance Payment and Storage - Contractors and Accounts Payable	<b>1,250,233,493</b>	1,047,886,758
Contractors – Tashwinat	<b>969,842,254</b>	987,571,352
Hotels Current Accounts	<b>119,712,783</b>	119,120,504
Deposit with Others	<b>2,769,997</b>	2,741,961
Tax Authority	<b>6,530,766</b>	14,587,044
Other Debit Balances	<b>116,547,015</b>	70,520,468
Loans to Employees	<b>354,723</b>	397,799
Received from Abroad	<b>10,135,985</b>	6,304,616
Checks Transfer	<b>1,900,494</b>	-
Accrued Revenue	<b>17,794,294</b>	4,534,914
Other Debtors	<b>138,133,300</b>	81,327,941
Prepaid expenses	<b>317,680</b>	290,085
Amounts paid for investments in companies under incorporation	<b>459,490,873</b>	737,738,965
	<b><u>3,093,763,658</u></b>	<u>3,073,022,407</u>

**16 - CASH AND CASH EQUIVALENTS**

	<b>Local Currency</b>	<b>Foreign Currency</b>	<b>Total</b>	<b>Total</b>
	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>
*Time Deposits	<b>200,055,828</b>	<b>24,038,972</b>	<b>224,094,800</b>	267,817,634
Banks Current Accounts	<b>50,777,563</b>	<b>1,824,384</b>	<b>52,601,947</b>	38,305,128
Cash on Hand	<b>15,132,984</b>	-	<b>15,132,984</b>	11,197,513
**Treasury Bills	<b>139,086,070</b>	-	<b>139,086,070</b>	81,463,201
***Cheques Under Collection	<b>1,502,086</b>	-	<b>1,502,086</b>	-
	<b><u>406,554,531</u></b>	<b><u>25,863,356</u></b>	<b><u>432,417,887</u></b>	<u>398,783,476</u>

\*Time deposits due within three months

\*\*Treasury Bills due within three months

\*\*\*Cheques under collection represent banks cheques and accepted cheques.

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

	<b>30/6/2010</b>	30/6/2009
	<b>LE</b>	LE
Cash on Hand and at Banks	<b>432,417,887</b>	214,002,949
Banks Overdraft	<b>(59,052,257)</b>	(65,873,372)
Cash and Cash Equivalents	<b><u>373,365,630</u></b>	<u>148,129,577</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**17- CREDITORS AND NOTES PAYABLE**

	<b>30/6/2010</b>	31/12/2009
	<b>LE</b>	LE
Contractors and suppliers	<b>219,342,837</b>	213,627,271
Notes Payables	<b>849,088,956</b>	390,377,293
	<b><u>1,068,431,793</u></b>	<u>604,004,564</u>

**18- CUSTOMERS ADVANCE PAYMENT**

	<b>30/6/2010</b>	31/12/2009
	<b>LE</b>	LE
Customers down payment ( Al Rehab Project )	<b>939,532,083</b>	863,028,395
Customers down payment ( Al Rehab 2 Project )	<b>3,672,724,483</b>	3,446,585,759
Customers down payment ( Madinaty Project )	<b>13,776,736,296</b>	15,627,673,370
Customers down payment ( Al Rabwa Project )	<b>368,387,899</b>	315,373,255
Customers down payment ( San Stefano Project )	<b>164,600,124</b>	193,915,537
	<b><u>18,921,980,885</u></b>	<u>20,446,576,316</u>

**19- ACCRUED EXPENSES AND OTHER CREDIT BALANCES**

	<b>30/6/2010</b>	31/12/2009
	<b>LE</b>	LE
Retention	<b>488,842,160</b>	435,808,669
Tax Authority	<b>199,178,526</b>	148,807,083
Other Credit Balances	<b>101,599,880</b>	64,185,517
Accrued Expenses and Creditors	<b>253,051,268</b>	315,493,121
Insurance for Other	<b>100,855,136</b>	109,721,704
Due to Customers	<b>5,700,461</b>	12,701,883
Creditors Barriers	<b>7,466,767</b>	7,352,760
Accrued Wages and Expenses	<b>5,912,006</b>	-
Contribution to the establishment - renew the club	<b>5,674,135</b>	5,674,135
Club Subscriptions	<b>379,527,334</b>	361,403,395
Units Insurance	<b>316,064,398</b>	240,971,760
	<b><u>1,863,872,072</u></b>	<u>1,702,120,027</u>

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

#### **20 – CAPITAL**

The company's authorized capital amounted to LE 50,000,000 and the issued and paid up capital 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 increased by LE 30,000,000,000 and the issued and paid 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 capital was increased to be LE 20,302,035,500 divided over 2,030,203,550 shares recorded in the commercial register on 25 November 2007.

The amount increased amounted to 2,150,000,000 was paid with a premium share amounted to LE 1.6 per share by total amount LE 344,000,000.

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

#### **21 – Legal Reserves**

Legal reserve amounted to 164,999,734 which represents the transferred amount of the shares Premium amounted to LE 344,000,000, and LE 1, 6 per share , part of the premium amounted to LE 185,880,702 was used to cover the IPO expenses, the remaining balance of LE 158,119,298 was transferred to the legal reserve, as well 5% of the net profit of the retained earnings of the prior years was also transferred to the legal reserve.

#### **22- GENERAL RESERVES**

The general reserve balance amounted LE 61,735,403 includes amount of LE 25,747,613 represents the different results from shares swap of the company with the subsidiaries amounted according to the Extra Ordinary General Assembly Meeting dated 6 October 2007 to transfer the different to general reserve

In addition to amount of LE 35,987,790 represent the difference between the par value and the book value of the treasury stocks that were redeemed according to the extraordinary general assembly resolution dated 24 March 2010

#### **23- Net Unrealized (losses) on Available for Sale Investments**

The revaluation of available for sale investments resulted to unrealized (losses) amounted to 1,680,000 LE which represented in the variation between the foreign exchange impact and the cost of the available for sale investments at the statement date.

#### **24- TREASURY STOCKS**

In accordance to the extra ordinary General Assembly resolution dated 28 October 2007, the company purchased during the month of February the number of 2919000 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 20460016 stocks of its stocks at amount of LE 133,710,312, to be used for reselling, in the incentives system of employees or deducting the issued capital and 6406964 shares amounted LE 36,166,409 were sold to the incentives system of employees.

According to the extra ordinary General Assembly resolution dated 24 March 2010, the issued capital is reduce by the treasury stocks amounted of LE 133,732,729 as more than one year passed from the date of purchase and recorded in the commercial register on 18 May 2010.

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Alexandria Company for real estate investments (one of the subsidiaries) purchase 190759 shares of its shares as treasury stocks with total amount of LE 29,758,404 according to the listing and disclosure rules of the Egyptian exchange (Bursa) due to the voluntary withdrawal of Alexandria Company for real estate from listing in the Egyptian exchange Bursa, therefore the balance of those treasury stocks is presented in the consolidated financial statements of Talaat Mostafa group holding

**25- LOANS AND FACILITIES**

	<b>Short Term</b>	<b>Long Term</b>	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>
Banks Facilities	-	-	-	442,212,208
Loans *	726,099,173	1,438,693,992	<b>2,164,793,165</b>	1,550,158,445
	<u>726,099,173</u>	<u>1,438,693,992</u>	<u>2,164,793,165</u>	<u>1,992,370,653</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,

**26- LONG TERM LIABILITIES**

	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
New Urban Communities Authority	<b>4,177,619,742</b>	4,177,619,742
	<u>4,177,619,742</u>	<u>4,177,619,742</u>

**27- Provisions**

The provision amounted LE 786,805 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.

**28- INCOME TAX AND DEFERRED TAX LIABILITY**

The income tax was calculated as follows:

	<b>From 1 /1/ 2010 to 30/6/2010</b>	<b>From 1 /1/ 2009 to 30/6/2009</b>
	<b>LE</b>	<b>LE</b>
Net book profit before tax	<b>862,453,040</b>	757,438,014
Adjustments to the net book profit to reach the net tax profit	<b>(78,813,245)</b>	(336,214,573)
Net tax profit	<u>783,639,795</u>	421,223,441
Tax rate	<b>20%</b>	20%
Income tax	<u>156,727,959</u>	84,244,688

The balance of deferred tax liabilities in 30 June 2010 is LE 21,305,680 which represents the different between taxes depreciation and accounting depreciation to the fixed assets item and it's calculation as follow:

	<b>30/6/2010</b>	<b>30/6/2009</b>
	<b>LE</b>	<b>LE</b>
Accounting depreciation for assets	<b>25,926,666</b>	24,005,687
Taxes depreciation	<b>(28,547,854)</b>	(45,468,550)
Taxes differs	<u>(2,621,188)</u>	(21,462,863)
Tax rate	<b>20%</b>	20%
Deferred tax liability – 30 June 2010	<b>(524,238)</b>	(4,292,573)
Adjustments	<b>2,067</b>	-
Deferred tax liability – 31 December 2009	<u>(20,783,509)</u>	(11,876,982)
Deferred tax liability – 30 June 2010	<u>(21,305,680)</u>	<u>(16,169,555)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

30 June 2010

**29- REVENUE AND COST OF REVENUE**

	From 1 /1/ 2010 to 30/6/2010	From 1 /1/ 2009 to 30/6/2009
	LE	LE
-Revenue from Sold Units	3,189,265,050	2,880,023,207
- Revenue from Hotels Operation	297,542,801	277,213,137
- Services Revenues	43,154,765	29,431,607
Total Revenues *	<u>3,529,962,616</u>	<u>3,186,667,951</u>
-Cost of Sold Units	2,381,110,601	2,165,777,477
- Cost of Hotels Operation	160,685,741	155,601,497
- Cost of Sold Services	23,709,469	11,844,042
Total Cost **	<u>2,565,505,811</u>	<u>2,333,223,016</u>

\* The supervision revenue has been eliminated in amount LE 189,533,049

\*\* The supervision cost has been eliminated in amount LE 183,134,127

Herein under are the analyses for all sectors to the consolidated TMG Holding according to the main projects

	Real Estate	Tourism	General	30/6/2010	31/12/2009
Revenue	3,232,419,815	297,542,801	-	3,529,962,616	4,822,123,471
Cost of good sold	2,404,820,070	160,685,741	-	2,565,505,811	3,280,476,169
Gross Profit	827,599,745	136,857,060	-	964,456,805	1,516,394,729
Depreciation	14,179,512	34,797,018	83,891	49,060,421	101,323,315
Credit Interest	-	-	19,960,448	19,960,448	37,900,444
Investments Revenue	-	-	5,750,341	5,750,341	79,173,573
Other Revenue	-	-	14,221,459	14,221,459	44,674,820
Income Tax	-	-	157,252,196	157,252,196	113,169,132
Total Profits	778,622,700	104,652,020	20,514,020	862,760,700	1,106,174,370
Assets	23,413,539,258	4,058,669,050	-	27,472,208,308	53,030,110,983
Financial Investment	-	-	672,057,773	672,057,773	857,093,630
Unallocated Assets	-	-	25,688,361,942	25,688,361,942	10,241,382
Total Assets	23,413,539,258	4,058,669,050	26,360,419,715	53,832,628,023	53,897,445,995
Liabilities	27182,779,359	1,075,216,206	-	28,257,995,565	29,002,156,044
Unallocated Liabilities	-	-	37,796,227	37,796,227	66,487,309
Total Liabilities	27,182,779,359	1,075,216,206	37,796,227	28,295,791,792	29,068,643,353

**30- DIVIDENDS REVENUE**

	From 1 /1/ 2010 to 30/6/2010	From 1 /1/ 2009 to 30/6/2009
	LE	LE
Dividends from Orascom Construction	204,890	81,512
Dividends from CIB	153,150	33,900
Dividends from Telecom Egypt Co	269,010	155,090
Dividends from Arab African Bank Portfolio	389,589	-
Dividends from Other Companies	398,417	891,903
	<u>1,415,056</u>	<u>1,162,405</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

**31- REVENUE FROM SALE FINANCIAL INVESTMENTS**

	<b>From 1 /1/ 2010 to 30/6/2010</b>	<b>From 1 /1/ 2009 to 30/6/2009</b>
	<b>LE</b>	<b>LE</b>
Sale price of financial investments	<b>550,581,659</b>	736,040,663
Book value of sold financial investments	<b>(552,196,154)</b>	(723,948,465)
	<b><u>1,614,495</u></b>	<u>12,092,198</u>

**32- OTHER INCOME**

	<b>From 1 /1/ 2010 to 30/6/2010</b>	<b>From 1 /1/ 2009 to 30/6/2009</b>
	<b>LE</b>	<b>LE</b>
Net revenue from El Rehab Club operation	<b>8,493,930</b>	3,909,691
Rents from rental units and usufruct	<b>1,658,475</b>	1,780,364
Bad debits REDEMPTION	-	7,748,347
Other	<b>4,069,054</b>	1,071,182
	<b><u>14,221,459</u></b>	<u>14,509,584</u>

**33- 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 June 2010, as there is no proposed dividends declared by the Board of directors. Earnings per share LE 0, 33 according to the following:

	<b>From 1 /1/ 2010 to 30/6/2010</b>	<b>From 1 /1/ 2009 to 30/6/2009</b>
	<b>LE</b>	<b>LE</b>
Net profit	<b><u>662,383,408</u></b>	<u>634,558,701</u>
Weighted average number of shares	<b><u>2,013,231,498</u></b>	<u>2,013,231,498</u>
Earnings per share	<b><u>0.33</u></b>	<u>0.31</u>

The weighted average of the out standing stocks is calculated as follow:

- Outstanding stocks of the begging of the period	2,030,203,550
- Deduct treasury stocks at the beginning of the period	(16,972,052)
	<u>2,013,231,498</u>

**34-TAX SITUATION**

**Talaat Mostafa group holding company**

**a. Corporate tax**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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30 June 2010

**b. Salary tax**

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

**c. Stamp tax**

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

### **Arab company for projects and urban development**

**a. Corporate tax**

The company presents its tax returns regularly and according to the legal times, the years till 2002 were examined and form no, (9-a) are received and the company paid the amounts due taking into consideration

that the company protest against what is stated in those forms regarding year 1996 (period before incorporation)

According to the court appeal no 4233 dated 25 July 2004 the company's project is tax exempted beginning 1 January 1997 for the phase I, beginning 1 January 1998 for the phase II and phase III for ten years also the phase IV and Phase V are exempted,

**b. Salary tax**

The company pays the deducted income tax of the employees on regularly basis, The Company's records were inspected for the years 1996 till 2000 and settlement is done to that date

The Company's records were inspected for the years 2001 till 2003 and paid the amount due

For the years 2004 till 2008 the tax returns are presented and amounts due are paid within the legal dates,

**c. Stamp tax**

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

### **San Stefano Company for real estate investments**

**a. Corporate tax**

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

**b. Salary tax**

Salary tax due are paid within the legal dates,

**c. Stamp tax**

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

### **Alexandria Company for real estate investments**

**a. Corporate tax**

– The company submits the tax returns within the legal dates,

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

30 June 2010

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

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

### b. Salary tax

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

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

### c. Stamp tax

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

## Arab company for hotels and tourism investments

### a. Corporate tax

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

### b. Salary tax

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

### c. Stamp tax

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

## Alexandria for Urban projects

### a. Corporate tax

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

### b. Salary tax

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

## Al rabwa for entertainment services

### a. Corporate tax

- The company submits the tax returns within the legal dates,

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010



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

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- No tax inspection took place till 2008 and the company enjoy a tax holiday under the new urban societies law,

### b. Salary tax

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

### c. Stamp tax

- No tax inspection took place till 2007,

### d. Sales tax

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

## Al Masria for development and real estate projects

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

## El Nile for hotels

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

## San Stefano For tourism investment

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

## Nova Park –Cairo Company

### a. Corporate tax

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

### b. Salary tax

- The Company's records were inspected and settled till 2004 and the tax due was paid
- The company pays the deducted income tax of the employees on regularly basis within the legal dates, the company submits the quarterly salary tax return within the legal dates
- No tax inspection took place for the years 2005 till 2008,

### c. Stamp tax

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

## Alexandria Saudi company for tourism projects

### a. Corporate tax

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

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

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- The company submits the tax returns within the legal dates and paid the amounts due accordingly,

### b. Salary tax

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

### c. Stamp tax

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

## Mayfair Company for entertainment services

### a. Corporate tax

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

### b. Salary tax

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

### c. Stamp tax

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

### d. Sales tax

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

## Port Venice for tourism development

### a. Corporate tax

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

### b. Salary tax

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

### c. Stamp tax

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

### d. Sales tax

- The company is not subject to sales tax law,

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010

### 35- RELATED PARTY TRANSACTIONS

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

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 49,80% of Talaat Mostafa Group Holding

Total transactions

	30/6/2010		31/12/2009		Type of Transaction
	Construction Works	Management fees	Construction Works	Management fees	
	LE	LE	LE	LE	
Virginia Owners Union	-	600,000	-	1,040,500	Management
El basateen company	3,365,052	-	4,641,799	-	Service
Alexandria for Construction	1,950,178,954	-	3,316,554,909	-	Contractor

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

	30/6/2010		31/12/2009		Type of Transaction
	Construction Works	Management fees	Construction Works	Management fees	
	LE	LE	LE	LE	
Virginia Owners Union	-	600,000	-	1,040,500	Management
Alexandria for Construction	1,950,178,954	-	3,316,554,909	-	Contractor

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

	30/6/2010		31/12/2009	
	Notes Receivable	Notes payable	Notes Receivable	Notes payable
	LE	LE	LE	LE
Alexandria for Constructions Company	-	14,180,760	-	77,199,035
Alexandria for Touristic Projects	-	-	-	306,381

	30/6/2010		31/12/2009	
	Debit Balances	Credit Balances	Debit Balances	Credit Balances
	LE	LE	LE	LE
Alexandria for Constructions Company	7,078,373	-	15,542,024	4,674,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36- Contingent and other obligation contracted

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

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

### **37-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,